Changes in a Kibbutz Plant’s Life Cycle
Induced by Cultural Change

YAFFA MOSKOVICH AND YUVAL ACHOUCH

Abstract

This is an organizational life cycle case study of a kibbutz industrial plant and its cultural features. The plant began as a new enterprise, in a new area of manufacturing magnets. Gradually, the plant evolved and grew, but socialist management problems and environmental competition interfered with its existence. The plant passed into a decline stage, and finally was shut down and acquired by a new private owner. The life cycle changes were accompanied by major changes in the plant’s organizational culture. From a socialist entity based on democratic values, it transformed into a hierarchic organization with social stratification.

Keywords: organizational life cycle, kibbutz industry, social change, organizational culture transformation

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Introduction

Processes of capitalism and globalization have brought about changes to the Israeli kibbutzim, which have changed from a collectivist society devoted to national goals into a materialistic society endorsing individualism. The kibbutz has abandoned its early socialism in favor of a rigid version of neo-liberalism (Moskovich and Achouch, 2013). As a result, one third of the plants in the kibbutz sector of Israeli industry have been sold to private investors.

In this article, I would like to show when and why an organization changes from a democratic structure into an almost Weberian structure – an opposite direction in life cycle development (Ionescu and Negrusa, 2006). I focus on one case and examine the changes at Millennium Industries in Kibbutz Yahalom (fictitious names) by connecting the organization’s life cycle with changes in its cultural attributes. This case study should contribute to the understanding of processes that are taking place in all kibbutz industries in Israel.

Historical background of the organization*

Kibbutz Yahalom created Millennium Industries in 1979 to provide employment for kibbutz members. The plant manufactured magnets. At the start, the workforce consisted of twenty kibbutz members, managers, technicians, and production workers. The plant grew gradually and with this grew the need for professionals, who were recruited from other kibbutzim. Later, local non-kibbutz workers were also hired.

In the 1990s, when the plant was at its peak, it had 85 employees; most of them (60-70) were hired workers, according to the human resources manager, although the managers – general manager, business manager, and quality control manager – were kibbutz members. The assembly line workers, and later, middle management, were hired from outside the kibbutz.

During those years, the Millennium manufactured magnets for a wide range of technological applications, including electric engine motors, couplers, electronic components, MRI equipment, and toys. Ninety percent of Millennium’s output was exported (Europe and U.S.A). Forty percent of its clients came from the overseas automobile industry. The organization also provided consulting and training services for the development of its clients’ products.

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* This section is based on the company website.
Up to 2000, the CEOs were kibbutz members, but thereafter an external CEO was appointed. In 2006, following heavy losses, organizational change was initiated. The change included a gradual decrease of production, with a concurrent increase in the marketing department. About six months before the 2008 economic crisis, a policy of layoffs began, drastically reducing the number of employees from 85 to 10. The organization extricated itself from the crisis in 2010, when a private investor acquired 74% of the company’s shares, while the rest remained under kibbutz ownership.

Organizational development stages

Organizations, much like people, have a life cycle: from the entrepreneurial stage, through growth, maturation, formalization, bureaucracy, decline, old age, and death (Adizes, 1991; Greiner, 1998; Samuel, 2009). At the entrepreneurial stage, the organization creates a unique niche in a new field, and tries to compete with older organizations to market its service or product. Creativity is the hallmark of this stage and it is typical of small organizations (Adizes, 1991). At the formalization stage, the organization becomes formalized, setting formal procedures, control mechanisms, objectives, and goals, all of which combine to create a hierarchy of authority. Additional departments of administrative and technical staff are created.

During the growth stage, organizations do not grow naturally but do so as the result of deliberate steps designed by managers with personal motivations. The managers broaden their power base, assuming that a bigger organization will improve their status and work conditions (Starbuck, 1965), and enjoy greater stability and better survivability (Samuel, 2009). Such organizations often develop symptoms of rigidity, which may ultimately lead to organizational decline (Moskovich, 2012). During organizational decline, the organization stops responding to signals from its environment (Greenhalgh, 1983), the organization’s resources are depleted, and its public image and legitimacy become damaged (Moskovich, 2012; Sutton, 2005). The organization is caught in a downward spiral, and does virtually nothing to stop stagnation and atrophy (Guy, 1989; Whetten, 1980). At the organizational death stage, decline is accompanied by blindness to organizational weak points and possible alternative coping strategies. Eventually, the organization reaches a state of deep crisis when investors stop investing, and the outcome is death and dismantling of the organization (Samuel, 2009).

Organizational recovery and renewal is the stage in which the organization climbs out of the deep crisis through learning its lessons, understanding its weak points, identifying the problems, and coping with them. This process frequently
starts with changing the management, identifying the problems, downsizing, and attempting to stabilize the organization (Samuel, 2009).

**Kibbutz industry**

The kibbutz industry has deep roots in Israeli society, from its origins in the 1920s (Beilin, 1987). Kibbutz industry developed quickly during WW2 (Almaliach, 2009) and after the establishment of the State of Israel in 1948. Thus, by the 1960s, industry had become the main source of income for many kibbutzim (Almaliach, 2009). In contrast with the economic goals of a capitalist-oriented young state (Ben Rafael, 1992), the economic goals of kibbutz industries were kibbutz prosperity and the members’ wellbeing, while maintaining kibbutz principles and adhering to fulfillment of national goals (Palgi, 1994).

The economic crisis following the establishment of Israel triggered industrialization of the state in general and of the kibbutzim in particular. In the 1960s, it was commonly held that the kibbutz should develop by combining industry with agriculture, in what was called a “mixed economy”. The growth of kibbutz industry during those years accelerated, with outside workers making up more than 45% of the workforce (Almaliach, 2009).

Kibbutz industries manufactured wood products, furniture, food, metal, textiles, plastics and rubber, electricity and electronics, optics, chemicals, and medicines (Palgi, 1994). The industrialization process – i.e., the change to a hierarchical society – created alienation in the kibbutzim. Industrialization raised a number of dilemmas in the kibbutz, primarily the issue of who should manage the industries. There were often no suitably experienced people, nor was there a qualified labor force. The management model of kibbutz industries was consequently criticized for the adoption of the rotation model that put unqualified people in management positions. Deference to local kibbutz interests led to wrong decisions resulting in financial losses (Palgi, 1994).

From 1977 onward, the economic liberalization policies initiated by the Right-Wing Likud government triggered galloping inflation and ended the availability of abundant cheap credit. This resulted in enormous debt in kibbutzim in general and in kibbutz industries in particular. Following the Israeli fiscal crisis of the 1980s, kibbutz industries began to hire external professional managers. In the late 1980s and early 1990s, kibbutz debt was rescheduled so that the kibbutzim paid about NIS 763 billion in interest (approximately $195 billion) over 25 years (Almaliach, 2009).

Coping with huge debt caused many industries to lay off workers, and adopt capitalist management methods, such as establishing boards of directors for
kibbutz industries, with both kibbutz members and outsiders serving on the board. The boards of directors gave the industries a great deal of autonomy in management and employee recruitment (Palgi, 1994). The “kibbutz industry” no longer belonged to the kibbutz members (Almaliach, 2009).

Method

Our case study documents the organizational biography of Millennium Industries. Ethnographic interviews were held with kibbutz members employed by the organization, as well as other kibbutz members and former CEOs. The interviews were conducted during 2012, and a total of 20 people were interviewed. This includes all of the 10 workers currently employed by the plant. Five CEOs serving at various times between 1979 and 2012 were interviewed, including the third CEO (1987-2000), who was among the founders and had held a number of positions (engineer, business manager) before being appointed CEO. Names have been changed to protect privacy. Table 1 lists the interviewees.

The informants supplied a great deal of information, presenting similar pictures, and information provided by one was verified by another. The managers and other workers described the difficulties encountered during various periods of the plant until it was shut down and purchased by a private investor.

In addition to the interviews, document analysis was conducted for the period 2007-2009, which included income statements, minutes of management meetings, minutes of board of directors meetings, activity reports, and CEO reports (see Millennium, various years). The documents confirm the findings obtained from the interviews, and complete the picture of the process of organizational decline, followed by the crisis that led to the decision to shut down the plant (organizational death) and its renewal.

The interviews and the documents were analyzed by the topic analysis method (Yin, 2014; Wadham and Warren, 2014), which involves organizing, sorting and arranging the data into meaningful categories. Categorizing the data enabled us to interpret it and build a narrative about the organization’s life cycle. The narrative was linked to theories of organizational development.
Table 1: List of interviewees

<table>
<thead>
<tr>
<th>Position</th>
<th>Status</th>
<th>Period</th>
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</thead>
<tbody>
<tr>
<td>First CEO</td>
<td>Member of Kibbutz Yahalom</td>
<td>1978-1986</td>
</tr>
<tr>
<td>Third CEO</td>
<td>Member of Kibbutz Yahalom</td>
<td>1987-2000</td>
</tr>
<tr>
<td>Fourth CEO</td>
<td>Member of another kibbutz</td>
<td>2000-2003</td>
</tr>
<tr>
<td>Fifth CEO</td>
<td>Member of Kibbutz Yahalom</td>
<td>2003-2006</td>
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<tr>
<td>Current CEO</td>
<td>Salaried employee</td>
<td>2006-2012</td>
</tr>
<tr>
<td>Production manager</td>
<td>Member of Kibbutz Yahalom</td>
<td>1980-1990</td>
</tr>
<tr>
<td>Production manager</td>
<td>Member of Kibbutz Yahalom</td>
<td>1984-1987</td>
</tr>
<tr>
<td>Production worker</td>
<td>Member of Kibbutz Yahalom</td>
<td>1988-1993</td>
</tr>
<tr>
<td>Production worker</td>
<td>Salaried employee</td>
<td>1980-1990</td>
</tr>
<tr>
<td>2 packaging workers</td>
<td>Salaried employees</td>
<td>2005-2012</td>
</tr>
<tr>
<td>Sorting &amp; packaging worker</td>
<td>Member of Kibbutz Yahalom</td>
<td>1984-2004</td>
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<tr>
<td>Maintenance man</td>
<td>Member of Kibbutz Yahalom</td>
<td>1998-2006</td>
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<tr>
<td>Electrician</td>
<td>Member of Kibbutz Yahalom</td>
<td>1998-2006</td>
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<tr>
<td>HR manager</td>
<td>Salaried employee</td>
<td>1990-2009</td>
</tr>
<tr>
<td>Development manager</td>
<td>Member of Kibbutz Yahalom</td>
<td>1996-2000</td>
</tr>
<tr>
<td>Local marketing manager</td>
<td>Salaried employee</td>
<td>2011-2012</td>
</tr>
<tr>
<td>Current owner</td>
<td>Investor</td>
<td>2010-2012</td>
</tr>
<tr>
<td>Business manager</td>
<td>Member of Kibbutz Yahalom</td>
<td>1994-2012</td>
</tr>
<tr>
<td>Engineering manager</td>
<td>Member of Kibbutz Yahalom</td>
<td>2001-2012</td>
</tr>
<tr>
<td><strong>Total: 20 interviews</strong></td>
<td><strong>Kibbutz members: 13</strong></td>
<td><strong>1978-2012</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Others: 7</strong></td>
<td></td>
</tr>
</tbody>
</table>

Findings

The findings are arranged by the organizational life cycle stages discussed above: from the entrepreneurial stage through growth, decline, and death, ultimately leading to renewal and recovery.
Establishment of Millennium Industries

Millennium was established in 1974 in order to add a manufacturing branch to the kibbutz. The initial goals were to create alternative employment for kibbutz members who had become redundant in agriculture and to contribute to the wellbeing of all members by increasing the kibbutz income.

Many kibbutzim in the 1970s chose to establish industries in the plastics sector. Kibbutz Yahalom chose a different niche, believing that a unique product with marketing potential in Europe would bring success. After the general assembly of the kibbutz had voted in favor, a team was sent to Europe to study the magnet industry. The raw materials and basic equipment were purchased from European companies, which also provided professional guidance. The magnets were sold to buyers in Europe and met European quality standards.

At the beginning, there was no role specialization at the plant. The plant operated only one assembly line, and all its workers were kibbutz members. During the founding years of 1978-1980, departments were established based on the production stages. Millennium set up a complete production line, including heat working of the imported powder, compression, grinding, sorting by product, and finally selling to overseas customers.

The organizational culture in the foundation stage was characterized by traditional kibbutz principles.

Democratic decision-making – Policy making was based on socialist norms of direct democracy. The first general manager said: “We had an idea and it was accepted in the kibbutz general assembly by a show of hands of all the members; it looked good”. The general assembly decided to appoint an “industry team”, which studied the market and recommended that the kibbutz produce magnets.

During the first production stages, an idea was raised to manufacture the magnets in India, where production costs were lower. This proposal was rejected by the kibbutz general assembly. The members said that this was a capitalist action and they opposed it. At the beginning of production, every decision had to be approved by the kibbutz general assembly: purchase of equipment, work schedules, recruitment of new workers, financial management, etc.

Principles of equality in the collective – The equality value was preserved during the early years of plant operation. This was manifested in several events. The opening of the factory required building offices for the managers that were separated from the production line. As described by one of the general managers: …the Millennium production line was very dirty. We thought that the offices should be separated and that the white-collar workers should wear different clothes from the production workers, but the kibbutz general assembly did not approve it.

This decision reflects the adherence of the kibbutz to socialist values. Another example was the attitude toward paid workers who were not kibbutz members and
came from small communities near the kibbutz. Kibbutz members driven by the ideal of creating a new and just world tried to avoid creating a social distance from the hired workers. As one of the production line workers – a kibbutz member – put it:

…we worked without any distance between hired employees and workers who were kibbutz members. The new hired employees participated in all meetings and events in the factory's life. …At the beginning we all ate in the kibbutz dining hall, but much valuable time was wasted going from the plant to the kibbutz, so we started eating in the plant with no separation between the managers and line workers.

The principles of equality and informality were maintained even in small symbolic activities and modes of behavior like the dress code, the eating customs, etc. In those days, all kibbutz members received an equal personal budget no matter what their position was.

The plant as a family–home framework: values of cooperation and collectivism
– In the foundation stage, Millennium was run in a family atmosphere. The general manager was a father figure. His management style had to please the entire kibbutz family. The plant existed in an idealistic climate of pioneering; the workers worked 24 hours, without turning off the production ovens; work hours were very long as each member contributed to the benefit of the kibbutz plant. The plant was closely connected to the kibbutz being. Meals were prepared cooperatively, as described by the production manager:

During the first years, there was a family atmosphere: we ate together; we talked and shared private events. If somebody was celebrating a wedding or a birth, we drank wine, as if it were a synagogue. Often, somebody would prepare eggs and salad for breakfast.

This account describes the unique being that crystallized in the plant. There was no separation between personal life, the kibbutz community, and life at work. The hired plant workers became close friends with intimate and diffuse status, the boundaries between the circles became blurred, and a mix of relationships emerged.

Loyalty to work values – “Sanctifying the value of work” was another socialist value that established in the plant during the foundation stage. This value was translated into several norms: being absent from work was unacceptable, high moral standards were observed, and obligations were fulfilled even when the work conditions were inconvenient. In Millennium, the work environment was dirty: the workers named the place “Black Millennium” because of the dust and soot from the magnets. The temperatures were high and there was no air-conditioning. A notable norm was “all work is honorable”, i.e., working for the collective benefit
even without comfortable work conditions. This norm is articulated by a senior production worker:

Work for me is the best, I loved to work… it is healing even on vacations and weekends. You are sick on Saturday [day of rest], but on Sunday [the first working day of the week] you are healthy like a mule. In the first years, we worked in hot conditions. It was like hell… not easy conditions…

One of the outcomes of these norms was that people did not want to retire, and consistently with kibbutz values they were not obliged to do so. In addition, older workers felt that they were the owners of the factory, as told by a manufacturing manager:

They were the founders. It was not easy with them, they wanted to make the decisions, and it did not always suit us. … The elderly did not have anything else to do, so they stayed in the factory…

All these interviews illustrate the meaning that work provided. It provided them with a sense of usefulness and belonging to the kibbutz community.

Organizational growth stage: growth-induced personnel changes
During the 1980s and 1990s, the plant became well established and its activity increased. As reported by one of the production managers,

Yes, those were the years of two high peaks: 1990-91 with production for a large computer company and 1994-95 with the segmented convex magnet that we exported to the automobile industry. During those years, our profit was 20% of the turnover. We worked very hard in all departments, 24 hours a day. Production was strong”.

The workforce consisted mainly of permanent workers, augmented at times by volunteers, people from the kibbutz movement, youths, and pensioners. From about 25 workers in the 1980s, the number increased to 85 in 1994, since demand for Millennium products was on the rise. This heterogeneous work force included young and old, kibbutz members and newly arrived immigrants from nearby towns, with veterans helping and training the newcomers. Most workers were employed in the manufacturing. The plant used kibbutz members as temporary workers, and at the same time recruited salaried employees from neighboring towns. This situation resulted in complex dynamics. The transition from a “family” and “ownership” atmosphere to an organization with set procedures and rules caused behavior changes and resistance.

Finally, a new press was purchased, but most of the equipment was bought second-hand. Millennium’s profits helped to stabilize the kibbutz; the dining hall and members’ houses were renovated, and a swimming pool and stage for performances were built. The success of the factory affected the values and norms in Millennium.
Organizational growth stage: changing cultural attributes

Transformation from socialist to materialistic-capitalist orientation – The first general manager left his position, and the new one decided to introduce an attendance clock to monitor the workers. The plant was seeking a new style of management, as the former general manager told us:

Every worker had to sign a work card, to use the time wisely. It was a dramatic step that created a new work environment. In the past, there was a liberal permissive atmosphere: a worker could leave his station, run some private errands, and then return to the plant. It created flexibility and a convenient workplace: kibbutz members did their personal errands, such as shopping in the local shop, going to the laundry. You cannot make money this way. I put in an attendance clock and forced kibbutz members to sign in and out.

The kibbutz members in the plant objected to this move; they saw it as a symbol of mistrust. The new regulation created a lot of tension, as the fifth CEO recounted: “It caused a change in behavior, some of the kibbutz members resigned from their work in the plant”. To enforce the new procedure, the factory dismissed workers who were found cheating (as reported by the human resources manager).

Loss of equality: stratifications in the kibbutz plant – Changes in the kibbutz community and the success of the plant during the 1990s caused the organizational structure to become more hierarchical. The gap between the managers and production workers became more obvious. Managers had special privileges, like the use factory cars for their private needs. As the fifth CEO said, “I asked the kibbutz to keep the car on holidays and weekends too… I felt that I invested a lot, I deserved more than others”. The former CEO said that his progress in the plant had brought him many enemies, because the kibbutz did not like the stratification and the special benefits that he received from the plant.

The factory ranked professional workers higher than simple production workers. Managers got better work conditions. The factory was led by a small team of three senior managers who enjoyed special incentives, such as private cars, travel abroad, and a better salary.

From direct democracy to hierarchical decision-making – In the 1990s, the kibbutz decided to separate its economic units from the community units. Before that, the community and its economic units were one entity. As a result, the connection between the plant and the kibbutz general assembly became much weaker. The decision-making process was conducted inside the plant, without requiring the approval of the kibbutz general assembly as in the past. The kibbutz general assembly received the information after the decisions had already been implemented.
In the 1990s, a small forum of senior managers was given the authority to make decisions. In 1994, the general manager decided to open a new marketing department, which would look for new markets. As reported by the marketing manager, “In 1994, the general manager decided to establish a new department that would provide answers to demand for production, especially for products that we did not manufacture”. Success and growth caused the plant to be run independently from the kibbutz.

From familial to formal relations in Millennium – The plant’s management style was transformed into a new style with capitalist orientation. This process went contrary to kibbutz social norms and created friction in the community. The family spirit disappeared, as described by a production technician:

In the beginning, there was an atmosphere of cooperation, which disappeared when hired workers came to the plant. [The management] did not allow us to talk during work; they said it was disruptive. I had a friend from Tiberias; we talked all the time. He worked in the lab and I was in the sorting department. Management kept making remarks… but you cannot avoid friendship…

This story demonstrates the process of formalization as an outcome of the organizational change. The factory hired temporary workers from nearby towns and paid them low wages. This transition was a dynamic process from a family-style plant to a bureaucratic body with formal rules – from self-employment to hired workers.

Organizational decline
The crisis at Millennium began in 1995 and its main causes, from the informants’ point of view, were as follows:

Millennium’s fifth CEO (2003-2006) claimed that the plant had been originally established not for economic but for social reasons – to provide employment for the kibbutz members. He said that a firm should be run on a business basis, but here economic decisions were made by the relatively uninformed general assembly. For instance, the manufacturing process in China should have been started much earlier than 2004 to benefit more from cost savings. There were prospective clients in the Ukraine, but the kibbutz did not start negotiations with them in time and lost a potential source of income.

The third CEO (1987-2000) reported that the equipment was old, the ovens did not work, and raw materials were consequently damaged, leading to poor quality products. The plant had to decide whether to purchase new ovens or to shut down. “It worked for the first few years… when they added more equipment, like an oven for one million shekels; it turned out to be expensive”.

Problems with production quality – One of the workers reported that a certain shipment to Germany had been problematic; there were cracks in the magnets, and
the customer wanted to return the product. The board of directors minutes dated 13 February 2007 states that payment of €150,000 was withheld due to flaws discovered in the magnets supplied to a certain customer.

Problems with competitors in the global market – The plant did not cope successfully with global competition. Magnets are a very competitive business, and Millennium could not compete with cheap labor: a Chinese worker’s daily salary was equal to an Israeli worker’s hourly salary, which affected the product price and the profits. The marketing manager added that, “over the years, competition from the Far East became stronger, and overwhelmed everyone. If we produced a product for one dollar, they produced it for thirty cents”.

Appointment of CEOs not qualified for the job – One of the plant’s major problems was its lack of management continuity. The turnover of CEOs became a common problem in the organization. CEOs were appointed by votes in the kibbutz general assembly. One of the CEOs explained the absurd situation wherein managers were appointed according to their social relationships in the kibbutz rather than their professional qualifications. Some examples can illustrate the problematic nomination to the position of CEO. The third CEO (1987-2000) was a kibbutz member, and was described as “a total disaster” in his attitude to the business and the workers. “He came in every day at 9 am and left at 4:30 pm. In contrast, we were told that other managers came in before everyone else and left last, and were directly involved with production” (interview with a production worker).

Renewal and recovery
Millennium’s accumulating losses forced the kibbutz, as the owner, to transfer funds to the failing company, and this resulted in large debt. In 2009, the kibbutz decided to sell the plant, but implementing this decision was difficult in a period of international crisis and economic instability.

In June 2010, an external investor purchased 74% of the company’s shares, the rest remaining under kibbutz ownership. The new owner implemented a transition to a typical business firm with emphasis on service and client integration, selling its products on the international market. The owner introduced a computerized system to facilitate intra- and inter-organizational communication. Additionally, the system served as a technical control tool. The owner recounted, “Nothing moved without me”. He was involved in the entire work process, “I live and breathe the business; it wasn’t like that before”. The owner has a law degree and experience in international trade. He is deeply involved in the marketing process. The company is now supervised by a management group composed of four people: the owner and his wife, the CEO, and a kibbutz representative. The CEO reports to the owner as the head of the management group.
In 2010, the company shrank to ten workers, including the general manager, an engineer, a commercial manager in charge of business relations, a marketing manager, a packing manager, and a lab employee; the remaining workers were all engaged in packing. The nature of work since 2010 focuses on selling and consulting for startup cosmetic and medicine companies. The company identifies potential clients and tries to convince them to work with Millennium. The atmosphere in the plant is pleasant but strictly professional, without social events like before. The marketing manager said: “There are no private celebrations, no mixing of business and pleasure, it is pleasant but strictly work”. Relationships became very formal, professional, and impersonal, and the reward system is cautiously conservative since the factory recovered from its crisis.

The new owner made the company more businesslike and internationally oriented. In his words, “We had to move the plant from kibbutz mentality to international; providing service highly integrated with clients’ needs”. The management today works cooperatively with the owner; the involvement of the kibbutz is very small. The owner said:

“You have to know what you are doing. The general manager yes leads the staff. Every worker is trained and works professionally: sales, client service, purchasing, and logistics. What is most important to change? Money, becoming profitable, nothing else matters…

Discussion

This article describes an organization’s life cycle that deviates from the accepted paradigm. Theories of new organizational forms usually maintain that in the 21st century, the trend in the majority of Western industrial organizations is to become more worker-oriented and more democratic, with a flatter hierarchical structure (Ken et al., 1985; Adizes, 1991; Ionescu and Negrusa, 2006). A different view is that of a more flexible and dynamic structure, capable of adjusting to organizational and environmental demands (Samuel, 2009). Millennium was moving in the opposite direction: from democracy to a bureaucratic structure.

This study described the life cycle of Millennium, from establishment to its organizational death (Adizes, 1991; Greiner, 1998; Samuel, 2009). This organizational development caused transition from a socialist entity (democratic structure) to a capitalist being (hierarchic structure). The capitalist cultural features became even more radical after the plant had been sold: elderly and redundant workers were fired, formality replaced familiarity. The kibbutz plant under the new owner became the epitome of capitalism, its goal “to make money” (Moskovich and Achouch, 2013).
Millennium was founded at a time when kibbutz values of equality and collectivism were still very prominent in the members’ behavior and work ethics. Later, as the plant grew, these values were overshadowed by the kibbutz movement crisis of the mid-1980s (Palgi, 1994). The crisis undermined the classical cultural values of the kibbutz, leading to disorientation (Ravid, 1999; Samuel, 2009), seeking of new directions, and adoption of capitalist principles. This process lasted for two decades and is known as “the change” or “privatization” in the kibbutz jargon. In 2002, Kibbutz Yahalom relinquished the principle of distributive justice, namely, distribution of funds according to needs, and switched to salaries, as an expression of the principle of fairness underlying capitalist society (Rosner and Getz, 1996). The transition stage created social anomie, in which old values disintegrate and new values are not yet formalized, often resulting in social tensions, members’ dissatisfaction with kibbutz life, resistance to change, and stress (Achouch, 2005; Rosner et al., 2004; Getz, 2012). Anomie and its associated phenomena could have affected the plant’s performance, directly or indirectly.

Analysis of Millennium’s failure reflects the interaction of two syndromes typical of failing organizations: the “headless company” and the “hunchbacked company” (Miller, 1992; Samuel, 2009). The headless company is characterized by weak management that does not control the organization’s strategy and performance, and therefore exhibits a vague strategy and poor performance. At Millennium, control was divided between the plant management and kibbutz institutions, a policy that undermined the company. The hunchbacked company suffers from chronic difficulties and failures, such as lack of resources essential to the company’s performance, outdated technology, and inadequate management. All these are typical of Millennium in the decline stage of its life cycle. Faulty management is evidenced by the choice of unsuitable managers and high turnover during the years 2000-2006.

From the viewpoint of the organization’s life cycle, Millennium encountered a maturation crisis that was badly handled. The organization’s first steps were successful; it managed to negotiate the collective stage that followed the entrepreneurial stage, grew and expanded, but at this point could not decide on the changes required by the changing environment. The organization entered a downward spiral. Perhaps success blinded the managers and prevented them from identifying the looming threats and dangers (Sutton, 2005). Therefore, the early success could have been “success that begets failure” (Samuel, 2009). The steps taken in response to the crisis were too few and too late to save the plant from extinction (Guy, 1989; Whetten, 1980). Perhaps the slow response to global changes, devoid of innovative and creative thinking, reflected the state of “fixation” that resulted in organizational atrophy, exacerbating the crisis, leading to collapse, and finally to organizational death (Greiner, 1998; Hamilton, 2006).
The Millennium employees reported that the community’s involvement in the plant was one of the chief factors in its decline, deterioration, and final death. Millennium Industries reflects a widespread phenomenon in kibbutz industries, where management is unable to adapt to a society with neo-liberal orientation. The result is appointment of unsuitable managers, an unprofessional workforce, and inappropriate involvement by kibbutz members in decision-making processes (Palgi, 1994).

To date, research on kibbutz industries has generally addressed the phenomenon, but has conducted no in-depth investigation of a single kibbutz industry and its life cycle from establishment to growth, decline, and death, with ultimate metamorphosis into a new organizational culture. Thus, the Millennium study differs from other cases described in the kibbutz industry literature (Almaliach, 2009; Palgi, 1994).

This study has illustrated a process of organizational development congruent with the organizational life cycle described in the literature. The salient feature of the present case is the close interrelationships between the plant and the community. Whereas studies that describe organizational life cycles emphasize the involvement of the organization’s members as owners and employees in the development stages (Moskovich, 2012; Samuel, 2009), this study describes the community’s involvement up to 2006. The factory was initially intended to help the kibbutz to survive. At first, the kibbutz made considerable investments, but when the plant became profitable, its resources were depleted and used for the good of the community, signifying a change in kibbutz values toward a materialistic and individualistic society (Moskovich and Achouch, 2013).

Following the privatization processes and as reported in Almaliach (2009), one third of all kibbutz industries have been sold to private investors. The present case reflects this trend, and ethnographically describes the events that led up to the sale of Millennium Industries. Not only failing industries have been sold: successful kibbutz industries also have been sold to private investors, because privatized kibbutzim are unable and/or unwilling to invest capital in industry (Kroll, 2013). After expenses and incomes were privatized during the process of change, it seems that the kibbutz has now entered a third stage involving privatization of production assets.

Millennium is currently run in a businesslike manner, without the social considerations that were the basis of its establishment. It has thus lost its kibbutz identity. The Millennium case study illustrates the cultural difficulty of bridging the gap between business, family, and community commitments. As the next stage, we should study successful plants in collectivist kibbutzim, to see how they have succeeded economically while managing to retain their original identity.
References


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Changes in a Kibbutz Plant’s Life Cycle Induced by Cultural Change


