

# Loss of organizational solidarity in three kibbutz factories

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Received 13 May 2015  
Revised 25 July 2015  
Accepted 26 August 2015

## Abstract

**Purpose** – The purpose of this paper is to study the loss of solidarity in three kibbutz factories as an outcome of the process of privatization in their kibbutz communities.

**Design/methodology/approach** – The research was a qualitative investigation, including interviews in three factories.

**Findings** – The research found high a sense of vertical and horizontal solidarity before the privatization. The solidarity stemmed from socialistic principles of the kibbutzim (plural of kibbutz) and their factories functioned as an extension of the kibbutz clan: close inter-personal relationships, a devotion to collective needs and democratic decision making in the kibbutz general assembly directly influencing the factories. After the privatization, the organizational solidarity decreased because of formal and procedural issues: the factory became hierarchical, work conditions deteriorated and the familiar spirit of the clan vanished.

**Research limitations/implications** – There are more than 130 kibbutz factories, most of them in privatized kibbutzim. This paper presents only three of those factories, so it can only represent preliminary and partial findings. It is important to extend this research to examine other kibbutz factories.

**Practical implications** – The research suggests how factories, in kibbutzim and throughout the world, could respond to weak organizational solidarity: to increase trust and cooperation between management, to create flexible working conditions and to achieve higher productivity.

**Originality/value** – This is the first study to focus on kibbutz enterprises through the sociological lens of the solidarity theory. Previously, most post-privatization research has focussed on economic questions of profitability.

**Keywords** Employees, Human resource management

**Paper type** Research paper

## Introduction

This paper deals with the loss of organizational solidarity in three kibbutz factories, each in a different kibbutz. The goal of the research is to find commonalities and differences among the factories, particularly in regard to the decrease in solidarity that the workforce feels toward the factory.

Solidarity behavior refers to an individual's contribution to the common good of an organization or of the whole society (Hechter, 1987; Lindenberg, 1998) and is a crucial factor in organizational success (Wickens, 1995). Solidarity springs from cooperative participation and the willingness to put extra effort in achieving an organization's goal (Cramm *et al.*, 2012) and encompasses perceived closeness, a high-quality relationship, harmony and trust (Gremier and Gwinner, 2000). Inversely, anger and frustration can harm organizational solidarity (Diefendorff *et al.*, 2010). Until now kibbutz industry did not deal with this important issue.

Recent research about kibbutz industry has focussed on the privatization process in kibbutz plants (Palgi, 2006; Moskovich and Ashush, 2013) and their difficulties to cope with the current neo-liberal environment. Kibbutz industry literature has described and analyzed the changes in "renewed" factories (Ben-Rafael and Topel, 2011; Arbel, 2013), how they overcame organizational decline and their economic crisis (Moskovich and Ashush, 2015).



This paper deals with an important issue that the literature has usually overlooked: the decrease of solidarity in kibbutz factories after privatization (Palgi, 2006; Moskovich and Ashush, 2013, 2015). This issue should be an important issue for kibbutz industries. The loss of solidarity can cause social anomy in kibbutz factories and harm their production and profits (Moskovich and Ashush, 2015).

Loss of solidarity has a direct and negative impact on the existence of an organization. This paper supplies numerous ethnographical examples from the field about the impact of loss of solidarity in organizational environments and its social cost. The research project has tried to identify the reasons of loss of solidarity in kibbutz factories. A deep analysis of the causes can be a key factor in resolving this problem. These descriptions and analyses can offer insights to other kibbutz factories that face similar issues in their work environments. Beyond kibbutz factories, other industries can also draw conclusions about the significance of organizational solidarity and the damaging consequences when management ignores this factor.

The study focusses on the management of three kibbutz factories that chose an extreme transaction from socialism to capitalism, without looking for organizational alternatives (Atzeni, 2012; Parker *et al.*, 2014). In response, this paper suggests how to embrace a more just and egalitarian system in a capitalistic world, particularly for kibbutz factories with their roots in socialist ideology. Kibbutzim can find a more moderate way to combine new capitalist principles with long-standing egalitarian traditions.

The findings that come to light can be useful to kibbutz managers and to industry in general. The analysis can contribute to managers' awareness of the importance of organizational solidarity by supplying the perspective from the workers point of view. The ramifications of this research can not only illuminate the problem, but also offer some practical implementations. The first is how to deal with the loss of solidarity. The second is how to combine profitability with horizontal and vertical solidarity in kibbutz industries.

### *The changing nature of the kibbutz*

Jewish pioneers established the first successful kibbutz, in Palestine in 1909. Today there are 270 kibbutzim, scattered across Israel, mostly in rural areas.

Originally kibbutzim were strictly communal. The underlying ideological concept was "from each according to his ability, to each according to his need." The agricultural and industrial units in the kibbutz reflected the ideological concepts of the larger kibbutz society: egalitarianism, democracy and rotating leadership. In 1962, the national kibbutz movements decided to focus on four main objectives in kibbutz industry (Palgi, 2006): welfare of the individual member, profitability, safeguarding kibbutz principles and contribution to achievement of national objectives.

The kibbutz factory, like every organization, is an open system and environmental influences force it to adapt to new conditions. The change of governments from left-leaning to right-leaning in 1977 with the corresponding 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, a sudden shift in governmental economic policy from expansion to price stabilization left many kibbutzim with too much debt. This led to the collective bankruptcy of the entire kibbutz movement due to its

structure of mutual aid among the kibbutzim. As economically troubled kibbutzim pulled down previously economically healthy kibbutzim, the crisis placed both the democratic structure and the economic survival of kibbutzim in doubt. The collective movement embarked on a process of reform. The first steps completed by the mid-1990s did not undermine the cooperative foundations of the kibbutz but the second wave of changes, which came after the 1990s, forced the government and the kibbutz movement to redefine the very concept of kibbutz.

In this second wave, two profound changes stand out. The first was 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 second was 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 percent of the kibbutzim had adopted a wage system together with a system assigning privatized assets. This signified the end of the participative kibbutz, in which the kibbutz had served the group through a close integration of the socio-economic institutions, and the shift to the differential kibbutz, which recognized the economic autonomy of its economic branches. This meant that market competition, and not commitment to members, motivated economic decisions. The new socio-economic format adopted a market system of work allocation, with members free to work inside or outside the kibbutz. Differentiated pay for different types of work, according to the external market value, replaced the equal-budget allocation system. Although members keep most of that pay, steeply graduated internal taxation finances community services and maintains a "safety net" for members in need of help (Ben-Rafael and Topel, 2011; Arbel, 2013).

Consequently, approximately 75 percent of the previously collective kibbutzim are now "privatized" (officially called "renewed" kibbutzim). All kibbutzim seriously suffering from economic crisis, and many seeking to avoid such crisis, adopted some form of the privatized model. The 25 percent of kibbutzim that remained un-privatized were all in very good condition economically (Ben-Rafael and Topel, 2011; Arbel, 2013).

The economic crisis brought extensive criticism of the kibbutz industry. Frequent rotation of plant managers caused operational disruptions and a lack of continuity in policy. The decision-making processes were slow, caused costly delays, dealt with considerations unrelated to the factory and often led to economically unsound decisions. Today, profitability is the overriding concern for kibbutz industry, causing marginalization of goals of individual welfare and safeguarding kibbutz principles. The kibbutz economy became separated from the kibbutz society. Changes in kibbutz industry included (Palgi, 2006):

- (1) The kibbutz general assembly ceased making operational decisions about the economic branches. Instead, it elected boards of directors, comprising kibbutz members and outsiders. These outsiders tended to be experts in the economic field in which the branch operates.
- (2) The board of directors chose the factory managers, who did not have to be kibbutz members and who would serve for longer tenures.
- (3) The decision making occurred almost entirely within the factory. The board of directors dealt with long-term policy. The managers made and executed short-term decisions without the workers' participation.

- (4) Previously, the kibbutzim had been the sole owner of their factories. After the change, about 50 percent of the factories had shared ownership with non-kibbutz entities.
- (5) Economic managers employed skilled workers rather than give preference to under-skilled kibbutz members that could not find work elsewhere. Consequently, the majority of the workers in kibbutz factories were not kibbutz members.

### **Review of literature: organizations in capitalistic environments**

Globalization and capitalism influence organizations worldwide, as they carry with them distribution of similar patterns of mass production, selling the same products and a culture of conspicuous consumption (Roger, 2014). Capitalism is an economic system, in which capital is invested and accumulated to increase profits. It is a system comprising various principles: a free market, inequality, freedom of the individual, efficiency by saving money, market expansion and growth, and the profit motive (Parker *et al.*, 2014; Gradin, 2015). One element of the capitalistic environment has been trade liberalism, which has caused unemployment, growing gaps among the classes, massive privatization and the collapse of the economic system in some European countries (Parker *et al.*, 2014). Capitalism has caused a normative crisis that justifies a political and economical regime of exploiting poor people by rich people (Roger, 2014).

Alternatives to capitalism exist in organizations that create relationships of cooperation and exchange (Parker *et al.*, 2014) on a more equal moral basis. There are various non-capitalistic organizational forms, including: education and healthcare services, informal arrangements of helping people, volunteer activities, civil society organizations and community services provided by NGOs. These organizations embody more “participative and egalitarian forms of social organization” (Parker *et al.*, 2014, p. 26), although it demands special leadership to promote internal democracy in cooperative organizations and the ability to cope with complex environments and union organizations (Cheney *et al.*, 2014).

Cooperative organizations, with more just working conditions, can offer socialistic and communist alternatives to capitalism (Atzeni, 2012; Parker *et al.*, 2014; Rogers, 2014). In cooperative organizations, the members are the owners and take part in making decisions and policies. The members each have an equal vote; together they democratically control the cooperative organization (Novkovic, 2008; Gradin, 2015). The resulting atmosphere creates organizational solidarity, job satisfaction and a high level of involvement among employees (Cheney *et al.*, 2014). The organizational culture of these alternative organizations gives the employees self-management through democratic decision procedures, which promotes a more positive attitude, creativity and higher productivity. These cooperative organizations contrast sharply with capitalist organizations, whose authoritarian profit-driven management style characteristically alienates workers’ attitude (Atzeni, 2012). Moreover, there is growing evidence of economical success in cooperative business firms in northern Italy, the UK, Canada, Argentina and post-communist Yugoslavia (Novkovic, 2008; Atzeni, 2012).

#### *Organizational solidarity*

Organizational solidarity directly correlates with low-intensity supervision and decentralized structures; it suffers with intense supervision and hierarchical structures (Cramm *et al.*, 2012). High levels of solidarity reflect and result in happiness and other

positive emotions while working. Close, friendly relationships as well as informal inter-personal communications among workers and managers will enhance behavioral solidarity (Sanders *et al.*, 2002) particularly in regard to goals, policies and procedures (Cramm *et al.*, 2012). Inversely, feelings of frustration and anger will lead to lower levels of organizational solidarity (Milliken *et al.*, 2003; MacDonald *et al.*, 2014).

Management influences solidarity with its formal procedures of control and direction. Transparency about the rules of the game and rewards for productive behavior increase solidarity. When employees sense fairness in rewards and promotions, job satisfaction and solidarity will increase (Miller and Monge, 1986).

Job satisfaction, a strong predictor of productivity (Judge *et al.*, 2001; Malik *et al.*, 2010), reflects the employee's level of positive emotional orientation toward work and the motivation to respond to organizational demands (Price, 1997). Job security is often one of the features of job satisfaction, leading to better inter-personal relationships and solidarity. In addition, Sanders and Van Emmerik (2004) found that flexible and less monitored conditions will maintain more solidarity because the employees invest extra effort to protect their jobs.

It is important to distinguish between horizontal solidarity among workers with the same status and vertical solidarity among workers with differences in status. Strong horizontal solidarity stems from co-workers, at the same organizational level, who are mutually dependent and share mutual responsibility of team tasks (Koster *et al.*, 2007).

Building vertical solidarity in organizations is much more difficult than horizontal solidarity. Employees are commonly in conflict with their managers about work norms and content (Blau, 1955; Homans, 1974). Organizations need a spirit of agreement between workers and their management to overcome these conflicts (Sanders *et al.*, 2002). Overly hierarchical control, favoritism and unfair reward systems negatively affect horizontal solidarity as well as vertical solidarity. On the other hand, a factor that enhances both horizontal and vertical solidarity is the sense of organizational success shared by all employees (Sanders *et al.*, 2006).

Managers have the lead role in building vertical solidarity because of their formal authority over subordinates, yet both sides must be interested in building solidarity for it to occur (Newman and Ober, 2013; MacDonald *et al.*, 2014). Working together additional hours positively influences employees' perceived vertical solidarity (Sanders and Van Emmerik, 2004). Inversely, when subordinates feel a lack of support and a cold inter-personal distance from their supervisors, the chances of creating solidarity decrease dramatically (Sanders and Schyns, 2006).

### Methodology

This research utilized the qualitative method of the case study while examining the organizational biographies of factories A, B and C. Kibbutz members employed by the organization, as well as other kibbutz members and former CEOs agreed to ethnographic interviews. All the interviewees received pseudonyms in order to protect their privacy. In addition to the interviews; the researchers used document analysis of internal newsletters, organizational reports and daily newspapers to complete the information about vertical and horizontal solidarity.

The researchers met with 21 factory A interviewees in 2012, including all ten then-currently employees as well as four previous CEOs, who had served since 1979. The third CEO (1987-2000) had been among the factory's founders, working as an engineer and then as marketing director before becoming CEO. Document

analysis of organizational economic reports from 2007 to 2009 completed the organizational information.

Approximately 30 interviews in factory B spanned the years from 2009 to 2011. A first round of interviews included the general manager, senior factory managers (accounting, operations, engineering, production and marketing), the deputy general manager for development, veteran workers, senior factory secretaries and members of the workers' committee. In addition, two retired general managers agreed to interviews. A year later, a second round of interviews included key factory workers and the general manager. Non-random sampling ensured the inclusion of workers from all levels, women and men, kibbutz members and hired workers. In addition, there was document analysis of the newsletters of factory B from 2008 to 2012.

In factory C, 15 employees agreed to interviews, including ten production workers (seven kibbutz members and three outside workers) and five middle-managers, all of whom were kibbutz members. Researchers completed the information with document analysis of organizational newsletters and related reports from daily newspapers from 2009 to 2014.

The informants in each factory supplied a great deal of data, presenting similar perceptions and allowing the verification of each other. Conclusions were both inductive and deductive. The study started with interviews. The researchers used the subject analysis method (Wadham and Warren, 2014): organizing, sorting and arranging the data into meaningful categories. In qualitative study the researcher builds categories to arrange the data that raise from the field. Categorizing facilitated the interpretation of the data and the construction of a narrative about solidarity in each organization. The last stage of the research was a gradual process of abstraction, linking the narrative to the theoretical literature on organizational solidarity.

## Findings

### *Historical background of three kibbutz factories*

*Kibbutz A.* Factory A was created in 1979 to provide employment for members. The factory's most important products were magnets suitable for a wide range of applications. Initially, the workforce comprised 20 kibbutz members: managers, technicians and production workers. As the plant grew, it hired professionals: first from other kibbutzim, later from nearby towns and villages. At its peak, in the 1990s, factory A employed 85 people, most of them (60-70) from outside the kibbutz. The senior managers were kibbutz members. The assembly-line workers and the middle managers were outsiders. In 2000, the first outside CEO was appointed. In 2006, following heavy losses, production gradually decreased while the trade department expanded. The year 2007 saw additional financial losses and the CEO's statement reported that client-loss represented a million dollar deficit. This review also expressed the intention to locate new clients (A plant, 2007a). Another problem was 40,000 dollars in unpaid debts. In addition, the organization paid off a NIS 500,000 debt to the chief scientist and made an insurance provision of 110,000 dollars (A plant, 2007a). At the end of 2007, the CEO reported that they had not located alternative production facilities in Ukraine and Rumania, so magnet production continued at the factory in Kibbutz A, incurring additional losses. Additionally, when two large customers in Spain and Canada ceased purchasing from factory A, there was a loss of NIS three million, representing a 40 percent drop in annual sales (A plant, 2007b). The 2008 global crisis dealt a heavy blow to the plant, as the kibbutz itself suffered economically. The plant was on the



brink of closing down, a situation exacerbated by the bigger clients' inability to pay their debts (A plant, 2009b) and the reduction in orders. Factory A continued to shrink and the few remaining workers had to do the jobs of those that had been let go. Stress and work-overload followed (A Plant, 2008). The CEO's position was reduced to half-time and the marketing manager was laid off. During the global economic crisis of 2008, the workforce drastically fell from 85 to 10. Finally, production ceased and management dismissed all the employees. In 2010, factory A extricated itself from the crisis when an investor purchased 74 percent of the company's shares. The renewed firm produced nothing; instead, it became a marketing business. The production of the goods is now in China.

*Kibbutz B.* Factory B was built in 1947. Today its products include plastic storage solutions for offices and advanced pipe systems for water supply as well as communications infrastructure. It also specializes in recycling systems that produce non-potable water for agricultural use. Although relatively financially secure in the early 1990s, the factory ultimately suffered from the economic crisis that was overwhelming the kibbutz movement. In 2003, Kibbutz B "privatized" and adopted the differential salary method. As in many kibbutzim, privatization amplified tensions among social groups within the kibbutz. The global financial crisis of 2007-2009 undermined the factory's stability; 2008 ended with a loss and the general manager was replaced. For the first time, the general manager was not from Kibbutz B, but came from a kibbutz that had already undergone privatization. The board of directors of factory B granted the new general manager full autonomy. He implemented radical changes and hired an organizational consultant to rebuild the structure of the factory. The new general manager's arrival caused personnel in the factory.

The human resources manager said this was hardly surprisingly because the new manager decided to enforce the retirement age policy by the end of 2010. Over the years, a number of veteran kibbutz members had entrenched themselves in management roles, creating an atmosphere of stagnation. But by the end of 2010, the senior management and veteran workers had left the factory (B Plant, 2010a, b, c). In plant B the general manager told about the losses in the plant, without giving accurate numbers. The kibbutz hired him to promote huge changes as the organizational decline and stagnation that was in the factory. As an outsider the manager could implement massive organizational changes like firing unfit kibbutz members workers. The former general manager was a kibbutz member, he could not hurt his friends. The new CDO was free from kibbutz obligation and was ready to do the necessary painful steps. Currently, factory B has 120 workers, only half of whom are kibbutz members. The new general manager succeeded in overcoming the decline and re-established a prosperous plant.

*Kibbutz C.* Factory C was established in 1962. In the beginning, it was a small welding workshop, which developed water filtering systems for agricultural purposes. Its product line grew to include plastic injections filters. One of its most innovative ideas was a large pump that was used for watering agriculture plants. The factory now produces more than 2,000 products for both agriculture and industry. Factory C directly operates plants in eight countries, has six subsidiaries abroad and markets its products in 66 countries. In 2006, the company went public, trading its stocks on the London stock market. This initiative exposed the factory to the external investment of the Icelandic investment company "Aturka." When Iceland's economy collapsed in 2009, factory C lost money and subsequently bought back the stock shares

(Kurtz, 2012). In 2010, after suffering from global economic crisis, factory C merged with a competing kibbutz factory in the field of water filtration. Factory C controlled 50 percent of the new entity. The previously competing factory controlled 5.5 percent, a third kibbutz factory owned 9 percent and the public held the rest.

The merger cost factory C more than 10 million euros, but caused it to become the biggest business in water filtration in Israel (Zomer, 2010). After the merger, factory C reported more than 73 million dollars profits (Zipori, 2010). It won big contracts all over the world. For example, factory C supplied the US Navy filters for the aircraft carrier USS John Kennedy, which caused great satisfaction among the plant's personnel. The current CEO proclaimed that the factory would supply the most technologically advanced filters to the US Navy. In addition, the company had various desalination projects in Australia with "Oregon Australia." The value of these Australian projects exceeded ten million dollars (C Plant, 2013).

The big investment in the merger caused the factory to implement efficiency steps like downsizing and firing workers. The internal plant newspaper reported changes in personnel: the manager of injection department left his job (C Plant, 2009, p. 81) and a lot of veteran workers lost their jobs (C Plant, 2010a, b, p. 89). New workers, mostly from outside the kibbutz, replaced them (C Plant, 2010a, b, p. 84). This metamorphosis in personnel caused a lot of resentment among the remaining veteran kibbutz workers. The merger helped both plants recover from organizational decline.

Today the factory employs 240 workers in Israel and 100 abroad. Kibbutz members, from Kibbutz C and other kibbutzim, comprise a third of the workforce. The current economic value of the company is 120 million dollars. Supplying water filtration systems to ships constitutes a large part of the factory's income. The former CEO said: "We are now in a market that turns over billions of dollars. The filter system for desalinated water is very expensive in new ships, so we expect our profits to grow in the future" (Kurtz, 2012).

#### *Organizational solidarity before privatization*

The primary goal establishing the three factories was providing work for members who had left agriculture. The secondary goal was increasing income for the collective. Four main themes emerged from the interviews relating to the early history of each factory, which together embodied its organizational solidarity.

*Democratic decision making.* The first theme was democratic decision making, corresponding to kibbutz norms of participation and direct democracy. Originally, the kibbutz general assembly had to approve every major decision in its factory: purchase of equipment, work arrangements, recruitment of new workers, financial management, etc. This process reinforced solidarity between the factory workers and the general membership of the kibbutz. As one former CEO of factory A said: "There was an idea in the factory to produce in India. The kibbutz members were against it; they said it was against socialistic values to exploit other workers. This suggestion failed in kibbutz general assembly." Another manager from factory C reported: "We wanted to purchase machines from Germany, but kibbutz members did not approve it because of the holocaust. They didn't want to do business with Germans. In the end we did not buy them."

*Principal of equality in kibbutz plants.* The second theme was the principal of equality. Equal status as kibbutz members facilitated friendly personal relationships



between production workers and managers, without any social distance. This included outside workers because of the kibbutz goal of creating a new and a just world. As a production-line worker in factory A stated:

[...] we worked without any distance between outside employees and workers who were kibbutz members. The new outside employees participated in all meetings and events in the factory's life. [...] In the beginning, we ate in the kibbutz dining hall; without separation between the managers and simple workers.

Another example from plant B, as one of the workers said; "we earned the same salary without any difference of your position in the factory, by the socialistic principle that each member will contribute as he can and will get according to his needs." Many behaviors, based on equality and informality, reinforced the solidarity in the factories. There were egalitarian dress codes for production workers and managers. One kibbutz general assembly stressed that all workers were blue-collar and should not differentiate themselves by their clothes. All factory workers ate together, either in the kibbutz dining hall or in the factory dining hall. Most important, all kibbutz members received an equal personal budget from the kibbutz (i.e. not directly from the factory), regardless of their functions in the factory.

*The factory as family home.* The third theme was the perception of the factory as a family-home framework with values of cooperation and collectivism. Before privatization, the three factories operated with a family environment. The general manager was like a father and carefully used management procedures to please his kibbutz family. All of the interviewees stressed the feeling of home and family in their factories, with one production worker at factory C pointing to the situation before the merger with another factory:

- Before the merger in the factory, most of the workers were kibbutz members and the factory was close to their place of living. The geographical closeness gave the workers a sense of belonging. This feeling changed after the merger. In the past the workers could combine work demands with personal needs, for instance they could take a break and visit their children, or tend to an urgent matter.
- One of the production workers said: "In the past I recognized all the workers. Today the feeling is social alienation; you don't know who the workers are and what their positions in the factory are." Another worker added: "The managers do not give personal treatment as they had previously." A manager in the factory C said that as an outcome of the merger there was a lot of tension in the factory. The management needed to cope with the complicated issues of the merger, which affected the workers. For example, some workers had to move from one department to another one.

Workers in the three factories spoke of flexible working conditions which considered their personal needs. There was a low level of regulation and no time-clock, facilitating a calm environment with a high level of personal freedom and control over personal schedules and other work issues. One of the workers from plant A said: "the use of the time-clock, caused a crisis in relationship between workers and management, we felt that they don't trust us." One of the CEOs in plant C related to this issue: "When we begun to use the time-clock, the workers were undisciplined, they left the work in the middle of the day for personal arrangement, you

cannot run a factory in this way.” A worker production from plant C stated: “I worked with an open radio, since the work is very boring, the music keeps you alert and it gave me a sense of a nice work environment.” The sense of family also stemmed from close relationships among the workers. One production worker from factory C said, “It was fun to come to work. We knew we had friends at work.” Another worker from plant A added, “We knew everyone. The factory was small and we wanted to help each other. If you had a problem, there was always someone that helped you solve it.”

Management invested time, energy and money in this special environment. There were social events for holidays, birthdays and general motivational trips. Workers would collect money for presents and prepare the food at home for parties and special dinners. There was ample time for sharing personal lives. As one of the workers from factory C said: “If one of the employees had a private celebration like a birthday, a wedding or a new born child; we spontaneously brought food and opened a table, in the middle of work. We found the time to celebrate.”

*The sense of job security.* The sense of family had also stemmed from the deep-seated belief that the factory would protect the worker. The kibbutz had established the factories to provide employment. Kibbutz membership, not professional education or experience, had been the criterion for working in the factory and professional advancement. The management would spend the necessary time and money to train inexperienced members. There was a high level of job security and managers would rarely fire members.

Unfortunately, this loyalty to kibbutz members and the promotion of their interests caused serious economic damage. The human resource manager from plant B noted:

“You couldn’t fire a kibbutz member in the past, before privatization, even when he wasn’t qualified to do his job.” The general manager added that in the old-style kibbutz, social stratification in a factory resulted from ascribed status rather than merit-based professional criteria. A worker would receive a senior appointment by virtue of being a kibbutz member more than by virtue of professional competency. Before the advent of the new general manager, kibbutz members had expected to receive preferential treatment. In an interview, the general manager agreed: “When I started, there was a long-standing, cohesive staff, with some workers not competent in their positions”.

When the new general manager began dealing with this issue, the factory engineer, a kibbutz member who had received no training for his position, preferred to resign rather than be compelled to leave. Similarly, the production manager proved to be unsuitable for her position and transferred to another department in the factory. She noted, “The collective ideals maintained roles based on loyalty, even for those who did not effectively contribute to the factory.” The new general manager believed that his predecessor had been kept on because the members had seen him as a kind of “tribal elder.” Indeed, the previous general manager had filled various positions in his 30 years of service, including those held for long periods of time without rotation, such as finance manager and engineering manager. The new general manager complained that before his arrival there had been no such thing as retiring from a position.

*The sanctity of the work ethic.* The fourth theme was loyalty to work values. This social norm reflected an idealistic climate of pioneering; members had a strong willingness to invest many hours to achieve the collective’s goals. All the workers, from

each factory, described work as “sacred.” This core belief translated into several norms: a lack of unjustified absenteeism, strong morality in the work place and the obligation to work even in physically non-conducive conditions. Production lines were often dirty, hot and with no air conditioning. The belief that “all work was honorable” allowed people to work for collective benefit despite the lack of physical conveniences. One of production workers called the factory “dirty Factory B.” A senior production worker expressed the solidarity toward the factory:

I loved to work, to do the best I could. Work for me was the best, I loved to work [...] it was healing even on vacations and weekends. You might be sick on Saturday, but on Sunday (the first day of the work week) you were healthy like a mule.

Another worker from factory B said: “All the workers are very devoted to work, they come to the factory even when they are sick and they don’t want to miss a day!”

#### *Organizational solidarity after privatization*

With privatization, the three kibbutzim rejected most of their previous socialist structures and practices. Instead of equal personal budgets, members received differentiated incomes, reflecting the type of jobs they had. The shift toward capitalist practices had a profound impact on the kibbutzim’s factories, resulting in a dramatic decrease in horizontal and vertical solidarity within those factories.

*From direct democracy to hierarchical decision making.* Among the first obvious changes was the shift from direct democracy to hierarchical decision making. In the 1990s, the three kibbutzim decided to separate their social structures from their economic structures. Consequently, the kibbutz general assemblies no longer made operational or strategic decisions for their factories. Instead, boards of directors and management teams were free to make decisions, based on professional economic criteria to maximize profits. The kibbutz general assemblies received information after the implementation of the decisions, usually as annual reports. In 1994, the general manager of factory A decided, on his own, to open a new trade department, which would look for new markets. Later, the trade manager reported that this new department “would supply answers for the production demands, especially for products that we were not manufacturing.” The success of this new strategy, and the subsequent growth of the factory, led to even more independence from the kibbutz. In factory B the general manager initiated many organizational changes: the creation of an innovation team and changes in the factory’s structure and goals. He was solely responsible for those decisions. The board of directors received reports, but did not intervene as long as the general manager succeeded. Thus, the decision-making process in the factory B became extremely centralized after privatization. In factory C it was the same situation; the board of directors decided to make the plant public, with its stock trading on London stock market. The kibbutz management approved the plans, allowing the CEO to implement the merger and issue the stock. In the process, the general manager made a number of personnel changes, firing kibbutz members and hiring various outsiders.

*Changes in working manpower.* A lot of complaints from the workers were an outcome of the efficiency steps that were implemented in the three factories. All the factories suffered from organizational decline and their managers needed to downsize the factories. Some of the factories exchanged the human power, by replacement of more young and qualified professional workers. Factory A fired massive numbers;

from 85 employees during the 1990s it downsized to ten workers. In plant B, during the new general manager's first year, a number of workers left, or were compelled to do so, and others changed positions. These changes understandably led to feelings of unrest and uncertainty.

According to the human resources manager of factory B, before the reforms there had been no real correlation between the economic needs of the factory and the qualifications of kibbutz members who applied to work here. The kibbutz demanded that its factory prioritize the employment of kibbutz members, even those without appropriate training or experience. The factory had to adapt itself to these demands.

The production manager pointed to the sharp contrast between the previous general manager and the new one, who does not discriminate between kibbutz members and other employees. Since the advent of the new manager, the slogan for taking on new workers has been: "The right person in the right place." Today the factory is far more selective and expects job candidates to correspond to the norms of the general labor market. Members are given preference over an external candidate only if both have identical qualifications for the job. The human resources manager presented an example of this new policy: "Eighteen months ago we advertised for an assistant marketing manager and two candidates from the kibbutz applied, but were disqualified right at the start." He went on to say: "Since the new general manager started, the factory has been clearly separated from the kibbutz and is today an economic business with no differentiation between members and outside employees – something that is very important to the current manager."

New retirement norms in factory B have frustrated and angered veteran kibbutz factory workers, who have a reverential attitude to work and a strong sense of identity with, and a sense of collective ownership of, the assets of the kibbutz. Likewise, some workers in factory C considered the process unjust:

I was working and suddenly I wasn't working any longer. This kibbutz factory is not like normal factories where you can simply tell the worker that he has arrived at pensionable age and has to retire. No, I am a member, I have a stake here, like everyone else. It belongs to me far more than to someone who tells me to go home because I don't belong any more, since he is not a member, merely an employee. But for the sake of efficiency, the general manager has defended his policy: We have updated lines and changed workers. I have gone to great lengths to consolidate a new generation of workers and have met with the kibbutz youngsters in order to locate the next generation of workers.

He fired elderly members and established a mandatory retirement age. During his interview, he opined that the lack of a mandatory retirement age caused organizational conservatism. Immediately after privatization working conditions deteriorated in all three factories, particularly in the areas of job security and income. The workforce in factory A dropped from 85 workers to ten. In factories B and C the number of the workers increased; but management replaced many veteran workers, who were kibbutz members, with young workers. Most of the new workers came from outside of the kibbutz. For instance, factory C fired veteran workers and hired a few new ones in their place, including: the computer analyst, the materials manager, a production worker, a specialist in bio-technology for environmental issues, the machine engineer, a student of machine engineering and other engineers (C Plant, 2010a, b, p. 84). The general manager from factory B explained his downsizing policy: "Now we need to cut the

workers' salaries and benefits, I do not have a choice, I explained to the workers, that if the factory is profitable the salaries will raise. We cannot pay high salaries when the factory is in decline."

Besides firing workers, management shifted workers to functions that suited the needs of the factory. One of the workers at Factory C complained about the new demands arising from merging with another factory:

The trip is long and when I need to return home, it is inconvenient. The merger has made life like hell for me. I no longer can combine work and home demands; I am not able to spend time with my family as it was in the past.

*Loss of equality.* Along with differentiated salaries in privatization, there was a corresponding loss of equality and increased stratification in all three kibbutz factories. Management encouraged workers to learn professions that were needed for the factory's operations and then ranked them higher than the simple production workers. The gap between the managers and production workers became more obvious as the increasingly independent managers granted themselves special privileges such as private cars, traveling abroad and better salaries. One particularly contentious issue was the managers' ability to use factories' cars for private needs. As the fifth CEO from factory A said: "I asked the kibbutz to allow me to keep the car on holidays and weekends [...] I felt that I invested a lot. I deserve more than others." He noted that his reforms in the factory brought him a lot of enemies because many kibbutz members did not like the stratification in the plant and the special benefits that he got from it. According to some production workers in factory B, the managers' wives were the main beneficiaries of the allocation of cars. The managers, who were members of the kibbutz, would walk to work and leave the cars to their wives, who did not work in the factory. One kibbutz member at factory B opined that outside managers were easing veteran kibbutz members out of management positions in order to eliminate surveillance by the factory's owners (i.e. the kibbutz members) and then would "probably have even more fun with the factory's funds." She was criticizing the factory's new focus on profits and competition, expenses incurred while improving the factory, aggressive marketing and less money reaching the lower ranks. The prevalent feeling among many kibbutz members at factory B was that their home had been stolen from under them. A veteran worker in factory B claimed that the managers had wasted kibbutz funds on their own needs, and at the expense of the workers and the factory owners. Another worker criticized the lack of equality that had appeared under the leadership of the new general manager.

Interviewees from factory C echoed many of these complaints. The egalitarian status between workers and management vanished after privatization in the kibbutz. One worker described the new atmosphere: "The management is constantly concerned with recruiting new employees (managers and secretaries). Their number is growing without paying attention to the simple workers, who are doing all the dirty work." This statement vents the frustration of the production workers in the face of frequent personnel changes. A secretary in factory B expressed frustration with her low salary and an unrealized aspiration to hold a more prestigious position. She noted the sense of injustice felt by kibbutz members working in the factory who received low wages yet did not receive the benefits that outside workers got, such as a 13th salary, holiday gift vouchers, factory participation in dining room meals and scholarships for their children.

*The transition to controlled atmosphere.* With privatization in their kibbutzim, the three factories experienced a transition from a loose and familial atmosphere to a tight and highly controlled organizational environment. Changes in the workforce, the ownership and/or the management exacerbated this transition. There was a sharp increase of alienation (i.e. the weakening of solidarity) among workers and between workers and management. As a worker from factory C said, "We are not familiar with the new workers. I don't know all the new people and what their role in the plant is." The cessation of celebrations of holidays, birthdays and other social events reflected the factories' transition from a familial environment. The marketing manager in plant A noted, "There are no private celebrations, no mixing of business and pleasure. It is pleasant, but strictly work." The management carefully controlled the system of rewards. Where there was conflict between the welfare of kibbutz members in the factory and profitability, economic concerns came first. This new management style, based on capitalist principles, contradicted the pre-privatization kibbutz social norms and created friction in the community. Noting how the family-business spirit vanished, a production technician in factory A said:

In the beginning, there was an atmosphere of cooperation, which vanished when the outside employees stepped into the factory. They did not allow us to talk during work; I had a friend from Tiberius. We were talking all the time. He was working in the lab and I in the sorting department. The management made remarks about this all the time [...] but you cannot avoid friendship [...].

The transition from self-employment to hiring outside workers was one of the causes of the parallel transition from a familial environment to bureaucratic procedures with formal rules. The process of hiring and promotion no longer favored kibbutz members, unless the job candidates were equal in all other ways. In fact, the new attitude of prioritizing profits was usually detrimental for kibbutz members. Management employed workers from the nearby cities for short periods of time and paid them low salaries. This led to a decrease of horizontal solidarity among production workers as well as a decrease of vertical solidarity between production workers and their managers. A key symbol of the formal procedures replacing the family spirit was the introduction of the time-clock. This new norm of tracking workers' time at the factory influenced the attitude of the workers tremendously, as workers in factories A and C reported. As the general manager of factory A said:

Every worker needed to sign his work card in order to use time wisely. It was a dramatic step that created a new work environment. In the past, there had been a liberal, permissive atmosphere: a worker could leave his work station, do some private activities and then return to the plant. It created flexibility and convenience in the work place: kibbutz workers went on their personal errands such as shopping in the local shop, going to the laundry. But you can't earn money in this way. I installed a time-clock and forced kibbutz members to sign in. The kibbutz members tried to lie, but I prevented it.

The introduction of the time-clock roiled kibbutz members. They saw this action as a symbol of lack of trust. The human resource manager in factory A reported that in order to enforce the use of the time-clock, he fired workers who cheated. The consequent tensions decreased the vertical solidarity in the factory. The elimination of music in the factories was another change that symbolized the loss of the familial environment. After factory C's merger with another company, the production manager forbid listening to music during work. One production worker noted that



most of her co-workers were afraid of the production manager and obeyed the new regulation; but she quarreled with the production manager and refused to give up her radio. After privatization, discipline in general became more formal and much stricter in all three factories. One production worker in factory C noted that breaks followed a schedule and workers could not visit other departments during the breaks. Another worker stated that the control was so tight; he had the feeling of serving in the army.

In 2010, after a private owner bought factory A, formal discipline increased. The new owner stated: "We needed to transfer the plant from the kibbutz mentality to an international one; giving service highly integrated with clients needs." According to workers at factory A, the owner monitored every function in the factory and was highly involved in the marketing process. The management cooperated fully with the owner and the involvement of the kibbutz was minimal. The owner said:

You need to know what you are doing. The general manager leads the staff; every worker is trained and works professionally in sales, customer service, buying and logistics [...] What is most important to change? Money, becoming profitable, nothing else matters [...].

The approach of factory A's new non-kibbutz owner embodied the transition from a familial environment to a tighter and more formal environment in all three factories. As profitability became the main goal, social factors lost their importance. After privatization, kibbutz members working in the factories experienced deterioration in work conditions, lower levels of job satisfaction and a decline in solidarity with their factories.

*The deterioration in work conditions.* The loss of solidarity was expressed by reduction of job security as a cause of declining job satisfaction and motivation, as was pointed by production worker in factory C:

In the past the workers got a raise and promotion in work, today the atmosphere is very ugly. The feeling is that you don't have a reason to try; the salaries did not rise in the last few years. The impression is that the managers are buying and investing all the money in their own needs, to improve their own work conditions, without paying attention to the production workers.

Many production workers, in all three factories, echoed similar frustrations. They complained about every aspect in work, in particular the loss of the holiday gift. An overt struggle against the management in plant B exemplified the deterioration in work conditions. According to the interview with the chairman of the workers' committee; the new general manager, as an outsider during a period of frequent management turnover, did not feel bound by previous informal agreements with the workers. The workers decided that they had to involve the Histadrut (the Israeli labor union federation). They demanded formal contracts that required Histadrut approval and that would be binding for any future general manager. Obviously, the kibbutz members working in factory B felt a lot less "at home" than before privatization. From the vantage point of the general manager, the decision of 50 workers to unionize and then to involve the Histadrut in labor-agreement negotiations was a heavy blow. According to the human resources manager, "He saw this as bordering on betrayal. He reacted very emotionally, saying that this meant that they did not trust him. He was very angry with them." The general manager eventually fired the members of the workers' committee. The workers appointed a new committee, which continued pressing for written contracts. The tensions emerging from this work conflict exemplified the loss of trust between workers and management, resulting in a reduction in vertical solidarity.

### Discussion of findings

The findings bring to light a major crisis for the three kibbutz factories while responding to the process of privatization in their respective kibbutzim. All three factories were coping crisis and organizational decline. The economic condition of the plants compelled their CEOs to implement drastic steps to save the plants from organizational decline. The old kibbutz management suffered from difficulties in adjusting to an external neo-liberal market (Palgi, 2006). Previously, the CEOs focussed primarily on supplying employment for kibbutz members, without consideration of the economic cost. This caused some of old-style kibbutzim to collapse. Before privatization, the kibbutz assembly had maintained kibbutz socialistic values, by ignoring the realities of the external capitalist economy. The kibbutzim required their factories to hire kibbutz members, without considering their qualifications. The criteria for employment and professional advancement were tribal values, which resulted in major economic damage to the factories. During the economic crises of the external capitalist markets, the response of old-style managers brought the factories to brink of total disaster. This can explain the policy changes that the new management in all three factories formulated and executed. The radical change in underlying ideology and the corresponding radical change in management style undermined the self-image and objective working conditions of the kibbutz members working in the factories during this transition. The result was a decline in job satisfaction and motivation, as well as a decline in horizontal and vertical solidarity.

The dominant ethos of the original kibbutzim included pioneering, socialist egalitarianism and direct democracy. Because of the strong desire to contribute to the entire collective, the factory workers had been willing to accept hard and dirty industrial work, which was a far cry from the idealized agricultural pioneering. Nevertheless, they were ready to work extra hours to get the job done as a reflection of a total personal commitment to the factory's goals, which were an extension of the goals of the entire kibbutz (Hechter, 1987; Lindenberg, 1998; Cramm *et al.*, 2012). The fundamental kibbutz beliefs in the "sanctity of work" and that "all work is honorable" formed an ethical code which was a cornerstone of horizontal and vertical solidarity in the kibbutz factories.

In return, the kibbutz members working in the factories expected to be treated as equal members of the collective. The resulting social structures, norms and procedures in the factories mirrored the larger kibbutz community. The level of transparency was high and all workers could participate in the decision-making process, both in the general assembly and within the factory. Despite the differentiation in the workers' functions, the factories were not hierarchical (Palgi, 2006). The kibbutz was a clan and the members of the clan were equal collective owners of the means of production. Each member produced according to his/her ability, receiving benefits according to his/her needs (Miller and Monge, 1986; Ben-Rafael and Topel, 2011; Arbel, 2013). Members had high-job security (even in old age), worked flexible hours with minimal supervision, lived in walking distance to their apartments and enjoyed close inter-personal relationships with all other members in the factory, regardless of professional function. The participation in celebrations and other kibbutz functions, outside the factory, blurred the boundaries between the factory and the community, further strengthened personal relationships among the workers and increased solidarity within the factory (Price, 1997; Sanders and Van Emmerik, 2004). The factory, like the larger kibbutz, would care for the needs of the members. The principle of loyalty and trust among kibbutz members of

the clan was more important than productivity or profitability (Gremler and Gwinner, 2000). The workers, at all levels, reported a calm and friendly work environment, frequently using the term “happy” to describe their feelings about working in the factory. The high level of their motivation also stemmed from internal normative supervision, based on strong common beliefs, rather than external and formal supervision enforced by managers (Sanders and Van Emmerik, 2004; MacDonald *et al.*, 2014).

As a result, solidarity was extremely strong between the kibbutz and the factory, among the kibbutz members working in the factory, and between the members working on the production line and the members who directed activities on a rotational basis usually lasting three to five years. Vertical solidarity reflected mutual goals, trust and good work conditions, all of which lead to a high level of job satisfaction (Sanders and Schyns, 2006; Newman and Ober, 2013). Horizontal solidarity stemmed from the high commitment to the benefit of all workers, knowing each other, sharing close personal relationships and spending much time together during and after work (Koster *et al.*, 2007).

The process of privatization in the kibbutzim dramatically caused the decline in solidarity in their factories. The economic and social crisis within the kibbutz movement in the 1980s required structural and procedural changes in many, if not most, kibbutzim in Israel. Key elements of these changes included freeing the economic enterprises from the direct control of the kibbutz general assembly and focussing on profitability as the key criteria of success. Kibbutz management implemented the changes in an extreme way, without considering alternative ways practiced in various cooperative organizations (Atzeni, 2012; Parker *et al.*, 2014; Rogers, 2014).

The members who were production workers in the factories did not identify with the changes because they were the primary victims of these changes. They experienced worsening work conditions, low wages, a loss of social and economic benefits, tighter supervision and lower job security. At the same time, they saw managers receiving better working conditions, pay and benefits. Management established the use of time clocks and other procedures of tight organizational control, fired many veteran workers and replaced them with short-term employees who came from outside the kibbutz. As members of the previously egalitarian kibbutz, the members’ world view shattered as they had to adopt the capitalist norms in the privatized factories (Atzeni, 2012; Rogers, 2014). The management aimed to achieve profits and to overcome the organizational crisis. Given the serious economic problems of all three factories before the reform, the management adopted the drastic steps of downsizing and replacing workers in order to achieve radical change in the shortest possible time. This new policy caused a high level of frustration, alienation and anger among the workers (Diefendorff *et al.*, 2010); the level of trust, motivation and vertical solidarity was dramatically low (Milliken *et al.*, 2003). In one case, the lack of trust led the workers to turn to the national trade union federation (the Histadrut) for intervention and protection. The level of horizontal solidarity also suffered, as short-term outside workers made the kibbutz members a threatened minority in the factory. Many of the workers described the new conditions as “hell.” One of the outcomes was losing organizational solidarity.

The management in all three kibbutz factories decided to cope with organizational decline through unbridled capitalist means: profit and efficiency orientation (Atzeni, 2012; Rogers, 2014), abandoning their previous communal principles. The management did not consider alternative democratic styles of authority, as practiced by cooperative

organizations (Novkovic, 2008; Moskovich and Ashush, 2015). In this alternative organizational format it would be possible to combine neo-liberal market practices and participatory management within a more egalitarian system. Particularly in kibbutz factories, where the collective owners (i.e. the kibbutz and its members) have historic roots in egalitarianism and socialism, it would be fairly easy to restore alternative management styles. One could predict that kibbutz workers would enjoy greater job satisfaction and have greater commitment to work and organizational solidarity (Novkovic, 2008; Parker *et al.*, 2014; Rogers, 2014).

Management in all three factories, and in other kibbutz plants, could benefit from the experience and research of alternative organizations (Novkovic, 2008; Cheney *et al.*, 2014; Gradin, 2015), but this means reaching mutual agreement with the workers and adopting more participatory, democratic ways of operation. Current management, jealous of their newly centralized power, should consider the long-range economic costs of low levels of organizational solidarity. If increased revenues are a major goal, the managers should consider the negative consequences of the loss of organizational solidarity.

### Conclusion

This paper examined the loss of organizational solidarity in three kibbutz factories as a direct result of the process of privatization in kibbutzim. The national economic crisis facing the kibbutzim in the 1980s and the heavy implications of the world-wide economic crisis of the late 2000s forced most kibbutzim and their economic enterprises to radically reform their strategies and tactics. Profitability, which previously had been subordinate to the kibbutz's social needs, now became the sole criterion of economic success. The zeal with which new outside managers strove for profitability led to a dramatic decline in job satisfaction, motivation and solidarity for the kibbutz members working in the factories.

This paper's focus on solidarity opens up new perspectives for examining kibbutz economic units in specific. Previous literature dealing with organizational change in kibbutzim caused by privatization had not dealt with the issue of solidarity (Palgi, 2006; Moskovich and Ashush, 2013). The current paper also contributes to the growing study of the solidarity issue in employer-employee relations in general. The implications of the current research present a number of practical and research questions.

To what extent do low levels of vertical and horizontal solidarity influence an organization's ability to achieve maximum efficiency? Blau (1955) and Homans (1974) addressed the problems of conflicts in the work environment. Wickens (1995) named solidarity as a crucial factor in organizational success. Researchers found that job satisfaction, a key cause of solidarity, was a strong predictor of productivity (Judge *et al.*, 2001; Malik *et al.*, 2010). The logical conclusion is that while the shift of kibbutz focus toward profitability has indeed succeeded, unbridled capitalist zeal may be hindering optimum productivity and maximum profitability.

A good working hypothesis for improving solidarity is by embracing a normative egalitarian and democratic style of management in cooperative and alternative organizations (Atzeni, 2012; Parker *et al.*, 2014; Rogers, 2014). This would increase productivity and profitability, would probably re-institute some procedures that had been elements of solidarity. Management could improve two-way vertical communications, informing the workers of the goals of the factory and its policies. Better communications could also result in a feeling that management will listen to and respond to workers' legitimate problems. Less rigid supervision and more flexible

working conditions could lead to more trust and solidarity. There could be a greater sharing of economic success by all the workers and fewer ostentatious differences between workers and managers. On the inter-personal level, modest social events could be re-instituted, during and/or after work hours.

The implications for further research are obvious. The current paper examined three of the 245 kibbutz factories. Is the experience of the three truly a reflection of all the factories? Have there been cases of kibbutz factories weathering the crisis of privatization with more success? In the long run, will the factories regain a higher level of solidarity as the new norms become standard and the emotional crisis of privatization fades into the past? On the international stage, are there examples of factories taking steps to improve solidarity and how have those actions succeeded?

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