

<p style="" class="MsoNormal">Kamran Rizvi, Navitus
March, 2013</p><p style="" class="MsoNormal"> </p><p class="MsoNormal" style=""><i style="mso-bidi-font-style: normal" mce_style="mso-bidi-font-style: normal">◆Even among the true believers, though, Mr. Semler is in a class by himself. His credentials as a thinker are impressive: He has gained a worldwide following as both a guest lecturer at Harvard Business School and MIT◆s Sloan School of Management, and an author with a long list of bestsellers to his name. But what makes Ricardo Semler all the more notable is the way he has put theory into practice. Many people have talked the talk of corporate democracy; his company walks the walk.◆</i></p><p> </p><p class="MsoNormal" style="text-align: right;" mce_style="text-align: right;" align="right"><i style="mso-bidi-font-style:normal" mce_style="mso-bidi-font-style:normal">Lawrence M Fisher<b style="mso-bidi-font-weight:normal" mce_style="mso-bidi-font-weight:normal">[1]</i></p><p> </p><div style="mso-element:para-border-div;border:none;border-bottom:solid windowtext 1.0pt;mso-border-bottom-alt:solid windowtext .75pt;padding:0in 0in 1.0pt 0in" mce_style="mso-element:para-border-div;border:none;border-bottom:solid windowtext 1.0pt;mso-border-bottom-alt:solid windowtext .75pt;padding:0in 0in 1.0pt 0in"> <p style="border: medium none; padding: 0in;" mce_style="border: medium none; padding: 0in;">Hundreds of corporate leaders from around the world have visited S◆ Paulo to find out what makes Semco SA[2], the Brazilian marine and food-processing machinery manufacturer, tick. Some of Pakistan◆s leading entrepreneurs should do the same, particularly those from established family-owned businesses that are

poised for significant growth in the coming years.

Ricardo Semler has become well-known internationally for creating the world's most unusual workplace. Semler's management philosophy of empowering employees and looking at corporate structures in new ways is a serious challenge to the traditional model of the corporate pyramid. Imagine a manufacturing company in a developing country, with over 3000 employees, without a formal structure. It has no organizational chart. There's no business plan or company strategy - no two-year or five-year plan, no goal or mission statement, no long-term budget. The company often does not have a fixed CEO. There are no vice presidents or chief officers for information technology or operations. There are no standards or practices. There's no human resources department. There are no career plans, no job descriptions or employee contracts. No one approves reports or expense accounts. Supervision or monitoring of workers is rare indeed. Most importantly, success is not measured only in profit and growth. This may appear impossible, even ridiculous at first. But we find a glaringly inspiring example in Semco SA.

Prof Charles Handy is regarded as one of the most important and influential business thinkers of our times. I found his thoughts in his book, The Age of Unreason (1989) refreshingly radical and inspiring and they continue to guide management thinking to this day. Since Handy is known for his unconventional ideas on management, it is not surprising to see his support of the upside-down ways of Ricardo Semler. Semler has successfully demonstrated that management innovations which leverage human capital can be made to work in organizations to achieve greater customer satisfaction, better profitability and more endurance, even in a country like Brazil.

While Brazil's economy is progressive and regionally important, the problems of widespread state bureaucracy, corruption, poverty and illiteracy (pre-literacy) are still major barriers to further its development, much like in Pakistan. For example, he poorest one-fifth of Brazil's 182 million people account for only a 2.4% share of the national income. Brazil is second only to South Africa in a world ranking of income inequality. According to 2003 data, about one-fifth of the population live on less than US\$2 a day and 8% live on less than US\$1 a day. Brazil's Northeast contains the single largest concentration of rural poverty in Latin America

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Despite the economic and social challenges in his country, Semler was able to turnaround his company into one that is admired the world over. Given below is some background information on Semco

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Semco, that manufactures over two thousand different products including industrial pumps, cooling towers etc., and also provides environmental and internet services, saw its revenues growing from \$32 million in 1990 to \$212 million in 2003. It achieved this growth rate in an economic environment characterized by staggering inflation, and chaotic national economic policy in Brazil.

Between 1982 and 1998, Semco's productivity increased nearly sevenfold and profits rose

fivefold. Semco was also one of the most sought after Brazilian companies as far as employment was concerned. Turnover among its 3,000 employees was about 1% during the period 1994 to 2004. Repeat customers accounted for around 80% of Semco's 2003 annual revenues. The culture at Semco was unique in the sense that there were no power-packed job titles; employees including top managers themselves did the photocopying, sent faxes, typed letters, and made and received phone calls. There were no executive dining rooms, and parking was strictly first-come, first-served. Organizational profits were shared with the employees and the salaries were set by the employees themselves. Behind this "maverick" organization was Semler. Wrote Semler, "If you ask me to describe it (Semco) in conventional business terms, I'd have to admit I have no idea what business Semco is in. For years, I have resisted defining Semco for a simple reason: Once you say what business you're in, you create boundaries for your employees, you restrict their thinking and give them a reason to ignore new opportunities." Semler's way of thinking resulted in an organization which had no conventional structure, no organizational chart; no fixed CEO, no VP's, CFO's, COO's or CIO's. There was no long term strategic business plans or dress codes for the employees. Some of the important organizational decisions like relocating a unit or acquiring a company were taken on the basis of employees' votes. It all started with Semler's father, Antonio Curt Semler, an Austrian-born engineer, who migrated to Argentina in 1937. A visit to Brazil in 1952 prompted him to think about the prospects a "vast, undeveloped country" like Brazil presented. During this time, he was working on a centrifuge technology capable of separating oil from vegetables. With an urge to start his own business, he selected the city of Sao Paulo to start his venture, Semco, a contraction of Semler & Co, in 1953. Soon after, he obtained a patent for his technology. Through the 1960s and 1970s, Semco was mainly a manufacturer of marine pumps. In the late 1960s, ninety percent of the sales of Semco were to the Brazilian shipbuilding industry. Semco was a hierarchical organization with twelve layers of management. According to a Fortune article, "Fear was the governing principle. In those days, guards patrolled the factory floor, timed people's trips to the bathroom, and frisked workers as they left the plant. Anyone unlucky enough to break a piece of equipment would replace it out of his own pocket. ♦ According to Semler it was a company "with a pyramidal structure and a rule for every contingency." Sounds familiar? All this changed, when, in 1980, at the age of 21, Semler took over as the CEO of Semco. Semler's views on running the company were completely different from those of his father. He felt that the company in its existing form was too rigid. He wanted to replace the old way of doing business and planning with a participatory style of management. But the old guard at Semco was not open to this, with the result that Semler fired two thirds of the top management. Commenting on this decision, he later said, "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 a more mature way of doing this, but I was 21 at the time." Semler has been profiled in more than 200 magazines and newspapers, including the Wall Street Journal, Financial Times and Fortune. He was also profiled in Time's special edition, Time 100, which is published every 20 years to highlight


leaders of the globe. He was also named one of the Global Leaders of Tomorrow by the World Economic Forum in Switzerland and is one of the world's most sought-after business key-note speakers.

 He has appeared on television and radio on four continents and has lectured to audiences around the world. He also consults with major companies, including some of the largest car companies, cable channels and telecom firms. CIO magazine, using an elite jury that included Tom Peters, Jim Champy and Michael Hammer, selected Semco as the only Latin American company among the most successfully re-engineered companies in the world. The BBC included Semco in its 'Re-engineering The Business', a series focusing on the world's five most successful management structures.

 Semler was named Brazil's 'Business Leader of the Year' in both 1992 and 1990, the same year America Economia (The Wall Street Journals Spanish language magazine) named him Latin American Businessman of the Year. A Harvard Business School alumnus, Semler speaks fluent English. He is vice president of the Federation of Industries of Brazil and a board member of the SOS Atlantic Forest, Brazil's foremost environmental defense organization.

<p style="border: medium none; padding: 0in;">Step out of your comfort zones, empower yourself and those around you, and take the bold steps needed for your businesses to excel. </p> </div><p> </p><div style="mso-element:footnote-list" mce_style="mso-element:footnote-list"><div style="mso-element:footnote" mce_style="mso-element:footnote" id="ftn1"><p class="MsoFootnoteText">a class="mceltemAnchor" style="mso-footnote-id:ftn1" mce_style="mso-footnote-id:ftn1" href="#_ftnref1" mce_href="#_ftnref1" name="_ftn1" title=""> <a mce_href="http://www.strategy-business.com/article/05408?gko=3291c" href="http://www.strategy-business.com/article/05408?gko=3291c">http://www.strategy-business.com/article/05408?gko=3291c</p> </div> <div style="mso-element:footnote" mce_style="mso-element:footnote" id="ftn2"> <p class="MsoFootnoteText">a class="mceltemAnchor" style="mso-footnote-id:ftn2" mce_style="mso-footnote-id:ftn2" href="#_ftnref2" mce_href="#_ftnref2" name="_ftn2" title="">Semco was created in the 1950s as a company manufacturing centrifuges for the vegetable oils industry. Over the years, the company has modernized by expanding its range and investing in other businesses, moving heavily into the services area always in association and partnership with world leaders.

mce_style="font-family: verdana,geneva;" style="font-family: verdana,geneva;"> </p><p></p><div style=""></div><p> </p><p style=""> </p><p style="text-align: center;" mce_style="text-align: center;">-----</p> <p> </p><p></p><div class="mceltemVisualAid" style="position: absolute; left: -10000px; top: 0px; width: 1px; height: 1px; overflow: hidden;" id="_mcePaste"> Normal 0 false false false EN-US X-NONE X-NONE
MicrosoftInternetExplorer4



src="http://www.navitus.biz/plugins/editors/tinymce/jscripts/tiny_mce/plugins/media/img/trans.gif" mce_src="plugins/editors/tinymce/jscripts/tiny_mce/plugins/media/img/trans.gif" height="100" width="100"> <i style="" mce_style="mso-bidi-font-style:normal">No matter how big your organization gets, continue to empower your people at every level to deliver. Only this way will size lead to advantage.</i><i style="" mce_style="mso-bidi-font-style:normal"></i> <p class="MsoNormal" style="" mce_style="mso-pagination:widow-orphan"></p> <p class="MsoNormal" style="" mce_style="mso-pagination:widow-orphan"></p> <p class="MsoNormal" style="" mce_style="mso-pagination:widow-orphan">With the passage of time, however, pressures on managers come mostly from

inside the firm. Building and staffing a bureaucracy that can cope with growth is the biggest challenge. External constituencies are neglected. The firm needs, hires, and promotes managers, not leaders, to cope with the growing bureaucracy. Top managers allow these people, not leaders, to become executives. Sometimes top management actively prevents leaders from becoming senior executives. Managers begin to believe that they are the best and that idiosyncratic traditions are superior. They tend to become increasingly arrogant and aloof. The problem is compounded when top management does nothing to stop this trend and often ends up exacerbating it.

A strong, insular and conceited culture develops. Managers fail to acknowledge the value of customers and other key stakeholders. They behave in an inward-looking, sometimes political fashion and fail to acknowledge the value of leadership and the talent available at all levels that can provide it. They tend to stifle initiative and innovation. They behave in centralized and authoritative ways.

Consequently, as organizations grow, whether in terms of sales, number of employees, range of products and services, market share, or whatever, they start to lose the advantage they once had. According to John Naisbitt in the book *Rethinking the Future* it is the small companies who are creating the global economy, not the Fortune 500. And these days a small company can be as small as one person. In his book, *Megatrends 2000* he gave the example of his neighbors Linde and Lito who have a publishing company called Western Eye Press. He continues, "It's just two people and they publish wonderful photographic and guide books. They create them on Macintosh computers in their basement in Telluride. They print out the camera-ready pages on their own high resolution laser printer. Then they FedExed these pages to Seoul, South Korea, and the printer there manufactures their books and ships them to distributors all over the world. Western Eye Press is a key player in the global economy and its just two people on this little mountain perch in Colorado."

Large corporations and global conglomerates, if not careful, end up becoming highly bureaucratic, over-managed, rule-driven and inflexible by virtue of their size. In this day and age of cyberspace and nanotechnology, fetish with size of a business can become an impediment. This is particularly true for organizations that have grown significantly in scale in terms of revenues and market share. Organizations like Citibank have lost touch with their core constituents. It may be a major player with a strong brand image, but customers interacting with its frontline employees are often disappointed by their state of helplessness in resolving routine problems. This could be on account of slavish adherence to archaic procedures. Often, individual contributors in big companies don't take the initiative needed to listen and understand customer requirements with the intent to ultimately delighting them. There is a lot to be said for systems and processes, but if they are not customer oriented and responsive, the game is as good as lost.

Quality can now be replicated anywhere in the world. China is leading the way in this respect. With the falling of trade barriers and dropping of quotas, the Chinese have taken their global market share in textiles from 16% to over 50% in less than a decade. In recent years, the Pakistan market has been flooded with Chinese products (mostly electronic, light engineering) that are low priced and in much demand.

We no longer live in a world of big mainframes. We live in a world where the real power is large networks ♦ a lot of individuals connected together ♦ Facebook & Twitter are pointing the way. A network does not have any headquarters. Chinese excel in this field and have spread their global business through this means. Naisbitt cites Asea Brown Boveri (ABB) as a great example of a huge company that thrives and grows through networking. He quotes Percy Barnevik (Former CEO at ABB) as having said, ♦ We grow all the time, but we also shrink all the time. ♦ As the network gets larger, the nodes get smaller.

So, no matter how big your company gets, continue to excel by empowering your people at every level to deliver. Building agility and responsiveness is the key.