

The sweetness of success

The Distribution Business Management Association names Hershey the 2010 winner of the Circle of Excellence Award

By Michael Schwartz

When it's 85 and sunny on an April day in Pennsylvania, most people could be excused for wanting to leave the office. When you're working at The Hershey Co., staying in can be just as warm.

"We have a passionate employee base," said Jason Reiman, Hershey's vice president of global customer service/planning and logistics. "There's a very strong sense of wanting to protect what's been built and ensuring it'll be around for years to come."

"It's much more than a job or a career," Reiman continued. "I love this place. You feel like you're part of something bigger."

For 14 years, Reiman has worked at the chocolate company, nestled in the rolling hills of south-central Pennsylvania. He talked about Hershey, and its founder, Milton Hershey, in respectful terms.

"Everyone is passionate and engaged," he said. "Not just because of quality products, but a higher purpose, part of the aura created by Milton Hershey himself."

Founded in 1894, The Hershey Co. employs more than 13,000 people and posted a profit of \$436 million in 2009. At 2 million square feet, its Hershey, Pa. chocolate factory stands as the world's largest. It also operates plants in Canada, Mexico Brazil,

China and India, and sells its wares in more than 90 countries.

The Hershey Company takes great pride in their supply chain profile. "We generate over 170,000 outbound finished goods refrigerated truckloads per year and our inbound freight is made up of approximately 27,000 truckloads of commodities and packaging materials," said Bill Leonard, director of supply chain strategy at Hershey. With eleven plants worldwide, The Hershey Company is proud to produce 80 million Hershey Kisses daily and believe they have the recipe for success in regards to their supply chain management.

BEYOND THE HERSHEY COMPANY

The Hershey Company has always been known for its exceptional community outreach programs. This dedication to giving back to the community began over 100 years ago with its founder, Milton Hershey.

Milton Hershey's work lives on through not just The Hershey Co., but also the Hershey Trust, which oversees the Milton Hershey School, established in 1909. Its mission remains unchanged: Provide a world-class education for underprivileged students. Hershey bequeathed almost his entire fortune to the school, which today has an enrollment of almost 2,000 students and an endowment of nearly \$8 billion.

In 1963, the same foundation that administers the school's funds contributed \$50 million to Penn State University to build a medical school and teaching hospital in Hershey, Pa. In 2008, The Penn State Milton S. Hershey Medical Center treated almost a million patients at the hospital and outpatient clinics operated by the Center.

Hershey partnered with Nestle, Godiva, Kraft and dozens of others to form the World Cocoa Foundation in 2000. The non-profit WCF aims to promote "social and economic development as well as environmental stewardship in cocoa-growing communities," according to its mission statement. About 50 million people around the world earn their living from cocoa farming, often in the politically unstable countries that line the equator and provide the only environment suitable to cocoa cultivation.

A RESPONSIBILITY TO TOMORROW TODAY

Hershey has distilled its belief in a moral imperative to use its resources for good: "Building on Milton Hershey's legacy of commitment to consumers, communities and children, we provide high-quality Hershey products while conducting our business in a socially responsible and environmentally sustainable manner."

Focusing on environment, community, marketplace and workplace, Hershey's corporate-social responsibility strategies range from modest to bold. For example, the firm encourages employee volunteerism. It has also built a recycling plant in the town of Hershey that reclaims more than 80 million pounds of would-be trash annually.

Its Hazelton, Pa. plant uses a system that captures methane from wastewater, which it then burns, providing 65 percent of the site's energy needs. In Hilo, Hawaii, the Hershey factory has found a novel source of power: burning macadamia nut shells.

Focused and applied research has led the company to use 4.5 million fewer pounds of packaging than it did just several years ago, demonstrating the potential harmony between financially and environmentally prudent practices.

Hershey has also analyzed its shipping costs as part of what it dubbed "Project Overdrive." Bill Leonard, Hershey's director of supply chain strategy, described the effort as part of a "bigger focus on continuous improvement."

Following "Overdrive," Hershey reduced its number of empty-truck miles 17 percent, equivalent to circumnavigating the globe 287 times. This increased efficiency also kept 28 million pounds of carbon dioxide out of the atmosphere, roughly the carbon footprint of 1,800 homes per year.

The company has also introduced another climate-friendly measure, installing new, energy-efficient lighting in its distribution center. The dollar savings will vary with the price of electricity, but the power- and carbon-savings figures are absolute: The center uses 26 million kilowatt hours less electricity annually, amounting to a 27 million pound reduction in CO2 emissions (roughly the amount produced by 2,341 cars).

THE CIRCLE OF EXCELLENCE AWARD

Corporate-social responsibility is a cornerstone of Hershey's governing philosophy, and the firm strives to help the neediest, both at home and abroad.

Because the Hershey Co.'s standard operating procedure demands not just profit, but beneficence; because its commitment to the values espoused by its founder, Milton Hershey, has never wavered – and, we suspect, never will – the Distribution Business Management Association is awarding the 2010 Circle of Excellence Award to the Hershey Co.

Since its founding, DBMA has sought to celebrate those companies that thrive by recognizing a dual

bottom line: profit for the business and for the world that allows that business to flourish.

The Circle of Excellence Award honors those firms whose practices make them sleek, efficient and responsible. Business is not charity, and private gains need not also be public ones. However, companies such as Hershey demonstrate that private and public interests are not mutually exclusive, but complimentary: Effect positive change for all and reap the rewards of a robust marketplace.

Said Hershey's Bill Leonard, "How did we feel about winning? Honored, proud. It feels good to be part of an award winning group of other leading, very respectable companies."

"It's a big milestone for us," Leonard continued. "It shows that programs we've put in place are working, and it's extremely gratifying to build upon the Milton Hershey culture and heritage, to execute his vision.

"What more could you ask for?" Leonard asked. DBMJ can't think of a single thing.