From Collectivism to Capitalism: Cultural Change in a Kibbutz Factory in Israel

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Abstract

The recent privatization process typical of the majority of Israeli kibbutzim has resulted from organizational difficulties and economic losses. For the Newplast factory of Kibbutz Sadot (assumed names), the appointment of a general manager from outside the ranks of kibbutz members accelerated the inevitable processes of change: the collectivist culture that had previously favored kibbutz members evolved into a business culture that left no room for any sense of obligation towards individuals. Nevertheless, the new management has adopted a dual-value system wherein it runs the factory on capitalistic lines but fosters the image of the factory as a “home” to which workers are expected to feel a primary and familial obligation.

Keywords: kibbutz factory, kibbutz industry, organizational culture, management, social change

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Introduction

A shift to capitalism and globalization has caused profound changes to the value system of Israeli society. Once a society dedicated to promoting the national ideal of collectivism, Israel is now committed to materialism and individualism, having abandoned its socialist and social welfare roots for neo-liberal capitalism (Samuel and Harpaz, 2004). Israeli kibbutzim, once the symbol of collectivism, have followed suit, sinking into a prolonged crisis as a result (Samuel, 2010). This “cultural revolution” (Ben-Rafael, 1997) can be viewed within the framework of ongoing world-wide organizational change (Morgan, 2010). The aim of this article is to describe the changes in organizational culture that occurred at the Newplast factory in Kibbutz Sadot (assumed names).

Organizational culture

Organizational culture is a system of beliefs, both overt and covert, shared by the workers of any organization (Schein, 1985). The overt organizational culture includes basic assumptions, values, and norms, while the covert organizational culture includes shared language and symbols as well as rituals, myths of the organization’s heroes, and shared behavior patterns (Pettigrew, 1979; Elsmore, 2002). Managers generally manipulate organizational culture by means of normative supervision, while workers generally identify with and internalize the culture (Kunda, 2000).

Changes in organizational culture may stem from a variety of environmental factors (Awel et al., 2006). The existing culture can support or reject these changes. Differences in cultural perceptions inside the organization can constitute an obstacle to implementation, and managers need to neutralize this by promoting intra-personnel solidarity (Richard and Munisch, 2011). Changes like these can upset the delicate balance that exists in the organization and create conflicts between those who wish to preserve the culture and those who support change (Awel et al., 2006). While U.S. organizational culture tends towards the commitment and the responsibility of the manager to the workers, Japanese management styles emphasize the collective responsibility of the workers together with management (Jackson and Tomioko, 2004). Hofstede (1992), Trompenaars (1993), and Hoeklin (1997) examined the core values of a range of work groups and found differing dominant orientations:
a) Individualism as opposed to collectivism in the organization – does the organization emphasize personal or collective values?

b) Universalism as opposed to particularism – does the organization reflect universal principles of egalitarian relations between peers, or conversely, do personal contacts and special relationships confer privileges and extra rights on preferred persons?

c) General relations as opposed to limited relations (this refers to levels of involvement and personal acquaintance) – do personal relationships within the organization tend towards being intimate and primary or alienated and secondary?

d) Relations based on achievement or attribution – is the organizational power system based on achievement or nepotism?

The changing kibbutz system

Influenced by utopian socialism, the first pioneers envisaged the kibbutz as a rural community concentrating on agriculture. By the 1920s, a different idea had emerged under the influence of Marxist principles, with the kibbutz sometimes viewed as a revolutionary movement and an alternative to capitalistic society, including capitalistic industrial activity. The argument over industrialization developed early in the kibbutz history. The transfer to Palestine of capital and skills during the 1930s, with the escape of German Jews from Nazism, created conditions favorable to the development of the first kibbutz industries. The Second World War provided added impetus with the need to feed and equip a sizeable contingent of the British Army in the Middle East. By 1941, 1200 workers could be found in 120 factories of the kibbutzim affiliated with the Ha’Kibbutz ha’Meuhad federation, the strongest of the four kibbutz federations at that time. During the 1960s, industry increasingly became a major source of income in most kibbutzim. The 1970s saw the development of new technologies and a move to the plastics industry, particularly that of irrigation equipment (Elmaliach, 2009). Today, kibbutz industry with more than 250 factories employs 26% of the kibbutz work force, with sales in 2010 of almost NIS 40 billion (nearly US$10 billion). Beyond this economic success, some are wondering if we are dealing with a true “kibbutz industry” or perhaps simply “industry in the kibbutz”.

In the past, the kibbutz factory fell between two worlds with differing cultural underpinnings. As part of the wider Israeli economy, it needed to adhere to capitalistic principles, including price competitiveness and quality, at home and abroad. But it was also subordinate to a system whose principles
included equality and participation. This duality is best illustrated by the remuneration system: outside workers (i.e., hired workers who were not members of the kibbutz) were paid salaries according to their work, while kibbutz members working in the factory received the same remuneration as all other kibbutz members, regardless of their occupation, and their earnings were paid into the kibbutz cofers for ultimate distribution among all members according to perceived need. Similarly, the classic kibbutz value of informality was expressed by no distance being maintained between managers and line workers. No special status symbols (such as private cars) existed, as all assets were owned by the collective.

The kibbutz factory, like every organization, is an open system, and environmental influences force it to adapt to new conditions. The change of government from left-leaning to right-leaning in 1977 with the attendant change of economic policy, the economic uncertainty that characterized the 1980s, the adoption of the neo-liberal economic model in the 1990s, and the accelerating globalization of markets have all affected the business environment of kibbutz industry as well as the socio-collective environment of kibbutz enterprises.

In the aftermath of the severe financial crisis that hit the kibbutz system in the mid-1980s, the collective movement embarked on a process of reform (Ben-Rafael, 1997). The first steps completed by the mid-1990s had not yet undermined the cooperative foundations of the kibbutz (Rozner and Getz, 1996), but the second wave that came after the 1990s forced the government and the kibbutz movements to redefine the very concept of kibbutz (Ben-Rafael and Topel, 2009). In this second wave, two profound changes stand out:

- The change from distribution of the budget among members according to the needs of families and individuals to the distribution of salaries that reflected the member’s contribution to the kibbutz economy.
- The change from collective ownership of kibbutz assets, such as housing and industrial enterprises, to private ownership with inheritance rights.

By 2010, close to 75% of the kibbutzim had adopted a wage system together with a system of assignment of assets, i.e., privatization (Getz, 2010). This signified the end of the participative kibbutz, wherein the kibbutz serves the group through a close integration of the socio-economic institutions, and the shift to the differential kibbutz, which recognizes the economic autonomy of its economic branches and is motivated by market competition and not by commitment to members (Levi, 2001).
Background for the Newplast factory

Kibbutz Sadot was founded in 1940 by European refugees and the Newplast factory was built in 1947. Today its products include plastic storage solutions for the office (the Misradit line) and advanced pipe systems for water supply and communications infrastructure. It also specializes in grey water recycling systems. Relatively financially secure in the early 1990s, the factory was hit by the subsequent economic depression that overwhelmed the kibbutz movements, and by 2003 it had followed other kibbutzim into privatization, revoking the collective budget method and adopting the differential salary method. As happened in many kibbutzim, the process of change amplified the tensions between various social groups within the kibbutz (Rozner et al., 2004). The global financial crisis of 2007-2009 undermined the factory’s stability: 2008 ended with a loss and the general manager was replaced at the end of that year. For the first time in the history of Newplast, the new general manager was not a member of Kibbutz Sadot but came from a different kibbutz that had already undergone privatization. Currently, Newplast has 120 workers, only half of whom are kibbutz members.

The above review suggested a number of questions that shaped the study. How has the new general manager affected Newplast’s organizational culture? How has the culture changed? Have the changes led merely to a new normative culture or have deeper values also changed? What is the new cultural orientation at Newplast? How have the workers reacted to the new cultural principles and what significance do they attribute to them?

Methodology

A case study methodology was adopted, based on ethnographic interviews and factory documents. About 30 interviews were held between 2009 and 2011. We interviewed the general manager, senior factory managers, the accountant, the operations, production, and marketing managers, the engineering department manager, and the deputy general manager for development. Two retired general managers, a number of veteran workers, senior factory secretaries, and members of the workers’ committee who had worked before and during the change were also interviewed. A year later, a second round of interviews was held with key factory workers and the general manager. The interviewees were selected using non-random sampling in order to include workers from all levels, women and men, kibbutz members and hired workers.
The interviewees cooperated fully, thanks to the general manager’s collaboration. Fictitious names ensured privacy.

Documents analyzed included publications summarizing Newplast’s achievements; an organizational analysis report prepared by an organizational consultant appointed by the general manager; and strategic reports for the years 2008-2010. An important resource was the monthly newsletter that described central events in the life of the factory. To complete the picture, pertinent articles about the factory were gathered from daily newspapers.

Conclusions were drawn inductively and deductively. The research started as field work based on interviews, document analysis, and observations at the factory. The categories that emerged from the preliminary analysis served to guide us in an additional round of data collection, as is customarily done (Glaser and Strauss, 1967; Strauss and Corbin, 1990).

The interviews and the documents were analyzed using the subject analysis method (Strauss, and Corbin, 1990), which is based on organizing, sorting, and arranging the data into meaningful categories. Categorizing enabled us to interpret the collected data and build a narrative about the cultural change in the organization. The last stage in a gradual process of abstraction allowed linking the narrative to the theoretical literature on organizational culture.

Results

The incoming general manager was helped by an organizational advisor who recommended changing the factory structure to one more professional and specialized (Newplast, 2008). The initial analysis revealed a number of topics that were central to the change of values and the attempt to create a new culture.

Innovation versus conservation

The former general manager, who had held that position between 1996 and 2008, was conservative in his managerial style. Introverted and distant, he relied on an inner clique of veteran kibbutz members for decision making. No new products were developed during his stewardship and conventional office product lines rapidly became obsolete following the massive penetration of computers into the office environment.

The new general manager implemented a number of innovations on taking up his position. These ranged from drawing up a mission statement with the cooperation of about 18 key workers to establishing a seven-man managing
body and modernizing product lines, production machinery, and computer equipment. He established a task force for creating innovative ideas, which introduced the production of grey water management systems (Newsletter, January 2009b; Newsletter, March 2009). Innovation was stressed in the mission statement: “Newplast will excel in the development and production of innovative solutions offering added value to the customers” (Newsletter, December 2008).

**Transparency versus opacity**

In contrast to the past, the new managerial style is open and transparent. Monthly workers’ meetings are forums for disseminating information, commending outstanding workers, and thanking those retiring. A monthly newsletter provides a record of the meetings in words and pictures. The new general manager wrote of his intention to publish a detailed biannual general manager’s report (Newsletter, September 2008). Workers were also impressed with his openness and accessibility and his habit of walking around the factory each day. As one of the managers said in an interview:

You don’t see a person who shuts himself up in his office and counts the money: you see someone who has the common touch, who comes and talks to you and gives you this sense of warmth, of security.

In contrast to such encouraging signs, several workers distanced themselves from the new style of management and claimed that the general manager was hypocritical and manipulative, merely creating an illusion of openness. This would appear to be one of the reasons why a considerable number of workers did not attend the monthly meetings.

**Human change, new generation management, and role assignment**

Under the old system, there was no official or standard retirement age, and kibbutz members worked as long as they wanted. The previous general manager himself had filled various roles in his thirty years of service, some held for long periods of time without rotation. Moreover, over the years, a number of veteran kibbutz members had entrenched themselves in management roles, creating an atmosphere of stagnation. The new general manager decided to enforce retirement according to age by the end of 2010. Thus, by that time, senior management, such as marketing and sales managers, as well as other veteran workers had left the factory (Newsletter, June 2010; December 2010).

The new retirement norms were not readily accepted by veteran kibbutz members working in Newplast, with their strong work ethic and sense of both owning and belonging to the factory. Some member-workers considered the
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process unjust, but the general manager defended the policy by claiming that he had gone to great lengths to recruit a new generation of workers from among the younger kibbutz members.

**Appointments based on universally recognized criteria rather than on attribution and particularism**

The old managerial style was familial and primary: kibbutz members received preferential appointments to employment positions, and once appointed were seldom fired. This loyalty to kibbutz members and the promotion of their interests above all led to poor economic performance. In contrast, the trend under the new general manager is not to discriminate in favor of kibbutz members. The factory has been clearly separated from the kibbutz and is today an economic business with equality among workers. In cases where member-workers had no qualifications for their positions, some resigned while some preferred to move to a different position in the factory rather than be fired. These changes understandably led to feelings of unrest and uncertainty.

The new appointment slogan is “The right person in the right place”. The factory is far more selective than in the past and members are given preference over an outside candidate only if both have identical qualifications for the job. Unfortunately, according to the human resource manager, candidates from the kibbutz are seldom suitably qualified to work in the factory.

**Newplast as a family or home**

Many of the workers we interviewed spoke of the factory as “home”. The new general manager fostered this approach through meetings in which anyone could raise “any subject to do with me or the company management” (Newsletter, September 2008). This familial approach is also reflected in the factory’s mission statement: “Newplast will create a stable, dependable, and familial framework for its workers, which will make them feel involved and committed to caring about their work” (Newsletter, December 2008).

One of the central familial values is maintaining the aesthetic appearance of the home for family relaxation and enjoyment. Accordingly, it was decided to upgrade the factory’s appearance, “…to create a single entrance, to create an abode which would give workers a calm, comfortable, and enjoyable feeling” (Newsletter, January 2009a).

The familial approach is further promoted through the publication in the newsletter of personal stories, birthday congratulations, and citation of outstanding workers. This newsletter is also used to acknowledge workers who contribute to the success of specific projects (for example, international
exhibitions) so that a feeling of pride and solidarity is created. The message is that the factory is not merely a workplace but rather a primary familial framework, a place in which to feel solidarity and kinship. Through the newsletter, factory workers send good wishes to those leaving, writing complimentary notes about their work and their contribution to the factory. When the previous general manager was relieved of his position, a whole issue of the monthly newsletter was devoted to him and his years of service (Newsletter, September 2008). However, the question arises that if everything was so wonderful, why was the factory beset by difficulties and crisis? As in many families, the workers felt the need to present a united front, but the interviews reveal that the former general manager was deeply conservative and led the factory into stagnation and away from growth and regeneration.

The tenuous meaning of “home” among the Newplast workers

Although many workers used terms such as “home” and “family” with reference to the factory, not all gave the same connotation to these expressions. Management views the factory paternalistically, believing that its role is to educate the workers to assimilate norms such as “integrity” and “honest reporting”. Swiping a worker’s time card for a friend is punishable by being fired. Smoking is banned anywhere indoors, leaving habitual smokers outraged by the imposition of paternalistic rules. The general manager also condemns petty politicking in the factory, and workers are asked to refrain from complaining and faultfinding. The general manager tries to promote the concept of human resources as serving the factory’s aim – that of making money – within an agreeable, familial atmosphere. Nevertheless, when there is a conflict between expediency and profitability on the one hand, and the concern for the welfare of kibbutz members on the other, economic considerations override collective obligations.

These views reflect the dominant culture in the factory – that of the management (ten managers altogether) – which clashes with the perceptions of other groups who see the factory-as-home in a different light. Hired workers who are members of the Israeli labor federation (the Histadrut) belong to a group of veteran workers for whom “home” means a place of mutual obligation; a place where previous commitments are honored and workers’ jobs are secure, even when they are not protected by formal contracts. In the past hired workers could rely on informal agreements with the then-general manager, but the new general manager felt no such commitment. The chairman of the hired workers’ committee (a formal organization of labor federation members in the factory) said that under the new management it became necessary to anchor the work conditions in formal contracts, which
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would be approved by the Histadrut and which would be binding on any general manager. One can infer that this group feels less “at home” than previously.

The demand of the fifty-strong union members to involve the Histadrut in labor agreement negotiations was a heavy blow for the new general manager. According to the human resources manager, “he saw this as lack of trust, bordering on betrayal, and he was very angry with them”. Three months previously, the management had fired members of the workers’ committee. All those reflect the tension in labor relations in the factory.

The kibbutz members working in Newplast (thirty in production and five office workers) want to preserve the old collective norms, which reflect different interests from those of management. This group sees Newplast as the home that it was in the past: egalitarian, fair, and responsible for all, as well as being the home that belongs to all. They criticize the new lack of equality between management and workers, and the waste of kibbutz funds on power symbols such as luxury cars for management. The appointment by the new general manager of the human resources manager (an outsider) was also criticized for infringing collective ground rules established during privatization and which were valid for the factory as well. According to these rules, hiring new staff was only possible by means of a tender, open to kibbutz members also, and not through personal relations as reflected in this case. Kibbutz member workers on low wages resent the perquisites received by salaried factory workers: a thirteenth salary, holiday gift vouchers, factory participation in dining room meals, and scholarships for their children. Criticism of the factory focuses on externals, expenses incurred in improving the factory, aggressive marketing, and less money reaching the lower ranks. The prevalent feeling among this group is that their house has been stolen from under them.

Discussion

We earlier cited the definition of organizational culture as a belief system that inter alia entails both overt and covert layers. In most cases, the visible layers reflect the hidden ones (Pettigrew, 1979; Elsmore, 2002; Samuel, 1996; Morgan, 2010). The conflict approach is relevant to an explanation of the cultural changes at Newplast (Kunda, 2000; Samuel, 2005; Morgan 2010). The new general manager is convinced that he can create an organizational culture to suit the factory’s needs (Samuel, 2005; Morgan, 2010) according to the following codes: honest reporting, professionalism, ambition, risk-taking,
innovation, loyalty to the organization, solidarity, and collegiality. The more time passes, the more the general manager can succeed in recruiting new staff who support him and his view of management. As manager, it is within his power to create the culture and the ambience in the factory, but worker resistance does not disappear – instead, hired workers (who are not kibbutz members) join the union. Their delegates who rejected the manager's approach were labeled trouble makers and fired. It should be emphasized that the general manager is backed by the kibbutz management in carrying out manpower changes in the factory.

The monthly newsletters function as a mechanism for informal normative supervision, since it is carried out indirectly and unperceived (Kunda, 2000). Their purpose is to strengthen social cohesiveness and loyalty to the factory and the manager. On the one hand, hired workers and kibbutz members can learn about what is happening in Newplast, and on the other, the newsletter acts as the factory’s business card and display window to the outside world. The newsletter is a selective source of information, in line with the new management's world view, and guides staff members towards internalizing the “correct” Newplast culture.

One of the organizational ceremonies that the new manager institutionalized has been the monthly meeting, in which outstanding workers are applauded and organizational events are reported. These are not meetings for thrashing out issues raised by disgruntled workers, and as a result the monthly meeting has become an empty ceremony which many do not bother to attend. Since the general manager is himself a member of another kibbutz, he has adopted that well-known symbol of the kibbutz, the general assembly, and has invested it with the new meaning of organizational reality. In the past, the assembly served as a platform for discussion and arguments on important matters, an arena where all kibbutz members shared in deciding on critical issues. The monthly assembly in the factory has lost its democratic significance and has become a mechanism for normative assimilation of the general manager’s new cultural values.

The cultural change in the factory was aimed at coping with a changing competitive environment; in a capitalistic society, as it is difficult to run a factory on socialist lines (Awel et al., 2006). The new general manager with no ties of personal loyalty in this kibbutz (since he is not a member of Sadot), he is free to institute changes. Conversely, previous general managers as Sadot members were unable to execute much-needed reforms because they could not fire a worker who was a kibbutz member. This contradictory approach highlights the existence of organizational sub-cultures (Kunda, 2000), as
indeed in Newplast there exist different groups of workers cohering around shared interests, values, and norms, and forming distinct sub-cultures:

- Management (middle and senior) accentuates the positive. These staff members identify with the general manager's new capitalistic norms.
- Veteran production employees constitute a different subculture that does not view the changes in a positive light, especially as some suffered in the wake of the changes. These workers, active in the workers' committee, recently joined the Histadrut and forced the general manager to sign a collective work agreement.
- Kibbutz members in junior positions criticize the uncertainty and negativity in the new organizational culture of Newplast. Being kibbutz members means that by law there can be no employer-employee labor agreements between them and the kibbutz branch they work in, and the Histadrut and the workers' committee cannot represent them. They are the weakest link, totally without power vis-à-vis the management.

In the kibbutz prior to crisis and change, there were essentially two adversarial groups in the collective factory: kibbutz members in various roles on the one hand, and hired workers on the other – mainly production-line workers and junior office staff. But the changes in the new generation, such as the engaging of young kibbutz member engineers, and the co-existence of technicians and non-member workers next to non-member professionals, have created a sense of professional solidarity. Similarly, the changeover to a differential salary in the kibbutz has blurred the sense of belonging to a single class and has sharpened the differences between manager and line worker. Such changes have led to the proliferation of groups of workers with conflicting interests: employees opposed to managers; professional kibbutz members as opposed to non-professionals; and production as opposed to management where an overlap might exist (for example, being both owner and line worker). Some of the different sub-cultures have adopted the new values, while others adhere to the traditional collective values.

At the same time as the meaning of “kibbutz” has moved from that of a pioneering, ideologically collective group to that of a privatized, achievement-oriented one, so too has the term “member of the collective” in a tribal and familial sense lost all meaning. The new manager has introduced a cultural change compatible with his conceptions but opposed to the interests of some kibbutz members, and this inevitably has led to factory-internal conflict (Awal et al., 2006; Richard and Munich, 2011).
The factory-as-home policy promotes a pleasant work environment in a highly competitive business. However, it may also be seen as a managerial strategy to restrict organized activity in the factory. The question of labor relationships does not only apply to Newplast but has become a burning issue across the kibbutz movement. Evidence of this can be seen in a recent conference held by the kibbutz federation (Takats) on the theme “Labor relations in kibbutz industry”, which was attended by more than a hundred human resource managers from kibbutz factories. In his opening address, the chairman said, “In the past, the legal system did not enter the kibbutz gates, and we managed to resolve issues relatively well by ourselves. Today the picture is quite different and extremely sensitive.” Another speaker, a kibbutz factory general manager, said that financial market sources have predicted a possible 20% drop in value for a factory with a collective agreement compared to a parallel non-unionized factory (Ofek, 2011). The above testify to the state of anomie that has overtaken the kibbutz industry as a whole, an industry that has not yet adjusted to new modes of labor relations appropriate for a new culture.

Hofstede (1992), Trompenaars (1993), and Hoecklin (1997) each showed that worker groups in organizations generally adhere to a shared set of values, whether individualistic or collectivist, universal or particular, attributive or achievement-oriented, incidental or specific. We have found that the management of Newplast adopts a dual set of values which varies according to management needs. On the one hand, the factory no longer bows to collectivism, staff is chosen on the basis of profitability. On the other, workers are expected to feel a sense of collective commitment toward the factory. It is most probable that the general manager, with his knowledge of kibbutz norms, well understands how to manipulate their collectivist values and exploited them in the service of the factory. Thus Newplast management relies both on individualistic and collectivist values. This dual set of values permits them to support universal principles and procedures of recruitment and at the same time allows the human resource manager to use personal relationships and contacts for recruiting. The group of production employees resists the new culture of individualization in the relationship between management and workers and reacts to this policy by the collective step of unionizing.

Organizational culture is influenced by individuals who have a combination of status, charisma, experience, and seniority (Hofstede, 1992; Trompenaars, 1993; Hoecklin, 1997). The new general manager undoubtedly shapes the organizational culture at Newplast. Our findings point to his openness to change and achievement (in introduction of new technology, reform of organizational roles and structure, improved turnover), and self-
enhancement (he demonstrates both a strong desire to attain success and a powerful ambition by setting challenging goals for the factory). The new manager wants Newplast to be dynamic, competitive and achievement and success oriented.

Conclusion

The organizational change in the Newplast kibbutz factory was successful from the economic point of view. When the new general manager was appointed, the factory was in a financial crisis. Adopting a new orientation helped the factory to recover from its organizational decline. The necessary steps that were implemented by the management eventually achieved their purpose by turning the factory into a profitable enterprise. The economic goals, however, were not achieved without social costs, such as damaging the kibbutz solidarity and multiplying internal conflicts in the factory.

References


