

**Santa's Supply Chain Problems**

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**Chapter 1: The Review meeting**

Santa strode into the January 2 review meeting. Normally he enjoyed these meetings, reviewing how well they had done the past Christmas. All the toys delivered, all the happy children, all the stockings filled, all the cookies and milk and carrots for the reindeer left in return. But this year he knew things were not good. Now there were several hundred million children who believed in Santa, at least well enough to get presents from him, and the supply chain was falling apart.



He settled in at the head of the table and listened to Gabriel deliver his market satisfaction report. Gabriel had been part of this Christmas thing from the very beginning. Now he had retired from the Celestial Empire to run his own customer satisfaction consulting company. "Gabe is a bit long winded," Santa told himself. "But there is no one else who has followed Christmas from its early struggling years to today's overwhelming market success."

As Gabriel went through the same preamble he went through every year, the statistical caveats, the limitations imposed by being poorly funded, Santa drifted back into the stories he had heard about Gabriel. How Gabriel was forced to give up his Archangel wings and take a desk job over the incident of lighting the way for the three Magi and giving away the location of the baby Jesus. How he had fought with the senior management of the Celestial Empire over his desire to intervene to keep the Christian church believing in the message of Jesus. But they wouldn't let him perform any more miracles, so he finally resigned just as the whole Santa movement was coming to the fore and became a consultant. Not a bad life but he sensed Gabriel missed the excitement of being close to the core of the Celestial Empire.

He awoke with a start. Gabe was starting in on the customer satisfaction data and the results were not good. Many children in the United States were whining that they didn't get all the toys they wanted. This was always so, but this year his satisfaction ratings had dropped to an all time low. Then the numbers for Europe, with the numbers for the EU presented this year as one block for the first time. Not good. The satisfaction ratings were dropping, especially in England, France, and Germany. He knew the numbers were dropping as they had done every year since the advent of TV advertising. With the introduction of video games and cell-phones things had really got bad. But what really concerned Santa was all the children in the emerging and third world nations who got little or nothing in the way of toys. This was not good, something would have to be done.

Next came the report from the head elf. Santa knew that the elves were revolting. "But then again, the elves are pretty revolting at any time," Santa smiled to himself. But he knew things could not go on the way that they had been. The elves were totally overworked, complained the head elf. They were working 24x7 towards the end. The overtime budget was shot to hell. But it was those last minute rush orders that really did them in. "Poor sales forecasts," said the head elf, shaking his head. How can we be expected to run an efficient manufacturing operation, when the forecasts change from day to day. No more! We need accurate long range forecasts next year and we need to hire a lot more elves and invest in a lot more automation.

"Here we go again," thought Santa. "The meeting has just started and we are already starting to fight about who gets what from the annual capital budget." There was never enough money to run the operation properly despite ever increasing annual capital and operational budgets. No one seemed to understand that they were a team that had to work within very limited resources. He wanted to spend

most of the money on toys for the children. But every year more and more of the budget got spent on computers and software and automation and all these consultants and administrators. There were now so many that he didn't know what they all did. But he was told they were vital to the operation.

Then they listened to the rebuttal from the VP of Sales and Marketing. They heard how many letters to Santa at the North Pole they had processed. How many lists reviewed, how many store Santa's debriefed, how many prayers listened into. But also how hard it was to do a good job with the limited budget they were given. "Same old, same old, every year," muttered Santa under his breath. But then he listened with interest about how they were monitoring now over 2000 television stations worldwide, using the latest satellite technology, to gauge what children will want. Amazing this new technology, mused Santa. The VP finally finished with an apology to the elves for the continually changing forecasts but explained that he couldn't do anything about it as new toys and gadgets were being advertised daily on TV. Short of sabotaging television on a worldwide basis, he couldn't see any way of improving the forecast situation. So the elves would just have to, in his words, "Suck it up!"

Things were getting nasty round here and, before the now very red faced head elf could reply with a nasty comment of his own, Santa intervened. "Gentlemen, gentlemen, please." "Gentlemen indeed. Ha!" he thought. "I should have replaced both managers years ago." But he hadn't because he didn't want to deal with all the employment laws relating to termination. It used to be simple, you had an elf who wasn't hacking it and you simply let them go. Now there were endless procedures to follow and forms to fill out. Just terrifying. No he'd just have to make do with what he had and put up with their constant bickering.

Finally they got to the part he really enjoyed, "logistics and transportation." Used to be simply "toy delivery," but now it had got so much more complicated. When the business was small, he had been able to do all the deliveries himself. It was so much easier then. A handful of elves to make the wooden toys, reindeer to pull the sleigh and they were done by 1PM on Christmas Eve night. Now look at what the business had grown to. He sighed and secretly wished for the good old days. But it was no use.

The logistics manager started in detailing how many toys delivered to where. How many Santa's helpers flew over what routes, driving how many sleighs. At first it seemed all very positive. Then came the problems. First the logistics manager talked about the EPA problems with the reindeer. With eight reindeer there were no real environmental problems, and no one cared much anyway back then. Now with thousands of reindeer there were major emission and pollution problems. They had to choose flight routes just to keep the pollution within EPA guidelines and the amount of reports they had to file. Incredible! Also there were FAA regulations to meet, flight plans to file, import and export paperwork to file. "No wonder we need more people, more computers, more automation, and more money to run my operation," the logistics manager told Santa.

"Oh No," thought Santa, "Back to the budget!" He knew he would have to hold each department head to no more than a 4% increase despite the increasing demands and pressures. They were not going to like it.

Then came the other department reports, with the warehouse manager bemoaning his lack of space and the materials manager lambasting her suppliers. Finally the accounting manager presented her report. A lot of dry numbers but the results were not good. They had overspent the budget by 5.3% despite many cutbacks and attempts at economy. This was not good.

Santa looked at his team. "Gentlemen and ladies." He knew he had to be politically correct now he had women on his management team. Used to be an all-male thing, making and delivering toys. But now all that was changed. The business had to file reports showing that they weren't discriminating against women. So he made changes. "Resisted at first," he thought, "But it actually makes meetings more enjoyable. Gets some new viewpoints and notches down the competitiveness."

"Having listened to all your reports we need to do something radically different this year. We need to keep our budget increases to less than 4% and cope with an estimated 9% in demand. I want you to all stay here until you come up with a list of suggestions. We will meet again first thing in the morning to hear your suggestions." And with that Santa left and went home to Mrs. Claus.

What followed were hours of arguing, bickering, and recrimination, blaming and general nastiness. It was not a pretty sight as Santa's team fought amongst themselves. But slowly exhaustion wore them down with no hope of any reasonable compromise. They knew their jobs were on the line. It was only January and Santa could replace the whole management team and still get the toys out by next Christmas. But no one could come up with an idea that would meet the budget objects and yet be acceptable to all departments.

Then, in a moment of silence, a very small assistant elf said quietly "Why don't we recommend hiring consultants." Everyone looked at each other. Finally the silence was broken by the logistics manager. "Brilliant," he exclaimed, "It will take them at least a year to come out with their report and by then this whole thing will have blown over." Everybody agreed. What a stroke of genius!

So they met with Santa the following morning and presented their recommendation, now supported with all sorts of rationale. Santa wasn't sure, but if his whole team recommended it he would have to go along. "Important for team cohesion," thought Santa, "And after all no one has come up with a better idea."

And so North Pole Enterprises came to hire Arthur Marley and Scrooge, the renowned international consultants, to reengineer the business of toy delivery.

For more information please call 1-800-747-1377, see our website at [www.BellHawk.com](http://www.BellHawk.com), or send Email to [sales@BellHawk.com](mailto:sales@BellHawk.com).

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