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The Anti-CEO

Ricardo Semler calls himself "a Frisbee in the park," but that doesn't mean that his ideas shouldn't be taken seriously.

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Many people picture the head of a company as the clear-eyed captain who pilots his ship through stormy seas into calm waters and a safe haven. Ricardo Semler, who heads a Brazilian company named Semco, has another view: He believes it is his duty to roil the waters and even poke a few holes in his craft, to get his crew thinking of other options. In other words, Semler is a disruptive rather than a soothing influence, and he likes it that way.

Semler might be called the CEO of Semco, but he is not the CEO; he might be called the president of the company, but he is not the president. He abhors titles, for himself and all the other executives. Safest to say, and incontrovertibly, Semler is the principal shareholder of Semco, which over the last ten years has grown from \$35 million to \$212 million in annual revenues, and which expects to be a billion-dollar company in five years.

He is also, through his writing and ideas, the main reason this Brazilian company is known throughout the world. Some of the policies and programs at Semco:

- Attendance at all company meetings is voluntary.
- Two of the company's eight board seats are held on a first-come-first-served basis, open to any worker in the company.
- Semco has no business plan, no mission statement, no long-term budget, no HR department, no VP of IT, no COO, no fixed CEO, no dress codes, and no job descriptions. Nobody approves expense accounts.
- Workers choose their own training instead of having their boss or HR choose it for them.
- Workers can take up to three years off for any purpose.
- Through Semco's Retire-a-Little program, a worker in his prime can take days off now and "redeem" them in the future, after he retires.
- Semco's "Lost in Space" program allows young recruits to wander the company for a year to discover what they want to do.
- The company holds collective job interviews, in which candidates meet their rivals for the position and are interviewed by a cross-section of employees.

Is Ricardo Semler responsible for these policies and programs? Not directly. He can't be the "go-to guy," he explains, since he is rarely there, at company headquarters in São Paulo; he doesn't have regular hours, or an office, and his hammock at home, in

which he professes to do a lot of work, is not conducive to meetings. But it's obvious that Semler, from the time he took over his father's company in 1980, has been interested in doing things differently, in testing untested waters, and in encouraging all of Semco's employees to do the same.

Eleven years ago, Semler brought himself and his company to the world's attention with the publication of *Maverick*, which he characterizes-bravely or foolishly, since he was only in his mid-30s then-as an autobiography. This month, he publishes *The Seven-Day Weekend: Changing the Way Work Works*, which he described to me as "a manifesto of what could be an alternative model for organizational architecture."

Whatever one thinks of Semler, he is nothing if not ambitious. This Brazilian businessman truly wants to change the way the world functions.

I caught up with the peripatetic Semler in New York City, his first stop from Brazil on his way to Boston, where he is to be a visiting scholar at Harvard. In his new book, Semler describes how, in an effort to beat stress, he began setting his watch five minutes fast; then he reversed field and recommended that people set back their watches. After shaking hands with him, I asked which practice he followed now. Without a word, he held up his arm and pushed up his sleeve. There was no wristwatch at all.

Even after reading your books, I don't have a clear idea of what your company is all about. Let's say you're flying up here from Brazil, which indeed you've just done, and you get to talking to the guy next to you on the plane.

Which I did.

He asks what business you're in. What do you tell him?

I say we're a diversified business centered on selling intelligence, the capacity to think out service solutions and to look at things from an intellectual standpoint. Our rationale for everything we do is that it's heavily engineered or complex. We're a federation of ten companies, more or less, all of which are premium providers and market leaders in their fields. We started out in manufacturing, but that comprises only about 30 percent of Semco now. We don't do anything that's simple. In manufacturing we didn't, and we don't in the service area either. For instance, we manage all outsourced activities for Citibank and BankBoston. That's complicated. And that's what we look for: complicated businesses that have high entry barriers, and which people can't get into easily and can't get out of easily.

Now you're heading up to Harvard. What will you be working on?

Looking for a framework for negotiated hierarchies in organizations instead of a command-and-control or pyramidal hierarchy.

That certainly sounds formidable, but what does it mean-the democratization of the organization?

Maybe yes, if you're thinking of democracy as a value, but I think of it as the belief that an organization is made up of free people who are doing what they want to do at the time they want to do it. Here in New York, where the headquarters of enormous global corporations are concentrated, they are trying to make their models fit the world as a whole. All that is passé. The question is: What comes in its place? An Asian solution? It's already clear that's not possible because there's a *weltanschauung* there that's totally incompatible. We can't begin to understand how the Asians see the world.

But aren't large Asian corporations also very hierarchal, organized around command-and-control?

Yes, but not in the same way as the American model, which is basically a military hierarchy: This is the mission, this is the plan, share my vision, and let's go find Saddam. The military hierarchy is the only way to get unquestioning obedience. That's why you put people through boot camp, where they lose the ability to think and are taught to follow instructions no matter what. If they go awry in any respect, you court-martial them. The corporate version of that is: Pay attention to what I'm saying, or I'm going to fire you.

Corporate leaders see employees in the same way that generals see soldiers, and the result is a general feeling of discouragement. People have a hard time feeling gratified by what they're doing. The end result is not very exciting. Take, for example, Microsoft. During the first years of its life, it produced extraordinary products that changed the way we all live. But in the last fifteen or twenty years, nothing really new has come from Microsoft. The Windows you use today is the 1985 version, with a little gadget added here and an icon change there. It takes three thousand specialized engineers now to do what it took three kids in a garage to do back then. Once the organization is in place, it becomes so concerned with so many other issues that it's unable to change anymore.

Is the size of the organization the problem?

You can break down any organization, even a very large one, into atoms of ten or twelve, but you must also devolve power to that level. Nobody I've ever known works with more than a dozen people, the people you call or interact with every week. Look at team sports, church groups, families. Is there any family that interacts on the basis of forty people?

The problem isn't that Microsoft has thousands of people-it's that it treats them in a consolidated hierarchal format. The company could say, Forget Seattle, work wherever you want, join up in groups of ten, look at Windows and find a better way to do it. If Microsoft did that, I think it'd be out of sight by now. Its people are terribly bright and capable-it's the format in which they work that limits them.

This became very clear to me, and was scary to a certain extent, when Semco began working with the dotcom people in 1999 and 2000. We started dealing with kids in garages. I'm thinking of one particular kid in San Francisco who created software for architecture and construction, where on one website-extraordinary for the time and even today-all the communications about a construction project would be available in real

time. If, for instance, you changed a door on a building, everybody involved in the project would immediately see where you moved it. It all sounded fantastic, and if you looked at the people backing it, there were Oracle and Sun Microsystems and Goldman Sachs. Anyway, we were supposed to become partners with this kid-he was 28 or 29-and when I first visited his outfit, they didn't have secretaries or a receptionist, just two dogs. Actually, they didn't even have what you would call offices.

Sounds like your kind of company.

One of the dogs, a Lab, was listed on their website-and he had two job offers already! Anyway, I said to myself, Boy, these are the kind of people I want to work with. But the second time I went there, maybe six or seven months later, the kid was sitting in a corner office with a beautiful view of San Francisco. He had two secretaries and a receptionist, and the dogs were gone. The bankers and the other investors had come in and said, This is going to be a serious business. And suddenly everything was transformed. When I returned to Brazil after my second visit, I told my people, We're in trouble-this isn't going to work. Before, the kid and I had spelled out our terms in eight points on one sheet of paper. Afterward, we were dealing with one of the largest law offices in San Francisco, and we had to wade through seven hundred pages of documents before signing something-which we never managed to sign anyway.

It's not the size of an organization that determines its future-it's allowing it to change paths. For that to happen, it's important to let people work in small groups.

But you make a point in your book about companies having a life cycle. Why shouldn't a company die of old age?

That hinges on its ability to change. Think of Woolworth's, which had its heyday in the 1950s. Could it have become the Nordstrom of the '80s? I'm sure it could have, and that's when a new life cycle for the company would have begun, just as a new cycle began for Motorola when it decided to make cell phones instead of car radios. What I'm saying is that, once a cycle is finished, either somebody makes up a new one or the company dies with the cycle.

But wouldn't a new cycle have to begin with new people?

With a new mentality, at the least. If you have the same person or group of people at the helm, then the capacity to start a new cycle is a rare phenomenon. We've faced this situation at Semco. For example, there's a guy I mention in both books named José Alignani. He was the CEO of our Cushman & Wakefield real-estate operation, and he ran it for six or seven years with tremendous success. At the height of this success, we saw the beginnings of decreased growth. Not that it wasn't growing-it just wasn't growing as fast. And we were convinced that the problem wasn't the life cycle of the company-it was the mentality of the people in charge. So we sat down with our partners here in the States and said that Alignani had to go. Are you crazy? they said to me-are you talking about the same Alignani that we know? This is the guy who started out with three people, and now he has a thousand. Yes, the same Alignani, we said, but he's finished; his cycle is done; he can't adapt to the new market. They were flabbergasted.

What made you so sure that this Alignani couldn't have adapted to the new market conditions? Why not at least give him a chance?

We did. We sent him an e-mail. Number one, we said, Alignani, you're finished.

I can't imagine what number two was.

Number two, we told him: Despite the fact that you're finished and that it's time to bring in somebody new, there are rare people in the world who can see the light and change into someone else. Are you one of them? We'll give you six months to find out. Six months later, he came back and said, I can't do it. So we put a twentysomething girl in his place. She restructured and made the business grow 30 percent a year.

What happened to Alignani?

We said, Let's do something else with him-after all, he was only about 48-and so we put him back where he began, in the manufacturing end of Semco. Go there, we told him, and change that business completely.

Was he successful?

Tremendously so. He tripled the operation in two years. Some people might have thought we were just being nice to an older guy by moving him back to where he came from, but that wasn't the case at all. So the life cycle of the manufacturing business changed after he went back, and the life cycle of the real-estate business changed when someone else came in.

Being prepared to make major changes is what most executives will not do or are not prepared to do. Certainly this is true of corporate boards. Look at their makeup: twelve guys who are in other businesses and who have other lives to live. Why would they want to create havoc? So, like the Disney board, they'll make cautious instead of intrepid decisions. Boards are set up to be conservative; they're anthropological pillars.

You're saying that despite Disney's splitting the CEO and chairman positions, nothing is going to change?

Of course. It's just a variation on a theme, and variations don't constitute a change. Now, I'm no expert on Disney and what it needs, but this certainly won't do it. Another example: When the board at Ford replaced Jacques Nasser with Bill Ford, what it essentially said was, Let's do the least amount of change necessary to make us feel that we're on the right path.

The younger Ford was known as an environmentalist. Weren't the directors a little more adventurous than you give them credit for?

My question would be, If his last name was not Ford, would they be equally adventurous? Would they have taken the president of a leading NGO who was pro-environment? The hell they would. Actually, if I were a member of the board at Ford, I don't know that I'd be excited to have an environmentalist in charge. But the corporation

also had other issues at stake, such as shoring up its reputation, and the name Ford did a lot for that, so it was a good decision.

Let's talk about your book. Start with the title: The Seven-Day Weekend. Doesn't that also say, implicitly, that there is a seven-day workweek?

It's a bit tongue-in-cheek, because no one expects that his whole life is going to be a weekend, especially when you assume weekends to be that wonderful thing that they are not. Weekends are in our fantasies much more than they are in our reality. I've been thinking recently about memories of the future-the idea that if we dream a little bit about what we want our lives to be, we could have a nostalgia for that which we haven't yet experienced.

Isn't there a Portuguese word for that?

Saudade, which I don't think can really be translated. But *saudade* of the future means that I imagine my company doing something that I have nostalgia for, even though we have never done it. The seven-day weekend is really a metaphor in that respect.

To your question: People from CNN were at my company last week to do a special. They spent five days going through the whole company. We told them, Interview anybody you want-nobody will chaperone you. The CNN people showed up on the first working day after Carnival, and they went through entire floors without seeing a single person. Where are all the people? they asked. But later, after their interviewing, they calculated that our employees worked more hours than their counterparts at other companies. Which goes to say that when people are given freedom, they'll do whatever it takes to get the job done.

This is what the seven-day weekend is all about. All this talk about achieving a work-life balance is pointless because work and life have merged, and this is happening even in the most stultified companies. Whether you call it the seven-day workweek or the seven-day weekend, it's changed the way we work.

When you describe your ideas in speeches and presentations, what's the reaction of business executives?

That my ideas are far off and far out-on the fringe of business thinking. But then they test my ideas with questions-What would I do about this, what would I do about that?-and they begin to realize that there is a technical structure behind my ideas. So simply writing me off as quirky isn't that easy.

In the end, they may say, Your ideas are more solid than I thought, but they don't do me much good because I have a ninety-day mandate and your ideas would take years to implement. I tell them to make small changes, to take baby steps in the right direction. Giving employees even the slightest leeway-with respect to hours, say, or where they work-could give them new life.

It seems to me that there are a number of Semco programs that could be installed even within a hierarchal structure-for instance, letting workers choose their own training instead of being commanded from on high. What's to prevent a company from doing that right now?

Theoretically, not much. In practice, the approach is, I want to train you to be what I need, and what I will need in five years is somebody able to do this, and I've chosen you to be that person. That's easier to say than, Learn what you want to learn, and I'm sure I'll be able to find a place for you-which is what Semco says. The answer to your question is that nothing stops a company from doing this except a calcified mentality and the fear that giving employees this freedom will turn into a logistical nightmare that already-downsized HR departments don't want to deal with. The word customized probably drives them crazy.

What about the Work 'n' Stop program, in which an employee can take off for two or three years-also a logistical nightmare?

The reaction is: Oh, my God, this person's going off somewhere when I need him here. But what happens everywhere is that most employees already do go off somewhere-it takes them time to build up courage, but one day they come in and resign. They're gone forever-when, after a year off, they might have come back. If you look at what's left of HR departments today, you see they're having to deal with multiple demands that are much superior to their resources. They see a work-and-stop program as another demand and so prefer not to deal with it.

But the turnover rates in all industries are slowly increasing, by .8 or .9 percent a year, meaning that people in general are fed up-at any rate, they're leaving more often than they did before. And so it's an ostrich approach to ignore that trend, to say it's more important to follow traditional employment policies than to offer some sort of sabbatical arrangement.

You've also introduced several flexible-pay programs at Semco. Are they popular?

Both our Retire-a-Little and Up 'n' Down Pay programs are much less popular than I'd like. I think people are still very conditioned to traditional ways of doing things; it takes time for people to go out on what they think is a limb.

Retire-a-Little couldn't be simpler. In essence, it's a one-time cash transaction: I will sell you your Wednesday, and you can buy it back at some future date. Next Wednesday you don't show up, and your next paycheck will reflect that missing day. So you've bought the freedom to do anything you want while you have the health and energy to do it. But you also get a voucher that lets you redeem that Wednesday-in other words, work one day a week-after you reach full retirement. Up 'n' Down Pay is a variation of the same.

How difficult would it be for companies to adapt to having somebody take off 10 or 20 percent of their time? Worst case, you'd have to hire 10 percent more people. And strategically you'd be diversifying your risk by bringing in people you might not

otherwise have, and they might very well be stars of the future. But making this kind of change scares people.

Change of any kind, of course, takes leadership, and in your book you take kind of a swipe at somebody whom many executives regard as the ultimate leadership icon: Jack Welch, the former CEO of General Electric. You characterize his policy of annually firing the bottom 10 percent of employees as "microterrorism."

Yeah. I'd say there are two sides to Jack Welch. Yes, he is a paradigm, and everyone looks up to him as being the most perfect example of an executive. He would never have been able to accomplish what he did if he were not a tremendous man, so that should not be under discussion here.

The model that Jack Welch presents, however, has problems, principally in its emphasis on charismatic leadership. This is true not only of Welch but also of Lou Gerstner, Michael Eisner, and Roy Vagelos of Merck. CEOs around the world are drawn like a magnet to the idea of having the influence that Welch had. But I don't think it's in the best interests of GE or any company to have a very strong charismatic figure, because the capacity to make succession happen is diminished. When succession time rolls around, the question is, Should the organization be attuned to the Neutron Jack way of doing things, or should it be attuned to what GE needs to be in the new world? That is the trouble with the Jack Welch paradigm.

My second objection has to do with a method of management that says, Here's what I need you to do, here's my vision-lock into it and you'll be all right. Work hard, deliver, and you'll survive, but if you don't play along, you're out of here. To my mind, that's a format of terror. By eliminating the bottom 10 percent every year, you're losing a tremendous investment, because these people could change places and be used in other ways. You're also sending the message up and down the line that your company is a military hierarchy. The Welch paradigm is, after all, a military paradigm; it is a Norman Schwarzkopf paradigm. What's the difference between them? None to speak of. Wouldn't Welch have been able to run the Gulf War? Perfectly. Would Schwarzkopf have been able to run GE? I'm sure he could have. There's something wrong with that; it shouldn't be that easy to make that interchange, because the creative business world needs a lot of components-ingenueity, free thinking, leaps of faith-that the military model doesn't value.

Do you think of yourself as a charismatic CEO?

The company sees me as more charismatic than I'd like, and a good part of that is my fault. It's very difficult to disassociate yourself from that role, because it's gratifying, it's good for the ego, and you rationalize rather quickly that it's good for the company, because by my talking to you, by publishing a book, new companies may hear about us, new joint ventures may be formed, or our prestige in the business world may increase. That's a seductive rationale.

On the other hand, the fact that I'm a charismatic figure for the company is very reductive; it minimizes the company's capacity to go on its own. The only path I've found is to keep away from management-as far as possible, as much as I can. It helps

that I haven't had an office at our headquarters for ten years, and I go off for two or three months at a time.

Semco's managers don't buy into this charisma: Recently, for instance, I was expelled from a strategic committee I was on. I was asked why I was on it, and I could only answer, I don't know-I've always been on it. That's not good enough, I was told, and I was taken off it.

All of this helps minimize my importance, but people still credit me with things that have gone well, even though I may have had nothing to do with them, and they never debit me for the mistakes I've made, like our dotcom adventures. Oh, they say, that wasn't your fault, everybody had that problem, and we lost much less than everybody else did.

In the end, a charismatic figure is not good business or good for stability because the company life cycle will tend to follow that person's life cycle, which is much too short a cycle for a company.

What have you done about finding a successor?

At one time, we asked for proposals from companies specializing in governance and succession, and we got these complicated proposals, eighty-page things full of graphs and charts. After looking at them, I said, You know, I think most succession issues are psychological issues, so why don't we go to a psychotherapist? And that's what we did-we've had various three-hour sessions with a psychiatrist.

Who's we-your management team?

Yeah, the top three, four, or five guys. It's been fascinating. And with the first \$2,000 we spent for the psychiatrist, I think we got as much as we would have by spending the \$300,000 the corporate-governance experts would have charged us. These top managers asked me tough questions-how, for instance, I was going to handle specific situations. How are you going to avoid being a pain in the neck for this guy, Ricardo? Are you sure you want to do this, Ricardo? And why does this really bother you? These are fundamental issues. To deal with succession from a business standpoint is really to dress it up in a pseudoscientific fashion when in essence it's nothing more than basic psychotherapeutic issues-emotional hookups that you have from the past. Better to deal with them by working with a person who specializes in emotion rather than somebody who designs lines and boxes.

What about Semco itself? Where's it going? You still don't have a mission statement.

Oh, but we do: to find a gratifying way of spending your life doing something you like that is useful and fills a need. We don't need to write that out. In fact, by not writing it out, our employees are obliged to think about what they're doing. It's so easy for people to hide behind a mission statement, to follow the military model-to go there, find, and destroy. Why? That's not a question to be asked. In the end, a mission statement is reductionist: If this is my mission, then everything else is not. Even more so

a credo. When you say, That's the way we do things around here, that signals the end of your life cycle.

But if a mission statement or a corporate credo is at best reductionist and at worst a lot of bull, why do so many ostensibly intelligent people buy into them?

For people who write them, it's a feeling of control; for people who follow them, it's a feeling of security, of knowing where they're going. Instead, I ask, Can I live with a company that I don't control, whose future I do not pretend to understand, and that is going in directions unknown? Yes, that's very uncomfortable-but ultimately more gratifying.