

FORTUNE – The New Future
Vol. 144, No. 11
November 26,2001

By Geoffrey Colvin (page 60) – Value Driven

The Anti-Control Freak

*In Ricardo Semler's company, workers pick their own hours and the CEO has a temp job.
Yes, it works.*

I hadn't seen Ricardo Semler since his celebrated book, *Maverick*, came out eight years ago, so I was delighted to run into him again recently. It's a pleasure to find that some people haven't changed, and Semler is still disarmingly open and quick to get to the point. He is still the leading iconoclast of real-world business practices, still asking questions so basic that they're as difficult and relevant today as when he started posing them more than 20 years ago. And now as then, he's not some mischievous academic or consultant getting his kicks by making managers uncomfortable. He's a business owner putting his money where his unconventional mouth is, and on that basis his company has grown 24% annually since his book first got business people asking just who the hell this guy is.

You remember Semler. His book described what happened when his father handed him control of the family's small Brazilian company, Semco, a maker of industrial machinery. Faced with disastrous performance, Semler (at age 22) responded radically. He fired most of the top managers and got rid of most management layers; there are now three. He eliminated nearly all job titles. There's still a CEO, but a half-dozen senior managers trade the title every six months, in March and September. Executives set their own pay, and everyone in the company knows what everyone else makes. All workers set their own

hours. Every employee receives the company's financial statements, and the labor union holds classes on how to read them. Workers choose their managers by vote and evaluate them regularly, with the results posted publicly.

Obviously it's all insane, except that it seems to work. Semler's shock therapy pulled Semco out of its death spin, and the company has lately expanded into various services (property management, equipment maintenance) and has established several joint ventures with the likes of the Rockefeller Group, Cushman & Wakefield, and Johnson Controls. Semco has become a case study at the Harvard Business School and MIT's Sloan School of Management, among other business schools. Since Semler refuses to spend much time running the place, he travels around the world talking about how it works.

What everyone wants to know, after being assured that what they've heard about Semco is actually true, is the underlying theme, the big idea. What ties all this craziness together?

Semler offers a few explanations--he has said he simply treats people like adults, or he's trying to create a place people will want to come to in the morning--but the most basic is that he believes in giving up control. The thread running through all he has done is taking top management out of managing the company. He says he sleeps very well and suspects he sleeps better than any iron-fisted executive who's trying to direct every detail.

Since control is the premise on which most management is based, giving up control is harder than it may seem. It really amounts to continually, fearlessly, asking why. Why do we have job titles? Why can't the employees know the detailed financial results? Why do we have a headquarters? Semco has no headquarters. "It's a source of control, discrimination, and powermongering," says Semler. Instead the company has a few offices around Sao Paulo, and if you want to leave home to use one--your choice--you go online and reserve a space.

How fearless do you want to be about asking why? Try this one: Why must a company grow? Semler isn't sure there's a good answer. Sure, there's what he calls "the adult, crystallized response" we have to all these questions, but is it valid? What if a company just kept learning and improving--would it need to grow? Or how about this: Why make money? For an individual the answer is clear up to a point, but you reach that point sooner than you realize. Semler says, "I once worked it out--after \$12 million, all millionaires are the same." That's because we're all humans, confined to human scale. How many homes can you live in? How many meals can you eat? You can have a living room the size of a cathedral, but you won't live in it. It's too big.

And yet Semco keeps growing, and Semler keeps making more money, apparently by letting it happen rather than trying to make it happen. Which leads to the "why" that an observer can't resist asking him: Why keep pushing all this anti-control stuff? If you wonder whether Semler is a businessman or an idealist, his answer leaves no doubt: "It's not about values," he says, speaking as vehemently as I've ever heard him. "It's about competitive advantage." (He's equally sanguine about doing business post-Sept. 11—check out our interview with him in the cover package.)

Semler is as clear as ever about why he does what he does. The challenge for the rest of us is dealing with the fact that it works.