

Ricardo Semler:

A Revolutionary Model of Leadership

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The Present: 2014

Ricardo Semler lets out a sigh of frustration. Leaning over his favourite Les Paul guitar in the basement of his house in the mountains near São Paulo, surrounded by a pile of musical equipment that would be the envy of any rock star – drum sets and keyboards and sound mixers, Fenders and Gibsons lined up like soldiers at attention in racks around the room. He frowns as he works through the Led Zeppelin song for the tenth or twentieth or hundredth time. How does Jimmy Page make the music sound so effortless, so powerful, so true? he wonders. But then he smiles to himself, because the kind of skill and passion that he hears in the rock legend's guitar work is exactly what Ricardo Semler has been getting from the thousands of colleagues and employees he has worked with over the years. And despite the naysayers who have always scoffed at his trying to run a business like a rock band, he has ended up succeeding more often than not.

Ricardo smiles because he's come so far and yet has ended up exactly where he started: in his basement playing his guitar. Today it is 2014, and his home country of Brazil is busy preparing for its long-awaited time on the world stage: the World Cup in a few months and the (summer) Olympics in 2016. The Brazilian economy, cooling a bit after years of torrid growth, is still the envy of much of the rest of the world. In Brazil, things are happening. The world is arriving soon.

And even though Ricardo Semler is tucked away in his own little world, trying to unlock the mysteries of an enigmatic guitar genius, you could say that he, too, is working, working in much the same way he has been for decades at the head of some of the world's most innovative and profitable organizations: a multinational company called Semco that he reluctantly took over from his father, a hugely profitable NGO, a Brazilian business association, a luxury eco-resort, and a set of successful charter schools.

The one thing common to all these organizations is that they are run using Ricardo's overarching leadership philosophy, a philosophy that has ignited controversy and acclaim in roughly equal measure – but one that has proven successful by any standard, whenever and wherever he has tried it. The philosophy could be summed up as follows: that leadership is often most effective when the boss is hunched over his guitar on a Wednesday afternoon; or feeding the ducks with his kids during the visit of an important client; or hiking in the mountains in Africa during a shareholders' meeting, or off somewhere else that is nowhere near the office, nowhere near his employees, not doing any special thinking about contracts or investments or strategic planning or the future of global business. In a word – gone.

The Past: The Origins of Semco

Antonio Curt Semler left Austria just before World War II to make a new life in South America. He took advantage of Brazil's first 'economic miracle' in the 1950s and 60s to build his company, a major supplier of marine pumps for the shipping industry. But he wanted to do more. He wanted to build a family business, a lasting legacy.

His young son Ricardo was not, however, a natural successor. He did not do well in school and preferred strumming his guitar to poring over his books (though he did manage to wind

up as class president and captain of the track team.) But he started to show some entrepreneurial flair in high school, where he took on the responsibility of running the school's snack shop. By altering the existing price structure, extending operating hours, and re-negotiating supplier contracts, he increased profits and invested them in the stock market, eventually earning enough to fly his entire class to a resort for the weekend.

A few years on, at São Paulo's prestigious law school (and centre of a political movement against the military dictatorship), Ricardo's grades were still mediocre. However, once he realized his guitar skills were similarly undistinguished, he decided to give the family business a shot.

Things did not start well. The father did not like the son's habits of sleeping late, putting his feet on the desk or working from home. And the son did not like the father's overly rigid schedule, excessive punctuality and tendency to barge in on his client meetings. To make matters worse, by 1980 the Brazilian miracle had gone into reverse and the shipbuilding industry that Semco supplied with its marine pumps was particularly hard hit. Twenty-year-old Ricardo was convinced diversification was the only solution; 68-year-old Antonio was adamant that Semco's specialist focus was its best asset.

Eventually, Antonio realized that father and son could no longer co-exist in the same company and made a leap of faith. He simply handed over the entire operation to his son and walked away: "Better make your mistakes while I'm still alive," he said somewhat ominously to his son.

Ricardo wasted no time in setting out to transform Semco. One Friday afternoon in 1980, he cleaned house, firing 60% of his father's top executives. He hired his own people and began modernizing the company, making it more efficient and productive. Ricardo recalled:

(We) installed dozens of new procedures and invented new forms almost daily. (...) persuaded salespeople to fill out customer-visit reports and keep statistics on orders closed versus quotes offered. Files were rigorously organized all over the company. (...) Everyone was issued a plastic ID card and compelled to wear it. Production schedules were displayed on boards in our new planning and control department. Members of our new time and methods department were dispatched around the plant, searching for ways to speed our workers up.

By 1982, Ricardo and the other new blood had turned the company around. They were manufacturing a wider range of products and secured some major contracts and new acquisitions. They had nearly doubled the workforce and tripled the number of plants, where they set about applying the new systems and financial controls.

However, there was a great deal of tension just below the surface about to make itself felt. "I knew our new tough-minded, statistical approach, along with our acquisitions and all the new employees, had created a lot of stress," he admits. "Semco appeared highly organized and disciplined, but we still could not get our people to perform as well as we wanted." People were working long hours and families were complaining. Deliveries were always late.

Most of our managers were proponents of classic authoritarian solutions such as rigid controls and long, gruelling hours. But a few of us were starting to doubt the

effectiveness of this approach. I was particularly distressed by the malaise that was all too apparent in our factories. Workers just didn't seem to care.

Then, at the annual corporate retreat, things came to a head. During a lunch break, someone snuck into the conference room and drew a cartoonish Grim Reaper on one of the flip charts, holding a scythe and surrounded by bleeding stick figures. The message was clear: Ricardo's autocratic leadership style was wreaking havoc on his employees and the company. Ricardo hastily convened a group session which cleared the air but also revealed two very different philosophical camps had formed: those who felt the controlling culture was necessary to get people to do their work; and those who found Semco's environment suffocating.

The final straw was Ricardo's realization that Semco's malaise was also having an effect on him physically. During a visit to a pump factory in the U.S., he collapsed on the factory floor. He went to the Mayo Clinic where doctors put him through a battery of tests, all of which came back negative. The final diagnosis? "The most advanced case of stress I have ever seen in a person of 25." As one doctor put it, "Either you continue your current life, in which case you will be back with us, or else you change." Ricardo asked for advice. "That's not for me to say," the doctor answered. "All I will say is that everything about your life has to change."

Botanique Hotel, 2014:

The man lies on a massage table, face down, a towel around his waist, eyes closed, the sun streaming in the floor-to-ceiling windows, warming his tired body. As the masseuse works over his shoulders and back muscles, he feels the tension built up from years of 12-hour days at the office begin to drain out of him. He hasn't allowed himself time away from work in a long time. In fact, he wouldn't even be here had his doctor not insisted he take a vacation and start looking after his health. And so he's here, miles away from the office and the noise and the stress and all the decisions that he needs to be making. Right now.

Out in the hotel lobby, Ricardo stands with his wife Fernanda, smiling and greeting guests, talking to employees, looking around with a critical but satisfied eye. Botanique Hotel, a new luxury eco-resort two hours outside Sao Paulo, and Fernanda's and Ricardo's brainchild, opened just a few months prior. Although on the surface it looks just like a classic luxury resort, closer inspection reveals that this is a different sort of operation altogether.

Ricardo explains:

The hotel has no departments and no fixed positions... All employees are skilled waiters, many are barmen, all know how to operate the high-end cappuccino machine, all make beds fast, some play tennis, others play the piano and many are hikers, wildlife monitors or capoeira (Brazilian martial art of sorts) masters. Guests' smartphones receive an app and they can touch one icon to talk to their "Anchor" who solves everything.

Staff have a low fixed salary, but receive some 50% added remuneration at 30% occupancy. No tips are allowed, and this permits the hotel to function at 18.5% breakeven, a level that no hotel has seen (average breakeven in hotels is 39% occupancy). Everyone's fortunes vary together, with 200% more profit

distribution after breakeven than the average hotel. At three, five, and seven years in the job, there are important cash-outs in a phantom-stock plan so that long-term fidelity can bring turnover from the average of 28% in this industry to a target of 7%.

According to Fernanda, the hotel provides a “post-luxury” experience that includes the best that Brazil has to offer. But Botanique is not only the most expensive hotel in Brazil, but also the first hotel based on a highly democratic philosophy where employees make all the hiring decisions themselves. For those who helped building the hotel, a position was created to match their talent as long as they were willing to be flexible as well. For example, Leandro, a capoeira teacher in his free time, helped cleaning during the construction of the hotel and now organizes capoeira classes for guests. But just like the drivers, waiters, and the hotel pianist, he also needs to clean the rooms. Botanique seeks to maximize the flexibility and freedom of its employees, giving them a level of control that encourages them to take initiative and craft their jobs in a way that best leverages their own individual abilities and interests.

Decision-making at Botanique is fully democratic and requires the input of all staff members who, in turn, need to be fully informed about occupancy rates, expenses and ongoing activities at all times. For example, everyone is involved in interviewing potential colleagues and bosses and new people cannot join without the input of all staff members first. Ricardo and Fernanda say that it is precisely because of these policies that Botanique has been a success story so far, having won numerous industry awards in its short time in operation. As Ricardo notes:

Starting from scratch made this implementation easier. But we still had to undo preconceptions from people in the sector. In the hotel it was easier, because 60% of the staff came from outside the hotel business. But it also made it possible for Fernanda and me to change everything we hate about hotels: Botanique has no check-in or check-out times, does not charge for the mini-bar, laundry services, high-speed internet or even reasonable phone calls, and has a no tipping policy.

However, Ricardo didn’t have the luxury of starting from scratch when he wanted to transform the culture and management practices at Semco. But he knew things had to change. His employees were stressed and unhappy, and his own health problems were a testament to the deleterious effects of such management practices on both followers and leaders.

So Ricardo did something different. He decided to take his own leap of faith.

Semco’s Radical Makeover: 1984

Moving an organization or business ahead means giving up control, and allowing employees to manage themselves. It means trusting workers implicitly, sharing power and information, encouraging dissent, and celebrating true democracy. Few things are harder for managers, executives, shareholders, and owners to embrace.

Ricardo first set about changing himself. He started leaving the office at 19:00 and stopped working weekends. Finding few concrete answers in management books, he started to read fiction and philosophy instead. He stopped wearing a watch and started spending time on

activities outside of work. Ricardo explains the reason for the myriad changes to come at Semco itself:

I had no grand plan. Just a sense that there was a lifelessness, a lack of enthusiasm, a malaise at Semco, and that I had to change it. People weren't gratified by their jobs and often seemed oppressed by them. The traditional attitude about workers was that you couldn't trust them. You needed systems to control them. I wanted to know if it was possible to liberate people and free them from the elements of life that make it a drag by creating an entirely new kind of organization.

To help him manage the changes he wanted at Semco, Ricardo teamed up with a new human resources director, Clovis Bojikian, a former schoolteacher, whose idealism and progressive methods had gotten him into trouble with Brazil's former military government. Ricardo and Clovis began slowly at first; but in the end, little was left untouched.

The beginning-and-end-of-shift surveillance of workers was the first to go. Ricardo was worried about the message of distrust these checks sent to employees. So he replaced the guards with a sign that simply read: "Please make sure as you leave that you are not inadvertently taking anything with you that does not belong to you."

The dress code was next. Semco employees were told they could start coming to work dressed however they liked. Suits and ties gradually gave way to jeans and t-shirts and shorts for those who liked to dress more casually, though some (like Clovis) continued to show up in a suit and tie every day. (Interestingly enough, the smart clothes spontaneously returned whenever important clients came to visit.)

The car park was one of the most visible changes. Ricardo abolished the reserved spaces and then divided up the parking lot by department – in proportion to its size. Things like expense reports were then eliminated – employees would monitor their own spending when away from the office. And a non-territorial, open office plan was created with plants and flowers separating communal desk spaces that were used on a first-come-first-served basis.

The changes were not accepted overnight and many pushed back. The workers union itself objected to the abolition of home-time security checks, especially when two drilling machines disappeared from a plant one day. "Our people want the searches. They want everyone to know that they're not the ones taking the tools," said one shop steward. But Ricardo and Clovis refused. "I would rather have a few thefts once in a while than condemn everyone to a system based on mistrust," Ricardo explained. Similar objections were heard about the elimination of expense reports, which Ricardo had decided were "insulting". "If we're afraid to let people decide in which sections of the plane to sit, or how many stars their hotel should have, we shouldn't be sending them abroad to do business in our name, should we?"

Business magazines were amazed. They ran articles headed, "These Guys Run their Boss's Plant!" But Ricardo carried on. Did the thefts or time-card cheating decrease? "I don't know and I don't care," he says. "It's not worth it to me to have a company at which you don't trust the people with whom you work."

The biggest critics were the middle managers. “You have to let us control our people,” said one. “They’re beginning to think they don’t have to obey us because they can come and go as they like and they know we won’t fire them,” said one. “All this touchy-feely stuff is bullshit,” said another. Initially, Ricardo and Clovis tried to appease the middle managers by re-writing the new rules into the company manual. Then they decided the easiest thing was to toss out the manual altogether. Joao Vendramim, a Semco director, explained: “We want people to be bosses due to their knowledge and leadership qualities, not due to their titles.”

The Company That Runs Itself

Working at Semco means self-managing as much as possible. It isn’t nearly as frightening as it sounds. In the end, it’s self-interest at work. It requires conceding that managers don’t – and can’t – know the best way to do everything. People who are motivated by self-interest will find solutions that no one else can envision. They see the world in their own unique way – a way that others often overlook.

Ricardo moved on from dress codes and expense accounts to bigger matters. When a new factory was needed, a search committee of workers was created to research and make the decisions themselves. Workers were subsequently given control over how the plant itself was set up and run. Perhaps most interesting was the employee-suggested system of “manufacturing cells”: small clusters of workers, each responsible for creating batches of the entire product. Although each team would be entirely responsible for product quality, they would also have the satisfaction of learning how to operate all the machines involved and of completing a task from start to finish. As the accountability of the teams increased, so the need for quality control decreased – and whole departments were abolished.

One of the departments that went on the chopping block was the Human Resources department, which was reduced from 90 people to two. In its place, a new worker-led hiring system sprang up. Workers started to recruit new members for their own teams – and fire those who did not measure up. And a new job rotation plan meant that employees were encouraged and even expected to change departments regularly.

Flexible working hours were introduced on the manufacturing shop floor so that employees could work the hours that were most convenient for them. Again, the naysayers pushed back, warned of chaos, and the policy was initially put into place on an experimental basis only, with a committee planning to meet daily to monitor and discuss problems. But the committee never met. The teams simply got together during the evenings to ensure that the next day they all arrived and left at times that allowed everyone to get their work done.

Around that time, Clovis received a call from a worker’s wife who asked him what on earth he’d done to her tough, autocratic husband. For the first time in his life, she explained, he was listening to his children and taking their feelings into account before making decisions. Ricardo concludes, “The man was simply reproducing at home what he experienced at work. He knew it was a better system.”

I’m often asked: How do you control a system like this? I don’t. I let the system control itself.

In 1987 profits reached 20% to 30% of revenues – and Ricardo decided to give everyone a share. Only half a dozen or so Brazilian companies had ever experimented with profit-sharing, but Semco went one step further and asked the workers themselves to design and control the new system. In the end, every Semco unit decided to share profits equally across every worker in the company, with managers getting the same bonuses as lower level staff.

Semco then implemented a system whereby subordinates played a key role in directly evaluating their bosses. Every employee completed the form twice a year with anonymity guaranteed. However, the manager's overall score (average 80-85; 70 minimum to remain in good standing) was posted for the entire company to see, putting those with low scores (less than 70) "under intense pressure to change", as Ricardo put it. The system not only helped managers improve their skill and increased communication; it helped insure bad managers could not hide for long. One manager who had previously had several promotions and was leading a large department received a score of 40 on his initial evaluation. After some investigating, it was clear that the evaluation was accurate; his team was succeeding in spite of him, rather than because of him. But although he was a terrible manager, he was a great salesperson, and he ended up thriving when moved into a position as a one-person sales staff.

With so many other radical changes in place, Ricardo couldn't help but let employees start setting their own salaries. Employees were asked to consider their length of service, level of decision making, and time spent with customers as they decided on a figure to request for themselves. And because Semco was becoming more transparent about the financials of the company and the different departments, workers were better able to understand what would be considered a reasonable pay package, and what was not. Could people be trusted to set even their own salaries? "Except for half a dozen people, everyone set salaries that were in line with our expectations," said Ricardo. "Only one set an outlandishly high sum – about 30% more than he had been making, in the hope of immediate promotion to Partner. When challenged, he revealed that he'd been offered a sales director post elsewhere and left to take it up." The scheme was deemed a success and extended broadly throughout the company. Ricardo explained why his faith was rewarded:

"Anyone who requests too large a salary or too big a raise runs the risk of being rejected by their colleagues. So self-interest almost always prevents them from asking for bigger pay checks."

By 1989, Semco had one of the highest growth rates in the country. It won a national award for labour relations. Sales had risen from around \$4 million, when Ricardo took over, to \$35 million. Where once it was a company with only one factory and 100 employees, it now had six factories and 830 employees. It was the first or second place company in all of its markets. Auro Alves summed up the result of the changes: "People are happier. And when they're happier, they produce more." It was certainly beginning to look like a happy ending.

The Final Transformation: The 1990s

In 1990, Brazil's economy crashed. Industrial output fell by 9% and GDP was back to what it had been in the 1970s. By 1992 there were nearly 1.5 million unemployed in São Paulo alone. Between 1989 and 1991, Semco's sales fell by 40%. Cost-cutting measures had to follow and layoffs seemed inevitable.

In response, some radical ideas were tried. In the Santa Amaro plant, where big industrial dishwashers were manufactured (and orders had dropped from 40 a month to just five), Ricardo agreed to a temporary experiment in “co-management” with the workers, who all took a 30% pay cut and gave up most of their benefits. The twist was that they also took over all the services that had been provided by external contractors and third parties – from cleaning toilets to running the cafeteria. And all business decisions were agreed jointly with the management. The managers, for their part, agreed to an even greater pay cut. Ricardo explained:

After just one month, we could hardly believe the results. The workers had saved so much that (...) profit-sharing (...) helped compensate for the reduced salaries. The second month was even better. By the end of third month, salaries had been restored to their old levels.

In an economic crisis that saw an average of 800 Brazilian companies going broke every month, Semco survived and managed to break even in the very worst years – but it was almost unrecognizable as the company founded by Antonio Semler. Productivity had soared to six and a half times the level of 1980 by 1994 and was four times the national average. Sales had recovered to around \$20 million. Semco had become an industry stalwart and magnet for companies around the world as a model for how a modern-day organization could be run, in good times and in bad.

But Ricardo wasn’t done. After some much-deserved time off, he set about pushing the boundaries of his leadership philosophy to the limits. He wanted to see if the Semco philosophy could work anywhere, with anyone, in any situation.

Lumiar School, 2014

The child runs the two kilometres from the tiny house that she shares with a half dozen family members all the way to her fourth grade classroom. She is early today, but excited. It is the first day that all her classes are centred around the World Cup. And soccer is her favourite sport, the sport that all the kids in Brazil play, the sport that will bring the whole world to Brazil this year. She knows that today, like most days, she will savour each hour she gets to spend learning about the amazing world she lives in.

Ricardo was perhaps not the first person to realize that the model of traditional education was strikingly similar to that of traditional management: teachers tell students what to learn, and students absorb and regurgitate what the teachers tell them. A cynic might say it is the best way to prepare students to function in a typical corporate environment. So Ricardo took another leap of faith to find out if the same things that were working at Semco could also be applied to education. With some help from the Gates Foundation and the Harvard Graduate School of Education, he set up three schools in Brazil, the Lumiar schools, where the underlying pedagogical philosophy was to make students rather than teachers the centre of the learning experience. Ricardo explained:

Children choose their own subjects so that they are more motivated to acquire relevant language, math, and social skills. But the focus on the individual also

takes place in the context of joint development. They vote collectively on their group activities and the majority decides.

In this system, the teacher is replaced by a “Tutor” and multiple “Masters.” The Tutor is responsible for mapping out the future of each child’s learning, with episodic consultation of parents. The Master is someone who must possess two qualities: expertise in some subject and passion. The expertise of these Masters can be math, even though the Master is trained as a violinist, for example.

The subjects are grouped under current interests of the students. At the time of a World Cup, a semester might be divided into Field, Wives, Cramps, and Flags, for example. Field would include students re-designing the soccer field, trying out squares as a field, or circles as a goalie’s area – and then testing in practice to see if the rectangle is the best solution. Wives would cover why 40% of the Dutch or French team might be composed of black players, and whether their wives would have a right to universal, free, medical assistance in Amsterdam and then, why Holland has a 2.7% rate of caesarean sections, compared to Brazil’s 26.5%. Cramps would try to explain what happens in a body that makes even full-time professional athletes writhe in pain on the field, and what other biological functions are in place in exercise. Flags could make for an easy study of what diversity means, and why wars, blood and toil are the legacies of human history.

Although Ricardo is proud of the Lumiar schools which Fernanda has been running for seven years, he often wonders what fates await these students when they enter the workforce years from now. Sometimes he worries that he may be setting them up for disappointment and unrealistic expectations about what they will encounter in the real world. But more often he hopes that these students will be the ones who end up changing the world for the better, who refuse to take traditional management models at face value and insist on finding a better way to making work both more productive and more rewarding.

The New Semco Model in Place

Ricardo is the first to admit that his success at Semco was somewhat serendipitous:

I would have loved to have seen the big picture or a framework to start off with. Instead, it was a haphazard format of learning as we went along. As a result, the process was highly experimental and chockfull of highs and lows. The one constant was believing that people were much more resourceful and constructive than the photograph that classic management had taken.

A big part of the philosophy is finding the right fit between job and person. Ricardo explains why Semco wants people to move around a lot within the company: “We rarely fire anyone. This is not from altruistic motives. It’s purely selfish. Unless we click with a worker, unless he latches on to something he is passionate about, our productivity won’t be high.”

The voluntary job rotation plan has been hugely popular over the years at Semco, with 20-25% of managers shifting departments in a given year. Ricardo gushed about the benefits:

It obliges people to learn new skills, which makes life interesting for them and makes them more valuable. It discourages 'empire building' (...) It gives people a much broader view of a company (...) It encourages the spread of diverse personalities, outlooks, backgrounds and techniques, injecting new blood and fresh vision throughout the company.

Employees still hire and evaluate their bosses; something that is still extremely rare in other companies.

This review builds on one of Semco's great strengths: our transparency. People can always say what's on their minds, even to their bosses—even when it's about their bosses. It is instilled in our corporate culture that everyone should be willing to listen and admit when they're wrong.

The non-territorial, open office plan is also still in existence, and is a model that is being more widely employed in many other companies in the 21st century.

Nothing ever came of the dire predictions that it would be impossible to work without confidentiality. I've conducted two very difficult negotiations while sitting two feet from employees that I'd never met. I've met with bank directors at the coffee tables by the espresso machine.

Meetings are another area where the Semco culture can still shock the unprepared. Anyone, including lower level workers, is welcome to attend almost any meeting, read any reports and memos. Everyone is allowed to attend the budget meetings where targets and quotas are decided. Two spots are reserved for anyone to sign up and attend board meetings but nobody is obligated to attend meetings either, and people come and go as they like. Because most employees are allowed to participate if and when they are interested, the decision-making process can seem fairly cumbersome at Semco.

To be sure, organizations like Semco that welcome – or better, invite – dissent are more complex to manage. Without direct instructions, managers and employees end up engaging in a lot of back and forth. Traditional managers will argue that this slows the company down, and is therefore a competitive no-no. What they don't consider is that decisions arising from debate are implemented much more quickly because explanations, alternatives, objections and uncertainties have already been aired. Because of democracy, employees have had their say, and projects or ideas have been analysed from every point of view.

Ricardo tells the story of a time when he was convinced that one of Semco's manufacturing plants needed to be closed. However, most of the rest of the company, including this senior leadership team, disagreed. Although Ricardo called several meetings to discuss the plan, few people showed up and he eventually dropped the idea. A year later, the same group of executives reconvened, eventually agreeing to close the factory and putting in place a similar plan to that Ricardo had initially proposed.

You will say that the company would have been better off if I had insisted on my way and saved Semco 12 months of expenses by closing the plants. But the plan was refined greatly in everyone's mind during that one year, and the end solution

was better than mine. Also, by now a lot of people were confident of the direction that we needed to take, so they were infinitely more convincing when dealing with the employees, clients and unions.

Ricardo remains an optimist, but also a realist. He acknowledges that the culture at Semco, however well it has helped the company thrive, is still not for everyone.

Sure, a minority doesn't adapt to Semco because they need more direction, because they feel better when everyone arrives at the same time and abides by the same rules. There are also a lot of people who are not impressed or in any way moved by the Semco system because for them, a job is just a job. Participation imposes a weight they'd rather not carry... Although many people have left Semco over the years because they couldn't condone the 'excessive' freedom and lack of control, it's telling that most of them were managers.

Ricardo is sometimes asked about exporting this leadership style to other companies, other countries and other cultures. Sceptics say his success could only happen in certain innovative industries or in certain countries like free-wheeling Brazil or individualistic America, where employees are likely to be educated and socialized to adapt well to and thrive with such freedom. Ricardo understands the scepticism, but believes that he taps into something deeper and more fundamental that has the ability to transcend industries and cultural boundaries:

Our story is about how people work together – nothing more. Humankind is no different anywhere on the globe, and cultural strictures are temporary, even if a thousand years old. In the case of work, a few years are usually enough for the benefits of freedom of experience, drive and reward to overcome collective legacies. I haven't run across any cultures that are inherently prohibitive.

I will say, however, that I was amused when, after a talk to Arab leaders, I spoke backstage to an Emir who said that he loved what he had heard. I asked whether he planned to make use of any of it, and he quickly replied, "Absolutely not."

The Present: 2014

"I am at my best when I am doing the least."

Ricardo Semler is no longer the CEO of Semco, and hasn't been since stepping down in 1999. But then, consistent with its democratic structure, the company often doesn't have a fixed CEO. Tellingly, Semco seems to be doing fine. In fact, Ricardo admits that if anything, the company is doing better than when he was in charge:

Semco has grown on average 27% a year for almost 30 years, and the pace has not changed in the last decade. It proves that macro-economic scenarios are not very relevant in companies that are nimble. Semco has changed significantly in terms of business and gross revenues per industry, but the overall rate of growth and profits has been relatively unaffected through boom and bust. The 30 years encompass waves of hyperinflation and GNP deficits, but also these booming years of double digit growth in some of our industries. In our business, with

strong unions and huge, tidal, shifts in economy, Semco has had some 2% turnover over 20 years, and no lay-offs or strikes in the same two decades.

He is still the main shareholder but only loosely involved (a few days a month and a few emails a week). He has written two best-selling books and for some time was something of an evangelist for workplace democracy – giving speeches all over the world and being the subject of several documentaries and TV programmes. These days, however, he is moving away from the limelight a bit, at least partly the result of a recent serious car accident, which he admits he is lucky to have survived.

He is taking more time off, and focusing his energy on his life with Fernanda and their five children, while also looking for other interesting challenges: not only schools and hotels, but also investment funds, and possibly someday an entire village run on democratic principles.

Since stepping down from Semco I have been applying the Semco concepts to other worlds. I've done this with a business association (Federation of Industries of São Paulo), an NGO (SOS Mata Atlantica, Brazil's foremost environmental organisation), schools (including one owned by the state) and our new hotel, which has multiple shareholders. Other organizations have grown from within Semco, such as the Tarpon fund, now a public company with thousands of shareholders, such as hedge funds, foundations and university endowments. It manages US\$4 billion, is worth US\$700 million in market capitalization and still runs according to the Semco philosophy.

But he is still a firm believer not only in what he has accomplished, but how he has accomplished it, the power of his underlying philosophy:

I believe in workplace democracy more than ever. The principles I've used in education and hotels could only be identical to those used at Semco, because they relate to the manner in which people interact to make an organization move forward – money and profit are just two of many ancillary factors.

Irrespective of this leadership philosophy, it is hard to argue with the results. Semco currently employs thousands of people across three countries in manufacturing, professional services and high-tech software. It is now a loose federation of around 10 different companies, including the original industrial machine unit, where it all began with Ricardo Semler's late father Antonio, a young engineer from Austria who emigrated to South America, dreaming of building a business of his own and leaving a legacy for his son. The son who, incidentally, can still be found hunched over a Les Paul in the basement, still trying to conjure a certain perfect sound, succeeding on certain attempts and failing on others. But always with the faith that by doing things his way, the results will eventually follow.