

Book Review

MAVERICK !

**Ricardo, Semler, Random House Ltd., UK,
1999 Edition, Reprint 2004, Page: 318, Rs.397/-**

Looking for an interesting case study of real, and I mean, intense, gritty and courageous business process reengineering? Look no further than Brazil and Ricardo Semler's thoroughly enjoyable, often hilarious, and always thought-provoking book on his company.

First published in Brazil in 1988 as *Turning the Tables*, this book was the all-time best-selling nonfiction book in Brazil's history. The book is authored by Ricardo Semler who owns Semco, a Brazilian manufacturing industry with a novel approach to management.

Ricardo Semler's career at Semco has been covered by the news media worldwide and the Harvard School of Business.

The book is about how did Semler turn Semco upside down and inside out, eliminate nine layers of management, and allow employees unprecedented democracy in the workplace?

From the beginning, the reader will get a sense that this will be a very different learning experience. Semler states in his forward: "This is not a business book. It is a book about work and how it can be changed for the better. It is based on the experiences of a company called Semco, which has managed to make some money and improve the lives of the people who work for it. Some say we went too far, we went too fast, we were too big, we were too small, we were too high-tech, we weren't high-tech enough. But a few people will see in the story of this admittedly peculiar company and its people in a new way of running an organization. A more humane, trusting, productive, exhilarating and, in every sense, rewarding way."

In this exciting business story, filled with practical, hands-on guidelines, Semler tells how he touched off a chain reaction that transformed a stagnating, old-fashioned company into one of the most dynamic and innovative companies in the world. This is a story of a company that challenged the old ways of doing business, blazed a path to success in an uncertain economy, and has lessons to teach working people everywhere.

After taking over the reins of leadership at the ripe age of 21, Semler took his first decisive act as his father, the founder, looked on in frustrated silence. Semler dismissed the entire executive level. His father had given him the company early, so Semler could make mistakes while his father could still fix them. But bound by his promise to be only a silent consultant, Semler's father had to let him try. Surprisingly, both Ricardo and his father succeeded in their personal objectives. His father was able to let Ricardo make the company his own while Ricardo was able to make the company a place where everyone participates. Ricardo wanted to be self-sufficient and defined his role as a catalyst: "I try to create an environment in which others make decisions. Success means not making them myself."

No receptionists. No dress code. Workers who set their own salaries. Mandatory vacation time. Would you run a company this way?

Lavanya Rastogi

Ricardo Semler ran a company this way. He turned his family's business, the aging Semco corporation of Brazil, into the most revolutionary business success story of its time — a model that defied recession, constant strikes, overwhelming inflation, and more.

Semler, the 34-year-old CEO, or “counselor”, describes how he turned his successful company into a “natural business” in which employees hire and evaluate their bosses, dress however they want, participate in major decisions, and share in 22 percent of the profits.

While this approach may strike the most democratic of business processing reengineers as unautocratic and a little dangerous, Ricardo Semler is a remarkable success. In a recent poll of Brazilian college graduates, 25% of men and 13% of women said Semco was the company, they most wanted to work. A recent newspaper ad generated 1400 applications, and Semco has gone from 56th to 4th in its industry.

Semler's business process reengineering methodology included simple things that are obvious, but incredibly difficult to make happen. Ricardo's philosophy is: follow your intuition. Now, although methodologists (including this writer) might want to groan, Semler applies a cohesive approach to his intuition-following. He starts by attacking time management, fundamental to business management. Four main causes for identifying excessive and incorrectly focused work as:

Cause 1: The belief that effort and result are directly proportional.

Cause 2: The gospel that work quantity is more important than the work quality.

Cause 3: Things are a little uncertain at the office right now. I'll just have to work a little longer until they straighten out.

Cause 4: Fear of delegation and its cousin, fear of replaceability.

Armed with the root causes of his workers and the company's problems, he systematically attacked things as they came at him. In the end, Ricardo combined a successful preemptive and reactive mode for changing the company.

After many years of painful growth and shrinkage, trying new approaches and shedding them for others, the end result was a company that is, beyond a shadow of a doubt, utterly unique. Semco's standard policy is no policy.

Twelve layers of bureaucracy went to three, while profit sharing became democratic. Profits shared are negotiated with workers, who then decide how to split the money. Employees work in clusters or teams, and can paint their area how they see fit. Some look like the bad dreams of an interior decorator suffering from food poisoning. Unions work with management and employees come in when they want to. A task force was set up to mediate schedule problems, but it hasn't met since workers cleared the schedules themselves. Corporate staff was reduced by more than 75%. Automation was okay - if you want it, you do it.

Before people are hired for or promoted to leadership positions, they are interviewed and approved by everyone who must work for them. Every six months, managers are reviewed by workers and results are posted for everyone to see. Profit and loss sheets are also posted. All workers are taught how to read the P&I statements.

The list of the unusual, innovative business process reengineering steps Ricardo Semler took, simply boggles the mind. The benefit of watching and understanding the evolution, he and his employees took was powerful. In the last chapter, he sums up his efforts:

“To survive in modern times, a company must have an organizational structure that accepts change as its basic premise, lets tribal customs thrive, and fosters a power that is derived from respect, not rules. In other words, the successful companies will be the ones that put quality of life first. Do this and the rest - quality of product, productivity of workers, profits for all – will follow”.

In this book Semler at length and with narrative taste describes the history of Semco, how the participative process works, and how it can be made to work elsewhere. Semler believes that Semco is different from most companies that have participatory management because employees are given the power to make decisions – even ones, with which the CEO wouldn't normally agree. The employees are treated like the responsible adults they are.

Semler also details his not-so-easy steps in the metamorphosis: abolishing dress codes and regulations; decentralizing plants; getting rid of paperwork and titles (hence, his appellation as counselor, not CEO); and creating a consultative democracy in which employees set their own salaries and work hours and vote on managerial candidates, among other responsibilities.

Several times in the book he very convincingly contrasts this with the distrustful authoritarian approach, and with the paternalistic “we're all one big happy family” way of treating staff like children.

He also goes on to honestly describe - What is amazing is how “accidental” he makes Semco's history sound: it wasn't some great burning mission he had before it all started, it just grew, and became “obviously right” only after the fact.

Semler rightly captures the spirits of the book when he claims, “This is not a business book. It is a book about work, and how it can be changed for the better”.

If it sounds too much like utopia, Semler admits that Brazil's economic downturn has impacted Semco and that, yes, being born with a silver spoon certainly colors his vision. Nonetheless, his is a philosophy that merits some serious thought by managers and workers alike.

Here are a few of the ways he revolutionized Semco – and made business history:

- Eliminated the traditional organization chart
- Let workers set their own hours and pay scale
- Encouraged workers to learn each other's jobs and to suggest changes in any department
- Shared all company financial information openly on billboards
- Limited all memos – including marketing reports – to one page in length
- Allowed workers to review their supervisors' performance
- Accepted strikes as normal, vowed to maintain all benefits, and to never fire anyone during or after a strike

The book is a refreshing get-away from the scores of other ‘management’ books that line store shelves. The first person narrative imparts a quaint and personal touch to it. The form is instructive, illuminating and yet not preachy

Fascinating and thought-provoking!

Lavanya Rastogi
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