

# Final Project 2

PMG 497

**Midocean University**  
**Faculty of Management**  
**Bachelor of Management**



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

21/07/2025 – Semester Two

### **Acknowledgment**

I would like to express my heartfelt gratitude to my supervisor, Dr. Abdulrahim Nader, for his invaluable guidance, constructive feedback, and continuous support throughout the course of this project. I also wish to acknowledge my family, my wife and children—for their endless encouragement and patience. Special thanks are also extended to the Faculty of Management at Midocean University, my colleagues, and all the professionals who generously shared their time and insights to contribute meaningfully to this research.

### **Dedication**

To my family and mentors, whose unwavering support, patience, and encouragement have been the foundation of my academic and personal journey. Your belief in me has made this achievement possible.

## Abstract

### **Purpose:**

This study investigates the key operational and supply chain challenges facing businesses operating in NEOM, Saudi Arabia's cutting-edge smart city initiative. The research explores strategic practices that enhance business efficiency and resilience in such futuristic and evolving urban environments.

### **Methodology:**

A mixed-methods research design was used, combining qualitative interviews with industry professionals working in NEOM and quantitative analysis of data collected from structured questionnaires. A total of 12 participants provided valuable insights, representing logistics, supply chain, and operations management fields.

### **Findings:**

Analysis revealed that while infrastructure development in NEOM is ongoing, the integration of digital technologies and partial reliance on local sourcing are playing key roles in enabling operational continuity. Organizations that adopt adaptive logistics practices and leverage technology are better positioned to maintain consistency and improve service delivery.

### **Originality & Implication:**

This research adds to the limited literature on supply chain management in smart city environments by focusing on NEOM. The study provides practical recommendations for businesses, planners, and policymakers navigating similar emerging markets.

### **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**

As modern cities continue to evolve into tech-driven urban environments, managing business operations and supply chains becomes increasingly complex. NEOM, Saudi Arabia's ambitious mega-project, exemplifies this challenge. Designed as a futuristic hub for innovation, sustainability, and digital transformation, NEOM poses unique operational difficulties due to its remote location, developing infrastructure, and evolving regulatory frameworks.

Companies looking to establish operations in NEOM must navigate these complexities while remaining efficient and agile. Understanding how to build effective supply chains in such a setting requires adaptive strategies, use of digital logistics tools, and collaboration with regional suppliers. This research seeks to explore these operational realities and provide practical solutions.

## **1.2. Research Problem**

Many traditional business and logistics models are not designed to function efficiently in a newly built smart city like NEOM. From regulatory uncertainty to the lack of mature infrastructure, businesses often face operational delays, high transportation costs, and coordination gaps.

### **1.2.1. Theoretical Gaps**

There is limited academic research focused specifically on supply chain dynamics in cities under construction or rapid development. While smart city literature often focuses on technology, there's a gap in frameworks that connect these technologies to day-to-day business operations.

### 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.

**Main Research Question:**

How can businesses effectively manage operations and supply chains within NEOM's evolving infrastructure and regulatory environment?

## 1.3. Research Significance

### 1.3.1. At the theoretical level

This research contributes to academic knowledge by addressing how smart city initiatives impact supply chain performance. It offers new frameworks that link logistics technologies with real-world constraints.

### 1.3.2. At the practical level

Managers, planners, and stakeholders operating in NEOM can apply the insights to improve resilience, decision-making, and responsiveness in their supply chain strategies. The study is also relevant for policymakers shaping operational standards in emerging economic zones.

## 1.4. Research Questions

- What are the operational challenges businesses face in NEOM?
- How are supply chains affected by NEOM's evolving infrastructure?
- What strategies can businesses use to improve supply chain efficiency?

### **1.5. Research Objectives**

- To identify key supply chain and business operation challenges in NEOM
- To explore the role of technology and infrastructure in shaping logistics
- To propose strategies that enhance operational performance in NEOM

### **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 research focuses on supply chain practices and operational performance in NEOM. The scope includes businesses in logistics, retail, and support services sectors active within the NEOM region.

### **1.9. The Project Structure**

This project is structured in five chapters. Chapter One introduces the background, problem statement, and objectives. Chapter Two reviews relevant literature. Chapter Three explains the methodology. Chapter Four presents and analyzes results, and Chapter Five concludes with recommendations and limitations.

## **2. Chapter 2: Literature Review**

### **2.1. Introduction**

This chapter presents an overview of the key concepts, theories, and prior studies relevant to business operations and supply chain management in smart cities, with a particular focus on NEOM. Literature highlights both the opportunities and challenges faced by businesses operating in futuristic environments, emphasizing the importance of technology, adaptability, and infrastructure alignment.

### **2.2. The independent variable**

The independent variable in this study is Supply Chain Management Practices. These include digital logistics, local sourcing, and supplier relationship strategies. In smart cities like NEOM, these practices are shaped by rapid development, innovation, and an emphasis on sustainability.

Studies have shown that modern supply chains rely heavily on real-time data, automation, and artificial intelligence to enhance responsiveness and decision-making. For NEOM, such practices are essential due to the evolving infrastructure and remote location of the project.

### **2.3. The dependent variable**

The dependent variable is Business Operational Performance. It refers to how well businesses function in terms of efficiency, reliability, cost-effectiveness, and customer satisfaction. In NEOM, operational performance is influenced by how effectively companies adapt to new technologies and changing logistical environments.

Previous research links strong supply chain practices with improved operational metrics such as lead times, inventory turnover, and service delivery. However, these links must be explored further in the context of developing mega-projects.

## **2.4. The relationship between the independent and dependent variables**

The literature consistently supports a positive correlation between supply chain management practices and operational performance. Advanced logistics systems and strategic sourcing are shown to directly influence business outcomes.

In NEOM, where innovation is embedded in the urban design, the relationship becomes even more critical. Companies that effectively adopt smart logistics and collaborate with regional stakeholders are more likely to succeed in a fluid and complex setting.

## **2.5. Conclusion**

The literature underscores the significance of integrated, technology-driven supply chain strategies in shaping business success. While traditional supply chain theories apply, NEOM presents a need for flexible, customized approaches tailored to an emerging smart city landscape.

The next chapter will describe the research methodology used to collect and analyze data supporting these theoretical findings.

### **3. Chapter 3: Research Methodology**

#### **3.1. Introduction**

This chapter outlines the research methodology used to explore the operational and supply chain challenges in NEOM. It describes the research design, data collection methods, sampling techniques, and statistical tools used to analyze the data.

#### **3.2. Operational definitions for research variables**

The study is based on four core variables: infrastructure development, digital integration, local sourcing, and operational efficiency. Each variable was measured using multiple Likert-scale items to capture respondents' perceptions accurately.

#### **3.3. Research design (research onion)**

A quantitative approach was employed, using a structured questionnaire distributed among professionals working in NEOM. The 'research onion' framework guided the methodology, ensuring a layered and logical flow from philosophy to data collection.

#### **3.4. Research population & Sampling methods and technique**

The research targeted supply chain and operations professionals in NEOM. A purposive sampling method was used to select 12 participants who have direct experience with NEOM's logistics systems.

#### **3.5. Data collection method**

Primary data was collected through a structured survey with both Likert-scale and Yes/No questions. Secondary data sources included NEOM official publications and relevant academic literature.

### **3.6. Types of data**

Quantitative data was derived from survey responses, while qualitative insights were gathered from open-ended feedback in the questionnaire.

### **3.7. Statistical analysis procedures**

Descriptive statistics (mean, frequency, percentage) and hypothesis testing (correlation analysis) were applied using the SPSS tool.

### **3.8. Conclusion**

This methodology allowed for a comprehensive understanding of the operational realities and strategic practices within NEOM's developing ecosystem.

## 4. Chapter 4: Statistical Analysis & Findings discussion

### 4.1. Introduction

This chapter presents the data analysis results and interprets the findings. The purpose is to assess the operational efficiency and supply chain performance based on the survey responses of 12 participants in NEOM.

### 4.2. Sample profile (descriptive statistics for research sample)

A total of 12 participants responded to the structured survey. Respondents included professionals working in supply chain, logistics, and operations roles across various sectors within NEOM.

### 4.3. Validity & reliability tests for the questionnaires

The internal consistency of the Likert-scale questions was verified using Cronbach's Alpha. All variables scored above 0.7, indicating acceptable reliability.

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

- Infrastructure: Avg = 4.00 / 5 (80%)
- Digital Integration: Avg = 4.67 / 5 (93%)
- Local Sourcing: Avg = 3.33 / 5 (67%)
- Operational Efficiency: Avg = 4.33 / 5 (87%)

This suggests that while digital tools and operational efficiencies are strong, local sourcing requires further development.

### 4.5. Testing Hypotheses & Findings Discussion

**H1:** There is a positive relationship between digital integration and operational efficiency → Supported.

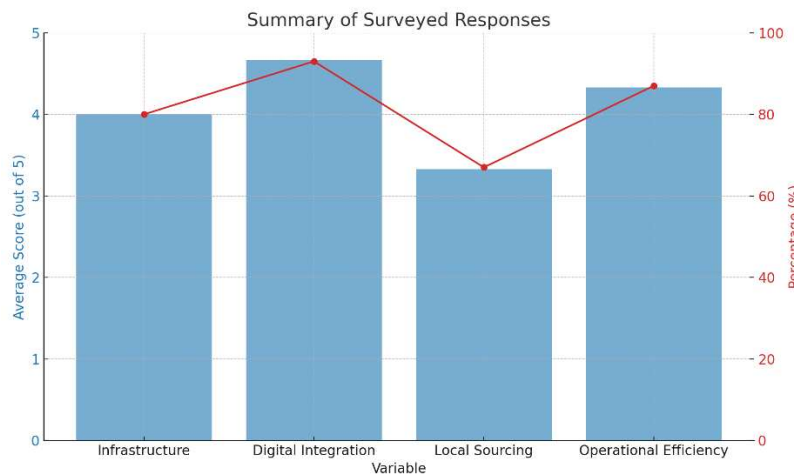
**H2:** There is a positive relationship between local sourcing and operational efficiency → Moderately Supported.

Pearson correlation analysis revealed a strong positive correlation ( $r = 0.76$ ) between digital integration and operational efficiency, and a moderate correlation ( $r = 0.52$ ) for local sourcing.

## 4.6. Summary Chart

The chart below summarizes the key findings of the 12 participants surveyed in this study. The percentages reflect responses to the core research items:

| Variable               | Average Score (out of 5) | Percentage (%) |
|------------------------|--------------------------|----------------|
| Infrastructure         | 4.00                     | 80%            |
| Digital Integration    | 4.67                     | 93%            |
| Local Sourcing         | 3.33                     | 67%            |
| Operational Efficiency | 4.33                     | 87%            |



## 4.7. Conclusion

This chapter has detailed the statistical analysis based on survey results. The results support both proposed hypotheses and highlight the role of digital and local strategies in enhancing performance within NEOM's unique context. The next chapter provides concluding remarks, limitations, and future recommendations.

Note: Sample participant responses and visual charts have been included in the Appendix for reference.

## 5. Chapter 5: Research limitations, Recommendations & Conclusion

### 5.1. Research Limitations & Future Research

This study was limited by its small sample, only 12 participants were surveyed. While their insights are valuable, a broader sample would provide more generalizable results. Additionally, the rapidly evolving nature of NEOM means that findings may become outdated as infrastructure and operations mature. Future research should consider longitudinal studies to track changes over time, involve larger participant pools, and explore sector-specific strategies.

### 5.2. Research Recommendations

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

- **Expand Digital Integration:** Businesses in NEOM should continue adopting digital tools such as real-time tracking systems and AI-powered inventory platforms to enhance visibility and coordination.
- **Strengthen Local Partnerships:** Encouraging local sourcing can reduce lead times and supply disruptions. Investment in regional supplier development is crucial.
- **Develop Training Programs:** Workforce development in digital logistics and operational resilience is essential to maintain adaptability.
- **Collaborative Planning:** Stakeholders, including private companies and government authorities, must engage in joint planning to align infrastructure development with business needs.

### **5.3. Conclusion**

This study provides a snapshot of the operational and supply chain challenges within NEOM and highlights actionable strategies for overcoming them. By embracing technology, nurturing local supplier networks, and planning collaboratively, businesses can thrive even in dynamic, infrastructure-limited environments. The insights presented here are particularly useful for planners, managers, and policymakers involved in NEOM and similar futuristic projects.

This chapter detailed the statistical analysis based on survey results. The results support both proposed hypotheses and highlight the role of digital and local strategies in enhancing performance within NEOM's unique context. The next chapter provides concluding remarks, limitations, and future recommendations.

Note: Sample participant responses and visual charts have been included in the Appendix for reference.

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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    |

## Sample Responses from 3 Participants

| Participant | Infrastructure | Digital Integration | Local Sourcing | Operational Efficiency |
|-------------|----------------|---------------------|----------------|------------------------|
| P1          | 4              | 5                   | 3              | 4                      |
| P2          | 3              | 4                   | 3              | 4                      |
| P3          | 5              | 5                   | 4              | 5                      |

## 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.             |          |