

Global Business Services Index Annual Report 2024

Legal Services

November 2024





Foreword

Since taking on the role of leading PwC's Global Business Services industry, I have been amazed to discover fully what a diverse, inventive and resilient industry this is.

For PwC, Business Services represents one of the largest global industries, and our fastest growing. We have over 45,000 clients in more than 50 countries, and are ourselves a constituent of a global industry which is growing at an average of about 8% per annum.

The economic and social impact of this industry is staggering. It employs more than 1 billion people worldwide and many of its constituents are the glue which binds broader industrial ecosystems and societies together. From legal advice to logistics, catering to security, harnessing AI to supporting education, delivering sustainability to testing for health and safety, business services firms fulfil a vital role in all our economic futures.

Despite its importance, we have found the business services industry to be generally understated and under-profiled in thought leadership and research.

Which is why we felt the need to develop this index – to provide a platform for understanding and benchmarking the performance of leading global business services firms.

I hope you will enjoy reading this report and its subsequent iterations. In compiling it, we have used our deep sector knowledge and research teams across our global network. If you are interested in finding out more about the industry, our methodology, or how your business services firm might perform better in the market, please do get in touch.



Mark Anderson
Global Business Services Leader

The 8 strategic sectors covered in PwC's Global Business Services Index based on the performance of global leading firms in each sector/sub-sector

Business support services (BSS)						Legal and professional services (LPS)		
Sectors	Logistics and distribution	Business process outsourcing (BPO)	Testing, inspection and certification (TICC)	Human capital management (HCM)	Digital and education services (D&E)	Built environment services (BES)	Legal services (LS)	Professional services (PS)
Sub-sectors	Logistics providers	Technology business process outsourcing	Inspection and certification	Recruitment solutions	Education services	Facilities and real-estate management	Legal service providers	Consulting, tax and audit
	Providers of delivery, logistics and transportation services with B2B focus	Providers of pure play BPO services that focus on technology-related functions (IT, tech-support)	Providers of testing, inspection and certification services to verify content, quality and/or compliance standards	Third-party service providers specialising in permanent recruitment services	Providers of learning and upskilling services, excluding institutes and universities	Providers of facility management, building and landscaping services, contract catering and cleaning, real-estate consultants	Law firms providing services such as legal advice, document review, contract management, legal research, e-discovery, compliance support, and other legal tasks	Providers of management/technology consulting services, auditing and risk services
	Distribution and wholesale	Non-technology business process outsourcing	Healthcare diagnostics and testing	Staffing solutions	Data providers	Security solutions		
	Providers of distribution services and wholesalers	Providers of BPO services that focus on non-tech functions (admin, finance, operations)	Providers of testing and diagnostic services for healthcare sector	Providers of temporary or contract staff as needed	Providers of data and specialised digital services	Providers of physical and digital security solutions		
	Supply chain solutions and freight arrangement					Waste management		
	Providers of supply chain (SC) solutions and freight forwarding services					Providers of waste disposal and management services		



Contents



Executive summary

Disruptive Megatrends are shaping the business services industry and driving transformative growth

Business services play a crucial role in enhancing operational efficiency and organisational performance across various sectors. In order to continue delivering value, companies need to address the global Megatrends impacting their businesses and deliver differentiated growth.

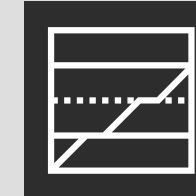
46%

of business services CEOs do not think that their current business model will be viable in 10 years.

76%

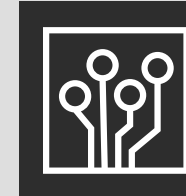
of business services CEOs have changed the way they create, deliver and capture value.

Source: PwC 27th Annual Global CEO Survey



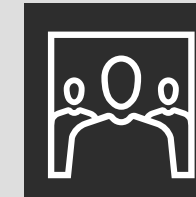
Macroeconomic Megatrends

including inflation, have significantly impacted the business services firms. Rising inflation increases operational costs and pressures businesses to optimise their expenditure. Additionally, economic uncertainty drives companies to seek more cost-effective solutions and flexible service models to navigate fluctuating market conditions.



Technological advancements

are revolutionising the sector, with automation and artificial intelligence (AI) becoming central to business operations. Firms are integrating these technologies to improve efficiency, reduce costs, and offer data-driven insights. In addition, companies are leveraging AI to deliver tailored client solutions and enhance operational capabilities.



Changing customer preferences

are influencing the sector's evolution, as clients demand niche and sustainable solutions, with a growing emphasis on customised services. In response, business service providers are adopting strategies that focus on optimising costs, reducing carbon footprints and offering specialised services that align with their clients' expansion goals and unique needs.

Over the past four years, the legal services sector has experienced strong fee income growth

The sector's index score is 110 (normalised to the base year of 2019 = 100), with the greatest improvements recorded in the growth, while performance across other dimensions remained relatively flat. Despite growing staff costs, firms were able to maintain profit margins, due to efficiency improvements. Conservative headcount growth and technology-enabled tools have also led to minor increases in productivity, while growing short-term borrowings have impacted liquidity ratios.

Business expansion and inflation have been key factors affecting sector performance, urging innovation towards more diversified service offerings and cost-saving initiatives, as the business landscape evolves.

Index Score

110

Base year (2019) = 100

Legal services sector performance, by dimension:

Growth **142**

Business services industry average 142

Increase in demand for legal services across territories was supported by global expansion of firms tapping into high-growth markets and practices, to further drive fee income and profits.

Profitability **100**

Business services industry average 109

Rising staff and vendor costs impacting gross margins were offset by improved efficiency and bottom-line performance, resulting in overall profitability score remaining stable.

Productivity **103**

Business services industry average 102

With revenue growth outpacing headcount increases, fee earner contribution to turnover has improved, though partially offset by footprint expansion decreasing asset utilisation.

Cash Flow **95**

Business services industry average 105

Liquidity ratios have seen minor declines, as companies are utilising a combination of cash balances and short-term liabilities to fund operations and business expansion.

To sustain and enhance differentiated growth, sector leaders are focusing on the following priority areas...

Sector leaders are starting to leverage technology to drive productivity and capture new growth avenues. Upskilling and training talent in high-demand skills, such as generative artificial intelligence (GenAI), data analytics, cloud will be important, as well as building a strong climate mandate and providing sustainability-related offerings to clients.

...and building thorough, foundational risk management practices to capitalise on new growth opportunities

Innovative avenues of growth can increase exposure to new risks, which need addressing via a strong foundation in risk management practices to foster resilience.



Technology

Leverage technology for growth and operational efficiency

As the majority of sector leaders recognise the potential benefits of technology-enabled tools such as generative artificial intelligence (GenAI) for operational efficiency and providing higher-margin offerings to clients, firms are racing to invest in digital capabilities ahead of their competition.



Talent

Recruit and cultivate talent to meet evolving organisational needs

To provide their clients with differentiated services related to data, technology and environmental, social, and governance (ESG) advisory, legal firms are seeking to diversify skill sets among their workforce by hiring niche talent and training existing staff in future-proof skills.



ESG

Develop a strong climate mandate to stay relevant

Changing legislation towards environmental disclosure is prompting law firms to include ESG-related advisory in their service portfolio, as clients are facing unique challenges around net zero and energy transition schemes.



Build a thorough risk management practice to seize opportunities

01

The imperative
for change



Organisations are transforming their own businesses to support clients in tackling disruptive Megatrends and driving transformative growth

Economic events and Megatrends are transforming the global business environment

Over the past years, several Megatrends have led to a series of disruptions, from a global pandemic to outbreaks of conflict, from extreme weather to the sudden advent of AI. The Megatrends of climate change, technological disruption, demographic shifts, and others have been aggravating the challenges faced by leaders.

Supply chain disruptions, new technology that threatens to make entire categories of jobs obsolete and rapidly evolving government regulations are creating an imperative for businesses of all types to reinvent their delivery models to enable long-term growth.

Aside from disrupting business plans and operations, they have also led to increased cost and inflationary pressures.

Inflationary pressures are expected to continue impacting businesses



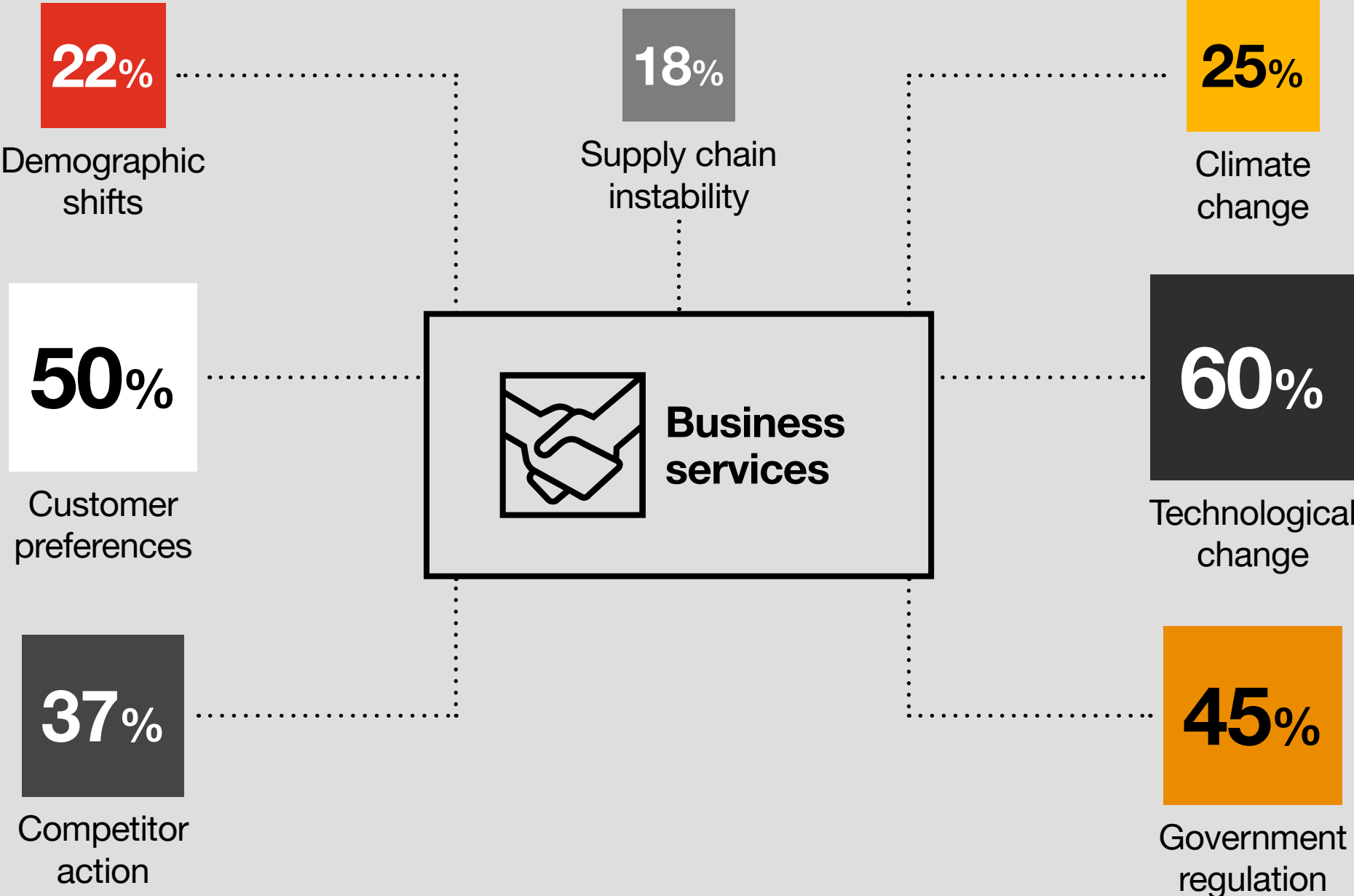
global business services CEOs believe their company will be highly or extremely exposed to inflation in the next 12 months.

Source: PwC 27th Annual Global CEO Survey

Highly competitive sectors are increasingly affected by inflationary pressures impacting costs and profitability.

By offering differentiated services, some global leaders are driving a premium pricing strategy to pass these cost pressures on to their customers.

Global business services leaders see technology change and customer preferences as top factors that will drive them to change the way they create, deliver and capture value over the next three years:



Source: PwC 27th Annual Global CEO Survey. Percentage values reflect the percentage of global business services leaders who indicated that the following factors will drive changes to the way their company creates, delivers, and captures value in the next 3 years

In today's market, legal services play a crucial role in helping companies respond to Megatrends and foster growth...

As businesses face transformative shifts, legal professionals provide essential guidance and strategic foresight. Law firms assist companies to comply with complex regulations, manage risks effectively, and capitalise on emerging opportunities.

Legal services are crucial in navigating data privacy laws, intellectual property issues, and cross-border transactions. They offer expertise in managing the legal implications of digital transformation, mergers and acquisitions (M&A), and environmental sustainability initiatives.

Furthermore, as businesses integrate climate strategies and sustainability goals, legal services facilitate compliance with environmental regulations and help mitigate potential risks. In essence, law firms empower companies to thrive amidst Megatrends, enhancing their resilience, compliance, and positioning themselves for long-term success.

...but there is an increasing need for legal firms to transform their own businesses and deliver value to their clients

To remain relevant and deliver greater value to clients, there is a need for firms to undergo transformation. As client expectations evolve, law firms must innovate by adopting advanced technologies, such as AI and data analytics, to enhance efficiency and provide more insightful legal advice.

Embracing new business models, such as flexible billing structures, legal service providers can also help meet diverse client needs. By evolving their own practices, firms can offer more strategic, cost-effective solutions and better align with client objectives.



To scale and drive customer growth, companies are reinventing their own practices in the areas of technology and specialised offerings

76%

of business services CEOs report having taken some steps to change how they create, deliver and capture value over the past five years.


Source: PwC 27th Annual Global CEO Survey

Business leaders need to focus on several key areas to drive both financial and operational growth




Leverage technology to enhance capabilities and service quality

Companies can leverage technology to define new service offerings and optimise workflows to provide high-quality services.



Focus on core functions to streamline workflows

Companies should focus on core functions and leverage outsourcing to streamline workflows and promote productivity.



Expand into new markets and customer segments, develop new service offerings

Companies should explore new customer segments and markets to drive transformative growth.

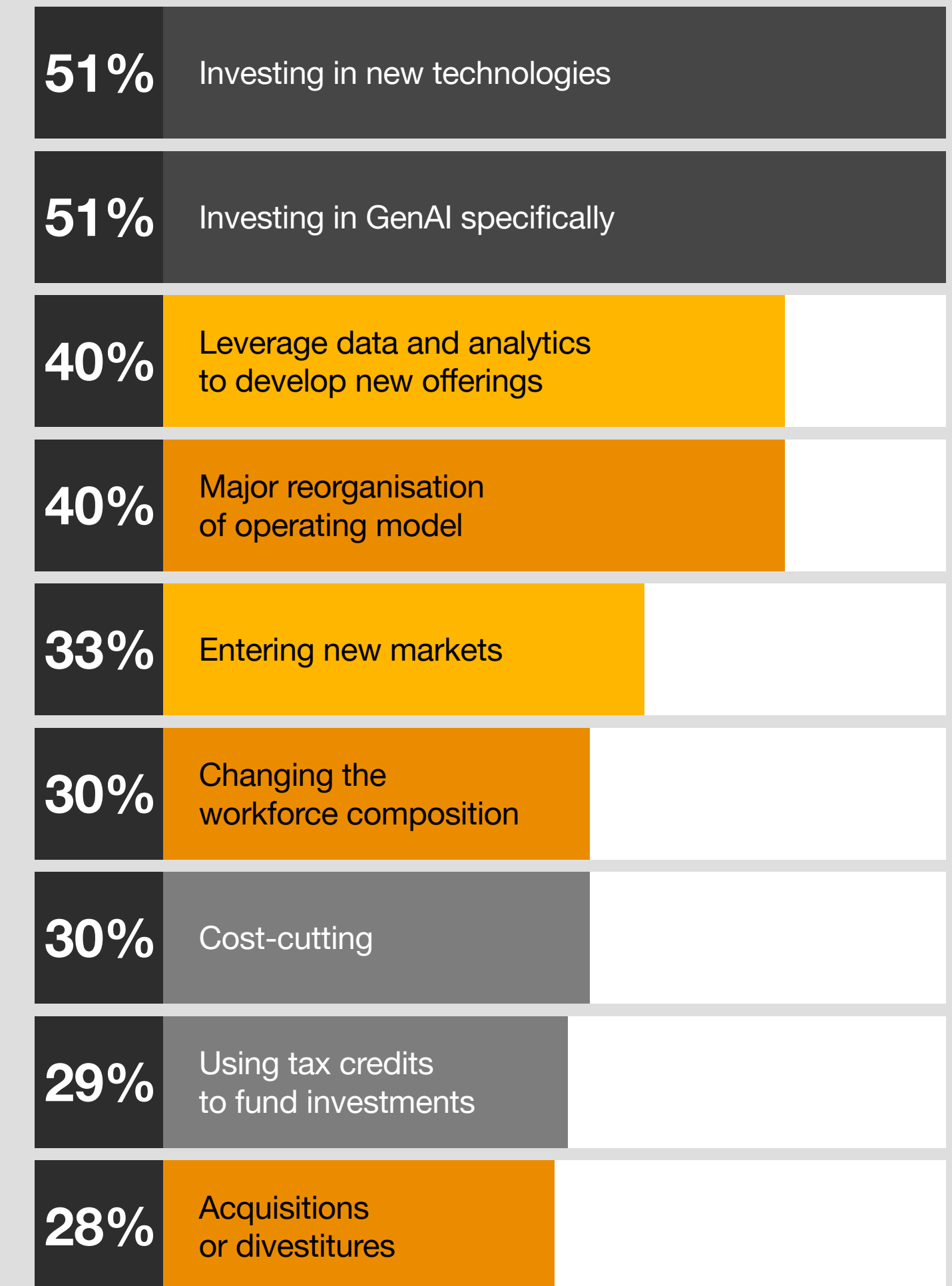
Acquisitions and divestitures can help drive differentiation, allowing companies to scale, specialise and capitalise on high-growth opportunities.



Free up capital to fund investments

Companies can optimise their cash position and profitability through near-term cost-cutting measures or major organisational restructuring to move towards leaner operations.

Percentage of respondents who indicated the following was a top strategic priority for their company in the near future:



Source: PwC Global Pulse Survey 2024

To track performance, PwC's Global Business Services Index will help leaders evaluate the effectiveness of their value-creation strategy

Tracking the financial and operational performance of the sector is essential for informed decision-making and sustained growth

Regular monitoring facilitates proactive adjustments to strategies, resource allocation, and service improvements, assisting companies to remain competitive and capable of delivering value in a dynamic market environment.

Emphasising data-driven decision-making enables companies to continue driving value and supports sustainable growth for the organisation.

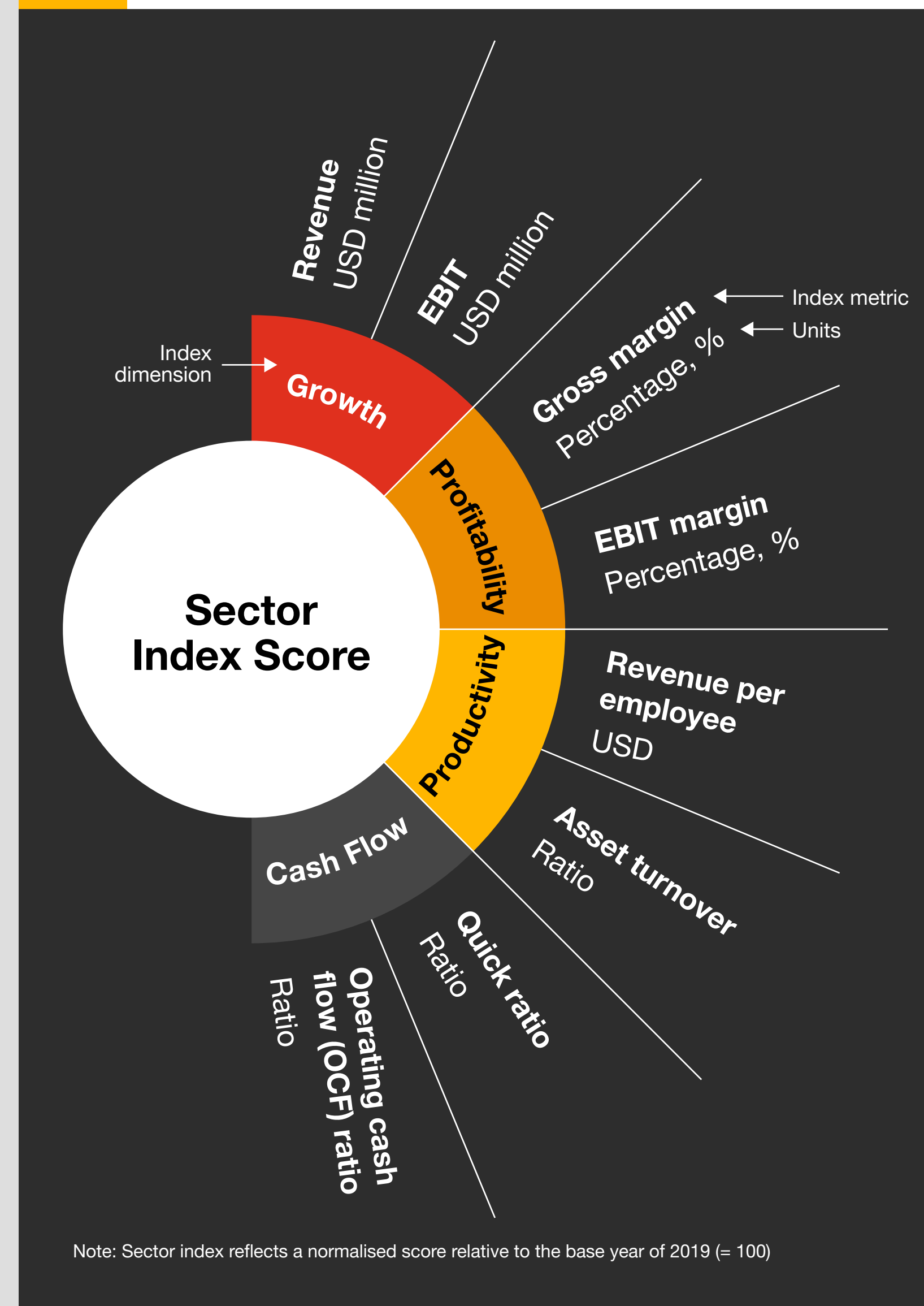
An index for business services can serve as a strategic tool for benchmarking, allowing business leaders to compare their own performance against industry peers and identify areas for improvement

The PwC Global Business Services Index consolidates key metrics such as **growth, profitability, productivity and cash flow**.

The Index provides a thorough view of market trends and competitive benchmarks, aiding in strategic decision-making.

By benchmarking against industry standards, leaders can identify operational inefficiencies, streamline processes, and enhance service quality.

This data-driven approach helps prioritise investments, mitigate risks, and capitalise on emerging opportunities, enabling sustainable growth and maintaining a competitive edge in the marketplace.



02

Sector Index



Legal Services sector at a glance



Legal service providers

Law firms providing services such as legal advice, document review, contract management, legal research, e-discovery, compliance support, and other legal tasks.

Overall, the legal services sector experienced strong growth, while other dimensions remained flat

The sector's index score is 110 (normalised to the base year of 2019 = 100), with growth dimension being the leading contributor to the sector's positive performance over recent years, driven by geographic expansion and portfolio diversification.

Initiatives focused on high-margin portfolio and strategic cost-cutting measures were able to offset inflation of costs, resulting in flat profitability. Investments in technology adoption have marginally improved productivity at the expense of minor decreases in liquidity positions.

Business expansion and cost inflation are key drivers impacting the performance of law firms



Business expansion

Riding a wave of continued growth, the sector has seen major players expand their presence in key markets such as the US, the UK and Western Europe to cater to growing client demand.

To hedge against geopolitical risks, sector leaders are continuously reassessing their geographic footprint and strategically positioning themselves in high-growth markets such as APAC, the Middle East and South America.

Business are also eyeing high-margin segments such as ESG consulting, AI and cyber, as well as complex litigation to drive growth.



Inflation

The 'Great Resignation', global inflation, and the ever-growing demand for niche skills have led to increased competition for talent and higher costs to attract, develop and retain its workforce.

In addition to personnel costs, other operational expenses, such as marketing, leases, software licensing, and travel-related costs, are also on the rise.



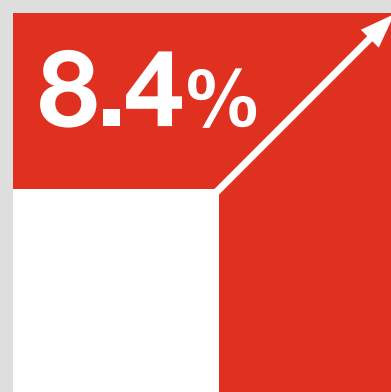
..... = 100 (base score for each dimension with 2019 as reference year)

Growth

Dimension score: **142**

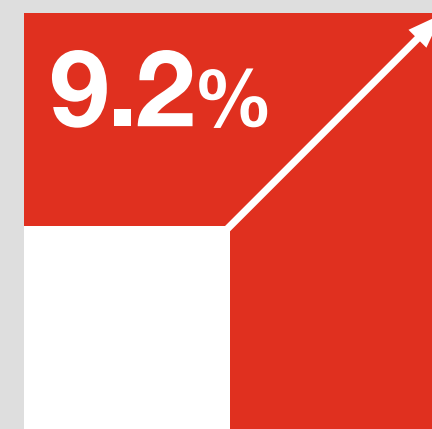
In line with increasing demand for legal services, firms have experienced strong fee incomes.

Avg. revenue growth, %
(CAGR 2019-23)



■ 2019 ■ 2023

Avg. EBIT growth, %
(CAGR 2019-23)



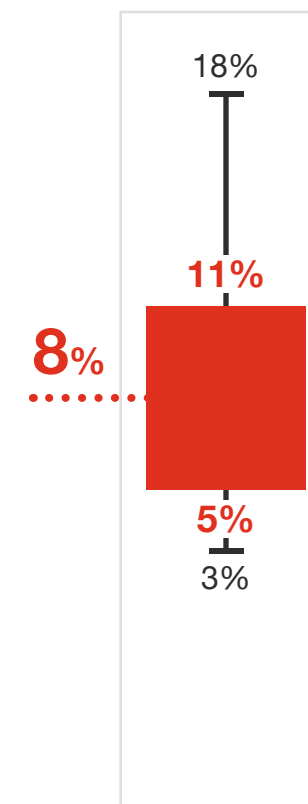
Macroeconomic conditions are shaping the way firms are delivering value, with inflation and geopolitics impacting the sector significantly

As regulatory regimes are becoming increasingly complex, the demand for domestic and cross-border legal advice continues to grow. To address the recent geopolitical trends, firms are reevaluating their geographic footprint. For example, Brexit has inspired leading law firms to set up new offices in Ireland.

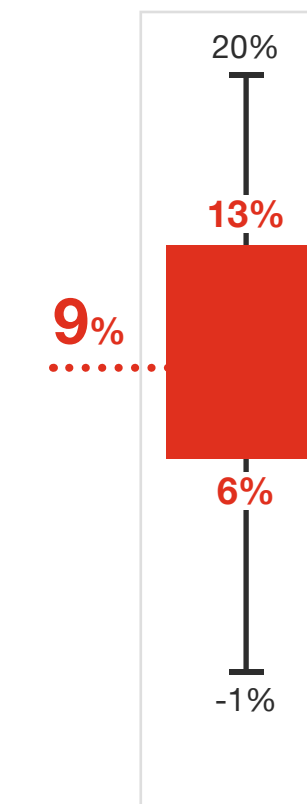
With recent inflationary pressures on costs, most businesses struggled to pass these increasing staff and supplier costs on to clients.

Demand from emerging markets across APAC, the Middle East and South America has, to some extent, helped overcome the loss of business due to geopolitical conflicts in certain geographies.

Revenue growth, % (CAGR 2019-23)



EBIT growth, % (CAGR 2019-23)



Key: Average ■ Interquartile range 25%-75% I Minimum/Maximum

Demand for legal services has fuelled significant revenue growth across regions over the past four years, with recent economic conditions causing slowdown

After a dip in chargeable hours during the pandemic, most firms have managed to recover, with many even outperforming 2019 levels, further boosting organic growth.

To capitalise on increasing demand across territories, firms have diversified their geographic footprint in core markets such as the US, the UK and Germany, as well as emerging markets. Recent headwinds in economic conditions, however, have slowed both revenue and profit growth on a year-on-year basis.

Increase in EBIT outpaced revenue growth as demand in high-margin segments and operational efficiency improvements have driven bottom-line growth

Along with high demand from segments such as complex litigation, sector leaders have seen strong growth in high-margin services related to intellectual property disputes or high-end M&As that have boosted profits.

The recent decline in transactional business, due to lower number of M&A deals over recent years, was offset by volume increases in other service segments such as insurance.

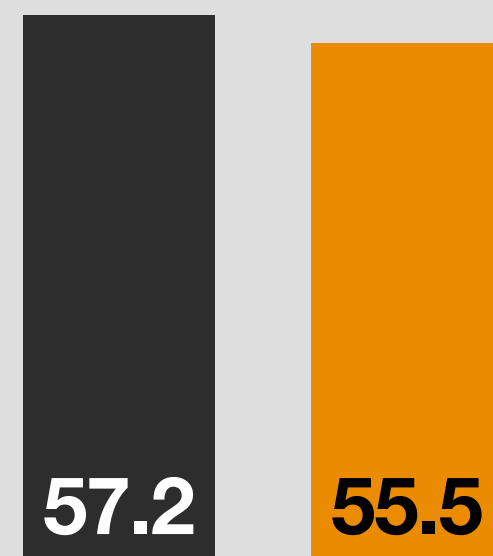
Source: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

Profitability

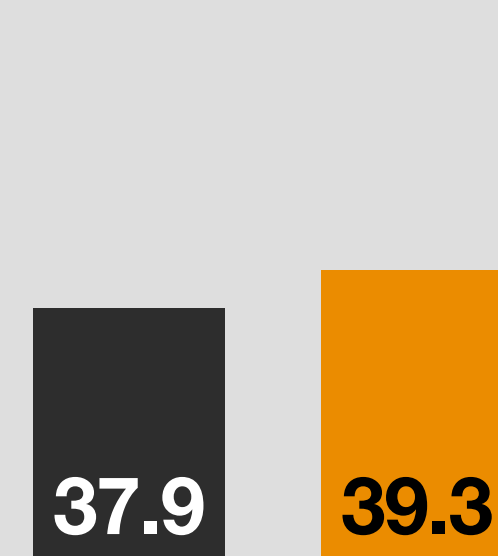
Dimension score: **100**

Inflationary pressures on staff and vendor costs prompted firms to diversify into higher-margin businesses and cut overhead expenses.

Avg. gross margin, %



Avg. EBIT margin, %



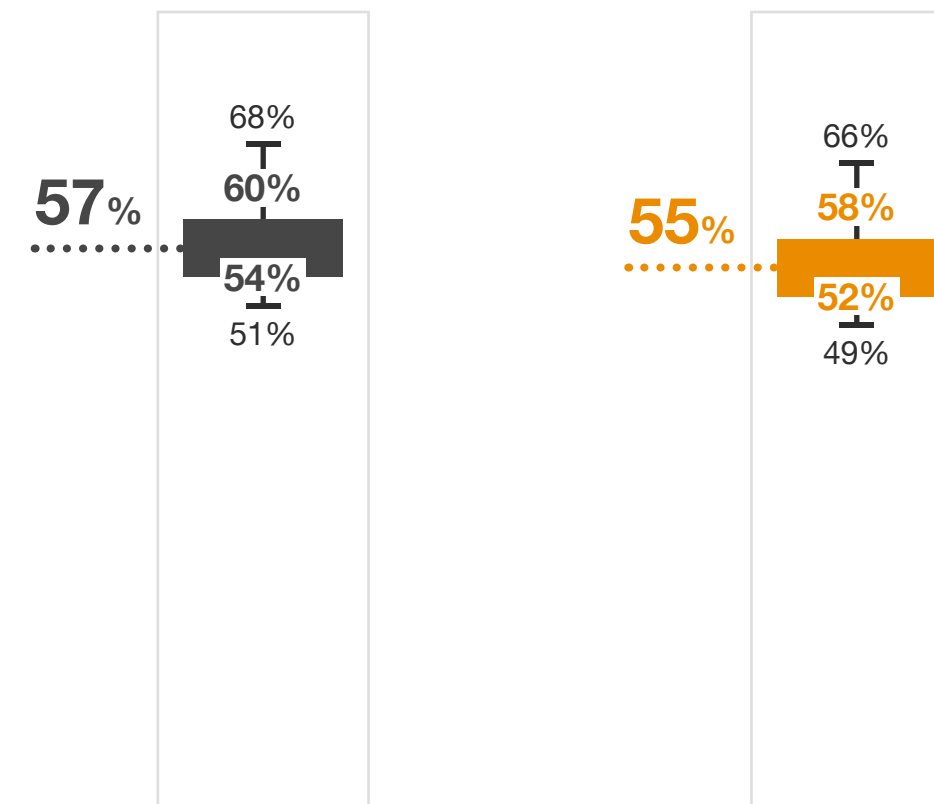
■ 2019 ■ 2023

Overall, decreases in gross profitability due to inflationary pressures were offset by cost efficiency

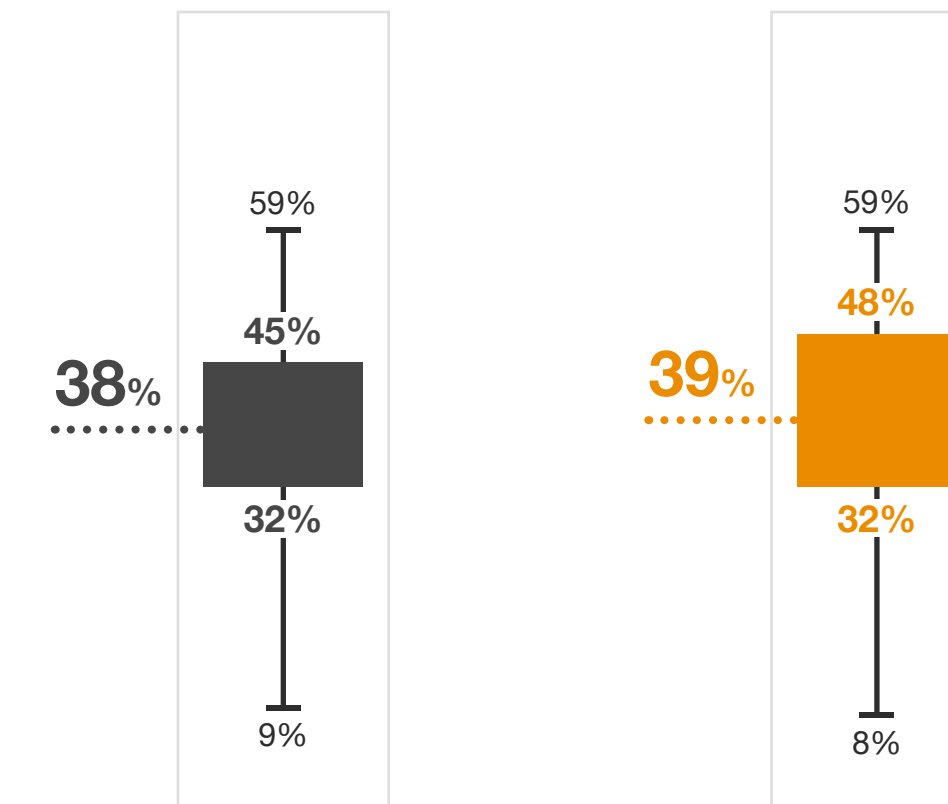
Despite limited headcount growth, inflation of wages for fee earners and supporting staff caused gross margins to decrease.

Efficiency gains and optimised cost management practices allowed EBIT margins to offset gross margin declines, resulting in profitability scores remaining flat.

Gross margin, %



EBIT margin, %



Key: ··· 2019 Average ··· 2023 Average ■ Interquartile range 25%-75% I Minimum/Maximum

As law firms are diversifying into higher margin segments to combat cost inflation, increases in staff salaries put pressures on gross margins

Competitive pressure on salaries, general price inflation on overheads, business expansion costs, and a return to pre-pandemic levels of travel, marketing and other costs have impacted profitability over the past few years.

Although partially offset by diversification into high-margin practices such as ESG advisory, AI and cyber, as well as complex litigation, firms were unable to fully pass these pressures on to clients.

Efforts towards cost-cutting and efficiency-enhancing initiatives have resulted in improved EBIT margins, supported by reduced overhead costs during the pandemic

Reduced expenses for business travel and other related overhead functions during the COVID-19 pandemic allowed for growth of bottom-line.

Capital investments into productivity-enhancing technology and restructuring initiatives have supported reduced overhead and asset-related costs, as businesses are prioritising profitable work and cutting out unnecessary costs to improve margins.

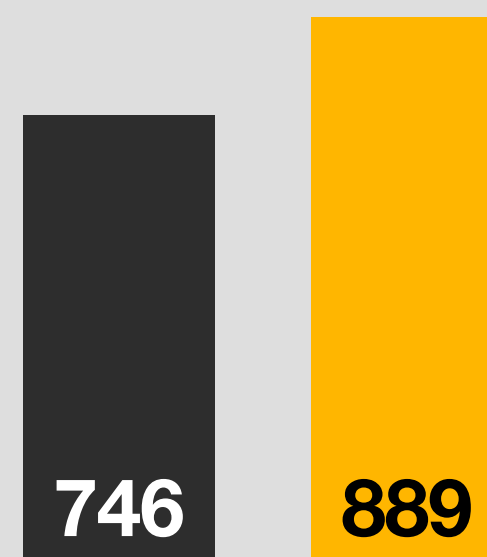
Source: Company annual reports, PwC analysis (for detailed methodology, refer to [Appendix](#))

Productivity

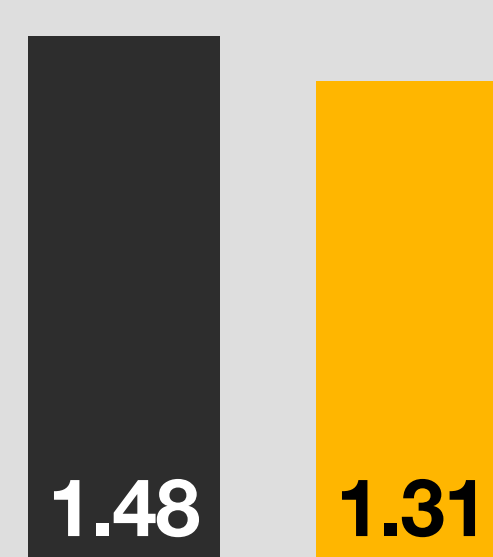
Dimension score: **103**

Productivity has increased due to fee earners generating higher revenues, yet partially offset by the lower contribution of assets to revenue increases.

Avg. revenue per employee, \$000



Avg. asset turnover ratio



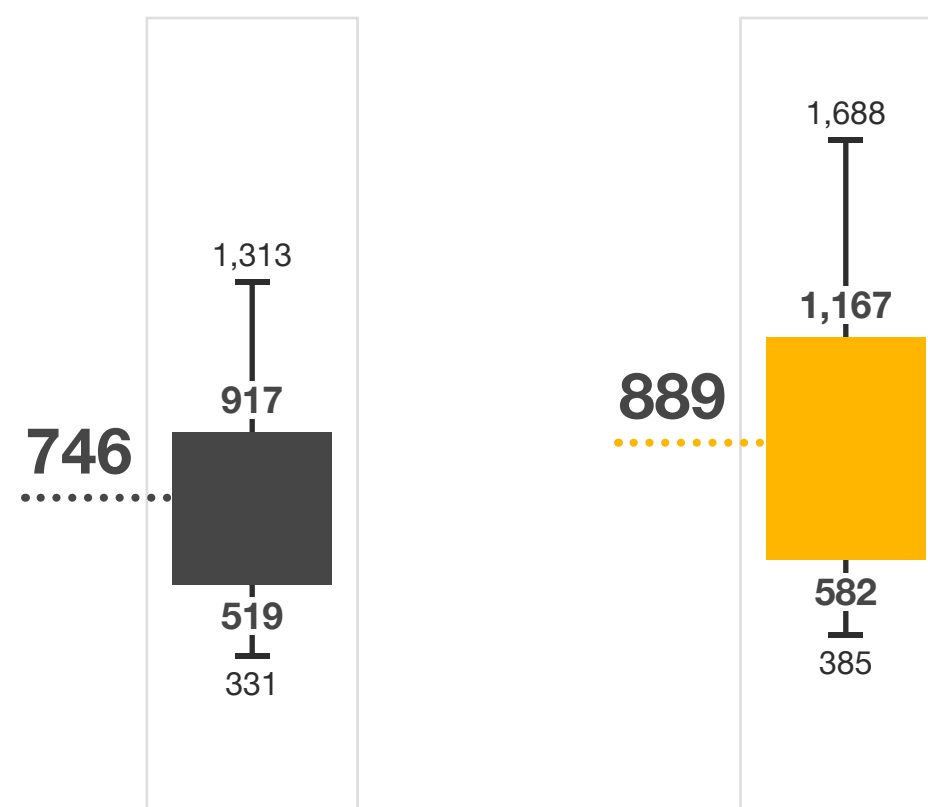
■ 2019 ■ 2023

The legal services sector has seen slight increases in productivity, with recent investments pending to translate into greater efficiency gains

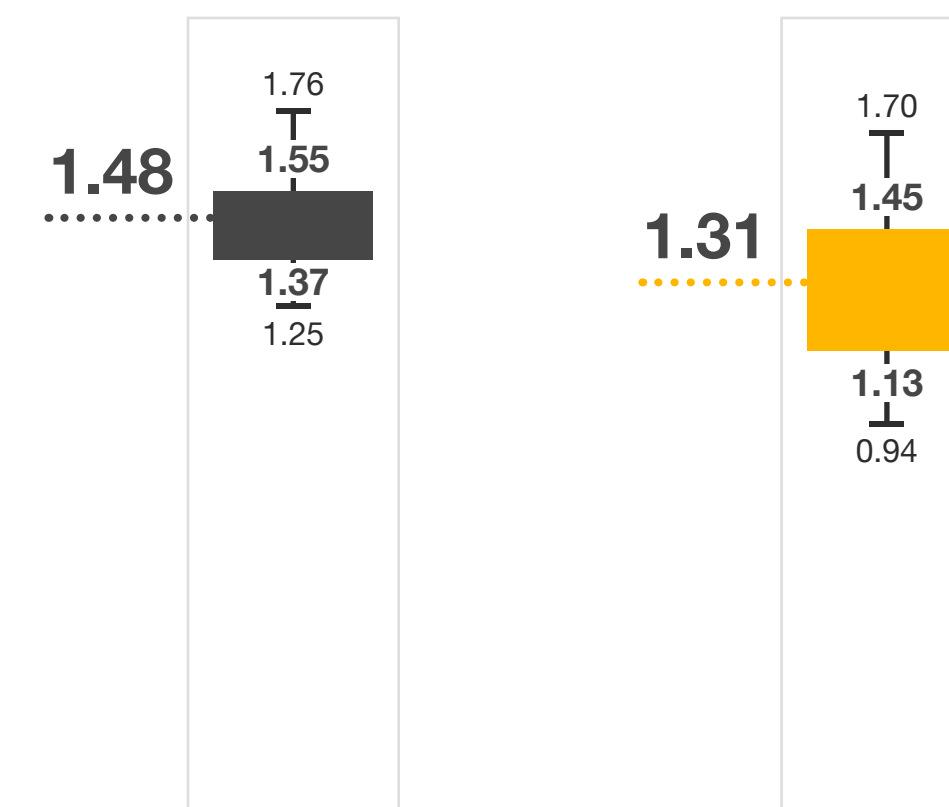
Overall productivity levels have slightly increased, as gains in average fee earner productivity have outpaced decreases in asset turnover ratios.

With investments into performance-enhancing technology for staff and processes, legal businesses are expecting further productivity gains in the near future.

Revenue per fee earner, \$000



Asset turnover ratio



Key: ··· 2019 Average ··· 2023 Average ■ Interquartile range 25%-75% I Minimum/Maximum

Conservative headcount increases paired with strong turnover growth have resulted in higher revenue attributed to each fee earner

Despite massive growth in turnover, firms have increased fee earner headcount at a slower pace, while also leveraging a growing number of trainees to satisfy client demand.

Major investments in technologies such as GenAI are currently focused towards efficiency gains but have yet to translate into higher revenues.

Major expansions in offices across territories have resulted in decreased, yet still considered healthy, asset turnover ratios

Increases in total assets have outpaced turnover growth, mainly due to higher fixed assets in the form of new office spaces, leading to lower asset turnover ratios.

With recent investments into reconfiguration of offices, law firms are aiming to improve efficiencies and, in turn, increase utilisation of their existing asset for greater revenue generation.

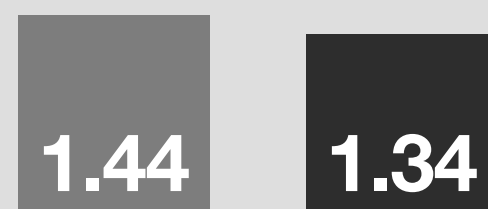
Source: Company annual reports, PwC analysis (for detailed methodology, refer to [Appendix](#))

Cash Flow

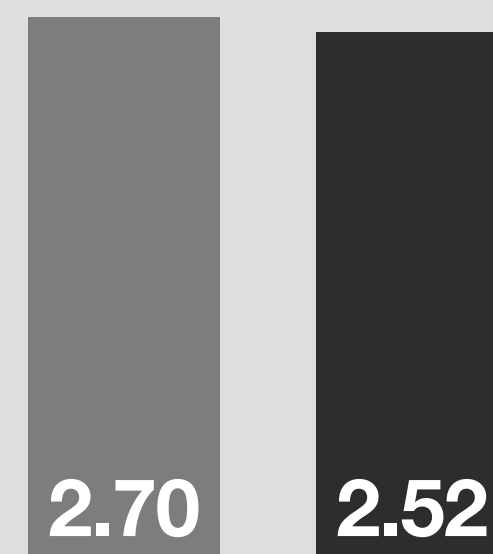
Dimension score: **95**

Though liquidity positions remain exceptionally high, higher increase in short-term liabilities result in declining ratios.

Avg. OCF ratio



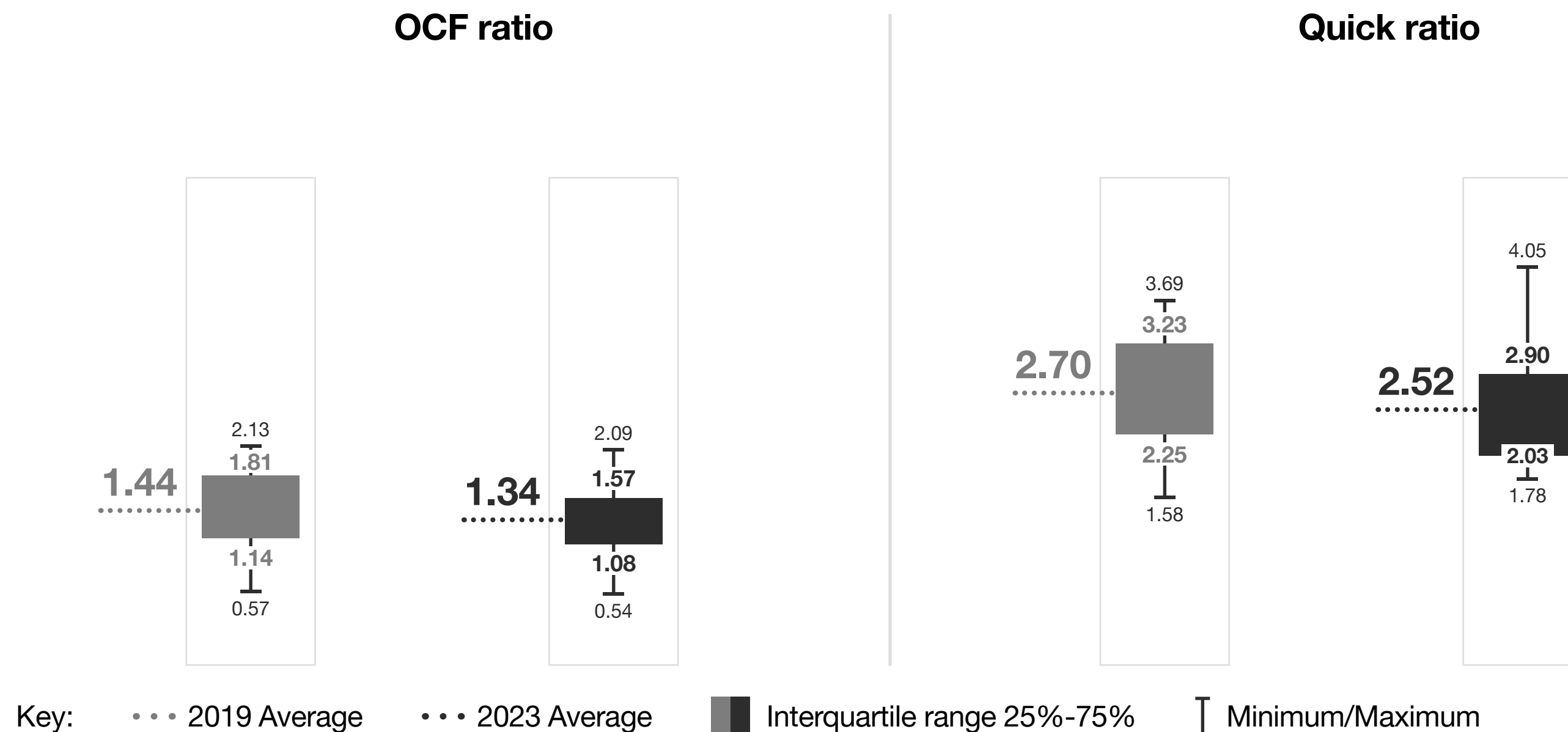
Avg. quick ratio



■ 2019 ■ 2023

Changes to legislation are putting pressures on working capital and liquidity, as law firms are reevaluating their financing structures

To comply with changing legislations in the UK, related to reduced timelines to address tax obligations, firms see a pressure on working capital, driving the need for increased short-term debts to meet financial requirements for operations and expansion.



Growth in incomes has translated to increases in cash generated from operations, yet was not able to outpace additional short-term liabilities

Rising expenses for marketing and client acquisition are driving short-term liabilities to grow at a faster rate than cash generated from operations. These increases in cost for outsourced services drive vendor payables, and hence short-term liabilities, decreasing the OCF ratio.

Further, firms are seeking quicker collection of receivables from clients to support changes in operational needs.

Increases in liabilities falling due within one year have outpaced growth in receivables from completed work and cash balances, reducing quick ratios

The same increases in short-term liabilities have also impacted quick ratios, as gains in current assets such as receivables saw slower growth.

In addition, cash balances are used effectively to fund continued expansion and compensate equity partners, which further decreases current assets.

Source: Company annual reports, PwC analysis (for detailed methodology, refer to [Appendix](#))

To enhance productivity, law firms look to digitalisation as they invest in building AI capabilities and launch technology-enhanced service offerings

Technological disruption is echoing the imperative for change among legal firms to benefit from efficiency gains and new avenues of growth

- Post pandemic, firms have started to set up designated teams and practices to explore machine learning and GenAI applications in the legal space in order to optimise costs and drive efficiencies
- Leaders of larger firms share an optimistic outlook on AI and are starting to see benefits from post-pandemic investments into technology
- As potential benefits are not only limited to internal operational efficiencies, firms are also offering tech-enabled services to their clients in an effort to diversify their portfolios

Success story

A global law firm has established itself as an innovation leader in GenAI applications through partnerships and internal capabilities

By partnering with leading technology companies in the artificial intelligence space, the firm has positioned itself as a **frontrunner of GenAI adoption in the legal sector.**

Among other applications, GenAI enables the automation of time-consuming, administrative tasks, such as drafting or reviewing of contracts, allowing fee earners to **focus on core responsibilities**, resulting in productivity gains.

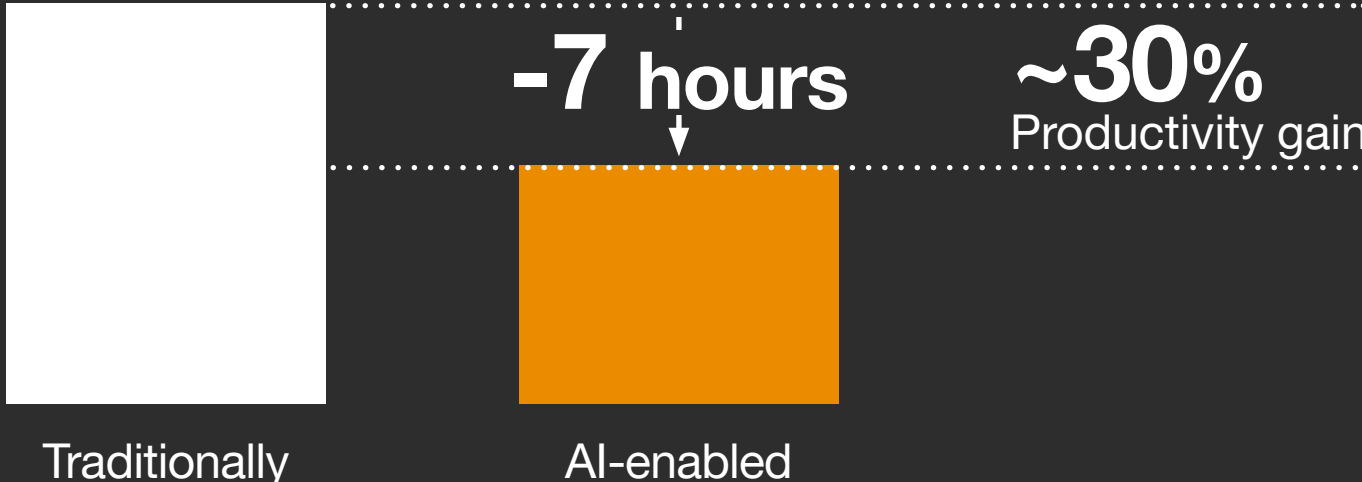
Beyond internal efficiency improvements, the firm scaled the GenAI platform into a **Software as a Service (SaaS) offering** to clients, diversifying its revenue stream.

Source: Company annual reports, PwC analysis

Use of GenAI: Most notable statistics



Avg. time-savings per contract review



03

Priorities for success



Legal service leaders are leveraging favourable demand conditions to grow profits and invest into emerging technologies

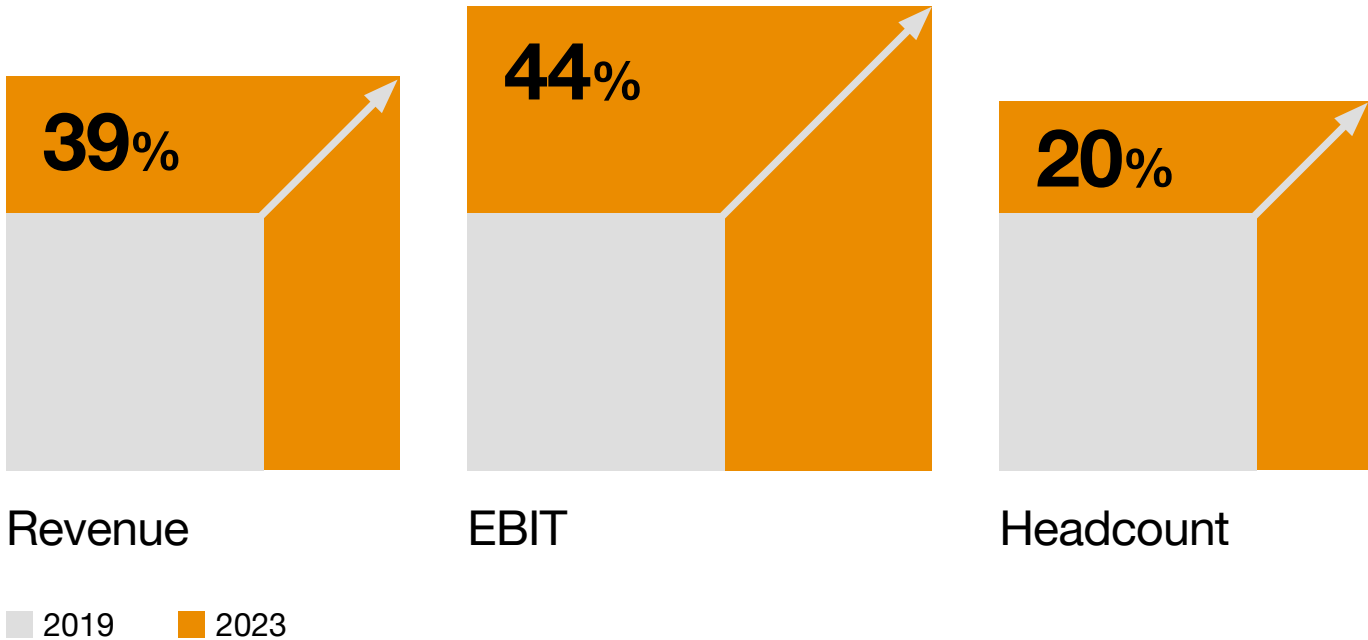
Firms have delivered strong revenue and profit growth, but are facing recent headwinds amidst inflationary pressures on staff salaries and operating costs

Having experienced a strong growth trajectory in both revenues and profits over the past four years, firms are reporting a slowdown in profits. Supporting functions such as information technology (IT), marketing and insurance have been most affected by above-inflation cost increases, prompting legal service providers to reevaluate their operating models.

11.6% was the average UK fee income growth across Top 100 firms between 2023-24

Source: PwC UK Annual Law Firms' Survey 2024

Average revenue, EBIT and headcount growth, 2019-23 % change



Source: Company annual reports, PwC analysis (for detailed methodology, refer to [Appendix](#))

Leading law firms continue to focus on business expansion into new and existing markets, and leveraging opportunities from growing propositions such as litigations, AI, ESG, etc.

Despite business expansion activities, businesses continue their conservative headcount strategies, driving revenues per lawyer.

Reduced travel-related and overhead expenses during the Covid-19 pandemic, and continued investments in efficiency-enhancing tools thereafter, have supported strong margin improvements for most firms.

To capitalise on the benefits of disruptive technologies and deliver differentiated value, sector leaders are investing in data and GenAI

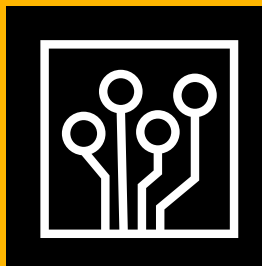
The rise of investments into building capabilities for data and technology reflects the sector's demand for accelerated digital transformation. Sector leaders are racing to build competitive advantages by incorporating technology-enabled services.

1 in 3 of Top100 UK-headquartered law firms expect GenAI to generate savings in chargeable hours of at least 16%

90% of the firms are concerned that cyber risk will prevent them achieving future objectives

Source: PwC UK Annual Law Firms' Survey 2024

Leaders are focusing on these key priorities to enable differentiated and resilient growth:



Using technology to create new growth avenues and more sophisticated service offerings, as well as **enhance operational efficiency** to reallocate human capital towards high value-added activities.



Recruit and cultivate a future-proof workforce to develop advanced technological capabilities and meet evolving organisational needs.



Companies are offering innovative solutions, to help their clients **develop a strong climate mandate to stay relevant.**



Experiencing an increasing level of volatility and uncertainty, firms are expected to **build a thorough risk management practice** to seize opportunities.





Leverage technology to create new growth avenues and enhance operational efficiency

Technological disruptions such as GenAI could change the way law firms create, deliver and capture value

The adoption of technology has emerged as a pivotal factor for business leaders aiming to excel in today's competitive landscape. By integrating advanced tools, companies can optimise operations, leverage data-driven insights, and drive both top- and bottom-line growth. Embracing these innovations not only helps enhance operational efficiency but also fosters scalability and adaptability, positioning firms for sustained success in an evolving market.

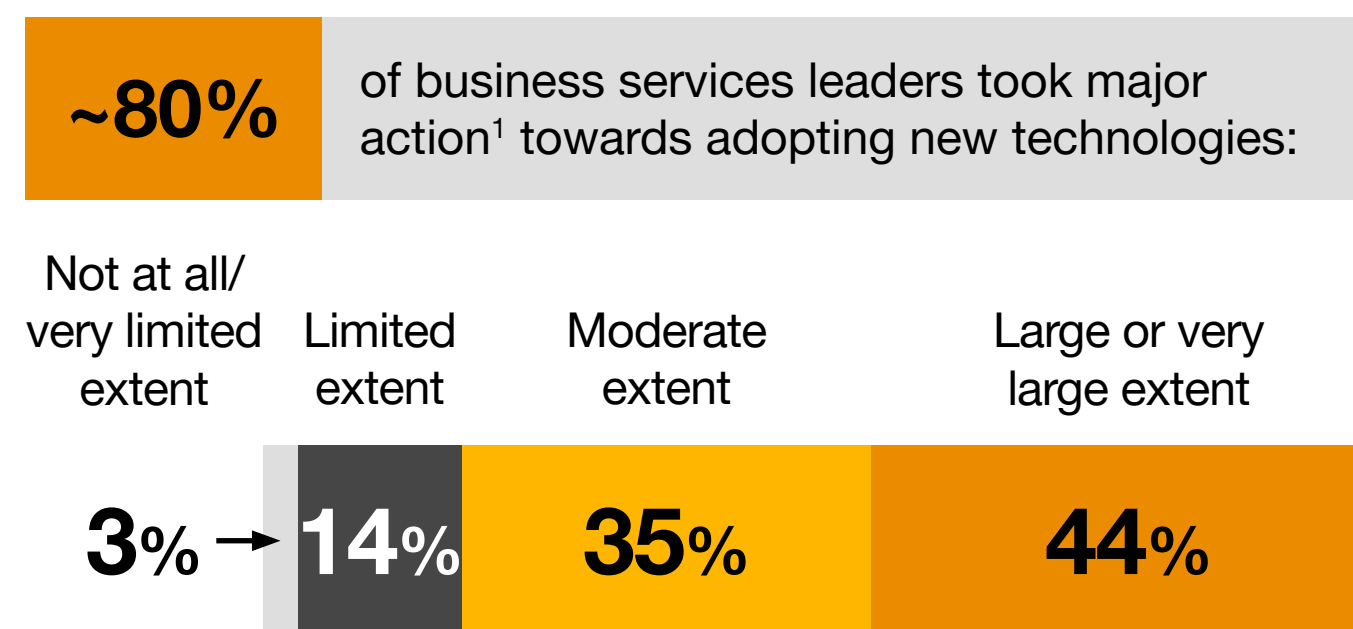


1 in 5

business services CEOs believe that the lack of technological capabilities is an inhibiting factor in changing the way they create, deliver and capture value.

Source: PwC 27th Annual Global CEO Survey

Organisations need to embrace disruption and leverage new technologies to find new growth opportunities



Source: PwC 27th Annual Global CEO Survey

Law firms can significantly enhance efficiency by integrating technology that automates repetitive tasks and optimises workflows. AI-powered tools streamline legal research and document review, while a practice management software automates scheduling, billing, and case organisation. This reduces manual effort and minimises errors, allowing lawyers to focus on strategic and client-oriented tasks.

By embracing these technological solutions, firms can improve productivity, reduce operational costs, and better serve their clients.

¹ Major action includes survey responses 'to a large extent' and 'to a very large extent'.





GenAI has been a huge disruptor but firms are adopting AI to find gains in revenue and margins

71% of business services CEOs believe GenAI will change the way their company creates, delivers and captures value in the next three years.

While a vast majority of business services leaders acknowledge the importance of GenAI, only 37% of them have adopted GenAI in their operations, according to PwC’s 27th Annual Global CEO Survey. This mismatch in recognised potential and adoption highlights the scope for further integration of GenAI into existing operations to drive efficiency and growth.

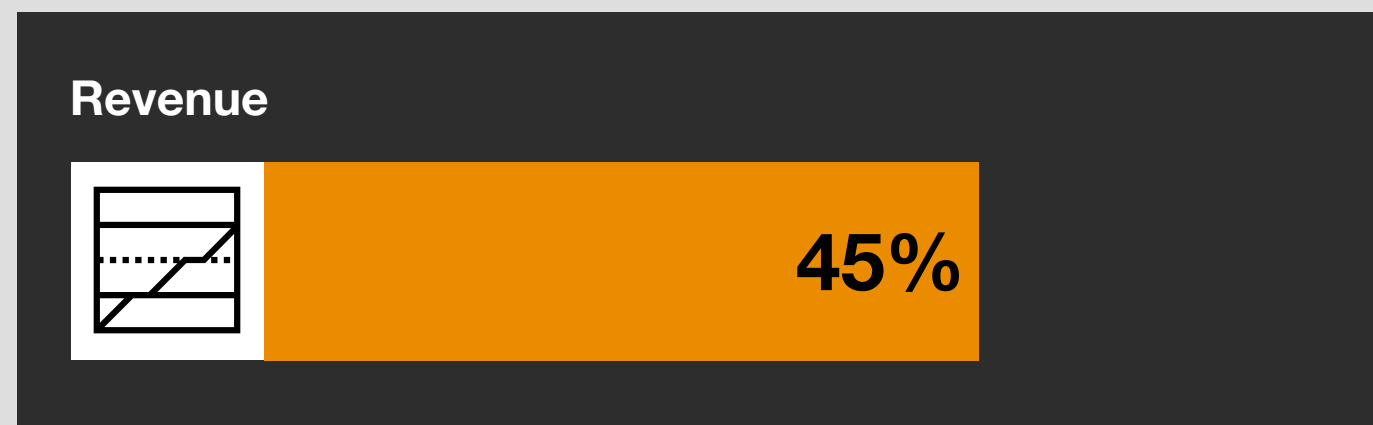
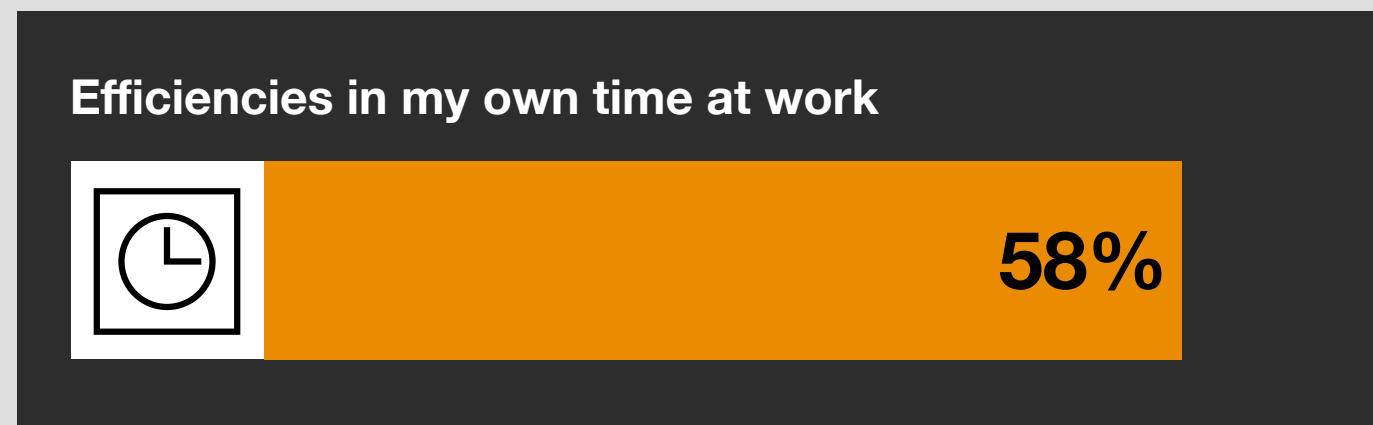
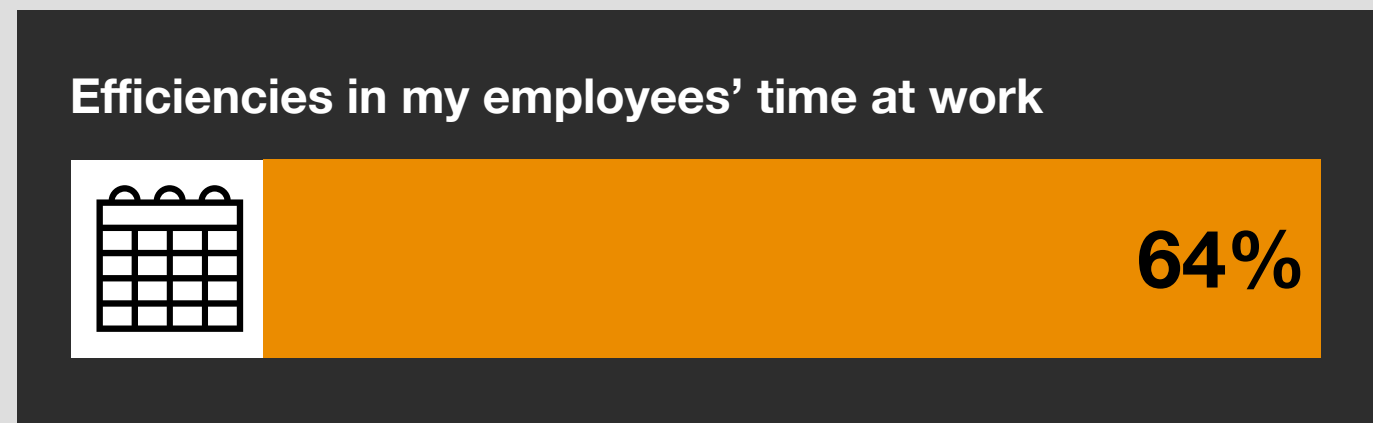
25%

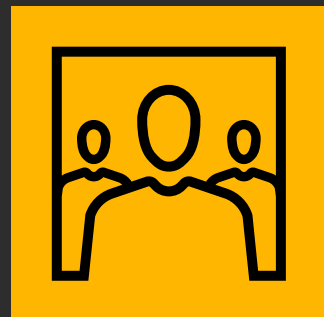
of business services leaders believe that GenAI will help them reduce headcount by at least 5% or more in the next 12 months.

Adoption of AI can facilitate increased sophistication in portfolios, paving way for high-value and high-margin services. Furthermore, automation, data analytics and workflows can be standardised and streamlined through AI integration, allowing leaders to refocus on core capabilities and achieve operational efficiencies by increasing resource and employee productivity.

Source: PwC 27th Annual Global CEO Survey

Percentage of business services CEOs that believe GenAI will increase the following in the next 12 months:





Recruit and cultivate talent to meet evolving organisational needs

Talent needs are evolving as business services companies reinvent how they deliver differentiated value

As corporates navigate rapid technological advancements and growing sustainability demands, skilled talent is crucial. Companies, however, often face challenges with hiring and retaining talent with in-depth subject matter and industry knowledge. Attracting versatile, forward-thinking professionals is key to addressing these evolving challenges effectively.

23%

of business services CEOs believe that lack of skills within their workforce is an inhibiting factor to changing the way they create, deliver and capture value.

Source: PwC 27th Annual Global CEO Survey

Beyond hiring subject matter experts, law firms should also seek talent with essential skills like digital literacy, data analytics, and proficiency in legal tech tools. Some competencies are increasingly vital in today's evolving legal landscape, for instance, AI-driven research, cybersecurity, and e-discovery.

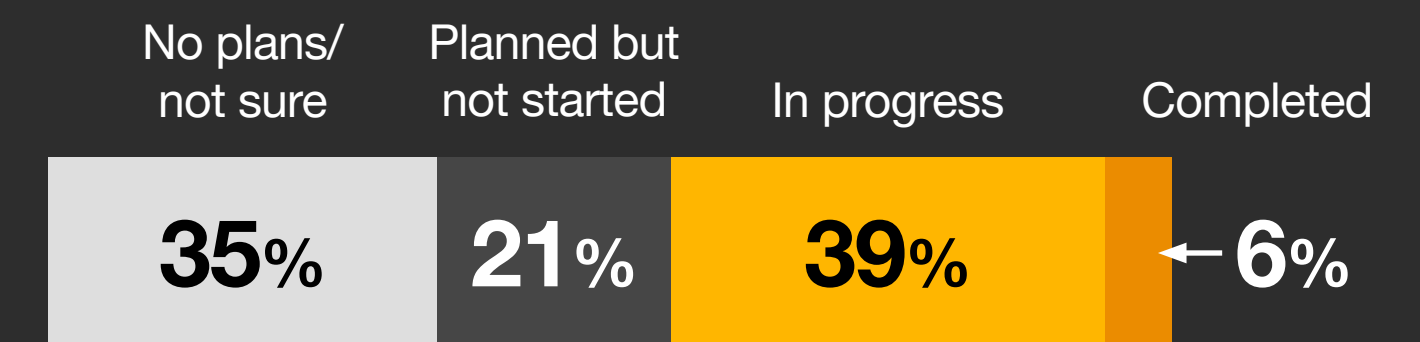
By investing in training and development for these areas, firms can enhance their capability to handle complex, market- and technology-driven legal challenges, helping them remain competitive and effective in a rapidly changing legal landscape.

71%

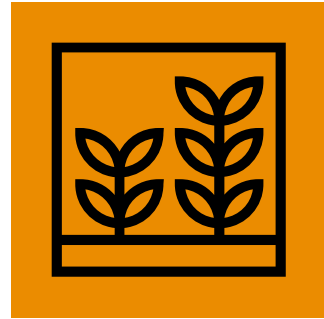
of business services leaders believe that GenAI will require most of their workforce to develop new skills in the next three years.

Source: PwC 27th Annual Global CEO Survey

Percentage of business leaders who have either planned or already progressed on upskilling/reskilling their workforce for climate-driven changes to their business model:



Source: PwC 27th Annual Global CEO Survey



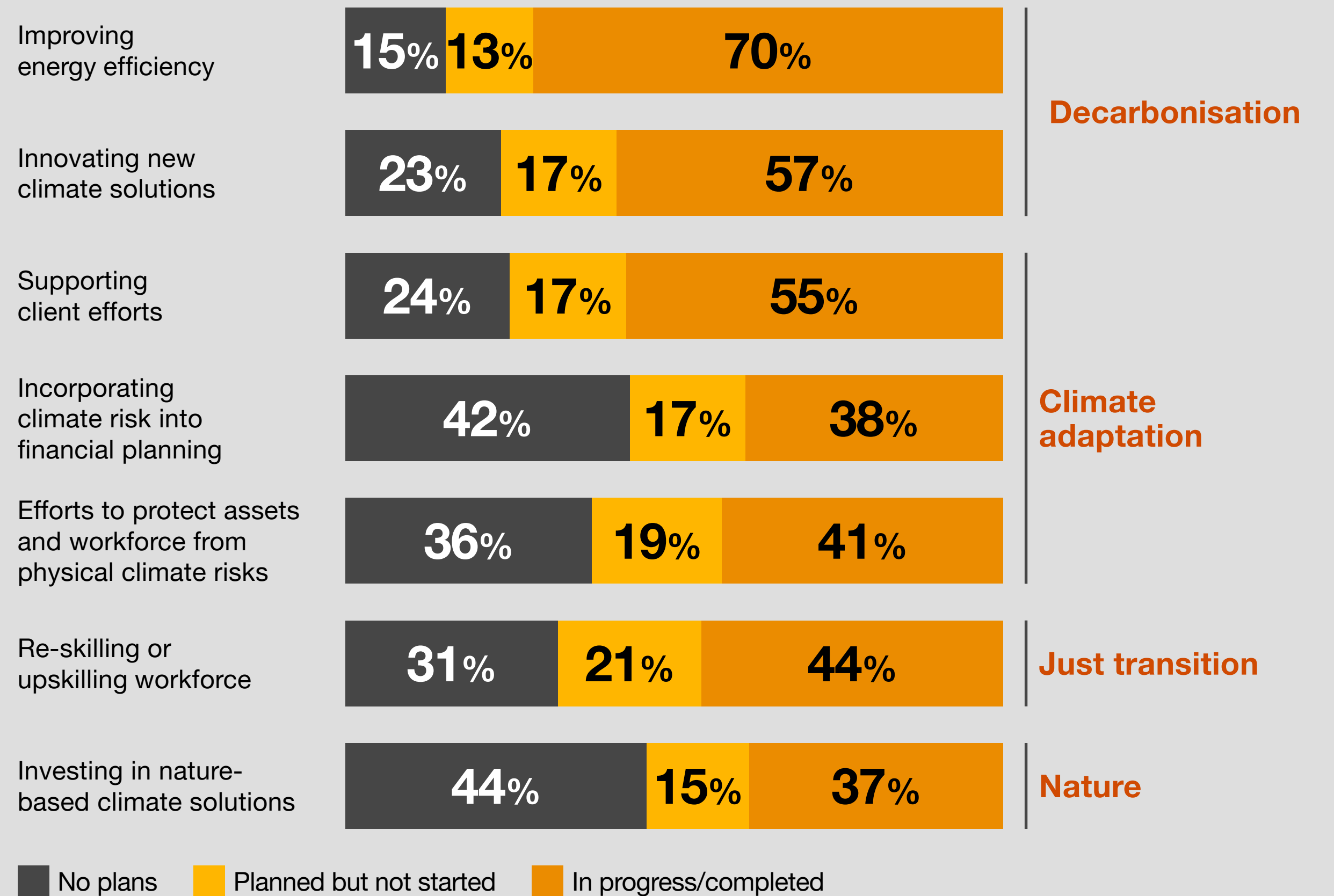
Develop a strong climate mandate to stay relevant

Develop a strong climate mandate to address changing consumer preferences, and government regulations and discover new growth opportunities

There is a growing importance of having a strong climate mandate in view of global developments and net zero commitments. Several business services companies have already undertaken efforts to improve energy efficiency and innovate new climate solutions, and support clients in their climate action journeys.

Law firms can stay relevant by actively integrating sustainability into their operations and client services. Emphasising expertise in environmental law, adopting eco-friendly practices, and advising clients on climate risk management, positions firms as leaders in the growing field of climate-conscious legal practices.

The majority of business services companies have taken major action towards climate change, especially in decarbonisation and climate adaptation efforts:



Source: PwC 27th Annual Global CEO Survey

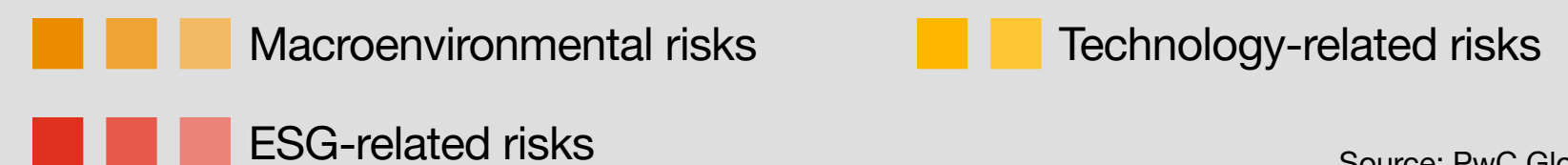
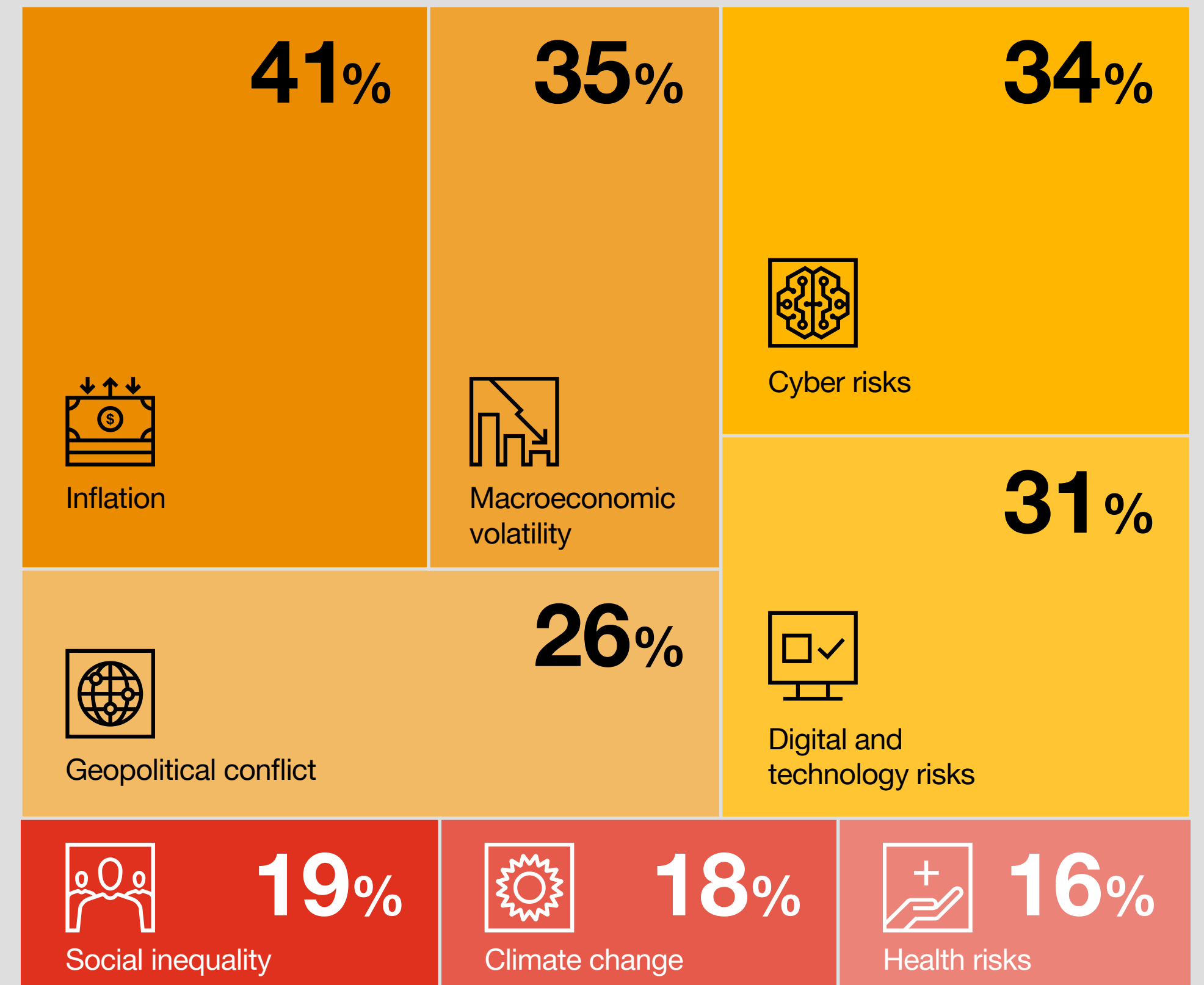


Build a thorough risk management practice to seize opportunities

Reinvention comes with risk, therefore, legal businesses must build a strong foundation in risk management practices to grow resiliently

Effective risk management is crucial for stability and growth as it helps shape and guide the future trajectory of growth. It identifies and addresses threats like geopolitical tensions, which can disrupt supply chains; cyber risks, threatening data security; and climate change, impacting operations. By proactively managing these risks, businesses can safeguard assets, achieve regulatory compliance, and maintain operational resilience.

Top risks that business services leaders believe their company to be most exposed to:



Source: PwC Global Risk Survey 2023

ESG-related risks

Take a long-term view of climate risks and prepare your workforce for health risks

Legal players must invest in technology to accelerate climate actions and support data collection and reporting. They should factor the financial materiality of physical and transitional climate risks into the company's bottom-line, and impact on supply chains in the long term. Companies can leverage the energy transition for cost savings from lower consumption needs and seize opportunities for growth in new segments.

61%

of business services companies have invested in digital communication tools to support business continuity in the event of a pandemic.

Firms must establish flexible working arrangements and digital communication tools for remote working to enable business continuity in case of a global pandemic or other disruptive events.

Source: PwC Global Risk Survey 2023

Macroenvironmental risks

Use predictive risk management capabilities alongside advanced technology and data, and strengthen supply networks

Law firms can integrate existing data analytics capabilities with enterprise resource planning platforms to proactively identify risks in critical areas: IT, supply chain, workforce sentiments, among others. They can also diversify their footprint for operational continuity in the event of global crises.

10%

of business services CEOs are exploring or have just started using technology and data for risk management.

49%

of business services companies have invested in network expansion in the last 12 months for strong supply chain resilience.

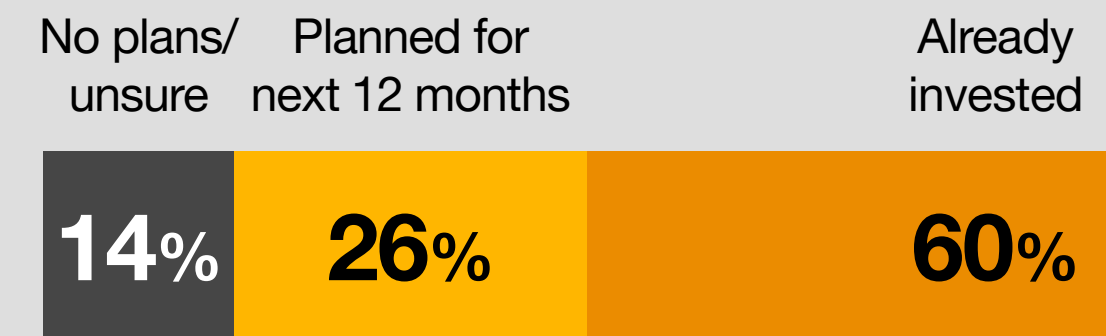
Source: PwC Global Risk Survey 2023

Technology-related risks

Upgrade critical systems to safeguard against cyber attacks and establish protocols for incident recovery

To thrive in today's digital landscape, technology-related risks must be strategically mitigated. This entails investing in cutting-edge cybersecurity measures, continuously updating systems, and fostering a culture of digital vigilance. By conducting proactive risk assessments and implementing thorough data protection strategies, firms can safeguard their operations and fortify client trust.

Percentage of business services leaders who have invested in upgrading their cyber systems in the last 12 months:



Source: PwC Global Risk Survey 2023

Link responsible GenAI to the business strategy

Organisations also need to consider the impact of GenAI on data protection, cognitive biases, and workforce implications. Embracing responsible AI practices aids in the responsible use of technology, promoting transparency and fairness while protecting stakeholder interests.



In conclusion...

The sector saw a strong wave of demand for transactional services such as M&As, corporates, securities, and others between 2020 and 2022 in major markets across the Americas and Europe

While players commanded high fees, profitability remained flat given the cost inflation. With a recent slowdown in M&A activity and the banking sector, major law firms are leveraging their full suite of services, to offset these demand conditions by focusing on alternative segments, such as litigation, and diversifying into offering legal advisory around ESG or technology. Looking ahead, the uncertainty around passing inflationary pressures on to clients is prompting firms to invest in process efficiency tools, and restructure and reevaluate the way they are delivering value while maintaining growth momentum.

Business Services Enabling Differentiated Growth for Industrial Players

In addition, the overall business services industry, including the legal services sector, can play a crucial role in supporting industrial companies aiming for differentiated growth.

With this, organisations can focus more on core activities and innovation as well as access advanced technologies and best practices that drive efficiency and competitiveness.

To know more, download the **Business Services Enabling Differentiated Growth for Industrial Players** report.

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Appendix



Methodology

I. Overview

- This report presents an outside-in view of the Business Services industry and the performance across 8 key sectors: (i) Logistics and Distribution, (ii) Business Process Outsourcing, (iii) Testing, Inspection and Certification, (iv) Human Capital Management, (v) Digital and Education Services, (vi) Built Environment Services, (vii) Legal Services; and (viii) Professional Services
- The performance of each sector is measured by the ‘**Sector Index Score**’, which has been developed based on an analysis of key metrics for a sample set of companies. For legal services, this score considers 4 key dimensions and 8 metrics (2 metrics in each dimension), as outlined below:
 - **Growth** – (i) Revenue; (ii) EBIT
 - **Profitability** – (i) Gross margin; (ii) EBIT margin
 - **Productivity** – (i) Revenue per fee earner; (ii) Asset turnover
 - **Cash flow** – (i) OCF ratio; (ii) Quick ratio
- A sample of 30 companies has been considered for this sector, and they have been selected based on multiple factors including size, geographic presence/coverage, availability of information, etc
 - A sample of 15 companies has been considered for the metrics Asset turnover, OCF ratio and Quick ratio, due to limitations in data availability
- The **Global Business Services Index** is based on an aggregate of the 8 sector indices (considering a total sample of 247 companies)

II. Index calculations

- 1. Time period and baseline** – The index calculation is based on company data for both 2023 (FY23) and 2019 (FY19), the latter being considered as a baseline and assigned a score of 100
- 2. Metric scores**
 - Actual values for each metric were compared between 2019 and 2023 to derive a **ratio**
 - The ratios were aggregated across all 30 companies to arrive at an **aggregated ratio** (to avoid larger-sized companies skewing the results)
 - **Metric scores** are calculated by multiplying the aggregated ratio by 100
- 3. Dimension scores**
 - The dimension score is an **average of the metric scores** for metrics included in the respective dimension:
 - i.e., Dimension score (Growth) = Average [Metric score (Revenue), Metric score (EBIT)]
- 4. Sector scores**
 - The sector score is an **average of the dimension scores**:
 - i.e., Sector score = Average [Dimension score (Growth), Dimension score (Profitability), Dimension score (Productivity), Dimension score (Cash flow)]
 - If the sector score >100, it outperformed against the 2019 benchmark
 - If the sector score = 100, results were at par with 2019
 - If the sector score <100, it underperformed against the 2019 benchmark

III. Key sources

- The key sources referred to throughout the report include the following:
 - Company websites and annual reports
 - Databases such as AML Law.com, Companies House (UK)
 - [PwC UK Annual Law Firms’ Survey 2024](#)
 - [PwC 27th Annual Global CEO Survey](#)
 - [PwC Hopes and Fears Survey 2024](#)
 - [PwC Global Risk Survey 2023](#)
 - [PwC Global Pulse Survey 2024](#)



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