Historically the impact of globalization on the economy and industry of central Pennsylvania has been less than desirable. While many once local companies have given in to the temptation of a more profitable operation overseas or outside U.S. borders, few have been able to become a successful global player and retain ties at home. One company that has successfully balanced a profitable hometown operation and a foreign division to capitalize on new trade policies is Hershey Foods Incorporated. Initially, the focus of my research was directed more toward the effect recent trade laws and other provisions have had on Dauphin County, more specifically, the effects these changes have had on Hershey foods and Derry Township. However as I compiled data, and researched different organizations, it became clear that the situation I chose to pursue was unique. Not only is the community of Hershey, Pennsylvania deeply connected with the workings of its namesake’s company, but the corporation has been historically and recently coupled to its community, an idea that has been long since forgotten to many other large corporations.

To understand the interaction between Hershey Foods and its surrounding community I believe it is important to first recognize and consider the man who brought success to the area. Milton S. Hershey was a man who was subject to many hardships early in his existence. Born September 13th, 1857, to Swiss parents, Milton spent the beginning of his life in the rural town of Derry Church in central Pennsylvania. He spent his days helping his father with chores around the house. His nights were spent immersed in a book, a past-time his mother and father supported greatly. Milton’s formal education was disrupted routinely by the family’s frequent moves. Milton attended more than seven different schools before his mother decided he had been educated enough.
For the next decade Milton would spend his time moving from town to town helping his father with one failed business venture after another. In 1876, at the age of nineteen, Hershey was eager to realize his own dreams. He moved to Philadelphia and set up a small business making penny candy in the evening and selling it on the street during the day. He hired young boys to sell the candy in other parts of town while he stationed his pushcart downtown. Even with exhaustive days and long nights of hard work, Mr. Hershey was unable to produce a profit, and his venture rendered him bankrupt.³

Tired and weary from his dealings in Philadelphia, Hershey took to Denver, Colorado with his father to take part in a silver venture. The mines never produced as expected and once again he found himself out of work and bankrupt. Desperate for work he noticed a “boy wanted” sign and responded to a warehouse where he found himself locked in a room with other boys. Figuring he was bound for forced labor Hershey demanded his release. His request, met with laughter from the men in charge, was only granted when he pulled a gun he had hidden in his coat for protection.⁴ In a stroke of good fortune Hershey took advantage of a confectioner in Denver who was looking for an assistant. He spent the next few years of his life learning the caramel and candy business. This job not only provided a means for survival for Milton Hershey, but also the essential elements to his eventual fortune. The candy maker used milk in his recipes, to make the caramels more chewy and better textured.⁵ Although he was making a good living, Mr. Hershey longed to be self employed. He moved to Chicago in his mid-twenties and entered another candy-making venture with his father. Again, in only a few months the pair was once again bankrupt, and Milton had now been the part of two failed businesses.
Undaunted, Milton set out for New York City with borrowed money from his mother and aunt. New York, a haven for new ideas from Europe was experiencing a chocolate fad. He took advantage by first making candies in his landlady’s kitchen and selling them, without a permit, on the streets of Manhattan. When he earned enough money to purchase his own candy making equipment he attempted to switch buildings, and set up his operation in a tiny shop on Sixth Avenue above Forty Second Street. He was again thwarted when his original landlord refused to release him from his original lease. Once again his mother and uncles came to the rescue and saved him from financial trouble again.6

While the business was somewhat successful, Hershey found that with the high price of sugar he was unable to make a large enough profit to support himself. Hoping to make one last attempt to resurrect himself from failed business, Hershey signed a note for a loan of ten-thousand dollars.7 With the money he purchased machinery and products to produce cough-drops, an industry that was booming at the time. When the production was complete Milton loaded the total of his assets into a horse drawn wagon and headed for the streets. At first he was successful, selling a few dozen at a time to local merchants all over New York. However, before the majority of his products could be sold a group of children found his un-roped horse standing alone while he made a delivery. As a prank they lit firecrackers nearby and the horse and cart of cough-drops were never seen again.8 With the loss of his product, and investiture Hershey was once again ruined. He returned home to live with his family, however, the now indebted Hershey family had no room for him, so he stayed with a friend who had helped him earlier in his endeavors.
Hershey, again finding himself at the bottom of the business world returned to doing the only thing he knew, making caramels and candy. After once again enlisting the help of his mother and family he began to produce candies of his own recipes, and distribute them around Lancaster, Pennsylvania, where his family had finally settled. Local competitors and shop owners became annoyed that their usual business was being interrupted. Once again the familiar smell of failure began to drift over Mr. Hershey.9 Once again on the brink of failure, a visiting importer tasted Milton’s candies and showed interest in importing them to England. Relying on the goodwill of a banker who had already supplied a loan which he had defaulted on, Hershey was again granted money to realize his dream. As the deadline for the second loan came near, a check arrived from England, and his business was saved. As his product gained notoriety overseas, and around Lancaster, Hershey had realized success.

At the age of forty-three, Hershey sold his caramel business for one million dollars. The turn of the new century marked a new era for the world, and Milton Hershey as a success. After selling his factory, he rented a small wing where he kept his chocolate making machine. For months Hershey spent long days and nights trying to perfect a recipe for milk chocolate. His dream was to produce a high quality product that everyone could afford.10

In 1903 Mr. Hershey returned to Derry Church.11 He was aware that the best place to produce a product was in the proximity of many of its resources. He remembered the numerous dairy farms that surrounded the town of his birth, and the numerous useable water supplies. On March 2, he broke ground for his new factory, relying on local limestone that could be both cost effective and beautiful. It was this date
that would be the beginning of great things for the small rural town of Derry Church. This was to be the beginning of an era that still shapes the way the community is run today, and lives on in the minds of residents.

While conducting interviews, one idea surfaced no matter who the interviewee. Whether it was the e-mail correspondence from the Vice-President of Operations or the simple conversation with a neighbor and factory worker, the idea of Milton Hershey’s early struggle through life was mentioned. Personally, I found it amazing that these people took such an interest in the background of the area, and the namesake and businessman who founded their company and town. Upon further investigation, I noted however that this was no accident. As we talked casually about my project, a friend of the family noted that his children, enrolled in the Hershey Public School District, spent an entire month learning about their hometown and the man behind it. It was this information that led me to believe that the situation I was inquiring about may be different than those investigated by my peers.

To look further into the situation I researched the beginnings of Hershey Foods Inc., and mainly those qualities that set it apart from other companies of its nature. What I came to find was astounding. As he enlisted workers to build his factory, and eventually staff it, Hershey did not look to find the best architects, or most skilled laborers. He believed that if given a fair shot, and treated correctly and justly, the workers and laborers from Derry Church and surrounding areas could do as well as, if not better than anyone else. He took lessons from his own life to guide him in making his company a good place for other people to grow. After the factory was built, Mr. Hershey immediately started to build houses for his workers. Since he was deprived of a nice
home as a child, he thought it only right to provide for others what he could. Hershey did not however build tract houses like other company towns were composed of. Each house was unique, composed mainly of the same beautiful limestone that was used to build the factory. He would sell the houses to workers at a fair price, some would argue much too fair. Those who did not want to purchase a home could rent. Forced to move around with his family, as a child Hershey was also not provided with a solid education. For this reason he provided schools for the children of the workers, which he funded personally. Mr. Hershey also provided a fire-department, recreational parks, new churches, a bank and even a trolley system which reached almost thirty miles outside the town. He even took it into his hands to pay off the mortgages of the existing churches in the area, and built a zoo. Later he would construct a golf course and Hershey Park, an area that employees and towns’ people could come to relax, or cool off in the pool, all for free. It is no surprise that his early workers loved their employer. He provided everything they could possibly need, and paid wages that were unheard of at the time. He also was known to lend a hand around the factory whenever he has the time, it was not uncommon to see Mr. Hershey sweeping floors or cleaning up, he believed in lending a hand wherever or whenever he could. Milton Hershey believed not only in the “Golden Rule” but also that every good thing you do will return to you.

As the first decade of the 20\textsuperscript{th} century passed, Milton Hershey was amassing more money than he could ever have imagined. Milton’s wife Kitty, who herself was unable to bear children, suggested that they start a home for unfortunate boys. The Hershey’s set up a trust to fund the school. They also signed over five hundred acres of Derry Church to serve as farmland and residential space for the school. At first the school was opened
to only boys who experienced the loss of one or more parents. The aim of the school was to provide its students with the training required to become a valuable asset to the workplace. Most learned a trade or were schooled in farming, the same way Milton was taught when he was a child. While all these practices led his workers to be extremely thankful toward their boss, it was his actions twenty years later that created a fierce loyalty within his employees that still remains today.

The stock market crash of 1929 brought a period of gloom on the entire nation. The Great Depression saw the demise of many businesses as well as the destruction of many towns and marketplaces. Hershey however stood undaunted through the trouble. Even though the company was losing money, Milton Hershey refused to lay off workers. In fact, Mr. Hershey created jobs to employ other people who were out of work. He commissioned the building of homes, a community building, and two other works that became the jewels of the area. The Hotel Hershey and the Hershey theatre were built totally by out-of work employees who jumped at the chance to join the Hershey roster. He also had a sixteen thousand seat stadium built, and created a tuition-free junior college for students of the school who graduated during the hard times of the depression. He single-handedly kept a part of the entire central Pennsylvania area afloat at a time when the rest of the country was distraught. For this reason, as well as all the other opportunities supplied by Mr. Hershey to his workers, there existed in the past, and still exists today an uncommon loyalty to the man and company who protected so many of their family members in the past.

Today, the company Milton S. Hershey founded over one hundred years ago has grown immensely. The small chocolate machine in a rented corner of a caramel factory
has grown to a large corporation with holdings in many countries. As I have mentioned before, this company has chosen a separate, unique path in the area of globalization, based largely on the loyalty that has been created by a man and his dreams. Many describe the process of globalization as taking a product or idea worldwide, as an attempt to become more profitable, or gain easier access to needed raw materials. Milton Hershey recognized the importance of a global marketplace, but as well as becoming more profitable or having easier access, he also noted it as a way to make life better for even more people. For instance, in 1916 Milton visited his mother in a small town in Cuba where she kept an apartment. There they agreed that he would be better off in producing his own sugar, than having to depend on unreliable suppliers from other Latin American countries. Often referred to as the Cuban Connection, Mr. Hershey built a factory and another town in fact, twenty miles to the east of Havana. There he supplied his formerly impoverished employees with electricity, running water and even wooden walkways so they would not have to walk to work in the mud. He brought in doctors and dentists and built a free school. He even planted trees along the streets and brought railroad service to the site. The town was given the name “Central Hershey.” For his efforts, he was presented the nation’s highest honor by the President of Cuba at the time Fulgencio Batista.

With the initiation of N.A.F.T.A. on January 1, 1994, an uneasy feeling was brought over the town of Hershey. However, Hershey Foods had already been operating jointly with Anderson, Clayton & Company since 1969 to produce chocolate and other candies in a factory near Mexico City. A new factory had been constructed outside Guadalajara in 1981. Many workers at the factory feared that many jobs would be lost,
and the company would choose to place more emphasis on the cheaper labor force residing in Mexico. Within a week rumors and speculation had spread that as many as 1000 jobs could be lost by placing more work at the Guadalajara plant. Many people expected that the situation in Hershey could escalate into the horror that was the eventual move of the nearby Bethlehem Steel factories to other parts of the world. Hershey workers, aware that wages they were receiving were as much as ten times that of what could be paid to workers in Mexico were kept uneasy by the thoughts of losing employment.

Hershey Foods, fully aware that new trade laws meant incredible profits could be made with the discounted labor force in Mexico and even Canada chose to throw a balanced attack at the situation. Instead of laying off a huge number of employees in the U.S., Hershey Foods executives chose to send a small group south of the border to train new Mexican workers, and specialize some manufacturing lines to better take advantage in areas where an advantage could be attained.18 Luckily, chocolate market conditions were favorable and layoffs at the plant in Hershey were kept to a minimum. Indeed, a study of the thirty five thousand jobs lost in Pennsylvania due to the N.A.F.T.A included no loss of positions from the Hershey Foods Corporation.19 In fact, a few years later, a new state of the art plant was constructed within walking distance of the old factory in Hershey, Pa. In the end, more jobs had been added at the Hershey Location of Hershey Foods Corporation since the introduction of N.A.F.T.A.

The first few years after the North American Free Trade Agreement held great things for Hershey Foods and its subsidiaries. In 1996, Hershey Foods purchased Leaf North America, a competitor in the candy market whose products included Jolly
Ranchers, Milk Duds and Pay Day candy bars. Also that same year Hershey modernized and added to its plants in Virginia and Connecticut.\(^{20}\) The year was so profitable in fact, that a stock option program was created that allowed eligible employees a once in a lifetime chance to purchase one hundred shares of stock each. According to the 1996 Annual Report, two years after the implementation of N.A.F.T.A. Hershey Foods stock had risen thirty-five percent, some fifteen percent above that of the S&P 500.\(^{21}\) Sales for the year grew by eight percent to almost four billion dollars.\(^{22}\)

The next year saw the same growth. Sales increased again by nearly eight percent, to 4.3 billion dollars. Net income reached almost four hundred million dollars.\(^{23}\) Unemployment numbers in Dauphin County, where the plant resides, were relatively unchanged for the year, varying only a small amount.\(^{24}\) From 1994 to 2000, keystone research.com reported that just over one hundred six thousand jobs were lost in Pennsylvania due to implications from N.A.F.T.A.\(^{25}\) However the numbers from Derry Township itself show that Hershey Foods had little or no impact on these figures.\(^{26}\) While the last years of the 20\(^{th}\) century held uncertainty for many large corporations, Hershey Foods moved ahead with its plans to become the leader in confectionary products in the United States. With the purchase of the San Giorgio pasta line, the company also saw itself move to the forefront of the branded pasta industry.

Globalization clearly has been kind to both the residents of Hershey, Pennsylvania and its namesakes company. Early in the last decade of the 20\(^{th}\) century Hershey Foods North America created a separate division named Hershey International. As of the year 2000, Hershey International was involved in operations in approximately fifty countries including Latin America, China, The Middle East and Australia.\(^{27}\)
The series of events that influenced my thoughts the most about the control the people of the Hershey community have on Hershey Foods were initiated in early 2002. The proposed sale of the Hershey Foods stock held by the Milton Hershey School Trust brought about a local uproar the likes of which no one expected. When news of the sale, and its likely bidders reached the twelve thousand inhabitants of the small town, outrage was the only word to describe the situation. W.M. Wrigley and Co., the famous chewing gum manufacturer, Nestle of Switzerland and Cadbury Schweppes of England became the front runners for the sale which was rumored at the time to be approaching twelve billion dollars. While Hershey Foods employs only 6,200 people at its operations in Hershey, USA Today reported that the political firestorm, opposition rallies and protest signs dotting thousands of the surrounding lawns in the central Pennsylvania community encircling the factory seemed to have enlisted virtually every one of the almost 23,000 residents in the area. It was intolerable to the people of the community that the much beloved company be portioned off to the highest bidder.

Although many in the business field noted that the Hershey Trust was indeed doing the right thing to protect its trust, which has grown to more than 5.9 billion dollars. The selling of the Trusts thirty one percent of Hershey Foods stock, and seventy seven percent of voting rights was from the beginning considered unacceptable by many. In a rally set up only 3 days in advance, over 2,500 people showed up on the lawns of the Milton Hershey School to protest the Trust’s sale of its Hershey stock. However, as former Hershey Foods CEO Richard Zimmerman put it, “We (the community) have very few arrows in our quiver.” Represented at the rally, along with the former CEO, were representatives of the Local Chocolate Workers Union, former
Trust members, and hundreds of graduates of the school itself. Their message was simple and to the point. It was not the goal of Milton S. Hershey to make money where money could be made. He was a generous man who gave people what they needed, and lived modestly, enjoying very little of the life that he could have provided for himself. If he were alive today, he would scoff at the idea of selling off the remaining part of his beloved company to the highest bidder. Not only to protect its legacy, but more importantly, to protect all the employees and people of the town who he cared so much for.

As news of the sale spread further into central Pennsylvania, the community gained more supporters. A month into the proposed auction of its assets, the Milton Hershey School Trust found itself the subject of front page stories not only on local newspapers, but many regional publications, such as the Harrisburg Patriot, Lancaster New Era, and York Dispatch. Fortunately for the persons who wished the Company to remain independent, the stories caught the attention of Pennsylvania State Attorney General Mark Fisher. Embedded in a race for the vacated gubernatorial seat, Fisher saw an opportunity to raise awareness of him by using his power over trusts to try and block the sale of the Trust’s stock. On September 4th, 2002 Judge Warren Morgan, of the Dauphin County Orphans Court, which oversees trust issues, granted the protestors an injunction to block the sale until sufficient research had been conducted to consider the possible consequences on the town. In short, the protestors, with the help of the attorney general had struck a nerve with the Judge, who agreed to step in. Fisher exited the hearing to the cheers of several hundred supporters. Further complicating the matters,
and unbeknownst to many of the Hershey supporters, Hershey Foods Corporation was incorporated in Delaware.

Less than a month later, sighting no other real reason than the feelings of the community, the trust pulled its shares off the market. While the community rejoiced at another victory for the “little guy” the company experienced a sharp decline in stock prices. While the stock rose twenty five percent at the beginning of the sale process to $78.30 it dropped swiftly when news of the failure came down. Although the company endures its occasional union labor woes it continues to be held in high regard around the area as a respectful employer focused on the happiness of its employees.

Recently, Hershey Foods Corporation has found other ways to continue to be a player in the global marketplace. For example, in partnership with a Latin American pop idol, Thalia Thalia Sodi, Hershey Foods North America plans to launch an advertising campaign to blanket Spanish-speaking radio and television. Hershey International continues to play a small but important role in the mainly U.S. funded company. By choosing to embrace the world market with open hands in the past, Hershey foods has opened the door to many possibilities that other strictly U.S. based companies are forced to do without. Under the guidance of great CEO’s like William Dearden, who was himself a graduate of the Milton Hershey school the company anticipated the global market, and took advantage of ideas and practices where it could, but only if the main operation in Hershey would not be harmed. Whether out of respect for Milton S. Hershey himself, or the people of the Hershey community, the company has refused to be caught up in the situations that have forced other companies to vacate their hometown operations.
As is evident to anyone willing to visit the town of Hershey, either for the thrills of Hershey Park, or the serenity of the Hershey Gardens, the chocolate factory is noticeably entwined with all parts of life. Even unfortunate trips to the Milton S. Hershey Medical center, created with a fifty million dollar grant to the Pennsylvania State University, will remind visitors of who is ultimately responsible for their well-being. A trip down main street, with its immense hanging baskets of flowers and Hershey Kiss shaped street lights remind you that are somewhere where the normal rules of business and community have taken a different shape. Police cruisers are adorned with pictures of the chocolate factory and images of the street signs at the intersection of Cocoa and Chocolate Avenues, therefore a run in with local law enforcement might also remind one that he or she is in the sweetest place on earth.

In a way, the people living in and around Hershey, Pennsylvania have played a large part in shaping how the company will move into the future where a larger global perspective will undoubtedly be the case. As it turns out, the Hershey Trust will have to seek other ways in which to diversify its holdings, and the company itself has learned a valuable lesson about its workers and their feelings toward “their” company. Still today many other companies look to Hershey Foods as a company that has transitioned from a strictly U.S. marketed company to one with a foot in the proverbial door of the growing world economy.
1. Hershey Community Archives. 4 April 2004
   <http://www.hersheyarchives.org/part1/lancastercc/fhfood.html>


3. Ibid.

4. Ibid.


6. Hershey Community Archives. 4 April 2004
   <http://www.hersheyarchives.org/part1/lancastercc/fhfood.html>

7. Ibid.

8. Ibid.

9. Ibid.

10. Ibid.

11. Ibid.

12. Ibid.

13. Hershey Community Archives. 4 April 2004
    <http://www.hersheyarchives.org/part1/lancastercc/fhfood.html>

14. Ibid.

15. Ibid.

16. Ibid.

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    <http://www.jwj.org/global/FTAA01/PA.pdf>


21. Ibid.

22. Ibid.

24. Pennsylvania Department of Public Welfare. CCRD County Profile: Dauphin County 2 April 2004

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33. “Hershey was a sweet target stuck in bitter controversy.” Mergers and Acquisitions 37:10 pg. 16
   <http://proquest.umi.com/pqdweb?index=1&did=00000021264901&SrcMode=1&Fmt=3&VInst=PROD&VType=PQD&RQT=309&VName=PQD&TS=1081873277&clientld=55284>

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36. Ives, Nat. “Hershey for the first time, turns to a celebrity to market to Hispanics.” The New York Times. 9 April 2004
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37. Hershey Community Archives. 4 April 2004
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