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JOURNAL OF RURAL COOPERATION



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International Research Centre on Rural Cooperative Communities
המרכז הבינלאומי לחקר קהילות כפריות שיתופיות

CIRCOM

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The purpose of the Centre is to provide a framework for investigations and research on problems concerning rural cooperative communities and publication of the results, to coordinate the exchange of information on current research projects and published works, and to encourage the organization of symposia on the problems of cooperative rural communities, as well as the exchange of experts between different countries.

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3. CURRENT INFORMATION

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Entrepreneurship in the Kibbutz Setting: Towards A Classification of New Business Ventures*

by

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Abstract

This study deals with business entrepreneurship in the kibbutz. The study presents an attempt to identify what kinds of new business ventures emerge in the kibbutz setting. The empirical findings reveal a large number and variety of new business ventures characterizing the business trend in the kibbutz nowadays. More specifically, this paper presents a taxonomy of new business ventures, based upon a sample of 571 enterprises initiated by 150 community organizations of the kibbutz movement in Israel. By means of 8 parameters and using the multidimensional scaling analysis method, 7 major types of corporate entrepreneurship emerge from our data set. These distinctive types are labeled and described as the *Innovator*, the *Culturalist*, the *Artisan*, the *Entertainer*, the *Consultant*, the *Tender*, and the *Housekeeper* types. By and large, the pattern of entrepreneurship in the kibbutz is rather conservative, reflecting low-risk and conventional kinds of business.

Introduction

Both scientists and practitioners nowadays consider entrepreneurship an effective means of business growth, diversification and innovation. More recently, corporate entrepreneurship serves as a means of organizational survival, mainly for those facing severe problems or those that undergo profound crisis. Organizations in this state tend to initiate new business ventures, either alone or with some partners. Entrepreneurial strategies, however, are increasingly adopted by successful corporations as well (*e.g.*,

*An earlier version of this paper was presented at the 54th Annual Meeting of the American Sociological Association, August 1998, Chicago, IL, USA.

AT&T). During the last years also non-profit-organizations located in the third sector of society engage in entrepreneurial undertakings. Defense industries all over the world present a well-known example of this trend. Thus, entrepreneurship is part of the larger context of organizational change.

The concept of corporate entrepreneurship focuses on the organizational level of analysis, instead of the individual one. It also raises sociological questions instead of psychological ones.

The Israeli kibbutz enables us to study the phenomenon of corporate entrepreneurship from an unconventional perspective. Kibbutz entrepreneurship refers to activities aimed at initiation and implementation of new business ventures within a kibbutz. In order to better understand its causes and consequences it is necessary to define the concept of entrepreneurship in measurable terms and to identify its various kinds in a systematic scheme. Once such measures are available, they can be used for the construction of taxonomies of entrepreneurial initiatives. The taxonomy may then serve for explaining what forms are likely to emerge under different conditions. The present study is an attempt to identify what kinds of new business ventures emerge in the kibbutz setting. The kibbutz, as a community organization, presents economic and societal conditions that differ from "ordinary" business organizations. Are kibbutz ventures therefore significantly different from "ordinary" ventures?

Gartner *et al.* (1989) proposed a taxonomy classifying new ventures. The present paper presents another step towards classifying new ventures into distinctive types. Our taxonomy differs from the one developed by Gartner and his associates. The primary difference lies in the set of parameters included in the two taxonomies. Ours describes new ventures by means of their organizational features exclusively, irrespective of individual characteristics of the entrepreneurs. This approach reflects the view of organizations as socio-economic entities – separate from their founders, owners or participants.

Defining parameters

The literature presents quite a few definitions of entrepreneurship (*e.g.*, Cole, 1968; Covin and Slevin, 1989; Gartner, 1985; Low and MacMillan, 1988; Miller and Friesen, 1985; Schumpeter, 1934; Stevenson, 1989). Following the view of Low and MacMillan, "entrepreneurship can be defined as the creation of new enterprise" (1988:141). As a process, entrepreneurship is applicable to organizations of all sizes and types (Brandt, 1986). Corporate entrepreneurship, therefore, represents one kind of the wider phenomenon; that is, the creation of a new enterprise by an existing organization. The new venture may or may not operate inside the parent organization's boundaries.

To construct any kind of classification it is first necessary to select a set of criteria that can distinguish between different forms of entrepreneurship.

In the literature on organizations certain variables are commonly used as defining organizational characteristics. As we treat new business ventures as organizational entities, the following set of parameters can be considered for the purpose of delineating the profile of any new enterprise. These parameters are “objective” in the sense that they describe the new ventures and do not refer to attitudes, motives or traits of the entrepreneurs:

1. **Industry.** This characteristic defines the socio-economic fields within which new enterprises are embedded. This classification consists of Agriculture, Manufacturing, Maintenance, Commerce, Tourism, Business and Financial Services, Education, etc.;
2. **Task.** This parameter determines whether a given enterprise primarily deals with objects, people, or data;
3. **Technology.** Following Perrow (1970), this measure presents a scale of technological sophistication. This concept was adopted here for the classification of new enterprises in the kibbutz context. Thus, roughly three degrees of complexity were applied in the present study to determine level of technology;
4. **Knowledge.** This variable indicates the extent that the human resource of a new enterprise – mainly its technical core – consists of knowledge-intensive (*i.e.*, professional, semi-professional) or labor-intensive (unskilled, semi-skilled) participants;
5. **Capital.** This measure estimates the amount of investment needed in the initiation of a new enterprise – namely, the extent that an enterprise is capital-intensive;
6. **Infrastructure.** This characteristic of a new business enterprise determines whether it represents a commercial application of available infrastructure (*i.e.*, land, installation, equipment, expertise) for profit purposes;
7. **Size.** This indicator of enterprises is frequently defined in organizational studies by the number of participants (*e.g.*, employees, members). When considering start-ups or new ventures, those numbers are rather small at the initial stages;
8. **Novelty.** This parameter indicates the extent that a new business venture displays an innovative attempt, such as a product, a service, a technology, or a process. To determine level of novelty, a novelty scale may be used as follows: (a) Global – the first in the world; (b) National – the first in the country; (c) Local – the first one in the specific industry or market; (d) Organizational – the first one initiated by the local enterprise; (e) Conventional – replication of

similarly existing products, services, technologies, or processes in the business enterprises under consideration.

With this series of selected variables at hand, characterization of any new business venture reflects a specific configuration of those parameters. Therefore, any attempt at attaining a systematic and parsimonious classification will lead to a multidimensional taxonomy of entrepreneurship. Since a priori possible configurations are too large to be practicable, it seems more useful to derive a small set of distinctive entrepreneurial types, based upon statistical analysis of empirical data.

The study

Context

The study concentrates on the unique socio-economic phenomenon, called kibbutz in Israel. The kibbutz (kibbutzim in plural) is a voluntary society, based upon a democratic system. It maintains a separation between individual contribution to the wealth of the community and one's quantity and quality receipt of inducements. Individuals and families receive inducements mainly in the form of goods and services (*e.g.*, housing, food, education and health services) as well as in personal monetary budgets. Private property is not allowed. Members who work outside the kibbutz transfer their earnings to the common account. Thus success or failure is attributed to the entire community of the kibbutz as a whole and shared by its members collectively (Helman, 1992). All kibbutzim are rural in their life style. With the passing of time, many of them established industrial factories to offset the shrinking profitability of agricultural produce and to expand job options of their members. A kibbutz is both a cohesive community and a sort of business organization. It maintains a specific set of binding values and strict norms. At the same time, each kibbutz produces and sales various tangibles to the market, like any other business enterprise. Since these two sides of the kibbutz are tightly interwoven, it may be considered to represent a community organization.

During the last decade, most of the kibbutzim have been undergoing a phase of social and economic crisis. Data show "...the absolute decline in per capita gross product of the kibbutzim from¹ NIS 30,681 in 1982 to NIS 23,971 in 1989, a reduction of 27.9 percent. ... During the 'recovery' 1989–1994 period, the per capita gross product increased at a somewhat higher rate than that of the country (10.2 percent in the kibbutz as against 9.5 percent in Israel)" (Kroll and Polovin, 1997:25). The analysis of the reasons for the crisis of this astonishing successful social-economic experiment is beyond the scope of the present article.

In the light of heavy debts, exit of younger members, weakening of social bonds within the communities, as well as decline of the social status of the kibbutz in

¹\$US 1 = 2.413 NIS (average for the years 1981–1994).

Israel, far reaching changes became unavoidable. Topel (2000) even states that members see themselves facing existential danger and therefore the demand for change is constantly increasing. Helman (1994) argues that change programs in the kibbutz lead to decrease in the level of communality. One basic ingredient of this communality is the idea of mutual guarantee at its various levels. At the kibbutz level, the concept of mutual guarantee expresses the community's responsibility to provide members with occupation, maintenance and livelihood. The kibbutz has to provide occupation to all its members, including the elderly, those who lack professional education, those who no longer work in the traditional industrial and agricultural branches, etc. At the same time the kibbutz is progressing towards separating business from community, establishing boards of directors (Helman, 1994) and transforming branches into profit centers (Heilbrunn, 1999). In response to these trends the kibbutzim have launched numerous entrepreneurial initiatives of various kinds during the 1990s. This study presents an empirically based classification of new business ventures initiated in the kibbutz movement during that period, and explains what forms are likely to develop under similar conditions.

Sample

The kibbutz movement in Israel today consists of 270 kibbutzim, populated by about 130,000 persons. These communities range in size from less than one hundred up to two thousand inhabitants. The total income of all the kibbutzim amounted in 1995 to approximately US\$5 billion.

The present study was conducted during the years 1986 and 1995 and is based on a randomly selected sample of 150 kibbutzim, representing 75 percent of the total. Of those 150 kibbutzim 15 had no new ventures at the time of the study. The remaining 135 kibbutzim established from 1 up to 18 new business ventures per kibbutz. Altogether, the sample of ventures consists of 571 new enterprises. Data for this study were collected by means of mail questionnaires, telephone calls, and personal visits. As a result, information about the starting date of every enterprise, its main task, its product or service and its number of employees, has been obtained.

Data

Statistical characterization of the 571 new ventures reveals the following trends:

1. **Industry.** Less than a quarter of the new ventures produces agricultural and/or industrial goods. Almost a third of them are engaged in commerce. Approximately 40 percent render a variety of personal, business and financial services. The reminder ventures deal with maintenance of machinery and equipment;
2. **Task.** Over 36 percent of the enterprises deal with object processing (*e.g.*, furniture); 51 percent of them do people processing (*e.g.*, education); and 12 percent of them process data mainly (*e.g.*, accounting);

3. **Technology.** The vast majority of those new ventures represent Perrow's (1970) variants of "routine technology". Over 11 percent represent "craft technology" levels, and only one per cent is "engineering and/or non-routine technology";
4. **Knowledge.** 58 percent of the enterprises employ mostly unskilled and semi-skilled workers (up to 12 years of schooling). Over 28 percent of them employ mainly technicians, artists and craft workers (12-15 years of education). The human resource of remaining 13 percent consists of professionals in various areas of expertise (carriers of academic degrees);
5. **Capital.** Considering local currency and cost of living, three quarters of the enterprises display relatively small investments (*e.g.*, clinics). 14 percent of the sample represent relatively moderate amounts of investment (*e.g.*, nurseries). Only 5 percent require relatively heavy investments to start up their business (*e.g.*, hotels);
6. **Infrastructure.** Approximately 38 percent of the enterprises of the sample are commercial applications of available infrastructure within their kibbutzim (*e.g.*, boarding schools). The majority of 62 percent represent new forms of business (*e.g.*, computer software products);
7. **Size.** In the present sample most of the start-ups are rather small ones, consisting of less than 15 employees on the average;
8. **Novelty.** Except for just a few cases the enterprises under study do not represent breakthroughs of any kind. Over 80 percent of them are either conventional business operations and organizational innovations (*e.g.*, restaurants, art galleries, design offices).

It is worth mentioning here that, as long as comparative data regarding organizations at large are unavailable, we cannot tell whether those statistical distributions are typical of those prevailing outside the kibbutz context.

Method

For the purpose of analyzing the data on the new business enterprises the method of Multidimensional Scaling (MDS) was chosen. This method is designed to analyze data according to their dissimilarity or similarity (Schiffman *et al.*, 1981). More specifically, we used the ALSCAL statistical procedure (Young and Harris, 1990). The MDS analyzes a distance-like set of objects according to their dissimilarity or similarity. Thus, MDS analyzes given data in a way that displays a geometrical space where the objects under study appear as scattered points. The points in this graphical presentation are arranged so that the distances between pairs of points have

the strongest possible relation to the similarities among pairs of objects (Young and Harris, 1990:397-398).

Thus, all the new ventures included in our sample are characterized as profiles. Each profile consists of six parameters, as specified above.² Identical profiles are grouped together into one kind of objects, and they are represented by one point in the multidimensional space. As a result, the entire data set was grouped into 45 points, representing from 1 up to 69 ventures each. The Appendix presents the complete list of those 45 groups and the number of ventures included in each group. This method of data reduction helps to overcome mathematical and technical difficulties generated by such a large number and variety of cases. Moreover, it enables us to have a much better view of the overall picture under study.

Findings

Figure 1 displays a map of two-dimensional space, representing the scattergram of the data. It indicates the relative location of the business ventures in our sample, as represented by 45 points (see Appendix). Note that the ALSCAL procedure locates the most dissimilar profiles in the most distant places – namely, at the two ends of the main diagonal. By the same principle, similar profiles of new ventures appear very close one to the other on that map. Inspection of this figure reveals, for example, that all the points located in the upper-right section of the two-dimensional space represent various kinds of new ventures engaged in professional services (*e.g.*, lawyers, architects, psychologists, dentists). Similarly, the lower half represents ventures utilizing the infra-structure of kibbutzim for commercial purposes.

Statistically, the proportion of variance of the scaled data (disparities) in the partition which is accounted for by their corresponding distances is $RSQ=.970$. The goodness of fit is indicated by Kruskal's Stress coefficient (.085), as well as by Guttman-Lingoes coefficient of Alienation (.121), respectively.

Figure 2 shows that the first dimension locates all the business enterprises according to the industry that they represent. The second dimension, on the other hand, locates those enterprises according to the knowledge levels of their work force. It is plausible interpretation, therefore, that one dimension of this space reflects the inputs and the second one reflects the outputs of entrepreneurial endeavors.

Finally, the dispersion of those points across the map leads us to depict several clusters, representing different types of corporate entrepreneurship, as displayed by Figure 3.

It should be stated here, however, that the aggregation of those points into certain clusters according to their proximity does not necessarily lead to a single solution. In the present study, the clustering procedure leads us to identify seven major types.

²Since the variances of two variables in this particular sample – size and novelty – were too small for multidimensional analysis, they were deleted in some statistical procedures.

Figure 1. Relative location of new ventures in a two-dimensional space

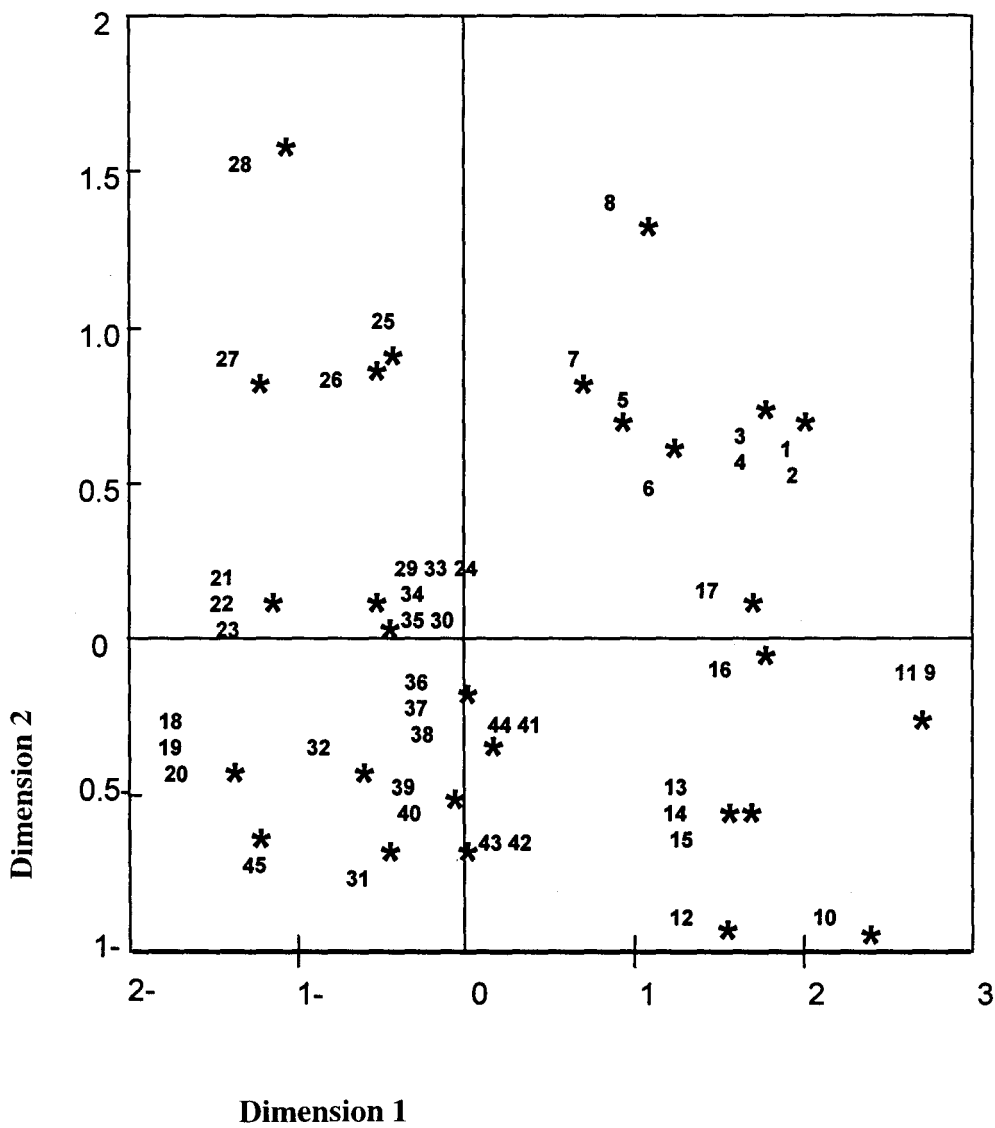


Figure 2. Partitioning of the space by industry and knowledge

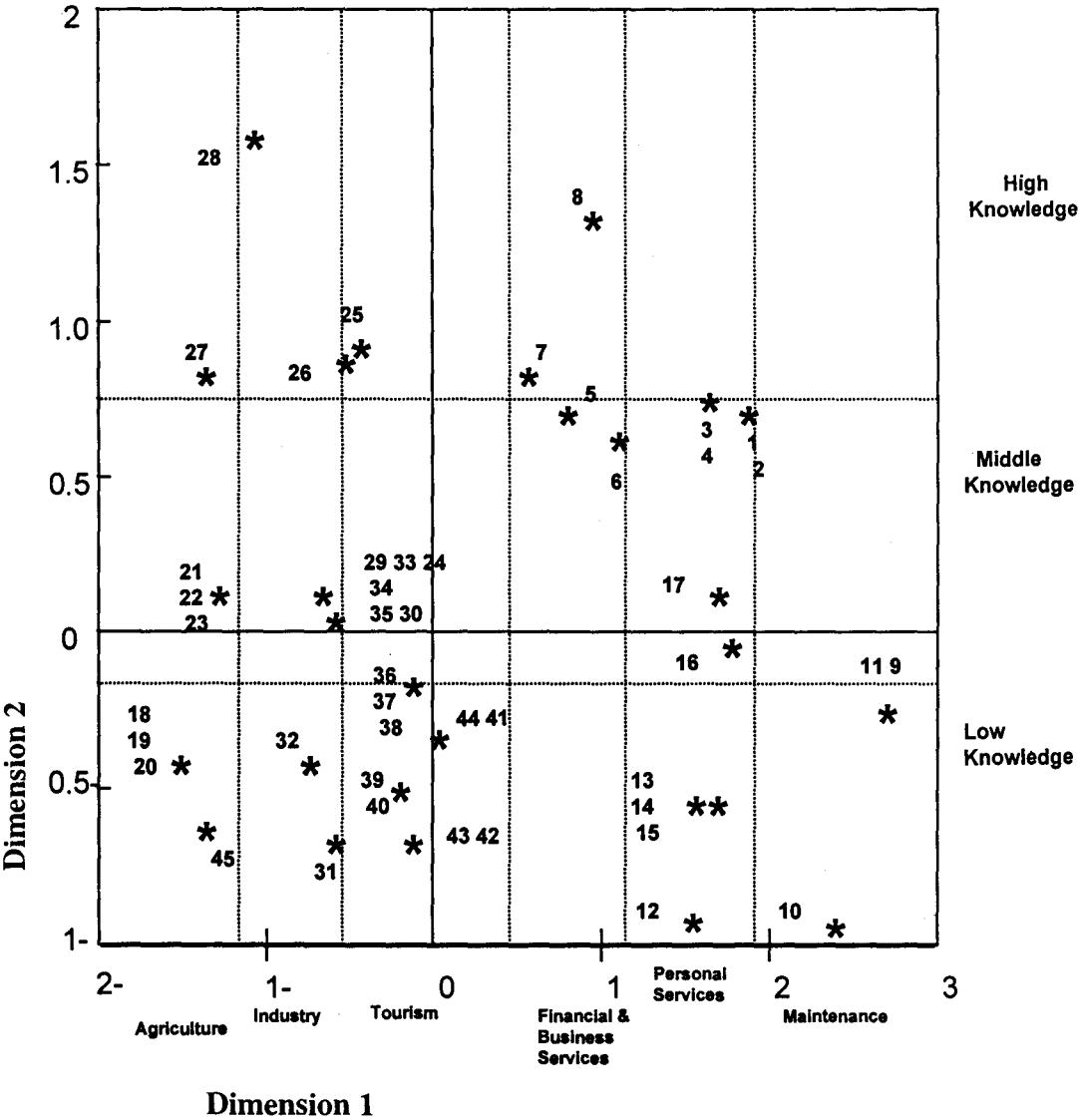


Figure 3. Clustering of new ventures by types

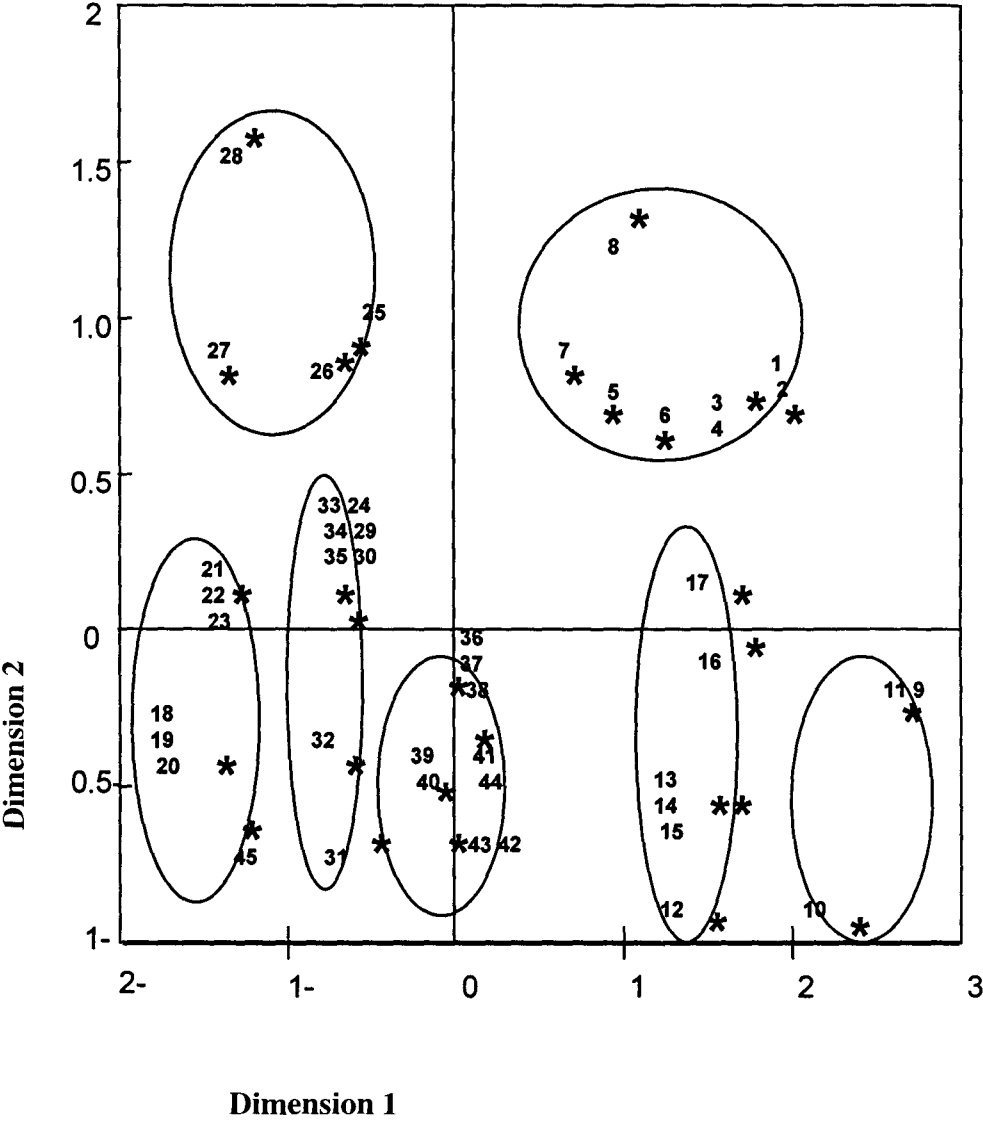


Table 1. Variable profiles of new ventures by types

Variables	Types						
	I	II	III	IV	V	VI	VII
Industry	Manufacturing	Agriculture	Manufacturing	Accommodation services	Financial, business & services	Personal services	Maintenance services
task	object	object	object	people	data	people	object
technology	high/middle	low	low	low	various levels	low	middle
knowledge	high	low	middle	low	high	various levels	low
capital	high/middle	middle	low	various levels	low	low	low
infrastructure	new endeavors	new endeavors	Various levels	new endeavors	new endeavors	old	old
size	various levels	various levels	various levels	various levels	various levels	various levels	various levels
novelty	national/local	organizational	organizational	organizational	organizational	organizational	organizational
Cases n=571	7	29	103	177	90	128	37

Each of the seven major types (Figure 3) represents from 7 up to 177 enterprises. The features of those types are specified in Table 1. Let us briefly describe and exemplify the types obtained by the MDS method of classification.

Type I: *The Innovator.* This type consists of ventures dealing with new product development that require high levels of knowledge, advanced technologies, and considerable amounts of capital investment. From the corporate viewpoint these business enterprises depart from the product lines of the parent organization. Thus they are essentially novel. New ventures like biotechnological laboratory, design of printed circuits, and development of electronic gadgets represent here the innovator type. Numerous entrepreneurial ventures of this kind may be easily found everywhere within a variety of corporations that are not primarily dedicated to innovation.

Type II: *The Culturalist.* Unlike traditional agriculture, this type represents ventures that nourish special plants and animals. Such ventures are likely to rise in rural areas where land and water as well as breeding experience are available. Therefore, they are new extensions of in-house resources. In this study greenhouses, aquarium fish rearing, dog breeding and domesticating are typical examples. Similar kinds of venturing are horse riding schools, cultivation of new flowers, and crocodiles' farm.

Type III: *The Artisan.* Ventures of this type are mainly workshops that make single and small batches of arts and crafts. Those kinds of business, such as pottery and jewelry making, utilize creative talents and design skills of some kibbutz members for commercial purposes. Many art ateliers, film studios, fashion design workshops, and artistic photography labs operate as subsidiary companies of large corporations.

Type IV: *The Entertainer.* This kind of business ventures render accommodation, recreation as well as amusement services. Such services are likely to develop in geographically attractive spots that can exploit some existing infrastructure in new ways. Popular enterprises of this type in our study are guest-houses, pubs, discotheques, and outdoor wedding grounds. More generally, this entertaining type includes various museums, drive-in movie theaters, playgrounds, private tennis courts and golf courses.

Type V: *The Consultant.* This entrepreneurial type consists of knowledge-intensive offices rendering professional services. Their tasks are mainly, but not exclusively, data processing. From the parent organization's point of view, this kind of business represents a new line of activity. In the present sample, they include lawyers', accountants', architects', and designers' offices. Ventures of this type are also subsidiary companies specializing in preparation of payrolls to governmental agencies as well as to private corporations, organizational consulting firms, financial analysts and brokers.

Type VI: *The Tender.* A new venture of this type is an extension of certain in-house personal services to clientele outside the organization on commercial basis. They

are neither capital intensive nor they require technological set-ups of sophisticated nature. In the kibbutzim, they typically include nursery schools, elderly homes, alternative medicine clinics, hairdressing and beauty parlors. But various organizations (such as hotels, hospitals, insurance companies) also establish external services like body-fit facilities, home-care of incapacitated persons, individual guarding and transportation.

Type VII: *The Housekeeper.* This type of corporate entrepreneurship represents conversion of maintenance, logistics and other internal support units of the organization into profit centers. Carpentry, locksmith, TV lab, and car repair are typical in our sample. Similar kinds of ventures such as cleaning, gardening and catering services are now available as offspring activities run by large scale organizations attempting to better use their in-house facilities and work force.

Conclusion

Both individual and organizational endeavors to create new business enterprises are parts of the same phenomenon. However, presumably neither the underlying forces nor the patterns of realization of these kinds of entrepreneurship are the same. For whatever reason, a greater attention has been given in the relevant literature to individual than to corporate entrepreneurship. This study focuses on the latter kind.

Except for certain hi-tech firms, the drive to create new business lines usually arises when an organization faces threats that endanger its survival. It is no wonder then that corporate entrepreneurship has become a frequent strategy among organizations undergoing crises of one sort or another. This trend also characterizes the Israeli kibbutzim, struggling for their survival during the last decade.

As stated before, the kibbutz as a community organization presents economic and societal conditions that differ from "ordinary" business organizations. Are kibbutz ventures therefore profoundly different from "ordinary" ventures? The answer to this question involves two aspects:

Although the kibbutz is not typical to the world of business, entrepreneurial efforts are quite similar to those found elsewhere. Thus, the rich set of data enabled us to develop a classification of corporate ventures, representing seven different types of entrepreneurship that are presumably applicable above and beyond the kibbutz setting. The set of types may not be exhaustive, but it certainly covers a wide variety of entrepreneurial activities, representing manifestations of organizational entrepreneurship.

The frequencies of the seven types of ventures as presented in the findings (Table 1) express the trend of kibbutz entrepreneurship. Unlike regular business organizations, over 80 percent of new kibbutz ventures are conventional business applications, only very few innovative breakthroughs can be found. It seems that kibbutz ventures are the result of occupational needs of members. Entrepreneurship

is also a response to individual needs and personal aspirations of organizational members as well as a solution to the economic needs of the kibbutz. Thus, many ventures are compatible with the local socio-cultural environment, often involving low cost, small scale and labor intensive technology. Many kibbutz ventures resemble startups of small businesses inside the community organization. As such, they fit the needs of the kibbutz community well by providing occupational opportunities without demanding professional re-education or specialization. Entrepreneurship emerging in the kibbutz movement of the 1990s seems to be conservative, preferring low risk ventures that have been proved successful elsewhere. This tendency reduces the likelihood of innovative new ventures within the kibbutz setting.

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