

What Is a Company?

Suggested Grade

Grades 4-5

Suggested Time

50 minutes

Teacher Background

A company is a business or association usually formed to manufacture or supply products or services for profit. A company can be a proprietorship, partnership, or corporation. A corporation is set up in accordance with government regulations and limits the liability of its owners. In a proprietorship or partnership, the owners share the profits or losses of the business in which they have all invested and are liable for all debts.

A corporation is a company legally separate from the stockholders who own it and the managers who run it. Corporations can be privately or publicly held. A public corporation offers these advantages: (1) Limited liability, which means that the stockholders' responsibility for the company's debts is limited to their investment in its stock; (2) long life, which means a corporation continues to exist even when its stockholders or managers change; (3) easily transferable ownership, which means that stockholders can easily sell their ownership shares in the stock market. Private corporations offer advantages 1 & 2, and also issue stock, which can only be sold directly to individuals or other corporations. Private corporations are not subject to the stringent disclosure requirements imposed upon public corporations.

Vocabulary

Brand: A trademark or distinctive name identifying a product or a company setting it aside from rival products or company.

Company: A business or association usually formed to manufacture or supply products or services for profit

Corporation: A company legally separate from stockholders who own it and the managers who run it.



FOUNDATION



Performance Objectives

Students will be able to:

- Identify and describe the terms: company, corporation, and brand.
- Explain the difference between corporations and popular brands.

Materials

Hershey Kisses for the class.

Pictures/products from PepsiCo. (See ideas for products in procedure)

Activity Sheet 1: Companies in my Closet

Activity Sheet 2: Companies, Brands & Products

Fact Sheet: The Chocolate Company

Activity Sheet 3: The Chocolate Company Guiding Questions

Other resources - https://www.hersheys.com/en_us/our-story/our-history.html

Springboard Activity

Teacher distributes Hershey's kisses to students. Have students examine the packaging.

Ask your students:

1. What is the name of this candy?
2. How do you know?
3. How many of you recognized it without reading the tag?
4. Who makes it?
5. How does this all happen?
6. Who makes it happen?

Explain to your students:

1. A company is a person or group that makes something for other people to buy.
2. Companies try to earn a profit or make money from the sale of their products or services.
3. A single company sometimes makes several different products.

Procedure

Use actual products or pictures of a Frito Lay product, A Quaker Oats product, a Tropicana product, a can of Pepsi and a bottle of Gatorade. (Images can be downloaded from <http://www.pepsico.com>)

Ask your students: What do these things have in common?



FOUNDATION



Explain to your students that they are different brands all made by the same company – PepsiCo.

Investors often invest in companies they know own popular products and brands.

Have students brainstorm their favorite products and brands. They should choose one they think are popular. Make a list.

Explain to your students that in their SMG teams, they will soon be able to own parts of the companies that make these products and brands through buying shares of their stock (Note: a brand is a trademark or distinctive name identifying a product, service, or manufacturer.)

Distribute

Activity Sheet 1: Companies in My Closet. Have students complete recording the brands and products from the class list and adding three more to their list.

Novice & Apprentice Level

Explain to your students that many of the products and brands that students listed earlier are owned by larger companies called corporations. A corporation is a company legally separate from the stockholders who own it and the managers who run it. It is designed to make money for the owners by producing popular products and services.

Students can use <https://finance.yahoo.com/> to determine the name of the corporation that owns popular products and brands. They can also search the products name online. Using *Activity Sheet 1: Companies in My Closet*, SMG teams will complete column two of the activity sheet. Review answers with the class.

Master & Grand Master Levels

Have students write their definition of a “company” and share it with a neighboring student to help develop a class definition you place on the board

Complete a shared reading of *Fact Sheet: The Chocolate Company*. Have the students answer the questions on *Activity Sheet 3*.

Review the answers and ask students to consider if it is beneficial to form a corporation to sell a product. List the pros and cons on the board. (e.g. One reason to start a company is to raise “capital” or “raise a lot money”).

Ask your students:

1. Based on what you learned today is Hershey a “successful” company? Why?
2. Do you think you would buy this company if you could?



FOUNDATION



Assessment

In their SMG Journal ask your students to explain the difference between a brand and a corporation. Why are brands important to the corporations that own them? How important is a brand name when they shop?

Application

Have students in their SMG teams complete *Activity Sheet 2: Companies, Brands & Products*

Enrichment Activities

Students research the origins of three of their favorite brands to write a short essay or create a slideshow presentation that answers the following questions:

- Who created the product or service?
- Why did he or she create the product or service?
- Why is it one of your favorite brands?
- What do you expect from the brand (e.g. affordability, reliability, quality, etc.)?
- Why do some people dislike the brand?

Answer Keys

Activity 2

COMPANY NAME	PARENT OR SUBSIDIARY	BRANDS	PRODUCTS
The Gap, Inc.	Parent	Gap, Banana Republic, Old Navy	Casual Men Clothing, Casual Women Clothing, Children Clothing
American Broadcasting Company, Inc	Subsidiary of Disney Corporation	ABC News, Good Morning America, The Oscars	Television shows have included: Fresh Off the Boat, Modern Family, and the Bachelor.
PepsiCo, Inc.	Parent	Frito-Lay, Pepsi, Tropicana, Dole, Gatorade, Lipton, Aquafina	Chips, snacks, soda, juice, Energy drinks, Lipton tea, water
Yum! Brands, Inc.	Parent	KFC, Taco Bell, Pizza Hut	Fast food restaurant chains



FOUNDATION



Activity 3

1. Why did Milton believe his milk chocolate candy would sell?

Milton believed that his milk chocolate candy would sell because caramels were too rich. With milk chocolate, you could have a low-concentrated sweet that everyone could enjoy.

2. Where did he get the money to start making his milk chocolate candy?

Milton received money from selling his Lancaster Caramel Company. He sold the Lancaster Company for \$1 million to build a chocolate plant in Pennsylvania.

3. What are some of the benefits Milton gained from forming a corporation?

Shareholders provided capital for larger growth in the company He could sell stock and raise the capital needed to expand the company.

4. What are two of the benefits investors gain from investing in The Hershey Company?

Even if Milton passes away, the corporation would still live through the shareholders. Shareholders have limited liability.



FOUNDATION



Activity Sheet 1: Companies in My Closet

Think about the clothes you wear, the games you play and the foods you like. These are called products. Some are brands, or names that you recognize. They are made by companies called corporations.

In the chart below:

1. List ten of your favorite things.
2. Look at the label to determine the company that makes the product and list it
3. Predict if the product name is a brand or company or both.





	Product	Company	Brand, Company, or Both
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			



FOUNDATION



Activity Sheet 2: Companies, Brands & Products

COMPANY NAME	PARENT OR SUBSIDIARY	BRANDS	PRODUCTS
			
			
			
			

Using a financial news site like Yahoo! Finance or a stock exchange's ticker look up, find the companies listed in the chart above, and complete the chart. If the company is a subsidiary (belongs to a larger company), provide the name of the parent company in the second column.

Activity Sheet 3: The Chocolate Company

Guiding Questions

Based on your reading about Milton Hershey and our class discussion, answer the following.

1. Why did Milton believe his milk chocolate candy would sell?
2. Where did he get the money to start making his milk chocolate candy?
3. What are some of the benefits Milton gained from forming a corporation?
4. What are two of the benefits investors gain from investing in The Hershey Company?



FOUNDATION



Fact Sheet 1: The Chocolate Company

Imagine a world without chocolate bars and you'd be back in the '70s – the 1870s! That would change in 1872 when a teenager named Milton started working at Royer's Ice Cream Parlor and Garden in Lancaster, Pennsylvania. It was at Royer's Milton learned the skill that helps make our lives a little sweeter today.

Milton the Candy Maker

At Royer's, Milton learned how to make candy from boiled sugar. He also learned how to manage workers, control inventories, and price products. When he was 18 years-old, he decided to take his skills to Philadelphia and start his own business. With the financial backing of his mother's family, he opened the Spring Garden Confectionary Works in 1876.

Milton's new business was a **proprietorship**, a company owned and run by one person who receives its profits or bears its losses. The business grew at first but eventually ran into difficulties. Despite more money from his mother's family and Milton's long hours and hard work, it failed in 1882.

Stuck on Caramel.

After his business failed, Milton went to Colorado in search of silver but ended up working in - you guessed it, a candy shop!

The shop produced caramels with a new process that used fresh milk. The caramels were softer, smoother, tastier, and had a much longer shelf life. After learning how to make the caramels, Milton went to New York City to start another candy business. His mother's family gave him money again. His business began well, but in the summer of 1886 it ran into trouble. Unable to pay a large loan for his candy making equipment, Milton experienced his second business failure.

Penniless, he returned home to Lancaster, Pennsylvania. Despite this, he decided to start another candy business. Without any financial help from his family, he rented a small warehouse. He began producing candy and selling it from a basket during the day. As his sales increased, he moved to a larger location. However, in order to make enough candy Milton had to borrow money to buy an expensive copper boiling pot. When the loan came due, he couldn't repay all of it. Fortunately, this time a British importer came to the rescue after



FOUNDATION



discovering the flavor and shelf-life of Milton's caramels. The importer began ordering large quantities, so Milton's sales and income soared. At last, Milton had succeeded. His third company, the Lancaster Caramel Company, prospered.

Chocolatey Dreams

In 1893, Milton attended the World's Fair in Chicago. An exhibit of a chocolate-making system from Germany greatly impressed him. He decided to learn how to make fresh-milk chocolates instead of caramels. While most people had *never even* heard of milk chocolate, Milton was hooked on it. "Caramels are too rich to eat every day," he said to a relative. "I am going to concentrate more and more on making chocolate because I believe it will be a more permanent business in the long run." ⁱ

The Swiss had developed a way of making milk chocolate, but the product was very expensive. Milton believed he could make high-quality milk chocolate at a price most people could afford. Accomplishing this goal would be a difficult task that would require a willingness to learn from past mistakes:

"He had no knowledge of chemistry to help him. It took him years of messing around in overalls to discover the basic procedures in the manufacture of milk chocolate. He felt his way from experiment to experiment, undaunted by failure and elated by success." ⁱⁱ

Milton's perseverance paid off when he finally discovered a process for making affordable milk chocolates. In 1900 he sold the Lancaster Caramel Company for \$1 million, a huge sum in those days. The money from this sale was used to build a plant in a rural farming area of Pennsylvania. Milton knew the local dairy farms could provide lots of fresh milk. The area also had many industrious workers and nearby in Philadelphia and New York were suppliers of imported sugar. The opening of the plant marked the start of the Hershey Chocolate Company.

Chocolate Corporation

The Hershey Chocolate Company grew rapidly and began introducing new products. Hershey's Kisses appeared in 1907, Mr. Goodbar in 1925, and Hershey's Syrup in 1926. The company's continued growth required large inflows of new funds. To raise the money he needed, Milton Hershey decided to incorporate the business and sell stock to the public. A **corporation** can raise large sums of money from investors because it offers them attractive features. One of them is **limited liability**, which means an investor's potential loss is limited to the amount invested in the company's stock. Another attractive feature



FOUNDATION



is a corporation's long life. A corporation (a separate legal entity) lives on even if its founders or managers leave or die.

In 1927, the business became a corporation and changed its name to The Hershey Chocolate Corporation. It sold stock to the public to fund its continued growth. In 1968 it changed its name to The Hershey Foods Corporation to recognize its growing line of products. Its name changed once again in 2005, when it became The Hershey Company to reflect its global growth (stock symbol: HSY).

Milton Hershey passed away in 1945, but his company continues to thrive today as a separate legal entity. We owe him a great deal for persevering and making the world a sweeter place.

ⁱ Hershey: Milton S. Hershey's Extraordinary Life of Wealth, Empire, and Utopian Dreams, Michael D'Antonio, Simon & Schuster, New York, 2006, p. 89.

ⁱⁱ *The Search for the Perfect Formula: Hershey's Milk Chocolate*, Hershey Community Archives, <http://www.hersheyarchives.org/Default.aspx?Page=MilkChocolate>.

Sources:

Great American Brands, David Powers Cleary, Fairchild Publications, New York, 1981, pp. 166-171.

Hershey: Milton S. Hershey's Extraordinary Life of Wealth, Empire, and Utopian Dreams, Michael D'Antonio, Simon & Schuster, New York, 2006.

The Emperors of Chocolate: Inside the Secret World of Hershey and Mars, Joel Glenn Brenner, Random House, New York, 1999.

The Hershey Company, <http://www.theherseycompany.com>.



FOUNDATION

