

Inequality and Entrepreneurial Risk-Taking of Organizations: The Impact of Change in the Kibbutz on Risk-Taking of Entrepreneurs

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Abstract

The Israeli Kibbutz is worldwide known as an example for a cooperative system existing for more than a century. In the last decade the Kibbutz movement underwent crucial changes as to its level of cooperation. More than half of the Kibbutzim have changed towards a less cooperative system now characterized by increasing individualism. Since the process of organizational change occurred during a defined period of time, Kibbutzim can be considered a laboratory for investigating the changes in risk-taking level while moving from collective-oriented culture to a more differential-oriented organizational culture. Thus, it is the aim of our paper to investigate the relation between the levels of inequality in Kibbutz organizations and its impact on their risk-taking propensity concerning new venture creation.

According to the portfolio theory, there is a positive relationship between expected return and risk. The conventional idea states that non-existence relation between income and rewards (as existing in egalitarian economies) should cause a decrease in the risk-taking propensity of entrepreneurship. Without denying the reasoning behind that conventional thought, we claim that our results support a counter point to the convention.

In our research we investigated 58 Kibbutzim. 36 Kibbutzim underwent organizational change processes towards increasing individualism between the years 1997 to 2004, whereas the remaining 22 of the sample continued the traditional collective-oriented style.

We gathered data concerning entrepreneurial activities in the Kibbutzim dividing them into groups in terms of operational risk level. In addition, demographic, economical and financial data of the Kibbutzim served as independent variables.

The comparison of differential-oriented Kibbutzim and collective oriented ones in 2004 shows a difference of distribution of operational risk level between the two organizational cultures. We found higher degree of risk-taking in more collective-oriented cultures.

The implications of our study will enable policy makers to better understand the economic impact of entrepreneurial policy caused by the organizational change. Furthermore, the added value of the paper is the insight of an existing trade-off in the market place between risk aversion and inequality aversion. Suppression of inequality enables the inequality adverse person to take higher risk levels.

Key Words: ; Kibbutzim; Organizational culture; Risk-aversion; Inequality-aversion