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# **BUSINESS SERVICES INDUSTRY IN EUROPE**

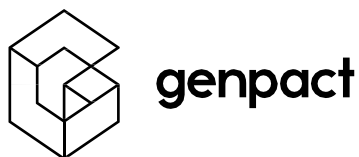
A series of red, 3D rectangular blocks of varying sizes and orientations, arranged in a perspective view. The blocks have a fine, grid-like texture and are set against a dark blue background with a subtle grid pattern. The lighting creates highlights and shadows, giving them a three-dimensional appearance.

**KEY TAKEAWAYS**

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Key takeaways are from the Business Services Industry in Europe 2025 report, prepared by the Association of Business Service Leaders (ABSLS) in cooperation with:



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# Industry in the Data

## Numbers Proving Power



EUR **3.5** trillion

Estimated GDP generated in the business services industry in the EU-27 in 2023.



**20.4%**

Estimated share of the industry in GDP in the EU-27 in 2023.



**32.5** million

Total employment in business services in the EU-27.



**39.4** million

Total employment in business services in broadly defined Europe (EEC, UK, Switzerland).



**5.0** million

Total employment in modern business services centers in the EU-27.



**11.6** million

Total employment in knowledge-intensive business services (KIBS) in the EU-27.



**14.2** million

Total employment in KIBS in broadly defined Europe (EEC, UK, Switzerland).



**22.6%**

Estimated share of the sector in total EU-27's Gross Value Added (GVA) in 2023.



**4.6%**

Estimated CAGR in the business services industry GVA in the EU-27 in the period 2014-23.



**52.6%**

Share of Europe in global KIBS exports in 2023.



**34.4%**

Share of intra-European trade in global KIBS flows in 2023.



**Ireland, Belgium, Sweden, and the UK**

European states with the highest Revealed Comparative Advantage Index (RCA) in KIBS exports in 2023: Ireland (1.87), the UK (1.23), Sweden (1.38), and Belgium (1.35).



**Ireland**

Member state with the highest share of the sector in Gross Value Added and GDP.

**Business services enable Europe to transform its internal capabilities into global strengths — a scalable engine of competitiveness.**

# Definition & Impact Transformation toward greater value generation

**Business Services are a wide range of functions and processes that organizations need and leverage daily to manage and enhance their operations and administration, increase efficiency, and drive growth.** They may be carried out internally or externally, in-house or provided by a third party, regardless of location or organizational setup. However, public services, as well as functions linked to personal services and services related to physical labor (blue-collar by definition), are omitted.

**Business services are a foundational and horizontally integrated component of the European economy.**

They include activities across various areas, such as finance, IT, human resources, legal, procurement, logistics, data analytics, and customer support. These services are increasingly delivered through modern models, including specialized centers

such as Shared Services Centers (SSC), Business Process Outsourcing (BPO), IT centers, R&D centers, and ultimately Global Business Services (GBS) centers, which represent the most professionalized, elaborate, and productive part of the industry.

**Europe's business services industry is a strategic growth engine, not just a support function, for the continent's economy.**

## Transformation Trajectory: from classic GBS to GenBS

A transition from traditional Shared Services Centers (SSC) and Business Process Outsourcing (BPO) models to integrated, multifunctional Global Business Services (GBS) platforms is observed. This shift is driven by the

adoption of digital tools, particularly artificial intelligence, intelligent automation, and cloud-based architectures, that enable end-to-end process ownership, scalability, and client-centric service delivery. GBS is gradually transitioning to GBS 3.0 with **GenBS on the horizon.**

The evolution of business services in Europe follows three distinct models, reflecting a transformation from efficiency-focused support to insight-enabled execution, and ultimately **to strategic acceleration.**

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### Classic GBS (1.0/2.0)

focus on cost efficiency, scale, and labor arbitrage;

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### GBS 3.0

emphasize functional integration, capability depth, and process optimization;

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### GenBS

(Generative Business Services) – integrate human and AI, embed deep domain expertise, and shift the role of centers as core business innovation units and transformation hubs.

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GenBS embodies the future of business services. It is defined by AI-native operations, hyper-automation, and a platform-based approach that allows for dynamic, tailored service delivery.

## Potential within the 3T Framework

The business services industry in Europe stands out as both a shock absorber and a strategic enabler of economic transformation with the 3Ts – **Talent**, **Technology**, and **Transformation** as drivers of the future of business models. It absorbs the short-term turbulence of global supply chains, regulatory shocks, and technological disruptions, while enabling long-term transformation by embedding new technologies, nurturing talent, rising overall efficiency and productivity, and thus reinforcing Europe's industrial competitiveness.

# European Economy From support to core business transformation capabilities

Using ABSL's classification of business activities, grounded in a comprehensive analysis of employment size, value creation, and productivity, **six key verticals of the European economy have been identified.** These verticals, further examined by BCG, include **BIFS, Pharma, Automotive, Energy, Telecom, and Aerospace & Defense.** For each of these sectors, as well as for the broader European economy, the business services industry is positioned to act as a catalyst for transformation, innovation, and global competitiveness. Each vertical was analyzed in terms of market size, productivity, business and technology trends, and strategic challenges, with comparisons to major global peers. Particular emphasis was placed on showcasing how **business services centers are already driving tangible transformation across these industries to build European competitiveness.**

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## Banking, Insurance, and Financial Services (BIFS)

Business services hubs are central to scaling compliance, sustainable finance, and digital finance platforms, but require cross-border talent flows and robust digital governance.

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## Automotive

The sector's competitiveness will hinge on scaling GenAI, digital twin technologies, and integrated supply chain orchestration, all of which are heavily dependent on business services excellence.

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## Pharmaceuticals and Life Sciences

GenBS models can transform the sector by embedding real-world evidence analytics, AI-enabled drug discovery, and harmonized compliance systems.

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## Energy & Utilities

Business services can enable real-time regulatory reporting, predictive asset management, and integrated sustainability services. Without rapid progress, Europe risks losing ground in energy innovation and resilience.

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## Aerospace & Defense

Business services can alleviate these constraints through engineering services, procurement optimization, and the secure utilization of AI-enabled analytics in future warfare. Europe's defense resilience will increasingly depend on the maturity of its business services networks.

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## Telecommunications

Business services can provide the capabilities to accelerate AI-driven network operations, sustainability compliance and reporting, and digital customer engagement.

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# Regional Dimension Europe's blend of regional strengths

## Complex and Complementary

The European business services industry reflects a wealth of complementary capabilities across regions. Established hubs in Western Europe and CEE are building on scale, creating a diversified network rather than isolated centers of influence. While Western and Northern Europe host the headquarters of large corporations and lead in valuable digital and domain-specific services, the CEE regions bring substantial capabilities and growing expertise, enriching the broader ecosystem, upgrading and upskilling, and thus can cover not only back-office but increasingly mid-office functions. This complex interplay fosters unique opportunities for specialization, diversification, nearshoring, and cross-border collaboration, enabling countries to leverage their unique strengths.

The industry is simultaneously dispersed across Europe, yet it also exhibits clear concentrations or industry clusters in each state. Our industry clusters, in turn, correlate well with the regional European Innovation Scoreboard hotspots, indicating the role of industry regions in Europe's technological sophistication, innovation, and economic prosperity.

**To boost Europe's competitiveness, the industry's full potential through regional hubs spanning the continent must be productively utilized.**

## Untapped Potential Europe at a strategic crossroads

The next five years will determine whether Europe remains the primary global hub for business services or falls into dependency. The cost of inaction will be high: declining competitiveness, talent flight, and loss of strategic autonomy. However, the opportunities are equally large. **Europe can transform its diversity into an engine of resilience, productivity, and sustainable leadership.** It is crucial to mitigate the risk of becoming a knowledge-rich but delivery-poor economy, vulnerable to the European innovation paradox, as global competition intensifies. Business services must lead at the global technological frontier. **GTF** to leverage Europe for economic sovereignty, competitiveness, and resilience. It will materialize if we act boldly and decisively.

## Talent Ecosystems

Europe boasts one of the most robust talent pools in the global business services sector. Yet this advantage is under pressure. To maintain its competitive edge, Europe must re-skill at scale, embed AI fluency, and adapt to a rapidly evolving business landscape. Talent remains the key differentiator of Europe's competitiveness. As the industry shifts away from traditional models based on labor scale and cost arbitrage toward dynamic, skill-driven ecosystems that fuel growth and enable transformation, Europe needs to adapt. To stay competitive, it must modernize leadership pipelines, accelerate skills-based learning, and build cross-sectoral talent pathways.

## Technology Scaling

Europe's competitiveness hinges on its ability to adopt and scale next-generation technologies, and then compete on the global technology frontier. Work must be done to strengthen these areas. The transition to GBS 3.0 and ultimately GenBS models is being driven by AI-supporting technologies, including enhanced compute power and data storage, advanced data platforms, cloud integration, increased cybersecurity, and digital governance.

## Transformation Paths

Transformations in the business services sector should be viewed in two dimensions. The first dimension is the ability to transform services and move from simple services focused on cost savings to GenBS that create added value and ensure competitiveness by transforming the core business. The second one is driving profound change in key sectors of the European economy.

# Scenarios for Europe

## The power of what comes next

There are three forward-looking scenarios for Europe, highlighting both risks and opportunities. **The choice between scenarios will depend largely on external factors, but also to a significant extent on the internal actions of business leaders and key European stakeholders.**

### Scenario 1

#### Europe as a Global Business Services Hub

Proactive policy alignment, strategic investment in AI/data hubs, and strong business-policy collaboration. Business services are fully embedded into sectoral transformation, driving competitiveness and resilience. Europe narrows its productivity gap and becomes a global benchmark.

### Scenario 2

#### Uneven Progress, Fragmented Gains

Europe maintains a strong industry, but scaling GenBS models proves difficult beyond large enterprises and national champions. Aggressive but poorly coordinated GCC (Global Capability Center) strategies create fragmentation. Secondary regions stagnate, and talent outflows accelerate.

### Scenario 3

#### Dependency Spiral and Decline

Europe enters a cycle of strategic dependency on non-European providers and platforms. Talent flight intensifies, core hubs become isolated islands of competitiveness, and many regions experience job erosion.

# Key Objectives & Priorities

## Mind the purpose, act with impact

Europe must recognize the business services industry as a strategic enabler of its industrial and digital transformation, rather than merely as a cost-saving mechanism. This requires embedding services into industrial policy, aligning digital infrastructure with sovereignty objectives, and ensuring cross-border labor mobility. At the same time, EU institutions and member states need to coordinate investment in AI, cloud, and data governance frameworks to prevent lock-in to external platforms. The talent agenda demands urgent action. Leadership pipelines must be modernized, skills-based systems scaled, and transitions across industries supported through reskilling and certification initiatives.

## Key Objectives

1. **Secure Europe's global leadership in business services**
2. **Close the innovation-productivity gap**
3. **Address talent shortages and reskill at scale**
4. **Orchestrate cross-border delivery resilience**
5. **Lead the sustainability and green transition agenda**
6. **Improve policy and regulatory alignment**

## Policy Priorities (EU & National)

1. **Embed business services into industrial policy** as a core enabler of transformation.
2. **Invest in AI/data sovereignty hubs** across Europe to prevent lock-in and fragmentation.
3. **Strengthen talent ecosystems**, cross-border mobility, and leadership pipelines for a digital, multigenerational workforce.
4. **Enhance governance and resilience**, reducing fragmentation and securing infrastructure.
5. **Foster vertical–horizontal integration** via pan-European programs that link industrial competitiveness with business services transformation.

## Industry Priorities (Insiders)

1. **Accelerate GenBS adoption within organizations**, focusing on AI orchestration and data-driven transformation.
2. **Develop cross-sector alliances** to pool expertise and scale innovation.
3. **Invest in shared service excellence hubs**, ensuring Europe remains competitive with Asia and North America.
4. **Build internal mobility systems and reskilling programs**, transforming static workforces into dynamic skill ecosystems.







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