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Chapter 4: Organization in Kibbutz Industry

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In 1996, there were 377 kibbutz industrial plants, which were distributed among the following categories: wood, furniture, and food — 52 plants; metal and textiles — 105 plants; plastic and rubber, electrical supplies and electronics, optics, chemicals, and pharmaceuticals — 150 plants; quarries and construction materials — 21 plants; ornamental products — 19 plants; paper and printing — 18; and industrial services — 12 plants (Association of Kibbutz Industry, 1996). In addition, kibbutzim own recreational and tourist facilities that have burgeoned in recent years. In 1996, sales of products of industrial plants amounted to 3,505 million dollars (US), their exports reached 1073 million dollars, and they employed twenty-six thousand people. Even though the kibbutz constitutes only about 2.8 percent of the Israeli population (but 6.9 percent of Israel industrial workers), kibbutz industries account for 5.9 percent of Israeli industrial sales and 8.2 percent of Israeli exports (excluding diamonds). Industry presently comprises about 70 percent of kibbutz economic production and employs a similar percentage of kibbutz members. (In some kibbutzim, industry generates close to 100 percent of the economic revenues.) In short, many kibbutzim are essentially industrial communities in rural areas. How did this come about in communities whose stereotypical image is that of idyllic farmers and farmland?

Kibbutz society was founded on the basis of cooperative, democratic, and egalitarian principles. These principles, as well as conditions in Palestine at the time of the kibbutz's foundation, determined to a great extent its way of life and its organizational structures. The economy at the beginning of the century was based primarily on agriculture, and only in the 1960s did the tempo of industrialization increase. This industrial growth produced many debates about the way in which industry should be organized in order to preserve kibbutz values and the kibbutz way of life. Ultimately, kibbutzim accepted a pattern of industrial organization very different from that existing in society at large — a unique organizational structure based on kibbutz values, social structure, and culture. I refer to this as the normative model of kibbutz industry. However, following the economic and social crises of the 1980s, profound changes occurred. The normative model and the changes that kibbutz industries are

now experiencing provide the focus of this chapter, but first it is necessary to give a brief description of how industrialization has evolved.

IDEOLOGICAL PRINCIPLES IN THE FOUNDATION OF THE KIBBUTZ MOVEMENT

"The kibbutz system of life is a new model of social life. . . . this is a comprehensive system in which members live, raise children, work and create, grow old and pass away. In fact, the kibbutz is a microcosm of an entire society" (Golomb and Katz, 1971, 7). In the early days of the kibbutz, at the beginning of this century, its members regarded working the land as their central purpose. As kibbutz ideology developed, it drew on Zionist, socialist, and humanist values and integrated them to form a coherent ideology of its own. The stated goals of kibbutz founders were to cultivate the land from the wild, to build a Jewish national entity in Israel (Palestine at the time), and to create a just society. In *Kibbutz Regulations* (the kibbutz bylaws), the introductory chapter on foundations of the kibbutz states: "The kibbutz is a free association of people for purposes of settlement, absorption of new immigrants, maintaining a cooperative society based on community ownership of property, self-sufficiency in labor, equality and cooperation in all areas of production, consumption and education." Similarly: "The kibbutz considers itself an inseparable part of the Hebrew workers' movement in Israel, which aspires to establish the Jewish people concentrating in Israel as a working society built on foundations of social cooperation." Thus, the main objectives of kibbutz society embrace three categories:

1. Zionist objectives: settlement, conquering the wilderness, absorbing immigrants, and securing and safeguarding state borders by settling along them.

2. Creation and development of a working class: creating a cooperative society based on community ownership of property and forming an inseparable part of the Hebrew workers' movement in Israel. "The founders of the cooperative settlements felt called upon to create a healthy Hebrew society and to make up for the lack of a normal working class" (Talmon-Garber, 1972, 49).

3. Creation of a just society: self-sufficiency in labor, equality, and cooperation in all areas of production, consumption, and education. For "while they (the founders of the kibbutz movement) devoted themselves to creating a working class for the sake of their people, they were guided by their socialist views to reject in principle a working class dependent on providers of work. The solution to this contradiction was the creation of a

reformed society and an economic reality based on ownership by the workers and self-sufficiency in labor" (ibid.).

Within this ideological framework, industrialization was introduced. Historically, kibbutz industry was already beginning its gradual growth around the time of World War II, when 13.7 percent of production workers in kibbutzim worked in industry. At that time, industrial plants developed primarily from workshops for repairing tractors and pipe systems — for which there was a need combined with a skilled work force in the kibbutz. However, it was not until the 1960s that a major rise in the rate of industrialization occurred: Of the 320 kibbutz industrial plants operating in 1981, only 34 percent were established before 1960 (Association of Kibbutz Industry, 1982).

In the 1960s, changes in economic and demographic conditions hampered agricultural development and provided the impetus for industrial growth. The main reasons for the impetus to industrialize were as follows:

1. The market was saturated with agricultural products.
2. There was a shortage of such resources as land and water to increase agricultural production, and the quota of production of various crops allocated to many kibbutzim was insufficient to support the members. Yet the kibbutz population kept growing at a rate of 2—3 percent per year.
3. Government policy supported industrialization, particularly in border settlements. Kibbutzim constituted a large proportion of border settlements, making them eligible for government benefits (long-term loans and grants) for the advancement of industrialization.
4. Older kibbutz members, unfit for physical work in agriculture, were seeking alternative places of work.
5. Kibbutz members with technological abilities (especially the young) were seeking work in which they could employ these abilities.

But the need for industrialization per se cannot ensure its successful implementation. Success in developing industry in the kibbutz came about from certain characteristics of kibbutz society and of its members.

Ideology and Cultural Perspective

The kibbutz movement has always emphasized a future orientation. It welcomes changes to its lifestyles and occupational structure, but seeks to adapt these changes to its values. This ideological characteristic of kibbutz society has had far-reaching importance for the growth of industry, involving changes to the entire work system of the kibbutz (Rosner, 1971). An additional characteristic of kibbutz society is the ideological emphasis placed on productive work. Originally considered synonymous with work in agriculture, the concept of productive work was easily broadened to include work in industry (Rosner, 1971).

Structural Characteristics of Economic and Work Organization of the Kibbutzim

The economic structure of the kibbutz was based originally on small agricultural and service branches. In the busy seasons, there was movement of workers from branch to branch as dictated by need and the desire to distribute the work load more equally. Thus, members grew accustomed to changes in their place of work, and the introduction of industry into the kibbutz was seen as just another added branch. It should, though, be emphasized that change in place of work within the kibbutz was not accompanied by any change of social environment, social standing, standard of living, economic security, eligibility for public office, or cultural life.

The kibbutz economic mix of different branches (and involvement, therefore, in different markets) was also of help in the successful introduction of industry. Starting an industrial business involves large expenditures, and initially losses may well exceed profits. That the industrial branch was one of many enabled the kibbutz to invest in it and to cover the initial losses with profits from other economic units.

Rosner (1971) summarizes the above characteristics as follows: "There exists in the kibbutz, then, the main conditions for success in the test not only of industrialization but of modernization in general — mobility and availability of human resources. They enable workers to be directed to changing objectives, and the demand for changing the place of work is seen not as something to oppose but rather as part of the normal course of life."

Experience and Education of Individual Members

Kibbutz members have, on average, a high level of formal education. Most founders of kibbutzim came from cities (whether in Israel or abroad) in order to realize the Zionist ideal of changing the occupational structure of the Jewish people from a nation of merchants to one of farmers who worked the land. They received their secondary education, and often higher education, before their arrival. Their education was applied to agricultural development in the kibbutz, and it later contributed to their speedy adjustment to industry. People born

and educated in the kibbutz also received advanced agricultural training at a high technological level, and their experience improved their ability to adapt to industrial technology and to its economic and financial demands. In addition, job mobility in kibbutzim created in members the flexibility and adaptability required for industrialization.

Thus, already at the onset of the industrialization process in kibbutzim, kibbutz industrial workers had a high level of formal education compared to nonkibbutz workers. Palgi (1984), in a study conducted in 1976, found that kibbutz industrial workers had, on average, 12.2 years of schooling while nonkibbutz Israeli industrial workers had only 8.6 years of schooling. Similar results were found by Tannenbaum et al. (1974), who, in 1969, compared kibbutz industrial workers with those from four countries (Italy, Yugoslavia, Austria, and the United States): The kibbutz workers had the highest level of formal education. Currently the average level of education for industrial workers on kibbutzim — aged forty five years or younger — is about 15 years of schooling.

Availability of Managerial Resources among Members

Democratic patterns of management in the kibbutz help to develop managerial skills. Many members are appointed to managerial positions at work and within the social domain of the community; and since these functionaries are replaced by new appointees every year or two and most get trained in managerial skills for their temporary office, the number of members who can, if needed, fulfill managerial positions is large. Indeed, about 50 percent of kibbutz members held some type of managerial position (Palgi and Sharir, 1995) during the years 1988—1995.

However, side by side with the supporting conditions for successful industrialization, other aspects of kibbutz society — ideological, structural, cultural, and personal — served to hamper the development of industry. As described in the next section, solutions to overcome these impediments had to be found before industry could take a leading role in the kibbutz economy.

PROBLEMS WITH INDUSTRIALIZATION AND SOLUTIONS FOR OVERCOMING THEM

The first problem of industrialization in a kibbutz relates to the size of the industrial plants. The small number of members in each kibbutz (from fifty to one thousand, but most commonly between three hundred and

four hundred) has precluded the development of large industries, particularly in light of the socialist ideal of not employing paid workers from outside the kibbutz.

To overcome the difficulty of limited membership in individual kibbutzim and the ideological imperative of not employing outside paid labor, the type of industry tended to be based on plants requiring heavy capital investment and low manpower.

The second problem had to do with taking people off working the land, and even more important, the alienation and fragmentation associated with factory work, in contrast to the wholesome characteristics associated with farm work. The solution to this problem was to organize and manage industry within the kibbutz economy in a way similar to how farm branches were managed and operated. Thus, because managerial rotation and democratic conventions were the practice in agricultural branches, they should therefore be the practice in industry as well — with, of course, adaptations appropriate to the specific structure of the industry.

Another obstacle was that routine industrial jobs seemed inappropriate for most kibbutz members: Whereas most had received a broad general education, only a few had specific technological training. The possibility of creating jobs that failed to utilize the capacities of the workers was cited as a major problem with the continuation of industrialization. The solution here was to emphasize what was at the time (early 1970s) a high knowledge-intensive type of technology.

Thus, there was an awareness in the kibbutz movements that industries must be established that would answer the needs of kibbutz members and of the kibbutz social system. Large industries were unsuitable because they required a large work force; heavy industry requiring great physical strength on the part of the workers was also regarded as unsuitable (in consideration of the elderly and of women in the kibbutz); and simple tasks of the conveyor-belt variety aroused opposition. These limitations imposed difficulties on the penetration of industry into the kibbutz, and some industries that were set up later had to be liquidated or sold out.

FORMALIZATION OF THE INDUSTRIAL ORGANIZATION IN KIBBUTZIM — THE NORMATIVE MODEL

Following suggested solutions to problems of industrialization in kibbutzim, industries were sought that possessed certain characteristics: high in capital requirement; not employing outside hired labor; small in number

of workers; managed on principles of democracy with full participation of workers in decision making; and offering enriching and self-actualizing jobs to the member-workers while, at the same time, being viable economically and answering to the other needs of the community. Not all kibbutzim adopted these recommendations, but many did, particularly during the most intensive time of industrialization, the 1970s; and the recommendations became benchmark criteria against which kibbutzim would weigh their success in accomplishing the goal of industrialization.

In the mid-1970s the combined criteria and objectives of industrialization were summarized by kibbutz official political bodies to form the components of the normative model of managing industry in a kibbutz community. The following section describes how the kibbutz movement formally defined objectives for the industrialization process and the preferred characteristics of industries that would make them congruent with basic kibbutz ideological premises and principles of organizational conduct — as formulated during the late 1970s by the industrial councils of the Kibbutz Artzi and by the United Kibbutz Movement (UKM). (Detailed analyses of these formulations appear in Leviatan and Rosner, 1980, and Palgi, 1984.)

The four main objectives of kibbutz industry, according to these formulations, are as follows (Palgi, 1984):

1. Welfare of the individual members. As noted above, a workplace in which people of various skills can work and realize their abilities is a goal of prime importance in kibbutz industry. In the resolutions of the industrial council of the Kibbutz Ha'Artzi, the opening statement reads: "The industrial plant is part of the kibbutz home in which the member is given a framework for the expression of his creative ability, satisfaction of his natural need for work and occupation, belonging to a team, satisfaction of his aspiration to achieve, etc."

2. Profitability. Kibbutz industry serves to consolidate the kibbutz economy. However, profit is not the sole objective. "The industrial plant is intended to contribute maximally, within the framework . . . of kibbutz principles, to the profitability of the economy of the kibbutz. Maximal profit is not the sole objective of the plant, but one of several. . ."

3. Safeguarding kibbutz principles. Several domains are considered: dealing with the hierarchical structure — managers and managed — in a democratic society; safeguarding the principle of decisionmaking

through direct democracy; safeguarding the principle of interaction between plant and kibbutz and preventing the creation of autonomous foci of power in the plant; and safeguarding the principle of self-sufficiency in labor.

4. Achievement of national objectives. A number of national goals which the kibbutz movement has adopted can be advanced through industry. For example, kibbutz industry can contribute to the national economy by maximal exploitation of existing production potential, promotion of exports, creating alternatives to imports, and defense production. Industry can also allow for new settlements in arid areas unsuited to agriculture. If industrial settlements are established as a source of livelihood, the national goal of settling all sectors of the country can be realized, even in areas in which it is difficult to sustain agriculture.

The normative model articulated by formal resolutions saw the organizational structure and decision-making practices in the industrial plant as the principal means of realizing most objectives of kibbutz industry. The following quotation illustrates this well: "In keeping with the special conditions of the kibbutz, economic objectives can be achieved most efficiently by means of an organizational structure that will fulfill the expectations of those members who work in the plant and their aspirations for independence and enhancement of content in their work that will allow them to fully realize their abilities and skills" (Kibbutz Artzi, 1977, 9).

Organizational Structure of an Industrial Plant

The normative model allows for maximal individual freedom, together with work in cohesive teams in which good relations and communications are maintained. Consequently, decisions can be made and executed in an optimal way. Leadership is rotated among team members and involves coordination of activities within the team and between the team and other teams. The plant is managed by distributing authority among various managerial functionaries, with a flat hierarchical structure. Holders of managerial positions serve for three to five years, after which they are replaced.

Decision Making

The normative model requires decisions to be made at several levels: plantwide; at the level of work teams or divisions within the plant; at the level of management; and at the level of plant committees. The emphasis on participation of workers in decision making is aimed at kibbutz members only and does not include hired workers — stemming from the conviction that by not formalizing roles of hired workers, kibbutzim would be discouraged from hiring them. The following decision-making system is that which was proposed.

Plantwide

At least once a month, all workers in the plant gather for a briefing (in addition to written information posted on bulletin boards, etc.) for a presentation of recommendations from the management and committees and for a discussion of current problems. It is emphasized that the plant assembly is not merely a platform for presenting information but a decision-making body. In matters pertaining to investments, production plans, and long-term courses of study for plant workers, the plant assembly may make only recommendations to the kibbutz general meeting, the body that determines such issues. The plant assembly also discusses appeals concerning decisions made by other bodies in the plant (management, committees, etc.) that were not brought before it for discussion.

Work Teams or Divisions. Teams meet as the need arises, particularly to deal with work schedules, working conditions, work plans, and so on. They can also make recommendations to the plant management or plant committees on matters of general concern such as investment plans, exports, and training programs.

Plant Management. Management of the plant comprises three categories: central managerial personnel of the plant; central officeholders of the kibbutz (for example, the economic coordinator and treasurer); and representatives of plant workers, one of whom is the chairman of the workers assembly. Management meets once a week to discuss and decide current management matters and to formulate proposals for consideration by the plant's assembly and kibbutz institutions. The executive management deals only with urgent technical matters.

Plant Committees. The role of these committees is to deal with special problems at the plant, to formulate proposals, and to bring them before the relevant bodies for a decision. The following committees are commonly established: a marketing committee; a work committee to deal with such matters as manpower planning, personnel problems, and workers' training; a technical committee; and a safety committee. It is recommended that as many workers as possible be integrated into the committees.

The normative model of kibbutz industry provides, then, for both direct participation (workers assembly and kibbutz assembly) and indirect participation (representatives of the rank-and-file workers in the managerial bodies). Only a few decisions are made without consulting other plant or kibbutz bodies. Because the industrial plant is one of several branches in the kibbutz and all its expenditures and income belong to the kibbutz, the kibbutz assembly determines the production plan, the investment plan, and the plant training program after these

matters have been discussed within the plant and in the relevant kibbutz committees. Thus, if an investment is planned in a certain branch or for the training program of a certain worker, the decision must be based on considerations related to all the productive branches in the kibbutz.

Managers

The manager of an industrial plant is elected by the whole community. Often no one within the plant possesses the skills necessary for managing it, and therefore an outsider must be sought from among all members. The plant manager, furthermore, needs to have certain social skills, and the kibbutz must be certain that the person who assumes the management of so central a workplace will both enjoy public support and safeguard the integration of the plant into the kibbutz. Holders of other managerial positions are chosen by the plant workers since, as a rule, these managerial duties are performed in addition to the managers' regular jobs as workers.

The essence of the normative model of operating kibbutz industrial plants is well illustrated by the perception and expectations regarding managerial roles. In the early years of kibbutz industry, the attitude toward managers was ambivalent. On the one hand, this office was recognized to be more important than other roles; on the other hand, there was the wish to preserve strict equality among all members. There were reservations about forming ruling and ruled classes and apprehensions that industrial imperatives would establish an organizational culture alien to the kibbutz spirit. Thus, there were expectations that the plant manager would act like a branch coordinator for whose role the appropriate balance lay between being "equal" and being "more." These expectations are evident in the behavioral norms that have been established, such as the inclusion of the plant manager in the duty roster for night shifts, in cleaning the factory and its washrooms, and in similar jobs. Furthermore, when managers make business trips abroad, they have first to receive the approval of the kibbutz assembly; they are replaced every five years (the term used to be three years); and they are not assigned a specific vehicle for work but have to file a daily request with the vehicle coordinator. As for outward symbols, they are not called managers, but coordinators — that is, they are expected to coordinate workers' activities rather than control them. To emphasize equality, many plant managers come to work in the same blue work clothes and boots worn by workers on the production line.

In summary, the principal characteristics of the normative organizational model are as follows:

- Replication of the management norms of the agricultural branch within the framework of the industrial plant

- Participation of all plant workers in the decision-making process
- Information flow and the avoidance, through managerial rotation, of concentration of power
- Maintenance of norms and mechanisms that create good labor relations, a comfortable atmosphere at work, and the involvement and satisfaction of the workers

- A decision-making process that embraces not only economic and organizational considerations, but also social considerations

- Definition of the plant as an integral part of the kibbutz community.

But how has the normative model fared and what is currently happening to it? These questions are dealt with in the next section.

DESPITE SUCCESS, A DEMAND FOR CHANGE

The normative model for establishing industry in the kibbutz was implemented by many kibbutzim. Industry in those kibbutzim concentrated on technologies and markets where the principles of the normative model could be applied, and for many years kibbutz industry, judged by any criterion, enjoyed success. Production and export per worker were above average compared to similar plants in Israel (see, for example, data of the Association of Kibbutz Industry, 1995; Barkai, 1977; Leviatan and Rosner, 1980). The economic effectiveness of kibbutz industries exceeded that of comparable industries in Israel (Melman, 1971). In terms of utilization of human resources (increased motivation and contribution), their internal functioning proved to be superior to that of industrial plants outside the kibbutz (Tannenbaum et al. 1974; Bartolke et al. 1985; Palgi, 1984). And the better performing plants were those which adhered more closely to the recommendations of the normative model (Leviatan, 1975b).

Kibbutz industrial plants still hold this exceptional economic position within Israeli industry, as demonstrated by Rabin (1991) in a comparison of about fifty kibbutz industries with a similar number of comparable (in size and branch of technology) Israeli industrial companies traded in the stock market. The kibbutz plants excelled on all measures of business effectiveness. Another example of the relative business success of kibbutz

industrial plants is shown in the latest analysis of the performance of Israeli industrial plants by the Israeli branch of the appraisal firm of Dun and Bradstreet (Dun and Bradstreet, 1996). Fifteen of the top one hundred and fifty Israeli manufacturing companies are kibbutz plants and six others are kibbutz regional factories. Therefore, twenty one plants out of the 150 (about 14 percent) are industrial plants that are owned by kibbutzim, while the kibbutz population accounts for only about 2.8 percent of the total Israeli population. Interestingly, and of much relevance to the topic of this chapter, the top three of the fifteen kibbutz industrial plants belong to kibbutzim that strongly adhere to the normative kibbutz model of running industry.

Research found that kibbutz industrial plants allowed workers more participation than other Israeli plants (Palgi, 1984). Workers in kibbutz plants were better able to influence conditions in their place of work, including financial matters and the work schedule. Compared to workers in private or Histadrut-run (the association of Israeli workers)-run industry and to workers in other countries, kibbutz industrial workers had more opportunities for advancement, to do interesting work, to study, to use their skills and knowledge, and to decide how the work would be carried out (Palgi, 1984; Bartolke et al., 1985). Principles such as managerial rotation were adopted in a large number of kibbutz plants, with the expected social and productivity benefits (Leviatan, 1978).

And yet, following the economic crisis that surfaced during the mid-1980s, there was a crisis of confidence in the kibbutz mode of industrial management. Extensive criticism was leveled at the following: that frequent rotation led to a situation in which unqualified people were running the plants; that the decision-making process was slow and caused important decisions to be delayed; and that the decision-making process allowed considerations to be introduced that were unrelated to the plant — leading to decisions that were economically unsound. It was also maintained that because the industrial plant of today is too sophisticated for all the workers to participate actively in the workers assembly, the assembly should become a forum for conveying information and no longer a forum for discussion of problems. These criticisms against the components of the normative model have resulted in suggestions for alternative approaches.

CHANGE IN ORDER OF PRIORITY GIVEN TO DIFFERENT GOALS OF INDUSTRIALIZATION

The first focus for change has been to reorder priorities among objectives that an industrial plant in a kibbutz should strive to achieve. Top priority is given to economic viability. Profitability has become the overriding concern for industry, and in many kibbutzim, flexibility is now permitted with regard to other goals such as individual welfare and safeguarding kibbutz principles. Thus, unprofitable plants may be closed, even if they provide jobs for the elderly and disabled; and in the setting up of new plants, less consideration is given to the needs of the worker and more to future profitability. (In the past the opposite was true.)

Changes have also occurred in the application of kibbutz principles, principles which kibbutz industry was to safeguard. Today, many hold to the opinion that a hierarchical structure with a clear division of authority among the various levels is essential. The top managerial positions are still chosen democratically by decision of kibbutz members — but solely according to criteria of economic efficacy. Similarly, the principle of direct democracy has become more "flexible," so that the mechanism of representative democracy is legitimized in various areas of decision making. As a result, the workers assembly in many kibbutz plants now meets only once or twice a year instead of monthly. The decision-making powers have been given instead to different committees and various managerial bodies.

Finally, the economic dependence of the plant on the other productive branches or on community institutions in the kibbutz has sometimes rendered it impossible to adapt to new economic conditions. This has led to justification for an almost complete separation between economic (primarily industrial plants) and community affairs — in contrast to the original concept of safeguarding the integration of the different sectors. Thus, there are cases where the plant has money to invest in various welfare projects for its workers or may arrange for them to travel to exhibitions abroad, whereas, at the same time, the community is reducing members' budgets or putting a limitation on consumer spending, studies are being cut, vacation travel is canceled, and even budgets for higher education are curtailed.

CHANGES TO THE NORMATIVE ORGANIZATIONAL MODEL

The New Model: A Board of Directors

The second focus of change relates to the criticism that kibbutz management norms no longer seem to answer the needs of industry in all the kibbutzim. There are now two extreme, almost contradictory, models in

kibbutz industry: the normative model (described earlier) that still operates in many industrial plants and a radically new model adopted by some other plants. Most of the kibbutz industrial plants are located somewhere in the middle. The new model introduces into the plant management a new body taken from business outside the kibbutz: a board of directors composed of both members of the kibbutz and outsiders nominated for their expertise in the business of the plant. By the end of 1994, boards of directors had been set up in approximately 60 percent of the large industrial plants in the kibbutz movement (see Getz's chapter). Most of these boards demand complete autonomy for the plants: autonomy in the choice of workers and nearly absolute autonomy in policies of investment, production, training, and so on. This demand negates equality of power among kibbutz members and the integration of the plant in the kibbutz. The manager of the plant is chosen by the board of directors and serves for a longer term than in the normative model. Rotation as a social and ideological norm is no more practiced; and, for the managerial position, nomination of candidates (who do not necessarily have to be kibbutz members) is made by a professional panel.

Thus, the decision-making process takes place almost entirely within the plant, not within the framework of the kibbutz. Most issues related to long-term policy are brought before the board of directors. The workers assembly has little authority and serves primarily as an opportunity for information dissemination and announcements. Contrary to the normative model, decisions about the employment of workers, including members, follow conventional business criteria, with almost no acknowledgment of social considerations.

It is interesting that support for the introduction of the board of directors comes from two contrasting points of view: The first wishes to conserve the control of the community over the plant management, while the second is focused upon protecting the plant from the kibbutz. The first group argues as follows.

If the plant manager and management are autonomous in making decisions relating to the plant, they are liable to compromise the kibbutz financially — because most of the decision makers (rank-and-file kibbutz members) lack sufficient expertise to understand the proposed decisions or have enough confidence to intervene. The establishment of a board of directors consisting of knowledgeable experts in industrial matters can protect the kibbutz from arbitrary actions by the plant manager, introduce better auditing methods, create ongoing communication with the kibbutz, and safeguard kib butz interests.

The arguments of the second group, which advocate protection of the plant from the kibbutz, run as follows. The board of directors has autonomy in making decisions related to investments and manpower. Thus, noneconomic considerations have no place in its deliberations, and the plant no longer requires approval by the kibbutz for each step it takes. The kibbutz cannot remove or put members to work in the factory without permission of the management. Employment policies are determined on an economic basis, allowing the plant to operate more efficiently. The manager is chosen in a professional manner, and if she or he fails, the board of directors can replace her or him without regard (unlike in the past) for social considerations.

Not much research is as yet available to support any of the contentions raised by these two opposing lines of argument. However, the introduction of a board of directors is shaping up as a mixed blessing. A recent study (Buchaltes and Klipper, 1996) shows that from among three hundred and fifty kibbutz industrial plants, those that have boards of directors have higher levels of sales, yet these industrial plants operate at lower levels of profitability and they pay higher rates for labor than those that do not have boards of directors.

Other Changes

Others Changes in Ownership Structure. While in the past, ownership of the industrial plant was solely in the hands of its kibbutz, now there exist about a dozen kibbutz industrial plants which are public on the Israeli stock market where up to 50 percent of their stocks are traded. Other plants (several dozen) have created partnerships with outside capital under various legal definitions. These moves are encouraged by the kibbutz movements as a way to diversify financial risks of the kind that proved disastrous during the crisis of the 1980s.

The Office of Plant Manager. As already stated, the plant manager is no longer required to follow the norm of managerial rotation. Most kibbutz members (approximately 70 percent) now think that if the plant is successfully managed by a kibbutz member, he or she should be allowed to retain this position for many years (Palgi and Sharir, 1995). But an even more significant change is that the plant manager need not be a kibbutz member. If there is not a suitable manager in the kibbutz, it is thought preferable to hire a professional manager from outside rather than to have the plant run by a poor manager. (About 20 percent of top industrial managers were found in a recent unpublished study Rosner and his associates to be either members of other kibbutzim or professional managers from outside the kibbutz movement.) Yet the commitment of a plant manager who is not

a kibbutz member to the norms of kibbutz life is obviously tenuous, and the methods of management tend to undergo change.

Workers in the Plant. Organizational culture — hitherto based on confidence in the workers, their identification with the plant, the existence of formal and informal communication channels, direct relations with the managers, and participation in unpleasant tasks — has undergone change in some plants. The senior managers, especially in those plants that have established boards of directors, are not part of the team of workers, and informal communication has been reduced. In addition, some managers refuse to employ kibbutz members who do not have the necessary skills.

One of the problems liable to arise in the near future is a lack of jobs for the physically handicapped, which until now had been guaranteed by kibbutz industrial plants. In the past, almost every worker was accepted as a natural outcome of the belief that the kibbutz has a duty to provide work for all its members, limitations or merits notwithstanding. But it also made economic common sense: Employment of a handicapped person who can contribute even a little is less costly to the kibbutz than having that person as a health or social liability. Now, management in some plants argue that from their (narrow) perspective of the plant's efficiency, it is not in their interest to employ members who are not in their prime. Indeed, some illustrative examples of this approach have already been recorded. For instance, in one plant the top manager demanded that older kibbutz workers should leave the plant as they were not as efficient as young hired laborers from outside. The angry reaction in the community was so intense that management backed off. In another plant the manager required that older people who worked in the plant would be only those of whom he approved and that they should work "voluntarily" — that is, the kibbutz would not get any transfer of money for their work.

Hired Workers. Until the mid-1980s, there was a downward trend in the percentage of hired workers employed in kibbutz industry — from about 60 percent in 1969 to about 20 percent in 1983. This downward trend stemmed from ideological considerations and from the problematic existence of two forms of discipline within the same organization: discipline arising from identification and internalization of values (that of kibbutz members) and discipline arising from necessity (that of hired workers). But since 1989, and resulting from the adoption of the new model, hired work is again on the rise. In 1990, 29.9 percent of kibbutz industrial workers

were hired; in 1994, 50.9 percent and in 1996, 56.4 percent were hired (the Association of Kibbutz Industry, 1997). In plants with boards of directors, hired workers constitute the majority of production workers.

SIGNIFICANCE OF THE CHANGES FOR OTHER DOMAINS OF LIFE IN THE KIBBUTZ

During its years of existence the kibbutz has prided itself on the involvement and identification of its members with their workplace. Studies showed that the special qualities and qualifications of its members were among the strongest kibbutz economic advantages and that its main strength was apparent when it could recruit members at times of difficulty to make special efforts and to contribute to unforeseen work demands. The changes that many kibbutz industries have introduced, and which (according to present trends) many more might introduce, create a distance between members' personal lives and the welfare of the kibbutz and result in alienation from their work-place because they are no longer involved in decision making. This alienation is, of course, also true for the hired workers, but the latter are at least compensated by material benefits related to their efforts, while for kibbutz members who work in industry extra effort or special achievements are not compensated by material benefits.

True, in the past, kibbutz workers in industry also did not benefit personally from their work. But before the changes, they could at least feel that they had control over their work life and the future of their workplace through the democratic decision-making process that prevailed. This is no longer so in many plants. Therefore, an increasing number of workers feel as if they are hired labor but without any of the benefits (salary and fringe benefits) of that position. This brings them to look first after their own personal interests and only later after the general good of the plant — as demonstrated by Leviatan (1995), who has shown that, for the first time, the motivation level of industrial workers is below that of farm workers. As a result, a new type of relationship is developing between managers and workers; a passage from a cooperative relationship and the pursuance of common goals to rivalry, contradictions, and conflicting goals.

Such adversarial relationships at the industrial workplace have a spillover effect on other domains of life on the kibbutz. Thus, the bureaucratic and the sometimes conflictual relations between workers and management are imitated by workers in other workplaces. It happens because the kibbutz is a closely knit communi-

ty, and the industrial plants in most of them dominate in norm setting, since they represent the single largest workplace for members. The effect of the changed organizational culture can be felt even within the community's social domains. Domains such as education, health care, and mental health are also experiencing a transformation from an informal relationship based on trust into a stricter and much more formal relationship. For instance, members are limited in the hours and times they may approach officeholders for assistance or consultation; they may get help only after it is approved by a professional and not, as it used to be in the past, according to their request.

Members in central managerial positions enjoy in some kibbutzim (where the changes are significant) almost unlimited power in the community. In the few kibbutz communities (two at the moment) where differential remuneration has already been introduced, the high-ranking managers get the highest "salaries." The demand for the introduction of differential salaries in these kibbutzim came from their industrial managers, who argued that such an arrangement would better motivate their workers. There is no proof as yet that workers' motivation has been raised by the introduction of differential remuneration, but one outcome is clear: In one kibbutz that introduced differential monetary remuneration for members, holders of managerial positions receive three times as much as rank-and-file workers.

One attitudinal outcome that has resulted from the changes is that members who are high-income producers are highly esteemed while, in the past, this esteem was reserved for hard workers.

These changes are also having a profound impact on the kibbutz's organizational culture. While in the past, emphasis was placed on egalitarian work relations and the equal value of all types of work, today greater value is placed on personal achievement and organizational efficiency. It is fair to surmise that this process is transforming the organizational culture of kibbutz industries into that of traditional industrial plants elsewhere.

LEARNING FROM THE KIBBUTZ EXPERIENCE

The changes that kibbutz industries are presently experiencing relate to an ongoing argument in the literature that deals with the origins and causes of change: whether it is due to economic failure of the ongoing system (e.g., Williamson, 1975, 1991; Ouchi, 1980; Granovetter, 1985, 1991) or to ideological shifts (e.g., Meister, 1973).

The approach that emphasizes economic causes of change argues that when one organizational model fails economically, the organization switches to another model. For example, when a model based on hierarchy and power relations fails to be effective, the organization switches its principles of conduct to economic and market relations (as Williamson argues) or into some sort of "cooperative relations," to which different researchers give different names: clan (Ouchi, 1980); commune (Butler, 1983); or network (Powell, 1990). The common argument here is that the economic conditions of an organization trigger the change in principles of conduct.

By contrast, Meister (1973) studied what he called "the iron law of degeneration of direct democracies" and looked into the demise of cooperatives and voluntary associations in France and Italy. He argued that it is the ideology — values and attitudes held by members and leadership — which changes and which leads to changes in principles of organizational conduct. Ideology, according to Meister, is what leads to passage from a cooperative model into a hierarchical or market model — not failure in the economic conduct of the organization. That is, even economically successful cooperatives or other direct democracies may go through a process of decommunization to become organizations that are hierarchically ruled or ruled by principles of the free economic market.

Meister pointed out the characteristics of such changes as he found them in dying cooperatives. These characteristics are very similar to what is currently observed in some kibbutzim: a change from members' intensive involvement in their organization to members' apathy for the organization; a change from direct democracy in the organization into indirect democracy; a change from cohesive social relations to conflicts between managers and workers; a change from ideological commitment to economic considerations as the only criteria to evaluate one's conduct; and a change from rewarding all organizational members equally to differentially rewarding them according to managerial position.

The changes occurring in kibbutzim are much in line with what Meister describes and are clearly in the direction of both hierarchy relations and economic or market relations. This, then, should allow us to test the contrasting hypotheses about the origins of change in organizations. Palgi (1994) offers a first test of the rival hypotheses in her study. Her findings are that in the kibbutz both ideological and economic conditions are re-

sponsible for changes from a cooperative model into a market or a hierarchical model, but the ideological have primacy over the economic conditions.

The conclusion from all this is ironic. A failure in functioning might bring about change in an organization. Paradoxically, however, the change is often to a model that has already been tried elsewhere but failed. Thus, kibbutz plants are trying the market and hierarchical models — stricter supervision over workers, representative democracy, material rewards, and so on. Meanwhile, plants in western industrialized societies are trying to introduce elements from the cooperative model — worker ownership, worker participation, autonomous groups, quality circles, group discussions, expression groups — because their market and hierarchical models have failed them.