

DIGITAL TRANSFORMATION FOR SMEs

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THE GLOBAL IMPACT OF DIGITAL TRANSFORMATION

Digital transformation can be defined as the revolutionary impact of digital technologies and data on how companies everywhere do business. Global in scope and universal in impact, it is upending conventional business models in every sector.

To succeed in today's rapidly changing landscape, companies of every size and color must establish a culture of digital competence by developing a set of core skills, the first of which is adaptability.

Underlying reasons for digital transformation



Widespread internet access



Increased use of mobile devices and remote connectivity



Shifting consumer behavior toward online marketplaces

As digital tools such as artificial intelligence (AI) play a rapidly increasing role in everything from product development and supply chain management to customer satisfaction, technology adoption is key for SMEs to remain resilient in the face of market pressures. The largest employers and service providers, their health and success are synonymous with that of the global economy.

SMEs are the backbone of the global economy



90%

of all companies globally are SMEs



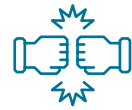
60% - 70%

of all jobs globally are created by SMEs



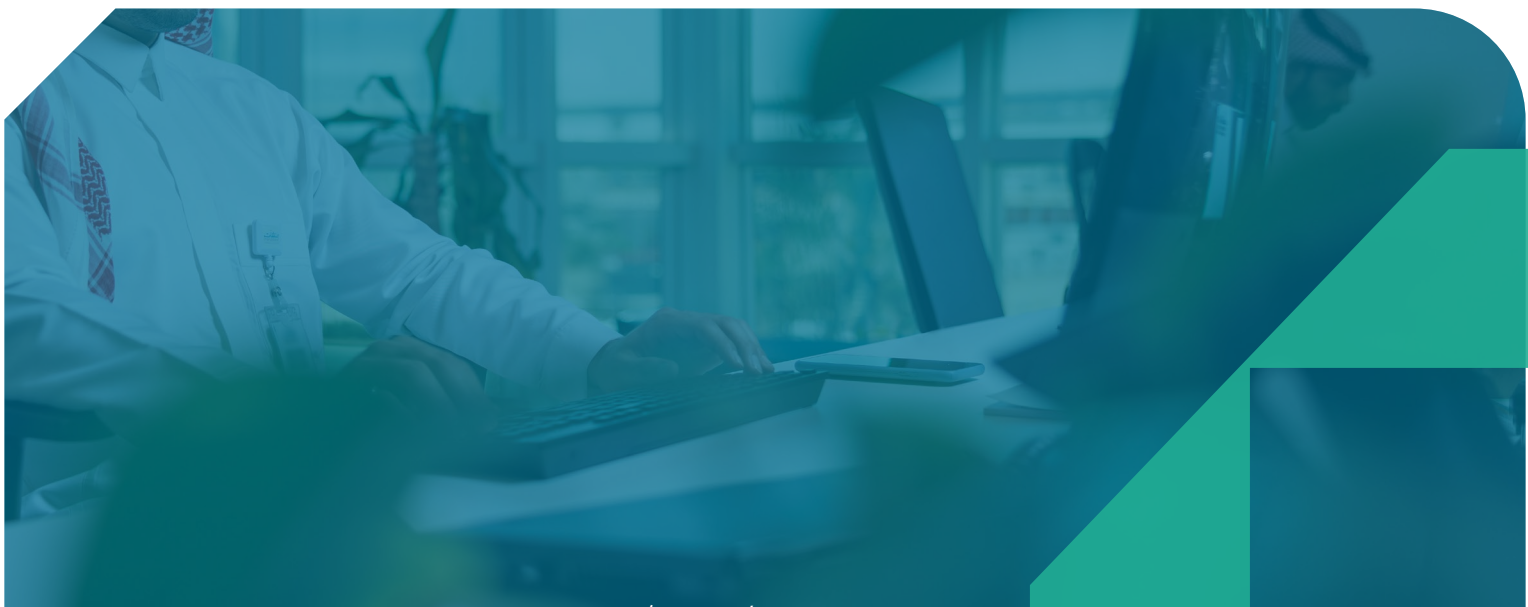
+85%

of organizations recognize new technologies as drivers of transformation



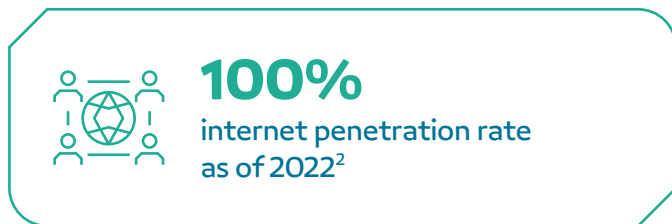
67%

of SMEs are fighting for survival¹



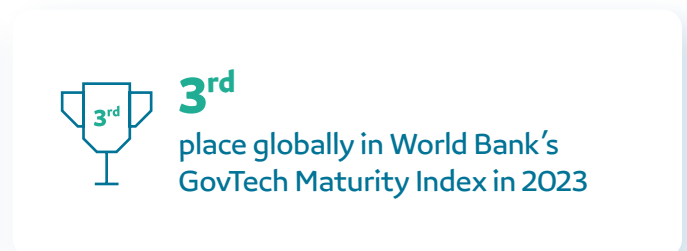
The state of digital transformation in the Kingdom

Digital transformation is particularly important for companies operating in Saudi Arabia, given its young, tech-savvy population with high internet and mobile device penetration rates.



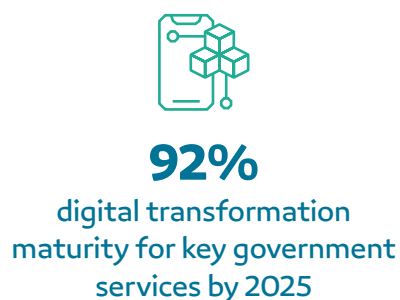
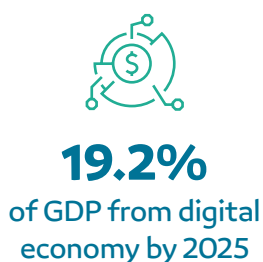
To meet the digital needs of its dynamic young society, Saudi Arabia is investing billions to become a global leader in the digital transformation, from building the right digital infrastructure to fueling the next generation of Saudi-based fintechs.

Saudi Arabia rising as a digital player



The National Transformation Program (NTP)

Launched in 2016, the National Transformation Program (NTP) is the first Vision Realization Program established by Vision 2030. In addition to digitizing government services, promoting an inclusive and innovative private sector, and developing economic partnerships, NTP enables entrepreneurs to set up a business in just three minutes.



BRINGING SMES UP TO SPEED IN THE DIGITAL AGE

New digital technologies are changing how SMEs operate, engage with customers, and compete in traditional and emerging markets.

From cloud computing and data analytics to automation tools and enhanced digital marketing strategies, implementing these can lower costs, enhance agility, and add value to your enterprise's product or service offering.



Access to wider markets



Capitalize on network effects



Enhance decision-making



Increase agility and resilience



Maximize efficiency



Streamline operations



Reduce costs



Gain data-driven insights



Improve employee collaboration



Ensure regulatory compliance



Optimize resource allocation



Rapidly respond to market changes



Enhanced scalability

A great digital tsunami is engulfing the world of business. Those who adopt new digital tools can ride it to success; those who fail to will be forced to swim alone.

DIGITAL TRANSFORMATION ROADMAP FOR SMEs

To adapt, SMEs must follow a meticulously laid out roadmap that takes them from internal assessment of digital capabilities to successful customer engagement.



Assessment and planning: Evaluate the digital capabilities of your business and define specific, measurable goals.



Determining business objectives: SMEs should ensure their digital plans are aligned with their business objectives to achieve a unified strategy.



Infrastructure and tools: After assessment, SMEs should invest in the necessary hardware and software, as well as implementing Customer Relationship Management (CRM) systems, data analytics tools, and automation software.



Process optimization: SMEs can leverage digital tools like data analytics to identify and automate repetitive tasks. This frees up valuable time, minimizes errors, and boosts overall efficiency.



Talent development and culture: SMEs should provide comprehensive training to enhance the digital skills of employees and initiate a digital-first culture across the company to speed up processes.



Customer engagement: By harnessing the power of data analytics, social media, and digital communication tools, SMEs can gain customer insights, increase engagement, and reach new markets.



Business improvement: Data-driven insights from monitoring digital performance unlock powerful advantages for SMEs. They can adjust their goals, set more accurate key performance indicators (KPI), and cultivate a continuous growth mindset.

Visionary leadership is crucial for SMEs embarking on their digital transformation journey, but it's only part of the equation. A supportive ecosystem is also essential, from a strong regulatory environment to robust digital infrastructure and a readily available pool of skilled digital talent.

Dr. Abdullah AlFaifi

Vice Governor of Investment and Government Excellence,
Digital Government Authority



What role do SMEs and entrepreneurs play in the digital government transformation landscape?

Tech SMEs have been a vital pillar in Saudi Arabia's digital government transformation in recent years, accounting for nearly 34% of the total government digital demand in 2023, which is estimated at 32 billion riyals.

Our recent report, Government ICT Spending Report in Saudi Arabia 2023, highlights the promising opportunities for SMEs in various fields such as emerging technologies, product development, and services on cloud-based platforms. The comprehensive concept of digital government services aims to shift towards cloud computing adoption, which requires these enterprises to build capabilities and competencies related to future cloud-based technologies.

DGA has already launched a program to accelerate the adoption of cloud services in government entities, aiming to speed up the transformation of IT services and infrastructure from traditional to cloud-based environments within government entities. Through this, we seek to enhance the efficiency and quality of digital government services by improving their availability, enabling flexible expansion, and empowering the private tech sector, especially SMEs. We have also introduced guidance concerning the provision of solutions and services based on value chains, such as research, development, and innovation.

Are there any specific support and advisory services provided by DGA to help SMEs navigate the complexities of digital transformation?

At the end of 2022, we launched the Sadaf program to boost SME participation in digital government projects. This program includes technical classification for telecom and IT contractors to improve the quality of their work. It reflects the collaboration between DGA and the Ministry of Municipalities and Housing, focusing on empowering the private sector, enhancing transparency, and automating processes. Classification is a key requirement for contractors and SMEs to participate in these projects, ensuring they meet high standards in research, innovation, and quality service.

The Digital Government Cluster (Sadaf Cluster), launched by DGA, connects public and private sectors in digital government. It is a platform for sharing news, developments, and investment opportunities while providing a database of digital government suppliers, making them visible to government entities. DGA has also launched the Elite Program initiative, aimed at empowering SMEs by aligning with services provided by the telecommunications and IT ecosystem.

DGA has improved digital government procurement by launching national framework agreements. These agreements speed up procurement, boost spending efficiency, promote digital transformation, and encourage investment, especially with SMEs.

Looking ahead, what trends and developments do you foresee shaping the digital landscape for SMEs in Saudi Arabia? What are the potential challenges that SMEs should look out for?

Government spending on telecommunications and IT reached approximately 40 billion riyals in 2023, and it is expected to increase with a CAGR of 7.7% through 2025.

Emerging technologies, particularly AI and cloud-based services, will be among the key pillars of government demand in the coming period, especially in priority sectors such as health, education, transportation and infrastructure, and municipal services. This provides numerous opportunities for tech SMEs, most notably in open-source software. The Council of Ministers issued a decision setting regulations for government open-source software, aiming to transition from commercial software to national open-source software. This paves the way for collaboration between government entities and the private sector, including SMEs. Cumulative demand by government entities for open-source government software is expected to reach approximately 3 billion riyals by 2026.

Finally, we aim to create over 1,800 specialized programmer jobs in open-source software, and have at least 20 national companies, including tech SMEs, providing high-value solutions in open-source software.

Ibrahim Neyaz

CEO,
National Technology Development Program (NTDP)



What are some key milestones that NTDP has achieved in helping SMEs adopt emerging technologies, and how have these translated into tangible benefits for the wider SME sector?

NTDP launched 18 products in partnership with more than 45 entities from the public and private sectors to support SMEs. These were specifically designed to support research and innovation in emerging technologies such as Next Era and AIM, a platform to support technology companies in AI; Fuel, which supports VC funds focused on emerging technologies; and the Accelerators Enablement initiative to attract global accelerators that enable tech companies to adopt emerging technologies.

Through these financial and non-financial solutions, the companies supported by the program have been able to attract VC investments of SAR 3.8 billion, including financing worth SAR 3.3 billion from commercial banks and financing companies. In addition to more than 11,000 jobs being created since its launch, the program also attracted seven international business accelerators supported by VC funds with more than SAR 2 billion to invest in young tech startups.

What programs and initiatives are offered by NTDP to help SMEs increase their local market share and boost global exports in the technology sector?

NTDP offers several initiatives, such as the Connect Initiative, which helps SMEs collaborate with large companies in the Kingdom through proof-of-concept (PoC) projects, and the Bridge Initiative, which helps SMEs in their global expansion.

What support mechanisms does NTDP provide to ensure that SMEs have access to the necessary resources and expertise to successfully implement these tools?

We have developed the Transform+ Initiative, which offers technical and financial support to help companies adopt the latest cloud data center digital technologies. We also help companies adopt best global practices by collaborating with international accelerators through the Accelerators Enablement initiative.

What educational and training programs has NTDP developed to enhance the digital capabilities of SME employees and entrepreneurs?

One such initiative is Tech Crew, through which we support the salaries of technical employees in tech companies to bridge the high employment cost gap in acquiring technical talent. Another initiative is Lead IT, which provides employees with specialized training in programming, cybersecurity, and technology project management, among others.

What emerging trends and developments might have significant impact in Saudi Arabia over the next few years, and how can SMEs stay ahead of them?

The world has seen significant advancements in technology and innovation in recent years, with AI and machine learning poised to impact various industries such as healthcare, education, and financial services. The use of blockchain technology is also expected to enhance transparency and security in financial and logistical operations. In addition, the Internet of Things (IoT) is anticipated to experience significant growth in its applications, particularly in smart cities, agriculture, and industry, thereby boosting operational efficiency. Cloud computing will also remain a crucial element in supporting digital transformation, while 3D printing is expected to continue innovating, changing the way products are manufactured and reducing production costs. Virtual and augmented reality technologies are also likely to expand, making cybersecurity even more critical to protect sensitive data and information.

Given these rapid developments, SMEs must be agile in adopting new technologies that help them stay at the forefront and capitalize on opportunities available in the Saudi market. This can be achieved by investing in improving their products and services, developing their employees' short and long-term skills, and building strategic partnerships with tech companies and research centers to leverage new expertise and innovations. Finally, they must constantly and continuously focus on customer needs and engage with them effectively.

DIGITAL TOOLS AND TECHNOLOGIES FOR SMEs

It's now a well-worn saying that every company is a software company. While not strictly true, those who want to succeed must look, act, and think like software companies, as one analyst put it. For SMEs, that means staying ahead of the digital curve by adopting or understanding the following tools and technologies.



Cloud computing: Helps SMEs save significantly on operational costs by facilitating online collaboration on a global scale.



Customer Relationship Management (CRM) systems: Helps companies streamline processes and improve customer relationship to enhance front-office and supply chain operations.



Digital marketing tools: Platforms such as social media allow SMEs to increase their customer base, business visibility, and client outreach.



Robotic Process Automation (RPA): Automates repetitive tasks to increase efficiency, enhance speed, and reduce errors.



Data analytics: Supports data-driven decision making to significantly improve processes, enable personalization, and expand client portfolio by diversifying products to address demand.



Artificial Intelligence (AI) and Machine Learning: Allows for big-data analytics and assists in strategic planning, production, administration, and logistics.



Enterprise Resource Planning (ERP) software: Integrates various business processes into a single system, thereby enabling efficiency and standardization.

Leveraging these digital technologies will not only help SMEs enhance their internal operations, but make them fitter and more flexible organizations that deliver better value to a larger range of customers.



Adopting and integrating digital tools

Digital transformation requires a skilled and adaptable workforce, which is why SMEs must equip their employees with the necessary skills through training and development programs to keep pace with evolving technologies.

Luckily, SMEs are better equipped to make these swift and personalized interventions than larger, more cumbersome companies.

These are the basic steps for adopting and integrating digital tools:

1. Set up and run business models with a clear digital strategy

2. Train leaders to effectively communicate the value and functionality of digital tools to employees in order to foster buy-in and ensure a smooth transition

3. Manage change and be transparent about how upcoming digital changes will shape their daily tasks and responsibilities

4. Digitize information to create valuable data that improves process efficiency

5. Foster a digital culture by encouraging employees to consistently use digital tools

6. Ensure security through continuous monitoring for threats, establishing robust cybersecurity systems, and fostering cyber awareness through employee training

Thanks to shorter communication channels and stronger internal relationships, SMEs are uniquely positioned to thrive in the digital age. But early adoption is key. The sooner they embark on their digital transformation journey, the greater their competitive edge.

☆ SUCCESS STORY:

Muhanad AlJaser

Co-Founder,
ALGooru



How has technology facilitated the creation of personalized, long-term learning solutions for students, and what key factors contributed to ALGooru's success?

It's important to highlight that the private tutoring industry is somewhat outdated, having been static over the past 15-20 years. When we first approached the National Learning Centre, they mentioned that they had nothing like our live one-on-one sessions. It took us about 7-8 months to develop and implement this new offering. Today, there are four or five competitors with the same license, which was our goal. We wanted to support the industry as a whole, recognizing the enormous potential in this area.

We are not only digitizing this market but also making it 24x faster for parents to access qualified private tutors by building a highly sophisticated matching algorithm with a 96.2% matching accuracy, which means we only replace 4 out of every 100 tutors we match. Furthermore, the platform and app that we've developed improve the way parents and students connect with tutoring services, including scheduling, payment, support, and replacements.

What key milestones have defined ALGooru's journey, and what challenges did you overcome to achieve success?

ALGooru's journey has been shaped by overcoming significant challenges, including finding the right product-market fit, addressing pricing misfits between our platform and marketplace tutors, enhancing operational efficiency, and clarifying our objectives.

We are now focusing on a robust new strategy to achieve profitability before the end of 2024. The real journey begins now, bringing in a new era of creativity, perspectives, dynamics, and coherence at an electrifying pace. Over the next 180 days and beyond, our priorities include paving the way for Series A funding, achieving scalability, expanding our services, advancing our technology, growing geographically, and achieving mass adoption.

How has ALGooru leveraged digital tools and technologies to enhance the learning experience and improve operational efficiency?

Previously, finding a tutor could take up to 30 days, but we've reduced this to 48 hours through an automated matchmaking system that ensures the student is paired with the ideal tutor profile. We also developed a meticulous vetting process to source only the best educators. In the post-matching phase, our application enhances the learning experience with a user-friendly interface that allows customers to schedule, reschedule, replace tutors, and give and receive feedback. Both students and parents benefit from a seamless educational journey, complemented by our proprietary interactive learning platforms.

What trends and developments do you see shaping the edtech industry in Saudi Arabia, and how can SMEs anticipate and prepare for them?

The edtech sector in Saudi Arabia is on the brink of transformative growth. For SMEs to stay ahead of the curve, it's essential to continuously adapt and innovate ensuring their offerings align with the needs and preferences of students and educators. They must also find a precise product-market fit, along with having clear and actionable objectives to guide strategic initiatives, measure progress, and ensure profitability.

What advice would you give to aspiring entrepreneurs in Saudi Arabia aiming to make an impact in the digital services sector?

My advice is simple: start now! Begin by thoroughly researching the market to identify gaps and emerging opportunities. Embrace technology, especially automation, and prioritize user experience to ensure your offering is intuitive, seamless, and compelling.

GOVERNMENT ENABLEMENT AND SUPPORT PROGRAMS

Saudi Arabia's strategic aim to diversify its economy, reduce its dependence on oil, and digitize its public and private sectors is rapidly advancing thanks to a variety of government entities and programs.

Key initiatives include the National Transformation Program (NTP), the National Technology Development Program, as well as entities such as the Digital Government Authority and the Saudi Data & AI Authority.

The National Technology Development Program (NTDP)



The NTDP was created to develop the Kingdom's technology ecosystem through smart interventions and long-term support mechanisms that spur sustainable growth.

NTDP empowers local private sector to embrace IT solutions



Encourage and support national companies in IT and emerging technologies sector



Encourage and support local private sector to embrace IT solutions, initiatives, applications and services



Attract local and global companies that support innovation and research centers



Contribute to the localization of the IT sector and increase its local content

NTDP has launched 19 initiatives to support businesses at every stage of their journey in a wide range of sectors.

- > Transform+
- > Source Tech
- > Fund Swift
- > AI.M
- > Fuel
- > Technology Champions
- > Relocate
- > Venture Debt
- > TechCrew
- > Boost
- > Connect
- > BRIDGE
- > Lead IT
- > NEXT ERA
- > SAUDI UNICORNS
- > MVP Lab
- > LendTech
- > Accelerators Enablement
- > Technology Development Financing

For more information on the NTDP initiatives, please click [here](#).

Digital Government Authority (DGA)

Established to drive digital transformation in Saudi Arabia, the Digital Governance Authority (DGA) aims to enhance the efficiency, transparency, and quality of government services through the adoption of advanced digital solutions.

An ambitious vision for future growth



Placing Saudi Arabia among the top ten leading digital governments globally



Implementing advanced digital technologies to improve day-to-day activities in public sector



Providing services with a beneficiary-centric approach to improve customer satisfaction

For more information on DGA and the programs offered, please click [here](#).

Saudi Data & AI Authority (SDAIA)

The Saudi Data & AI Authority (SDAIA) is responsible for regulating the use of data and AI in the Kingdom.

SDAIA to propel Saudi Arabia to digital global leader



400+

data sharing services in the Digital Data Marketplace



250+

government systems integrated in the National Data Catalog⁷

To see how you can benefit from SDAIA's programs and initiatives, please click [here](#).



ABOUT MONSHA'AT

Established in 2016, the General Authority for Small and Medium Enterprises' (Monsha'at) chief objective is to organize, support, develop, and sponsor the SME sector in accordance with best global practices.

Monsha'at deploys a wide range of initiatives that directly speak to the challenges that SMEs face in the market, with assistance being further broken down by company size and type. In addition to providing firms with critical administrative, technical, and financial support, Monsha'at also assists SMEs with marketing and human resources.

Vision



To transform the Small and Medium Enterprises sector into a vital pillar for economic development in Saudi Arabia and an enabler for achieving Vision 2030 and beyond.

Mission



Support SMEs growth and competitiveness through building a supportive ecosystem and an entrepreneurial society, by driving the cooperation with our strategic partners in the public and private sectors and the non-profit sector, locally and internationally.

Please visit our website below for more information.



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World Economic Forum



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World Bank



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Saudi Census



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Digital Government
Authority



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Ministry of Finance
FY 2024 Budget
Statement, p.48



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Vision 2023



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