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Family home culture and management-employee relationships: Comparing two kibbutz factories

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ABSTRACT

The purpose of this research was to analyze and compare two kibbutz factories, using familial business theory. The goal was to explain the differences between the management-employee relationships in each enterprise.

Kibbutzim and their economic branches originally operated as extended families, but the process of privatization, towards the end of the 20th century, fundamentally questioned this concept of extended family. The results of the study demonstrate how the two kibbutz factories experienced privatization differently. The first kept many of its familial attributes, reflected in its relatively egalitarian and friendly work environment. The second abandoned its previous extended-family organizational culture, leading to more impersonal, hierarchical, and conflict-laden management-employee relations.

This qualitative research utilized the interview method to describe and analyze organizational processes in each factory. The conclusions of the study offer an expansion of the theory of familial business culture by adding a different kind of extended-family business to the existing literature. Even after privatization, the kibbutz community influences its economic enterprises and can facilitate familial management-employee relationships.

This study offers examples of how to adjust kibbutz industry to a changing capitalist environment, but maintain many of the home-like and friendly relationships between management and employees. Although both factories succeeded economically, the research was more interested in the social cost that the factories paid by abandoning the socialist tradition. Other kibbutz factories can infer how to maintain the high level of the traditional extended-family relations that had existed in pre-privatized kibbutz enterprises. While taking into consideration the special nature of kibbutz society, non-kibbutz factories can use some elements of this study to improve their own labor relations.

1. Introduction

Given the harsh realities of Turkish Palestine at the beginning of the twentieth century, the Eastern European Jewish pioneers that came to settle the land quickly developed a form of socialist collectivist ideology while they were establishing the first kibbutzim (the plural of kibbutz). Democratic and egalitarian relationships were among the key founding principles of these communities. From the very beginning, kibbutz life was like living in an extended family and its economy operated as a single household. Language reflected the familial feature of kibbutz life. A member used the word “home” for the entire kibbutz and used the word “room” for the small personal domicile in the kibbutz (Table 1).

The contribution of the current study is the discussion of the narrative of the familial culture of kibbutz in relation to its industry. To date, there has been little research about kibbutz industries from the familial perspective (Moskovich & Achouch, 2013). Although prior

literature has described the original close-knit interrelationships within the community and its transformation into a looser association, there has been little reference to the familiar nature of the traditional kibbutz's economic branches or to the changes in that familiar nature during recent years (Cohen, 1983). In spite of the transformation of the largest and oldest kibbutzim into a kind of association, this research indicated that some kibbutzim kept the character of community and their familial atmosphere.

Following the traditional definition, literature on familial business explores a kinship relationship with a founding father (Nicholson, 2008). This definition does not fit the incipient kibbutz community because there were no kinship relationships between members, yet in its extended family structure, the kibbutz economy operated as a single entity. Members shared living accommodations such as meals, laundry services, and transport. In this communal household, industry was often an important source of income and the familial narrative played a

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Table 1
Summary of Findings.

Category	Factory A	Factory B
Employee-Management Relationships	Strong feeling of confidence in the management staff	Apprehension and lack of confidence towards the CEO
Managerial Attitude	Strong link between the factory and the kibbutz community Strong identification with the tradition of kibbutz industry Long term stability policy	Autonomy from the kibbutz community Has to show good results in short term Has to shake up the system and to implement radical change
Communication in the Factory	Emphasis on direct communication among workers	Attempt to show openness and transparency (monthly meetings, internal journal)
Managerial Policy Towards Labor Relations	Psychological proximity, informal relations Kibbutz members in professional and managerial positions Preference for hiring and promoting kibbutz members at all levels	Coercion if needed Lack of kibbutz members in professional and managerial positions “The right person in the right place,” No status consideration
The Factory as a Family Home	Experienced as sincere by workers and managers Strong commitment to the factory	Experienced as artificial by many workers and considered as an empty slogan
Economic Results at the Time of the Study	In strong expansion.	Suffering from previous period of stagnation (2000–2007) And loss (2008)

significant part in of factory life. The existing literature about the family business has not dealt with the communal aspect in the development of familial culture in the enterprise itself.

The fact that the entire community participated in senior-personnel decisions, business policy, and many operational questions in its economic enterprises reflected the structural and ideological extended family of a traditional kibbutz. The existence of kinship relationships among community members and factory staff re-enforced the ideological concept of extended family. In the two kibbutzim examined in this study, there were founding families living along side of three or four generations and their descendants, so relatives were used to working together in the industries. In the past, the community had participated in running the factory and the interaction between the two bodies had affected the internal relationships in the factory as well as relationships in the community. The focus in this article is the human relationships developed in the kibbutz industry.

The article reviews the organizational narrative of “factory as home.” Given that background, the main objective of this study is to understand the narrative of family-home-culture business in kibbutz industry by comparing and contrasting the human relationships between management and employees in two different kibbutz factories. Another objective of the research is to examine the economic viability of the different options each factory chose: the anti-cooperative path (prevalent in most kibbutz factories during privatization) versus the cooperative path (which a small number of kibbutz factories have maintained).

1.1. Kibbutz industry

The kibbutz industry has had deep roots in Israeli society, ever since its origins in the 1920s. Kibbutz industry developed quickly during the Second World War, and after the establishment of the State of Israel in 1948. Entrepreneurism became very dominant in the kibbutz movement and carried the kibbutzim to economic development and growth. As a result, by the 1960s, industry had become the main source of income of many kibbutzim (Almaliach, 2009). In contrast with private factories of the young state (Ben Rafael, 1992), the economic goals of kibbutz industries were the kibbutz’s prosperity and the members’ wellbeing, while maintaining kibbutz principles and fulfillment of national goals (Palgi, 1994).

The economic crisis following the establishment of Israel inspired the industrialization of Israel and the kibbutzim. By the 1960s, conventional wisdom in the kibbutz movement emphasized a ‘mixed economy,’ in which the kibbutzim developed industry a long side of their agriculture. The growth rate of kibbutz industry during those

years increased, with outside workers making up more than 45% of the workforce (Almaliach, 2009.)

The products of kibbutz industries included wood, furniture, food, metal, textiles, plastics, rubber, electricity, electronics, optics, chemicals, and medicine (Palgi, 1994). The process of industrialization entailed complexity and professionalism that inevitably created a hierarchical social structure. This stratification caused alienation in the kibbutzim (Moskovich, 2016; Moshkovich & Achouch, 2013, 2015; Moshkovich & Achouch, 2013, 2015), despite the fact that the kibbutz general assembly made the major operational decisions for the industries.

Industrialization raised a number of dilemmas in the kibbutz, primarily the question of who should manage the industries. There were often no suitably experienced people, nor was there a qualified labor force. One criticism of the early management model of kibbutz industries was that the rotation method put unqualified people in management positions. In addition, deference to local kibbutz interests caused erroneous decisions resulting in financial losses (Palgi, 1994).

Kibbutz industry flourished as part of kibbutz communities until the major economic crisis of the 1980s. Following this crisis, most kibbutzim underwent a process of privatization that influenced the relationship between the community and its economic branches. In addition, the relationship between management and employees became more stratified and hierarchical (Russel et al., 2011; Shapira, 2013).

Following the fiscal crisis of the 1980s and massive desertion of young and qualified population kibbutz industries began to hire external professional managers (Almaliach, 2009). 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, sometime causing marginalization of the goals of individual welfare and kibbutz principles.

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 operated. The board of directors chose the factory managers, who did not have to be kibbutz members and who would serve for longer tenures. The decision-making occurred almost entirely within the factory. If in the past the kibbutzim had been the sole owners of their factories, by 2014 about 29% of the factories had shared-ownership with non-kibbutz entities, 13% had shared ownership with other kibbutzim, and 7% had shares traded on the stock market. This left only 52% owned by a single

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