

Chapter 5

Digital Transformation Journey of GCC Countries and the Way Forward

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ABSTRACT

Gulf Cooperation Council (GCC) countries, including Kuwait, have been trying to surf the tides of digital transformation to improve their competitiveness and leapfrog into innovation-led economies. The recent turbulence caused by COVID-19 and oil price collapse has accelerated the need for long-term and sustainable strategies. This chapter reviews the desired transformational paths for GCC countries with a special focus on Kuwait. The chapter utilizes original data resulting from empirical work that the authors have recently completed. It will also review existing policies, availability of tech-savvy human resources, and incentive structures that drive firms and institutions to accelerate digitization. Moreover, a comprehensive analysis of the compendium of global indices related to competitiveness, digitization, and innovation will be utilized to trace the journey of GCC countries and the way forward to address urgent global challenges such as the transition towards a digital economy.

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INTRODUCTION

The emergence of the Internet, the information and communication technologies (ICTs), and recently the Internet of things, Artificial Intelligence (AI), and smart devices have revolutionized the digital economy and increased its rapid growth (Marcus et al., 2015). Bukht and Heeks (2017) reviewed many definitions before arriving at a concise and solid digital economy based solely on the economic output derived from digital technologies with a business model based on digital goods or services. Another perspective of the digital economy is its transformational effect. It can sometimes be disruptive and cause radical changes, where digital technologies create disruptions to improve an entity and create new value (Vial, 2019).

Both definitions emphasize the economic aspect of the transformation, which is key to diversification. However, in a recent comprehensive review digital transformation phenomenon, Dąbrowska et al. (2022) proposed a multi-perspective to include individuals, organizations, ecosystems and geopolitical frameworks. Hence, they extended the definition to “a socioeconomic change across individuals, organizations, ecosystems, and societies that are shaped by the adoption and utilization of digital technologies.” On the downside too, digital technologies increase the extent of global polarization in incomes, and knowledge-derived wealth, and thereby worsen income and asset distributions given that one-third of humanity are virtually off-line (WEF, 2022).

Although developed countries have led the digitization so far (Afonasova et al., 2018), especially in the private sector, there is considerable potential for emerging and developing countries to participate and utilize digitization to boost their economic growth and access the global markets (Dahlman et al., 2016). This stems from the fact that four characteristics describe the exponential technological growth that underpins digitization: It is volatile and uncertain because business disruptive innovations produce high volatility and uncertainty and is associated with complexities of adoption, together with a measurable amount of ambiguity, or VOCA for short. However, countries with blessed resources and assets like Kuwait can accelerate the digital transformational journey by investing in hard and soft digital infrastructure. These include physical infrastructure and system, and most importantly, people with the right skills to make it happen.

Resource-rich countries aspire to diversify their economies by implementing swift digitization strategies and creating sustainable economic growth. COVID-19 has accelerated the growth of digital-based sectors. For instance, the IT industry has expanded due to increased demand for online digital platforms (Belitski et al., 2021). Moreover, the IT industry has aided other industries by improving their performance in sales and delivery, education, and online business meetings (Soni, 2020). In the pandemic, firms were forced to swiftly make drastic measures such as changing customer demands to digital channels, reconfigured supply chains, additional necessary workforce collaboration capacity and bandwidth, licenses and equipment to support remote work, and other issues requiring immediate scale and resiliency (Lillie et al., 2020). According to McKinsey, such digital transformation usually takes five years, but it was completed in around eight weeks due to the pandemic pressure (Baig et al., 2020).

This chapter aims to describe the progress of the Gulf Cooperation Council (GCC) countries, with great emphasis on Kuwait’s drive to foster digitization and capture their potential dividends in terms of innovative export commodity paths and diversified sustainable economic growth trajectories.

To address the aforementioned objective, a straightforward methodology was utilized to constituting two main phases. The first phase included a comparative analysis using secondary data to review GCC progress in digitization and its enabling factors. It has used relevant international indices produced by respected organizations such Word Economic Forum (WEF), World Bank, and IMD World Competitive-

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