

# What is a Company?

## Suggested Grade

Grades 6-8

## 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, as well as 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

**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.

**Entrepreneur:** A person who organizes, operates, and assumes the risk for a business venture.

**Partnership:** A company owned and managed by two or more people who share its profits or losses. A partnership is not separate from its owners, who are liable for the company's debts.

**Private Corporation:** A corporation that doesn't sell shares to the public. You Can't buy shares of a private company in the stock market.



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**Public corporation:** The stock of a public company is owned and traded by individual and institutional investors. In contrast, the stock is held by company founders, employees, and sometimes venture capitalists.

**Sole-proprietorship:** A company owned and run by one individual who receives its profits or bears its losses. A proprietorship is not separate from its owner, who is liable for the company debts.

## Performance Objectives

Students will be able to:

- Identify and describe the terms: company, partnership and corporation.
- Explain the characteristics, advantages and disadvantages of various types of companies.
- Explain how companies are formed, raise capital, and become public.
- Describe the benefits of forming a business to sell a product.

## Materials

Hershey Kisses for the class.

Fact Sheet 1: The Chocolate Company

Additional resource: [https://www.hersheys.com/en\\_us/our-story/our-history.html](https://www.hersheys.com/en_us/our-story/our-history.html)

Activity Sheet 1: The Chocolate Company Guiding Questions

Activity Sheet 2: Researching a Company (Master/Grand Master level)

## Springboard Activity

Distribute a Hershey kiss to each student. Elicit that without opening the package the students know what is inside.

Ask:

1. Why or how do you know this?
2. How is the Hershey Kiss so well known?
3. How do you think the product is made?
4. What do you think it takes to invent and develop this candy?

List student suggestions.

## Procedure

Have students read the history of The Hershey Company (Fact Sheet 1) to gain further insight into the company.

Discuss the reading, focusing on how the company grew.

Ask your students:

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1. How did he get the idea to market chocolate?
2. How was he able to make it available to everyone?
3. How did he raise money to expand the company?

## Novice & Apprentice Levels

Based upon the reading, have students write their definitions of a “company” and share these definitions with their Stock Market Game teams. Then develop a class definition.

After the class agrees on the definition, have students consider when it is beneficial for an entrepreneur to form a company.

Ask:

1. What are the advantages of forming a company?
2. What are the disadvantages?

Have students list their favorite products. Use the Internet or, by providing samples of the most popular products, determine the company that makes the product. Note most products have their company’s name on them.

## Master Level

Organize students into SMG teams.  
Have them to identify one product they all use.

Have them research the company that makes that product and the write a history of the company that includes the ways the company has changed over time. *Activity Sheet 2: Researching a Company* may be used for this exercise.

Have each group present a brief overview of the product they chose and the company that makes it to the class. Encourage the students to discuss stock prices and trends.

## Grand Master Level

Organize students into SMG teams.

Have each team select a product or service they would like to sell. (e.g., shoes, make-up, or sports equipment)

Ask: How would they develop their business?

Discuss exactly what they would manufacture, how they would manufacture the product, and what their company goals would be. These are the basic elements of a business plan.

Define the term “entrepreneur.”

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Explain that as a result of what they learn here, some students may consider opening their own businesses. This assignment can be ongoing.

Research materials on business plans can be found at the following sites:

- My Own Business— <http://www.myownbusiness.org>  
Rich with audio clips of people in business for themselves, this site lets students learn about incentives, business plans and marketing from people who have been through it all. The audio file index <https://www.scu.edu/mobi/business-courses/starting-a-business/session-1-deciding-on-a-business/> is particularly helpful in finding specifics on deciding on a business as well as strategies that may be useful.
- Small Business Administration— <http://www.sba.gov>
- The SBA provides information and tutorials for people interested in starting their own businesses.  
[http://www.sba.gov/starting\\_business/startup/areyouready.html](http://www.sba.gov/starting_business/startup/areyouready.html) answers questions and helps weigh the risks and benefits of starting a business.
- [http://www.sba.gov/starting\\_business/planning/basic.html](http://www.sba.gov/starting_business/planning/basic.html) outlines how to develop a business plan so students can discover the steps to getting their product off the ground.

## Assessment

### Novice and Apprentice Levels:

Have students complete *Activity Sheet 1: The Chocolate Company* Guiding Questions

### Master Level

Expanding a business takes more money or capital investment.

Discuss ways a business can raise capital. Have students refer to examples they studied in their groups.

### Grand Master Level

Have students write a business plan that describes how they would raise the initial capital for their proposed business.

## Application

### Novice and Apprentice Levels

Ask: Based on what you learned today, is Hershey a company in which you might invest your money?



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## Master Level

Ask:

1. In which publicly held companies you know about would you consider investing your money?
2. Would you invest in a privately held company if it "goes public?"
3. How would you make your decision?

## Grand Master Level

Ask: How does a new business determine the amount of capital needed to get started?

## Enrichment Activities

Have students' research additional companies.

Assign students to read about the scotch tape invention from 3M:

<http://inventors.about.com/library/inventors/blscotchtape.htm>

Or find others on the Internet. Consider printing out several inventions from <https://www.thoughtco.com/a-to-z-inventors-4140564> have students present these companies to the class in a PowerPoint presentation.

## Answer Key

### Activity Sheet 1

Based on your reading about Hershey, answer the following.

1. Why did Milton think his chocolate candy would sell?

Milton thought chocolate candy would sell better than caramels because he believed caramels were too rich for people to eat every day. He thought more people would buy chocolate, more often. He also thought he could make high-quality milk chocolate at a price most people could afford.

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

Milton got the money to start his chocolate business by selling his former business, the Lancaster Caramel Company.

3. What type of company did Hershey have before he incorporated?

Sole proprietorship.

4. What benefits do you think Milton gained from forming a corporation?

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Milton was able to obtain investors and raise additional funding for his company by forming a corporation. Also there is protection provided to investors by the legal structure of the corporation. Investors can only lose what they invest in a company. In addition, the organization of a company is set up to be in business and managed for a longer period of time that if a sole proprietor is the only person in the company.

5. Why would people today want to invest in The Hershey Company?

People might want to buy stock in the Hershey Company because: the company has been around for a very long time, the company has a proven record of being successful, the company name and its products are very well known, lots of people like chocolate, and everybody wants to go to the Hershey factory!

## Activity Sheet 2

Name of Company: Answers will vary.

Identify the type of business organization	List highlights of the history of the company/ product	Benefits of the type of business organization formed	Source(s) of Research
Answers will vary.	Answers will vary.	<p>Students should respond to the benefits depending on the type of company they research. For example:</p> <p>Sole proprietorship-retaining the profit of the company as an individual</p> <p>Corporation-(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</p>	Answers will vary.

Would you invest in this company? Explain.

Students should discuss the company's reputation, history, and consumer awareness of the company and of their products.



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# Activity Sheet 1: The Chocolate Company

## Guiding Questions

Based on your reading about Hershey, answer the following.

1. Why did Milton think his chocolate candy would sell?
2. Where did he get the money to start making chocolate?
3. What type of company did Hershey have before he incorporated?
4. What benefits do you think Milton gained from forming a corporation?
5. Why would people today want to invest in the Hershey Company?

# Activity Sheet 2: Researching a Company

Name of Company:

Identify the type of business organization	List highlights of the history of the company/product	Benefits of the type of business organization formed	Source(s) of Research

Would you invest in this company? Explain.



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# Fact Sheet 1: The Chocolate Company

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

## Milton the Proprietor

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 having more financial help money from his mother's family, 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 an innovative 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 again provided the funds. The business started off 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. Lacking financial help from his family this time, he rented a small warehouse room. He began producing candy and selling it from a basket during the day. His sales increased, so he moved to a larger location. To make enough candy, however, 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 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, was prospering.

## 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 concentrate on making fresh-milk chocolates instead of caramels. While most people had never even

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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." <sup>i</sup>

The Swiss had developed a technique for 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. However, accomplishing this goal would be a difficult task requiring a willingness to learn from 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."

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 that the local dairy farms could provide lots of fresh milk. The area also had many industrious workers, and nearby Philadelphia and New York there was supplies of imported sugar. The opening of the plant marked was 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. But the company's continued growth would require 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 substantial sums 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 is a corporation's long life. A corporation is a separate legal entity, just like a person, so it 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.

<sup>1</sup> *Hershey: Milton S. Hershey's Extraordinary Life of Wealth, Empire, and Utopian Dreams*, Michael D'Antonio, Simon & Schuster, New York, 2006, p. 89.

<sup>1</sup> *The Search for the Perfect Formula: Hershey's Milk Chocolate*, Hershey Community Archives, <https://hersheyarchives.org/encyclopedia/hersheys-milk-chocolate-bar-wrappers-over-the-years/>

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## Sources

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

*The Hershey Company*, [https://www.thehersheycompany.com/en\\_us/home.html](https://www.thehersheycompany.com/en_us/home.html).

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<sup>1</sup> *Hershey: Milton S. Hershey's Extraordinary Life of Wealth, Empire, and Utopian Dreams*, Michael D'Antonio, Simon & Schuster, New York, 2006, p. 89.

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