



Disrupt and grow

2017 Saudi Arabia CEO Outlook

October 2017

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Foreword

Welcome to the 2017 Saudi Arabia CEO Outlook survey, aimed at offering insights into the opportunities and challenges faced by CEOs in the country. It highlights the strategic priorities of CEOs as they run their organizations through a period of uncertainty and opportunity.

In today's world, CEOs are aiming to 'disrupt and grow' and are also taking steps for their organizations to be disruptors in their respective sectors, instead of being disrupted by competitors. Moreover, they view technological disruption as a major opportunity and are planning to invest in emerging technologies, such as blockchain, Internet-of-Things and data analytics over the next three years.

CEOs are now responding to the increased uncertainty from geopolitical pressures by fostering innovation, adopting emerging technologies, following a customer-centric approach and transforming business models.

With the fall in global oil prices, the economy of the country has been facing headwinds. CEOs are however optimistic, following the launch of various programs by the government including 'The National Transformation Program 2020' and 'The Saudi Vision 2030' — to diversify the economy away from oil. Hence, they believe that the growth of Saudi Arabia and of their own organizations is on a positive track.

Election of the new US administration and the UK's exit from the European Union (Brexit) seem to be good news for Saudi Arabia. CEOs believe that the new US administration will have a positive impact on their organizations' growth while Brexit will have a positive impact on their operations in the UK. That being said, CEOs are still hiring individuals with relevant skill sets to better understand geopolitical risks and are also spending a considerable amount of time on scenario planning.

Our 2017 Saudi Arabia CEO Outlook delves into how today's CEOs are facing a need to transform their existing business models. CEOs are concerned that their organizations are not disrupting business models in the industry. Yet, they are optimistic about transforming their company over the next three years.

The report also offers rich insights into how CEOs are responding to challenges and benefiting from opportunities by equipping their organizations to meet these challenges and also by upskilling themselves.

On behalf of KPMG, I would like to thank all the CEOs we spoke with for their opinions and the KPMG Saudi Arabia partners and professionals for their views.

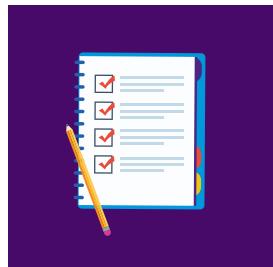
Let us now explore how Saudi Arabian organizations can **disrupt and grow!**



Mr. Abdullah Al Fozan
Chairman
KPMG in Saudi Arabia

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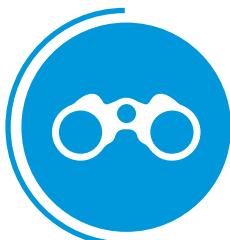
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Key findings



Disruption as an opportunity

- Ninety-five percent of CEOs in Saudi Arabia view technological disruption as more of an opportunity than a threat.
- CEOs (83 percent) believe that their respective organization is actively disrupting the sector in which it operates.



Preparing for an uncertain geopolitical landscape

- About two-thirds (60 percent) of Saudi Arabian CEOs agree that the uncertainty of the current global geopolitical landscape has had a greater impact on them than ever before.
- As a result, majority of the CEOs (58 percent) are reassessing their presence abroad, hiring individuals with relevant skill sets to better understand geopolitical risks (95 percent) and spending a considerable amount of time on scenario planning (83 percent).



Maintaining trust all-around

- Nearly all CEOs (98 percent) surveyed this year believe that placing greater importance on trust, values and culture in their organizations is vital to sustain a long-term future. They also associate the idea of being an empathetic organization with higher earnings.
- Eighty-three percent CEOs expect public trust in businesses in Saudi Arabia to improve or remain the same over the next three years.



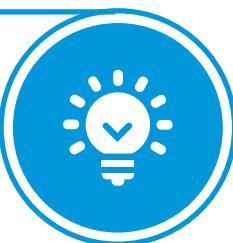
Focusing on risk mitigation

- CEOs (85 percent) in Saudi Arabia and the Gulf States expect a high level of investment toward governance and risk management over the next three years.
- Among the top-3 risks faced by CEOs, emerging technology is the most significant.
- Ninety-five percent of CEOs in Saudi Arabia are now 'personally comfortable' in recognizing the mitigation of cyber risk as an important part of their role as leaders.



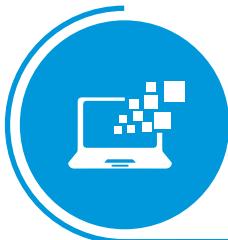
CEOs confident about growth undeterred by downturn in domestic economy

- Despite a recent downturn in the economy owing to falling global oil prices, CEOs (75 percent) are confident and optimistic about Saudi Arabia's growth prospects.
- Nearly all CEOs surveyed (98 percent) are confident about the growth prospects for their companies while 90 percent are confident about their industries over the next three years.



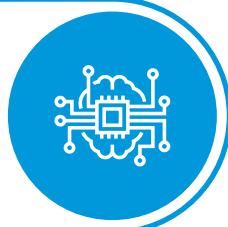
Fostering innovation is an important strategic priority

- Majority of the Saudi Arabian CEOs (93 percent) as well as those from the Gulf States anticipate high investment in the field of innovation over the next three years.
- CEOs believe that they must establish and sustain businesses that focus on innovation. Majority (73 percent) of them also believe that pursuing innovation-led transformation will help them grow.



Increasing investment and adoption of emerging technologies

- CEOs (88 percent) are planning greater levels of investment in new and upcoming technologies when compared with 49 percent of their Global* counterparts.
- Blockchain, Internet-of-Things (IoT) and data analytics tools are emerging as the top-three focus areas for CEOs.



Artificial Intelligence (AI) gradually making an impact

- CEOs in Saudi Arabia recognize that the adoption and integration of AI would require significant investment in basic infrastructure to benefit from the technology.
- Sixty five percent of CEOs are considering the integration of basic automated business processes with AI and cognitive systems compared with 52 percent of CEOs from Global countries.



Cognitive technologies to increase headcount in the short term

- Emerging cognitive technologies such as robotic process automation (RPA), AI and machine learning, are expected to increase headcount in Saudi Arabian companies over the next three years, owing to the need of skilled staff to help implement these technologies.
- Sixty-eight percent of CEOs, on average, are expecting an overall workforce increase in 10 key departments owing to cognitive technologies.



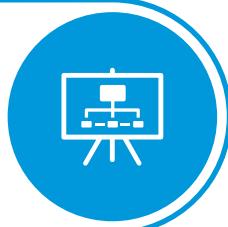
Attracting and reskilling workforce among the top challenges

- CEOs from Saudi Arabia and Global countries identified attracting new strategic talent, piloting emerging technologies and reskilling the current workforce as the top-three technology-related challenges in the near future.



Customer-centricity is key, while targeting millennials is a challenge

- Almost all Saudi Arabian CEOs believe that it is their responsibility to represent the best interests of customers (98 percent) and are confident in the way they are creating value for clients (95 percent).
- Thirty percent CEOs identified their inability to target millennials** as the single biggest challenge to developing customer relationships.



Need to transform existing business models

- CEOs (73 percent) are concerned that their organizations are not disrupting business models in the industry as they realize the importance of business model transformation in a fast-changing environment.
- CEOs (60 percent) are optimistic about transforming their companies over the next three years. In contrast, CEOs from Global countries (74 percent) believe that no significant change will occur.
- CEOs believe that pursuing an innovation-led (73 percent) and customer-focused transformation model (63 percent) will help them grow.



CEOs are re-evaluating their skills and qualities

- Ninety percent CEOs think that they are open to new influences and collaborations now than at any other point in their careers.
- Ninety-three percent believe that understanding their own personality and limitations is crucial to achieve success as a CEO.
- Eighty-five percent undertook a course or acquired an additional qualification in the past 12 months to disrupt or challenge their roles.



New US administration and Brexit good news for Saudi Arabia

- CEOs are optimistic that the new US administration and Britain's exit from the European Union (Brexit) will benefit their respective organizations and industries.
- They believe that the new US administration will have a positive impact on their growth (63 percent) while Brexit will have a positive impact on their operations in the UK (53 percent).



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Every major industry globally is being disrupted in ways we haven't seen before. Technology is playing a major role in sectors which have survived many other disruptions and changes in the past. Companies should approach this period not only to transform day to day business and processes but also question and completely adjust their business models. This requires bringing people onboard with fresh perspectives who are not tainted by the company's past practices. It also requires the courage to make decisions which are not obvious for short term results but are the right ones for long term sustainability and success.

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Mr. Rayan Fayez
Chief Executive Officer, The Savola Group

Disruption as an opportunity

In today's world, disruption is increasingly being viewed as an opportunity by CEOs. They are looking at new technologies and business models to improve business productivity and efficiency. Organizations nowadays are planning to become effective disruptors in their respective industries. One of the effective ways to attain this is by integrating business processes with technology. Eighty-three percent CEOs surveyed in Saudi Arabia believe that their respective organizations are actively disrupting sectors in which the companies operate, instead of waiting for competitors to cause the disruption.

In April 2016, the Kingdom of Saudi Arabia launched the 'Saudi Vision 2030' long-term economic plan, aiming to reduce the country's dependence on oil and diversify its economy. Technology is being viewed as a key enabler and driver of Saudi Vision 2030 — expected to shape the country's digital infrastructure. In line with this, almost all the CEOs surveyed (95 percent) in Saudi Arabia view technological disruption as more of

an opportunity than a threat.

CEOs believe that they must establish and sustain businesses that focus on innovation. To this end, they must continually adapt to the changing expectations of customers. Therefore, majority of Saudi Arabian CEOs believe that pursuing an innovation-led (73 percent) and customer-focused transformation strategy (63 percent) will help them grow.

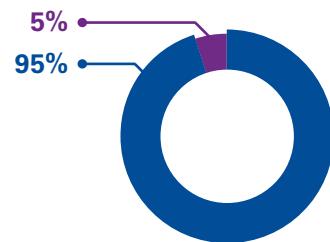
However, CEOs are wary of other growth strategies, such as expanding into new geographical markets, owing to geopolitical uncertainties. Therefore, they are more focused on strengthening their businesses in existing markets (53 percent) and penetrating new verticals (45 percent).

This report highlights Saudi Arabian CEOs' views on the dynamic global scenario and its impact on their organization. Ninety-eight percent of CEOs are confident about their company's growth prospects over the next 3 years. On the personal front, they are focusing on their own

abilities to meet challenges and manage risks, by re-evaluating their skills and qualities. Ninety percent feel that they are more open to new influences and collaborations now than at any other point in their careers. Moreover, they value trust among stakeholders and customers (85 percent) while maintaining a balance between their short-term and long-term objectives (98 percent).

Chart 2: CEOs' views on disruption

We see technological disruption as more of an opportunity than a threat



Rather than waiting to be disrupted by competitors, my organization is actively disrupting the sector in which it operates

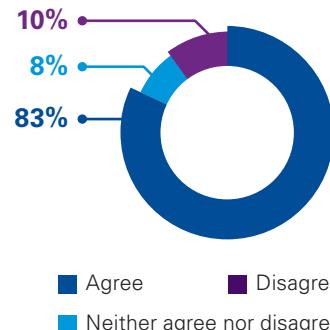
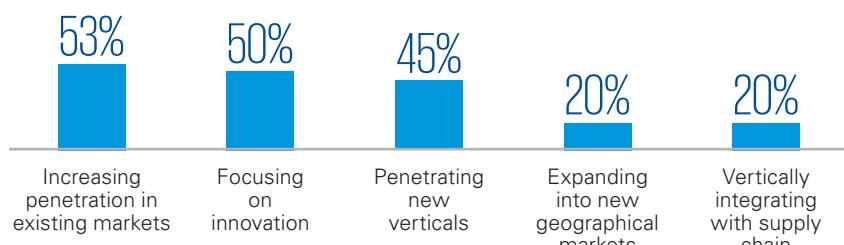


Chart 1: % of CEOs giving high priority to following initiatives in their strategy for growth over the next 3 years



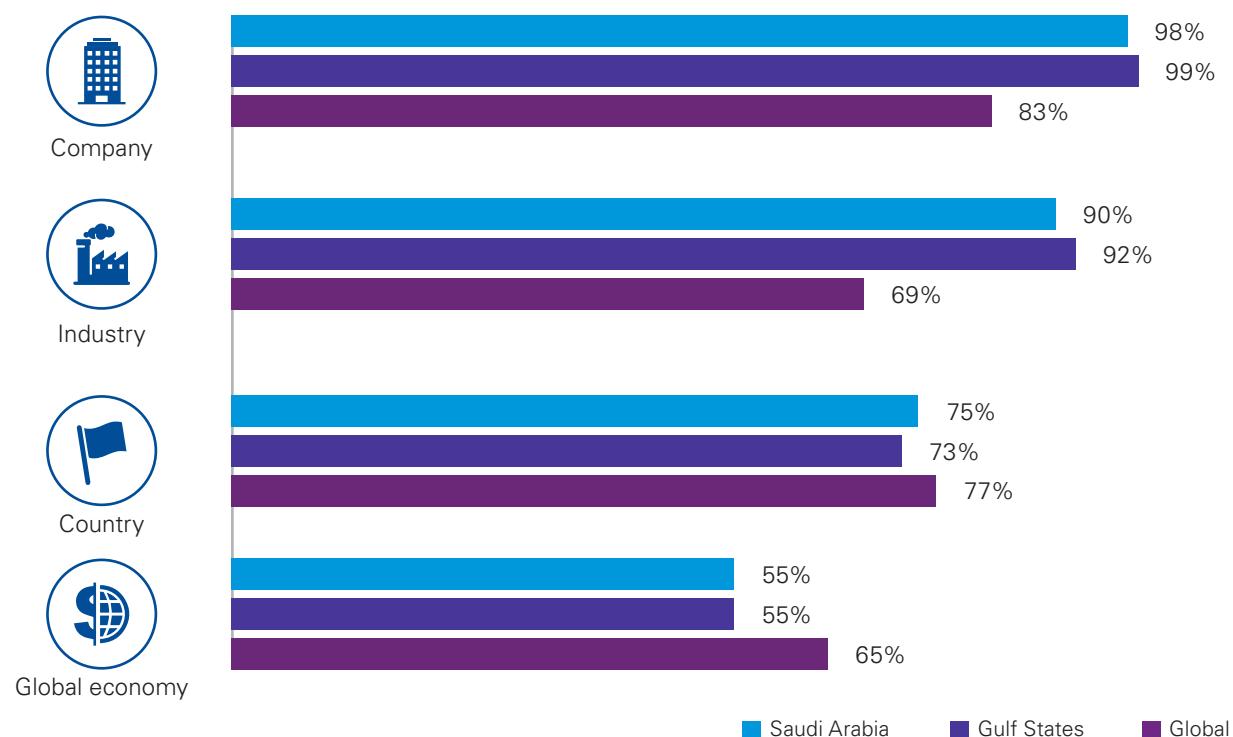
A shifting playing field

The global geopolitical scenario has become increasingly unpredictable. Globalization is changing to give way to a new era of 'protectionism' and 'anti-free trade rhetoric.' However, CEOs in Saudi Arabia believe that they will not be adversely affected by these factors. Instead, they are optimistic about their growth prospects and are also expecting greater levels of investment and rising business confidence in the near future.

Investments due to Saudi Vision 2030

Saudi Arabia is expecting newer and more diverse sources of revenue under its Vision 2030 economic plan due to increased private sector participation, including the privatization of state-owned assets. Saudi Arabia's sovereign wealth investment fund signed an agreement in 2016 to invest up to US\$45 billion over five years in the Softbank Vision Fund, a technology-focused private equity fund established with Japan's Softbank Group and other big investors. Moreover, in September 2017, they planned to jointly study how robots could be used more effectively in government, business and society.

Chart 3: % of CEOs confident about growth prospects over the next 3 years



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Globalization of markets and supply-chains is making geopolitical risks increasingly important for businesses as they take decisions. While Saudi Arabia presents a stable internal geopolitical environment, CEOs in Saudi Arabia are increasingly seeing the impact of regional and global uncertainties. In the past, apart from the oil sector, Saudi Arabian businesses were somewhat insulated from global geopolitical influences, however, as both inbound and outbound economic activity increases, Saudi Arabian CEOs are having to keep a constant watch on implications of global and regional geopolitics. Such risks now extend to non-traditional geopolitical risks orchestrated from foreign jurisdictions such as cyber risks which can have (and have created) significant disruption to businesses, as experienced by the recent “Wannacry” ransomware attacks.”



Mr. Arvind Singhi

Head of Markets, KPMG in Saudi Arabia

1. Navigating the geopolitical landscape



In an ever-changing geopolitical environment, CEOs are taking steps for contingency planning; however, they are expecting positive effects from the new US administration and Brexit.

Increasing trade protectionism and elevated economic policy uncertainties are external risks that may have adverse impacts on organizations globally. About two-thirds (60 percent) of Saudi Arabian CEOs agree that the uncertainty of the current global geopolitical landscape has had a greater impact on their organization than ever before. As a result, CEOs are reassessing their presence abroad, hiring individuals with relevant skill sets to better understand geopolitical risks and spending a considerable amount of time on scenario planning.

Mr. Arvind Singhi, Head of Markets, KPMG in Saudi Arabia says, "Saudi Arabian CEOs are evaluating their overseas business presence, especially on a regional level, looking at the impact of economic and geopolitical factors. Our discussions with Saudi Arabia business leaders indicate an increased focus on (formal and informal) scenario planning to model the economic impact of geopolitical risks on their businesses, including scenario planning for potential changes to their business and operating models to mitigate such risks. Geopolitical risk implications are increasingly finding heavier weightage in overall enterprise risk discussions that CEOs, risk managers and risk management committees of Saudi Arabian businesses are having."

Global economic policy uncertainty has been particularly elevated since mid-2016. Changes in trade and immigration policies have been suggested by the new US

administration. Moreover, the expected outcome of the Brexit negotiations would impact the relationship between the UK and the rest of the world, especially the European Union (EU). The World Bank believes that a further increase in policy uncertainty in the geopolitical context, could potentially dampen confidence and investments, as well as trigger financial market stress.

Saudi Arabian CEOs are mindful of these uncertainties and have taken steps for risk mitigation and contingency planning as shown in Chart 4. However, they are still optimistic that these events will have a positive impact on their organizations and industries.

Sixty-three percent of Saudi Arabian CEOs believe that the new US administration will have a positive impact on their own organizations, while 55 percent feel that it would be beneficial for their industry at large. This can be supported by the fact that the US and Saudi Arabian companies signed business deals valued at more than US\$380 billion in May 2017.

CEOs believe that trade between Gulf States (including Saudi Arabia) and the UK is expected to improve after Brexit without any hindrance to hiring and inbound investment flow in the UK. This is reflected by the fact that Saudi Arabia was recognized as a 'preferred partner' by the UK in April 2017, to help reshape the UK economy after Brexit. The announcement was part of the 'Saudi Vision 2030' initiative, aimed at boosting foreign investments.

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Our organization underwent a major restructuring in terms of manpower and also business processes in anticipation of the market changes we are now experiencing. Accordingly we are now in a much better position than many other companies to react to the threats and capitalize on the opportunities that are presently arising from changes to the tax regime and trade policies.



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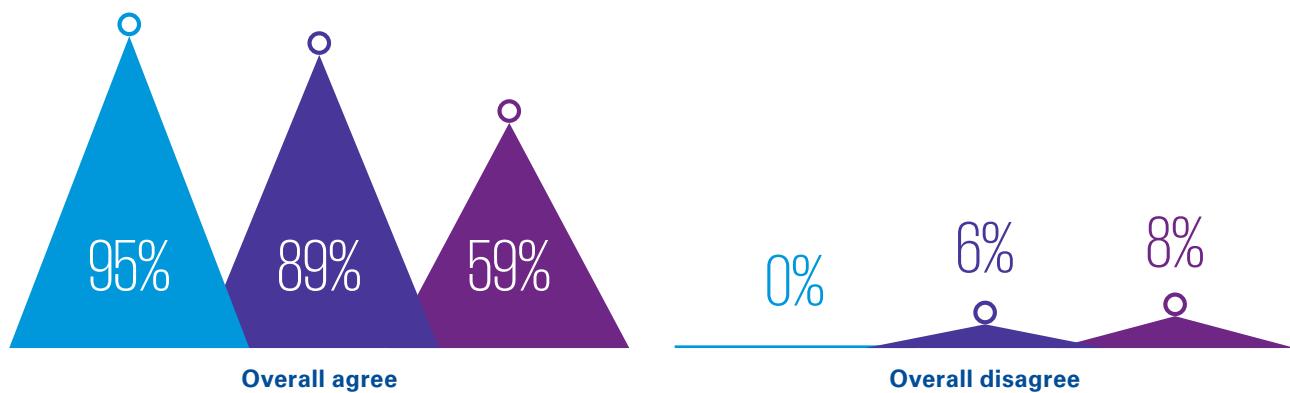
Mr. Khalid M. Al-Telmesani
MD and CEO, Masheid Development Company

Chart 4: CEOs views on geopolitical landscape

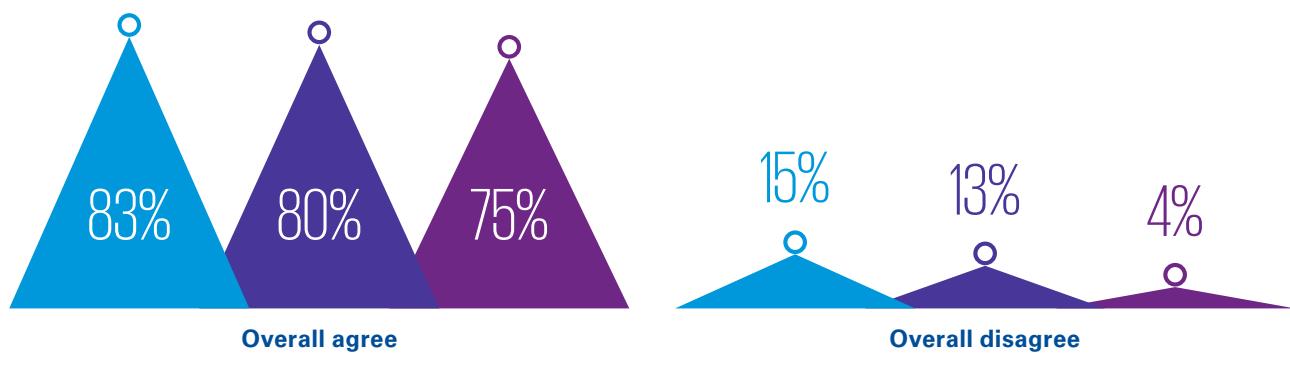
As a result of the changing pace of globalization and protectionism, we are reassessing our global footprint



We are recruiting new skills/specialists into the management team to better understand geopolitical risk

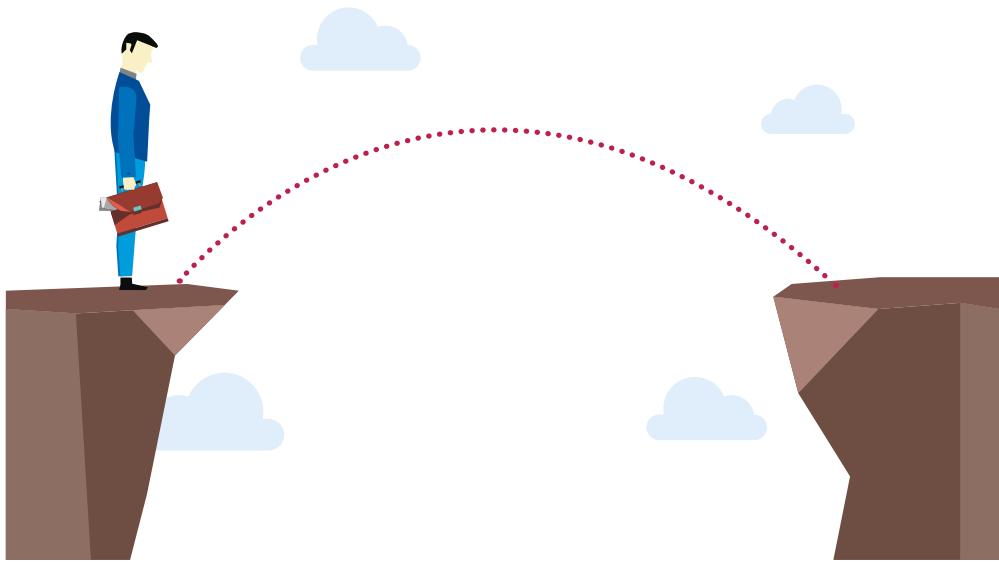


We are spending much more time on scenario planning as a result of an uncertain geopolitical climate



■ Saudi Arabia ■ Gulf States ■ Global

2. Assessing risks



Risk is inherent in all aspects of a dynamic business environment. Thus, effective management of risks is important for all CEOs to minimize impact and maximize potential.

Top-3 concerns - 2017



The 2017 survey results show that 85 percent CEOs in Saudi Arabia and the Gulf States expect a high level of investment toward governance and risk management over the next three years.

Mr. Islam Al Bayaa, Head of Advisory, KPMG in Saudi Arabia says, "There is always room for improvement when it comes to risk. This is especially relevant now when we have a fast growing and changing business environment. To highlight a few examples where efforts should be focused:

- Speed of compliance with new or changes in regulations,
- Risk training for new staff hires,
- Risk training for staff that are promoted or their roles have changed, and
- More frequent risk reviews for new products/new departments/ new senior people."

Emerging technology risk

An interesting aspect of this year's results is that CEOs across Saudi Arabia, the Gulf States and the Global countries consider 'emerging technology risk' as their key concern. As the adoption of emerging technologies increases, companies in Saudi Arabia as well as the world recognize the need to strike a balance between uncertainties associated with them and the rewards they reap.

Strategic risk

With the implementation of the Saudi Vision 2030, companies across all sectors are required to align their strategies with that of the country's 'Vision', to achieve digital transformation. Hence, CEOs are required to take the necessary steps to accommodate strategic changes that could alter their growth trajectory in the short term.

Mr. Khalid M. Al-Telmesani, MD & CEO Masheid Development Company says, "The local economy and business environment is in a state of flux. Major macro changes, e.g. austerity measures, VAT starting next year, low oil prices, etc. are creating uncertainties in the market. As such, we are highly conservative in making any strategic business decisions in terms of expansion, CAPEX expenditure, recruitment, etc. Whilst we are confident on the long term potential and growth direction of the Kingdom of Saudi Arabia, we are adopting a 'wait and see' posture at this moment until we have better clarity on the direction of the market."



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Cyber security is a clear priority. Cyber risk is increasing and the potential damage of cyber-attacks to business is significant. As such, recognizing and managing cyber risk should be an important responsibility of CEOs who need to set the right tone that we cannot afford to be complacent.”

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Mr. David Dew

Managing Director and Group General Manager
The Saudi British Bank

Managing cybersecurity

As adoption of technology increases, companies become more prone to cyber threats. Therefore, 95 percent of CEOs in Saudi Arabia are now 'personally comfortable' in recognizing the mitigation of cyber risk as an important part of their role as leaders.

That being said, CEOs are also mindful of the fact that to tackle the issue of cyber security, they need to hire skilled professionals. In this regard, about 70 percent of CEOs in Saudi Arabia and Gulf States view human capital as the biggest challenge in their pursuit of developing an efficient cyber risk mitigation framework.

In terms of overall cyber security preparedness, CEOs in Saudi Arabia (60 percent) have expressed concern that they may not yet be fully prepared to deal with cyber threats such as ransomware and social media hacking.

The survey also suggests that as CEOs are well aware of the challenges of cyber security, they see this field as an investment avenue that may yield new revenue streams. Ninety percent CEOs in Saudi Arabia agree with this ideology.

Mr. Manhal M. Musameh, Head of IT Advisory, KPMG in Saudi Arabia says, "Cyber security threats are increasing in number and in level of complexity. The risk is becoming bigger with the increasing dependency on information systems and the associated

Chart 5: % of CEOs personally comfortable with the degree to which mitigating cyber risk is now part of their leadership role

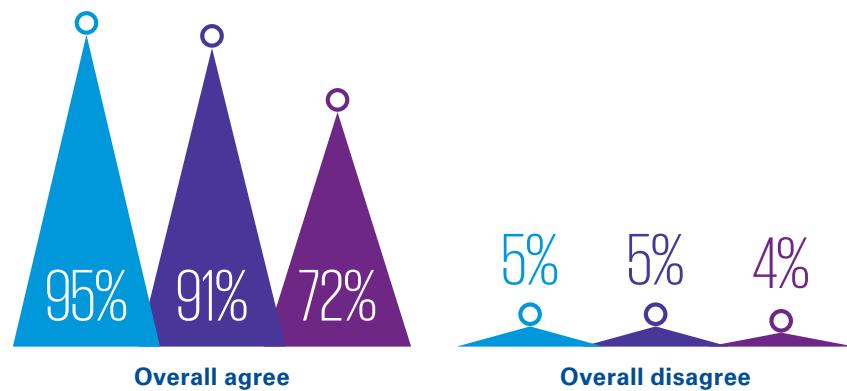
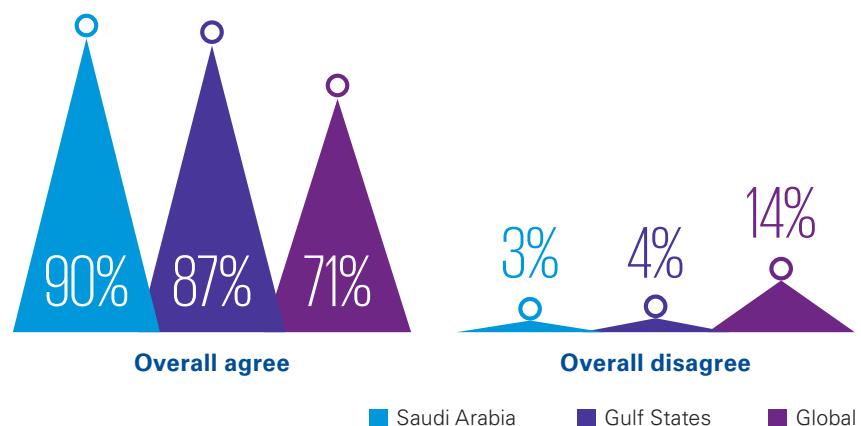


Chart 6: % of CEOs that see investment in cyber security as an opportunity to find new revenue streams and innovate, rather than as an overhead cost



processing environments. As a result, management must put the right focus on cyber security through investing in people, processes and technology to minimize the risk of information loss or damage and to ensure the protection and availability of information assets at all times. As this matter is critical

and as consequences can be seriously bad if not managed properly, senior management adoption to cyber security activities including monitoring and other activities is crucial to ensure the right attention is given and the right support is provided."

3. Maximizing investment potential



Despite a recent downturn in the economy owing to falling global oil prices, CEOs are confident and optimistic about Saudi Arabia's growth prospects.

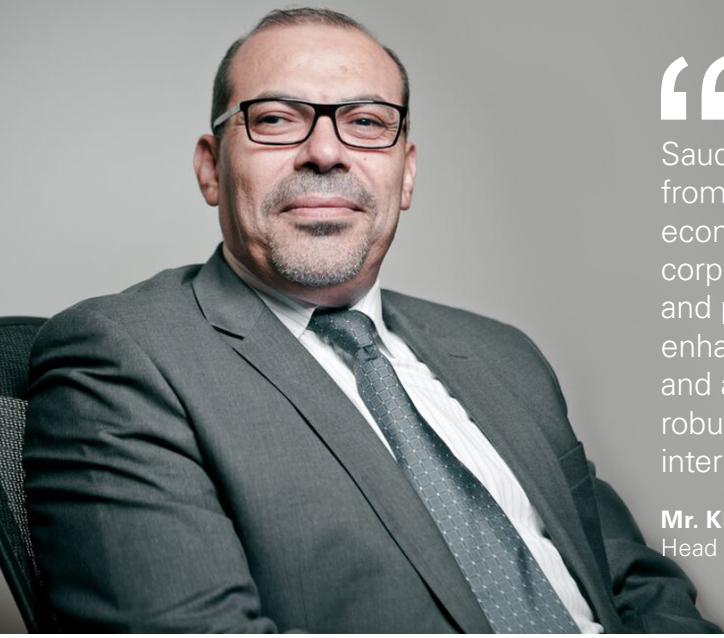
The drop in global oil prices in 2015 dealt a sharp blow to the Saudi Arabian economy. World Bank estimates suggest that Real GDP growth in Saudi Arabia would decrease to 0.6 percent in 2017 due to OPEC oil production cuts, before accelerating to 2 percent in 2018.

Consequently, the government announced plans to diversify the economy, and has signed deals with foreign countries and companies to lessen the economic dependence on oil. In May 2017, business deals valued at more than US\$380 billion were signed with the US, while in March 2017, cooperation deals worth approximately US\$65 billion were signed with China.

Saudi Arabian CEOs have a positive outlook for their companies. All the CEOs surveyed are confident about the growth prospects for their respective companies over the next 12 months.

One of the themes under Saudi Vision 2030 is to increase private sector participation including the privatization of state-owned assets, property and other assets. It also aims at using earnings from the Initial Public Offering (IPO) of Saudi Aramco, the state oil company, to support the country's sovereign wealth fund. The fund is expected to finance investments in international companies and emerging technologies from around the world. CEOs support this 'Vision' and are confident about their industry and country. Majority of CEOs (90 percent) are confident about the growth prospects of their respective industries and 75 percent are confident about their country over the next three years.

The business confidence and positive outlook are reflected in the expected growth rate of organizations. Seventy percent CEOs in Saudi Arabia expect their top-line growth over the next three years to be in the range of 2–5 percent per annum, compared to only 41 percent CEOs from Global countries.

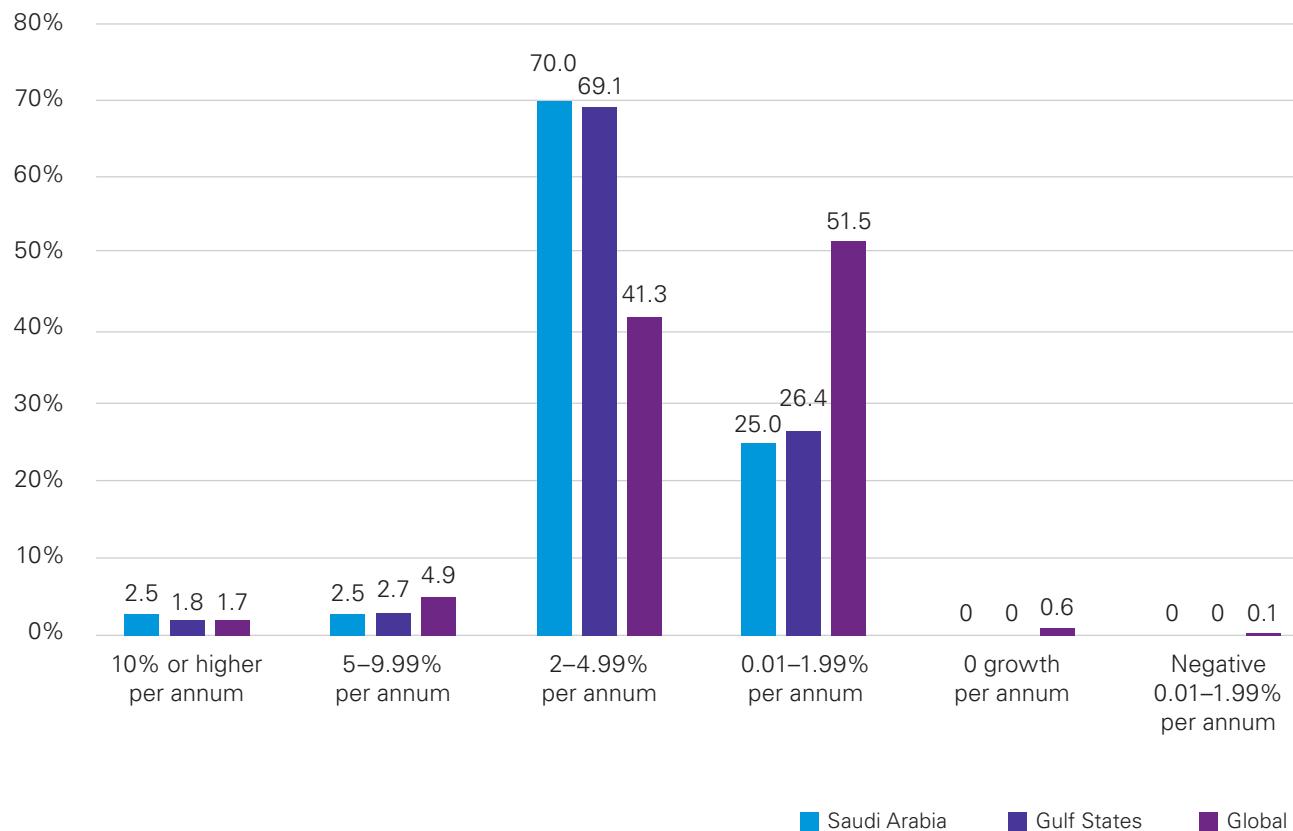


Saudi Arabia is undergoing massive reformation to move from an oil dependent economy to a non-oil based economy. This change will drive transformation resulting in corporatization and/or privatization of selected government and private entities in the Kingdom. This will result in enhanced focus and investment by companies to institute and adopt sound corporate governance practices and more robust and dynamic risk management procedures that are interlinked to strategies.

Mr. Khalid Yasin

Head of Client Services, KPMG in Saudi Arabia

Chart 7: Organization's outlook for top-line growth over the next 3 years



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With the increase in cyber security attacks targeting different type of organizations globally, it is necessary for organizations to continuously invest in strengthening their cyber security capabilities, to not only detect breaches but to be able to prevent attacks and try to be always ahead of the attackers through establishing effective cyber intelligence capabilities within organizations operating in critical sectors similar to Oil and Gas, Financial, Governmental, etc.

Since the impact of cyber security breaches for the financial sector can be massive, cyber security risks are becoming one of the top priorities for the financial sector in Saudi Arabia and regular monitoring is required by the top management and especially CEOs. Cyber threats are increasing continuously and becoming more sophisticated and impacting not only the confidentiality of critical information assets but also disrupting the business operations and impacting the reputation of the organization. Therefore, ensuring proper risk mitigation controls in place is required and should be visible to the highest level within the organization including the CEO and the Board of Directors.

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Mr. Saeed Mohammed Al-Ghamdi
Chief Executive Officer, National Commercial Bank

Priorities for today's CEO

One of the core responsibilities of CEOs is to identify and subsequently rank their priorities in a manner that allows them to strike a right balance between short-term objectives and long-term growth plans.

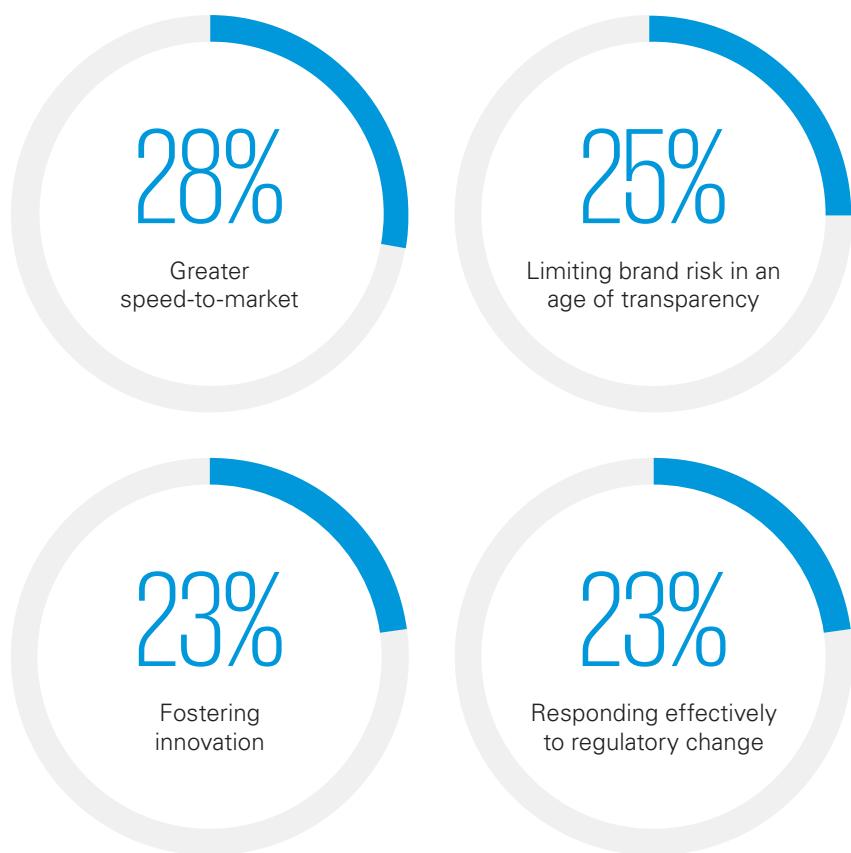
This section summarizes what CEOs in Saudi Arabia view as key priorities that would enable their businesses to succeed, in light of Saudi Vision 2030.

According to the 2017 survey, CEOs in Saudi Arabia, the Gulf States and Global countries agree that achieving greater speed to market is their top strategic priority in the near term. Reduced time-to-market not only results in efficient management of the business and increased revenue margins, but also provides organizations with the competitive edge required to stay ahead of the competition.

Therefore, nowadays Saudi CEOs realize the importance of creating a resilient business from within, to effectively deal with changes in the external environment.

Dr. Ahmed Aljazaeri, CEO, Waad Holding Company says, "Uncertainty has become the new norm in the business world as political, economical, social and technological changes are happening at an unprecedented pace. These global and local changes force organizations to be agile and require them to make crucial decisions much more often."

Chart 8: Top strategic priorities over the next three years - Saudi Arabia



To this end, CEOs are paying special attention toward:

- Fostering innovation and adopting emerging technologies

- Following a customer-centric approach
- Transforming business models

1. Fostering innovation and adopting emerging technologies



Innovation is being enabled by the adoption of emerging technologies on the back of Saudi Vision 2030 and is likely to revolutionize business models.

Fostering innovation is among the top strategic priorities of CEOs globally, as they recognize that they are operating in a more technologically connected world. As per KPMG's 2017 Global CEO Outlook survey, fostering innovation was ranked 2nd among the top-5 strategic initiatives recognized by CEOs.

Majority of the Saudi Arabian CEOs (93 percent) as well as those from the Gulf States anticipate high investment in the field of innovation (including new products/services and ways of doing business) over the next three years.

Companies in Saudi Arabia have increasingly been adopting new and upcoming technologies as a means to foster innovation.

Mr. David Dew, Managing Director and Group General Manager, The Saudi British Bank says, "Digital is coming and it is coming fast! As such, it is both a tremendous opportunity and a significant threat. Fast movers can expect to gain a competitive advantage because it is all about convenience for customers. Old ways of doing business will no longer be sufficient."

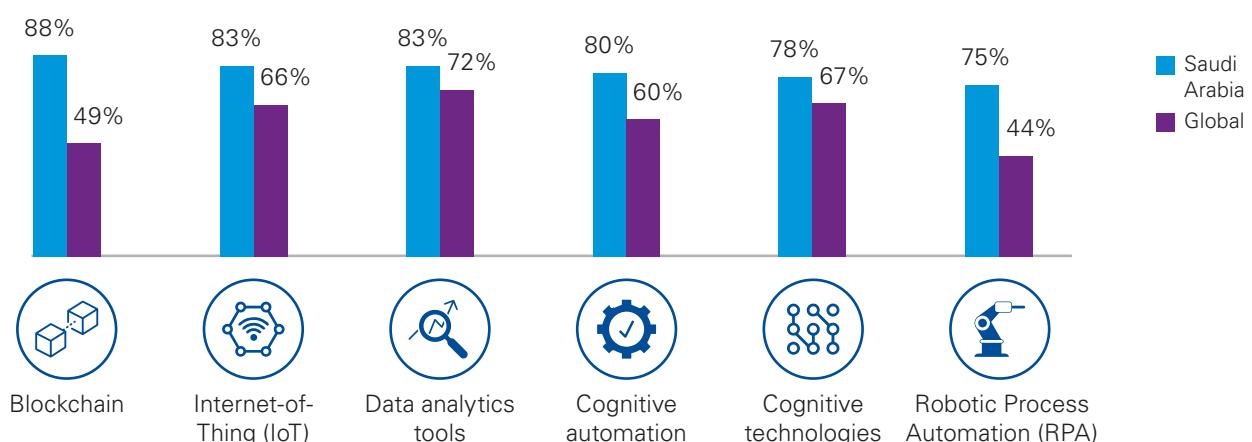
The country's long-term economic plan Saudi Vision 2030 is aimed at promoting innovation in advanced technologies along with maximizing investment capabilities in emerging technologies. The National Transformation Program (NTP) under Saudi Vision 2030 focuses on technology and digital transformation to attain a modern high-tech society. Moreover, emerging technologies are

expected to enhance the access to and quality of services offered in the country, especially in the healthcare and tourism industries.

Investments in emerging technologies

In line with this trend, Saudi Arabian CEOs (88 percent) are planning greater levels of investment in emerging technologies than their counterparts from Global countries (49 percent). The 2017 survey results suggest that blockchain, Internet-of-Things (IoT) and data analytics tools are emerging as the top-3 focus areas for CEOs. Blockchain technologies have the potential to revolutionize the rapidly growing financial services sector in Saudi Arabia and the broader Gulf Cooperation Council (GCC) region. The IoT and Machine-to-Machine (M2M) communication market is a central part of the future internet and cloud network infrastructure. IoT

Chart 9: % of CEOs expecting 'high levels' of investments in emerging technologies (Saudi Arabia vs Global countries)



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The adoption of emerging technologies is no longer a consideration, but now a mandate. It is no longer about “if” but about “where, how, and how fast”. CEOs are increasingly appreciating the impact that data analytics, artificial intelligence, robotics, and other emerging technologies will have on their business models. CEOs are embracing these technologies as a strategy to transform their front, middle, and back office, to proactively anticipate and effectively respond to their customer needs, with relevant and timely innovative products and services.”

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Dr. Samer Abdallah

Head of Digital Transformation, Data & Analytics, KPMG in Saudi Arabia



is also expected to improve access to healthcare and develop services such as remote access to healthcare.

This high investment trend is, however, not mirrored by the Global countries, particularly for Blockchain (49 percent) and RPA (44 percent), owing to the overall maturity of markets such as the US and the UK.

Data analytics to understand consumers

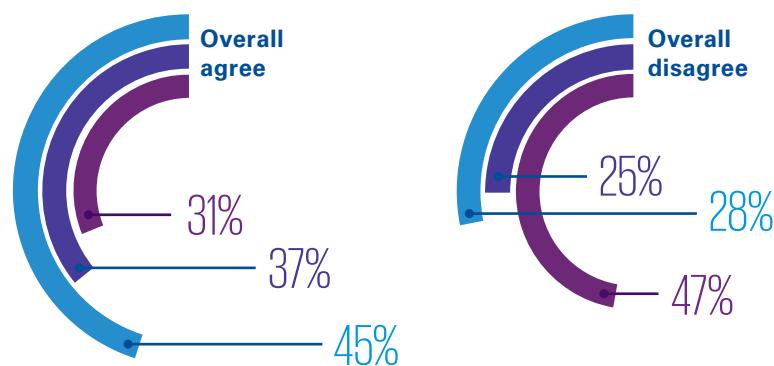
Saudi Arabia is turning to big data analytics to identify new customers and insights around consumer behavior. Data analytics capabilities intuitively help in the prediction of customer's needs and desires. Ninety-three percent CEOs feel they are effective at sensing market signals using predictive analytics. However, they are skeptical with respect to the integrity of the data. Seventy-three percent CEOs are concerned about the data they are basing decisions on.

Artificial Intelligence gradually making an impact

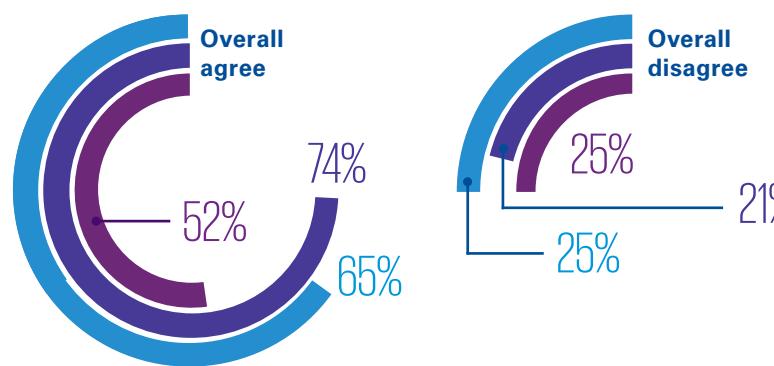
CEOs in Saudi Arabia recognize that the adoption and integration of AI would require significant investment in basic infrastructure to benefit from the technology. That being said, 65 percent of CEOs are considering the integration of basic automated business processes with AI and cognitive systems compared to 52 percent of CEOs from Global countries.

Chart 10: Adoption and integration of AI, % of CEOs (Saudi Arabia vs Global countries)

My organization is not ready to adopt advanced artificial intelligence technology



About having to consider the integration of basic automated business processes with artificial intelligence and cognitive processes.



■ Saudi Arabia

■ Gulf States

■ Global

In terms of advanced AI technologies, 28 percent of CEOs agree that their organizations are ready to adopt the technology compared to 47 percent of CEOs from Global countries. This may be due to the higher pace of development of these technologies in the Global countries (especially, North America and ASPAC) than in the rest of the world.

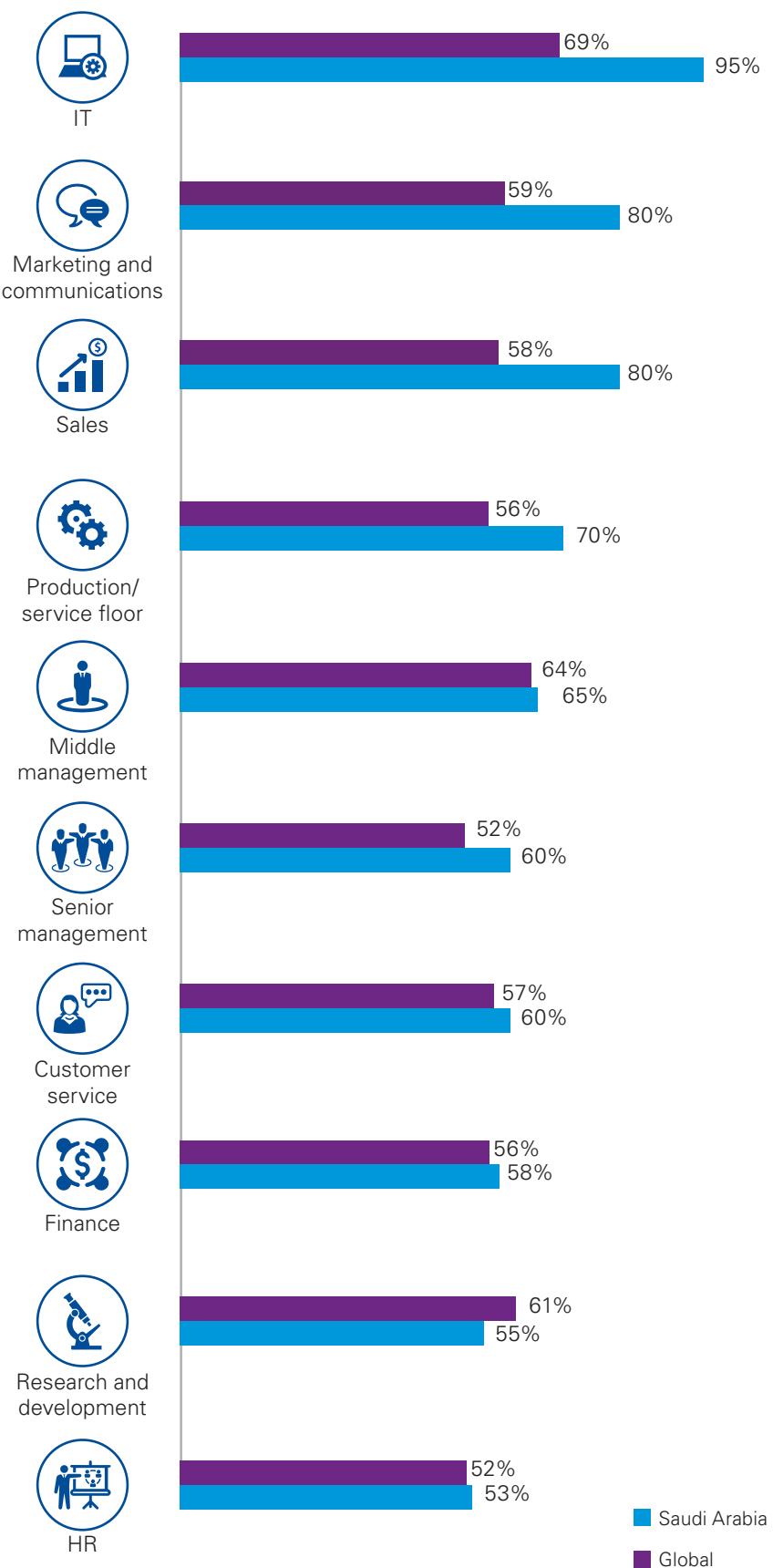
Cognitive technologies likely to increase headcount

Emerging cognitive technologies, such as RPA, AI and machine learning, are expected to increase headcount in Saudi Arabian companies over the next three years. As per the 2017 Global CEO Outlook Survey, new technologies are expected to reshape the labor force in the long term; however, in the short term, CEOs are anticipating an increase in headcount, owing to the need of skilled staff to help implement these technologies. This is likely to translate into extra costs resulting from re-skilling and attracting new talent, as well as employing consultants and technology providers to implement and launch these technologies.

Dr. Samer Abdallah, Head of Digital Transformation, Data & Analytics, KPMG in Saudi Arabia says, "While emerging technologies are thought to be replacing human labor, their successful adoption and implementation greatly depends on the availability of highly skilled and specialized talent – a scarce talent that is in high demand. Experts are required in: training and overseeing design, content curation, data analytics, and technology development and improvement. Talent becomes more critical as a differentiator as many of the routine activities are automated; innovation and agility becomes the competitive advantage."

The survey results also show that, on an average, 68 percent CEOs in Saudi Arabia are expecting an overall workforce increase in 10 key departments owing to cognitive technologies. Furthermore, while 95 percent of Saudi Arabian CEOs are expecting an overall headcount increase within the IT department, only 69 percent of the Global

Chart 11: Overall increase in headcount of 10 departments, % of CEOs (Saudi Arabia vs Global countries)



CEOs are expecting this increase. This is due to the greater level of maturity in the implementation of AI technologies in Global countries, resulting in a lesser requirement of skilled staff.

The survey also indicates that like CEOs from Gulf and other Global countries, Saudi Arabian

CEOs recognize 'attracting new strategic talent', 'piloting emerging technologies' and 'reskilling current workforce' as the top-3 technology-related challenges in the near future. This is owing to the high costs associated with acquiring new and highly skilled talent and the time required for upskilling the existing workforce.

CEOs from Saudi Arabia, Gulf and Global countries have identified different 'single biggest barrier' to implementing new technologies over the next three years, as seen in Chart 13.

Chart 12: Biggest technology-related challenge to your organization over the next 3 years

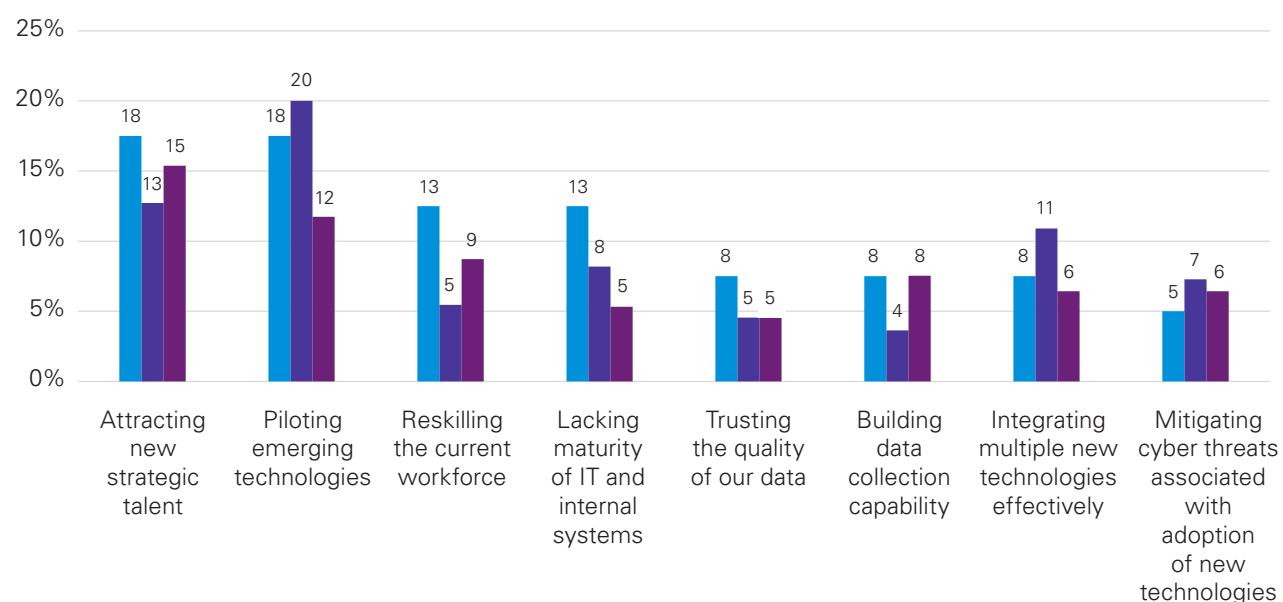
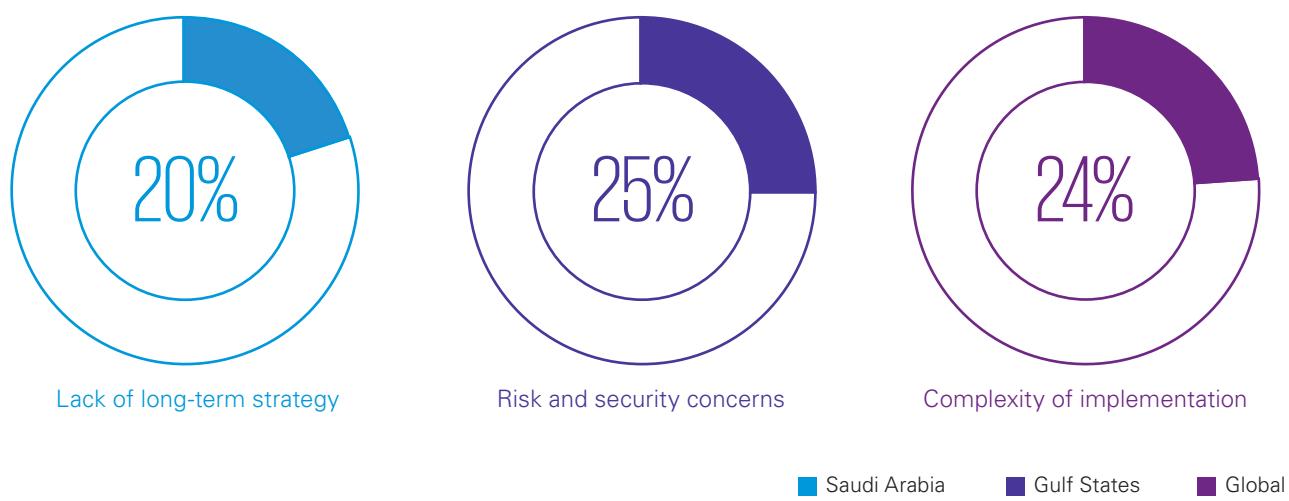


Chart 13: Single biggest barrier to implementing new technologies in your organization over the next 3 years



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Driven by the conviction in a customer-centric model, Bupa Arabia has defined its brand proposition to focus on three main pillars: Exceptional and unparalleled service experience at the Point-Of-Care; extraordinary and unmatched life-touching healthcare services; and services with global standards and expertise.

Having analyzed our members pain-points, we developed the “Rahatkom” program to focus on enhancing customers’ experience through a multitude of growing services, driving optimal health care services as well as reducing the time a patient spends going through administrative pre-services such as Pre-Authorization and appointment bookings.

Having also analyzed the modern customer lifestyle and medical provider’s congestion constraints, we developed the “Tebtom” program, which brings tangible medical services to our members with the goal of driving convenience and comfort. These services include home-based child vaccination, home-based lab testing and medical refill and delivery among many others.

The “Rahatkom” and “Tebtom” services have benefited over two and half million patients to date. These programs, as well as the implementation of leading global SLA KPIs, are the literal translations of global standards and expertise in driving a customer-centric model of healthcare operation in Bupa Arabia.



”

Mr. Tal Nazer

CEO and Managing Director, Bupa Arabia

2. Following a customer-centric approach



CEOs in Saudi Arabia understand the importance of developing and sustaining relationships with customers, which can generate substantial value for both companies and clients.

CEOs believe that long-term success of a business is based on its ability to capitalize on each step of the customer life cycle. Thus, almost all Saudi Arabian CEOs believe that it is their responsibility to cater to the best interests of their customers and are confident in the way they are creating value for clients.

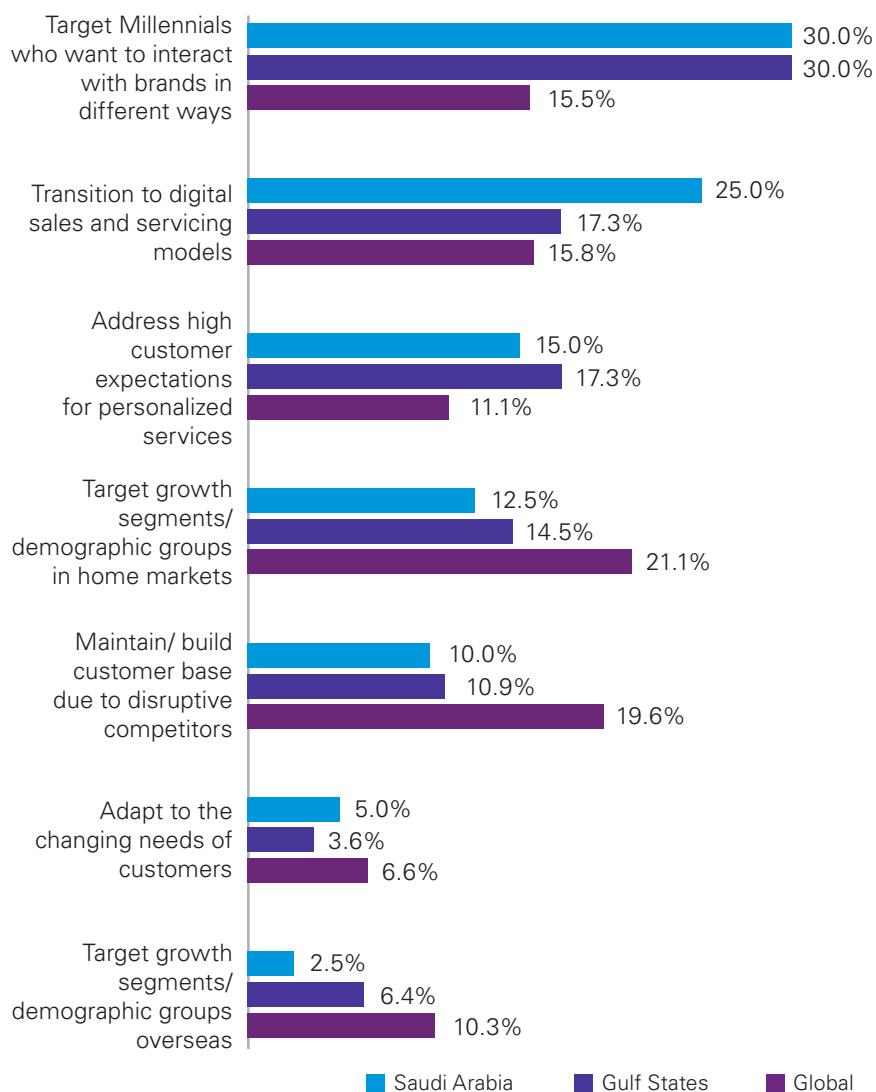
With an increasing millennial population, there is greater emphasis on enhancing the overall customer experience by providing personalized services best suited to customer needs. Targeting and developing long-term relationships with millennials was highlighted as the single biggest challenge faced by one-third of the CEOs in Saudi Arabia and Gulf States. This was attributed to the millennials' ever-changing tastes and preferences. In addition, 68 percent of Saudi CEOs felt that they lacked access to quality customer data.

Dr. Ahmed Aljazaeri, CEO, Waad Holding Company says, "Consumers have access to tremendous amount of information more than any time in history and that changes their expectations and puts more pressure on all organizations to continuously improve."

In contrast, CEOs in the Global countries seem to be in a better position with respect to targeting millennials, as they appear to be more in sync with customer preferences.

Focus on customer-centricity is key for organizations keen on developing a holistic model that enables CEOs to contribute toward the successful achievement and implementation of the plans laid down as part of Saudi Vision 2030.

Chart 14: Single biggest challenge to customer relationships





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Customer-centricity is not new but is becoming more important for businesses and organizations these days, as customer expectations are becoming higher than ever before in such an innovative and digital world. So, it is becoming more important to remain focused on customer’s behavior and needs, to be able to cope with customer’s high demand of excellent experiences in terms of product or service delivery method, minimal time and effort involvement, integrity and authenticity, and in creating an empathetic and personalized experience for the customers. This may require organizations to align their people, operations, systems, and processes around their customers.”

”

Mr. Muhannad Arar

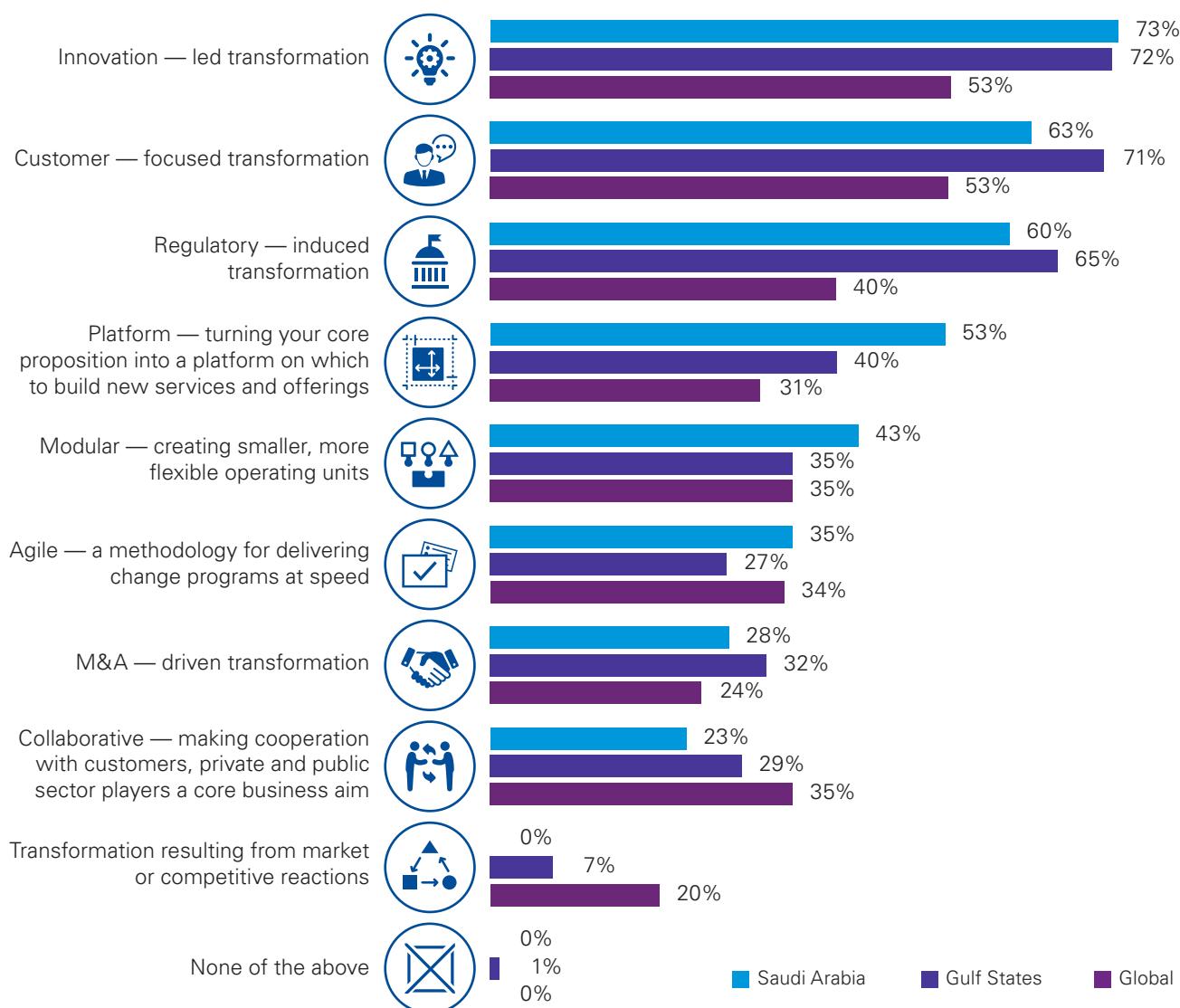
Head of Strategy, Customer and Operations, KPMG in Saudi Arabia

According to the survey findings, CEOs in Saudi Arabia are focusing on innovation (73 percent), customer-centricity (63 percent) and regulatory induced transformation (60 percent) as key themes for growth.

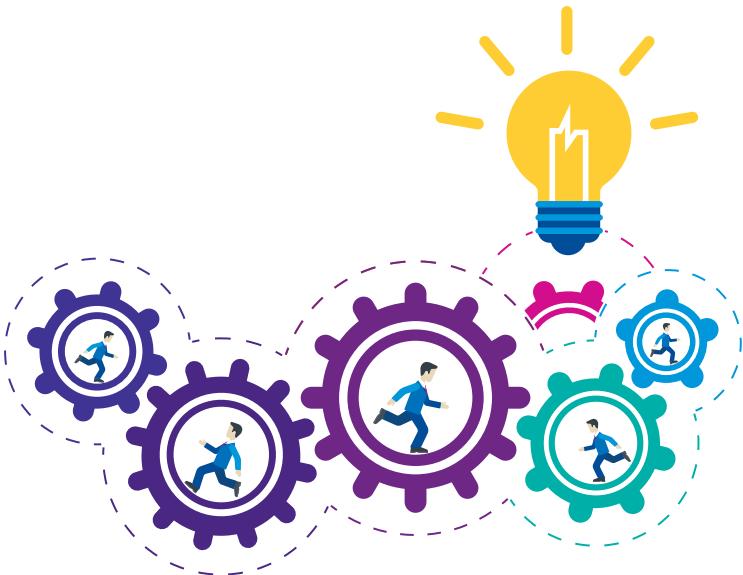
To cope with an ever-changing customer landscape, CEOs are of the view that it is imperative to change the existing business models. However, transformation would be effective only when companies gather relevant insights

using customer data and define their strategic priorities accordingly.

Chart 15: % of CEOs currently pursuing any of the following business model transformations as a route to growth



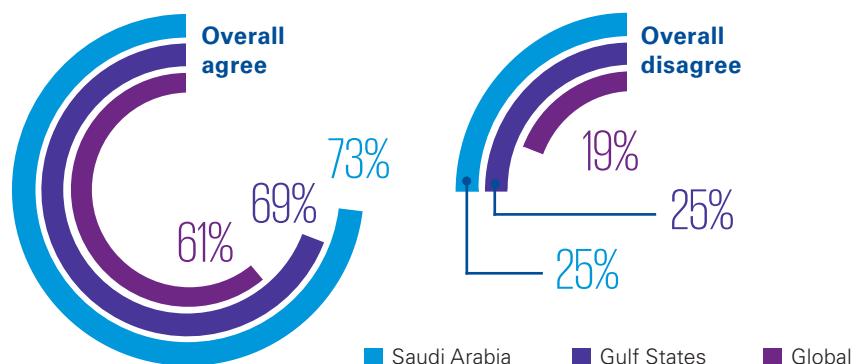
3. Transforming business models



In an age of disruption, there is a critical need to transform the existing business models. Most CEOs realize the importance of being agile in a fast-changing business environment.

An organization's ability to successfully adopt changes in the way it conducts its business is on top of the CEO's agenda. Majority of the CEOs surveyed (73 percent) this year are concerned that their organizations are not disrupting business models in the industry.

Chart 16: % of CEOs concerned that their organization is not disrupting business models in the industry



However, CEOs (60 percent) are optimistic about transforming their company over the next three years. Saudi Arabia is pursuing its ambitious roadmap for diversification as well as increasing private sector involvement and privatization efforts. This is expected to create ample growth opportunities for companies in the country.

In contrast, the Global CEOs (74 percent) believe that no significant change would occur in the way they operate in the years to come, as mature markets continue to recover from the effects of the global economic slowdown.

Effective transformation is based on the premise that change comes from within.

Chart 17: CEOs views on transformation





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The short answer is: no, no one is fully prepared. Organization are still grappling with a large array of changes which created a backlog and they will need time to catch their breath. Recognition of the challenge is the first step and I think we and many organization recognize that the landscape has become totally different from what it was like only 10 years ago. I can say that we are trying our best to organize ourselves to play and win in that new landscape by understanding trends and putting plans to prepare for anticipated change not only the current ones. A more decentralized organization with a culture of corporate entrepreneurship, trust, empowerment and ownership is what we believe will enable us be fully prepared for all future changes.

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Dr. Ahmed Aljazaeri
CEO, Waad Holding Company

Organizations need to adopt an inclusive work culture to garner the trust and loyalty of employees. Nearly all CEOs (98 percent) in this year's survey believe that placing greater importance on trust, values and culture in their organization is important to sustain a long-term future. They also associate the idea of being an empathetic organization with higher earnings.

According to **Dr. Ahmed Aljazaeri, CEO, Waad Holding Company**,

"We are in an era where each employee needs to make his/her own decisions not just follow a manuscript. A culture of ownership and trust will help align everyone behind the vision of the organization and allow every single employee to participate in the decision making to establish/maintain a clear competitive advantage."

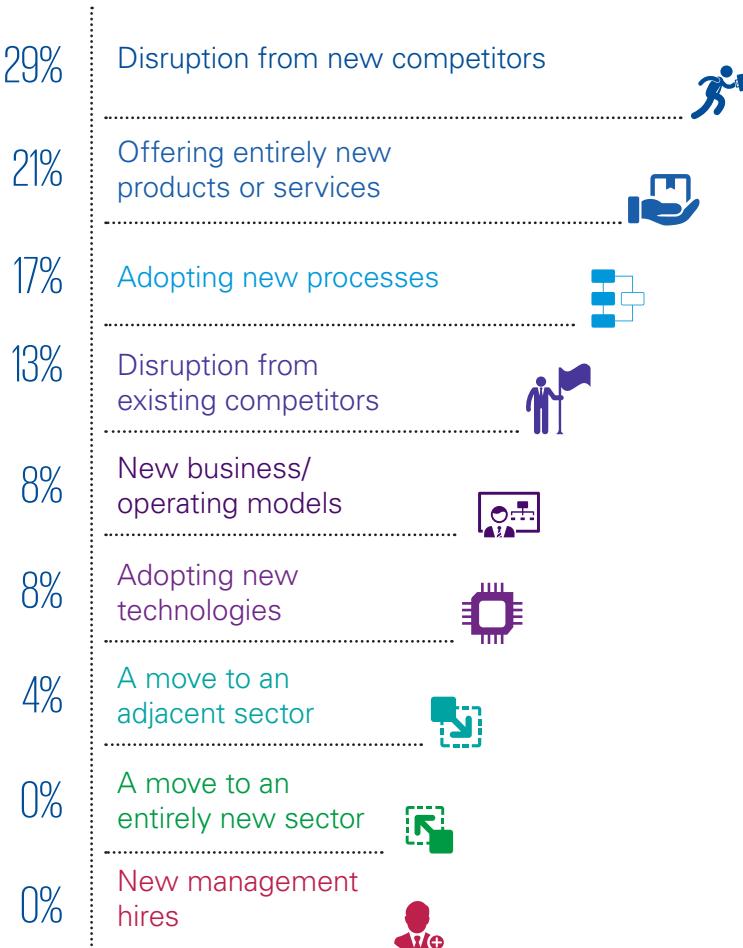
Furthermore, the 2017 survey emphasizes the importance of public trust. It is imperative that CEOs identify opportunities to build and sustain a positive opinion in the minds of their customers and the general public. Eighty-three percent of CEOs expect that over the next three years, public trust in businesses in Saudi Arabia will improve or remain the same.

Mr. Rayan Fayez, CEO, The Savola Group, says "The majority of transformations fail. For a major transformation to succeed, it is imperative for the organization to get the full buy-in from all stakeholders. The tone has to be set from the top for the need for change and the organization needs to follow the same tone all the way to the

most junior employee. The change in economic environment which creates new challenges is often the best catalyst for a transformation to be taken seriously. In that regard, I believe many Saudi companies will go through this process in the coming period and those with the right attitude, communication and leadership will make it through."

CEOs in Saudi Arabia acknowledge that the need to transform is facilitated by certain triggers that cause companies to introspect and answer critical questions around 'What,' 'When' and 'Why'. They are of the opinion that 'disruption from new competitors' and 'offering entirely new products or services' are the top-2 causes for transformation in their companies.

Chart 18: CEOs views on most likely cause for transformation





Conclusions



Optimism amid uncertainty

CEOs are optimistic about Saudi Arabia's growth prospects and their own organizations' growth, despite a recent downturn in the domestic economy from falling oil prices. Saudi Arabian CEOs believe that they will not be impacted majorly by the uncertain geopolitical climate. Instead, the launch of various programs, including National Transformation Program 2020 and Saudi Vision 2030, has boosted their business confidence and improved investment potential.

Innovation-led transformation for disruption

While CEOs are concerned that they are not disrupting business models enough, they are optimistic about transforming their companies over the next three years. They believe that pursuing an innovation-led

business transformation will help them grow and they are anticipating high investments in innovative technologies and business models. CEOs also believe that they must establish and sustain businesses that focus on innovation and hence view technological disruption as more of an opportunity than a threat.

Emerging technology – opportunity or risk

CEOs are increasing investment in and adoption of emerging technologies such as blockchain, IoT and data analytics to remain competitive and relevant. However, skilled staff and technological experts are required to adopt, deploy and deliver results from these technologies, translating into additional costs for companies. Furthermore, as the adoption of such technologies increases, companies are recognizing the need to strike

a balance between uncertainties associated with successful implementation of the technologies and the rewards they reap.

Building trust is important

CEOs believe that placing greater emphasis on trust, values and culture in their organizations is very important to sustain a long-term future. Moreover, they are expecting public trust in businesses to improve.

The personal challenge

CEOs are now re-evaluating their skills and qualities. They believe that understanding their own personality and limitations is crucial. They are acquiring additional qualifications or courses to disrupt or challenge their roles. The challenge ahead is to see how they can deliver results by leveraging these qualifications.

Methodology and acknowledgements

The data published in this report is based on a survey of 40 CEOs in Saudi Arabia, who participated in a Global CEO survey conducted by KPMG International.

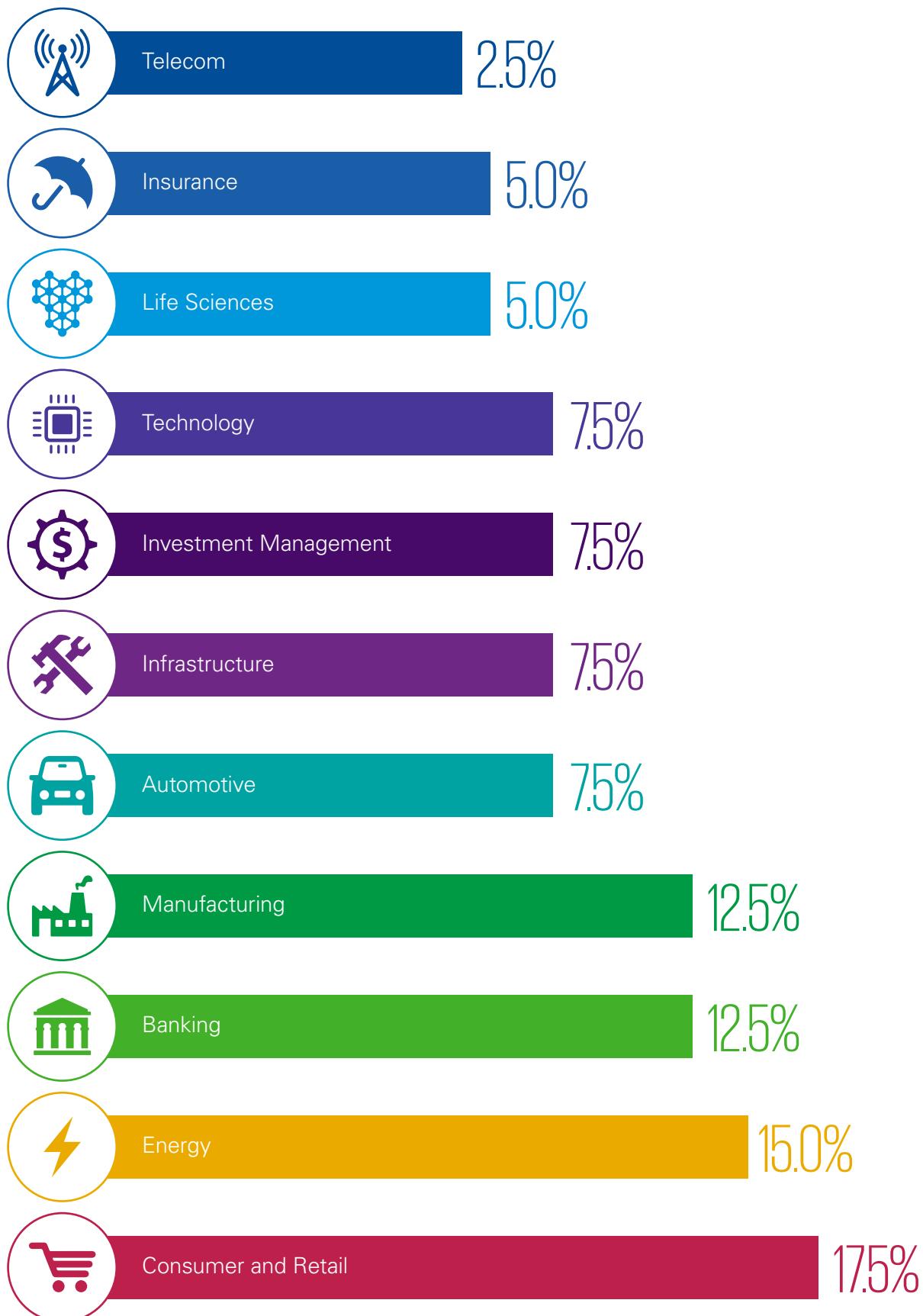
The Global CEO survey was conducted among 1,261 CEOs from Australia, China, France, Germany, India, Italy, Japan, Spain, the UK and the US, between 21 February and 11 April 2017. These CEOs operate in 11 key industries: automotive, banking, infrastructure, insurance, investment management, life sciences, manufacturing, retail/consumer markets, technology, energy/utilities and telecom.

Among the 40 Saudi Arabian CEOs, 48 percent were from companies with revenues between US\$500 million and US\$999 million, 48 percent from companies with revenues from US\$1 billion to US\$9.9 billion and 5 percent from companies with revenues amounting to US\$10 billion or more. 29 CEOs came from public companies and 11 from private companies.

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- Mr. Saeed Mohammed Al-Ghamdi, CEO, National Commercial Bank
- Dr. Ahmed Aljazaeri, CEO, Waad Holding Company
- Mr. Tal Nazer MD and CEO, Bupa Arabia

Chart 19: Industries from which the survey respondents hailed



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