

To unleash innovation in the Middle East, reimagine the human side

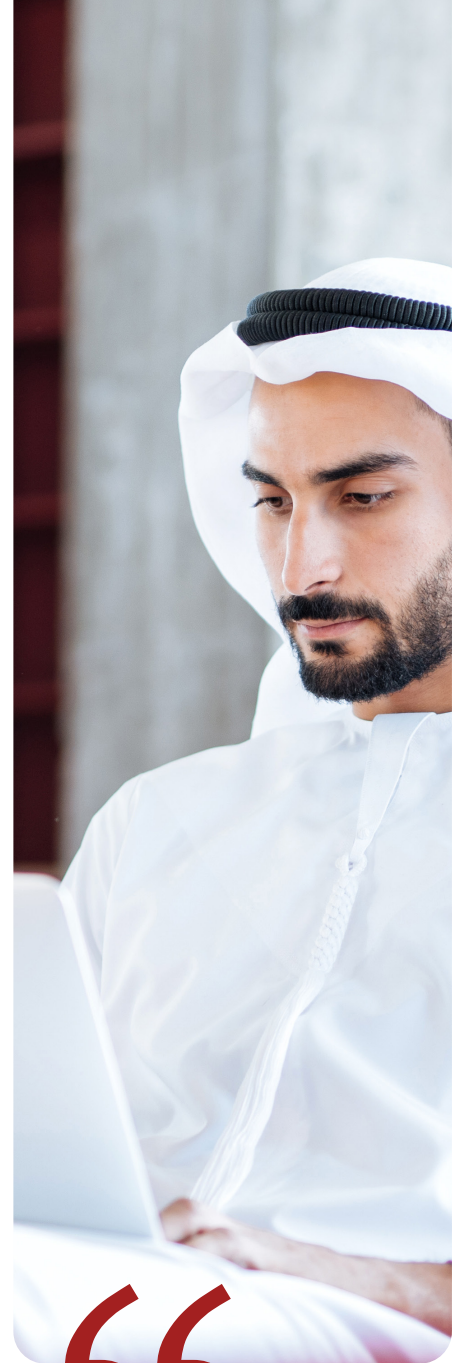
Over the past decade, Middle East countries have sought to position themselves as global innovation hubs, with governments across the region making unprecedented tech investments as part of wider economic diversification agendas. To cite just two examples: Saudi Arabia's announcement of \$14.9 billion in technology and AI investments at LEAP 2025 complemented a broader \$100 billion AI initiative under Project Transcendence,¹ and the UAE is home to the \$15.2 billion Microsoft-backed AI and cloud build-out.²

The result is a large and expanding market. Digital transformation in the Middle East was valued at approximately \$145 billion in 2024, with AI representing more than \$40 billion of that total. It is projected to expand more than sixfold by 2032, to \$907 billion.³ Sovereign investors such as Saudi Arabia's PIF, the UAE's Mubadala, and Qatar's QIA are now among the world's most active technology investors, financing hyperscale cloud regions, AI platforms, venture funds, and national digital programs.⁴

Collectively, these activities have fueled progress. The region's countries have seen year-on-year improvement in the Global Innovation Index rankings,⁵ Dubai now ranks fourth globally in the IMD Smart City Index,⁶ and the UAE jumped to 21st in StartupBlink's Global Startup Ecosystem Index 2025.⁷

Yet no Middle East country has broken into the top tier of global innovation leaders, and patent output, software investment, and tech exports remain modest by global standards. For example, KSA submitted approximately 8,000 patent applications in 2024, followed by UAE (about 1,200) and Qatar (129), cumulatively totaling just 3% of applications worldwide, according to the Patent Cooperation Treaty.⁸ Similarly, just a handful of companies are exporting digital products at scale and competing beyond domestic or regional markets.

Instead, many companies in the Middle East still focus on system integration, managed services, and third-party solutions. For example, MDS SI, one of the top IT services providers in the region, has expanded through acquisitions and partnerships to deliver assembled solutions across vendors.



The next frontier of innovation will be won by organizations that transform, not just invest.

That raises a critical question: are organizations across the region truly equipped to turn the impressive investments in tech infrastructure into sustained innovation and global competitiveness?

Fortunately, Middle East players can jump-start innovation by following the example of global leaders—not with more technology, but with new ways of working.

The common themes are empowered teams, flat decision-making processes, and talent models built for speed, accountability, and experimentation. For instance, Amazon sustained innovation at scale by organizing around small, autonomous “two-pizza” teams (limiting teams to a size that could be fed by two pizzas) with end-to-end ownership.⁹ This approach powered the development of offerings such as AWS and Alexa.

Successful innovation isn't limited to big tech. ING transformed from a traditional bank into an agile organization by replacing silos with cross-functional squads, a move that brought up the NPS score for ING from -30 to +30 within one year.¹⁰ And GE reinvented industrial R&D through FastWorks, a structure that empowered lean startup teams, reducing development costs by up to 60% and accelerating time-to-market by years.¹¹

The next frontier of innovation will be won by organizations that transform, not just invest. Several components are key. Cross-functional virtual teams should focus on specific market or customer problems. To promote direct accountability, team leads should have the authority to act as mini-CEOs, with broad decision rights that enable fast execution. These teams function more like incubation cells, with an emphasis on experimentation and learning. Once solutions mature, they are scaled, spun off, or integrated—creating a repeatable innovation engine.

Further, organizations must complement new operating models with bold talent strategies. Rotating assignments, internal talent marketplaces, and incentives for risk-taking can help workers learn through projects with different parts of the organization. For example, **Google allows engineers to devote 20% of their time** on side innovations, which reinforces experimentation. This exploration can accelerate the development of new skills and capabilities in areas such as product management, applied AI, business building, and commercialization.

Organizations can augment full-time staff with creative talent sourcing that includes flexible hiring models, entrepreneurs-in-residence, global and fractional expertise. OpenAI has adopted this approach to gain access to top innovators.

It is equally critical for companies to shift from a culture of hierarchy and risk aversion to one that promotes psychological safety, ownership and accountability, and speed over perfection. Executives and senior management shape culture by defining the expected behaviors in the company. As global leaders such as Amazon and Meta have shown, innovation thrives when people are empowered to experiment, fail fast, and take ownership.



All of these actions reflect a fundamental truth: technology enables innovation, but people are the true engine to make it happen. Unless operating models, talent systems, and leadership mindsets evolve at the same pace as technological ambition, innovation outcomes will remain limited.

Middle East companies that pair world-class infrastructure with future-ready ways of work will be the ones to produce the region's next generation of national and global tech champions.

- ¹ <https://www.basilinna.com/insights/talking-points-saudi-arabias-ai-ambitions-strategic-alliances-and-the-evolving-regional-tech-landscape-0>; <https://www.cio.com/article/3602900/saudi-arabia-launches-100-billion-ai-initiative-to-lead-in-global-tech.html>
- ² <https://www.windowcentral.com/microsoft/microsoft-ai-investments-uae-nvidia>
- ³ <https://www.prnewswire.com/news-releases/gcc-smart-cities--digital-transformation-market-surges-toward-usd-907-12-billion-by-2032-as-ai-5g-and-megacity-investments-accelerate-regional-innovation--according-to-datam-intelligence-302620135.html>
- ⁴ [https://www.wired.com/story/trump-middle-east-artificial-intelligence-investments/?utm](https://www.wired.com/story/trump-middle-east-artificial-intelligence-investments/?utm;); <https://www.middleeastbriefing.com/news/saudi-arabias-ai-and-tech-innovation-drive-opportunities-for-global-investors/#:~:text=1,the%20Kingdom%E2%80%99s%20cloud%20and%20AI>; <https://www.thenationalnews.com/business/technology/2022/08/18/mubadala-backed-g42-launches-10bn-technology-investment-fund/>; <https://www.nexstrat.ai/blog/gcc-ai-and-tech-sector-analysis-digital-transformation-and-the-ai-gold-rush/>; <https://www.arabnews.com/node/2394121/business-economy>; <https://www.allianzegcc.com/chatgpt-plus-free-uae-openai-deal/>; <https://www.frost.com/growth-opportunity-news/middle-east-2023-top-5-trends-in-ict-industry/#:~:text=The%20Middle%20East%20ICT%20market,transformation%20programs%20such%20as%20Vision>; <https://tradingeconomics.com/saudi-arabia/ict-service-exports-percent-of-service-exports-bop-wb-data.html#:~:text=Saudi%20Arabia%20,Bank%20collection%20of%20development>
- ⁵ https://www.wipo.int/web-publications/global-innovation-index-2024/assets/67729/2000%20Global%20Innovation%20Index%202024_WEB3lite.pdf
- ⁶ <https://www.imd.org/smart-city-observatory/home/city-comparison/>
- ⁷ <https://startupmedias.net/storage/startupecosystemreport2025.pdf>
- ⁸ https://www.destatis.de/EN/Themes/Countries-Regions/International-Statistics/Data-Topic/Tables/BasicData_PatentApplications.html#:~:text=Qatar%202023%202023%20Saudi%20Arabia,United%20Arab%20Emirates%202023%2029; <https://oxfordbusinessgroup.com/reports/saudi-arabia/2025-report/education-training/patent-pulse-the-gcc-region-is-successfully-localising-supply-chains-and-creating-high-value-employment-opportunities-analysis>; <https://www.wipo.int/edocs/statistics-country-profile/en/ae.pdf>; <https://www.wipo.int/edocs/statistics-country-profile/en/qa.pdf>
- ⁹ <https://aws.amazon.com/executive-insights/content/amazon-two-pizza-team/#:~:text=To%20address%20growing%20sluggishness%20and,to%20invent%20on%20customers%E2%80%99%20behalf>
- ¹⁰ <https://www.agilebusiness.org/resource-report/case-study-ings-digital-platform-tribe-goes-agile.html>
- ¹¹ <https://www.home.sandvik/en/news-and-media/news/2017/03/ge-embraces-spirit-of-entrepreneurship/#:~:text=Speed%20has%20given%20General%20Electric,positive%20changes%20as%20a%20result>

Wissam Abdelsamad
Partner
wissam.abdelsamad@strategyand.pwc.com

Christian Stechel
Partner
christian.stechel@strategyand.pwc.com

Gustave Cordahi
Principal
gustave.cordahi@strategyand.pwc.com

Serena ElHage
Manager
serena.elHage@strategyand.pwc.com

www.strategyand.pwc.com/me