

THE CONSTITUTION OF BABBITT RANCHES KEEPS FAMILY BUSINESS FOCUSED

A study done by Harvard University senior lecturer Howard John Davis concludes that many family businesses that have survived for three or more generations need some formal governance structures for the family to remain united and committed to the business. Generally this includes a document with a family mission and value statement, and often is referred to as a family constitution.

Babbitt Ranches has discovered this as well. In fact, *The Constitution of Babbitt Ranches*, signed by shareholders last fall, is a document that evolved over time.

"*The Constitution of Babbitt Ranches* was created over 10 or more years with input from shareholders and a lot of buy-in. As the pieces came together, it captured the values and beliefs that the company was founded on and helps younger generations understand what the business was all about," said family business consultant Dr. Lisa Majure, Northern Arizona University College of Business associate finance professor. "It also offers guiding principles

for every decision the company considers."

For example, Majure says, the Babbitt Ranches' principle of a Multiple Bottom Line describes a business that is not just concerned about profit. "The Babbitts have expressed a commitment to multiple goals including a strong community focus and a strong environmental conservation focus."

Babbitt Ranches shareholder Bobby D'Mura describes the constitution as a three-legged stool. "You have to get all the parts working together," he said. "When you own that much land, you have a responsibility. You get out of something what you put into it."

Shareholder Susan Babbitt describes business decisions as having a pebble-in-the-pond ripple effect. "The constitution helps 1) identify the multiple areas affected by our decisions; 2) document principles for future generations; and 3) provide structure for the way we do business."

Majure says research has found a pattern to family businesses. The first generation is made up

of entrepreneurs. The second generation includes the people who witnessed their parents' excitement and entrepreneurial spirit, and follow in their footsteps to further develop the company. Members of the third generation don't experience any of the original enthusiasm; yet, they inherit what was handed down to them. At that point, some family members feel a sense of loss and hold on tight to family values. Others want to liquidate and seek other opportunities.

In the late '80s, Babbitt Brothers Trading Co. experienced this kind of internal struggle. Some of the businesses were liquidated to buy out stockholders. "The company was like a rudderless ship," recalls D'Mura. "We needed a guiding philosophy to define where to go."

This internal struggle led to the creation of the constitution.

"The value was not just in the constitution, but the thinking that went into it," said shareholder Joe Sharber. "It is a tool to guide and direct, and it allows us to think about what we are doing and why we are doing it rather than to react emotionally."

Excerpts from *The Constitution of Babbitt Ranches* are included throughout the *Babbitt Times Review*.

BR

Espee's Healthy Ecosystem gives Ferrets a Chance

Twice in the last century, researchers had concluded that the world had seen the last of the black-footed ferret. Twice, researchers have been wrong. Today, wildlife biologists are working to make sure that conclusion is not reached again. The Espee Ranch could be key in the survival efforts for one of the most endangered mammals in North America.

Since October, the Espee Ranch has become home to perhaps as many as 44 of these rare ferrets. They're here because wildlife biologists consider the ranch to be one of the most intact prairie dog ecosystems remaining in the Southwest. Prairie dogs are the primary prey of black-footed ferrets. They also create burrows that ferrets share.

"The Espee Ranch is a very special place," said Arizona Game and Fish Department Black-footed Ferret Program Coordinator Carrie King. "Gunnison's prairie dog is a keystone species. If you remove this species you'll have a collapse of other species such as raptors, hawks, eagles, coyotes, rabbits and foxes."

King says there are some 25 active prairie dog burrows per hectare, or about two-and-a-half acres, across some 18,000 acres of the Espee Ranch. "These colonies are a sign of a healthy ecosystem. Prairie dogs



Fifteen more black-footed ferrets are expected to be released on the Espee Ranch next spring.

dig burrows that benefit burrowing owls, reptiles, insects, amphibians and ferrets. In addition, the burrows increase the percolation of water and aerate the soil. This leads to an increase in plant diversity."



Spotlight search of the ferrets in December found only six of the reclusive, nocturnal creatures; however, King says she suspects they are doing well as the prairie dog colonies appear to be

intact and thriving.

Another release is being planned for spring when 15 pregnant female ferrets will be released in the same area. The event is being timed to coincide with the birth of prairie dog pups, important prey for the ferret moms and kits.

"The people of Babbitt Ranches have been incredibly supportive and interested in this project," said King. "We're hoping to coordinate a spotlighting effort for the Babbitts

Ranches community next spring so they can get out to see the ferrets and release the pregnant females."

The Espee Ranch is the second reintroduction site in Arizona and 15th in the nation.

BR

Article VIII Equity Model Fundamentals

Family Business is a business in which business and relationships have a significant impact on each other. There is a deep sensitivity and understanding of the fact that decisions are often a compromise between family and business.



Babbitt Ranches

shareholder Bobby D'Mura describes the constitution as a three-legged stool. "You have to get all the parts working together," he said. "When you own that much land, you have a responsibility. You get out of something what you put into it."

Shareholder Susan Babbitt describes business decisions as having a pebble-in-the-pond ripple effect. "The constitution helps 1) identify the multiple areas affected by our decisions; 2) document principles for future generations; and 3) provide structure for the way we do business."

Majure says research has found a pattern to family businesses. The first generation is made up

of entrepreneurs. The second generation includes the people who witnessed their parents' excitement and entrepreneurial spirit, and follow in their footsteps to further develop the company. Members of the third generation don't experience any of the original enthusiasm; yet, they inherit what was handed down to them. At that point, some family members feel a sense of loss and hold on tight to family values. Others want to liquidate and seek other opportunities.

This internal struggle led to the creation of the constitution.

"The value was not just in the constitution, but the thinking that went into it," said shareholder Joe Sharber. "It is a tool to guide and direct, and it allows us to think about what we are doing and why we are doing it rather than to react emotionally."

Excerpts from *The Constitution of Babbitt Ranches* are included throughout the *Babbitt Times Review*.



BR

Article V A Land Ethic Section 5.

A thing is right when it tends to preserve the integrity, stability and beauty of the biotic community. It is wrong when it tends otherwise.



Ranches community next spring so they can get out to see the ferrets and release the pregnant females."

The Espee Ranch is the second reintroduction site in Arizona and 15th in the nation.

BR



This historic photo captures Babbitt Ranches' shipping pens in the early years.