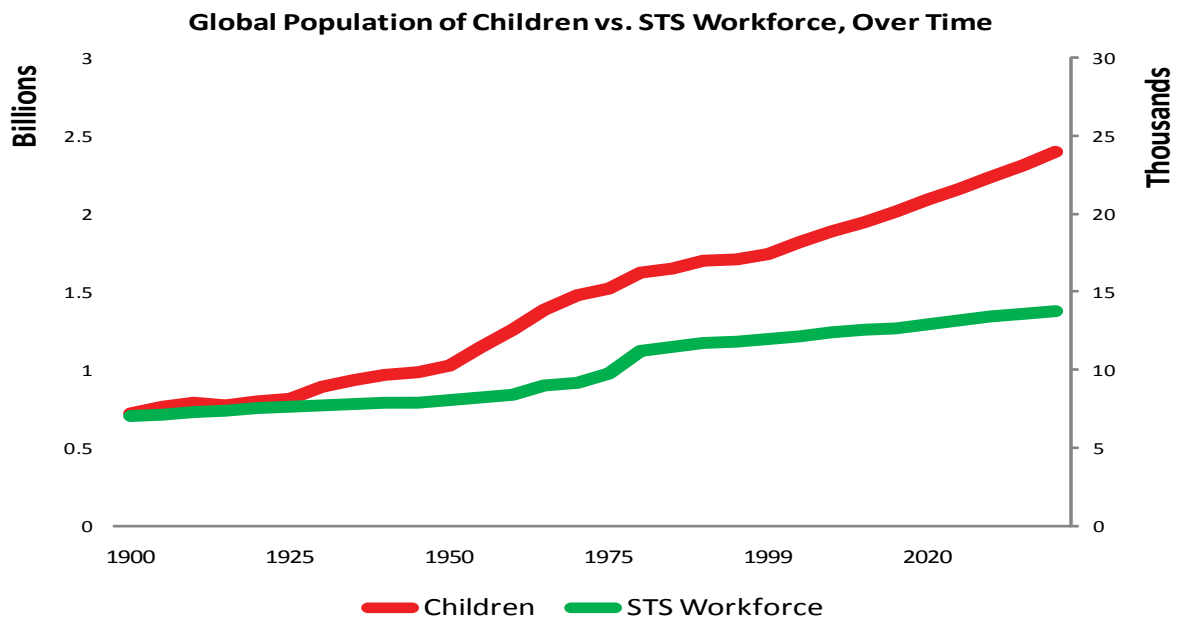


## Santa's Toy Shoppe in the Creative Age

MPI researchers recently completed a comprehensive investigation of the operations of Santa's Toy Shoppe, Inc. (STS). Located at the North Pole (postal code H-0-H-0-H-0), STS faces tremendous production challenges: their demand keeps growing each year with the world's population, the complicated nature of some toys require long production times, they lack foreknowledge of the "must have" toy of the season (their collection of shopping mall "field agents" helps tremendously with collecting advance information on this), and they need to meet a very definite completion date. The graph below shows the annual growth in the world's population of children. It also shows the total size of the STS workforce.



Our researchers completed an in-depth interview with Kristina Kringle, the Chief Operations Officer of STS. The discussion focused on how STS has dealt with attracting and retaining the workforce necessary to keep pace with production demands and the methods used to increase productivity. The discussion started with a brief discussion of historical approaches to these challenges.

“Well, for the most part making toys has always been more of a ‘craft’ than a real production. The Elves are outstanding at craft work – wooden toys, stuffed animals, dolls. They basically have been managing themselves using a team-based approach with extensive apprenticeship training for centuries. ... As toys became more standardized and complicated, we started relying more heavily on manufacturing technology and assembly line processes, but everyone still works in self-managed teams.”

For centuries, STS was able to keep pace with the growing demand through small increases in the size of its workforce and the adoption of productivity-enhancing manufacturing technologies. However, by the middle of the twentieth century, those measures weren't going to be sufficient.

“The 60s and 70s [1960s and 1970s] were particularly challenging for us. We could all see the projections and knew that unless a whole bunch of children suddenly became ‘naughty’, we weren't going to be able to make it. ... We started talking to the Big Guy [STS CEO, Santa Claus] about splitting deliveries between December and June. That didn't go over very well. ... In the end we decided we had to expand our workforce. ... The Elves helped where they could by recruiting friends and family from other parts of the world to come and help, but it wasn't really enough. ... It was in the 80s that we started recruiting the Gnomes and Dwarves to help out.”

It turns out that move was fortuitous. While the Elves had always been best with wood, plush, sewing, and complicated assemblies, the Gnomes were outstanding with plastics and the Dwarves with metals. The increased productivity from specialization kept things running smoothly for the next couple of decades without requiring significant increases in the total workforce. However, by the dawn of the twenty-first century, those productivity benefits were being stretched to their limits. Once again, STS found itself facing greater demand than its production capacity was going to be able to handle.

“Luckily for us, in 2002, we had all these mayors and councillors and politicians asking the Boss for a copy of the Florida book [Richard Florida's *The Rise of the Creative Class*] so that caught our attention. Here we were trying to attract and retain a creative workforce and someone's written a book telling us how to do it. ... Unfortunately it wasn't as simple as we had hoped. ... Yes, we were pretty technologically advanced – our manufacturing technologies are second to none. And, we were strong on the existing talent-base. That had been continuously improving once we started the summer education program at Hogwarts and the special management program at Harvard Business [School]. ... Tolerance and inclusiveness were more of a challenge. Yes, the Gnomes and Dwarves had been brought in, but they pretty much kept to themselves. Living accommodations were not what they were used to. ... And, as for ‘quality of place’ -- we're at the freaking North Pole!”

Actually, tolerance was a real challenge. While the Elves live in large open airy buildings, the Dwarves live underground in neat, spacious, and intricate tunnels, and while the Gnomes prefer living in gardens, which are scarce at the North Pole, they inhabit squat little houses that are half-buried underground. Given the separation of production, the housing was also separated. But, as a result, the Dwarves and Gnomes often felt like “second class” citizens of the North Pole. As one Dwarf put it to one of our researchers, “We were less important than the Elves who cleaned up the reindeer stalls.” It was also around this time that Hermey the Dentist and his partner Dagobert the Baker filed under Canadian jurisdiction for marriage rights.

“We all knew about Hermey and Dagobert. Everyone’s teeth were even cleaner and the bread became even more delicious after the two of them moved in together. No one really cared, but the marriage thing was a total surprise. ... They totally revitalized that disused doll factory. The space also attracted several of the more artistic Elves, who renovated and occupied the upper floors; Gnomes, who moved in on the ground floor; and Dwarves, who started in the basement and tunnelled from there. ... “The Doll House” as it became known became a centre of art and creativity [and dentistry and baked goods]. ... The interaction among the three groups also resulted in interesting advances in production technologies and new, improved ways of making some of our most complicated toys.”

Without accepting Canadian sovereignty over the North Pole, it was determined that Canadian marriage laws would apply, and Hermey and Dagobert, and several other couples, were married. “The Doll House” became the model for new workforce housing. The integration of residential spaces dramatically improved the relations among the three groups. Along with the improved relations, the arrangement also made new amenities available to everyone, and the improved quality of place resulted in making it much easier to attract additional workers to STS.

“Yeah, it’s amazing. We actually have a waiting list for the new housing units. And, we now have lots of applicants for every job opening. ... And, we’ve really learned from the experience. Last year when the Boss was out making his deliveries, Scott Page left him a copy of *The Difference* [Page’s book] with the milk and cookies. So, now we are busily integrating all of our production teams. ... It turns out that while specialization worked well for a while, many of today’s toys are more complicated and require a variety of materials. ... Sure, we still source stuff from China as much as we can, but in the end you still need people who understand stuffed animals and plastics and metals and computers to make a Tickle Me Elmo. ... We’ve seen productivity improvements from integrating both our production processes and production workforce that should sustain us for the next few decades. So, for now at least, we should be able to keep on schedule and make all our deliveries on the night of December 24th.”

So, you can all now, rest assured that Santa will make it to your house this Christmas Eve. Merry Christmas, Happy Holidays, and a Happy New Year from everyone at the Martin Prosperity Institute!

*The Martin Prosperity Institute ([martinprosperity.org](http://martinprosperity.org)) at the [University of Toronto's Rotman School of Management](#) is the world's leading think-tank on the role of sub-national factors – location, place and city-regions – in global economic prosperity. Led by Director [Richard Florida](#), we take an integrated view of prosperity, looking beyond economic measures to include the importance of quality of place and the development of people's creative potential. Most of our research is a tad less whimsical than our North Pole research.*