Communal Values and Economic Success: A Comparison of Israeli Collective Settlements

EUGENE D. JAFFE  
School of Business Administration, Bar-Ilan University, Ramat-Gan, 52900 Israel  
DOVE IZRAELI & YAAKOV GOLDSCHMIDT  
Faculty of Management, Recanti School of Business Administration, Tel-Aviv University, Ramat-Aviv, 69978 Israel

Abstract. The association between economic success and adherence to communal values in Israeli kibbutz communes is analyzed over a thirty year period. Adherence to four communal objectives, as independent variables, is considered: Settling the land and absorbing settlers, farming as a way of life, refraining from financial speculation and minimizing consumption. Economic performance was used as the criterion variable. The findings show that the federation of religious kibbutzim (plural of kibbutz) adhered most closely to the social objectives and achieved better economic/financial performance than other kibbutz federations. The economic success of the religious kibbutzim is attributed to a religious rational ethic that was developed during their formative years and maintained consistently over time.

Key words: religion and ethics, ethics and financial performance

Robert Frank (1991) addressed the question of whether '... an honest person ... can ... survive in the material world.' Frank asserted that it does pay to be honest, act unselfishly and not always in one's economic self-interest. The same reasoning has been applied to the organization, especially the relationship between corporate social responsibility and profitability. Managers should act ethically, not only because it is the morally correct thing to do, but also because enhanced ethics normally result in better financial performance of organizations especially in the long run. Since the 1970s, there have been several empirical investigations of the relationship between corporate social responsibility and economic performance (for a review, see: Aupperle et al., 1985). Most of these studies found a positive relationship between the two, although because of different methodologies used, it is difficult to reach a definitive conclusion. More recent studies found only partial support for this relationship (Aupperle et al., 1985; Chrisman et al., 1984; Cochran and Wood, 1984; MacGuire, 1988). One of the major difficulties of these studies
has been how to measure corporate social responsibility. According to Robin and Reidenbach (1987), social responsibility is a contract between business and society. In some cases this 'contract' has been measured objectively, such as the contribution of the firm to society (e.g., contribution to social activities such as concerts, educational pursuits, etc., cf. Beresford, 1976) and in other studies, measured subjectively, by the perception of managers as to the firm's social reputation (e.g., Parket and Eilbirt, 1975) or the importance of ethics in contributing to organizational effectiveness (Singhapakdi et al., 1995).

In the present study, the authors determine whether economic success is associated with the stated communal values of organizations. Our thesis is that the moral values of religiously-oriented collective farming organizations – as distinct from other, non religious oriented collective organizations – have lead to a stronger adherence to ethical and social responsible guidelines. In turn, adherence to these guidelines should be reflected in economic performance. In order to investigate this thesis, both the social objectives and the economic performance of the subject organizations are measured objectively. The organizations observed in this study are the agricultural and industrial communes in Israel called kibbutzim.

The kibbutz organization

The kibbutz sector in Israel consists of approximately 35,000 families living in 270 agro-industrial communal settlements that produce over one-third of Israel's agricultural output and about 6.5 percent of industrial output. The kibbutzim are organized into national federations (linked to political parties) that lead, assist and direct the individual settlements. The largest of these federations is the Takam (social democrat) with 160 kibbutzim, Artzi (left-socialist), 83 and Dati (religious-orthodox-socialist), with 17 kibbutzim.

The kibbutz is a large and diversified enterprise with communally owned means of production and a centralized system of resource allocation. The members elect a management team every year that is responsible for the administration of the commune. The work is carried out by kibbutz members, including temporary residents and some salaried employees. A typical kibbutz averages 470 inhabitants (about 125 families), operates a large farm, a number of workshops and one or more industrial plants. Total annual sales averages about $11 million. Some additional data on population, sales and debt level by federation are shown in Table 1.

The kibbutz is an egalitarian and democratic society that has a number of altruistic objectives. The major social objectives were stated formally in the kibbutz statutes published together by all federations in 1966. The adherence to these objectives are analyzed below.