Global Business Services Index Annual Report 2024

Testing, Inspection and Certification

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		

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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, deliverand 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 testing, inspection and certification ("TICC") sector has experienced strong growth and more favourable liquidity positions

The sector's index score is 116 (normalised to the base year of 2019 = 100), with the greatest improvements recorded in the growth and cash flow, mainly due to an increase in PCR-testing demand during the COVID-19 pandemic and complementary, high-growth segments for inspection and certification. New growth avenues achieved higher margins, further boosting profitability gains from increased sales volumes.

Diversification, sustainability and technology have been factors affecting the sector performance, urging innovation, and more diversified and tech-enabled service offerings as the business landscape evolves.

Index Score

116 Base year (2019) = 100

Testing, inspection and certification sector performance, by dimension:

Growth	**138**
Business services industry average	142

The COVID-19 pandemic bolstered growth in diagnostics in 2020-22, but other segments are diversifying into emerging areas alongside the sustainability trend and niche offerings to drive future growth.

Profitability	**107**
Business services industry average	109

Most firms managed to see stable profits by raising prices owing to inflationary pressures on material, personnel and travel-related costs, offset by increased costs of investments for expansion.

Productivity	**104**
Business services industry average	102

Productivity had only marginally improved despite businesses optimising their assets. Increases in revenue led to proportionate increases in headcount and investments in technology and partnerships.

Cash Flow	**116**
Business services industry average	105

Liquidity metrics improved on average, with disciplined spending on acquisitions and investments in new technology, supported by higher cash flow during the COVID-19 pandemic for diagnostics companies.

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

Sector leaders continue 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, and cloud is seeing growing importance, 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

Players are adopting technology to enable remote-diagnostics and facilitate self-service and automated review for certain testing and inspection processes, which has led to greater productivity and margins.

Talent

Recruit and cultivate talent to meet evolving organisational needs

Firms are also invested in hiring the right talent to expand their services in more specialised environmental, social, and governance (ESG) segments – materials testing for photovoltaic modules, soil, waste water, for example – to deliver greater value to clients.

ESG

Develop a strong climate mandate to stay relevant

As companies join the transition to net zero, organisations are also seeing energy, energy storage and green hydrogen as profitable segments. Building a strong climate mandate and capabilities in this area will be critical to capitalise on growth opportunities.

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

1 in 4

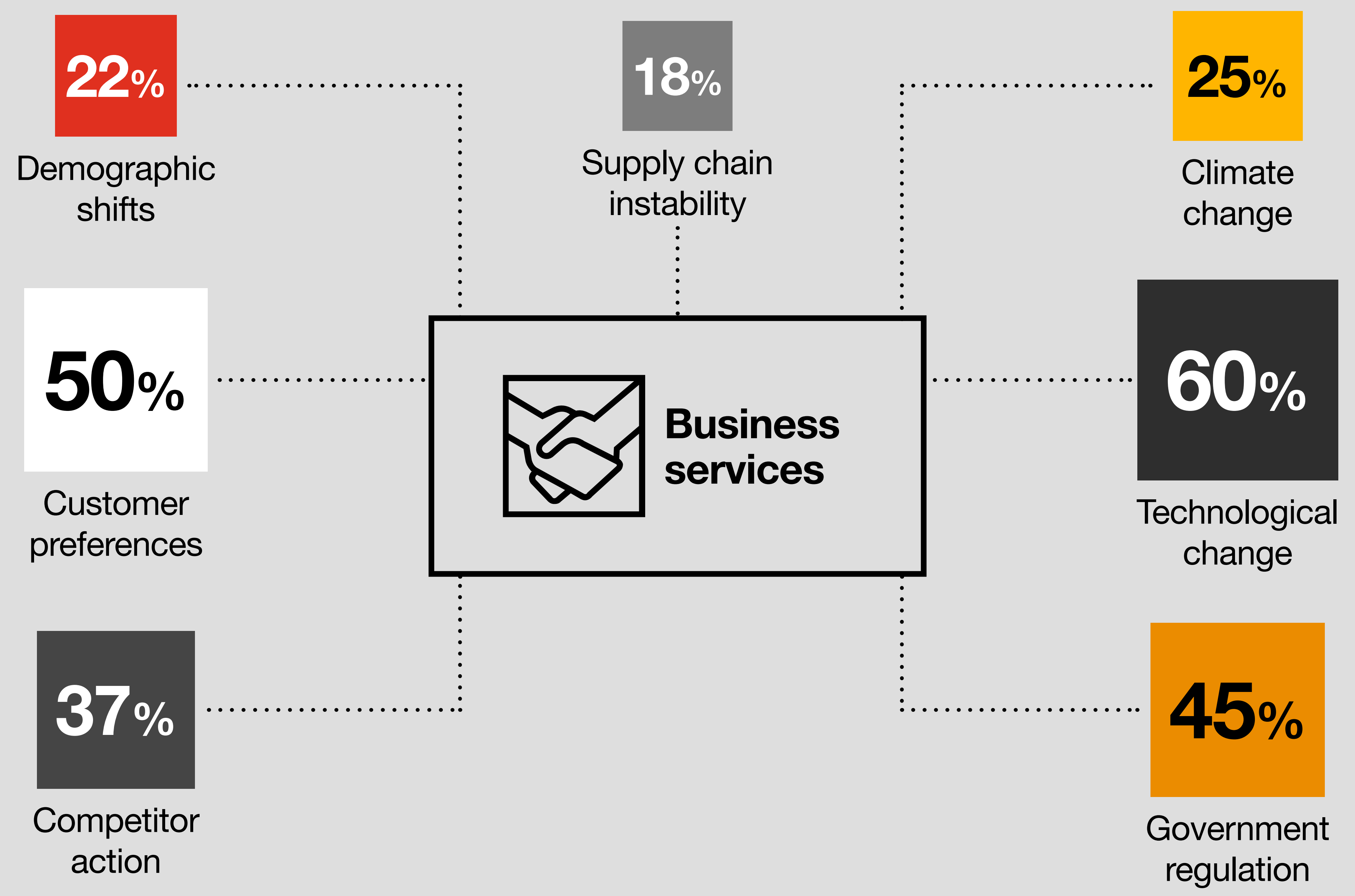
global business services CEOs believe their company will be highly or extremely exposed to inflation in the next 12 months.

Source: PwC 27th Annual Global CEO Survey

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

By offering differentiated services, 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, testing, insurance and certification services play a crucial role in helping companies respond to Megatrends and foster growth...

Testing, inspection and certification (TICC) companies provide essential services to test new materials, from industrial sites samples to healthcare ingredients, which form the basis for new product development.

These businesses operate as outsourcing hubs for healthcare and industrial companies offering lab testing and certification for pharmaceuticals, materials, etc. allowing the latter to have an asset-light research and development (R&D) infrastructure. The technical expertise and scale of infrastructure allow companies to free up capacity and resources for core operations, favouring businesses to operate in a leaner manner.

As the global business environment is facing increasing volatility and uncertainties, economic events such as a pandemic fuel the need for accurate and efficient diagnostics and testing solutions.

...but there is an increasing need for TICC service providers to transform their own businesses to deliver value to their clients

To continue delivering value to clients, TICC companies also need to diversify their service portfolios within inspection and certification towards specialised and niche offerings in sustainability and technology.

Business leaders of healthcare diagnostics and testing services, for example, are expected to quickly adapt to innovations in products or technologies to mitigate impacts of pandemics on business continuity.

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 prioritise core functions and leverage outsourcing to streamline workflows and promote productivity.

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

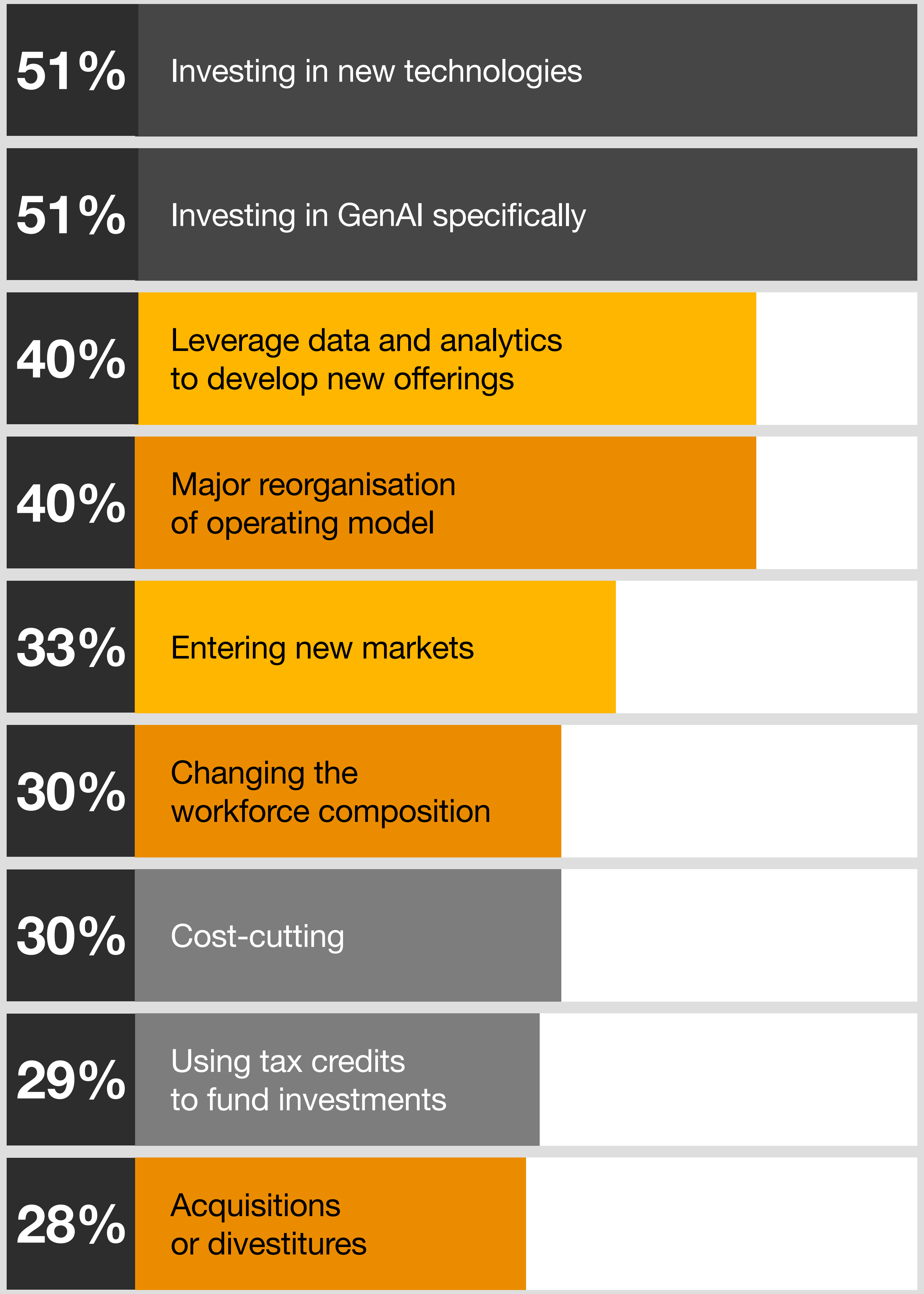
Companies should explore new customer segments and markets to drive transformative growth.

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.

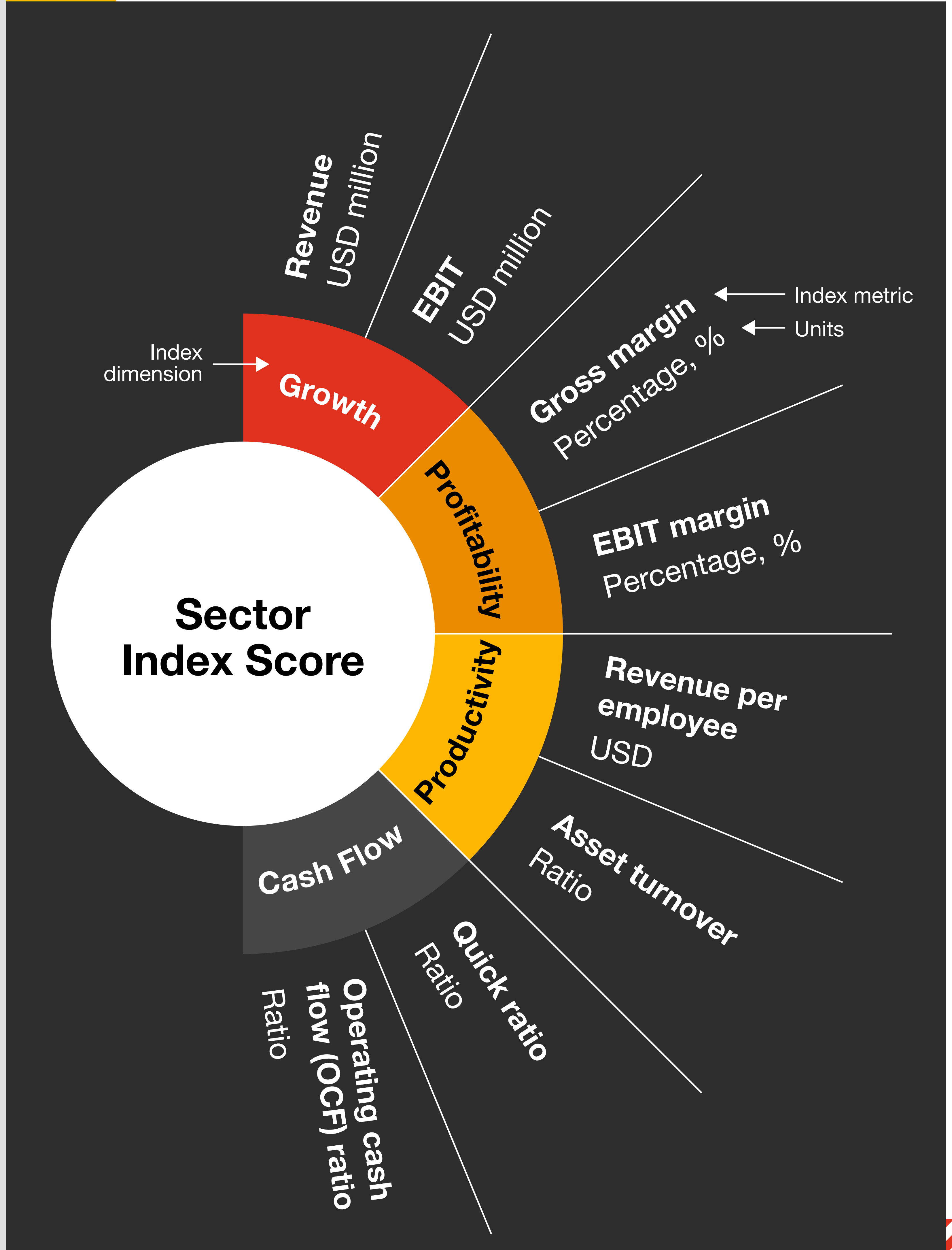
An index for business services can serve as a strategic tool for benchmarking, allowing business leaders to compare their own performance against industry peers and identify areas for improvement

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.



Note: Sector index reflects a normalised score relative to the base year of 2019 (= 100)

02

Sector Index

TICC sector at a glance

Inspection and certification

Providers of testing, inspection and certification services to verify content, quality and/or compliance standards.

Healthcare diagnostics and testing

Providers of testing and diagnostic services for healthcare sector.

Overall, the TICC sector experienced moderate growth and maintained a healthy financial position

The sector's index score is 116 (normalised to the base year of 2019 = 100), with the growth dimension performing exceptionally well. This was in part driven by the boost for testing during the pandemic, and growth in complementary and high-growth segments for inspection and certification firms.

Profitability also increased as most companies benefitted from higher prices and sales volumes during the COVID-19 pandemic. Cash flow and liquidity improved as businesses kept a balanced and flexible capital structure.

TICC firms are restructuring their sales mix and focusing on high-growth and complementary business services such as sustainability, and digitalisation

Diversification

Companies are investing in high-margin, high-growth specialised environmental and industrial solutions. Healthcare diagnostic and testing segment saw divestments of some operations to shift away from PCR testing with the slowing demand post-pandemic.

Sustainability

With energy transition underway, inspection and certification segments expanded into niche solutions to include clean energy, waste recycling, water and food testing, etc, organically or through acquisitions.

Technology

Some businesses introduced remote inspection services to drive productivity and reduce costs. In addition, companies are leveraging technology to streamline processes and keep track of customer workflows.

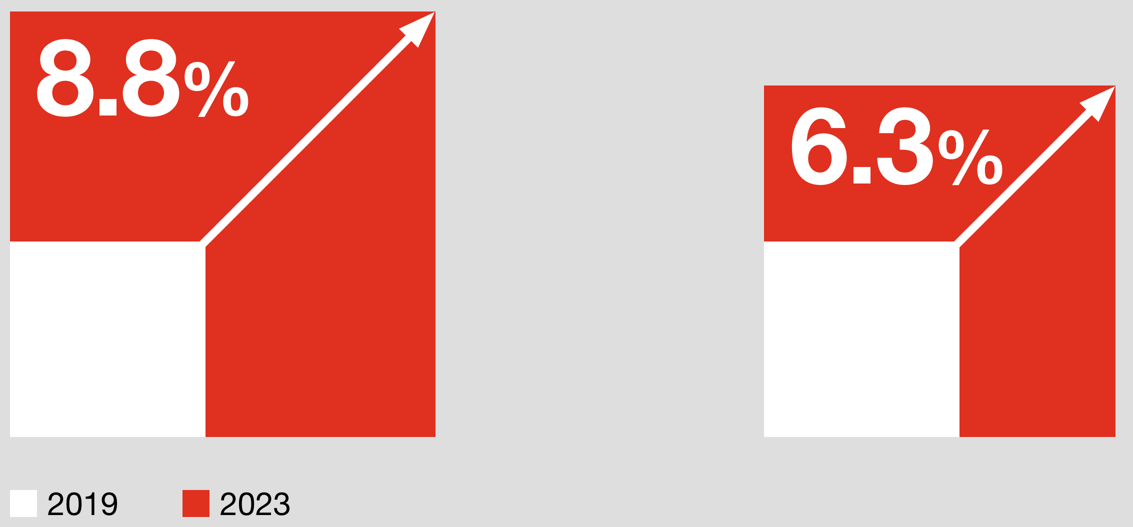
Growth

Dimension Score: **138**

The COVID-19 pandemic offered opportunities within diagnostics and testing; acquisitions and business differentiation reinforced certification and inspection players.

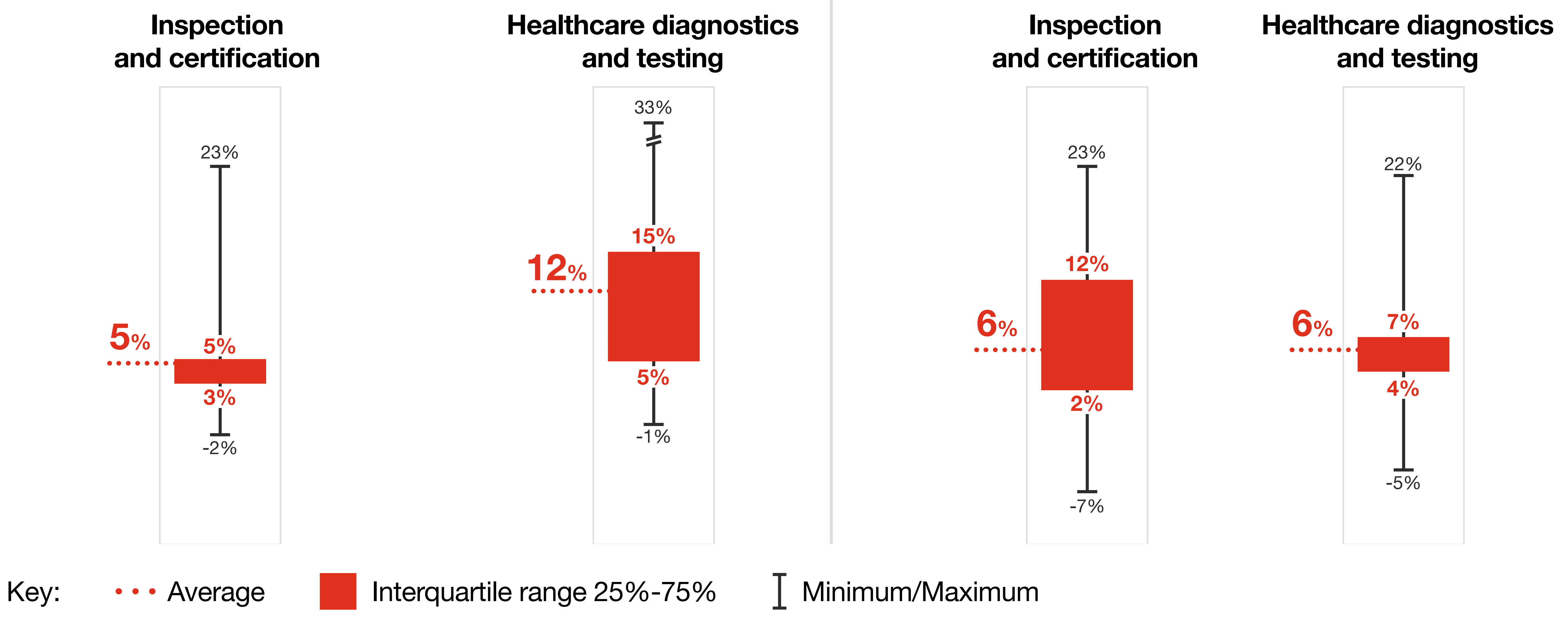
Avg. revenue growth, %
(CAGR 2019-23)

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



Revenue growth, %
(CAGR 2019-23)

EBIT growth, %
(CAGR 2019-23)



Diagnostic and testing benefited significantly from the COVID-19 pandemic driving up demand during 2020-22

Demand for PCR and related testing was the primary driver for high growth among diagnostics companies. With demand normalising in 2023, businesses are now looking to re-align and focus on strategic partnerships, and if necessary, divest certain segments.

Inspection and certification players are building up complementary business capabilities to sustain further growth

Need for differentiation within testing and inspection approaches drives companies to explore acquisitions, partnerships, and investments in order to expand their service offerings and sustain future growth.

There is increasing focus on high-margin acquisitions and partnerships to drive growth and expansion

Inspection and certification players are investing in niche capabilities either in-house or through strategic acquisitions, such as photovoltaic (PV) module testing, energy storage, hydrogen assurance, and more – leveraging the intensifying focus on energy transition and sustainability.

Healthcare diagnostics companies are focusing on strengthening B2B partnerships locally and globally, for example, R&D facilities, hospitals and pharma companies, to scale up and accelerate growth through specialised offerings.

New acquisitions are performing well but initial costs have had an impact on EBIT growth

Players have made significant investments in acquiring companies, re-aligning footprint, divesting businesses which have had an impact on depreciation and amortisation as well as EBIT, which explains the slower growth compared to revenue.

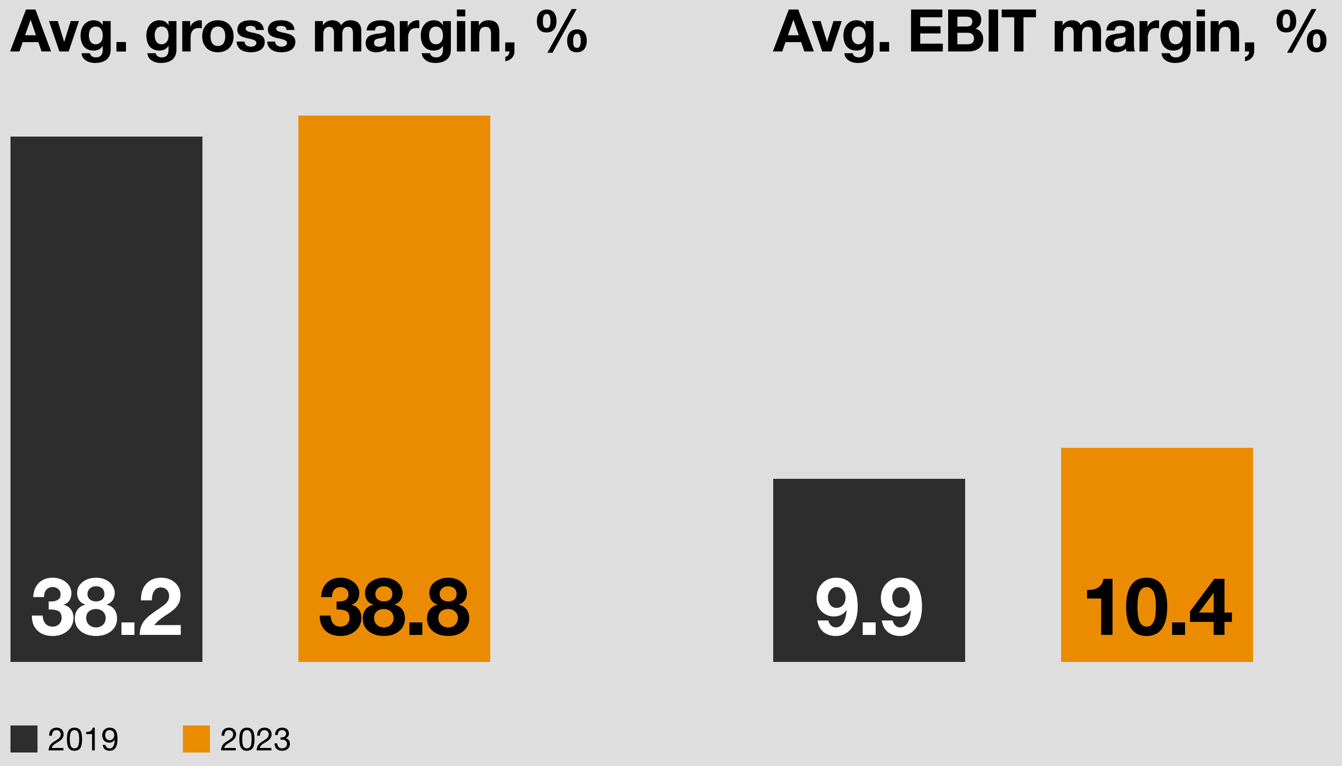
Despite these expenses, most firms have been able to sustain or grow operating profit owing to adoption of appropriate restructuring measures.

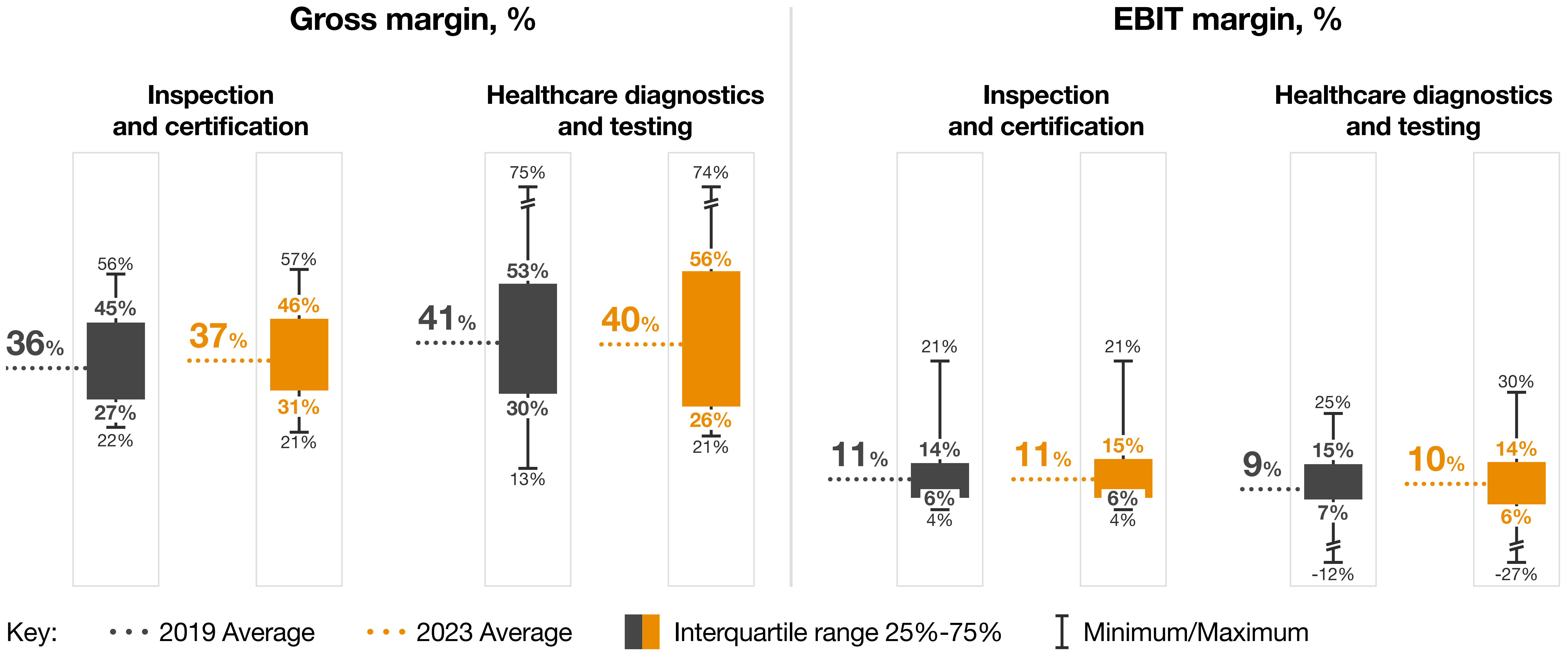
Sources: Company annual reports, PwC analysis
(for detailed methodology, refer to Appendix)

Profitability

Dimension Score: **107**

Most firms managed to increase prices to offset the inflated material, personnel and travel costs and and are now focused on high-growth opportunities.





Profitability improved overall; the COVID-19 pandemic drove high sales for diagnostics players; niche offerings played well for inspection and certification

Diagnostics and testing companies revised pricing upwards to capitalise on opportunities due to the pandemic, commanding high prices.

Certification and inspection companies, on the other hand, have grown organically or by acquiring niche capabilities within environmental and industrial applications, as well as new-age offerings for sustainability and energy efficiency.

Gross margins remained relatively stable while addressing higher prices and sales volume from pandemic-related demand

Acquisitions and value-added services, that were integrated, performed well to sustain strong margins for the inspection and certification segment.

2020-22 saw higher margin growth within diagnostics and testing, driven by the COVID-19 pandemic. 2022 onwards, testing companies have also been investing in new laboratories or acquisitions, to scale business through new customers and increased footprint.

EBIT margins also stayed relatively flat with investments in new laboratories or acquisitions to support increased scale of operations

The profitable phase during the COVID-19 pandemic helped diagnostics players offset the increase in operating expenses. A few players also leveraged their existing laboratory footprint to service samples from other locations, keeping costs low while expanding customer reach.

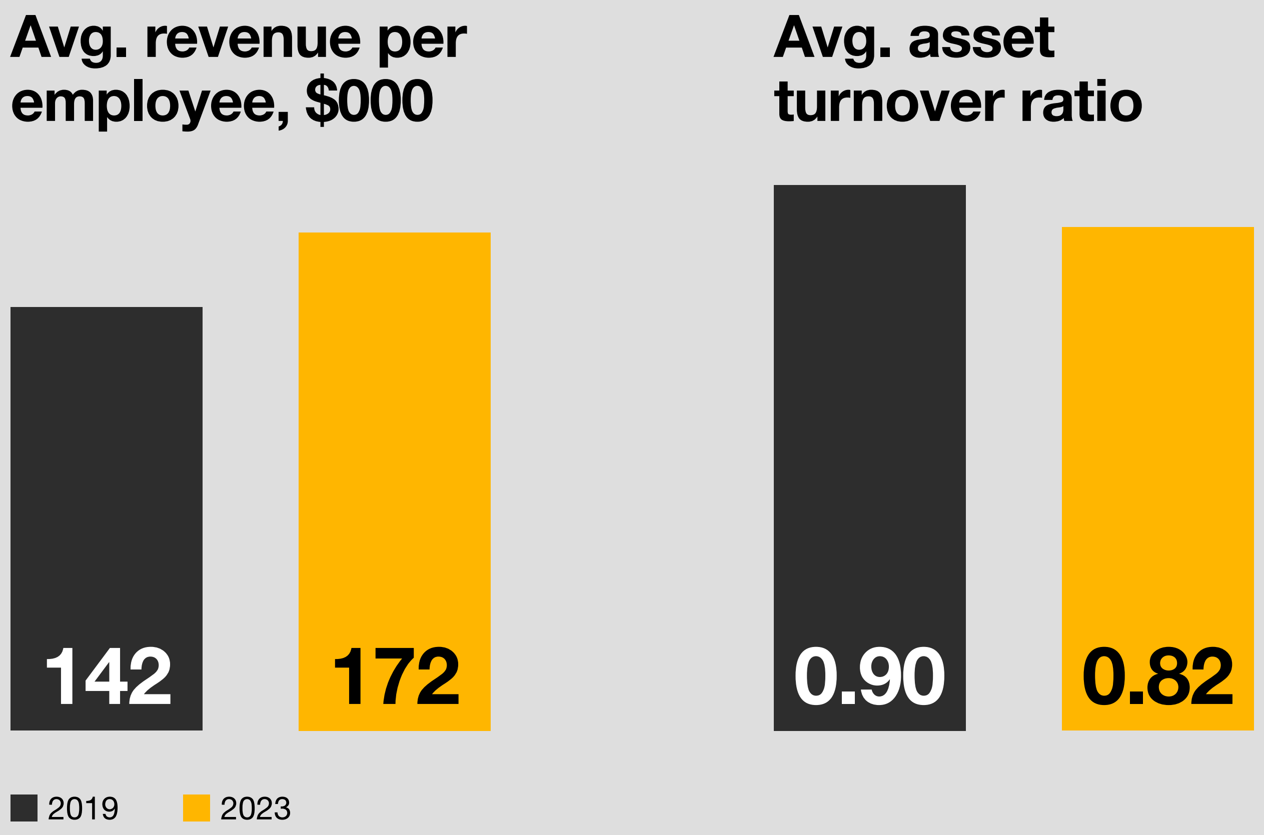
Inspection and certification offerings are evolving with self-service kits/solutions, automated document reviews, remote testing, and others, supporting reduced operating expenses.

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

Productivity

Dimension Score: **104**

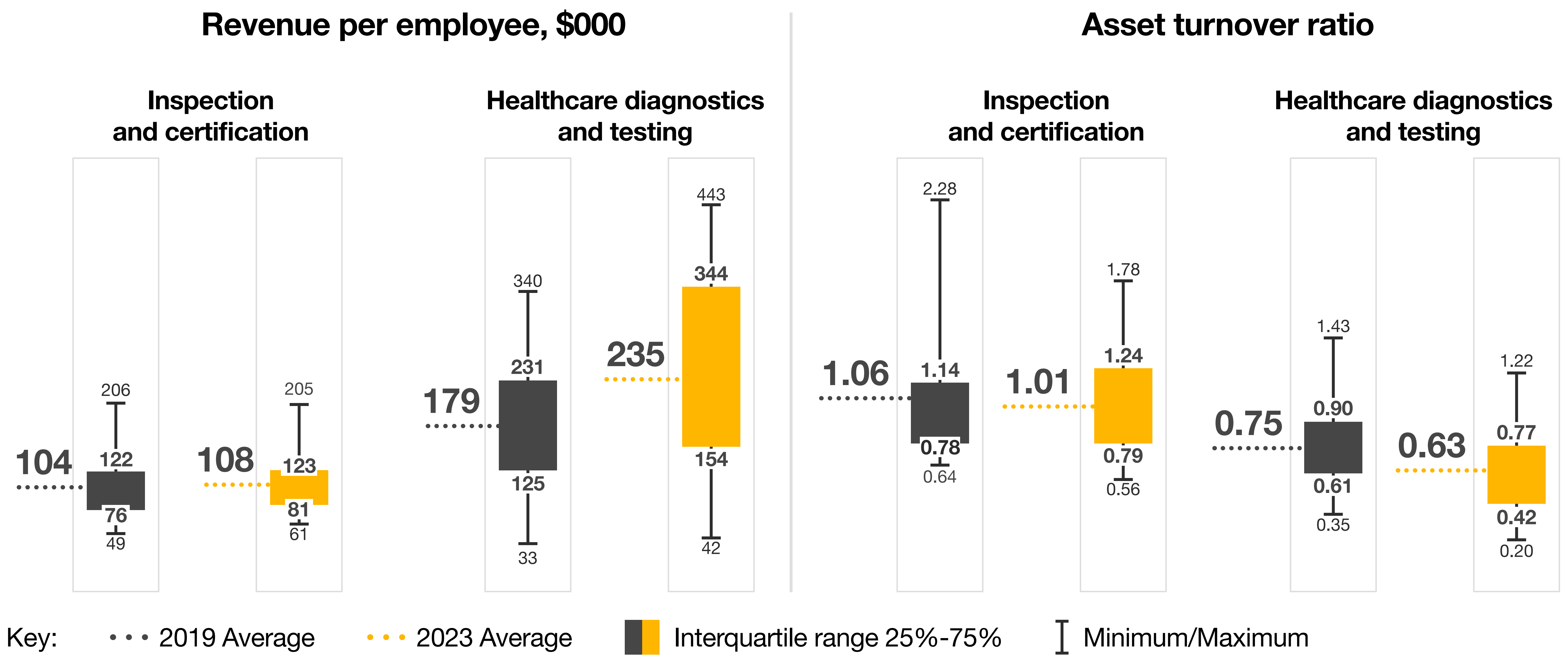
Overall productivity levels have remained stagnant, with increased revenue generation per employee offset by reduced asset utilisation.



Despite ramped up scale of operations, asset utilisation has not reached pre-pandemic levels

Urgent staff requirements during the pandemic led to a headcount surge to quickly scale operations; however, diagnostics companies were able to draw on higher returns to support this growth.

Most businesses within the sector have recently made investments in technology and footprint expansion. The benefits from some of these investments remain yet to be seen.



Leveraging digitalisation and automation, the sector was able to generate improved revenues per employee

With growing integration of AI and Internet of Things, diagnostics firms are able to not only streamline, but also automate processes, resulting in improved productivity per employee.

For certification and inspection companies, revenue per employee has only marginally increased. Productivity gains from adoption of remote inspection services, for instance, were impeded by optimistic headcount increases.

Utilisation of assets has decreased significantly for diagnostics, due to recent footprint expansion

Reflecting the recent expansion in laboratory footprint for many diagnostics companies, asset turnover decreased due to growth in total assets outpacing revenue growth.

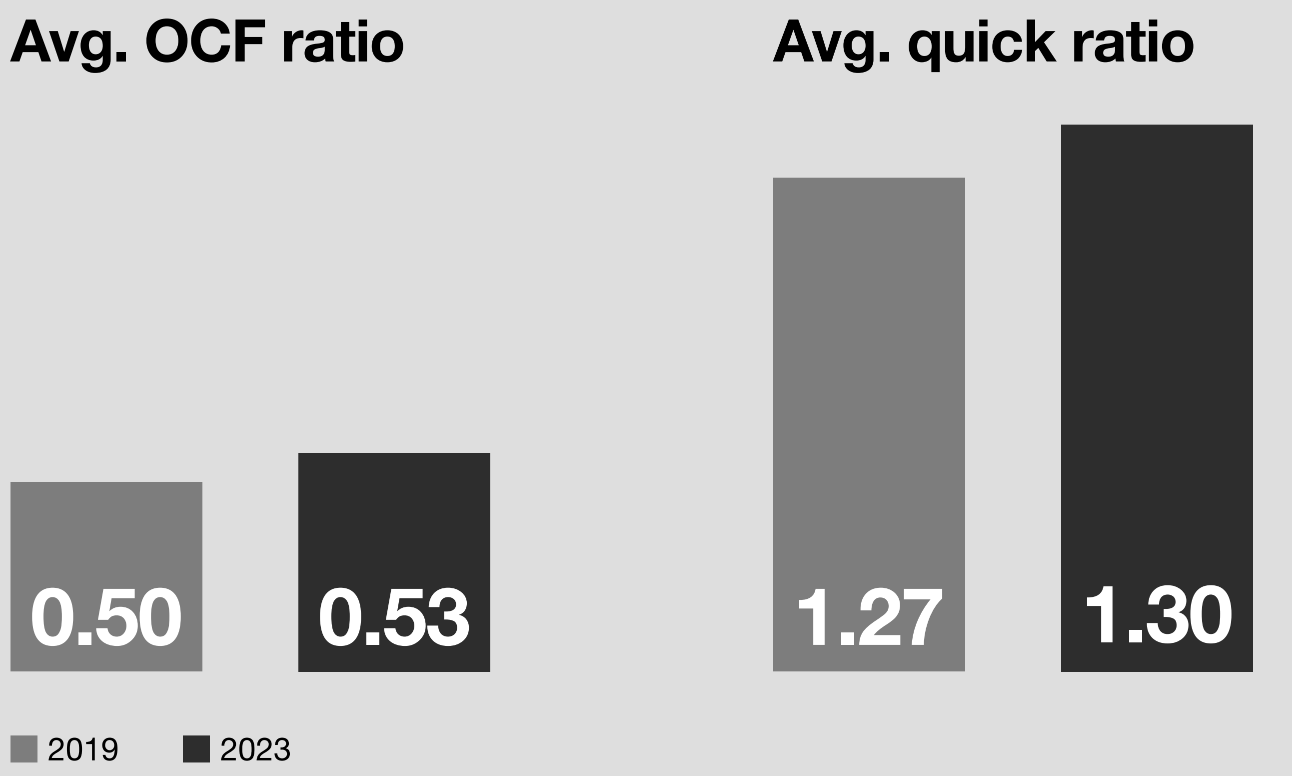
Before pursuing further expansion, however, companies are now focusing on asset utilisation levels by growing regional customer reach to increase utilisation of existing laboratories.

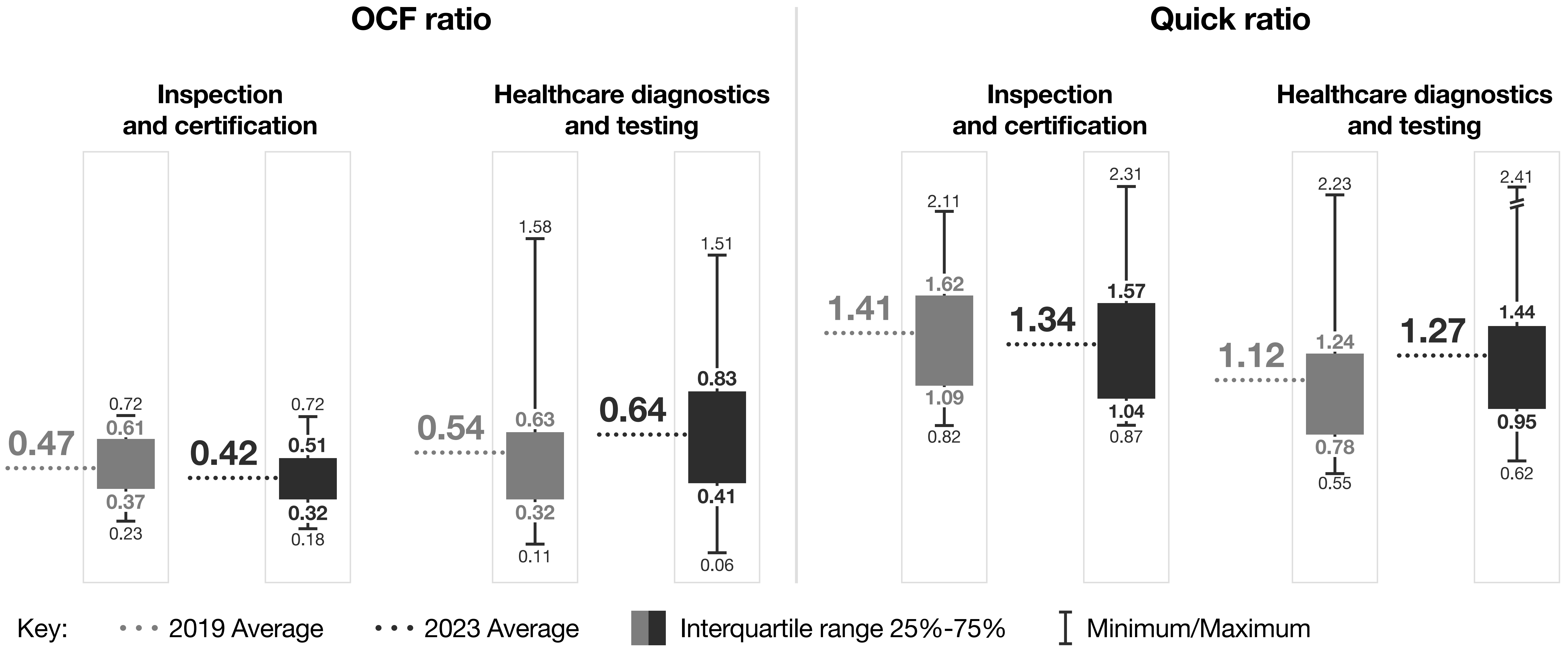
Sources: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

Cash Flow

Dimension Score: **116**

Liquidity metrics have improved for most diagnostics and testing companies since 2019, with a rather stable trend within the inspection and certification sub-sector.





The TICC sector has seen improvements in cash flow and liquidity, driven by healthcare diagnostics and testing companies

Across the sector, the principal source of liquidity is operating cash flow, which is supplemented by open lines of credit and proceeds from debt offerings. This flexible credit structure has allowed for greater expansion opportunity.

Improved incomes and strategic divestments by diagnostics companies have supported cash flow and liquidity improvements

As many testing and diagnostics firms divested or discontinued their pandemic-related businesses, they were able to free up cash and pay off short-term debts and other obligations, albeit with an impact on net incomes over the last couple of years.

The inspection and certification sub-sector, despite seeing high growth, has maintained a balanced approach towards spending

Despite healthy incomes, disciplined expenditure on acquisitions, partnerships and other investments supported stable performance of cash flows and quick ratios for certification and inspection companies.

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

Changes in post-pandemic demand and the need for a resilient growth strategy are driving TICC companies to build capabilities in services supplementing their core businesses

Companies are investing in high-growth, niche business segments in the sustainability space to benefit from energy transition trends

- Firms are seeing an increased demand for sustainable solutions among clients, including the shift to renewable forms of energy
- There is a growing trend for greenfield investments or strategic acquisitions to build niche service offerings, such as hydrogen assurance, gas testing, PV module certification and testing
- These strategies have allowed businesses to increase margins and build stronger customer relations through targeted offerings

Success story

A leading global player has built niche capabilities to provide services in clean energy, including hydrogen testing and certification services

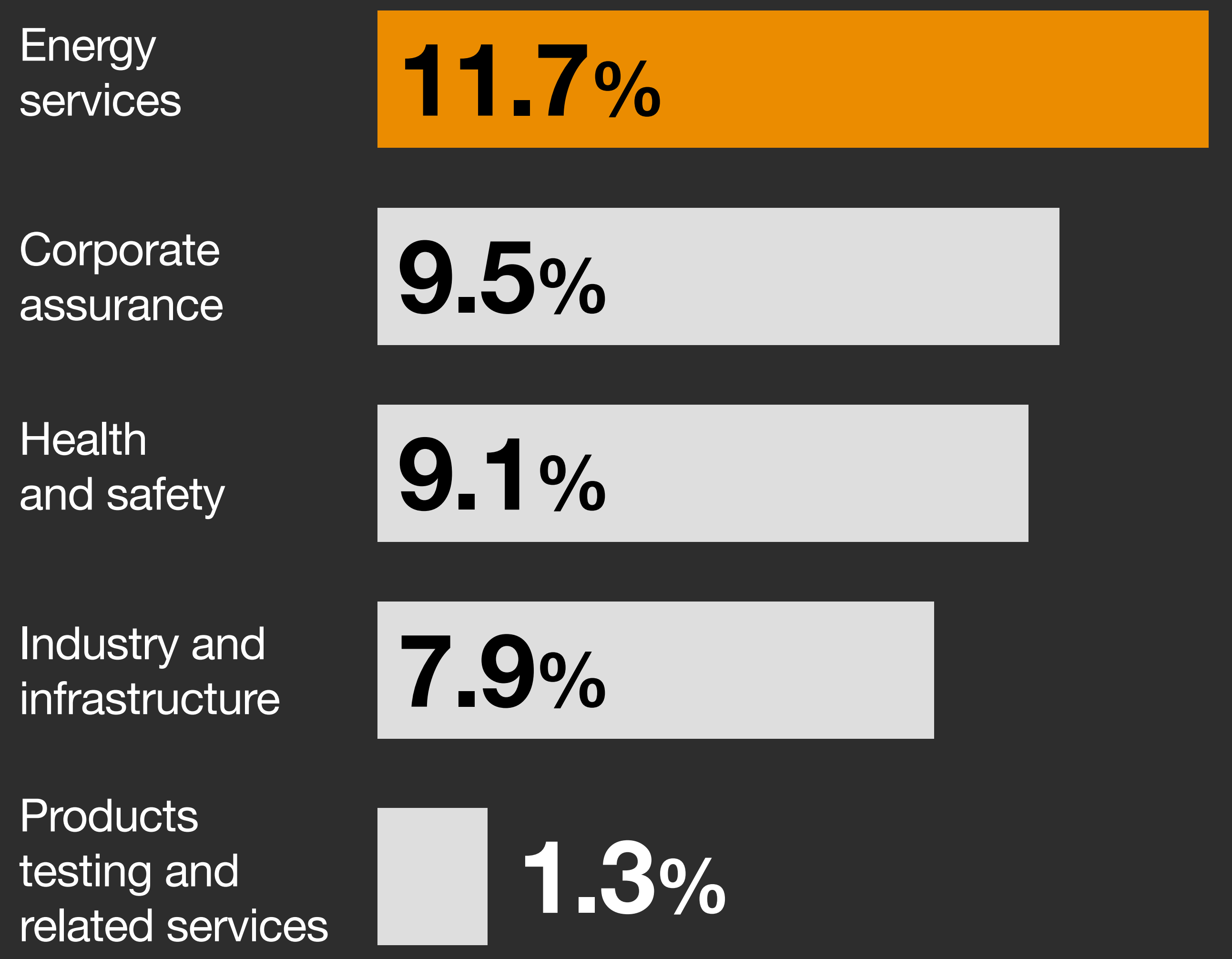
As **companies focus efforts on the transition to net zero**, solar energy, energy storage and green hydrogen have been identified as high-growth sectors.

A leading player has revised their business services model to **include energy and sustainability-related services**, such as testing for EV or hybrid vehicles, specialised cargo inspection and analytics for biofuels, testing for energy storage, and hydrogen assurance.

Revenues from these niche services (energy services segment) constituted 22% of revenues in 2023, up y-o-y by 11.7% at constant currency and 10.1% at actual rates.

Source: Company annual reports, PwC analysis

2023 y-o-y percentage change in revenues by business division at constant rates



03

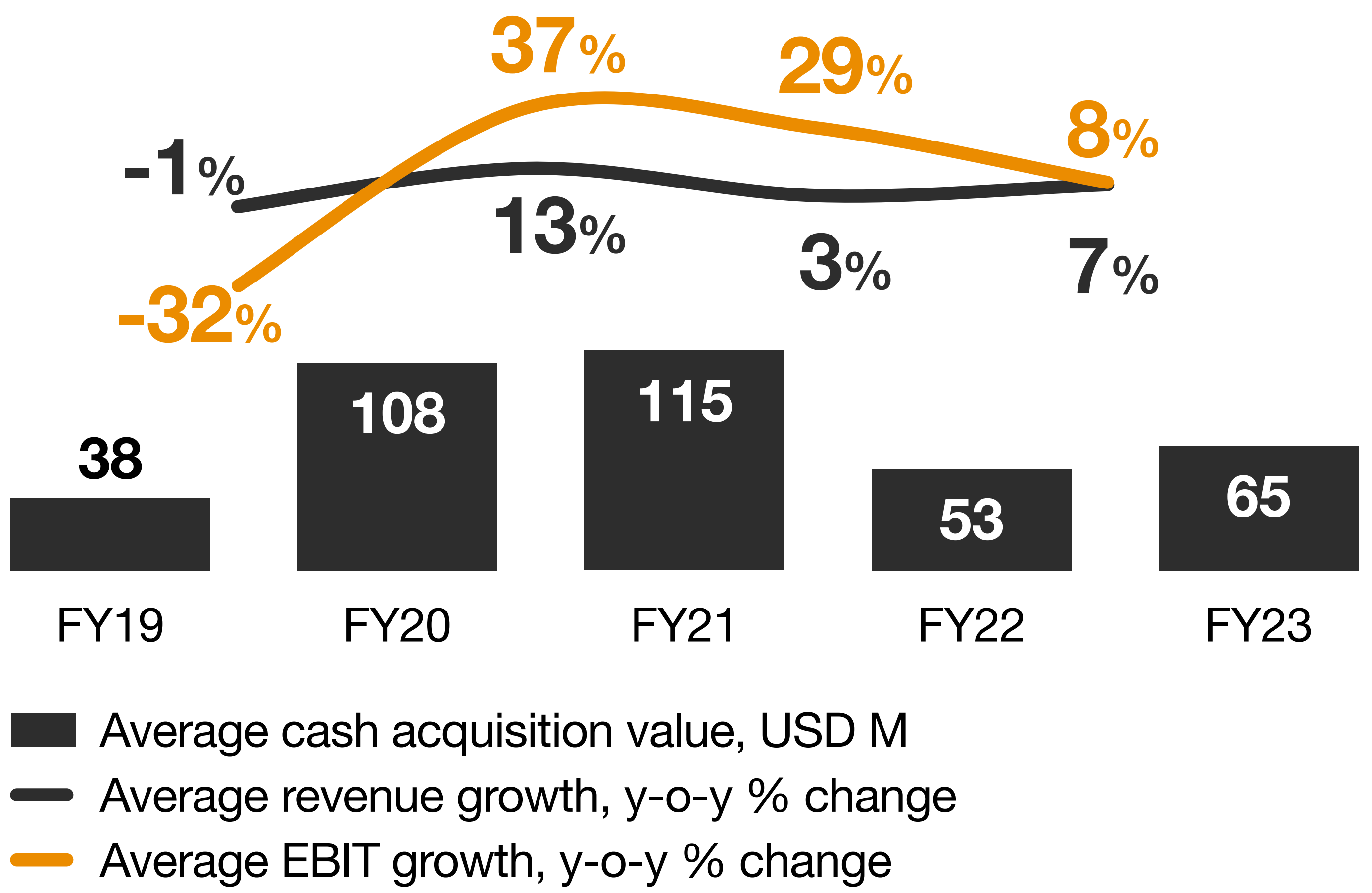
Priorities for success

High-tech acquisitions, sustainability offerings and strategic partnerships remain inevitable for growth within the TICC sector

The inspection and certification segment sees a stronger recovery in margins than revenue, thanks to the aggressive and niche acquisitions in recent years

Firms have been making strategic acquisitions to build capabilities in high-margin areas such as PV module testing, energy storage, hydrogen assurance that emerged from the energy transition.

Inspection and certification sub-sector



Sources: Company annual reports, PwC analysis (based on a sample of 15 inspection and certification companies)

Inspection and certification businesses are also supporting clients in their climate resilience efforts through innovative products, services and technologies

As companies transition towards net zero, inspection and certification services play a critical part in supporting companies develop nature-based and climate-positive solutions to strengthen their climate resilience.

80%

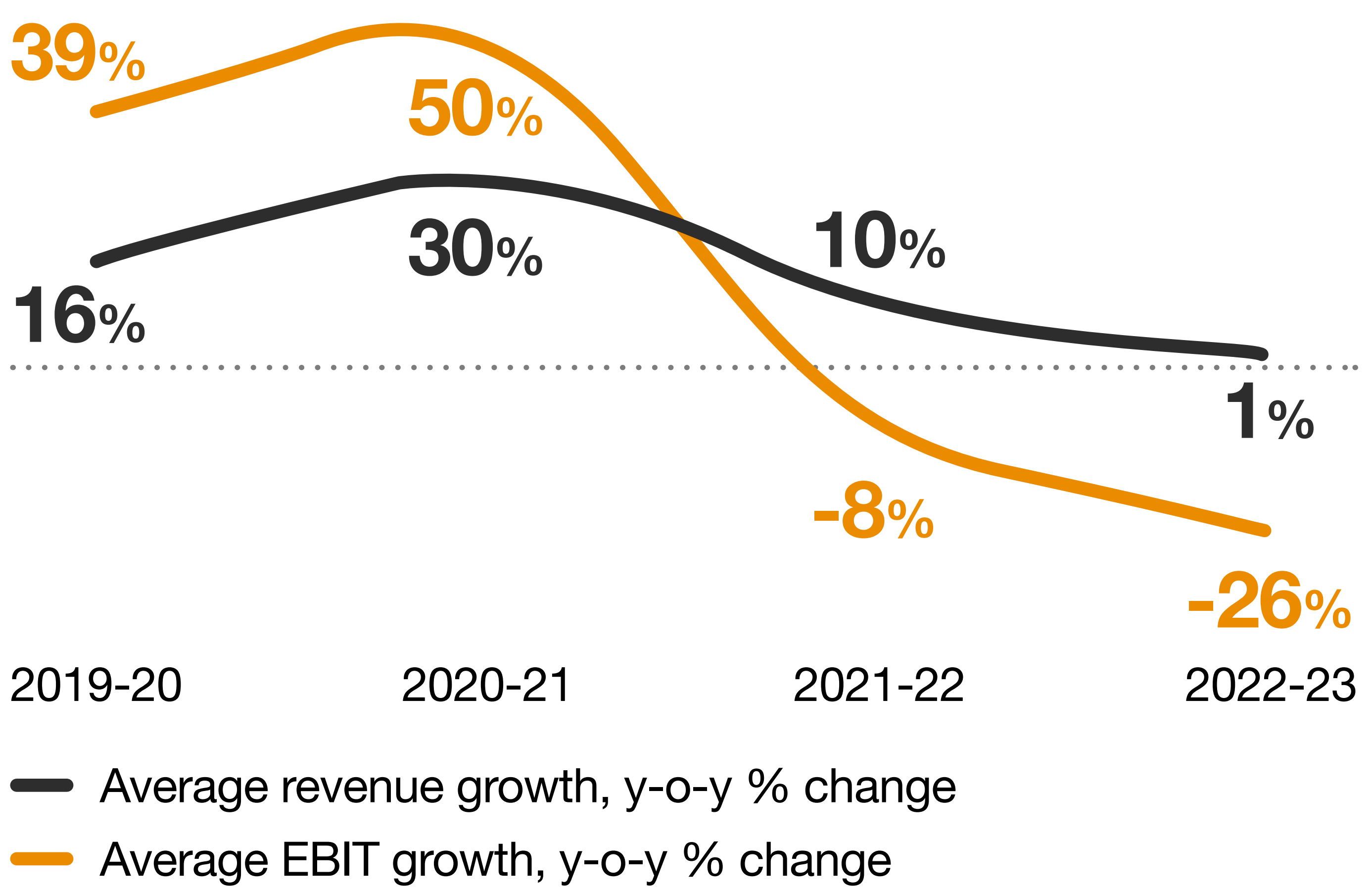
of inspection and certification companies mention that selling products, services, or technologies to support customers' energy transition is one of their key growth drivers.

Sources: Company annual reports, PwC analysis (based on a sample of 15 inspection and certification companies)

Following a surge in demand for high-margin PCR testing, diagnostics firms look to strategic partnerships as demand and profitability normalises in 2023

Diagnostics players are focusing on strengthening B2B partnerships locally and globally, for example, R&D facilities, hospitals, pharma companies, to scale up and accelerate growth through specialised offerings.

Healthcare diagnostics and testing sub-sector



Sources: Company annual reports, PwC analysis (based on a sample of 15 inspection and certification companies)

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

Using technology for enhanced operational efficiency by automating processes and tasks for employees to focus on 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 for operational efficiency

Technological disruptions such as GenAI could change the way TICC businesses 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

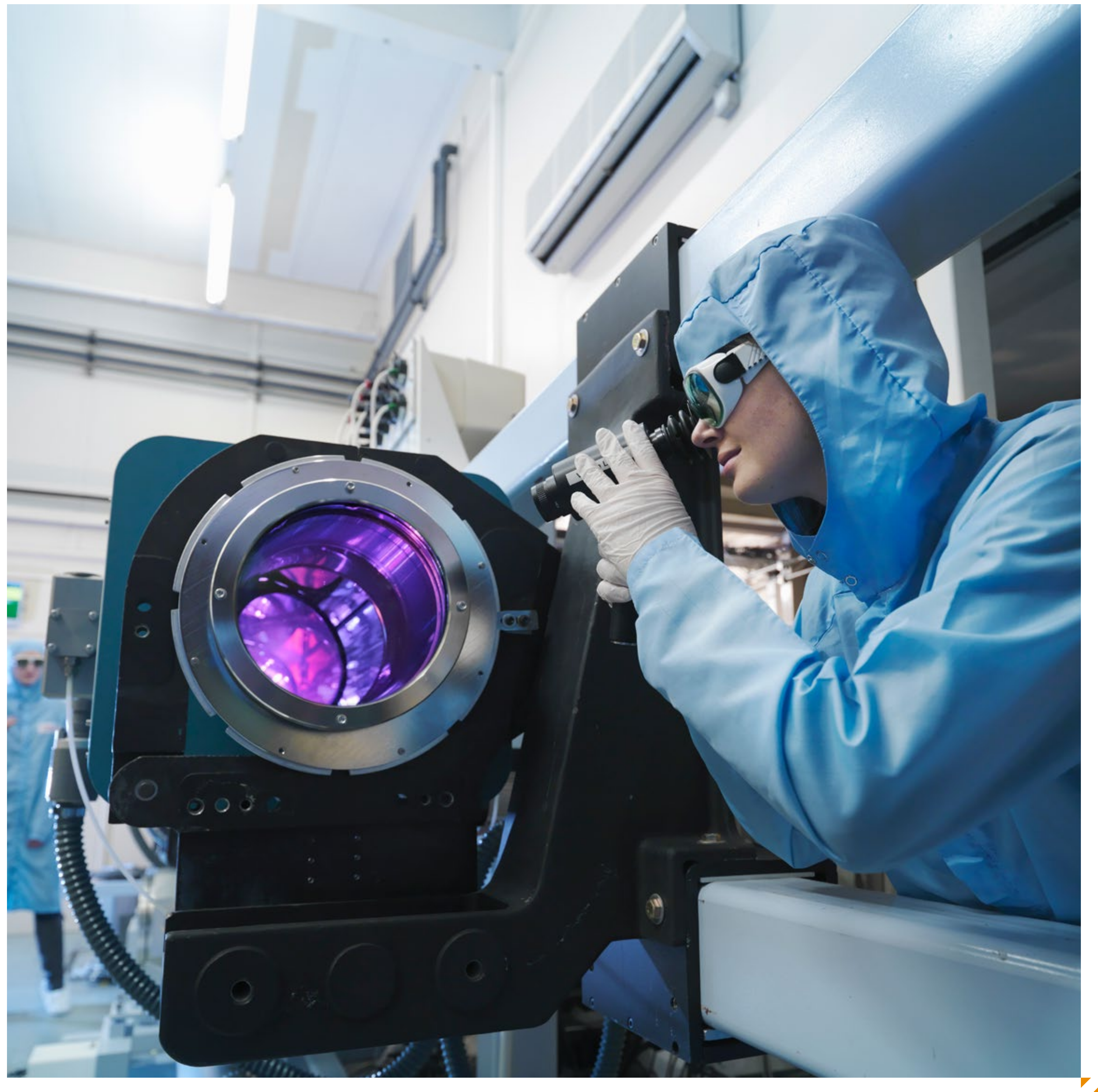
Organisations need to embrace disruption and leverage new technologies to find new growth opportunities

~80% of business services leaders took major action[1] towards adopting new technologies:

Not at all/ very limited extent	Limited extent	Moderate extent	Large or very large extent
3%	14%	35%	44%

Source: PwC 27th Annual Global CEO Survey

Testing, inspection, and certification companies can improve operational efficiency by utilising AI and advanced technology. For example, AI-driven image recognition can automate the process of defect detection, while predictive analytics can fine-tune testing schedules based on historical data. Blockchain technology offers secure and immutable certification records, and remote diagnostics facilitate real-time inspections and troubleshooting from any location, enhancing overall accuracy and speed.



[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.

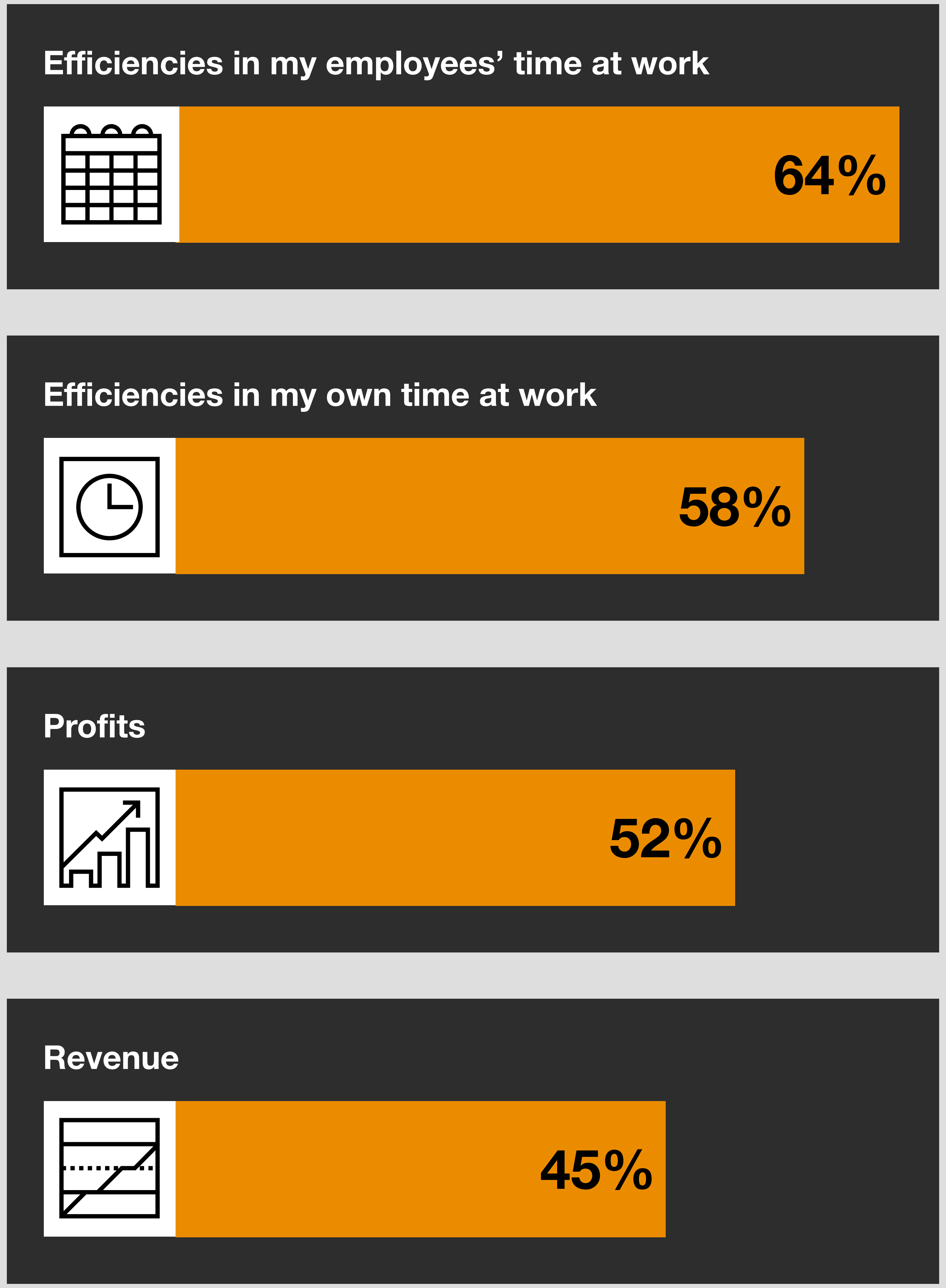
25%

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

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

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.

TICC firms must hire experts in AI, sustainability, and core technical skills to thrive in the evolving business landscape. AI specialists leverage AI-driven tools to optimise inspection processes, while sustainability experts facilitate compliance with stringent environmental regulations such as global green initiatives.

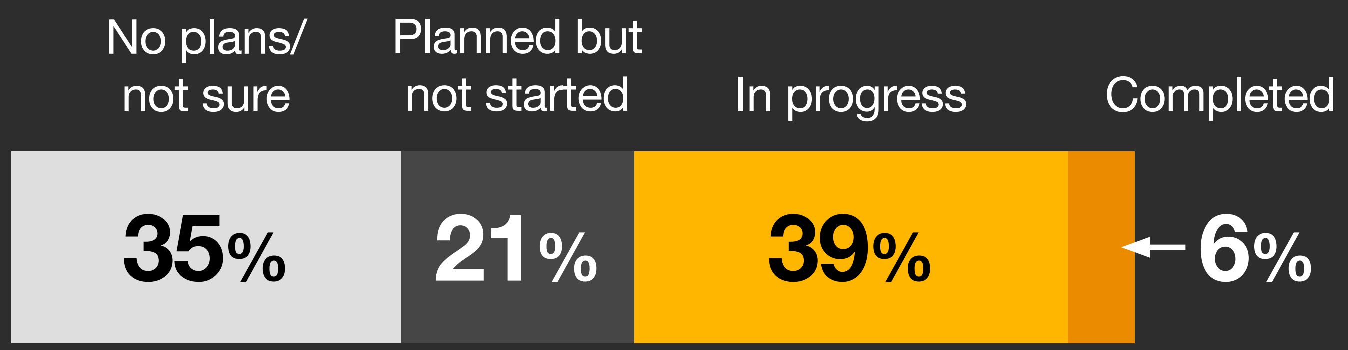
These competencies drive innovation, operational efficiency, and adaptability in a rapidly changing market.

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

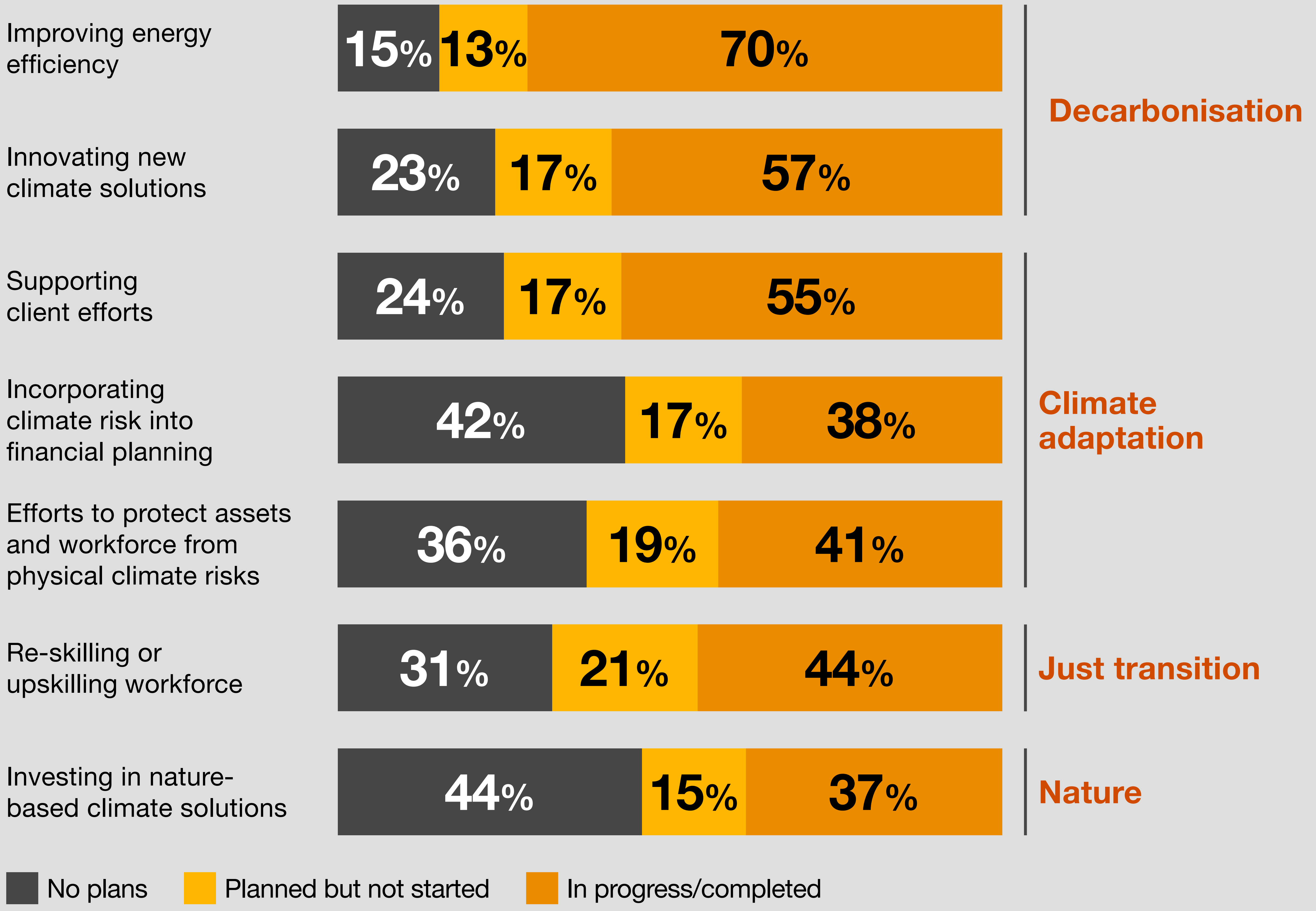
Develop a strong climate mandate to stay relevant

Develop a strong climate mandate to address changing consumer preferences, 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.

For example, TICC firms have, either through acquisitions or organically, developed capabilities in material testing for electric vehicle batteries to support electrification, or introduced service offerings related to optimising energy efficiency.

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



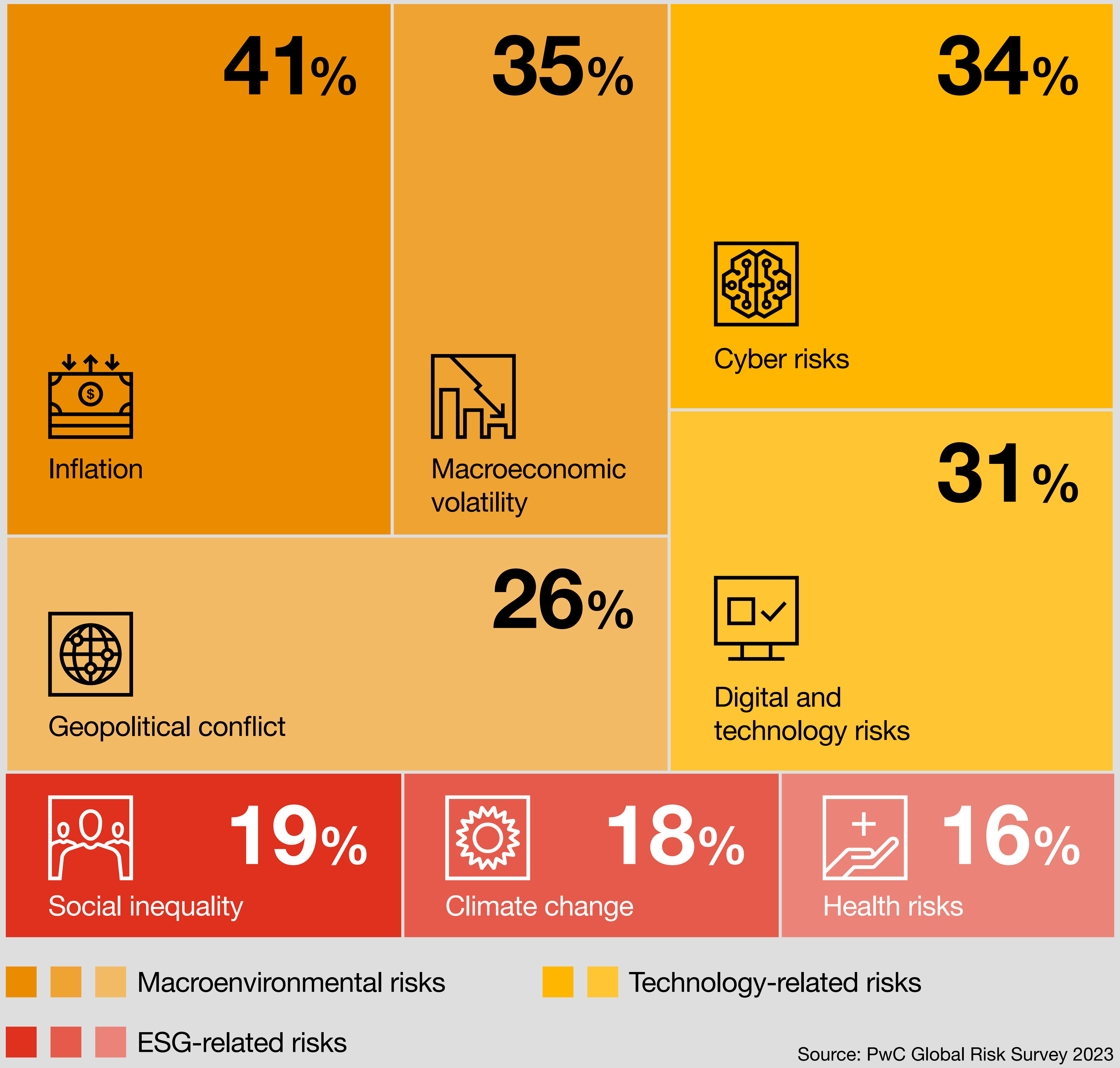
Source: PwC 27th Annual Global CEO Survey

Build a thorough risk management practice to seize opportunities

Reinvention comes with risk, therefore, TICC 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

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

TICC leaders 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

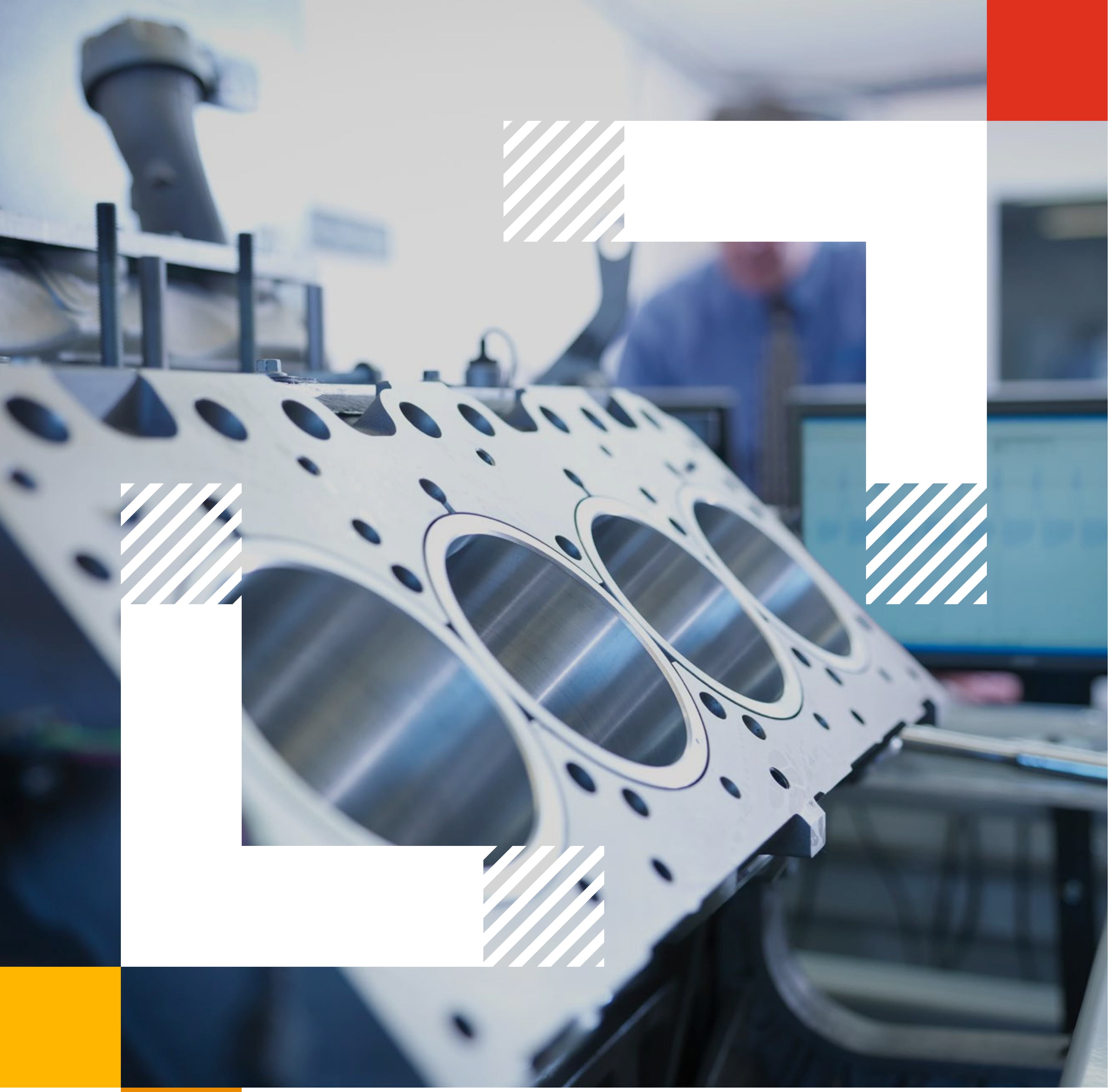
To thrive in today's digital landscape, technology-related risks must be strategically mitigated. This entails investing in cutting-edge cybersecurity measures, continuously updating systems, and fostering a culture of digital vigilance. By conducting proactive risk assessments and implementing thorough 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…

TICC leaders are focusing on diversification, sustainability, and technology to capture new growth avenues and enhance profitability.

Over the past four years, the testing, inspection, and certification sector has thrived, driven by a surge in PCR testing demand during the COVID-19 pandemic. Sustainability and innovation remain central, with inspection and certification leaders focusing on diversifying into high-growth segments and embracing technologies like artificial intelligence and cloud computing and expanding service offerings to boost profitability. The pandemic highlighted the importance of adaptable business models and disciplined investment, which has led to improved liquidity and productivity, as firms navigate rising costs and shifting market dynamics.

Business Services Enabling Differentiated Growth for Industrial Players

In addition, the overall business services industry, including the TICC 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. 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 employee; (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
- 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 S&P Capital IQ, Bloomberg, EMIS
  - Company registrar portals such as Companies House (UK), Securities and Exchange Commission (US)
  - 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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