**Tootsie Roll Industries, Inc.**

America’s original penny candy, the Tootsie Roll, celebrated its 110th birthday in 2006. Despite its long history, the famous Tootsie Roll (named for company founder Leo Hirschfield’s five-year-old daughter) still looks today very much like it did when it first appeared in candy stores, and the cost is still just a penny a piece. At that price, Chicago-based Tootsie Roll Industries (TRI) must surely sell a lot of candy to generate annual sales of over $487 million—and they do. TRI, also the world’s largest lollipop producer, makes more than 60 million Tootsie Rolls and 20 million Tootsie Pops per day.

TRI management encourages an open organization where employees confront and resolve conflicts, and a culture where business thrives on skilled negotiating with business partners, competitors, and even the government.

In the 1990s, TRI president Ellen Gordon negotiated with city officials in Chicago to secure an urban enterprise zone around the company’s headquarters on the city’s South Side. The agreement offers area businesses tax incentives. Chicago also offered TRI a low-interest loan to buy the plant it was leasing and $200,000 in job-training funds.

Since TRI employs union workers, its hundreds of middle-income jobs were valuable to Chicago’s economy. For its part, Tootsie Roll Industries agreed to open a loan fund for employees who wanted to buy homes in Chicago and to add about two hundred more jobs by the end of the decade.

**Communication Top-Down and Across the Organization**

Even with operations in Massachusetts, Tennessee, Wisconsin, Mexico, and Canada, Tootsie Roll Industries employs fewer than two thousand workers. The basic corporate structure is traditional. Departmental staff report to department directors who report to TRI vice presidents. Corporate VPs report to president and COO Ellen Gordon and to chairman and CEO Melvin Gordon.

TRI complements its top-down structure by encouraging accessibility and teamwork as keys to successful communication. Employees are invited to learn more about how other departments work by sitting in on their meetings, offering their viewpoints, or simply observing. Employees initiate frequent, impromptu meetings in the workplace, a function of TRI’s “open-door policy.”

Employees from different departments work in cross-functional teams to solve problems and to come up with business ideas. For example, employees from research and development, finance, marketing, manufacturing, and purchasing team up to analyze the feasibility of introducing a new product.

By cross-training, TRI workers learn different aspects of the business, broaden the range of creative solutions to business problems, and increase team members’ sensitivity to the implications a proposed action might have on other business functions. The go/no-go decisions made on proposed new products or business ventures at TRI are thoroughly informed and well thought out.

**Building Negotiating Skill**

The flexibility reflected in Tootsie Roll’s internal communication is equally important—but more strategic—in its negotiations with suppliers. The company requests bids from suppliers, indicating exact specifications for ingredients and for quality. TRI negotiates with potential suppliers to obtain the best balance between high quality and low price within these specifications. Even after suppliers are chosen, negotiation continues as part of the business relationship.

More than fifty years ago, Tootsie Roll Industries began to explore foreign markets. It opened a subsidiary in Mexico in the late 1960s. Encouraged by Mexico’s warm reception to “Tutsi,” TRI opened a branch in Canada in the early 1970s.

Negotiating skills have proven pivotal to the growth of Tootsie Roll Industries. TRI has expanded its sales revenue not only by expanding its own product line, but also by acquiring established candy companies. In 1972, TRI purchased the Mason Division of Candy Corporation of America, adding well-known brands such as Mason Mints to the product line. In 1985, TRI bought Cella’s Confections, makers of chocolate-covered cherries. In 1988, TRI acquired the Charms Company, thereby becoming the world’s largest lollipop producer. TRI’s purchase of the chocolate and caramel brands of Warner-Lambert Company in 1993 increased TRI’s business by 20 percent and added such well-known brands as Junior Mints, Sugar Daddy, Sugar Babies, and Charleston Chew to the product line. Concord Confections of Toronto, which in 2004 became its latest acquisition, has now given TRI market leadership in the bubble-gum category with the popular Dubble Bubble brand. When looking at an acquisition, TRI management meets over time with the other company’s management or parent company. At successive meetings, opportunities and risks for both parties are debated and discussed. The ability of Tootsie Roll Industries and the representatives of the potential acquisition to resolve their conflicts and to negotiate to their mutual satisfaction makes or breaks the deal.

**QUESTIONS FOR CRITICAL THINKING**

1. How does Tootsie Roll Industries communicate its values to suppliers and employees?

2. What communication techniques demonstrate the company’s flexibility?

3. How do cross-functional teams benefit Tootsie Roll Industries?

4. Why are effective negotiating skills vital to TRI’s expansion?

5. Why does Tootsie Roll Industries discuss the benefits and problems entailed by the deal during acquisition negotiations?