



Business process outsourcing (BPO)

Global Business Services Index 2026



BPO: Sector performance improved thanks to gains in growth and productivity dimensions

Sub-sectors:

Tech BPO



Providers of pure-play BPO services that focus on technology-related functions (IT, tech support)

Non-tech BPO



Providers of BPO services that focus on non-tech functions (admin, finance, operations)

Sector performance summary

The BPO sector witnessed a modest year-over-year improvement in its GBSI score. The uplift was primarily driven by stronger performance in the Growth dimension across both tech and non-tech BPO sub-sectors, as rising demand for digital and AI-led services supported stronger revenue and EBIT growth.

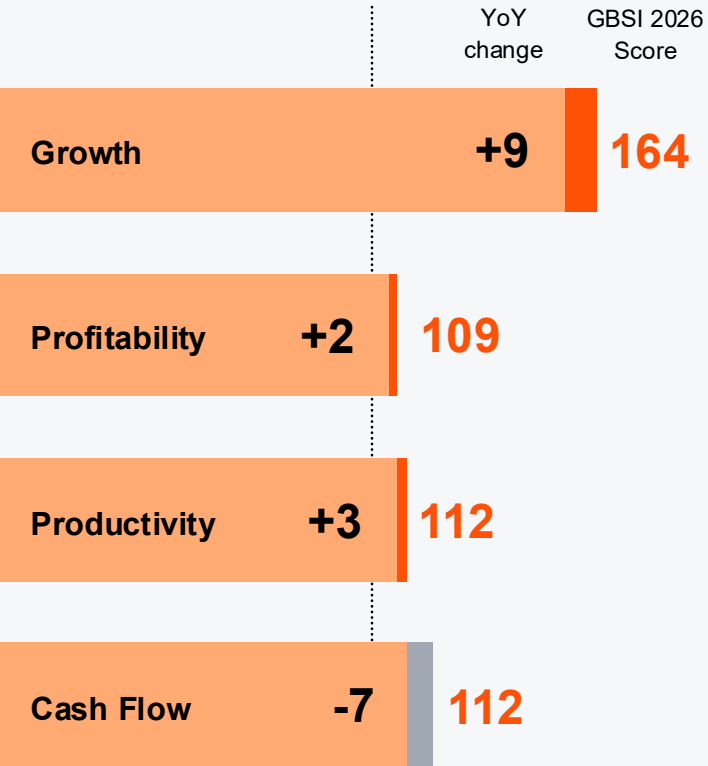
Profitability and productivity also improved modestly, driven by automation, tighter cost control, better workforce utilisation, and more technology-enabled delivery models. Cash flow remained comparatively weaker, reflecting working-capital pressures and softer liquidity in parts of the sector.

Momentum drivers and pressure points

↑ AI-focused engagements Accelerating enterprise demand for advanced GenAI integration is driving high-value digital consulting contracts	↓ Uncertain macroenvironment Conflict in the Middle East and trade uncertainties dampen client sentiment, lowering discretionary spending
↑ Focus on specialised verticals Strategic expansion into specialised verticals like healthcare is helping shield margins from pricing pressure	↓ Persistent wage inflation Service delivery costs remain under pressure as wages continue to inch upwards
↑ Agentic AI workflows Rapid deployment of agentic AI, co-pilots is paving the way for enhanced labour productivity and reduced delivery costs	↓ High capex requirements Aggressive capital expenditures required to build AI capabilities are squeezing cash flows

124⁺¹
year-on-year

GBSI sector score



▶ 100 (base score for each dimension with FY19 as reference year)

Sub-Sector Overview

Tech BPO



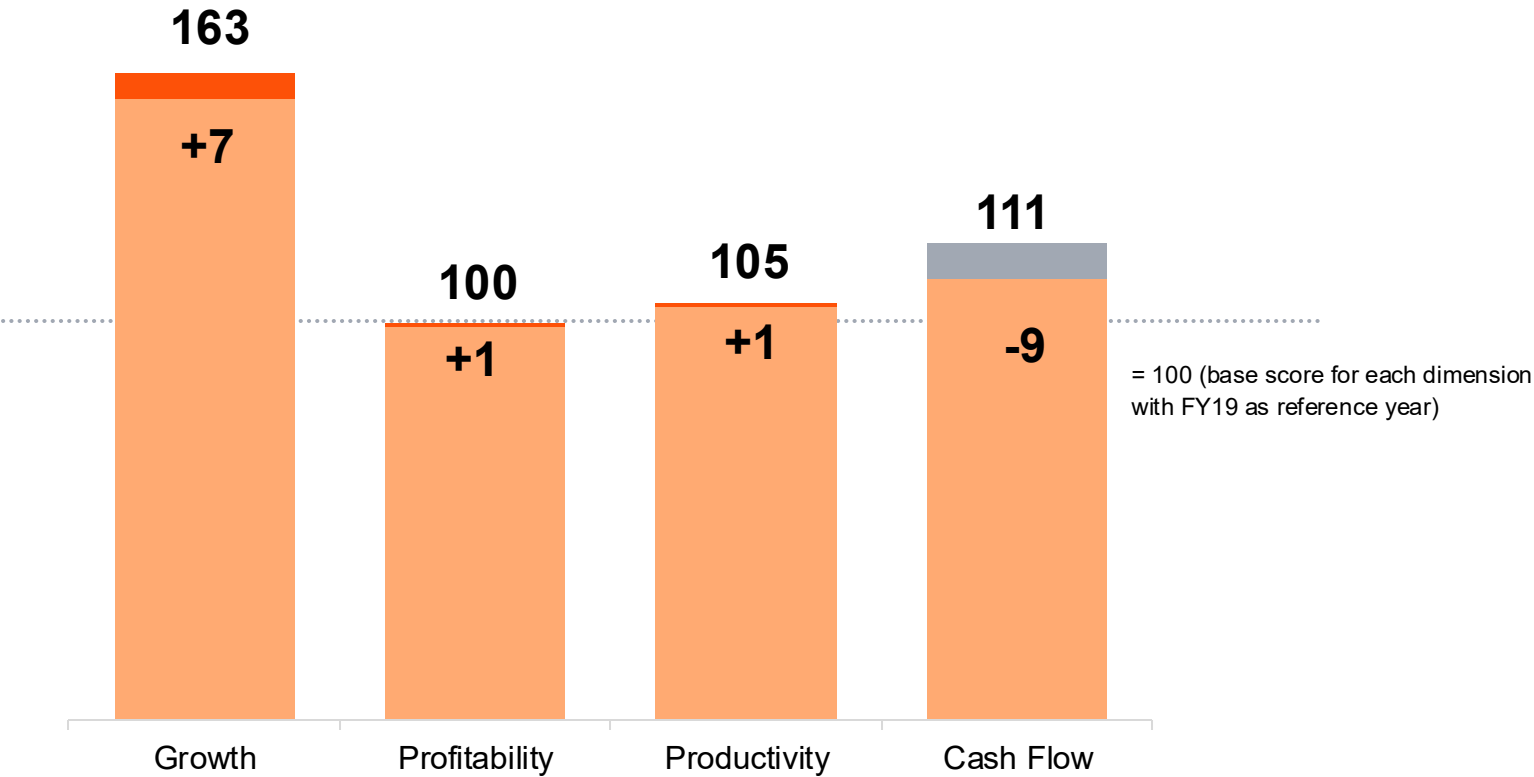
Providers of pure-play BPO services that focus on technology-related functions (IT, tech support)

Non-tech BPO



Providers of BPO services that focus on non-tech functions (admin, finance, operations)

120⁺⁰
year-on-year
GBSI Sub-sector Score



Revenue growth was boosted by cloud and AI services while profitability saw marginal gains



Tech BPO



AI is emerging as a future growth runway for Tech BPO Firms

Tech BPO firms wrapped up FY25 with faster topline growth and stable margins, with AI emerging as a structural growth driver for the sub-sector. It moved from proof-of-concept to commercial deployment over the past year. Several firms now disclose tangible AI-linked revenue and record pipelines.

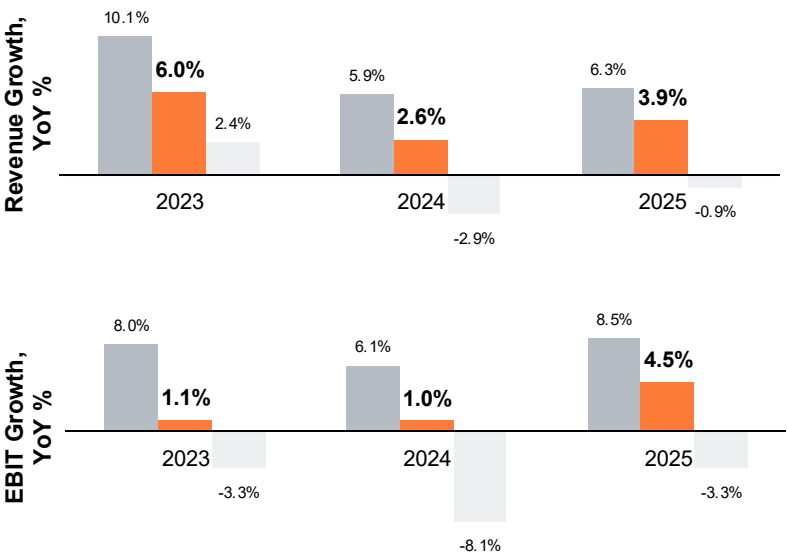
This is expected to continue into FY26, with firms looking to build recurring, higher-margin monetisation models based on their AI platforms. However, the ongoing conflicts in the Middle East and unresolved Western tariff policies have slowed client decision-making and may potentially dampen overall growth over FY26.



Growth

163 +7

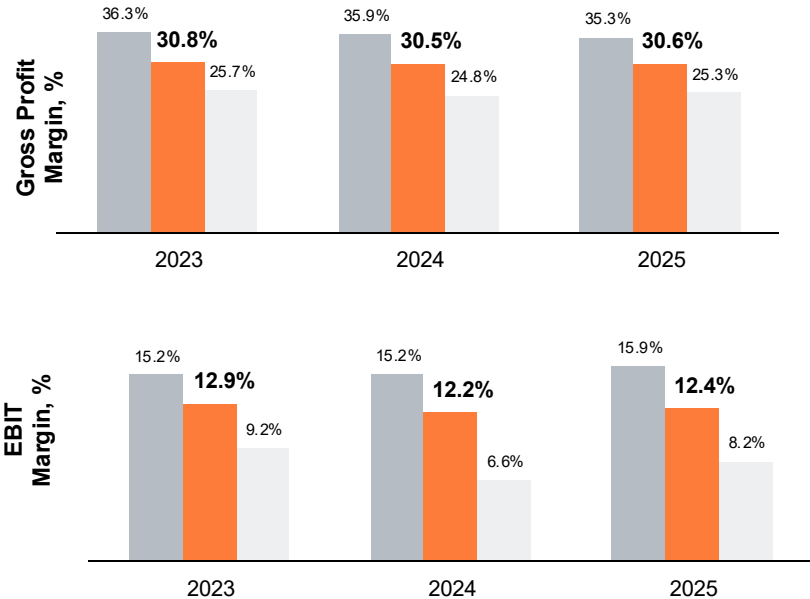
Revenue and EBIT growth both advanced in the sub-sector over the last financial year, driven by increased demand for cloud, AI, cybersecurity, and managed services. Many firms have now created dedicated data and AI business lines to drive future growth. However, some firms saw revenue decline owing to portfolio realignment to focus on higher-margin services. Profit conversion improved marginally due to better cost management, an improved business mix, and, in some cases, favourable FX trends.



Profitability

100 +1

Both gross and EBIT margins showed marginal gains in FY25. At some firms, higher revenue growth and the phasing out of low-margin activities helped offset rising service costs, while at others, wage inflation and higher subcontractor costs led to a decline in margins. Ongoing investments in talent, AI, and sales and marketing weighed on EBIT margins but were offset by targeted cost management of S&A expenses and improved operational efficiency at better-performing firms.



Firms saw productivity gains, but weaker cash conversion weighed on cash flow performance

Tech BPO



AI is also delivering benefits internally, and is poised to drive the next phase of efficiency gains

The sub-sector made progress on workforce productivity even as asset turnover and operating cash conversion softened.

In FY26, AI and automation will continue to remain a central productivity lever, with firms setting out clear plans to scale them. Beyond embedding AI into developer workflows, adoption is also expanding into back-office functions such as finance and HR.

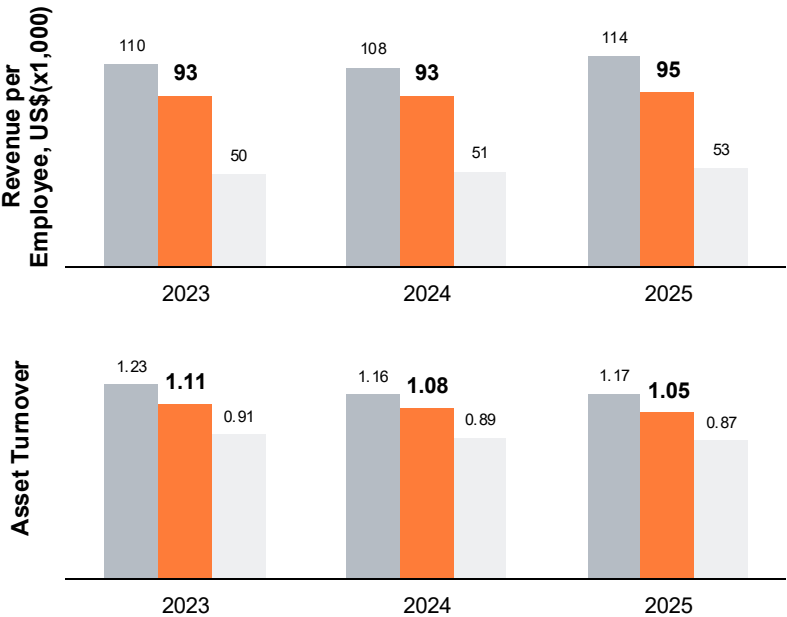
For leading players, the focus will be on accelerating the shift towards AI-enabled, outcome-based delivery models that align pricing with client business outcomes rather than effort or headcount.



Productivity

105 +1

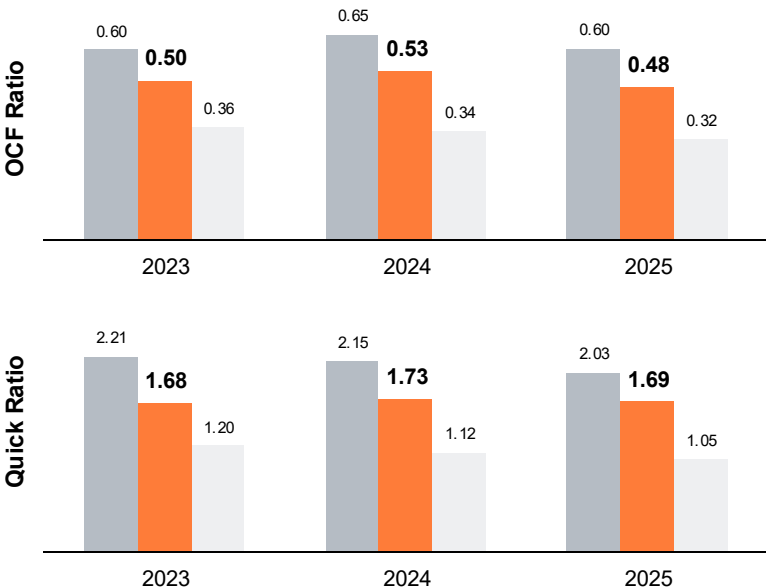
Revenue per employee improved over FY25, while asset turnover softened. Stronger workforce efficiency was supported by improved utilisation and the accelerated adoption of automation and AI tools, especially at larger firms. The decline in asset turnover, by contrast, was driven largely by the increase in acquisition-related goodwill and continued investment in delivery infrastructure, which expanded the asset base faster than revenue.



Cash Flow

111 -9

Operating cash flow ratios softened over the period, while quick ratios remained broadly stable, pointing to weaker cash conversion alongside steady short-term liquidity. The decline in OCF ratio was driven by working-capital outflows, higher tax and vendor payments, and one-off outflows such as pension contributions and restructuring costs. Liquidity remained steady, supported by comfortable cash holdings, though cash balances at some firms declined after acquisitions.



Sub-Sector Overview

Tech BPO



Providers of pure-play BPO services that focus on technology-related functions (IT, tech support)

Non-tech BPO

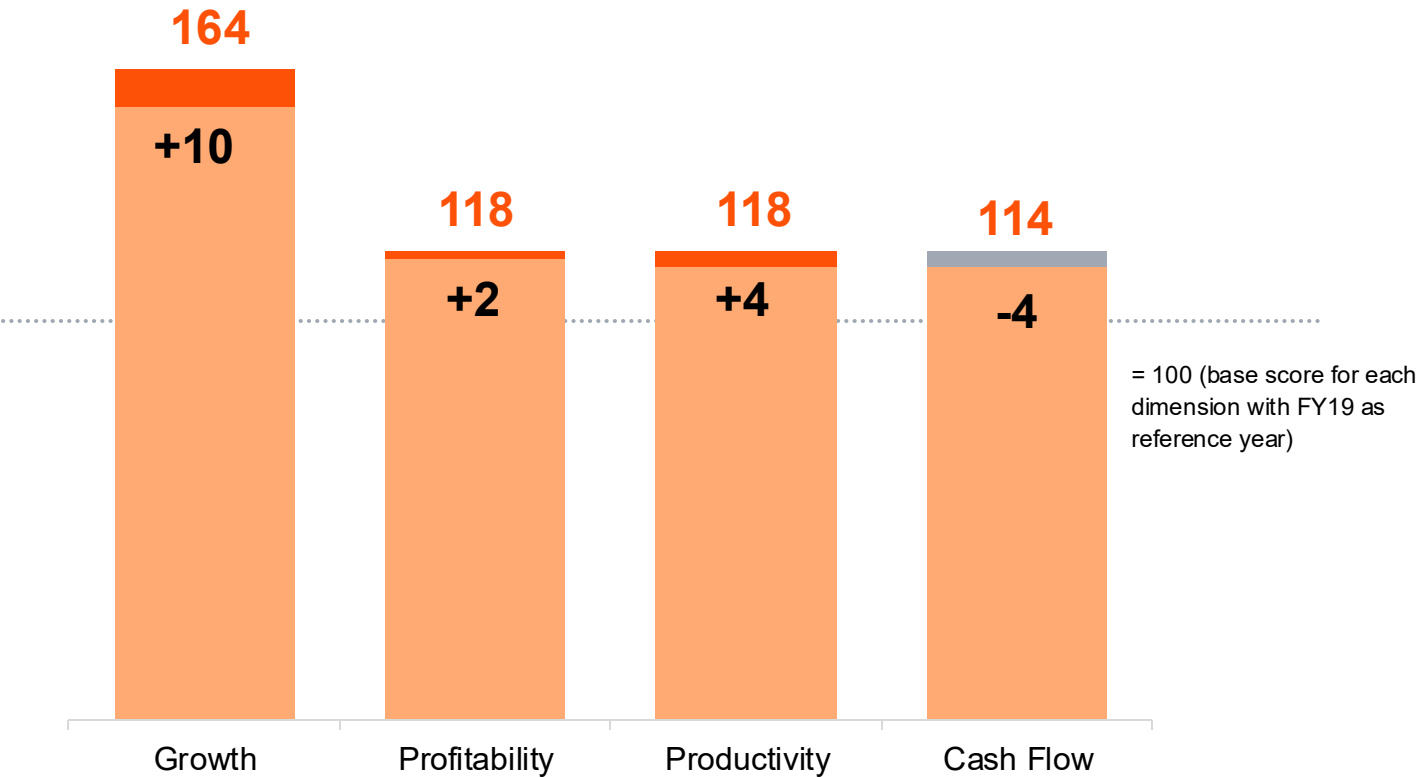


Providers of BPO services that focus on non-tech functions (admin, finance, operations)



128⁺²
year-on-year

GBSI Sub-sector Score



Organic growth drove revenue expansion, while cost controls improved margins

Non-tech BPO



Firms eye AI-led services to drive future growth

The sub-sector ended FY25 on a positive footing, with both revenues and profits rising.

In FY26, firms are expected to sustain this momentum by continuing to reshape their portfolios and reallocating capital towards higher-margin offerings, often supported by strategic acquisitions.

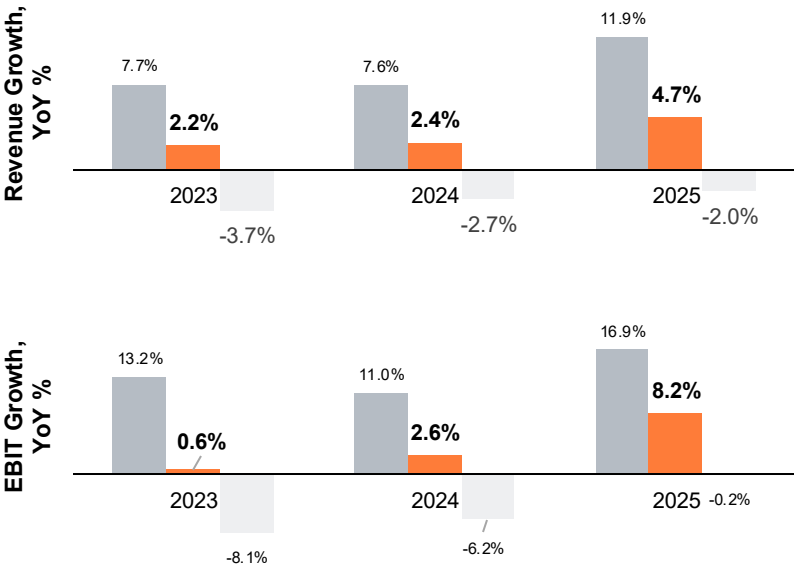
These offerings are increasingly centred on expanding AI-, data- and digital-led solutions (e.g. AI-augmented CX). Accordingly, firms are investing in agentic AI and GenAI capabilities and building digital BPO platforms. At the same time, developing sector-specific expertise remains key to address rising regulation and compliance complexities.



Growth

164 +10

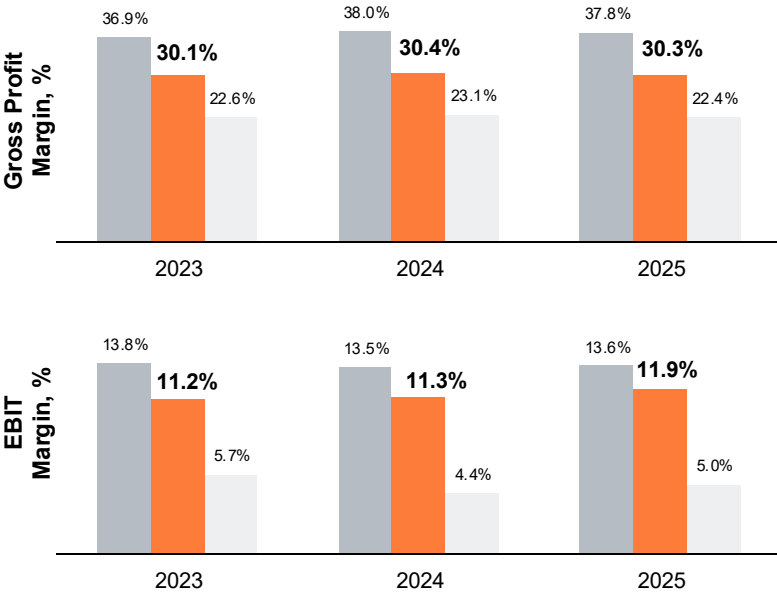
The sub-sector saw both revenue and EBIT improve, with EBIT rising more sharply. Revenue growth was driven by increased demand for digital CX services and domain-specific solutions across some vertical, such as healthcare, defence, and the public services. This was further supported by price increases and revenue from acquisitions. EBIT growth was driven by stronger revenue, site consolidation, and tighter cost control, which helped firms absorb wage inflation and offset one-off costs such as impairment.



Profitability

118 +2

Gross margin in the sub-sector remained steady, while EBIT margin improved slightly. Cost of services rose in proportion to revenues, resulting in stable gross margins, while optimisation of overhead costs, site consolidation, and greater technology adoption helped uplift EBIT margins. Some firms facing profitability pressure responded by exiting underperforming service areas and shifting towards higher-margin models.



Productivity improved with better workforce utilisation, while liquidity moderated



Non-tech BPO



Firms are balancing investments in service-delivery transformation with tighter cash discipline

Non-tech BPO firms made meaningful progress on productivity, but structural pressures on cash flow, liquidity, and margins kept the overall operating picture mixed.

In FY26, firms are expected to build on these efforts by further redesigning operating models and embedding AI more deeply into service delivery (e.g. agent copilots to enable employees to handle more complex work) alongside a gradual shift towards outcome- and value-linked engagements.

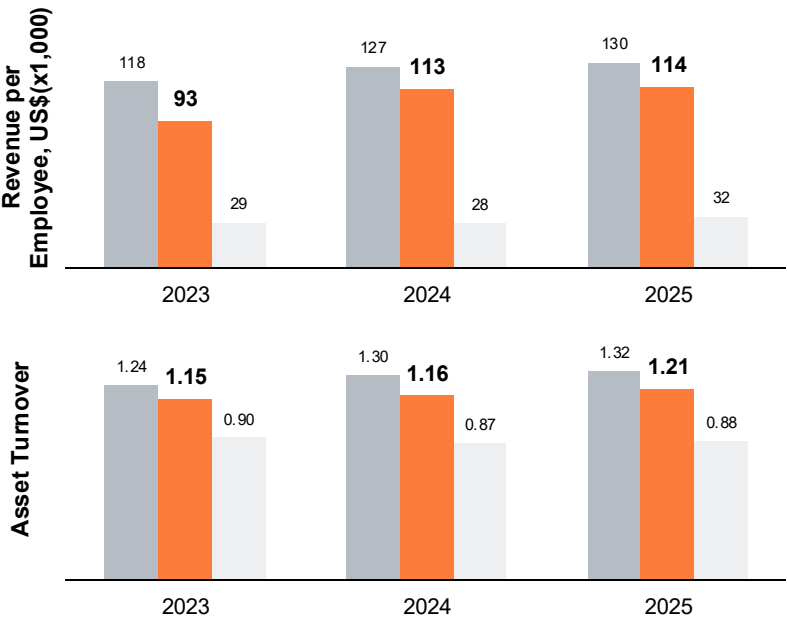
At the same time, companies are sharpening focus on collections, working-capital discipline, and cost efficiency to strengthen financial stability.



Productivity

118 +4

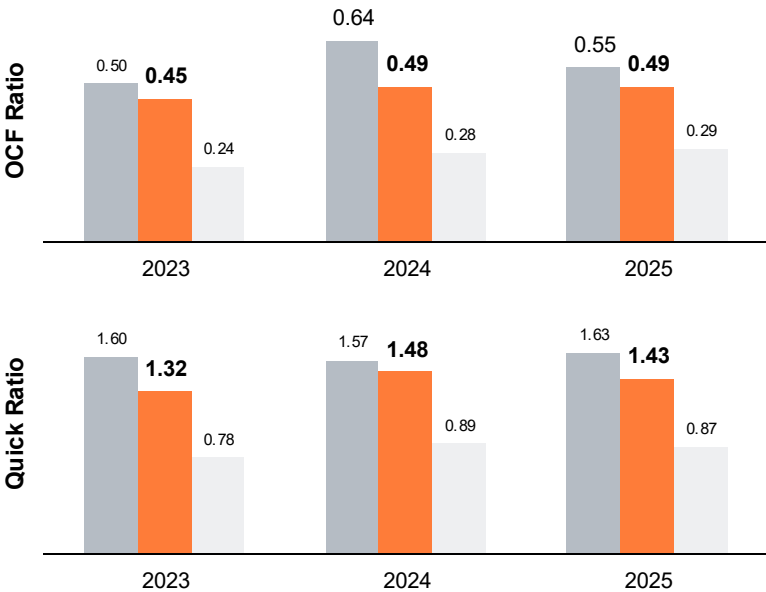
Both revenue per employee and asset turnover improved. Productivity gains were supported by higher workforce utilisation and broader offshore delivery, while firms continued investing in AI and automation to shift towards leaner, more technology-enabled delivery models. Asset turnover benefited from efforts to optimise asset base through portfolio exits, rationalisation of the real estate footprint, and, in some cases, impairment-led balance-sheet resets.



Cash Flow

114 -4

The sub-sector saw some moderation in short-term liquidity in FY25, though liquidity remained broadly healthy. OCF performance was resilient, with several firms sustaining or improving cash generation through stronger collections and disciplined working-capital management. Others were affected by working-capital volatility and company-specific disruptions, including cybersecurity-related incidents.



Amid an uncertain macroeconomic environment, firms must position themselves for growth by transitioning away from legacy labour-led models

Future outlook

The BPO sector remains cautious and uneven, with growth increasingly favouring providers that can deliver AI-enabled transformation and domain-specific expertise.

In tech BPO, companies expect stronger demand for AI-led transformation, cloud modernisation, cybersecurity, and managed services. In non-tech BPO, firms expect stronger demand in specialised areas such as government services, healthcare, financial services, and AI-enabled customer experience.

In addition, private equity activity is creating a growing pool of mid-market clients seeking outsourcing and transformation support being reinforced by AI, which is enabling firms to support more demand through scalable, technology-enabled delivery models, making outsourcing viable for a broader range of clients.

Avg. revenue growth*, YoY %

1.8%

3-4%

Avg. EBIT Margin*

11.4%

12-13%

FY25

FY26e

*Based on analyst estimates and company guidance of 10 leading players per sub-sector

PwC

Priorities for success

As AI and automation reshape BPO delivery, success will depend on how effectively firms build next-generation workforce capabilities, deepen technical expertise and improve execution discipline.



Industrialise AI-led delivery: Scale AI from selective deployments into enterprise-wide operating models, while carefully managing rising AI infrastructure costs to ensure efficiency gains translate into sustainable margin improvement



Build defensible domain depth: Focus on regulated, complex sectors where process expertise, compliance capability, data governance and industry knowledge create stickier client relationships



Build AI-ready workforce: Reskill teams in GenAI, agentic AI, data and automation, while redesigning delivery models to blend domain experts, engineers and AI-enabled operations teams

“ AI is beginning to deliver measurable productivity gains across the sector, although adoption remains uneven. Larger firms appear better positioned to realize value at this stage, but this dynamic may evolve as smaller players scale their AI investments.

Dan Sipple-Asher, Partner, PwC US

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US IT Service Provider: Turning acquisition-led scale into profitable growth

Context

- A national managed IT services provider had grown rapidly through acquisition, expanding its customer base and product portfolio across multiple markets
- Successive deals left the business on fragmented systems, with inconsistent data and disconnected sales playbooks, and limited visibility into commercial performance
- The market was shifting towards cloud, cybersecurity, and managed services, but the revenue mix remained weighted towards legacy categories

Our approach

- PwC ran a commercial growth diagnostic, examining the business inside-out and outside-in to test whether the company was selling the right products, to the right customers, at the right price
- Executed three parallel workstreams spanning commercial strategy, commercial analytics and seller effectiveness, combining market research with first-time customer-level margin analysis
- Grounded findings in commercial reality and set out a prioritised roadmap the client could execute, with the data foundations needed to sustain it

Impact delivered



Reset the product-market mix

Sized the market, surveyed 300 respondents and benchmarked competitors to shift the portfolio from legacy categories towards cloud, cyber and managed services



Exposed margin leakage at customer level

Built the first customer-level margin cube, quantified revenue leakage and mapped the data gap against the desired end state, along with the improvements possible with the right data



Closed the seller productivity gap

Ran 12 go-to-market interviews to trace the gap between new and tenured reps back to onboarding and cross-selling, with fixes prioritised by value



Key contacts

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I. Overview

- This report presents an outside-in view of the Business Services industry and the performance across 8 key sectors: (i) Built Environment Services, (ii) Business Process Outsourcing, (iii) Digital and Education Services, (iv) Human Capital Management, (v) Legal Services, (vi) Logistics and Distribution, (vii) Professional Services; and (viii) Testing, Inspection and Certification
- 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 74 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 438 companies)

II. Index calculations¹

1. **Time period and baseline** – The index calculation is based on company data for FY23 to FY25 and 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 FY19 and FY23 to FY25 to derive a **ratio**
 - The ratios were aggregated across all 45 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 FY19 benchmark
 - If the sector score = 100, results were at par with FY19
 - If the sector score <100, it underperformed against the FY19 benchmark

III. Future outlook

- The FY26 outlook is based on analyst reports and company guidance for 10 leading companies in every sub-sector, selected on the basis of revenue, scale and availability of information
- Revenue growth and EBIT margin estimates were reviewed and aggregated to develop an indicative sector-level outlook

IV. Key sources

- The key sources referred to throughout the report include the following:
 - Company websites and annual reports
 - Analyst reports
 - Databases such as S&P Capital IQ, Bloomberg, EMIS
 - Company registrar portals such as Companies House (UK), Securities and Exchange Commission (US)

1. The scores for the 2023 and 2024 index were recalculated due to changes in sample size and the incorporation of revised financial figures of included companies

Thank you