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**Bloomberg  
Media Studios**

**IBM Global  
Business Services**

Built For Change Perspectives

# How MEA Smarter Businesses Transform in an Uncertain World

This is a report by Bloomberg Media Studios and IBM about how businesses are transforming themselves in light of the disruptions of 2020.



## Being built for change requires transformation

The global disruptions that have ushered in the 2020s are accelerating transformation and creating a mandate to be agile and resilient. Bloomberg Media Studios and IBM spoke to business leaders, analysts and technology experts to better understand how organizations can manage transformation. We learned that the pandemic and the mandate for accelerated modernization are bound together. [Figure 1]

### What does transformation really mean?

A **business transformation** makes fundamental changes to operations and models to realize significant gains in value. It aligns decision-making, operations and data to anticipate and respond to disruptions, changing customer needs and new market opportunities. Business transformation tools include a clear strategy, hybrid cloud architecture, deep analytics, artificial intelligence (AI), blockchain, automation, edge computing and the Internet of Things (IoT).

A core component is **digital transformation**, which digitizes all viable operations. Amid the overwhelming corporate focus on the pandemic in 2020 and into 2021, digital transformations have become even more of a C-suite priority. [Figure 2]

### Follow the leader

In much of the MEA region, especially in the GCC countries, governments have been taking the lead in digital transformation. They're investing heavily to automate and optimize virtually every government service. They're taking state-owned businesses on this journey with them—and they expect their private-sector vendors to keep up. "Companies that aren't state-owned must also be in the forefront of digitization if they are to remain competitive," says Per-Magnus Andersson, Managing Partner, MEA, IBM Services, who has partnered with Etihad Airways, most of the key banks, petrochemical, healthcare and other large organizations to drive their business and digital transformations.

The pandemic has only reinforced the mandate for digital transformation. "MEA countries were at various readiness levels to embrace the imminent shift to remote work," Andersson says. "The pandemic exposed significant weaknesses in IT and the supply chain for organizations across the globe. Fortunately, organizations in this region can adapt quickly because they're not weighed down by legacy applications.

## Business Transformations and the Pandemic are Linked

Frequency of words appearing in Bloomberg.com stories about the topic of business transformation



Figure 1

Source: Bloomberg AiQ, a proprietary data and insights platform. Size of word indicates frequency it appears among the 100 most-read Bloomberg.com stories about business transformation. Stories, published on any date, were read June through August 2020.

“In an unpredictable global environment, organizations should be making their workflows as intelligent as possible. By making workflows intelligent—that is, by applying technology strategically to solve for the most important opportunities and challenges—they also become more resilient and adaptable,” Andersson says.

The ultimate goal of transformation is to gain the ability to quickly adapt to evolving conditions and opportunities. Smarter businesses align technology and workflows to create agility, resilience, efficiency and transparency. They operate at the ***speed of insight***, using data and AI to inform real-time decisions. Fueling this new enterprise model, analysts expect to see significant growth around AI-infused decision-making in the coming years. That is largely because the business value realized from AI will outpace the value derived from other analytics techniques, no matter the industry. [Figure 3]

### **Two principles to guide transformation**

Business leaders say two principles help guide transformation: work backwards from the ideal customer experience, and take a holistic view of your entire operation.

As the pandemic has accelerated the shift to online commerce, more customers are

undergoing most or all of their buying journey without human intervention, notes Faisal Khaliq, Experience and Process Transformation Partner at IBM. Therefore, it’s more important than ever for companies to understand customer perspectives, build out personas and streamline that journey from beginning to end. “When you look at it end-to-end and build an intelligent workflow, then you can pick the right data points and execution engines that you need to run at the right point in time,” Khaliq says.

In the past, too many companies have taken a siloed approach to process automation, Andersson says. Different processes had different owners and different levels of automation, hampering coordination and creating inefficiencies. Today, more companies understand the need to consolidate their automation programs and integrate them into intelligent workflows, he says.

## Digital Transformation Remains Top-of-Mind

Earnings calls of global public companies on which “digital transformation” was mentioned by management.



Figure 2

Source: Bloomberg. Data through 12/15 of each year.

## Business Value of AI

No matter the industry, companies will realize more business value from AI than from other analytics techniques. Here's how much more:

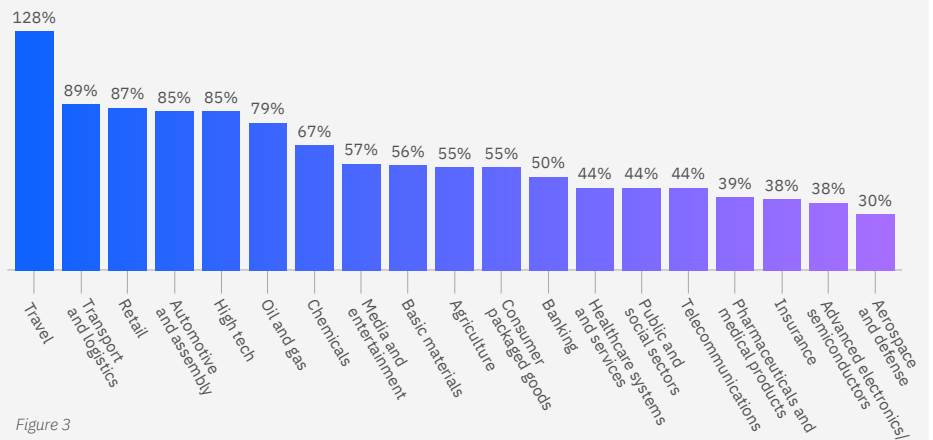


Figure 3

Source: Notes from the AI Frontier, McKinsey Global Institute, April 2018.

## Take a holistic view of company operations: Intelligent workflows

By reimagining work as a fluid experience across the enterprise, intelligent workflows enable employees to work at the optimal intersection of skills, data, technology and opportunity. They replace static processes that are siloed, inefficient and opaque with dynamic workflows that are automated, agile and transparent.

“Organizations should set out to reinvent their processes digitally in order to continue to compete and stay relevant” says Mounir Hijazi, Partner at IBM Global Business Services.

Intelligent workflow platforms are powered by emerging and exponential technologies such as AI, blockchain, 5G and the Internet of Things. Robotic process automation can carve out costs, and savings can be invested in training individuals in the use of these emerging technologies. Artificial intelligence can assist with monetizing owned data and identifying other revenue streams.

This intelligent platform can be extended beyond an organization’s walls, Hijazi says, creating a “marketplace” in which business partners and even clients and customers can collaborate, exchange information, and optimize their own processes across a value chain or even an entire industry.

Intelligent workflows are not just about optimizing existing operations, but also about seizing new opportunities afforded by better insights. This is why intelligent workflows can have such a big impact on the top and bottom line.

IBM research found that organizations that implement intelligent workflows often decrease operating costs by up to 70% within six months<sup>1</sup> and increase revenue up to 20% within one year.<sup>2</sup>

A core tenet of an intelligent workflow is to automate work wherever it will reduce errors, decrease costs, increase productivity or improve the human experience. Too many business leaders view automation only as a means to increase efficiency, overlooking the fact that intelligent automation can be a competitive asset for growth.

### The backbone of intelligent workflows: Comprehensive data flow

The end-to-end approaches in intelligent workflows depend on data flowing freely across a company’s entire ecosystem. Smarter businesses create a repository of data from varied inputs and integrate it with their core applications to make it accessible.

This allows people and systems to operate with improved visibility and to use data and AI-driven solutions to make better real-time decisions. In turn, this leads to improved trust and confidence, and a bolder investment and execution plan for transformation.

“ Only 9% of enterprises surveyed globally claim they strategically align their information to decision-making.

<sup>1</sup> IBM internal data.

<sup>2</sup> IBM internal data.

<sup>3</sup> IBM Global C-suite Study, 20th edition, IBM Institute of Business Value.

<sup>4</sup> AllCloud 2020 Cloud Infrastructure Report.

## Demand for Cloud Services on the Rise

Five of the world’s 15 top-performing stocks in 2020 are cloud companies in the communications, shopping, and entertainment fields—evidence the demand for cloud services will continue to grow.

+672%

Average Return  
Top 15 Companies

+13%

Average Return  
All Companies

-48%

Average Return  
Bottom 15 Companies

Figure 4

Source: Bloomberg. Analysis of companies in the Vanguard World Stock Index Fund. Data through 12/15/2020.

In MEA, data flows within and across organizations are often facilitated by government-led data standardization efforts but complicated by data residency requirements. In every region, organizations struggle to connect data with decisions: Only 9% of enterprises surveyed globally claim they strategically align their information to decision-making.<sup>3</sup>

**Embracing a hybrid cloud architecture is vital**

Using a hybrid cloud (with public and private clouds) creates the agility, efficiency, scalability and resilience needed to operate at the speed of insight. This is becoming standard; today, 85% of organizations manage their workloads on multiple clouds.<sup>4</sup>

Flexibility is an advantage. “A multi-cloud strategy doesn’t lock a company into using any single platform or technology,” says Keith Costello, Global VP and SAP Leader, IBM. Indeed, financial markets expect demand for cloud computing services to increase, as evidenced by cloud computing companies topping the list of the best-performing stocks in 2020. [Figure 4]

While cloud technology is vital to digital transformation, many MEA enterprises are still underinvested in cloud, due in part to a dearth of cloud providers.

**Intelligent workflows make supply chains and asset operations agile and resilient**

While intelligent workflows are becoming essential in every area, the recent global disruption reveals just how vital they are to supply chains and asset operations.

“ The pandemic has proven, beyond all doubt, that supply chains must be built for change by leveraging intelligent and automated use of data.

Across the world, disruptions of supply chains lasting a month or longer now occur every 3.7 years on average, according to data compiled by the McKinsey Global Institute. [Figure 5] Like most countries worldwide, Middle Eastern nations saw imports plunge as much as 59% at the outset of the pandemic. [Figure 6]

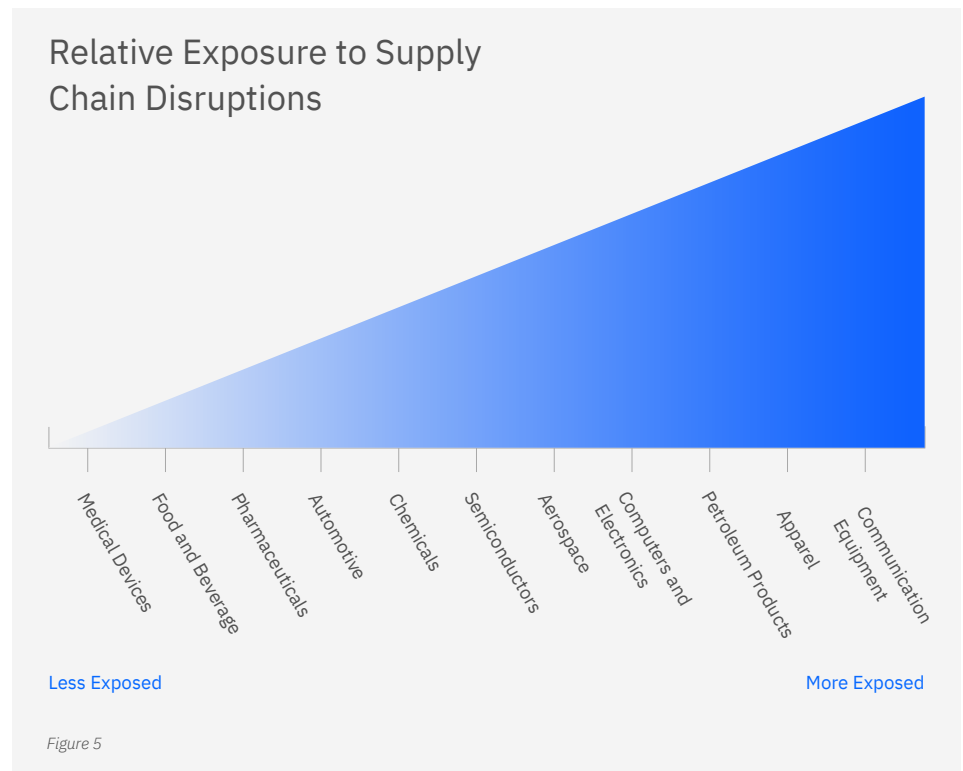


Figure 5  
Based on supply chain’s geographic footprint, factors of production and other characteristics. Source: Risk, Resilience and Rebalancing in Global Value Chains, McKinsey Global Institute, 8/2020.

“The pandemic taught many organizations that they’ve underinvested in supply chain technology,” Andersson says. “The future supply chain will be highly driven by technology and intelligent workflows.”

When disruptions occur, an intelligent workflow operating through the entire supply chain could provide flexibility both on the customer end—by steering customers towards more readily-available products—and on the procurement end, by suggesting alternative suppliers. In fact, implementing intelligent workflows can shorten and de-risk the supply chain while cutting inventory costs up to 50%.<sup>5</sup>

In the management of business assets such as equipment, buildings and other material resources, intelligent workflows can decrease maintenance costs up to 40%<sup>6</sup> and building operating expenses up to 20%<sup>7</sup> while optimizing overall performance and uptime, says Kareem Yusuf, General Manager of AI Applications, IBM. “Creating more resilient business operations is the only way companies will endure and thrive in the volatility we’ll face in the years ahead,” he says.

#### **Modernize and integrate core business applications**

This is essential to create intelligent workflows. With core business applications optimized and linked, the opportunity to connect exponential technologies such as blockchain, intelligent operations and more can be realized.

“Businesses cannot rely on technology alone to drive transformation. They must also create a culture of ongoing, human-centric innovation.”

Once you integrate the data into your core applications and make it accessible to the people who need it, they can make decisions quickly based on real-time information.

#### **Creating a culture of creativity and ongoing innovation**

Importantly, businesses cannot rely on technology alone to drive transformation. They must also create a culture of ongoing, human-centric innovation.

By making workflows and outcomes more manageable, meaningful and impactful for human beings, organizations can use deep analytics, AI, hybrid cloud, IoT, edge computing and other technologies to design and scale solutions that reflect the company’s unique purpose.

<sup>5</sup> IBM internal data.

<sup>6</sup> IBM internal data.

<sup>7</sup> IBM internal data.



## Sudden Changes in Supply Chains: Pandemic-Driven Drops in Middle East Imports

Like most countries worldwide, nations in the Middle East saw imports crater with the onset of the pandemic.

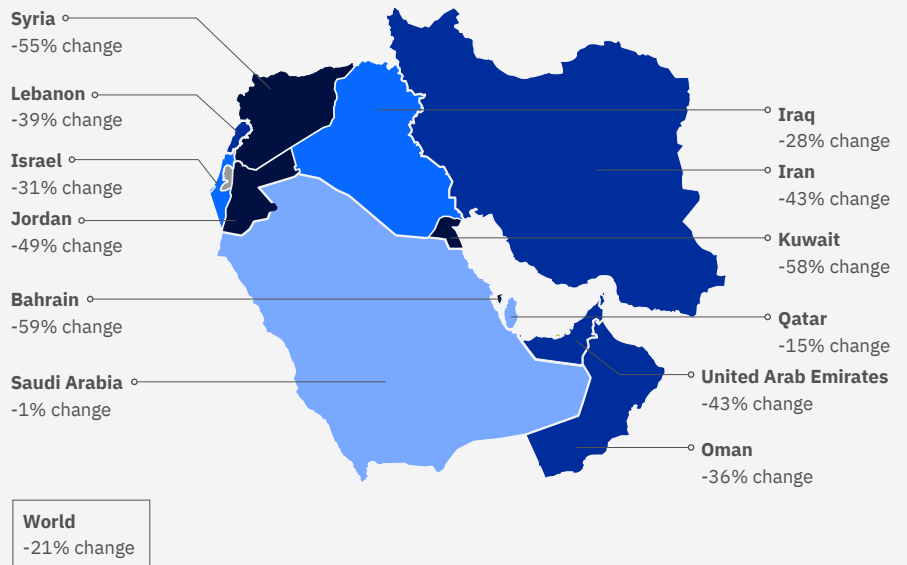


Figure 6

Source: Bloomberg analysis. Compares April 2019 vs. April 2020 import to each country from its 10 largest trading partners.



## Create innovative experiences that attract and retain customers

Disruption is increasing the urgency to offer superior customer experiences, especially virtually. Smarter businesses know this is critical; 72% of customers say they'll leave a brand after one bad experience.<sup>8</sup> As disruption encourages people to try new products, companies are even losing loyal customers.

Of course, such bad experiences can occur virtually or physically. While interactions with customers in brick-and-mortar sites decreased sharply during the pandemic—and remain lower than pre-lockdown levels—digital communication is driving even more customer engagement for many businesses.

In fact, many brands are now interacting with their customers to a greater degree than before the current disruption. Data from 90,000 companies worldwide shows that customer service inquiries from have increased by 21% over pre-pandemic levels. [Figure 7]

### To build loyalty, make it personal

True transformation creates personalized customer experiences by leveraging analytics and AI to better serve people and create brand loyalty.

By building an intelligent workflow platform that extends out to business partners, organizations can reinvent key processes with the full customer journey in mind. By taking an ecosystem perspective, they can meet that customer wherever they are in their journey and delight them along the way.

Take, for example, a bank loan. A traditional bank would focus on selling loans to customers

and facilitating the loan process. But to a customer, “a loan is a means to an end,” Khaliq says. For many customers, that end is buying a car. On one end of their intelligent platform, the bank can integrate car dealers and even car manufacturers. On the other end, they can integrate auto insurers and government motor vehicle agencies.

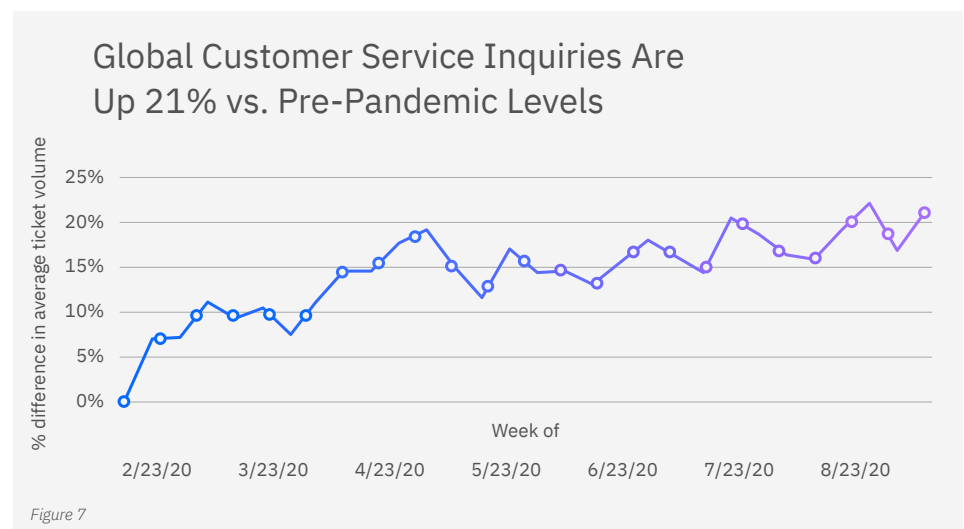
The ecosystem is enabled through technologies like blockchain—which streamlines the trust and verification process between ecosystem partners—and a (potentially 5G-enabled) Internet of Things, which collects data throughout the journey. Artificial intelligence enables a personalized approach even in automated customer interactions such as chatbots. Perhaps most importantly, data is easily shared across the platform to optimize the customer experience from end to end.<sup>f</sup>

“The moment you take that ecosystem perspective, you can see where the value realization happens, not only for the bank but for everyone in the ecosystem,” Khaliq says.

### “ How do you use technology to build empathy at scale?

“We’re only now getting to the point where we have the technology to be truly empathetic with customers,” adds Alan Webber, Program VP for Digital Strategy and Customer Experience at IDC. “The key piece for companies is, how do you use technology to build empathy at scale with your customers? If you can be empathetic with them today, with the current disruption, they will still be your customer tomorrow.”

<sup>8</sup> Acquia, *Closing the CX Gap: Customer Experience Trends Report 2019*.



Source: Zendesk. Based on 90,000 companies worldwide that use Zendesk to power their customer support operations. Inquires compared to week of 2/23/2020.

## People are the most important part of any business

Transformation must make the employee experience a top priority—improving their day-to-day experiences as well as career development. This is especially important considering that competition for skilled employees is growing fiercer.

### The skilling imperative

While remote working is a highly visible trend, 2020's disruption has also accelerated transitions in how businesses hire, promote and foster collaboration among their people.

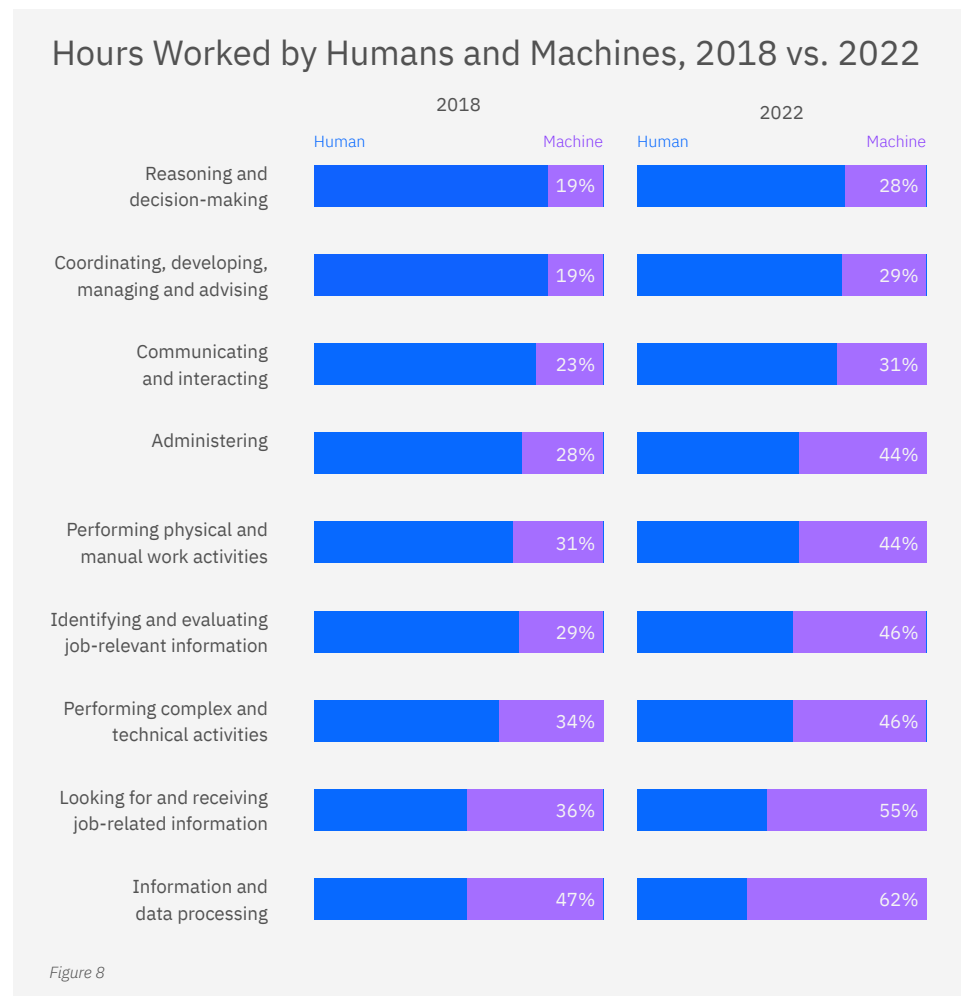
In MEA and especially the GCC countries, governments have long encouraged the building of a skilled local workforce. With many expatriate workers heading back home or prevented from coming to the region, the pandemic has only bolstered the case for reducing dependence on imported talent. Meanwhile, businesses have been forced to cut costs, but they also want to minimize the human cost of layoffs. All of

these trends have increased the imperative for organizations to reskill and upskill their current employees, and to do it rapidly.

Another reason for the upskilling trend: As more MEA organizations automate processes and employ emergent technologies, their current workforce must learn to adapt. Even before the pandemic, the World Economic Forum estimated that at least 54% of all employees will need reskilling and upskilling by 2022, with much of that driven by the automation of many functions. [Figure 8]

“There’s been a huge shift to digital learning,” in the Middle East, says Iktimal Daneshvar, Talent and Transformation Practice Leader at IBM GBS. “Organizations are having to reskill their workforces quickly, all whilst fostering engagement and the culture of continuous learning.”

In the wake of the pandemic, many Middle East countries are intensifying their workforce



Source: World Economic Forum's Future of Jobs Survey, 2018.

nationalization programs. To facilitate the upskilling of local workforces, IBM has established shared service centers with clients. IBM builds the center and trains local employees in valuable technical skills before returning the center to the client after an agreed-upon period, typically one to three years.

In the area of recruitment, intelligent workflows are automating processes around job candidate personas such as local university graduates, Daneshvar says. Enabled by AI-based CV matching, online assessments of technical and personal competencies, and video interviewing, some recruiters are nearing the point where the candidate shortlist is developed through an almost entirely automated process.

Using intelligent workflows in areas like recruitment can free humans from mundane, reactive tasks that technology can now perform. This lets your employees focus on work requiring uniquely human talents like empathy, creativity and ingenuity. In fact, IBM research has shown that 74% of companies that have invested in intelligent workflows for talent have seen increases in productivity.<sup>9</sup>

<sup>9</sup> [5 Benefits of Using Intelligent Workflows for Talent Management](#)

## Business transformation will determine who thrives in the new landscape ahead

Enterprises will look back at the start of the 2020s as a moment when they either seized opportunities or naively hoped old ways of doing business would survive. Smarter businesses realize that it's a critical time to meet people's evolving needs and give their customers exceptional experiences. Business transformation is the key to accomplishing these goals, studies show. [Figure 9]

Economic adversity has long spurred innovation that transforms businesses and models. As disruption and volatility may continue for the foreseeable future, the organizations that apply human-focused strategies

and the new capabilities of emerging and advancing technologies will be positioned to lead in the "new normal" to come.

"The organizations in MEA that have adapted successfully have had the underlying technology that enables them to rapidly change the way they operate," says Andersson. "Adaptation isn't easy if you depend on infrastructure and people for your key processes. With intelligent workflows, processes are automated and integrated not only within your organization but with your business partners as well."

### Road-test it

To road-test innovations in customer and employee engagement, IBM offers companies physical and virtual multidisciplinary spaces to co-create solutions and use models to iterate and scale them.

Visit [www.ibm.com/garage](http://www.ibm.com/garage) →

### How to Transform in a Recession

Companies that increase their operational efficiency during a recession, while simultaneously developing new markets and investing in new assets like equipment and R&D, perform best after the downturn ends, according to a 2010 study by two Harvard Business School professors. Three-year compound annual growth rates in EBITDA after the recession were:

		Offensive Moves		
		Market Development	Asset Investment	Both
Defensive Moves	Employee Reduction	6.6%	3.3%	-5.2%
	Operational Efficiency	4.2%	8.4%	12.2%
	Both	2.1%	-0.5%	4.6%

Figure 9

Source: "Roaring Out of the Recession," Ranjay Gulati, Nitin Nohria and Franz Wohlgezogen, Harvard Business Review, 3/2010.

## Industry Showcase

IBM has partnered with organizations across industries to drive transformation. They include:

### **Etihad Airways**

When Innovation Meets Hospitality: Etihad Airline's Digital Transformation. Etihad and IBM GBS partnered to transform the most important part of an airline's business: better experiences.

### **du**

du, a leading integrated telecommunications service provider in the United Arab Emirates, reinvents Digital Customer experience through Design with IBM iX.

### **ADNOC**

After workshops and ideation sessions, Abu Dhabi National Oil Company ADNOC and IBM Global Business Services, deployed a first-of-a-kind rock classification solution that is helping preserve knowledge and identify drilling locations.

### **Dubai Health Authority**

Dubai Health Authority (DHA) started a highly complex digital transformation in 2014 to provide world-class healthcare experiences for patients and residents that are infused with innovation and powered by smart technologies.

### **Carrefour**

Carrefour increased sales with blockchain technology, which enables customers to track items from factory to warehouse to store.

### **L'Oréal**

The company leveraged IoT solutions to realize more frequent and agile product innovations that launch faster.

### **State Farm Insurance**

The insurer's Agile @ Scale program is delivering real-time customer targeting and advertising effectiveness.

### **Yara**

One of the world's largest fertilizer producers created the leading digital farming platform, which seeks to connect 620 million farm families to fight hunger.

To learn more about business transformation, visit [www.ibm.com/smarter-business](http://www.ibm.com/smarter-business)

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