



Dar Al Riyadh Insight #46

Other Flows along the Logistics Chain

Dar Al Riyadh Insights reflect the knowledge and experience of our Board, executives and staff in leading and providing PMC, design and construction management services. Dar Al Riyadh believes in the importance of broadly sharing knowledge with our clients and staff to improve project outcomes for the benefit of the Kingdom of Saudi Arabia.

Other Flows along the Logistics Chain

So far, flows related to labor, materials, and equipment have been highlighted in the Insights in this series. Other flows, however, are important in logistics management. These include **information, finance, and risk**.

Information can be thought of as the lubricant of a smooth running, efficient, and effective supply chain of which the logistics chain is a binding element. AI-enabled supply chain control towers seek to integrate all elements of the supply chain, gleaming deeper insights from dynamic information flows. Information flows take on a deeper and extended importance when considering their resulting extensions of the traditional supply chain into the realm of on-site logistics.

Finance represents a second lubricating element in an efficient and effective supply chain. Positive cash flow is happiness, not just for the construction contractor but also for the various suppliers of materials and equipment supporting the project. Logistics contracts need to be well designed, especially with respect to payment and pain points. Decisions on when a supplier has met its obligations must be carefully considered. Is it freight on board (FOB) or drop shipment at site? What are the provisions for acceptance and how do they relate to payment? What flexibility is provided for in delaying receipt within a window (to address inventory or construction progress concerns) or diverting shipment to the final site versus a previously selected intermediate fabrication or consolidation site.

Logistical **risk** flows need to be separately considered and tracked. Logistical flows represent a coupling mechanism across various project execution streams. In effect, they provide the potential for a high degree of constraint coupling. Consider the impacts of a general labor strike on a key element of a supply chain. Consider as well a trade embargo that has an impact on a prominent offshore sourcing country. As supply moves through the logistical chain toward the construction site, logistical risks should be expected to be reduced over time. While generally true, deteriorating conditions at key points in the logistics chain can simultaneously contribute to increased logistics risks going forward.



Summary

In many ways, construction is about the management of risk. It also very much about the management of logistical flows.

In this series of Insights various links in logistics management and the importance of each have been presented. Each link has been highlighted with regard to its individual importance. In the process both the responsibilities for a project's logistic management function and the duties of the logistical manager (planning; programming; mobilization of logistics chain and site logistic facilities; management of key portions of the supply chain; and inventory and delivery management) have been discussed.

This Insight also draws attention to some key flows beyond labor, materials, and equipment. These include information, finance, and risk flows.

Effective logistics management opens the door to project cost savings, improved productivity, waste reduction, improved site safety (as the site is decluttered), and higher confidence in timely project deliveries.