

Interview with Ricardo Semler

By Alan Strutt, Management Centre Europe

When you took position within Semco, the company was struggling. How did you manage to diversify the company's production?

The only solution was to make a radical shift in the direction and capabilities of the company, and that included changing the majority of the leaders and creating a new mentality. This bordered on the irresponsible in terms of scope and speed, but in the end saved us. There might have been a safer or more mature way of doing this, but I was 21 at the time.

What is your opinion about the crisis that the European shipbuilding industry is suffering due to strong Asian competition?

Countries will remain with certain basic vocations. When the fundamentals are wrong, no amount of subsidy or effort will overcome this. Witness the fact that among the Asians the Japanese have found it impossible to continue leading the world in shipbuilding, as they did in the 80s. Their vocation is for higher labour costs, low structural capacity for raw materials such as steel, and strong government centralisation in industry planning. Whereas shipbuilding of a higher customisation, such as that of cruise liners, is still possible in France and Finland – in these cases, the customer is willing to pay more for specialised finishes through higher labour costs.

In your success, have you taken the model of any other company as a reference? Did you get inspiration from something or someone else? Was this 'revolution' in Semco your idea or did you get some help?

Semco was an ongoing living laboratory. All that we learned we did by walking, as says the great Spanish poet Antonio Machado – 'el camino se hace al caminar'. Companies such as WL Gore (that makes Gore-Tex textiles) and even the first phase of the Mondragón Cooperative were beacons that we paid attention to, but our solutions are highly idiosyncratic – and not easily adopted, because they require two things: giving up control of the company's future, and a long transition term.

Your company's management model is a worldwide reference. Why has your idea not spread?

For the two above reasons, which I can explain further. Boards, shareholders and CEO's need, for reasons that have more to do with Freud and Foucault than management gurus, to feel secure about the absolutely insecure future they face. So they leave important meetings with a plan, and expect the employees to follow, much as a Pied Piper. If the plan or the people are flawed, you end up with Enron, Fiat, or Parmalat – if they are better, you end up like the auto makers in general, the airline industry or

banks, who have a perfect plan and precise numbers, and are unable to predict whether they'll make money or exist in two years time.

As for the transition, companies today are expected to run on 90-day mandates. As such, no one wants to risk changes in culture that will take many years to prove themselves.

Could you tell in few words what your company's management model is?

It is a model that is based on people's freedom and need for gratification through work as the pivotal levers of a successful company.

How do you measure your employee's efficiency? If they do that themselves, isn't it risky?

This would be the same as saying that people are basically lazy, or that they want to come in as late as possible, leave as early as possible, and make more than they deserve. And we don't believe in that, and have never seen this, even when we left people to set their own work hours, their salaries and choose their bosses. The pundits who pronounced us dead were wrong and, after 25 years of this, we have gone from 100 to 3,000 employees based on our concepts. That is what the book *Maverick*, published in Spain as *Radical*, was about. The new book, coming out soon in Spain, is *The Seven-Day Weekend*, and tries to make the point that companies of the future will have to adapt their architecture to the Gaudis of management, and not only the Goyas – after all, the naked global giants of industry also have to lose weight.

What do you believe is so attractive of Semco for those thousands of young people who want to work for your company?

They see there a degree of respect, freedom and self-propulsion that is hard to find. They know that they can customise their jobs, watch Moya and Kuerten play tennis at Roland Garros all morning, as long as they get their work done. And that is more contemporary, and therefore more seductive. They don't want to be subject to more of the senseless boarding school mentality that they had to anachronistically endure during their education.

Semco's management model is unique. How does this corporate philosophy affect the HR department? How does the employee recruitment work in Semco?

HR takes a decidedly backstage role at Semco. We want people decisions to be made by those who are close to the people, and not a department – from a hundred or more, that area is down to a few loners, who think strategy.

Hiring is done in a unique way: by those who really care. When you think about it, job hiring is as flawed as an Internet dating process, and could be

the basis of any Almodóvar movie. On the one side, the company lies about what a wonderful place they are to work for, and, on the other, the candidate omits important information about his or her faults. And what is the chance that one or two encounters will result in a happy marriage? In our process, the candidates all participate, together, in a collective first interview and tour of the company, meeting many future co-workers. Then, the finalists are interviewed for 5 or 6 times by a dozen or two dozen people from the company. By the time the decision is made, by majority of our people, there have been innumerable opportunities to see beneath the veneer of both sides, and when the person begins work they have supporters and accomplices in place.

Have you fired employees? Do the employees vote if someone has to be let go or is there some kind of committee who decides this?

Semco is not run by committees, but we haven't done away with the vital aspect of leadership. The difference is only in the more democratic method of choosing leaders. But once they are in place, they have a mandate, and do decide. So a leader can decide to fire people, but normally discusses this openly with the people who work in that area. Semco has grown by some 35% a year for over 10 years, so the effect of the people that have been fired is not easily registered, but some dozen people every year do not survive the system which is, in actual fact, very demanding. After all, showing up on time or playing politics doesn't work there – you need to produce measurable results.

A big company in an industry such as yours is usually well known by the public, but yours isn't so much. Are you the company's best image? Can it be that at the end you are selling more of your experience than your products?

Semco has no products for the public. In most of our big contracts we have a dozen clients, no more. Santander or Telefonica de España know us well because we run things for them, but their customers are not our target. As to selling image, Semco has gone from US\$ 4 to \$ 212 million since we started this system, so we cannot complain about the success of our products – we are #1 or 2 in 100% of the markets we are in.

Have you changed since you have become considered a 'guru'? Are you now earning more with all your other activities than working for Semco?

People who believe they are gurus set themselves up for superficial marketing as a way of life, or for a future fall. I'm surely no guru, and it is only a sign of the feeble state of management thinking that there are no more than a dozen people who are constantly sought out for speaking about the future of organisations.

I have never earned more than 10% from these side activities of mine (I am now spending a semester working at Harvard University pro bono), and,

in any case, all this money is channeled to my Foundation, which has created a school system that mirrors Semco's beliefs. We have two schools, one of them public, based on the idea that adults arrive at Semco already programmed to accept, submit and conform – as well as throw away their dreams and talents. Our schools transfer the burden of making the class interesting to the educators – children are free to go to class or not, and we are the ones who look for interesting people to bring out the magic that resides in mathematics, sciences and art. We have a proportion of 2-3 Masters per child (they only come a few days a week, and we look for them to be passionate in their areas of expertise).

Also, part of my money goes to a modern botanical garden for children, a new concert hall in the country and an Institute called DNA Brasil which unites Brazil's 50 most renowned specialists in all sectors (actors, architects, economists, geneticists, sociologists) once a year and in constant workshops to think about the country's vocation and future.

The Seven-Day Weekend is also dedicated to seeing the bigger picture, and its income is also directed to these efforts. Seeing Semco as an isolated case, or imagining that it is largely based on my personality is selling the concepts short. No international audience of journalists and executives (2,700 companies, 200 magazines and almost all the major TV networks have visited us) can be deceived for 25 years – this is not about marketing or an isolated example – it is about an architecture of organisations that can serve as seeds for a more gratifying way of working – that is our *raison d'être*.

Management Centre Europe

MCE, in collaboration with *El Mundo* of Spain, (www.elmundo.es), recently interviewed Ricardo Semler, who spoke on 'The 7-day weekend' at HR2004.