

CORPORATE PROFILE

Saudi Arabia's New Era of Manufacturing: Smart, Digital and Green

Mohanad AlShaikh, CEO of Johnson Controls Arabia, on helping build a regional manufacturing hub and setting the pace on new technologies and sustainability.

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Since the Saudi Arabian government, under the leadership of Crown Prince Mohammed bin Salman, launched Vision 2030 in 2016, investments in the nation's manufacturing sector have ramped up rapidly to beyond \$132 billion. Major players such as Johnson Control Arabia, the country's largest heating, ventilation and air conditioning (HVAC) supplier, are contributing to the charge of the Saudi government to increase the number of local factories from 11,000 to 36,000 by 2035 under the nation's latest National Industrialization Strategy.



Johnson Controls Arabia
King Abdullah Economic City, Saudi Arabia

COMPANY AT A GLANCE

In Kingdom since	1955
Flagship	JCA Manufacturing Complex, KAEC
Domestic HVAC demand met	80%

"No other company in our market and industry has the same experience and success that we have had."

MOHANAD ALSHAIKH · CEO, JOHNSON CONTROLS ARABIA

In 2020, Johnson Control Arabia opened the doors at its 200-square-mile Johnson Controls Arabia Manufacturing Complex at King Abdullah Economic City in Saudi Arabia, the largest factory for Johnson Controls International in Africa, South Asia and Latin America. The company is now the second or third largest operation in Johnson Control's International portfolio, with the new factory catering to 80% of domestic demand for HVAC units while exports increased to more than 30% of total production.

The company has had a presence in Saudi Arabia for almost 70 years, with an air-conditioning unit installed at Kandara Palace Hotel in Jeddah in 1955. "No other company in our market and industry has the same experience and success that we have had," said Mohanad AlShaikh, CEO of Johnson Control Arabia. This year, they will export 300 Saudi-made YORK Scroll Chillers to the United States as phase one. The factory began manufacturing chillers that are used in mega and giga projects.

Johnson Controls Arabia is the first company in the industrial sector to apply for and receive a license from the RHQ Regional Headquarters Program, as it established a regional center for Johnson Controls International in Saudi Arabia, providing its services to the GCC, the Middle East, and Africa.

Just recently, they announced the groundbreaking for a new factory expansion. This ambitious step will enable the company to manufacture up to 6000-ton water-cooled chillers, making Johnson Controls Arabia the first manufacturer in the Middle East, Africa, and Latin America, to manufacture this product. These chillers are used in projects such as the Two Grand Mosques in Makkah and Madinah.

Johnson Control Arabia is also leading the market in smart manufacturing through OpenBlue Innovation Center at the YORK Manufacturing Complex. The center showcases new technologies based on artificial intelligence such as remote diagnostics, predictive maintenance, compliance monitoring and advanced risk assessments and their usages in upgrading not only manufacturing lines but many other segments including marine operations. The OpenBlue technology is an innovation by Johnson Controls International.

The HVAC manufacturer intends to develop its new digital capabilities not only for its own operation but for other companies as well. Outside of helping increase manufacturing output in the country, AlShaikh sees new technologies as crucial in overcoming the nation's other challenges: "The Kingdom wants more industrialization to increase the local content and wants to see that done with local workforce, These aspirations can only be met by using technology and relying of the future means of production."

Alongside the company's digital transformation, Johnson Control Arabia is helping the country meet its target of having net-zero carbon emissions by 2060 as a certified Energy Service Company. The manufacturer has been tasked with performing energy audits and developing energy-saving measures for public entities in Saudi Arabia.

According to the CEO, the highly complicated process takes two to three years to find optimal operational parameters and offset costs. "We now have hundreds of millions worth of products that use this template under the Saudi Green Initiative," he said. "A big part of our local oil consumption in Saudi Arabia is geared towards electricity production which is mainly due to HVAC systems because of our weather, and we are the Kingdom's largest provider."

AlShaikh owes the company's current success to strong regional demand and the support of the Kingdom's leadership through Vision 2030. "we are witnessing today new trends in Saudi Arabia under Vision 2030, which is informing our growth strategy " he said.

The business leader also pointed to continued investments in the local logistics sector and the advantages it gives manufacturers. Saudi Arabia has set to increase exports from 150 billion Riyals to 550 billion Riyals and increase employees in the manufacturing industry from 900 thousand employees to 2 million. According to the CEO, Saudi Arabia's manufacturing potential will be enough to offset a supposed decline in oil demand in the next decade due to its immense potential and sustained investment. "There now exists a level of competition in Saudi Arabia that did not exist in the past, and the nation is advocating open and mutual relationships around the world," he said.