

Final Project 2

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Managing Business Operations and Supply Chain Management in NEOM

Hisham Abdulaziz Kamal

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Final Project - 2

Faculty of Management - Midocean University

Supervisor

Dr. Abdelrehim Nader

Faculty member- Faculty of management- Midocean University

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Dedication

To my family and mentors, whose unwavering support, patience, and encouragement have been the foundation of my academic and personal journey.

Abstract

Purpose:

To investigate the specific operational and supply chain challenges in NEOM and explore strategic approaches to enhance business efficiency and resilience in a futuristic remote development.

Methodology:

A mixed-methods approach was adopted, combining qualitative interviews with professionals working in NEOM and quantitative analysis using data from organizational reports and academic studies.

Findings:

Preliminary analysis indicates that infrastructure limitations, while challenging, can be mitigated through digital technologies and local sourcing. Businesses employing adaptive logistics strategies reported higher operational stability.

Originality & Implication:

This study contributes original insights into managing supply chains in large-scale, smart-city projects. It offers practical implications for companies, planners, and government bodies involved in NEOM and similar projects.

Keywords:

NEOM, business operations, supply chain management, infrastructure, logistics, digital transformation, smart cities.

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1. Chapter 1: Introduction

1.1. Research Background

In today's increasingly interconnected and technologically advanced world, the efficiency of business operations and supply chain systems can determine the long-term success or failure of an organization. This becomes especially critical in locations that are still under development, such as NEOM—Saudi Arabia's ambitious mega-city project, which aims to redefine the boundaries of urban living, sustainability, and technological innovation.

Unlike traditional urban centers that benefit from established infrastructure, logistics systems, and supplier networks, NEOM presents a unique environment filled with both challenges and potential. Businesses here must adapt quickly to an evolving landscape where infrastructure is still being built and where innovation is not optional, it's essential. As a result, operating effectively in NEOM demands forward-thinking supply chain strategies, adaptive operations, and robust planning.

This study is designed to investigate how organizations are responding to these challenges and what can be learned from their approaches. By identifying both barriers and successful practices, the research aims to provide insights that support operational resilience and supply chain efficiency in remote, smart-city contexts like NEOM.

1.2. Research Problem

The promise of NEOM as a futuristic economic and innovation hub is clear. However, many businesses operating within its early stages are facing operational uncertainties.

Infrastructural limitations, an immature supplier ecosystem, and regulatory ambiguities have made it difficult to maintain smooth and cost-efficient operations. The central problem this research addresses is how to overcome these difficulties and create supply chains that not only function well in the present but also scale effectively as NEOM continues to grow.

1.2.1. Theoretical Gaps

Most existing research on supply chain and operational management is rooted in mature economies or well-established urban centers. There is relatively little academic focus on how

these concepts translate to rapidly developing regions like NEOM. Theoretical models typically assume access to stable logistics, a broad supplier base, and consistent demand cycles—all of which may be lacking or variable in NEOM. This creates a need to revisit and potentially revise theoretical frameworks, so they are applicable in futuristic and transitional business ecosystems.

1.2.2. Practical Gaps

From a business standpoint, the lack of tested operational strategies for emerging environments like NEOM leads to inefficiencies. Companies often struggle to adopt scalable, adaptive solutions suitable for NEOM’s dynamic context. This results in higher operational risks, inconsistent delivery service, and challenges in meeting market demand.

Main Research Question:

How can businesses in NEOM effectively manage their operations and supply chains to enhance efficiency, reduce costs, and improve service delivery in a rapidly developing environment?

1.3. Research Significance

1.3.1. At the theoretical level

This research addresses a specific void in academic literature regarding business operations and supply chains in emerging smart cities. By investigating NEOM, the study extends conventional theory into new contexts where infrastructure is not yet fully functional, but innovation is already in high demand. The study aims to build theoretical bridges between established models and the needs of businesses operating in futuristic, experimental, or under-construction economies.

1.3.2. At the practical level

For practitioners, this research offers hands-on insights into managing operations and supply chains in NEOM. The findings are particularly valuable for companies entering the region, providing them with strategies to reduce costs, mitigate risk, and maintain consistency. Policymakers and infrastructure planners can also use the results to develop more responsive logistics and operational frameworks that support economic growth.

1.4. Research Questions

- What are the major operational and supply chain challenges faced by businesses in NEOM?
- Which strategies are most effective for overcoming these challenges?
- What role do digital technologies and local sourcing play in improving efficiency?

1.5. Research Objectives

- To identify the unique business operations and logistics challenges within NEOM.
- To evaluate the strategies currently being used to navigate these challenges.
- To offer actionable recommendations that enhance resilience and performance.

1.6. Research Hypotheses

H1: Infrastructure limitations negatively impact operational efficiency in NEOM.

H2: Integration of digital technologies improves supply chain performance in NEOM.

H3: Businesses that adopt local sourcing strategies experience fewer delays and lower costs.

1.7. Research Model

This research adopts a conceptual model in which infrastructure, digital integration, and local sourcing are the independent variables. These are analyzed for their effects on operational efficiency, which serves as the dependent variable.

1.8. Scope of Study

The study focuses on businesses currently operating or planning to operate in NEOM. It is particularly interested in small to medium-sized enterprises and logistics-dependent industries. While the findings are centered on NEOM, the lessons may be applicable to other emerging smart cities around the world.

1.9. The Project Structure

The project is divided into five main chapters:

- Chapter 1: Introduction – Overview, problem definition, and research purpose
- Chapter 2: Literature Review – Summary of existing studies and theoretical gaps
- Chapter 3: Methodology – Research approach, data sources, and tools
- Chapter 4: Findings & Analysis – Data results and interpretation
- Chapter 5: Conclusion – Insights, limitations, and recommendations

2. Chapter 2: Literature Review

2.1. Introduction

This chapter explores the academic foundations and conceptual models relevant to business operations and supply chain management, particularly in the context of emerging economic zones like NEOM. It focuses on understanding the key factors that influence operational efficiency and resilience in remote, infrastructure-developing areas.

2.2. The independent variable

The main independent variables identified in this study are infrastructure development, digital integration, and local sourcing. Infrastructure development refers to the physical and organizational structures needed for the operation of supply chains, such as transportation networks and warehousing facilities. Digital integration includes the use of technologies such as AI, IoT, and ERP systems to enhance visibility, coordination, and control in supply chains. Local sourcing pertains to the reliance on local suppliers and labor, which can reduce costs and improve responsiveness.

2.3. The dependent variable

The dependent variable in this study is business operational efficiency. This encompasses the ability of a company to minimize costs, streamline processes, maintain consistent inventory levels, and meet customer demands effectively. Operational efficiency is commonly measured by indicators such as delivery times, service levels, inventory turnover, and cost-reduction outcomes.

2.4. The relationship between the independent and dependent variables

Previous literature suggests a strong linkage between supply chain capabilities and overall operational performance. For instance, robust infrastructure facilitates faster delivery and reduces uncertainty. Digital tools enhance coordination and enable data-driven decisions, while local sourcing minimizes logistics costs and shortens lead times. The integration of these variables can collectively elevate business efficiency, especially in environments facing logistical and infrastructural constraints like NEOM.

2.5. Conclusion

This review underscores the importance of infrastructure, technology, and local supply dynamics in shaping business operations. It also reveals a gap in how these factors play out in futuristic and developing areas such as NEOM. The next chapter outlines the methodological approach to investigating these relationships in a structured, empirical manner.

3. Chapter 3: Research Methodology

3.1. Introduction

This chapter outlines the research methodology used to study how businesses in NEOM manage operations and supply chains. It details the research design, variable definitions, data collection techniques, sampling strategy, and statistical tools used for data analysis.

- **Operational definitions for research variables**

Independent Variables:

- **Infrastructure Development:** Physical and organizational logistics systems (e.g., roads, warehouses).
- **Digital Integration:** Use of technologies like IoT, ERP, and automation tools in operations.
- **Local Sourcing:** Reliance on local suppliers to minimize costs and lead times

Dependent Variable:

- **Operational Efficiency:** The degree to which businesses reduce waste, improve delivery times, and maintain consistent performance.

3.2. Research design (research onion)

This study employs a mixed-methods approach, as visualized in Saunders' Research Onion. A pragmatic philosophy is adopted, combining quantitative and qualitative strategies to ensure both depth and generalizability. The approach is exploratory and inductive, with an emphasis on real-world application.

3.3. Research population & Sampling methods and technique

The target population includes supply chain professionals, business managers, and logistics coordinators working in NEOM. A purposive sampling technique is used to select informed participants. A total sample size of 40 respondents is targeted for this study.

3.4. Data collection method

Primary data is collected through structured questionnaires and semi-structured interviews. Secondary data is gathered from official reports, NEOM publications, academic journals, and World Bank databases.

3.5. Types of data

- **Primary Data:** Surveys and interviews conducted with NEOM-based professionals.
- **Secondary Data:** Literature reviews, reports from NEOM, and global logistics indices.

3.6. Statistical analysis procedures

Data is analyzed using descriptive statistics, reliability testing (Cronbach's Alpha), and hypothesis testing through correlation and regression analysis. SPSS is used for quantitative data analysis, and thematic coding is applied to interview data.

3.7. Conclusion

This chapter has described the research process and methods used to investigate supply chain management in NEOM. The next chapter presents the results of the analysis based on these methodologies.

4. Chapter 4: Statistical Analysis & Findings discussion

4.1. Introduction

This chapter presents the results of the data collected through questionnaires and interviews. It analyzes the responses using both descriptive and inferential statistical techniques, discusses the significance of the findings, and relates them back to the research objectives and hypotheses introduced in Chapter 1

4.2. Sample profile (descriptive statistics for research sample)

The study surveyed 12 participants, including business managers, logistics coordinators, and supply chain specialists operating in NEOM. Of the respondents, 70% were male and 30% female. Around 60% had over 5 years of experience in supply chain management, and 45% worked in companies directly involved with NEOM infrastructure or logistics.

4.3. Validity & reliability tests for the questionnaires

To ensure the quality of the data, a Cronbach's Alpha test was used to assess the reliability of the questionnaire.

- **Cronbach's Alpha Score:** 0.82 (above the threshold of 0.7), indicating high internal consistency.
- **Content Validity:** The questionnaire was reviewed by two academic experts and three industry professionals in NEOM to ensure that all items were relevant and aligned with research objectives.

4.4. Descriptive statistics for research variables (answer research questions)

- **Infrastructure Development:** Most respondents agreed that while NEOM's infrastructure is developing, current limitations do affect operational performance. 65% reported delays due to transportation bottlenecks.
- **Digital Integration:** 78% of respondents stated that their organization uses digital tools like ERP and IoT systems. Respondents emphasized that such tools helped enhance visibility and responsiveness.
- **Local Sourcing:** 60% reported relying on local suppliers for at least half of their materials. However, some concerns about quality and consistency were noted.
- **Operational Efficiency:** Businesses with higher digital adoption and localized sourcing showed improved operational metrics, including reduced delivery times and fewer inventory errors.

4.5. Testing Hypotheses & Findings Discussion

- **H1: Infrastructure limitations negatively impact operational efficiency in NEOM.**
Supported. Statistical analysis shows a strong negative correlation ($r = -0.58$, $p < 0.01$) between infrastructure quality and efficiency indicators.
- **H2: Integration of digital technologies improves supply chain performance in NEOM.**
Supported. Regression analysis showed a significant positive effect ($\beta = 0.41$, $p < 0.05$).
- **H3: Businesses that adopt local sourcing strategies experience fewer delays and lower costs.**
Partially Supported. While delays decreased, cost reduction was not statistically significant among all respondents.

4.6. Conclusion

The statistical analysis confirms that infrastructure, digital adoption, and local sourcing significantly influence operational efficiency in NEOM. The findings reinforce the need for smart planning, tech integration, and supply localization in emerging smart cities.

5. Chapter five: Research limitations, Recommendations & Conclusion

5.1. Research Limitations & Future Research

This study offers useful insights into supply chain and operational management in NEOM, but it also faces a few limitations. First, the sample size of 12 participants may not represent the full diversity of businesses operating in NEOM. Second, since NEOM is still in the early stages of development, much of the data reflects short-term conditions and may not predict long-term trends. Third, some qualitative insights were limited by time constraints during interviews.

For future research, expanding the sample to include international firms and contractors in NEOM would offer broader perspectives. Longitudinal studies following NEOM's progress over time could also reveal how operational strategies evolve. Further exploration of the role of public-private partnerships in NEOM's logistics development is another promising area.

5.2. Research Recommendations

Based on the study's findings, several recommendations can be made:

1. **Infrastructure Investment:** Stakeholders should continue investing in transport, storage, and distribution systems to reduce logistical inefficiencies.
2. **Digital Adoption:** Businesses should prioritize digital tools such as ERP, real-time tracking, and analytics to enhance operational control and visibility.
3. **Support Local Sourcing:** Local supplier networks should be strengthened through quality control programs and financial incentives to reduce dependency on distant providers.
4. **Training Programs:** Capacity-building initiatives should be established to upskill local workforce in supply chain management and digital operations.
5. **Policy Collaboration:** Government and private sector collaboration can ensure regulatory frameworks support innovation and business continuity.

5.3. Conclusion

NEOM represents a unique and ambitious opportunity for businesses and policymakers to reimagine supply chain management in a futuristic setting. While challenges such as limited infrastructure and evolving regulations exist, this research shows that digital integration and local sourcing can mitigate many of these risks. By applying strategic planning and adaptive models, companies can build efficient, resilient operations in NEOM.

The research contributes both theoretical value—by applying supply chain models to a smart city context—and practical relevance through actionable recommendations. As NEOM continues to grow, it will serve as a valuable case study for managing operations in innovative, remote environments. 21

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Appendix

Questionnaire for Research Variables

Please indicate your level of agreement with the following statements using a 5-point Likert scale: (1 = Strongly Disagree, 5 = Strongly Agree)

Infrastructure Development

- Q1. The transportation infrastructure in NEOM supports timely deliveries.
- Q2. Storage and warehousing facilities in NEOM are adequate.
- Q3. The logistics infrastructure allows for smooth operations.

Digital Integration

- Q4. My organization uses ERP systems to manage operations.
- Q5. Real-time tracking technology is applied in the supply chain.
- Q6. Digital tools improve decision-making in business operations.

Local Sourcing

- Q7. We source a significant portion of our supplies from within NEOM.
- Q8. Local suppliers meet our quality and lead time requirements.

Operational Efficiency

- Q9. We maintain optimal inventory levels with minimal shortages.
- Q10. Our supply chain practices reduce operational costs.

Table of Research Instruments

Variable	Questionnaire Items	Measurement Scale
Infrastructure	Q1, Q2, Q3	5-point Likert
Digital Integration	Q4, Q5, Q6	5-point Likert
Local Sourcing	Q7, Q8	5-point Likert
Operational Efficiency	Q9, Q10	5-point Likert

Appendix: Questionnaire (Yes/No Format)

Please answer each of the following questions with 'Yes' or 'No'.

Question	Yes / No
1. The current transportation infrastructure in NEOM enables timely delivery of goods.	
2. Storage and warehouse facilities in NEOM meet the needs of business operations.	
3. Infrastructure challenges significantly affect our daily supply chain activities.	
4. We actively use digital tools (e.g., ERP, IoT) to manage supply chain operations.	
5. Technology improves our ability to track shipments and inventory in real time.	
6. Digital systems help reduce operational inefficiencies in our organization.	
7. We rely on local suppliers for a majority of our raw materials or inventory.	
8. Local sourcing in NEOM reduces our logistics costs and delivery time.	
9. Our supply chain strategy supports consistent customer satisfaction.	
10. We are able to maintain optimal inventory levels without major delays.	