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THE AI GAP: TIME FOR THE MIDDLE EAST TO TAKE IT SERIOUSLY

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FUTURISTS MIGHT DISAGREE ON whether artificial intelligence (AI) will save or end the human race, but it's clear that AI is revolutionizing fundamental aspects of our lives and our businesses at an increasingly disruptive rate.

Over the last decade, AI has had an impressive record of accomplishments, showing it can disrupt almost everything, and the Middle East has not been immune. In 2017, UAE appointed the world's first AI minister to develop and execute the country's national AI strategy.

It is broadly accepted that AI will make its way into every industry and every business, which makes a strong case for paying attention to AI as a top national and business priority—here we ask: are Middle East business leaders doing so?

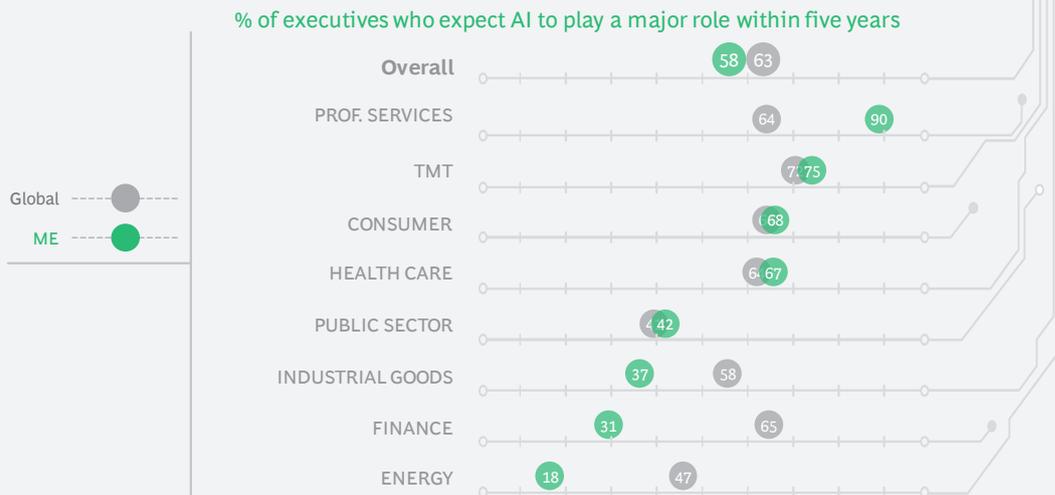
Expectations of AI from Middle East Business Leaders

A recent survey of over 3,000 global business executives, conducted jointly by MIT Sloan Management Review and The Boston Consulting Group, paints a revealing picture of global ambitions and expectations for AI as well as actions taken or planned to engage on the topic.

Most global executives—63%—expect AI to play a major role in their business within

the next five years, with the highest future expectations reported by executives from telecommunications, media, and technology (TMT) and financial services, at 72% and 65%, respectively, followed by professional services, consumer goods, and health care, at around 60% (see Exhibit 1). Zooming in on Middle East executives' responses, expectations are slightly lower (58% versus 63%).

Exhibit 1: Great but different expectations from AI globally and in ME



The lower five-year expectations from Middle East executives result from a combination of two different things. Despite energy and financial services being the largest sectors in the region, they are at the bottom of the list for five-year expectations from AI, at 18% and 31%, respectively, compared to 47% and 31% globally. Inversely Professional services, a relatively smaller sector, had the highest future expectations by far in the Middle East, at 90%.

Moreover, Middle East executives' responses were more optimistic about the nature of AI's impact on their businesses compared to global views. 60% of respondents from the Middle East consider AI to be only an opportunity, not a risk, for

their business. This compares to 50% globally who see AI only as an opportunity with no risks.

The AI Ambition-Action Gap in the Middle East

So how do the elevated expectations and optimism for AI in the Middle East translate into planning and execution? The short answer is: they don't!

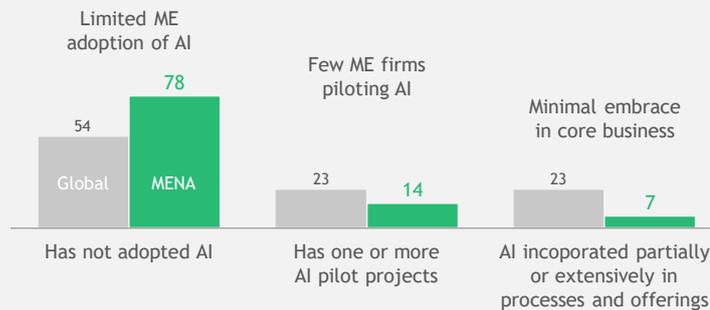
A striking finding of the survey is that business adoption of AI is at a very early stage, with a clear disparity between expectations and actions. And this gap is significantly more prominent in the Middle East.

Only about one in fourteen Middle East survey respondents have incorporated AI into their business offerings or processes, partially or extensively. This contrasts with almost one in four of globally surveyed

executives. Conversely, 78% of Middle East executives have not yet materially adopted AI, compared to 54% of global respondents (see exhibit 2).

Exhibit 2: Disparity in expectations vs. action greater in ME

Level of AI adoption in the organization (%)

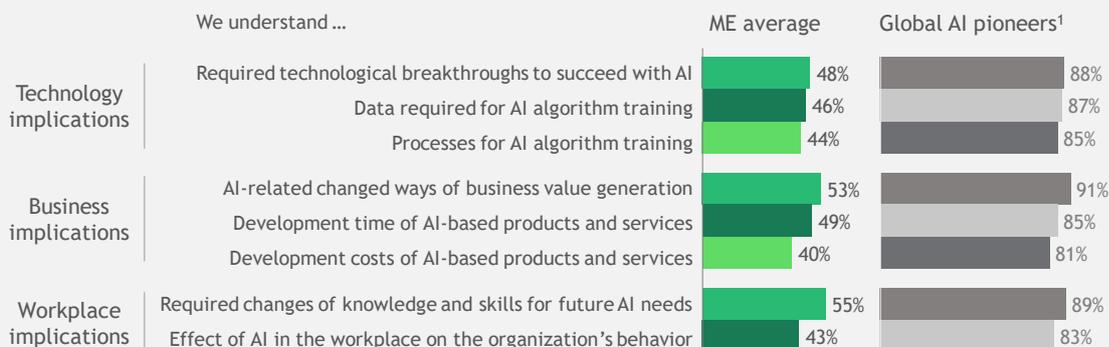


A key barrier to adopting AI is organizations' ability to develop an intuitive understanding of AI-related technology and how it can drive business value. Survey responses indicate that only half of Middle East executives agree that their organizations have a good understanding of AI's technological requirements or its business and workplace implications. Similarly, just

over half of the respondents understand the skill and knowledge changes needed to adopt AI in the future, while just 40% admit to understanding the costs required for products and services based on AI. These figures are very low, especially when compared with the level of understanding claimed by organizations pioneering AI adoption in their businesses today (see exhibit 3).

Exhibit 3: ME execs' AI understanding far behind best practice

Levels of AI understanding: To what extent do you agree with the following statements about your organization?



1. AI pioneers are organizations that both understand and have adopted AI. These organizations are on the leading edge of incorporating AI into both their organization's offerings and their internal processes.

Winning with AI, Today and Tomorrow

Given the scale of potential disruption and high expectations of AI, no responsible executive should allow their organization to be left behind. With substantial lingering uncertainty around what AI can do to help or harm a business, the smartest move for most organizations is to play a double game: first, develop a portfolio of short-term actions based on current and clear trends to stay abreast or even ahead of today's competitors; and second, prepare for future opportunities and threats by building up AI capabilities and a related data analytics strategy and supporting infrastructure.

In practice, this means two parallel sets of complementary, incremental actions, as follows:

Making the most of today's contests

1. Identify competitive advantages in AI

Organizations need to revisit their core businesses to understand inherent or adjacent sources of business value driven by AI. This might be a large unutilized data set generated by business today, or unmet customer needs that could potentially be addressed with AI.

Taqnia, a Saudi-based technology firm, has been providing huge volumes of nearly daily satellite images to its clients. With AI, Taqnia spotted an opportunity to offer an additional service by applying AI to automatically detect and monitor unusual activities in images.

2. Ideate AI use cases

Once executives broadly establish where and how AI can play a role in business, they need to identify the most promising use cases for AI by looking at it through four lenses and creating specific value-based use cases: customer needs, technological advances, data sources, and decomposition of processes

3. Prioritize and pilot AI use cases

Executives should prioritize pilots on the basis of potential value and speed of delivery. Once selected, pilots should be run as test-and-learn sprints, much as in Agile software development, in order to continuously check for delivered customer value and gradually build up the required skills, architecture, and infrastructure.

Emirates Airlines piloted AI use cases in three areas: AI-powered chatbots to boost engagement with its vacation business ads, autonomous vehicles for its airport airside operations, and cabin crew training and learning.

For early AI proofs of concept, it is recommended to pick low-risk and low-complexity use cases. This helps in gaining familiarity with AI and highlighting data or data integration needs, as well as organizational and capability hurdles.

4. Scale up AI use cases

This consists of scaling up successful pilots into more mature products and service offerings or fully embedded internal processes. Although this step may last 12 to 18 months, the same Agile sprint-based approach should ensure value creation along the implementation path, through quick iterative checks and improvements.

Positioning to win in tomorrow's contests:

5. Gain an intuitive broader understanding of AI

Executives need to know not only the basics of AI for today, they must also acquire an intuitive functional understanding of what is possible with the technology for tomorrow. While it might initially suffice to rely on AI experts to support executive strategy-level discussions, this will not be

sustainable given the need for a growing role and share of AI in the boardroom.

6. Build data and AI strategy and infrastructure

Decisions and actions related to AI should be made within the context of a coherent supporting data strategy and supporting infrastructure, aimed at AI-driven competitive advantages. Companies can work with AI and data vendors in many ways, ranging from outsourcing an entire process to buying selected services, seeking help in building in-house solutions, or training internal staff.

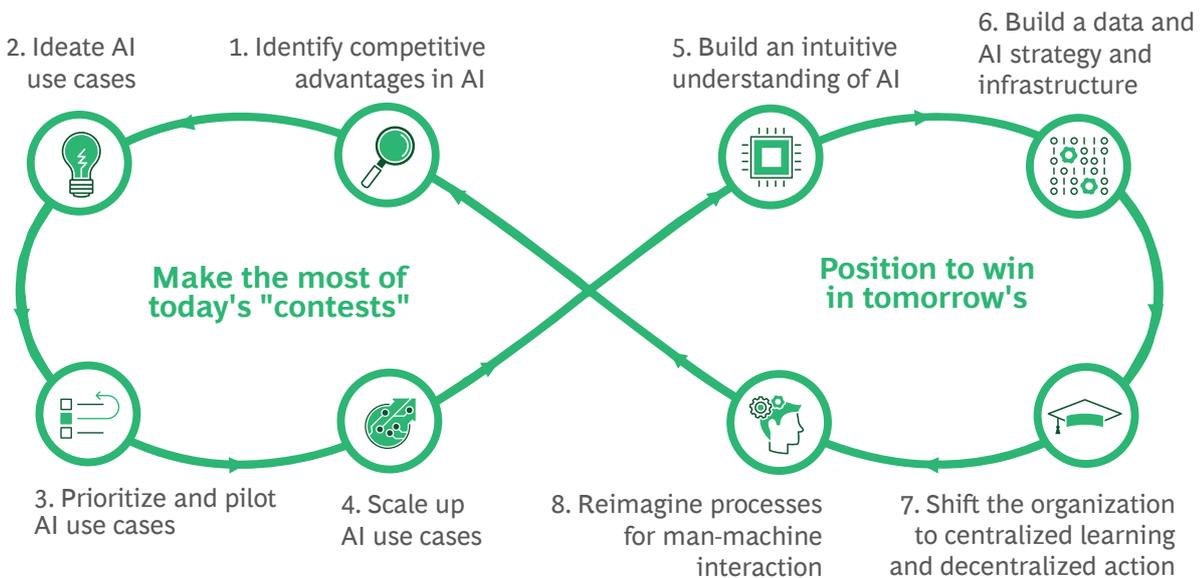
Careem, Uber's ME-based rival and one of the most successful start-ups in the region, inked a strategic investment and partnership deal with the Chinese Didi Chuxing, with the main objective of securing access to the Chinese giant's AI capabilities and expertise, which will enable Careem to pursue growth opportunities in smart transportation more effectively.

In order to capture the full potential of AI, executives need to make organizational changes to emphasize centralized learning and decentralized action, where AI works best. For instance, businesses should have in place the right governance, capabilities, processes, and organizational setup to enable rich cross-departmental business intelligence that can be more insightful to each department based on its own needs, as long as regulatory aspects setting the boundaries of private data usage are carefully addressed

8. Reimagine processes for man-machine interaction.

Companies need to identify where machines can perform better than humans—more quickly with fewer errors, where less judgement is needed—and vice versa, develop complementary roles and responsibilities for each, redesigning processes accordingly. Companies also need to embrace adaptive and Agile ways of working given the dynamic nature of AI-enabled processes where constant learning and adaptation is the norm.

7. Shift the organization to centralized learning and decentralized action



Middle East businesses have a great opportunity to boost their regional and global competitiveness with the aid of AI, but this requires immediate action to catch up with and even leapfrog regional and global pioneers. With AI fundamentally and steadily disrupting industries one by one, executives in the Middle East must start embracing AI

in their most senior strategic discussions and quickly produce intuitive insights about AI and its requirements, potential, and impact for their businesses. This will equip them with the necessary tools to disrupt their own businesses with the power of AI—before others do.

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