With the pace of technological change accelerating, understanding the impact on every aspect of society and business is becoming a major challenge. The rapid change is driven not only by new technological breakthroughs, but by disruptive business models that use the technology in new ways, rapid consumer adoption and leapfrogging in regions where there is little legacy of technology.

In PwC’s latest global survey, three-quarters of CEOs cited technological change as the most transformative of the global megatrends over the next five years. Interestingly, an even higher share of CEOs in the Middle East region agreed: at 85%, the highest in the world by some distance.

That reflects our strong awareness of the high penetration of consumer technology and its obvious impact – everyone cites the revolutionary use of social media in the Arab Spring in 2011 – but also the recognition that most companies and government entities are struggling to develop digital strategies to leverage this potential.

Our region has many of the right ingredients to benefit from new technologies. The young population is tech-savvy. The adoption of social media is among the highest in the world. Saudi Arabia and the UAE ranked fourth and seventh globally, respectively, in 2015 for active Twitter usage. The Middle East is also moving straight to mobile, with the GCC among the world’s leaders in smartphone penetration and the share of mobile broadband connections.

But businesses are lagging in terms of digital innovation, research & development (R&D) and the development of new technologies, key elements for global competitiveness in the coming decades. E-commerce is still small, with most transactions that start online closing off-line. Despite a significant increase in spending over the past five years, R&D expenditure in Saudi Arabia and Abu Dhabi is still below 1% of GDP, far behind the OECD average of 2.4%, not to mention innovation leaders such as South Korea and Finland which spend well over 3% of their GDP on R&D.

We need to accelerate the ability to leverage and commercialise technology, diversity the economy and become competitive.
These have already had a noticeable impact on patent applications, with the level growing five-fold in the five years to 2013 in these countries. That is, however, still five times lower than in China. We still need to focus on removing the bottlenecks at all stages in the value chain—education, incentives, legal framework, financing, entrepreneurial support and commercialisation.

90% of the data that exists today was created in the last two years

R&D expenditure in Saudi Arabia and Abu Dhabi is still below 1% of GDP compared to the OECD average of 2.4%

Sources:

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