

# THE **Maverick** CEO

Ricardo Semler is looking for a few good artisans—self-directed, highly motivated employees who will work together creatively and harmoniously to create great products in his industrial factories. And he's willing to completely restructure his company to find them.

**R**icardo Semler, CEO of Semco Inc. in São Paulo, Brazil, likes to quote a parable about three stone cutters who are asked to describe their jobs. One views himself merely as a man who cuts stones. Another thinks of himself as a craftsman who painstakingly cuts stones into specific shapes. The third says, "I build cathedrals." Semler wants to attract some of the people in that third group to Semco, a business that produces marine and food processing equipment. In fact, he thinks he may already employ them. He just has to structure his company in such a way that they feel free to devote their considerable talent and energy into making Semco a cathedral among corporations.

That wasn't his first thought when he took over the business from his father in the early 1980s. At that time, Semler—young, eager, and ambitious—wanted to make Semco a model of efficiency. He hired hard-driving managers, installed new technology, and worked extraordinarily long hours to achieve that goal. The result was a restless workforce at the factories and poor health for Semler.

Gradually his mindset changed as he began considering ways of turning over more and more responsibility for the business to the people who were actually doing the day-to-day work. According to his reasoning, medieval cathedral builders produced magnificent works of art virtually without supervision. Why couldn't the men and women of his workforce—adults who made complex and far-reaching decisions in their daily lives—be trusted to choose the colors of their uniforms and decide when to start their workdays? Come to think of it, why couldn't they organize their pay scales and approve their bosses? Why couldn't they decide what new ventures Semco could invest in and veto plans proposed by the CEO? No reason at all.

Over the next few years, Semler and a radical management team completely upended traditional business theory at Semco,

doing away with conventional organizational charts while allowing employees more and more freedom to choose what products they would work on and how they would produce them. The evolution, engagingly detailed in Semler's 1993 best seller *Maverick*, was hardly a smooth one. Many employees were eliminated by job reconstruction or left because they couldn't handle the turmoil. But those who remained became passionate about Semco and their place within it. They became cathedral builders.

Today, Semler spends much of his time away from the corporate offices, giving lectures or merely traveling with his family. His new book, *The Seven-Day Weekend*, stresses the value of free time away from the office and time for creative thinking *in* the office. Such priorities, he notes, have raised Semco's revenues from \$35 million to \$160 million in the last six years. Semler is

still an evangelist for worker empowerment—and now he also advocates taking time to rest in the company hammock and feed the ducks down at the pond. He believes that, even at the business school level, budding CEOs can learn valuable lessons about what's *really* important in the workplace.

by Sharon Shinn

photographs by J. R. Duran

**You received intensive executive training at Harvard Business School. What were the most valuable lessons that you learned there?**

I enjoyed my stint at Harvard Business School and found it helpful as a cross-reference—getting to understand what peers think and testing my ideas in an intellectual atmosphere. Also, the specific concepts of professors and the lively drive toward learning and re-thinking were all very useful.

**What do you think is overlooked in the education of typical business students?**

I think business students are insufficiently prepared, because



the business world is changing faster than they can comprehend and because their personal and emotional abilities have been clouded by excessive decision-making drills. Not enough effort goes into accepting that many times there is no good answer—and that things can be left at that.

I was once received very coolly at a graduation of Brazil's foremost business students, in the mid-'80s, when I gave a talk to them. I said that I thought that the jobs that they were dreaming of, based on b-school, would not be there when they finally arrived.

**Most business students would find themselves unprepared for the way business is done at Semco. You restructured the company so that there's no organizational chart. Workers approve their own bosses, and people only attend meetings if they think the meetings are important. When you instituted such changes, what made you think they would work?**

People's self-interest. Nobody wants to stay in boring meetings or work for bosses they didn't choose. Of course, you can make people come to meetings and look alert, but it's more difficult to get them to perform what was decided at the meeting. We want people to follow their instincts and to choose as bosses people they respect—even if they don't like them. This happens often at Semco.

**Do you think all companies could be structured the way yours is?**

This is an exercise in sociology or anthropology and has to do with respecting tribes. It has very little, if anything, to do with types of companies. So, yes, it seems universally applicable to people and how they work. We've seen that proved in practice by police divisions, hospitals, and schools in many parts of the globe—in organizations that have seen our way of doing things and have implemented similar concepts.

**Can a company implement some of your strategies and not all of them? Which ones are most easily transferable and which ones would be most difficult for another company to implement?**

There are many standalone concepts. One is the idea of a 360-degree evaluation, which we instituted in 1979, or of candidates for leadership jobs being interviewed by their future subordinates, or even the idea of people working at home—which we've been practicing since 1981.



Many companies would encounter difficulties convincing bosses to give up control, which is a basic tenet at Semco. But there are also thousands of company owners who could implement freedoms and don't. Finally, there is a long series of little things that each person can do within his or her sphere of influence. These things can change lifestyles and create gratification. It doesn't require all or nothing.

**If business students were reading a case study of Semco, what do you think they would take away as valuable lessons?**

The main lesson is that freedom is a prime driver for performance.

**But that very freedom sometimes makes it harder for people to work within an environment such as yours, because they're accountable. Did you have workers who resisted your reorganization? How did you deal with them?**

The system naturally expels people who find no place for free-

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dom, but they are very few. On the other hand, we've had many autocratic bosses leave. If autocratic bosses are going to stay, all it takes is for them to find employees who feel better coming to work at a given time, wearing certain clothes, and speaking at the right time. There is no brainwashing in the system. Bosses have the freedom to be a pain in the butt. All they need is people who like to work for them.

**At Semco, employees can vote to veto new products or new product ventures. This must mean you trust your employees as a group absolutely. How can you achieve that trust? How do you make sure you're hiring someone who will fit in with the Semco way?**

We trust the process. We're never sure that we hired right, but then, no organization is. We just reduce the risk. Job ads are pieces of fiction and speak of how good a place Semco is to work. Job candidates participate in the fiction by leaving the negative aspects of their careers out of their résumés. What are the chances that these two fictions will lead to mutual comfort levels? So we bring in many Semco people to interview every candidate—dozens, sometimes—and the candidate comes back many, many times before hiring occurs. That way, we dilute the fiction and increase the chance of a good match. Our turnover rate of one percent bears this out.

**You put hammocks in the offices at Semco so that employees can take a break—and while they're resting, they often come up with bright new ideas. But what about people who aren't used to working creatively? Do they have to be trained to stop and think? How do you get them to buy into this attitude?**

We cannot see "creative" or "uncreative" people. All we need is a night watchman who stares out into the night and thinks of a better way to schedule his rounds, or a cleaner who thinks up a different way to mop. Are these creative people? Is there anyone who doesn't have a creative streak in him that just needs to be brought out?

**On the flip side, what if the employee really is bone-idle and doesn't want to do anything but sleep while he's lying in the hammock? How do you make that person become a contributing member of the team?**

We stopped evaluating people by hours and methods a long time ago. Our people contract with us for a given output—say, 512 thingamajigs produced or sold per month. If they're idle most of the time, but can produce, we love them. If they come in early and leave late and don't deliver the 512, we probably cannot live with them.

**Obviously, when you took over Semco, you began to question the traditional role of the employee. In general, you have an attitude of "Why, why, why?" In addition to some of the things you've changed in your own corporation, what do you see in the business world that needs to be rethought from the why-why-why point of view?**

Why do we wear suits and ties? Why do we want democracy in the rest of our lives when we've never seen a democratic workplace?

Why grow as a business? What proof is there that companies that grow—above, say, the minimum few percent a year—do better than the ones that don't? I've researched, and the answer is: None.

**Then you believe "grow or die" is a bad way to approach a business?**

To grow the few percent that keeps a company abreast of its markets is fine—and that's not really growth. It's just enough to make up for inflation and demography. Above that, we are reacting to insecurities and generalizations. We say that we need to grow for globalization, for career opportunities, or for added resources. However, seasoned CEOs know that globalization just shifts jobs around the globe, thus destroying the career opportunities of those lower down, and that the additional scale economies that we plan for rarely surface. When companies focus on growth, then diseconomies of scale, long periods of transition to grander phases, and the imbalance in the human ecology are nefarious problems.

**And yet, Semco grew 900 percent under your leadership. If it's not necessarily a good thing to grow, how were you able to cope with such a dramatic spurt?**

We're not against growth at all. We just want to make sure that it happens because our customers bring it about, not our board or a goal-hungry CEO. Our growth has come from markets that grew or market shares that increased. Sometimes our growth was a mistake, and we ended up losing the business unit entirely. We're often wrong about this.

**Therefore, you have to rely on experience to learn such business lessons, as opposed to learning them in business school. What else do you think is impossible to learn at any business school, no matter how good it is?**

As professor Henry Mintzberg says, knowing how to get into, and survive, b-school is no indication of whether a particular person will know how to lead in the business world.

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concepts. Not in the sense of pouring out ready-made managers dressed in black—although a bit of that is also true—but in the sense that the emotional development is arrested by a brains-directed effort."

What I feel has been lost, and was present in the Greek *paideia*, was the development of a full human being, with emotions and personal abilities included. After the Renaissance, only the intellect was developed through schooling. Arts and physical education became of almost no importance.

The business school is more a result of Henry Ford's assembly line than Frederick Taylor's concepts. Not in the sense of pouring out ready-made managers dressed in black—although a bit of that is also true—but in the sense that the emotional development is arrested by a brains-directed effort. A student who is timid and slow on tests might submerge in b-school, but could have turned out to be a wonderful, compassionate, thoughtful leader.

**So much of the business curriculum today is taught in silos. How can schools break out of that habit? How would it benefit students if they did?**

Schools developed the class size, the expository method, and the breakdown into disciplines to account for the industrial revolution and the mass-market method of learning. This era is bygone, but the conservative mentality is keeping the school system from evolving. Silos are a silly way to learn, and they lead to a situation in which almost all adults are unable to relate to or cross-reference subject matter. How many adults know what was happening in the Western world during the Ming Dynasty? Was Christopher Columbus

exploring then? How many know that Gregor Mendel was an Augustinian monk, or that his precepts in genetics also set the laws for probabilities that are used in Las Vegas today? Or that those precepts came via Lucas Pacioli, a 15th-century mathematician?

Silos will be out the door in a decade or so, but a new system has yet to be learned. This is why we set up the Semco Foundation, to construct a new system of education for the new century.

**In fact, you're deeply involved in the creation of a school in São Paulo that celebrates freedom and flexibility. Has the school opened yet? Who will attend?**

The school is in place and has started enrolling two- to ten-year-olds. We want to change things at the starting point. At this school, our kids determine the rules and make decisions every week at a school meeting. We don't want to holler and point fingers at kids. They are perfectly able to settle disputes and regulations alone. We do sit in to facilitate, when they want.

We also split the teacher's role into two parts: tutor and master. The tutor has ten to 12 kids under his or her wing, but is responsible for transmitting wisdom, support, and guidance, not facts. The masters, who must be experts in something and passionate about it, transmit the accumulated knowledge of humankind. We have some 40 kids and 97 masters.

At the Lumlar Institute, which runs the school, we develop a mosaic technology to teach free children effectively, something that the educational world knows nothing about. Since our kids are obliged to be in school but not in class, it behooves us to interest them—and we do. Children are already staying 1.84 times longer at our school, out of free will, than at other schools in the system. We plan to take over a public school in February.

**Even once they're out of grade school and business school, people can benefit from lifelong learning. Are managers at Semco encouraged to continue with their educations, and if so, via what model?**

People at Semco, by setting their own timetables and workloads, are more apt to take time out for learning. But we also have sabbaticals, and a system whereby people can diminish and increase their workweeks by arrangement with their teams. We also have Retire-A-Little, where people can take a day, or half-day, off every week, to do what they would when they retire.

**What piece of advice would you like to give business students as they graduate from school and prepare to enter the working world?**

They should use the tools and skills that they mastered with care. Those are hammers and screwdrivers they've been given, and people are made of delicate skins. ☑