


# Future Proofing of Defence and Security Companies in the Middle East

A study based on interviews with selected Defence & Security  
industry leaders in the Middle East



ODGERS BERNDTSON

# TABLE OF CONTENTS



**03**

Executive Summary

**04**

What are the most significant perceived risks?

**06**

Strategies for Future Proofing Businessess

**08**

Strategic Recomendations

**09**

Conclusion

**10**

Contact Us

# Executive Summary

In a rapidly evolving geopolitical landscape, where significant ongoing regional tensions, conflicts, internal-security threats and rivalries abound, the Defence and Security (D&S) sector in the Middle East faces some unique challenges and opportunities. These geopolitical tensions, threats and conflicts continue to influence defence strategies and alliances in the region. They also drive demand for military hardware, services and solutions to counter not only more traditional and conventional threats, but also those of terrorism and asymmetric warfare, thus sustaining defence spending, procurement and technology development.

Countries like Saudi Arabia, Israel, the UAE, and Qatar commit significant portions of their GDP towards defence spending, and economic fluctuations such as oil price movements directly affect these budget allocations. Middle Eastern countries spent 4.2% of their GDP on defence in 2023 with their estimated military expenditure growing by 9% to US\$200 billion. This was the highest annual growth rate in the region seen in the past decade. However, while these countries remain significant customers of the major international defence primes, they are also working to diversify their economies, and these diversification strategies are resulting in funds being diverted away from the D&S sector.

Global economic trends such as inflation and supply chain disruption are also affecting the cost and availability of military equipment for customers and end-users in the region. Furthermore, climate change concerns are impacting the region and generating new security considerations including resource scarcity, thus influencing regional D&S strategies and procurement.

**To further understand the current risks and strategies for future-proofing D&S businesses in the Middle East, we conducted a focused survey and interviews with 20 top D&S industry leaders in the region. This whitepaper consolidates their insights into a strategic framework for resilience and growth.**



# What are the most significant perceived risks?

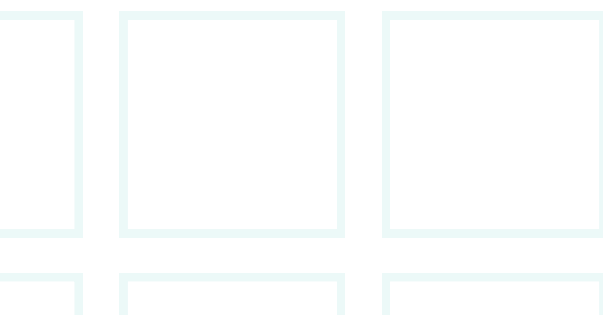
## Geopolitical and Policy Changes

Leaders consistently highlighted the unpredictability of geopolitical dynamics and shifting national policy shifts as a primary risk. This includes potential disruptions due to diplomatic tensions, changes in defence spending, and regulatory shifts.

The D&S industry in the Middle East must therefore better understand, adapt to, and navigate this increasingly complex geopolitical environment. Middle Eastern countries are actively seeking to diversify their defence partnerships, balancing relationships between traditional Western allies and emerging powers like China and Russia. This geopolitical balancing act requires D&S companies to remain agile and adaptable.

## Rising Competition

The D&S sector in the Middle East is increasingly competitive with the entry of non-traditional players like South Korea, and local entities such as Edge and SAMI, challenging established Western firms. Saudi Arabia and the UAE continue to develop their homegrown defence industries, aiming to reduce their reliance on foreign arms and equipment manufacturers by partnering with some of their own top suppliers to nurture local expertise and capabilities. Organisations such as Edge and SAMI are well funded, agile and early-adopters and nascent developers of disruptive defence technologies, thus mitigating the constraints of defence import restrictions.





The emergence of new competitors in the Middle East D&S sector presents both a challenge and an opportunity. Western companies must differentiate themselves by ensuring a better understanding of the evolving user requirements, and the development of accessible, superior technology. The formation of long-term, sustainable strategic partnerships and joint ventures are vital, as are value-added services such as training and skills localisation programmes, which extend beyond those traditionally mandated by more formalised offset requirements. Successful regional D&S sector joint ventures typically include a local defence industrial entity that can facilitate swift access to manpower, infrastructure, shared services, and support in navigating the regulatory environment.

These joint ventures and industrial participation entities will require a diverse blend of local and global D&S talent that is in increasingly high demand owing to regional D&S localisation strategies.

### **Talent Shortage**

The continuing scarcity of local skilled talent creates a significant risk, which is crucial for building indigenous capabilities and reducing reliance on foreign expertise. Whilst the regional talent pool is relatively mature across several D&S sub-sectors such as land systems, shipbuilding, munitions, and aerospace MRO, especially in functions such as programme management, regional business development, there is a skills-gap in domains such as UAV, smart-weapons, cyber, AI and space systems.

To address this ongoing talent gap, companies should invest in long-term training programs and partnerships with local educational institutions. Developing a robust pipeline of skilled professionals is essential for sustaining growth and innovation in the D&S sector. The D&S sector in the Middle East will still need to source a high percentage of specialised talent globally, despite facing increasingly stringent staff localisation requirements.

### **Technological and Industrial Gaps**

Whilst there is substantial, increasing investment in technology (notably to address cyber warfare, drone/unmanned platforms and missile defence systems) and numerous great examples of locally developed, leading edge D&S technologies, the region is still further developing the D&S industrial base, and technological capabilities required for true and sustainable global competition.

Investment in R&D and rapid adaptation to new technologies are critical. Companies must focus on building local technological capabilities through joint ventures and knowledge transfer initiatives.

### **Supply Chain Vulnerabilities**

Dependency on international supply chains exposes the Middle East's D&S sector to global disruptions, necessitating a focus on building resilient, nascent supply chain 'ecosystems.'

Building resilient supply chains requires a dual approach: developing local suppliers and creating redundancy through multiple sourcing strategies. This approach will mitigate the risks associated with global supply chain disruptions.





# Strategies for Future Proofing Businesses

## Technological Agility

**Investment in R&D:** Continuous investment in research and development to stay ahead of technological advancements is crucial. Emphasis on emerging technologies such as AI and cybersecurity was noted.

**Adapting Quickly:** Companies are encouraged to foster a culture and secure talent that embraces rapid technological changes.

**Follow the models of leading global D&S technology firms:** Organisations such as Palantir, Shield AI, General Atomics and Anduril (amongst others) continue to expand their presence in the market and are driving rapid innovation.

## Talent Development

**Continuous Learning:** Building a culture of continuous learning and skill development within the workforce.

**Training Programs:** Investing in comprehensive training programs to ensure the workforce is equipped for evolving defence needs.

**Localisation:** Developing local talent through partnerships with educational institutions and creating structured career paths for local talent.

## Strategic Partnerships

**Collaboration:** Engaging in strategic collaborations with industry players, research institutions, and government agencies to enhance innovation.

**G2G Agreements:** Leveraging government-to-government agreements to facilitate comprehensive solutions that combine defence with other sectors such as nuclear power (energy transition) and pharmaceuticals.



## Diversification

**Market Expansion:** Exploring opportunities in both traditional and emerging markets such as North Africa.

**Product and Service Offerings:** Diversifying product lines to both mitigate risks associated with market fluctuations and to directly address fast evolving urgent operational requirements both for the domestic and export D&S markets, such as counter-UAS and other forms of critical infrastructure and force protection.

## Adaptability to Policy Changes

**Geopolitical Awareness:** Maintaining a robust understanding of geopolitical developments and policy changes to adeptly and swiftly adjust strategies.

**Policy Engagement:** Better proactive engagement with policymakers to influence favourable outcomes.

## Cybersecurity

**Prioritisation:** Given the increasing reliance on technology, prioritizing robust cybersecurity measures (and culture and training) to protect sensitive data.

**Infrastructure Investment:** Investing in advanced cybersecurity infrastructure and protocols.

## Sustainability

**Sustainable Practices:** Embracing sustainable practices to align with global trends and environmental considerations.

**Corporate Responsibility:** Ensuring business practices contribute to long-term environmental sustainability.

## Supply Chain Resilience

**Redundancy and Flexibility:** Building resilient and flexible supply chains with alternative sourcing strategies.

**Local Supply Chains:** Developing local supply chains to reduce dependency on international suppliers.

## Customer/User-Centric Approach

**Understanding Needs:** Better understanding customer and user needs to deliver solutions that address both current and anticipated challenges.

**Feedback Loops:** Establishing strong feedback mechanisms to continuously improve offerings.

## Investment in Innovation

**Resource Allocation:** Allocating resources towards ongoing research and innovation.

**Collaborative Innovation:** Encouraging joint ventures and partnerships to drive innovation.





# Strategic recommendations

## **1. Enhance Policy Engagement**

Improve and deepen engagement with policymakers to navigate and influence regulatory changes.

## **2. Strengthen Local Talent Development**

Partner with educational institutions and related entities to develop a sustainable local talent pipeline.

## **3. Prioritize Cybersecurity**

Invest in advanced cybersecurity measures to protect critical data and infrastructure.

## **4. Foster Collaborative Innovation**

Encourage joint ventures and partnerships to drive innovation and technological advancement.

## **5. Build Supply Chain Resilience**

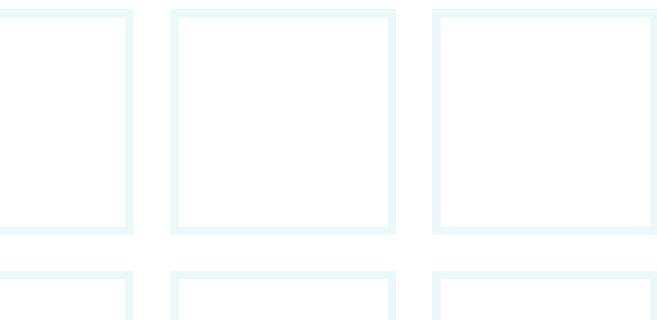
Develop local supply chains and incorporate redundancy to ensure continuity during disruptions.

## **6. Human Capital 'Laser Focus'**

Adhere to a well-defined competency framework for hiring, developing and retaining talent who can thrive in the region, and possess the right profile and qualities to succeed in environments that require agility, cultural-adaptability, the ability to gain a deep understanding of the user-requirement and evolving geo-political factors.

## **7. Plan ahead in Human Capital**

Talent acquisition should not be simply reactive. Organisations should pay close attention to succession planning, proactively building a talent pipeline – utilising constantly evolving talent mapping/scanning programmes which are aligned to the long-term business strategy.





# Conclusion

D&S sector leadership in the Middle East tells us that the industry in the region is currently in a state of 'active evolution', driven by external pressures from regional conflicts, local initiatives to build domestic capabilities and global geopolitical shifts. The focus is increasing on balancing immediate security needs with long-term strategic goals, such as technological self-sufficiency and economic diversification.

By focusing on technological agility, ongoing/constant human capital development, strategic partnerships, policy adaptability, diversification, cybersecurity, sustainability, supply chain resilience, customer-centric approaches, and continuous investment in innovation, companies can navigate the current risks and position themselves for long-term success.

Future-proofing defence industrial organizations in the Middle East requires a strategic approach that accounts for evolving geopolitical, technological, economic, and social landscapes with Human Capital considerations 'front and centre'.

Odgers Berndtson's global D&S team continues to work closely with key local D&S industrial entities and their multi-national peers in the mapping, identification and attraction of local and global leading talent, as well as in critical board and leadership consulting assignments. Through our extensive ongoing engagements (at Board, Advisory and C suite levels) we gain privileged exposure to the key risks, issues and mitigation strategies described by those that we interviewed for this study.

By adopting these strategies, defence industrial organizations in the Middle East can position themselves to thrive in an uncertain future, maintaining competitiveness and resilience in a rapidly changing global environment. Having the best, most appropriate leadership culture and capabilities in place, further enabled by a committed, agile and engaged team is pivotal to the successful future-proofing the D&S sector in the Middle East.

# Contact Our Experts



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