Configurations of the Entrepreneurial Ecosystem in the Israeli Kibbutz Movement: Social and Economic Value Creation

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Abstract

The hybrid ecosystem, embedding the single kibbutz community within the regional enterprise and within the Kibbutz Movement, processing social and economic values, reflects the hybrid identity of the kibbutz itself and thereby incorporates its strengths while leveraging some of its weaknesses such as its small scale. Due to the embeddedness within the hybrid ecosystem, kibbutzim¹ succeeded in surviving crises, and adapting, both at the single kibbutz and at the movement level to external and internal changes. As such, the kibbutz, the regional enterprises, and the kibbutz movement mutually impact the ecosystem in itself and for itself and collectively promote sustainability.

Introduction

The Kibbutz

Since the establishment of the first kibbutz in 1910, the unique phenomenon of the Israeli kibbutz as a multi-purpose cooperative community, was characterized by five main principles: voluntariness, public ownership of means of production, direct democracy, rotation of office holders in society and economy, and last but not least the Marxian principle of equality ‘from each according to his ability to each according to his needs’. Kibbutzim exemplified the community organization as an extended household characterized by symbiosis of family and firm, or alternatively as a firm-cum-family organization (Barkai, 1977). Maintenance of members, rather than cash surplus, was their primary objective and economic success was not a value in itself but a means to realize social goals and values (Heilbrunn, 2005).

Kibbutzim were perceived and perceived themselves as pioneers, fulfilling a vital role in settling and working the land, outlining the country’s borders, absorbing immigration and fostering industrial development (Halamish, 2010), and as such were supported by the political leadership. The government enabled land allocation and substantial financial resources thereby enabling their spread, fast growth and development (Rosenthal & Eiges, 2014).

Upon political changes in Israel, from a socialist-collectivistic oriented government to a liberal-national one in 1977, kibbutzim lost the government’s ideological and financial support.

¹ Plural of kibbutz
Alongside high levels of inflation and a government economic stabilization plan, many kibbutzim accumulated massive debt, pushing them into deep economic and financial crisis and even threat of bankruptcy, leading to an internal delegitimization of the kibbutz model in and for itself (Abramitzky, 2018). Following Manos & Gidron (2021), economic and political pressures, in addition with ideological and demographic social challenges, were the cause for massive reforms of the kibbutz movement and the emergence of structural and cultural arrangements aimed at sustaining economic stability first and foremost.

Once defined as agricultural communities, farming is no longer the main economic branch, but it is still an important part of kibbutz economy, especially as technological innovations of farming were developed in many kibbutzim. Today, the 279 kibbutzim throughout Israel account for around 66% of Israeli’s agriculture sector and for about 10% of the traditional industry (Heilbrunn, 2022).

Kibbutz social and economic entrepreneurship originally emerged from the bottom up, utilizing availability of communal and economic resources existing within the kibbutz. As 75% of kibbutzim are in the geographic periphery of Israel, regional contexts shaped and still shape the types and scope of kibbutz entrepreneurship. Solutions for technological needs in agriculture have evolved into industrial production plants, while the need of economic diversification led to development and acquisition of industrial technologies and plants by kibbutzim (Heilbrunn, 2022).

The traditional classical Kibbutz model was based on the ideology of self-labor: kibbutz members were the major workforce, and work was looked upon as an integral element of the very existence and community building of the kibbutz (Heilbrunn, 2022; Palgi et al., 2020). Alongside the gradual development and expansion of industrial plants in kibbutzim during the 1960s and 1970s, members started to specialize professionally (Palgi, 1998; Topel, 2017; Topel et al., 2006). The number of members working outside the kibbutz increased progressively throughout the years, reinforcing the normative changes in the realm of work.

At the beginning of the twenty-first century, the transition of many kibbutz communities to the ‘renewed kibbutz’ model reflected the main transformation from a profound traditional egalitarian culture into a market oriented, differential and more individualistic culture (Ben-Rafael & Topel, 2020; Dar & Getz, 2020; Palgi et al., 2020; Russell et al., 2013), affecting all life, economic and organizational spheres (Abramitzky, 2018; Ben-Rafael & Topel, 2020; Russell et al., 2010). While the responsibility for livelihood moved from the collective to the individual and family (Heilbrunn, 2022), the “safety net model”, ensuring minimal income and allocations depending on age, family status and special needs, exists in every renewed kibbutz.
Kibbutz values and principles led to the development of an internal inclusive education system, aimed at maximizing children’s and adolescents’ abilities. The kibbutz education system implemented progressive education methods and techniques and included a wider approach towards society and its less-privileged strata, encouraging young adults upon completing their school curriculum to volunteer for a year in educational and social roles. During and following the transition from the egalitarian kibbutz model to the renewed model, kibbutz education structures have adapted to the changes and are still upholding many of the classic kibbutz education principles, while continuing the search for new structures, alliances, and partnerships, where kibbutz-education principles continue to play a part albeit being a part of the national education setting (Dror & Prital, 2020).

The Regional Enterprises

Second order regional cooperatives – “regional enterprises” - were established in the late 1930s, to enable their members – mostly kibbutzim - in a geographic region to jointly purchase inputs, process, and market goods. Regional cooperatives have evolved as financial mediators, using their accumulated equity to negotiate better credit terms for their members (Rosenthal & Eiges, 2014). Following the economic crisis of the 1980s, the regional enterprises have undergone many structural changes, including decentralization and specialization, and have become more flexible, vertically integrated and market oriented. After settling their debts, regional cooperatives have become more profit oriented. The dismantling of the mutual-guarantee system forced regional enterprises to implement increased owner/member mechanisms, while horizontal and vertical integration allowed them to take advantage of economies of scale, in a competitive environment. Regional enterprises maintain sorting, packaging and storage facilities, feed mills, grain elevators, processing plants etc, while the purchase and credit organization provides a variety of financial services.

Presently, eight regional enterprises are spread all over the country representing eight geographic regions. Based on agriculture, these enterprises embody regional and national value chains for agriculture and farming, generating 66% of all “fresh produce” in Israel. In addition, all regional enterprises have agricultural R&D centers, partnerships and cooperations with the ministry of agriculture and KKL-JNF. Some regional enterprises operate agrifood and agri tech oriented innovation centers, incubators and accelerators, and collaborate with regional colleges, industry and the Kibbutz Movement. Regional enterprises allies and collaborators include production councils (dairy, farm etc), regional councils, veterinary laboratories, and other
support services to the agricultural activity. In addition, regional enterprises provide business support and advisory services to regional enterprise members, both locally and nationally.

_The Kibbutz Movement_

“The Kibbutz Movement” was established in 1999, following a merger of the 2 largest kibbutz movements\(^2\), founded in the 1920s onwards to assist individual kibbutzim both socially and financially, to serve as a political representation for members’ interests and to mobilize tangible and intangible resources toward social and cultural activity within Israeli society. Alongside the Kibbutz Movement in the kibbutz-sphere, exists a “sister-movement” of the religious kibbutzim. Following kibbutzim’s government led debt settlement plans in 1989 and 1996, the kibbutz movements’ financial funds and consumer-oriented purchase cooperative, as well as the comprehensive mutual-guarantee between kibbutzim, were dismantled.

The contemporary Kibbutz Movement has two main functions:

1. **Representation and guidance:** Providing social, political and guidance services to its members (kibbutzim), including political representation, lobbying and advocacy, as well as guidance related to kibbutz development and management, social services, education, land administration, planning and zoning. The Kibbutz Movement provides business support (advisory services, incubators and accelerators and industry associations) to its members but does not participate in financial activities, except via a designated development fund, aimed at further economic and social development of kibbutzim (Rosenthal & Eiges, 2014).

2. **Development and maintenance of alliances and partnerships:** Creating and maintaining alliances within Israeli government, society, and economy sectors to enable creation of joint ventures in education, culture, welfare and health services, high technology etc.; establishment of strategic partnerships with government agencies and philanthropic funds for the supply of welfare, health, housing, and education services etc.

_The Ecosystem_

An entrepreneurial ecosystem encompasses a set of interdependent actors and factors that together enable productive entrepreneurship within a particular territory (Stam, 2015; Stam & Spigel, 2018). Some models differentiate between institutional arrangements (formal institutions, culture and networks) and resource endowments (physical infrastructure, demand,

\(^2\) The Nationwide Kibbutz Movement - _Kibbutz Artzi_ and The United Kibbutz Movement - _HaTnu’a HaKibbutzit HaMeuhedet_ (established in 1981, as a merger between _The United Kibbutz movement - HaKibbutz HaMeuhad_ and the _Union of the Kvutzot and the Kibbutzim - Ihud HaKvutzot VeHaKibbutzim_).
intermediaries, talent, knowledge, leadership and finance) (Leendertse et al., 2022; Stam, 2015; Stam et al., 2021) and others propose a models with less ingredients not separating between institutions and resources (i.e. Ács et al., 2014; Vedula & Kim, 2019).

The entrepreneurial ecosystem concept mostly relates to business entrepreneurship but in the case of the kibbutz - a hybrid organization encompassing the economic and the social, it is necessary to expand the discussion and include social entrepreneurship and its context.

Roundy (2017) maintains that social entrepreneurs create innovative organizations that address societal problems using business methods which emphasize generation of profits through the sale of products or services that create value for consumers, and a social welfare logic, which emphasizes creating value for groups of beneficiaries influenced by social problems (Roundy, 2017, p. 1253). Thus, social entrepreneurship can also be understood as “for-profit and nonprofit … attempts to create business ventures that address societal problems”, generating benefits also to those not necessarily involved in the transaction process of the social venture (Roundy, 2017, p. 1254; Santos, 2012).

Accordingly, following Roundy (2017), an ecosystem which is welcoming for the creation and the development of social ventures includes demographic diversity, diverse motives and an overall heterogeneity of participants allowing for flexibility; a supportive infrastructure in terms of incubators and accelerators supportive for all, as well as a supportive culture enabling vicarious learning (Roundy, 2017, p. 1255-6).

Social economy ecosystems are capable of creating social value by developing new and innovative organizational responses and products in response to social demands. Social economy enterprise models pursue dual objectives of economic performance and social value creation within defined geographical scope, and incorporate three main elements: social value creation, participatory model of governance and equitable distribution (Catala et al., 2023). In order to avoid isomorphism and identity deterioration, the institutional arrangements within the ecosystem must be specific and adapt to the social economy model (Bretos et al., 2020; Catala et al., 2023).

In order to connect with the literature on entrepreneurial ecosystems for cooperatives, this paper leans on the model proposed by Beishenaly & Dufays (2023) comprising the following five elements: policy and regulatory framework (1), education, skills and knowledge (2), market environment (3), culture (4) and networks and partnerships.

Findings
Since the Kibbutz is double embedded – within the regional enterprise and within the movement, the ingredients of the ecosystem at the three levels of analysis include:

Table 1. Economic and Social EE of the kibbutz, the kibbutz movement, and the regional enterprise

<table>
<thead>
<tr>
<th></th>
<th>Kibbutz</th>
<th>National Movement</th>
<th>Regional Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Policy and regulatory framework</td>
<td>Cooperative Societies Act and its regulations, special regulation regarding the renewed kibbutz. Israel Land Administration policies regarding kibbutzim</td>
<td>Cooperative Societies Act and its regulations</td>
<td>Cooperative Societies Act and its regulations</td>
</tr>
<tr>
<td>Supportive policies</td>
<td>Kibbutz Industries Association Agricultural production councils regional government kibbutz movement regional enterprise</td>
<td>Past: Jewish organizations, national funds, labor organizations and parties Present: “sister” cooperative organizations (Religious Kibbutz Movement, Moshav Movement, economic-oriented kibbutz-held organizations), regional government</td>
<td>Government support to certain agriculture related activities through subsidies, production quotas and exemption from antitrust regulation</td>
</tr>
<tr>
<td>Preferential taxation</td>
<td>Income division among members, deduction of solidarity funds in a renewed kibbutz</td>
<td>Income division among members</td>
<td>Income division among members</td>
</tr>
<tr>
<td>2. Education, skills, and knowledge</td>
<td>Past: oriented college training programs for decision makers Present: College training programs for professionals (education), vocational courses for decision makers and professionals</td>
<td>Past: oriented college training programs for decision makers and professionals (agriculture, education) Present: cooperative law course in few colleges/universities College training programs for professionals (education), vocational courses for decision makers and professionals</td>
<td>Past: designated/ oriented college training programs Agriculture faculties/studies in colleges/universities Present: Agriculture faculties/studies in colleges/universities</td>
</tr>
<tr>
<td>University education programs</td>
<td>Past: courses/seminars for new members led and implemented by the kibbutz movement and affiliated colleges. Present: internal courses for new members’ training and socializing.</td>
<td>Past: (via affiliated colleges and seminars) courses and training in different aspects of kibbutz life: community management, business management, member acceptance procedures, health, education etc. courses and seminars for new members</td>
<td>Direct and indirect (via R&amp;D centers) training of kibbutz professionals in agricultural activities related to the enterprise. In collaboration with R&amp;D centers and the Ministry of Agriculture – professional</td>
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<td>Members skills development</td>
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6
Present: kibbutz movement led - courses and training in different aspects of kibbutz life: community management, business management, member acceptance procedures, health, education etc.  

Guidance to decision makers

<table>
<thead>
<tr>
<th>Capacity building of decision makers and stakeholders</th>
<th>Entrance of younger members to management positions requires capacity building that will signal out the differences and similarities of the kibbutz from other (mainly social) cooperatives and forms of life</th>
<th>Peer learning groups for decision makers by theme/geographic region</th>
<th>In collaboration with the kibbutz movement – vocational courses for kibbutz decision makers</th>
</tr>
</thead>
</table>

### 3. Market environment

#### Access to markets

<table>
<thead>
<tr>
<th></th>
<th>Agriculture: organized by regional enterprise and/or via specific partnerships</th>
<th>Access to kibbutzim – assumes agreement to and acceptance of core values and frameworks. Access to government and government agencies. Utilization of representative status to provide access to services to kibbutzim and their members, regardless of size (for example – accessible wide health insurance).</th>
<th>Direct access to agricultural markets.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Social: via the kibbutz movement and/or the regional government.</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Industry: via Kibbutz Industries Association</td>
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</table>

#### Access to finance

<table>
<thead>
<tr>
<th></th>
<th>Banks, Regional Credit cooperatives, Kibbutz development fund, kibbutz and members’ financial resources</th>
<th>Kibbutz Development Fund</th>
<th>Banks</th>
</tr>
</thead>
</table>

### 4. Culture

#### Histories of cooperation (legacy)

<table>
<thead>
<tr>
<th></th>
<th>Role in the establishment of the state, the development of the rural sphere and its communities. Local history of growth and crises overcoming.</th>
<th>Role in the establishment of the state, in the development of economical and social practices, in the development of new and innovative educational and social methods</th>
<th>Role in supplying fresh produce and food security and in supporting their members</th>
</tr>
</thead>
</table>

#### Cooperative principles and values

<table>
<thead>
<tr>
<th></th>
<th>Voluntary membership; democratic governance; member economic participation; autonomy; education, training and information; cooperation; solidarity and mutual responsibility.</th>
<th>Voluntary membership; democratic governance; member economic participation; education, training and information; cooperation; solidarity.</th>
<th>Voluntary membership; democratic governance; member economic participation; autonomy; training and information; cooperation; solidarity.</th>
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</table>

#### Social norms

| | Orientation towards community and members’ needs and welfare | Business orientation, response to members’ needs |

### 5. Networks and partnerships
<table>
<thead>
<tr>
<th>Cooperative unions and networks</th>
<th>Membership in secondary cooperatives – regional (agricultural and credit), national (kibbutz movement, holdings, insurance etc.)</th>
<th>Membership in tertiary cooperative. Memberships in regional and international cooperative organizations</th>
<th>Membership in tertiary cooperative – uniting all 8 regional cooperatives and the holdings cooperative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free flow of knowledge and skills</td>
<td>Networking and between decision makers and professional on a regional or national level via the regional enterprise or the kibbutz movement</td>
<td>Training and information to members and their members, direct communication with members and members’- members &lt;br&gt; Annual focused conferences (leadership, agriculture, social services, education, community) &lt;br&gt; Newsletters, website, and peer-learning</td>
<td>Newsletters, annual conferences both at management level and specific professional levels</td>
</tr>
<tr>
<td>Partnerships: academia, coops, research institutions</td>
<td></td>
<td>4 Research institutes (history, sociology, economy, and public policy), partnerships with academia in the field of education. Partnerships with national cooperatives (insurance, holdings etc.) for the promotion of social goals</td>
<td>Research institute for public policy and rural economy, partnerships with regional colleges in entrepreneurship and innovation programs</td>
</tr>
<tr>
<td>Ecosystem Diversity</td>
<td>Very diverse</td>
<td>Very diverse</td>
<td>Diverse</td>
</tr>
</tbody>
</table>

The embeddedness of the single kibbutz within the regional enterprise and the movement, as presented in figure 1, reflects and affects all five ecosystem’s main elements:

![Kibbutz Social/Economic Entrepreneurial Ecosystem](image)

*Figure 1. Kibbutz Ecosystem Model Source: Author’s creation*

*Policy and regulatory framework:* The transition from traditional egalitarian kibbutz to the renewed kibbutz required and still requires supportive and enabling regulation. Throughout the
years of transition, the Kibbutz Movements’ role was to mediate newly created and evolving internal framework towards an updated regulatory basis and vice versa. The movement participated in the legislation process of the renewed kibbutz and mediated its outcomes to the kibbutzim. As part of its representative roles, the movement advocates policy and regulatory initiatives in order to enhance kibbutzim’s ability to respond to internal and external demands and changes, due to the variety of regulatory frameworks they are subject to due to their municipal, social, agricultural and economic nature.

*Education, skills, and knowledge:* As multigenerational cooperatives and communities, relying on the entrance of new members and on the skills and knowledge of their members, the Kibbutz Movement enables knowledge creation and distribution to the single kibbutz decision makers and members. Know-hows and best practices in relevant aspects of kibbutz life are collected, processed, and delivered to kibbutzim. Learning tools are created based on information, experiences, and needs, enabling kibbutzim to implement various internal learning processes to members, decision makers and professional position holders. Regional enterprises mediate government agricultural policies and collaborate with the Kibbutz Movement in the creation and establishment of vocational courses and peer groups.

*Market environment:* As an economic entity, the kibbutz operates in a market environment which requires constant development and improvement. Kibbutzim’s agricultural tradition and history of agricultural innovation e.g. drip irrigation and biofertilizers, as well as existing infrastructures, are a natural basis for incremental, sustaining and radical innovations in food-tech and agricultural technologies. Both the regional enterprises and the Kibbutz Movement assist kibbutzim in creating sustainable and competitive grow engines via innovation centers, accelerators, and incubators such as Innovalley and HaMashtela program, located in the geographic periphery of Israel, as well as through partnerships with industries and scientific research centers.

*Culture:* Following the stabilization of the renewed-kibbutz model, in 2019 the Kibbutz Movement focused on conceptualizing the core components of kibbutz identity. Several weeks following the outbreak of the Covid-19 pandemic across the world and in Israel, due to the need to map and assess the pandemic’s influence on kibbutzim and their members, the Kibbutz Movement conducted online surveys. The surveys’ results indicated that the value-oriented kibbutz organizational infrastructure enabled kibbutz functions to conserve and preserve social cohesion, solidarity, and mutual responsibility, both economic and communal during the
outbreak, local leadership and an active democracy, reaffirming existence and wide relevance of core values and principles to kibbutzim today (Marle Hefetz et al., 2021).

Networks and partnerships: Aiming to create social, cultural and educational value within Israeli society at large, the Kibbutz Movement focuses on maintaining partnerships with cultural associations, colleges of education and museums, as well as collaborations with government agencies for carrying out adult education programs, volunteering programs, special needs welfare programs etc. Existing community infrastructure enables a kibbutz to host and operate social programs and ventures as community integrated supported housing for people with disabilities, programs for young at-risk adults etc. Volunteering opportunities for kibbutz-born young adults are enabled in collaboration of the Kibbutz Movement’s Education Department with the IDF and multiple welfare and education organizations, while the Kibbutz Movement’s Social Responsibility Unit maintains social volunteering networks, encouraging kibbutz communities and individuals to take part in volunteering activities.

Discussion and Conclusion

Albeit variations between kibbutzim and their models on the scale of egalitarian and renewed, each individual kibbutz is both a community and an economic enterprise, “combining a dual objective of economic performance and social value creation” (Catala et al., 2023, p. 3). Due to the embeddedness of the kibbutz within the Kibbutz Movement and the Regional Enterprises, its relevant entrepreneurial ecosystem is hybrid, including cooperative and social attributes. Different from traditional enterprises, the kibbutz aims at generating social value through the development of its economic activities within an institutional framework that includes a participatory model of governance and equitable distribution. Lack of understanding and acknowledgment of the kibbutz’s unique structure, aims and legal complexity as municipal, social, and economic community, as well as rigid regulation and government policies, will question this unique phenomenon’s future sustainability.
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