

# Digital Transformation Challenges in the Middle East

Organisations in the Middle East are undergoing complex digital transformations. Criticleye Member, **Fin O'Leary**, explores the challenges this presents and the role of technology, culture and partnerships in the solutions



Similar to many businesses globally, organisations in the Middle East are facing challenges with their digital transformation journeys. The ongoing pandemic has clarified the need for, and greatly accelerated, the move to digital. It has also magnified the risks and challenges. The impact of COVID-19 is being felt across every business sector, with many companies grappling to control their revenue and net income, while their digital transformations are also falling short.

The challenges are manifold, and organisations are not prepared for the complexities of such a journey. Issues with business processes, governance, infrastructure and legacy technology are widespread and complicated further by the need to pivot to new, more agile ways of working and different organisation cultures, while moving away from traditional top-down hierarchical command and control structures.

The overall business drivers are clear, including digitisation for competitiveness, diversification from the oil economy and the ongoing pandemic. Yet, transformations are stymied by insufficient funding and sponsorship, unclear return on investment (ROI), outdated working processes and practices, complex ownership structures, and issues around acquiring, rewarding and retaining the right talent, while still achieving employee nationalisation goals.

Digitally savvy companies are more competitive and perform better, witnessed by the success of Middle East home-grown digital services, such as Talabat food delivery; Souq marketplace, acquired by Amazon in

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2017 for \$680 million; and Noon, the e-comm platform that sells apparel, beauty, sports and fitness products. Yet many business leaders in the Middle East, having engaged prestigious consulting firms to help develop their digital business strategies, subsequently waver in their commitment to fully embrace digital transformations and new ways of working.

### **Legacy Business Processes, Practices & Systems are Impeding Modernisation**

Over the years, organisations in the Middle East have created a mass of processes, practices, infrastructures

and systems to support their businesses, however, many of these are now legacy and less efficient. Quite often, the reasons why these were created have been lost in the sands of time and disentangling them is difficult owing to a lack of documentation, resulting in a major obstacle to becoming automated, connected, omnichannel, data-driven and agile businesses.

Technologies like robotic process automation (RPA), intelligent automation (IA) and natural language processing (NLP) can help bridge the gap between legacy applications and modern ones, by automating certain manual, rule-based tasks done by the human workforce, as well as moving data between systems.

It is important to understand if this is worthwhile, or whether it is just automating inefficiency and it would be better to start afresh. Businesses should consider creating something more attuned to the current digital business environment that optimises technologies, processes and human resource capabilities, with the inbuilt agility to quickly evolve and address future challenges and opportunities.

### **Culture, Resistance to Change and Operating Models**

Digitisation shifts practices, processes, technology and, of course, people, who inevitably need to adapt to new working practices and dynamics. While line staff are often (unfairly) identified as resisters, quite often the real culprits are managers and leaders. This is especially true in the Middle East where many of the most successful businesses were originally >



established as privately-owned family ventures and are still run by founding family members. Traditionally, top-down command and control structures served these businesses well, but hierarchical models and cultures do not gel well with the matrixed structures required for agile organisations. The inevitable clash of these two cultures can result in transformation deceleration or even failure.

A parallel twin culture approach may be appropriate for digital transformation, that is, legacy business as usual with a separate agile, digitally focused initiative. Businesses should consider setting up an independent Digital Transformation function as a proof of concept (POC) and, perhaps, a separate business with digital resources, staffed by people with a cross-functional digitisation mindset. Bahrain's well-established Bank ABC did just that, bypassing its existing regional retail franchises when it set launched its digital-only Ila Bank.

Organisations should also bring some open-minded employees from key legacy functions to work with these new teams, exposing them to doing things digitally while also leveraging their legacy skills and knowledge. Experiment with small pilot initiatives: fail fast, adapt, learn and create feedback loops as competencies increase.

This will enable employees, managers and leaders to gradually evolve from command and control to a more open leadership\* style;

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one where leaders and executives provide resources, direction, advice and some governance (through KPIs and metrics) while delegating much of the decision making, accountability and initiative to line management and staff.

### Leadership Commitment to Full Digital Transformation

While Middle Eastern countries and populations are embracing the latest technologies and digital transformation initiatives, Boards and executive leaders in many organisations are either reluctant to commit to fully-fledged digital transformations or

their commitment gradually declines, owing to a lack of clarity around tangible benefits and ROI.

Tech is an enabling tool, but true digital transformation includes all aspects of the organisation, from its macro business environment and customers to its internal people, process, practices and culture. Enhancing digital literacy amongst Board members and executives will broaden their understanding of digitisation opportunities, risks and the consequences of not committing. This can be further strengthened by appointing a digitally savvy business technology mentor as a non-executive director, or as a digital advisor to the Board and C-suite.

Some legacy transformation can be achieved through applying emerging technologies to streamline and automate functions such as accounting, administration, HR, customer services, payroll and others. Starting with small pilots and then scaling to an enterprise level will enable leaders to fully commit, approve realistic budgets and support an organisation-wide commitment to wider transformation.

When creating a digital business strategy and subsequent transformation roadmap, in addition to financial ROIs which may be long term, it is important to identify a broad range of clearly measurable KPIs. Metrics should be produced at various milestones to show achievements in efficiency improvement, cost optimisation, speed and productivity gains, improved customer engagement and quality gains. These will maintain confidence and interest, while providing leaders with assurance that the digital transformation investment is on target. ➤

\* The term 'Servant Leader' was deliberately avoided as it could sometimes be found offensive in the Middle East.



## Addressing Digitisation Skills and Expertise

In addition to digital literacy, tech and digital skills will need to be enhanced throughout the organisation. As Middle Eastern economies grow and compete, there will be more demand and competition for digitally capable resources, which may, in some cases, clash with employee nationalisation requirements. This risk can be reduced through training and employee benefits, such as financial, remote working, social engagement and commitment to environmental initiatives, all of which are increasingly important, especially to younger employees.

As digitisation requires a broad range of specialist skills, organisations should consider alternative sourcing models for some aspects of their operations; for example, helpdesk and customer support as a service (HDaaS), supply chain as a service (SCaaS), replacing in-house tech infrastructure with cloud services, outsourcing cyber security for greater expertise, reduced risk and economies of scale.

Partnerships and collaborations can address some of the gaps; for example, early on in the pandemic, Emaar Malls set up a virtual Dubai Mall on noon.com and Majid Al Futtaim (MAF), the developer behind Mall of the Emirates, rolled out an online marketplace through carrefouruae.com.

Middle Eastern governments and authorities can enact laws to support companies with their digitisation and sourcing models. A leader in the field is KSA's eCommunications and

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Information Technology Commission (CITC), which over the last few years has enacted practical and well-thought-out laws governing online transactions, cloud computing, cybercrime and cyber security.

To level the playing field, governments should support the creation of small business hubs for e-commerce, cross pollinating these with their fintech and digital hubs resources, solving opportunity deserts and making online marketplaces easily accessible to SMEs. Integrating financing, B2B services and platform connections, similar to the UAE's B2B Tradeling platform, can make a significant difference to the potential success of new businesses.

It is clear that digitisation and digital transformation is an imperative for most Middle Eastern business. This is a significant and disruptive challenge, as well as a big opportunity for competitive advantage, efficiency gain and higher-quality outputs.

Spending on digitisation has accelerated significantly throughout the region, however, many companies are managing their digital transformation with a traditional operating model, thereby increasing the risks and failing to fully realise the benefits. A well-handled, holistic digital transformation approach can streamline digital adoption and be rewarding, rather than overwhelming. ■



**Fin O'Leary**  
Non-executive Director  
and Board Advisor

Fin O'Leary is a Non-executive Director and Board Advisor to investors, start-ups and growth companies. He is currently advising a portfolio of UK, EU and GCC start-ups in the content creation, payments, bio-hacking, solar and coatings nano-technology arenas.

Previously, he was Chief Information Technology Officer for the holding company of Saudi Arabia's largest conglomerate, as well as a number of GCC and European-based banks. His role focused on digital strategy design, efficient group-wide financial consolidation and design deployment of in-house treasury and digital banking capabilities.

Contact Fin through:  
[www.criticleye.com](http://www.criticleye.com)