

EXPRO National Manual of Assets and Facilities Management Volume 8, Chapter 1

Supply Chain Management Introduction Guideline

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1.0 PURPOSE

The purpose of this chapter is to define the methodology for Supply Chain Management (SCM), which is a core support function in relation to the safe and efficient operation of Facilities Management services, delivered in accordance with the National Manual of Assets and Facilities Management (NMA&FM) within Ministries and Government Entities in the Kingdom of Saudi Arabia (KSA).

The NMA & FM, which shall be utilized by Saudi Government Ministries and Entities, offers information, techniques, and guidance to meet their Operations and Maintenance (O&M) needs, utilizing best practices employed worldwide.

2.0 SCOPE

SCM's scope, on a high level, encompasses the design, planning, execution, control, and monitoring of supply-chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand, and measuring performance across the Entity.

This volume incorporates the general policies, guidance, responsibilities, and thresholds relating to procurement. It defines procurement methods and procedures for goods and services, category management, and Supplier Relationship Management (SRM).

Logistics Management, and Warehousing Management are also described in this volume, as is the Asset Management System (AMS) inventory integration.

This volume shall also provide the users of the NMA&FM with a description of their roles and responsibilities as they pertain to SCM within KSA.

3.0 DEFINITIONS

Term	Definition
Asset Management System (AMS)	A set of interrelated and interacting elements of an organization that collectively establish the asset management policy, asset management objectives, and the processes needed to achieve those objectives.
Category Management	A strategic approach that focuses on the vast majority of organizational spend in order to reduce the cost of buying goods and services, reduce risk in the SCM, increase overall value from the supply base, and gain access to more innovation from suppliers.
Enterprise Resource Planning (ERP)	The integrated management of main business processes, often in real-time, which is mediated by software and technology.
Integration	Process of achieving close and seamless coordination between systems, several departments, groups, and organizations.
Logistics Management	An element of SCM that carries out the process of planning, implementing, and controlling the efficient and effective forward and reverse flow, and storage of goods, services, and related information from point of origin to the point of consumption while adhering to customer requirements.
Procurement Management	It is the act of obtaining or buying goods and services. The process includes preparation and processing of a demand as well as the end receipt and approval of payment.
Stakeholder	A person, group, or organization that has interest or concern in an organization. Stakeholders can affect or be affected by the organization's actions, objectives, and policies. Some examples of key stakeholders are creditors, directors, employees, government (and its agencies), owners (shareholders), suppliers, unions, and the community from which the business draws its resources.



Term	Definition
Supplier Relationship Management (SRM)	The discipline of strategically planning for and managing all interactions with third party organizations that supply goods and/or services to an organization in order to maximize the value of those interactions.
Warehouse Management	The control of the day-to-day operations of a warehouse, such as the shipping, receiving, storage, and selection of goods.
Acronyms	
HR	Human Resources
KPI	Key Performance Indicator
NMA&FM	National Manual of Assets and Facilities Management
O&M	Operations and Maintenance
SCM	Supply Chain Management
SRM	Supplier Relationship Management

Table 1: Definitions

4.0 REFERENCES

Guidelines outlined in this chapter comply with the Saudi Government Tender and Procurement Law. The following references have also been used in the preparation of this procedure:

- BS ISO 55000:2014 - ISO 55000:2014(E)
- American Productivity and Quality Center (APQC) <https://www.apqc.org>
- National Manual of Assets and Facilities Management – Volume 8, Chapter 4: Procurement Methods
- National Manual of Assets and Facilities Management – Volume 8, Chapter 7: Logistics Management
- National Manual of Assets and Facilities Management – Volume 8, Chapter 8: Warehousing Management
- National Manual of Assets and Facilities Management – Volume 8, Chapter 9: Inventory Control Management

5.0 RESPONSIBILITIES

5.1 Supply Chain Management (SCM)

The general responsibilities of SCM as follows:

5.1.1 Operating Costs Optimization

SCM focuses on optimizing the Entity's overall operating cost and bringing efficiency to Entities by developing a supply chain that reduces purchasing and delivery costs. It enables smooth flow of materials from suppliers to Entities, which reduces the holding period of materials with suppliers and prevents any losses due to delay in delivery. Similarly, Entities are not required to hold expensive inventories for a longer time and are therefore able to distribute goods quickly through the supply chain.

5.1.2 Customer Services Enhancement

SCM helps in providing better service to its end users. All strategies are framed in accordance with the requirements of end users to procure the right product. It properly anticipates the demands of end users before initiating the procurement. SCM monitors all operations of business and ensures that quality products are procured using the best combination of resources. Ensuring that the right product is available at the right cost provides better satisfaction to end users, which boosts their confidence level in SCM.



5.1.3 Financial Position Enhancement

SCM plays a crucial role in influencing a business' financial success. It improves the efficiency of Entities, reduces excessive cost, and prevents any shortage. It reduces costs by decreasing the use of fixed assets such as plants, transportation vehicles, and warehouses. An efficient supply chain results in a speedy flow of products, which minimizes the blockage of capital in inventories, thereby improving the business' financial position.

5.1.4 Risk Management

SCM shall apply risk management process tools to the supply chain and its suppliers, to deal with risks and uncertainties caused by or affecting, logistics-related activities or resources.

Supply-chain risk management, should be combined with the concept of supply-chain resilience, which aims to ensure that the supply chain can bounce back from risks irrespective of their cause and prepare for unexpected events, respond to disruptions, and recover from them by maintaining continuity of operations at the desired level of connectedness and control over structure and function.

5.1.5 Coordination Among Partners

Effective coordination among all the stakeholders of a business increases productivity and cost optimization. It develops a defined channel through which employees, suppliers, and end-users can easily interact with business.

SCM can easily control the activities of those teams or stakeholders involved by communicating all the required information to them. Employees and end users can contact their supervisors in case of any problem or error and can also access the Enterprise Resource Planning (ERP) system, which is developed as a support system, to assist users with their requirements. This enables a more fluid and effective exchange of information and ensures coordination among partners.

5.1.6 Procurement Management

SCM ensures that procurement proactively understands its organizational function that includes value analysis, negotiation, buying activities, and supplier market research for less expensive and/or higher-quality alternatives. It should also address contract administration that takes environmental considerations into account during pre-procurement, as part of the procurement process itself, and in the performance of the contract to ensure a minimum level of compliance with environmental law by contractors and sub-contractors.

5.1.7 Supplier Management

SCM is designed to strengthen the relationships between Entities and suppliers. It tracks and records every interaction or transaction with the suppliers. Proper supply chain management enables timely procurement of all required raw materials from suppliers. It develops an efficient network through which suppliers and business can easily interact.

5.1.8 Warehouse Management

SCM should provide the framework for operating, cost optimization, and trade-offs between quality of services and cost reduction associated with transportation, facilities, equipment, workforce, and other critical cost variables. This ensures that the warehouse can efficiently contribute to reduced costs, improved service, flexibility, time utility, and responsiveness and become more valued to the Entity and the supply chain as a whole.



5.1.9 Logistics Management

Distribution of materials at the right time and the right location is a complex task. SCM should accelerate the overall logistics system of Entities. It coordinates with various transportation channels and warehouses for attaining faster movement of goods. It ensures that all products get delivered at the right location within the time limit. By developing a proper network for movement of goods, it eases the whole distribution system.

5.1.10 Inventory Management

Maintaining an optimal inventory is required for uninterrupted operation of Entities. SCM should keep record of all inventories, i.e. materials, spare parts, and consumables. SCM inventory record-keeping ensures that the proper amount of inventory is always maintained within Entities and prevents situations such as running out of stock or being overstocked. It frames proper strategies for procuring and maintaining all inventories as per end users' requirements.

5.2 Supply Chain Head

The following responsibilities shall be carried out by the Supply Chain Heads:

- Identify SCM objectives and prioritize core analysis for key Entity personnel.
- Provide strategic planning, development, operations, and ongoing improvement for all facets of the end-to-end supply chain function.
- Take the lead on optimizing SCM organizational design to reduce latency.
- Make data-driven decisions that have a significant positive impact on efficiency, cost, and end-user satisfaction.
- Support and lead standardization and best-in-class processes, capabilities, and digital solutions to deliver business plans and strategies.
- Establish strong working relationships with strategic partners to optimize value creation.
- Direct and lead the purchasing strategies, standards, and programs in an efficient and cost-effective manner.
- Support the logistics strategy to deliver velocity and end-user experience while reducing costs through productivity improvements and best-in-class processes and systems.
- Oversee the development, implementation, and maintenance of programs to ensure all goods are compliant with or exceed the Entity's O&M processes quality standards.
- Develop strategic and operating plans to ensure that the appropriate resources are available to support current and forecasted business plans.
- Ensure that all essential supplies are available when needed so that the facility management team can meet the O&M requirements.
- Ensure that issues regarding goods are resolved in a timely and cost-efficient manner.
- Deliver Key Performance Indicators (KPIs) in order to improve performance management standards; help design solutions, support, and deliver SCM organization objectives.



6.0 PROCESS

6.1 Supply Chain Management Flow Chart

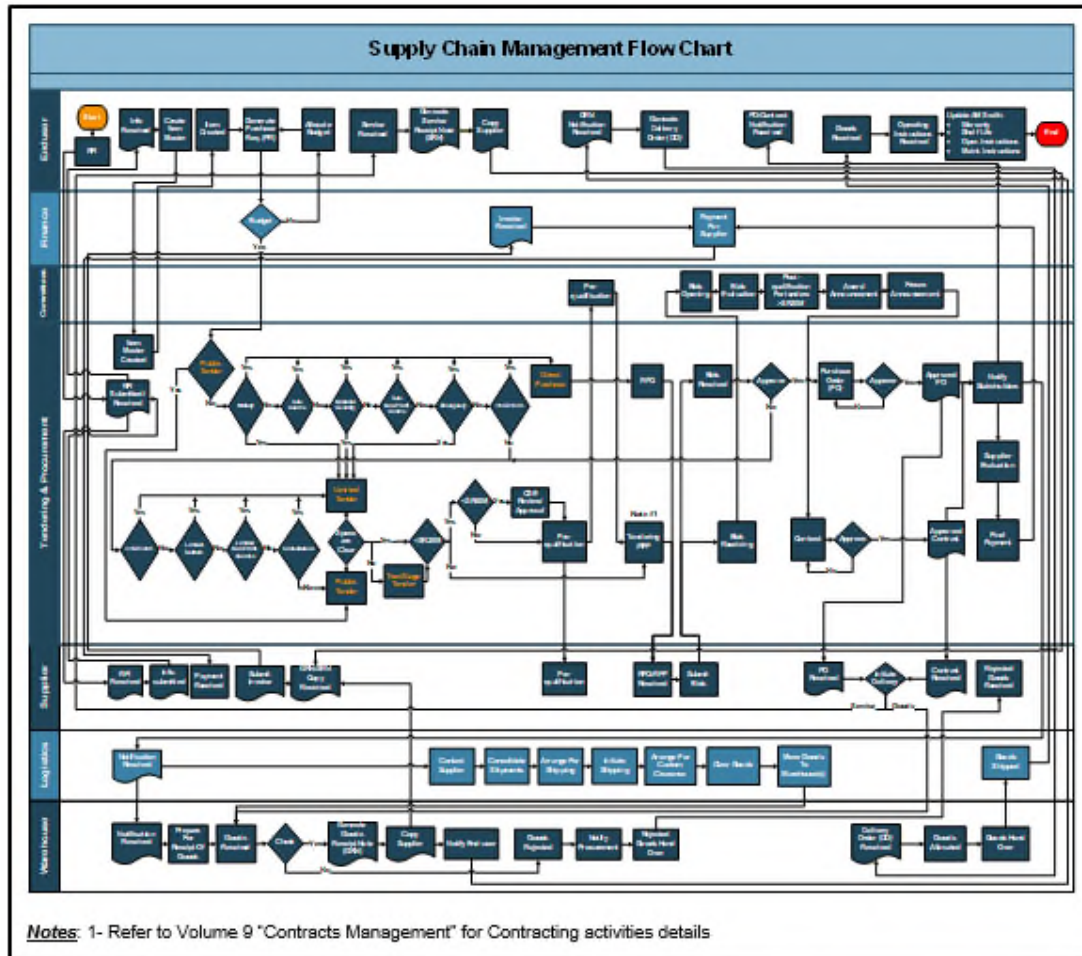


Figure 1: Supply Chain Management Flow Chart

Notes: 1- Refer to Volume 9 "Contracts Management" for Contracting activities details



Figure 1: Supply Chain Management Flow Chart

The above illustration in Figure 1 shows the workflow for the main functions performed under SCM. Detailed processes and procedures for Procurement Management, Logistics Management, and Warehouse Management shall be discussed in the NMA&FM Volume 8, Chapters 4-8.

6.2 Supply Chain Management KPIs

The performance of SCM can be measured by the total KPIs assigned for Procurement Management, Logistics Management, Warehouse Management, and Inventory Control Management detailed in NMA&FM Volume 8 Chapters 4, 7, 8, and 9, respectively.