

Semco is a Brazilian company that in 2007 employed about 2500 people in three countries, working in manufacturing, professional services and software. The main offices are in São Paulo, where Antonio Semler founded the company in 1953 to make industrial equipment such as pumps and centrifuges. He ran it in a traditional way, but in 1982 his son Ricardo Semler took over as chief executive. The company has survived a turbulent Brazilian economy, and the annual revenue of what is in effect a federation of about ten companies exceeds \$200 million.

Ricardo Semler has unusual ideas about business and has gradually dismantled the management structure he inherited, moving Semco towards a very flexible form with profit sharing, employee participation and a free flow of information. Under the profit-sharing plan employees (known as associates) receive one-quarter of the profits of their respective division. The scheme is run by an elected committee, which reflects Semler's trust in his employees' abilities to make decisions.

Employees are free to agree their working hours with their co-workers – coming in and leaving work at times to suit their domestic or other commitments. Many were sceptical of this innovation – but Semler argues that provided people are committed to their job and the company, they will (and do) manage their time responsibly –

they're the best judges of the amount of time and the proper place necessary to get the work done . . . do we really believe that responsible adults . . . would simply not show up after promising to do so? That a journalist who understands the urgency of deadlines would go to the movies while the presses are standing still, waiting for his submission? (Semler, 2003, pp. 27–28)

The Brazilian economy was in poor shape during the early 1990s, with many companies going bankrupt. Semco survived, though only by cutting costs sharply. The workers themselves proposed the solutions, such as having people do several jobs rather than one. This developed a workforce that was cross-trained in several skills, and with a deep knowledge of the business. Most work is now done by units that perform all the necessary support functions such as marketing and finance themselves. For many years the company has organised work in self-managed teams, whereby



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groups of six to eight manufacturing employees take responsibility for all aspects of a production task. They set their targets and production goals, and decide what they should be paid. The teams vote on hiring and firing members and managers.

The management structure is like three concentric circles. The inner core has six counsellors who determine general policy and strategy, each acting as CEO for six months. Two seats at meetings are reserved for employees – the first there take the seats. The second circle consists of partners – the leaders of each division. All remaining associates make up the outer circle. Team leaders are within this outer circle – such as engineers, marketers and production supervisors. Associates are encouraged to openly oppose and reject proposals by upper management.

Sources: Based on material from Thunderbird, The American School of International Management, Case A15-98-0024, *Ricardo Semler and Semco S.A.*; Semler (2003); and other published material.

Case questions 14.1

- What examples are there of senior managers influencing associates?
- What examples are there of associates influencing senior managers?
- What assumptions about people lie behind Semler's management style?

What do charismatic leaders do to gain support?

25 items in six groups:

- 1 vision and articulation e.g. 'consistently generates new ideas';
- 2 environmental sensitivity e.g. 'recognises barriers that may hinder progress';
- 3 unconventional behaviour e.g. 'uses non-traditional methods';
- 4 personal risk e.g. 'takes high personal risk for the sake of the organisation';
- 5 sensitivity to member needs e.g. 'shows sensitivity to needs and feelings of others';
- 6 not maintaining the status quo e.g. 'advocates unusual actions to achieve goals'.

key ideas