



Maverick! – Ricardo Semler

This book is highly recommended because it points the way to how companies in the future will be run. Ricardo Semler is truly a Maverick! His book is easy to read and almost every paragraph contains a brilliant idea based on common sense which will lead any organization to success. The major focus of the book is how to tap your most valuable resource, your people.

Author - Ricardo Semler, Publisher - Random House Australia Pty Ltd

Ricardo Semler's company Semco manufactures products ranging from pumps, cooling units for air conditioners and biscuit factories. It is not the product range that has made Semco a focus for business managers from all over the World, it's the way Semco works with its people. Ricardo Semler took over Semco from his father twelve years ago and at that time it was a traditional company with a hierarchal structure and operational manuals for all aspects of the business.

The company operates much differently today. Factory workers set their own production quotas and are involved in every aspect of the business including recruitment and selection, salary administration, business strategy and marketing plans. The workers have unlimited access to all financial records and, to assist with their understanding of finance, training courses in how to read balance sheets and cash flow statements are conducted by the company.

There are a lot of things that are different about Semco. Firstly they don't have receptionists. They don't have secretaries or personal assistants either. The offices don't have walls but separate working areas with potted plants. There is no dress code or time restraints. People are encouraged to work at home for at least part of the week. The company is designed so that it does not depend too much on any individual, even the chief executive. Ricardo Semler's role is one of a catalyst to create an environment in which all employees make decisions. He defines success as not making the decisions himself.

When Ricardo took over from his father in 1981 one of his first jobs was to throw out all the rules. Even rules such as travel expenses or profit sharing were thrown out and decisions on these key elements left to the people. For example, at Semco the profit sharing is done on a democratic basis.

There were negotiations over how much profit would be distributed, in fact about a quarter of the corporate profits, but the workers meet to decide how best to split the profit.

Semco workers are self managing teams and the Semco restructure provide an opportunity for Ricardo to take the best elements from many systems, from capitalism, from socialism, from the Japanese, in fact from any generally known system. Even the titles that are used at Semco represent a new philosophy. Titles such as associates, coordinators, partners and counsellors are used. Counsellors, for example, are the senior managers and they coordinate the general policies and strategies.

Ricardo Semler estimates that after twelve years of constant change he has achieved about 30% of the result that he is targeting. Even though he is only a short way down the path, the rewards have been outstanding. Productivity has increased seven fold, profits five fold. There have been periods of up to 14 months in which no work has left the company. There is a back log of 2,000 job applications, in fact in a recent poll of college graduates, 25% of the men and 13% of the women named Semco as the company who they most wished to work for. One of the best examples of the impact of the Semco model is that one of the employees wives contacted the company to find out what was happening to her husband. He was no

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longer getting angry with the children and was far more cooperative instead of being his normal grumpy autocratic self. Semco found that as they changed the company the people changed as well.

Commencing The Change Process

After threatening his father with leaving to take over a company manufacturing ladders, Ricardo finally convinced his father to give him the controlling interest in the company. Ricardo realized that there was no way that the changes that he knew must take place could occur with the existing management structure in place. His father also sensed the need for this move and suggested to Ricardo that whilst the father was away on a three week trip, Ricardo make the changes he wanted while he was away. Ricardo decided that he had to fire 60% of Semco's top management. The first interview took around two hours, the rest only a few minutes. On the following Saturday Ricardo hired Ernesto Gabriele, a man in his 40's with experience in organizations such as Firestone, J.I. Case, Sharp and Xerox. Ricardo found Ernesto by advertising for the position of CEO for the ladder company. It was obvious from Ernesto's resume that he only spent a short time in each of his jobs and even though he was obviously brilliant with a strong passion for organization, his strong character caused him to become unhappy wherever he went. The only difference between Ernesto and Ricardo was that Ernesto knew how to run a company.

Ernesto installed new procedures on a daily basis. Customer visits reports, statistics, files, employee bag searches, plastic I.D. cards, production schedules and time and motion studies were everywhere.

It was almost a copy of the Xerox model. It became obvious that one of the key resources needed by the company was in the sales area. An advertisement in the paper for a sales manager found Harro Heyde. Harro started selling from his very first day at Semco. In the next two years Harro and Ricardo travelled to 16 countries and contacted more than 60 companies to try to generate more business.

In 1981 Alcoa announced plans to build a new aluminium mill in Brazil. There were 200 hydraulic pumps required for that project which Semco bid for, a \$3 million project. They believed that the probability of getting the project, was good, but an Australian competitor, Warman Pumps, won the contract. There was one last chance, a marine pump order from two local ship yards. Whilst both the ship yards wanted to buy from Semco one of the competitors had been instructed to win the job at any cost and had offered an 18% rebate. Semco counter acted by offering a 20% discount which meant there wouldn't be any profit on the job but it would help cash flow. The next move from the competitors was to offer a 35% discount together with other benefits. Semco had no choice but to match the offer and this was enough to win the order. A few days later the Semco management were heavily into the planning process when they found that a competitor had offered, on part of the order, an additional 7% discount. All the management team except Harro were dejected. Harro decided that Alcoa should be their key focus. There was only one bid not yet decided and that was giant mixers that are used to keep the aluminium from hardening. Semco had no previous experience and with only ten days to go in the tender process it looked impossible. A joint venture with the Philadelphia Gear Corporation was put in place. After a long and arduous sales campaign, an order for 26 mixers, including four that are among the largest in the world, was secured.

With confidence levels high, Semco then decided to discredit the competitor who had undercut them so dramatically on the previous order. After meeting with the chief executive of the customers company, it was agreed that if Semco could prove that the competitor was dumping products in the Brazilian market, that they would win the order. In the end Semco won half the order, but with a twist of fate the ship yard eventually went broke before it finished paying Semco.

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By 1982 Semco was extremely profitable. With Ernesto's new corporate systems in place and increased product lines the company grew in both sales and profit.

Rapid Expansion

Semco went on the acquisition trail. A budget of \$500,000 was established to acquire some companies. In only two deals the \$500,000 had gone, but Semco had doubled their work force and tripled the number of plants. There was little concern however, because it was felt with the new financial controls in place the management could handle anything that came up. Semco had two shareholders each with 24.5% of the stock. Semco had the right to manufacture their products and both companies were represented on the Board. The relationships with one of these partners was good and the other very poor. Ernesto in his normal efficient manner tried to be even handed with everyone and sent out financial information to all parties. Ricardo's father took offense with this and felt so betrayed that he actually stopped talking with Ernesto. At the time Ricardo decided to side with his father and Ernesto in turn decided to resign. A short time after he was killed in a motor cycle accident.

A second issue arose when Harro got an offer which he couldn't refuse. Around the same time, Ricardo decided that due to the organizational stress occurred by the acquisitions that he needed a human resources director. Clovis Bojikian joined the company. He was a breath of fresh air for the company, but fate played its hand again and after about a year he was offered a job with one of Brazils largest finance companies with a salary of three times what he earned at Semco. Ricardo took almost a year trying to find a replacement, but then gave up. A short time later Clovis was back at Semco and even today he still gets offers regularly, but he has decided he never wants to move again.

In 1984 Semco were ready to buy another company. This one marketed dish washers, fryers, scales, slicers and related products. Semco were lucky in that they were the only bidder willing to get the synergy of the product mix together. After a long negotiation Semco completed the deal. Fernando Lotamorro who was Ernesto's replacement lobbied strongly to be put in charge of the new operation. This was agreed to and Fernando took over. Fernando changed everything in the first few months in the plant. People were changed, products overhauled, prices reviewed, production machines discarded, resulting in constant change. A culture was starting to develop in Semco - work hard or get fired. People were being pushed and it was starting to have an impact on families and home life. The turning point came at the annual company convention. The consultant used to organize the convention identified that there were two groups within Semco - the hard noses and the soft or the rightists against the leftists. The consultant pointed out that the conflict between the two groups was starting to damage the organization and that Semco needed to develop a single culture and straight away. He suggested a group therapy session with the 45 managers. After four hours most of the issues were on the table, but there was still a deep split between those who believed in the tough approach and those who felt people who are motivated by a sense of involvement and could overcome any issue.

Ricardo agonized over this conflict, but he knew it was time for a change. Ricardo himself was starting to feel the effects of the crisis. After fainting a few times in different factories he decided to check himself into a medical center in the United States. After three days of detailed tests the doctor found nothing wrong with him except that he was suffering from an advanced case of stress. In fact the doctor commented that it was the most advanced case of stress he'd ever seen in a person 25 years old. The doctor gave him two choices, either to continue as he was or change.

Coming About

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One of the first things that Ricardo did was to set a time limit for when he was to leave the office. He also decided that he would not do any work on weekends. He diagnosed that he had "time sickness" and he identified four causes for this.

Cause 1

The first cause is the belief that the effort and result achieved are directly proportional.

Cause 2

The second cause is the belief that the quantity of work is more important than the quality of work.

Cause 3

Believing that the problems are short term so that there is a need to work a little longer, only until things straighten themselves out.

Cause 4

A fear of delegation or replacability.

Ricardo decided that Fernando would have to go. Whilst he admired his aggressiveness and his dedication it was not the culture that Ricardo wanted for Semco. Ricardo then modified most of the administrative procedures and, in particular, the budgeting process. Semco introduced a program that required each executive to guess about the revenues, expenses and profits at the end of each month so that this could be compared with the official report a few days later. This comparison was designed to give everyone a sense of how much each manager actually understood about his department. Ricardo decided that his key role was to eliminate some of the most visible symbols of corporate oppression within Semco. One of the first things he removed was the security check on the employees. The result was interesting. After two hand held drilling machines disappeared from one of the plants many of the workers demanded that the searches be resumed to prove that they were not responsible.

The second area to be addressed was dress codes. The next change was to take out the walls. A committee was formed and soon afterwards wrecking crews arrived. The goal was for each person to have a desk where ever they wanted.

The next issue was parking. This was easy, parking was made available on a first come, first serve basis.

Factory committees were set up and after some initial difficulties, became highly successful. The committees started conservatively, creating subcommittees to revitalize locker rooms, painting offices and machines, establishing "adopt a tree" programs and developing master plans for factory layouts.

In due course, issues such as identifying surplus managers and questioning executive expenses became committee agenda items.

The New Culture

Weekly meetings were established so that key managers could raise issues of concern and in due course establish the overall budgets. These meetings quickly changed the plants culture. Managers for the first time had to think through their arguments prior to the meetings and even though this caused the agendas to be lengthy, in the short term people began to make more decisions for themselves and only bought up issues at the weekly meeting they were genuinely uncertain about.

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Every few weeks the plant managers would spend their lunch hour talking with the workers, who would gather in the cafeteria, a group of two hundred people, about salaries, products, policies etc. This activity in the factory areas flowed onto the office sections and soon new paint schemes and layouts prevailed.

It didn't take long for the committees to run out of the housekeeping type issues and move onto production issues such as value added management and factory layout. The strength of the group proved to be its cross functional composition. The teams included factory workers, clerks, sales people, executives and engineers. The teams did not have a formal leader but selected who ever had the best abilities for calling meetings and leading discussions. The workers became output orientated and set up large score boards that tracked the current production against monthly goals.

Impact on Management

By late 1985 the anxiety level of Semco's middle managers had risen dramatically. People were concerned about the loss of power and felt that they could not achieve targets if they did not have control.

A meeting of all middle managers was held and the top 40 issues brainstormed. After several hours it became obvious to Ricardo that about 20% of the middle managers were sympathetic and 20% negative. It was the balance that would determine the success of Semco.

One of the next key activities was to remove the policy and procedure manuals. Whilst this was frightening to some of the people it ended up being a very cost effective system.

Divide And Prosper

As Semco continued to grow, it started to experience some of the problems that occur with any organization of size. After studying various organization structures and methodologies around the world it was agreed that Semco should limit the size of its business units.

It was agreed that Semco would have to divide its operations. It was decided to segregate the electronic side of the business at the Ipiranga Plant and a person name Jose Joao Firasco was chosen to run the new plant. The new team packed up the machinery and inventory and with thirty employees moved to the new 15,000 sq ft workshop. On settling into the new premises they found that a lot of the inventory was no longer useable. This was due to the MRP system, so the new team set up a just-in-time inventory system and installed a Brazilianised Kanban based on the Japanese system in which components and raw materials are color coded according to their use so that workers can immediately identify when they're running low of component stock.

In only a few months this new operation became Semco's flag ship with productivity twice the size of the food service equipment plant, inventories down by 40% and defects less than 1%. The cause for this was the innovation that occurred in every aspect of the plant's operation. Innovation in areas such as information sharing and open office plans.

The sceptics of the splitting the plant policy had always believed that this would lead to more staff but they were surprised that each manager of the business units needed less people and on occasions used more outside subcontractors to achieve higher productivity levels. Quality also rose and all business units began delivering products the next day. The breaking up of the plants did not create waste, it eliminated it.

The real question is how small is small enough? For some companies this may be 500 but for others it may only be 25. Semco found that the right number was around 150 people.

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The splitting of plants was continued throughout the whole group. Semco became more proficient at handling this process. With the Santo Amaro, employees were given the decision to choose between three factory options. But selection of the new factory was not the only involvement. The workers designed the layout and moved Semco into machine clusters. Multi skilling formed a vital part of this new organization. Where as Frederick Winslow Taylor would not have approved, he would never have agreed to a system which, depending on what the needs were, a person could be a lathe operator, a grinder, an assembler, a maintenance person or fork lift driver. Semco found that the driving force for productivity is motivation and genuine interest, not predetermined routines and supervisors.

Of course this caused some salary administration issues. For example how do you best reward someone who is multi skilled. Semco developed a "basket of jobs" approach where every year workers reflect on their various duties and the approximate time they spend doing each of them and then comparing that with a salary survey, they can calculate the correct salary level.

Some of the managers were worried about the cell manufacturing structure. This proved to be a fallacy and the Semco experience was that factory committees will actually recommend a new machine even at the cost of some jobs.

Sharing The Wealth

By 1987 all the operating plants had been divided and had been made autonomous. The food service equipment plant was performing well, especially due to the new worker designed assembly line for dish washers. At every plant the factory committees had helped cut expenses drastically. Because of the increased profits Ricardo decided it was time to give everyone a stake in the added wealth they were creating. At this time there was only a handful of Brazilian Companies using profit sharing and even then most of them had simply implemented off-the-shelf plans. Semco decided that they wanted a new kind of profit sharing plan, one that was easily understood and controlled by the workers. The first step however, was to share the information on the financial performance. When the Semco managers were told about the need to share information, many were alarmed. They were concerned that details such as their own salary packages would become available to all. It soon became clear that any executives that wanted to keep their salaries confidential was due to the fact that they felt that they weren't really earning them. In time the workers came to accept the executive pay levels and there was no pressure to try to lower it as was expected. They did, however comment that they thought there were too many highly paid executives in the organization.

In 1986 Semco sponsored a seminar of the companies within Brazil that were into profit sharing and it was agreed that profit sharing is hard to get right. Profit sharing requires employee involvement and the correct way to achieve this had to be found. Finally the employees decided that the Semco Profit Sharing Program would work like this: Each quarter the profit made by each business unit is calculated and 23% of that amount is given to the employees of that unit.

What happens to the money after that is up to them. In reality every unit has always decided to split the money up evenly regardless of the salary level. Even Ricardo initially felt that 23% was awfully high. At most other companies it runs between 8 - 12%. But he believed that he would rather "have the tail of an elephant rather than an entire ant!".

Personal Management

At one of the team meetings a request to purchase \$50,000 worth of filing cabinets came up. When the meeting examined possible suppliers and prices, someone asked why are people filing things! The result was that the company did not buy any new filing cabinets instead,

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they decided to stop the company for half a day and hold the first Biannual Semco File Inspection and Clean Out! The instructions given to the staff were simple. Every file was examined and purged of every non essential piece of paper. After this dozens of unwanted filing cabinets were auctioned.

This caused Semco to think about other waste in the administrative area. It was decided to phase out clerical positions and redistribute the most necessary functions amongst everyone else.

The first step was to suggest that secretaries should not have to wait on their bosses, serving them coffee, paying their personal bills or making their telephone calls. Semler met with all secretaries and warned them that their jobs will be not available within a year or two and they should start thinking about what else within the organization they wanted to do. Some switched to marketing, sales and even engineering. Ultimately about 40% of the clerical workers moved on to more challenging jobs but those that wanted to remain as secretaries and receptionists found similar positions elsewhere. Job sharing was an option for others.

The biggest reaction came from the managers who believed that it would not be cost effective for them to do their own filing and paperwork.

Memos were another issue for Semler. He established a rule that every memo had to be less than one page and an attention gathering headline placed on the top of each.

Trading Places

Man is naturally a restless person. If left too long in one place he will inevitably become bored, unproductive and unmotivated. Semler believed that the cure was to encourage managers to exchange jobs with one another. Like the other programs at Semco it was decided to let the employees take the initiative and the company did not want to make the decision about who went where. A guideline of a minimum of two years and a maximum of five years in the job were ample. If someone wanted to stay longer they could, provided continual new challenges were put in place. One of the advantages of job rotation is that it forces the company to be grooming more than one person for a particular job. It also encourages the spread of diverse personalities, backgrounds and philosophies. Of course job rotation must be exercised with care so that specialists are not wasted but this becomes less of a problem once the program has been in place for a while.

Semler also instigated a sabbatical which he called Hepatitis Leave. He decided that when people told him that they didn't have time to think he asked them to consider how would they be if they suddenly contracted hepatitis and were forced to spend three months recuperating. People then realized that they can do this any way so a system has been set up for professionals to take a few weeks or even a few months every year or two away from their normal duties. This time can be spent reading books, learning new skills or simply redesigning their job.

Hiring And Firing

In these days of changing world philosophies almost everybody believes that people have a right to vote for those who lead them. This democracy is not yet present in the work place. Initially Semco just wanted to know why some people hadn't become successes as predicted by the recruitment process. What resulted was an appraisal system that subordinates now use to evaluate their managers twice a year. This questionnaire is filled out anonymously so no one is afraid to be honest. The questions are weighted according to their importance and a grade is posted on notice boards so everyone knows where everyone stands. A passing rate of 70% has been established, but managers who score below 70% are not automatically dismissed, but a low grade usually causes pressure on the individual to change. The

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employer review is important in the philosophy of Semco in terms of honesty. Semco encourages its people to say what's on their mind even if it is about their boss. The questionnaire was developed to find out not only why some managers were failing but Semco also used it to identify why some managers were succeeding.

The next step was obvious and that was to let people elect their own boss. If you want everyone in a factory to have a financial stake in success the idea of allowing subordinates to choose their future boss makes sense. The evaluation system has been extended to cover proposed promotions to high level positions and often includes a group interview or interviews.

Semco have another program which, in essence, allows an employee who meets 70% of the requirements for a job to be chosen instead of an outsider. Only if no qualified internal applicants come forward is the recruitment process extended outside the organization. Preference is also given to friends and acquaintances of employees.

The Organization Structure

Despite Semco's efforts to simplify the organization structure, the executive ranks were still too bloated. The heart of the organization problem is the pyramid, the basic organizing principal of the modern corporation. Because it gets narrow as it rises it does reward those few that can keep climbing but demoralizes the far greater number of people who reach either a plateau or fall. Most people would prefer to maintain their ambition and get gradual increases in power, responsibility, title and money. Because of the shape of the pyramid, organizations cannot promote them fast enough so many firms take the soft option and create extra levels for their over achievers. This pollutes the organization and diffuses both responsibility and authority. Semler decided to replace the pyramid with a circle. He saw the pyramid as rigid and constraining but a circle filled with possibilities. He then developed the concept of rounding the pyramid. This developed into three concentric circles, a tiny one in the center and two progressively larger ones, and some triangles. The small inner most circle would enclose the team of half a dozen people who would be called counsellors.

These people would coordinate the general policies and strategies. The second circle would enclose the business unit leaders and they would be called partners. The last immense circle would hold virtually everyone else, the machine operators, sales people etc and these people would be called associates. The triangles would be scattered around the last big circle enclosing the coordinators. These people are the first level of management and there would be six to twelve triangles for each business unit.

These triangles would float around the large circle to show that the people in them were moveable. Pay levels had nothing to do with the circles as in some cases an associate could earn more than a coordinator. Endless discussions were held about the new structure and many were concerned about the new structure. One of the most common questions was, "What am I going to put on my business card?" In fact the circles and triangles and trendy new names signified the most radical change to the philosophy at Semco where once there were foremen and departmental heads there would now only be coordinators and indeed far fewer of them. The implementation of the new system meant ripping apart the pyramid, doing away with titles and removing many of the established chains of command. As the new system was put into place it became like a game of musical chairs. There were fewer and fewer seats all the time. The supervisors that were left standing when the music stopped either went back to their old jobs or left Semco, either voluntarily, or if necessary, through dismissal. A lot of talent was lost in this transition but it was a price that had to be paid.

Salary Administration

One of the most challenging ideas was that people should set their own salaries. At most companies everyone would have laughed at this idea but at Semco these revolutionary

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notions were taken seriously. In the past five or six years bonus systems had been tried but without success. Nothing seemed to work, so a new system needed to be found.

Semler tried a new technique. He called in the last of his three secretaries, Irene Tubertini and asked her, "How much money do you need to earn to live comfortably?" After discussion a salary 10% higher than what she originally thought was agreed. This process was repeated for all senior personnel and their immediate staff. From this an evaluation form was designed to help them through the process. Four criteria were considered, what they thought they could make elsewhere, what others with similar responsibilities and skills made at Semco, what friends with similar backgrounds made and how much money they needed to live. Of those who participated in the first round of salary searching only one sales manager awarded himself an inflated sum. He eventually did achieve that salary but as a managing director at another company. There were three reasons why reasonableness prevailed. Firstly everyone knew what everyone else was paid. Second the top people were all modest about their pay and the third reason was that people tended to be modest because of their desire for self preservation.

In good times and bad, self set salaries have encouraged Semco's workers to take a long term view. Only about 5% of the work force took part in that first experiment but currently they're up to 25% which includes most of the coordinators. The ultimate aim is to include every person in the process.

Subcontractors

In the late eighties Semco suffered along with all other Brazilian companies due to high inflation and interventionist policies of the government. The inflation ranged from a low of 100% in one year to as high as 1,600%. This time bought the company and its associates closer together and enabled Semco to weather the down turn in sales. The concept of horizontalization was used to save operating costs. This is where the company decides what operations it will continue to perform and what activities it should farm out to others. The more thinking that was invested, the more Semco became convinced that they no longer wanted to do anything that could be done just as well elsewhere. The answer to this dilemma was to set up the satellite program. This program involved contracting out to their own employees in order for them to form their own companies as contractors to Semco. Subcontracting had its advantages in reduced labor costs, inventory levels and owner operator energy levels. Subcontracting also has its problems. Third parties need to learn a lot about the clients business and there is the risk of "brain-drain". Under the satellite program this was less of a problem because they were working with people that were already known and trusted.

The big problem was to convince employees by the hundreds to become owner operators right when Semco were in economic difficulties. Brazilian government at the time set up a "golden handshake" system where if employees were terminated, between six and twenty months of salary were required to be paid, plus additional benefits. This obviously would be the seed money Semco offered to employees to fire them and help them use their severance pay to establish their own businesses which would supply materials or services to Semco. As part of the deal, workers were offered, on lease, the same machines they operated in the plants at no cost to start with and extremely reasonable terms later as their profitability increased. Semco set up a team of executives to teach the mini entrepreneurs to control costs, set prices, control inventory and other management skills.

No one was forced to start a satellite company. Some just took the money and left and others tried to hang on to their jobs at Semco for as long as possible. Semco helped about twenty five satellite companies to establish themselves. About half of the manufacturing has been

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subcontracted to them and this is expected to increase by another 10 - 20% in the coming years.

The satellite companies reduced the amount of resources required in Semco so the plants were now half empty.

It was decided it was time to move out. Semco went from 830 employees and nine business units of five locations in 1987 to a little under 300 employees and six business units at two sites (plus 200 workers in satellite companies) four years later. The original plant was rebuilt and expanded and each division housed in its own area. The consolidation cost Semco over \$2 million. That together with the loss of \$4 million from cancelled shipyard orders should have been enough to send the company broke at a time when an average of 800 companies went broke every month in Brazil.

Semco not only survived, paid the huge cost of plant closures and employment reductions, but did this without taking on more debt. Semco managed to break even in the very worst years and made good money in the better ones. The employees who each produced an average of \$10,800 worth of goods a year in 1980 now produce \$92,000 worth of goods a year (adjusted for inflation), four times the national average.

Some people have questioned whether Semco should have seen it coming. In fact it did!

Three years before Brazil's economy collapsed and Semco launched its satellite program and consolidated, a weekend retreat for forty of the top managers was held. The key exercise involved visioning the future of the company. Each participant was asked to imagine what Semco would be like in the year 2010. The company the participant described was not much larger than the Semco of the present although the quality of the products and lives of the employees was much higher. The people did not want to be a mediocre company, they wanted a better company; a company in which people could work at home, liberated from conventional structures and schedules; a company in which there was no such fluid movement on to and off the payroll so that it wasn't always clear who was an employee and who wasn't. They didn't want the business to create pollution; they wanted the plants to be safe enough for them to bring their children to work.

To want to grow just to be big is an idea that comes from the sandbox. Some growth is necessary for all businesses because it allows for diversification of products and markets.

Modern Times

Money isn't the only goal of workers. Semco try to pay their people more than they would receive elsewhere but that isn't why so few of the people leave. Semco offers its employees a chance to be true partners in the business and be both autonomous and responsible.

Information is the most important commodity. There is power in knowing something that others don't. If you're not sure of this try the following test at your next meeting.

When something important comes up, say that it's better not to discuss it because of something else that happened the same morning that will change things considerably.

You should find that you have now become the most powerful person in the room. You know something the others don't, or at least that's what they think.

When you hold information close to the chest, the communication will be faulty and create insecurity and misunderstandings and ultimately hostility. The major factor of Semco's success has been the sharing of information. The center of power shifted as people who relied on gossiping and playing politics left the organization.

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People in part derived their identities from their companies and within the companies they can belong to subtribes. Companies and organizations must be redesigned to exclude the tribes because systems should be based on coexistence. The negativity of fixed working hours, organization charts and policy manuals need to be removed.

To survive in modern times a company must have an organization structure that accepts change as its basic premise, lets tribal customs thrive and fosters a power that it derived from respect not rules. In other words, the most successful companies will be the ones that put the quality of life of their people first, then quality of the product, productivity and profit, will follow. Semco did away with the how's and created the right environment for differences. They gave people the opportunity to test, question and disagree. Their employees determined their own training and their own futures. They came and went as they wanted, worked at home if they wished, set their own salaries and chose their own bosses. A system such as this thrives on change and is a proven antidote to the corporate brainwashing that is undermining some of the giant businesses with brilliant pasts.

Semco is more than an innovative model. The open-mindedness and trust of employees has enabled it to take the best of systems to reorganize work so that collective thinking prevails, that leadership does not get lost in the search for consensus, that people are free to work and that bosses don't have to be parents and workers don't have to act like children. A company should trust its destiny to its employees.

This book was reviewed by Chris Mason - Chairman Mindshop Group of Companies

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