



**Grant Thornton**

An instinct for growth™

# Surge in demand puts technology at the top of the agenda

## Global Business Pulse

Technology, Media and Telecoms (TMT) is one of the few industries to retain more than a glimmer of optimism in the midst of COVID-19, according to our new index tracking the health of the mid-market. And this is particularly true for the technology sector, where 53% of firms feel optimistic about the next 12 months.

With insights from industry leaders, we examine how meeting the rapid changes in how we work and live has lifted the sector in unprecedented times, and what is now needed for technology firms to maintain their momentum.

### Rapid user adoption keeps technology firms thriving

Our research reveals unmatched levels of health in TMT for the first half of 2020. The industry ranks first out of 12 key sectors in terms of outlook – which covers future business conditions, economic optimism, and investment intentions – with a glowing score of +45.5<sup>1</sup>

The health of the technology sector is central to this, with 40% of business leaders in mid-market technology firms expecting revenues to rise in the year ahead and 41% saying the same for profitability – levels largely unseen across other sectors. This sentiment is reflected in financial markets where technology firms have driven the S&P 500 to historic highs.

The emerging outlook is certainly well aligned to the huge demand for technology solutions since the pandemic struck. Overall spending on information and communication technology (ICT) in Saudi Arabia is set to reach \$37 billion this year, up 2.4% on 2019, according to the latest predictions revealed by International Data Corporation<sup>2</sup>.

The dawn of digitisation, which combined with the timing of the widespread transformation objective in the GCC makes for a healthy mix with digitisation in the KSA further being accelerated by the need to drive continuity and momentum across the Kingdom in response to the pandemic.

**Abdullah M. Al-Basri, CEO and Managing Partner of Aldar Audit Bureau, Grant Thornton – Saudi Arabia**

Whilst tech transformation has been a key driver of change across Saudi Arabia, particularly given its prominence within Vision2030, the accelerated adoption has been prompted by a sudden demand to facilitate remote working, which notionally has not been

a concept attempted previously.

As the world realigns its operational practices, we have seen an increased demand in emerging platforms such as Zoom and Teams, who have seen a significant increase in their share value as a result of global migration, with the net worth of the Zoom founder increasing by more than \$4bn since the coronavirus crisis<sup>3</sup>

As businesses and individuals adapt to these tools the need for increased functionality, updates and security are being demanded, which inevitably will provide technology businesses with ongoing revenue, along with insights which will support them in developing the next innovative platform.

This surge in demand underpins the sector's health and is reflected in pricing intentions, with 40% of technology firms anticipating a rise in selling prices over the next 12 months. And our research shows that these businesses are certainly gearing up to invest in continued product development, with 51% expecting to increase R&D expenditure in the year ahead.



**“As the last six months have clearly shown, it is critical that companies embrace and develop digital strategies if they want to survive and thrive in the current market. How companies operate internally and externally and interact with their customers and suppliers has undergone a significant change over the pandemic and those that have adapted have proven remarkably successful. It is important that the digital evolution undertaken to date is developed further and becomes the new operating philosophy to allow them to grow in their local territory and overseas.”**



**PETER TAVENER**  
CFO & COO of Beehive and  
Board Member of COO Network



## But there is still uncertainty around demand

The Global Business Pulse also tracks restrictions to business activity, which include demand and supply constraints and economic uncertainty. Despite the buoyant outlook, TMT saw a notable worsening on future business restrictions, with the index falling 15 points from -49 to -64. In particular, technology businesses are experiencing high levels of economic uncertainty, with 72% identifying this as a

constraint to doing business.

While technology firms have fared well amid the pandemic, many other sectors have not. And despite the urgent adoption of technologies we are seeing now, 66% of technology firms are concerned about a shortage of orders in the next 12 months. These concerns accurately reflect forecasts for global investment spend – a significant driver of electronics demand in particular – which is anticipated to fall this year.<sup>4</sup>

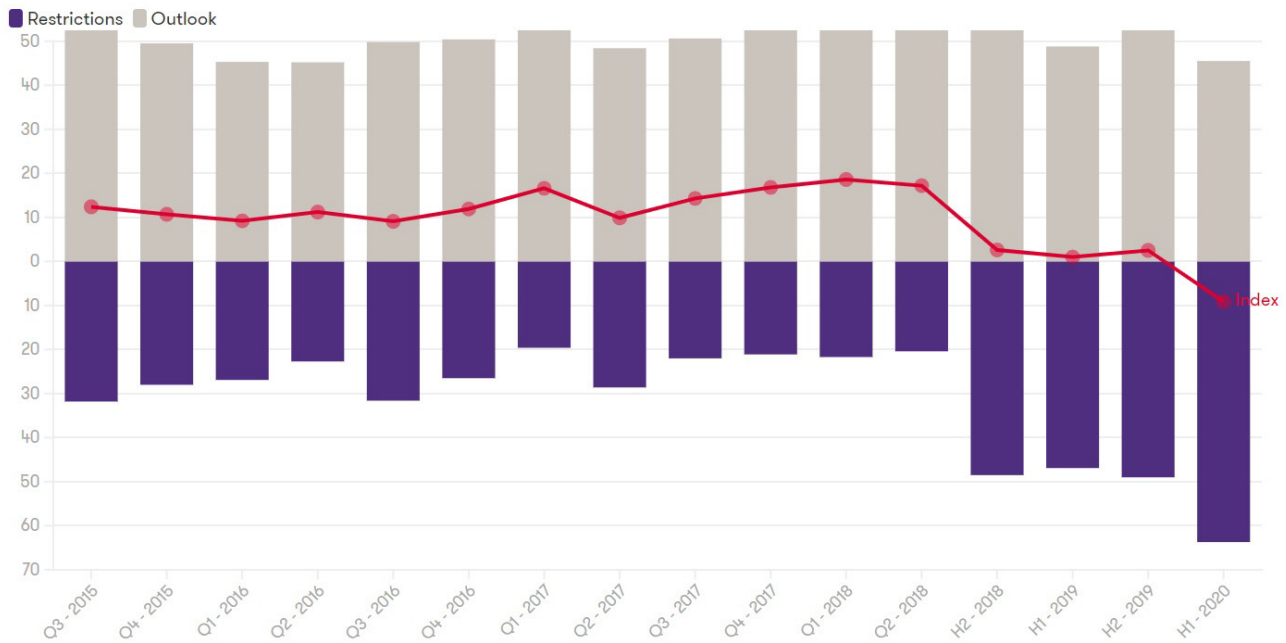


Diagram 1

“Three months ago, everyone was worried about survival. Now, firms need to be agile and find new ways of engaging with people to keep the orders coming in. Enterprise SaaS & PaaS solutions offered by many of the big technology firms as well as by innovative start-ups help businesses optimise their operations for process efficiency and profitability. Efficiency enables agility which is needed to navigate these uncharted waters.”



**PHILIPP PABST**  
Strategic Partnerships, Microsoft for Startups

Microsoft for Startups





## Technology firms continue to look internationally

Despite these concerns, TMT remains an outward-looking industry, with firms retaining international expansion plans over the next 12 months. This comes amid a debate within the mid-market as to what Covid-19 means for exports and international supply chains, and while export expectations have unsurprisingly dropped in most industries, TMT reports one of the highest scores – with 37% of firms expecting to increase exports in the coming year. For technology firms, this is still higher at 38%.

Fergus Condon, Global Head of Technology at Grant Thornton explains, technology businesses are in a unique position when it comes to internationalisation, and with the right strategy, can continue to take advantage of opportunities and grow their offering

overseas. There may even be advantages in the current climate. “These businesses can be international from day one. If you’re a platform business, you don’t need to export in the same way, as everything is online. You can go from being a one-man-band to being international overnight.”

Some technology firms are looking to source from suppliers closer to home. “There have been a few cases during the pandemic where firms have been let down by offshore providers”, says Fergus. “Some large technology firms may have had back-office processing taking place in other economies, which then crumbled under the pressure of the pandemic. There is an appetite to bring more supply onshore.”

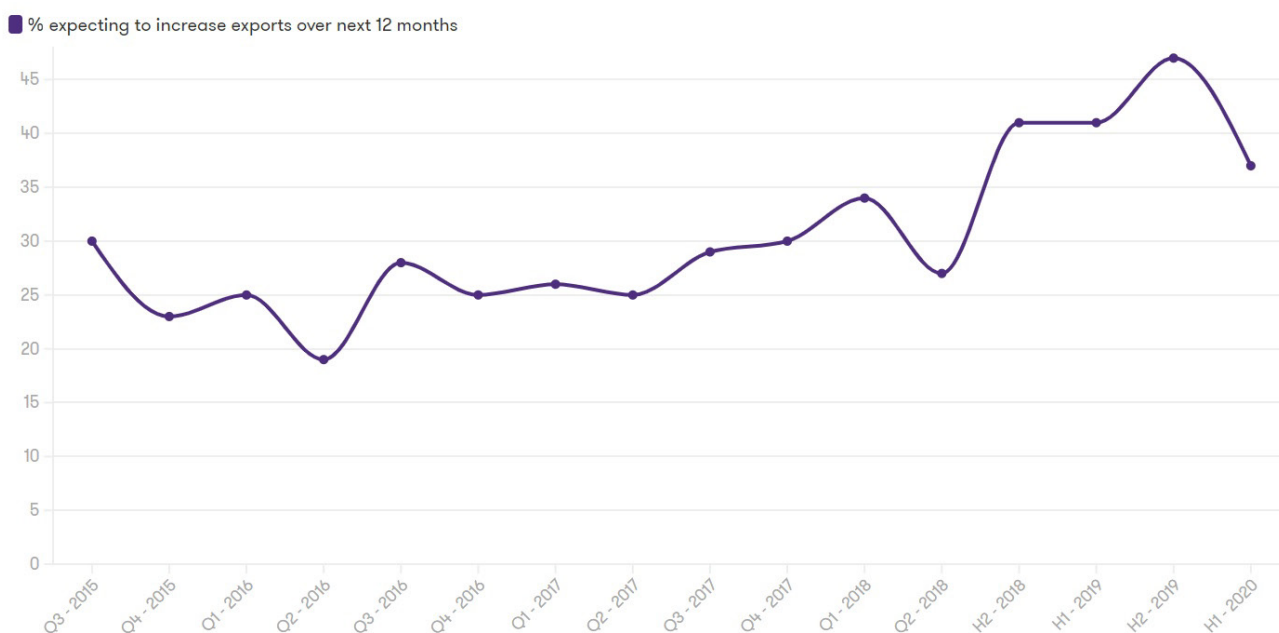


Diagram 2





“As emerging technologies pop up and digital transformation occurs around the world, investment rates in new tech go up with them. Annex Investments believes that SME’s are the backbone of every economy thus our institution is built with the underlying purpose of bringing in and supporting new business ideas.”



**AHMED NASSER AL NOWAIS**  
CEO, Annex Investments



Imad Adileh, Advisory Partner believes that the need for localised supplies and serving regional markets during this pandemic will boost the recruitment market, driving an increased need for talent with tech and cyber-security skills.

### Technology can expect jobs boost

Owing to the relative health of the sector, 40% of technology firms expect to increase employment in the year ahead, setting them apart from the broader business landscape in

this turbulent period. But firms will need to adapt their people and culture approaches if they want to retain talent and prevent moves to competitors.

“The trend we’re seeing right now is a movement of talent towards the larger technology firms, with bigger presences and balance sheets,” says Fergus. The key to finding and keeping talent, he suggests, is effective communication, especially owing to the culture of collaboration central to technology firms, which will have undergone huge changes in the mass move to remote working.

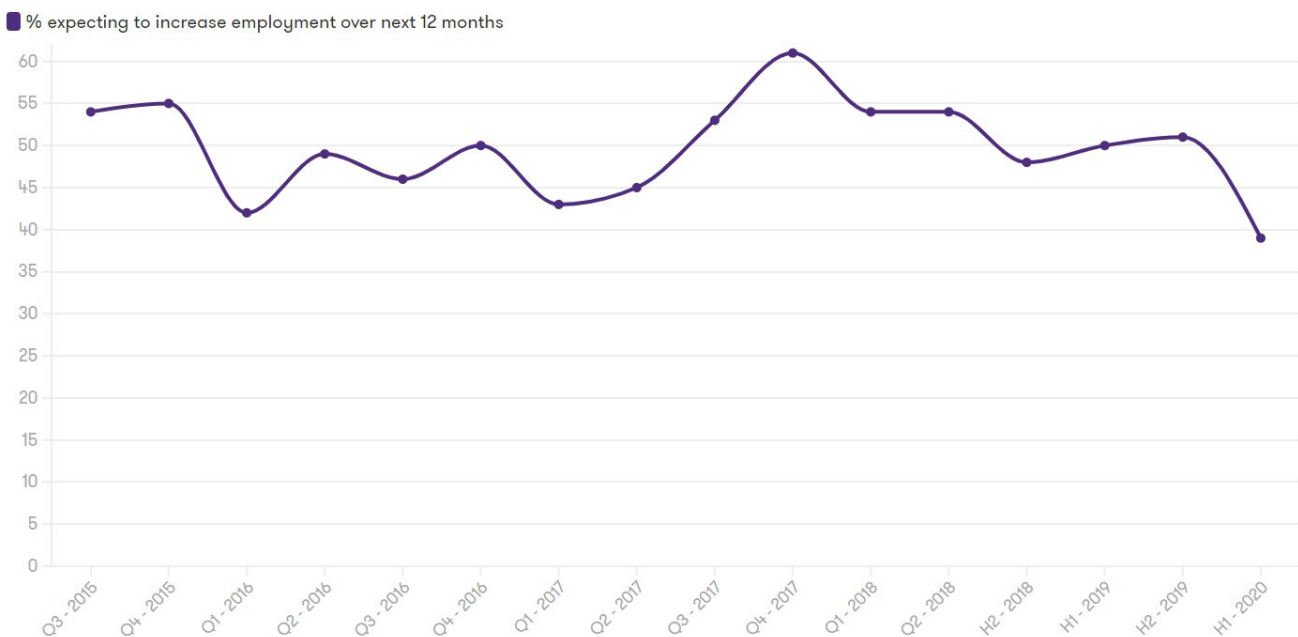
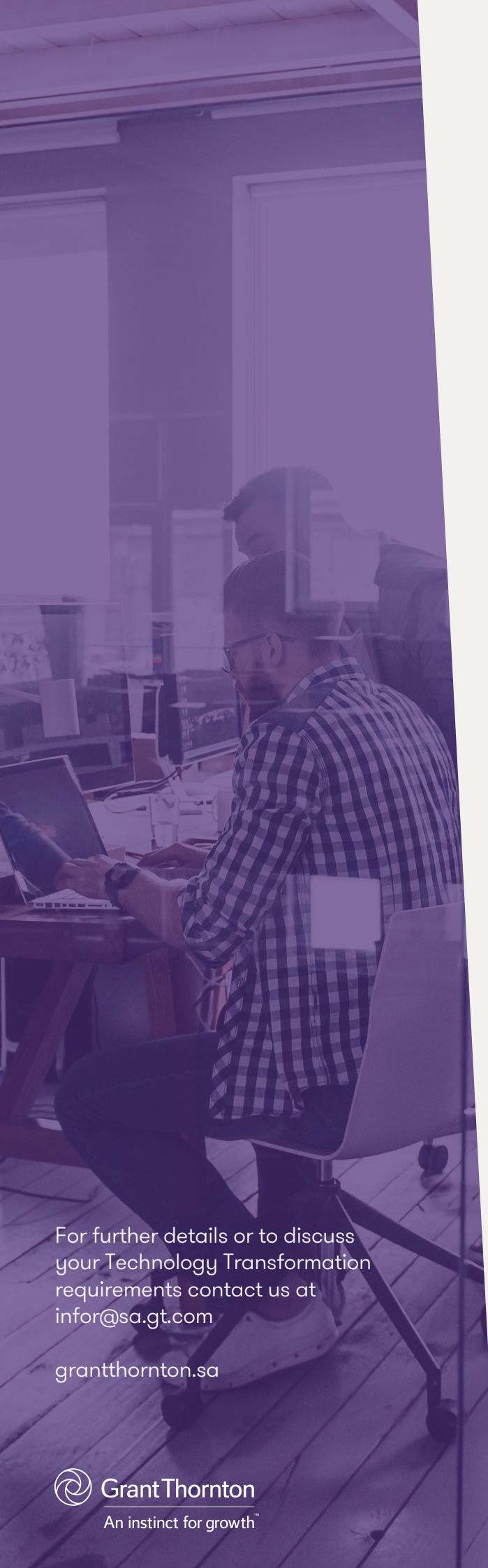


Diagram 3



“You have to over-communicate and have an understanding of people’s circumstances. The collaborative office ‘hang-outs’ intrinsic to firms like Google and Facebook are gone and this will impact how employees’ view and experience company culture. And for new joiners in this period, an effective onboarding process within the first three months will be massively important.”

## The bottom line: financial stability is key to maintaining momentum

Technology has undoubtedly provided solutions amid Covid-19 and its ability to keep us working and living well whilst at home is delivering rewards. The question is: how can technology businesses maintain their health and momentum with such unclear times ahead? The answer lies not only in continued product development, but in strong financial management.

“Financial stability and having a strong balance sheet are always important, but more so now than ever”, Fergus explains. “Those with strong balance sheets can focus more on that ongoing product development needed to sustain sales after this initial surge.”

Businesses across Saudi Arabia are looking at agile and cost-effective ways in which to re-engineer their businesses, for which cash management will be essential. New skills and roles will emerge across the market in order to meet the growing local demand, with technology becoming a pivotal enabler in getting businesses moving again across the wider region.

1 <https://www.grantthornton.global/en/insights/Global-business-pulse/?hubld=1553242>

2 <https://www.idc.com/MEA/>

3 <https://www.theguardian.com/technology/2020/mar/31/zoom-booms-as-demand-for-video-conferencing-tech-grows-in-corona-virus-outbreak>

4 Oxford Economics/Haver Analytics, May 2020

For further details or to discuss your Technology Transformation requirements contact us at [infor@sa.gt.com](mailto:infor@sa.gt.com)

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