

How to run a company with (almost) no rules by Ricardo Semler

What if your job didn't control your life? Brazilian CEO Ricardo Semler practices a radical form of corporate democracy, rethinking everything from board meetings to how workers report their vacation days (they don't have to). It's a vision that rewards the wisdom of workers, promotes work-life balance — and leads to some deep insight on what work, and life, is really all about. Bonus question: What if schools were like this too?

On Mondays and Thursdays, I learn how to die. I call them my terminal days. My wife Fernanda doesn't like the term, but a lot of people in my family died of melanoma cancer and my parents and grandparents had it. And I kept thinking, one day I could be sitting in front of a doctor who looks at my exams and says, "Ricardo, things don't look very good. You have six months or a year to live."

And you start thinking about what you would do with this time. And you say, "I'm going to spend more time with the kids. I'm going to visit these places, I'm going to go up and down mountains and places and I'm going to do all the things I didn't do when I had the time." But of course, we all know these are very bittersweet memories we're going to have. It's very difficult to do. You spend a good part of the time crying, probably. So I said, I'm going to do something else.

Every Monday and Thursday, I'm going to use my terminal days. And I will do, during those days, whatever it is I was going to do if I had received that piece of news. (Laughter)

When you think about -- (Applause) when you think about the opposite of work, we, many times, think it's leisure. And you say, ah, I need some leisure time, and so forth. But the fact is that, leisure is a very busy thing. You go play golf and tennis, and you meet people, and you're going for lunch, and you're late for the movies. It's a very crowded thing that we do. The opposite of work is idleness. But very few of us know what to do with idleness. When you look at the way that we distribute our lives in general, you realize that in the periods in which we have a lot of money, we have very little time. And then when we finally have time, we have neither the money nor the health.

So we started thinking about that as a company for the last 30 years. This is a complicated company with thousands of employees, hundreds of millions of dollars of business that makes rocket fuel propellant systems, runs 4,000 ATMs in Brazil, does income tax preparation for dozens of thousands. So this is not a simple business.

We looked at it and we said, let's devolve to these people, let's give these people a company where we take away all the boarding school aspects of, this is when you arrive, this is how you dress, this is how you go to meetings, this is what you say, this is what you don't say, and let's see what's left. So we started this about

30 years ago, and we started dealing with this very issue. And so we said, look, the retirement, the whole issue of how we distribute our graph of life. Instead of going mountain climbing when you're 82, why don't you do it next week? And we'll do it like this, we'll sell you back your Wednesdays for 10 percent of your salary. So now, if you were going to be a violinist, which you probably weren't, you go and do this on Wednesday.

And what we found -- we thought, these are the older people who are going to be really interested in this program. And the average age of the first people who adhered were 29, of course. And so we started looking, and we said, we have to do things in a different way. So we started saying things like, why do we want to know what time you came to work, what time you left, etc.? Can't we exchange this for a contract for buying something from you, some kind of work? Why are we building these headquarters? Is it not an ego issue that we want to look solid and big and important? But we're dragging you two hours across town because of it?

So we started asking questions one by one. We'd say it like this: One: How do we find people? We'd go out and try and recruit people and we'd say, look, when you come to us, we're not going to have two or three interviews and then you're going to be married to us for life. That's not how we do the rest of our lives. So, come have your interviews. Anyone who's interested in interviewing, you will show up. And then we'll see what happens out of the intuition that rises from that, instead of just filling out the little items of whether you're the right person. And then, come back. Spend an afternoon, spend a whole day, talk to anybody you want. Make sure we are the bride you thought we were and not all the bullshit we put into our own ads. (Laughter)

4:33 Slowly we went to a process where we'd say things like, we don't want anyone to be a leader in the company if they haven't been interviewed and approved by their future subordinates. Every six months, everyone gets evaluated, anonymously, as a leader. And this determines whether they should continue in that leadership position, which is many times situational, as you know. And so if they don't have 70, 80 percent of a grade, they don't stay, which is probably the reason why I haven't been CEO for more than 10 years. And over time, we started asking other questions.

We said things like, why can't people set their own salaries? What do they need to know? There's only three things you need to know: how much people make inside the company, how much people make somewhere else in a similar business and how much we make in general to see whether we can afford it. So let's give people these three pieces of information. So we started having, in the cafeteria, a computer where you could go in and you could ask what someone spent, how much someone makes, what they make in benefits, what the company makes, what the margins are, and so forth. And this is 25 years ago.

5:46 As this information started coming to people, we said things like, we don't want to see your expense report, we don't want to know how many holidays you're taking, we don't want to know where you work. We had, at one point, 14 different offices around town, and we'd say, go to the one that's closest to your house, to the customer that you're going to visit today. Don't tell us where you are. And more, even when we had thousands of people, 5,000 people, we had two people in the H.R. department, and thankfully one of them has retired. (Laughter)

And so, the question we were asking was, how can we be taking care of people? People are the only thing we have. We can't have a department that runs after people and looks after people. So as we started finding that this worked, and we'd say, we're looking for -- and this is, I think, the main thing I was looking for in the terminal days and in the company, which is, how do you set up for wisdom? We've come from an age of revolution, industrial revolution, an age of information, an age of knowledge, but we're not any closer to the age of wisdom. How we design, how do we organize, for more wisdom? So for example, many times, what's the smartest or the intelligent decision doesn't jive. So we'd say things like, let's agree that you're going to sell 57 widgets per week. If you sell them by Wednesday, please go to the beach. Don't create a problem for us, for manufacturing, for application, then we have to buy new companies, we have to buy our competitors, we have to do all kinds of things because you sold too many widgets. So go to the beach and start again on Monday. (Laughter) (Applause)

So the process is looking for wisdom. And in the process, of course, we wanted people to know everything, and we wanted to be truly democratic about the way we ran things. So our board had two seats open with the same voting rights, for the first two people who showed up. (Laughter) And so we had cleaning ladies voting on a board meeting, which had a lot of other very important people in suits and ties. And the fact is that they kept us honest.

7:57 This process, as we started looking at the people who came to us, we'd say, now wait a second, people come to us and they say, where am I supposed to sit? How am I supposed to work? Where am I going to be in 5 years' time? And we looked at that and we said, we have to start much earlier. Where do we start? We said, oh, kindergarten seems like a good place.

So we set up a foundation, which now has, for 11 years, three schools, where we started asking the same questions, how do you redesign school for wisdom? It is one thing to say, we need to recycle the teachers, we need the directors to do more. But the fact is that what we do with education is entirely obsolete. The teacher's role is entirely obsolete. Going from a math class, to biology, to 14th-century France is very silly. (Applause) So we started thinking, what could it look like? And we put together people, including people who like education, people like Paulo Freire, and two ministers of education in Brazil and we said, if we were to design a school from scratch, what would it look like?

And so we created this school, which is called Lumiar, and Lumiar, one of them is a public school, and Lumiar says the following: Let's divide this role of the teacher into two. One guy, we'll call a tutor. A tutor, in the old sense of the Greek "paideia": Look after the kid. What's happening at home, what's their moment in life, etc.. But please don't teach, because the little you know compared to Google, we don't want to know. Keep that to yourself. (Laughter) Now, we'll bring in people who have two things: passion and expertise, and it could be their profession or not. And we use the senior citizens, who are 25 percent of the population with wisdom that nobody wants anymore. So we bring them to school and we say, teach these kids whatever you really believe in. So we have violinists teaching math. We have all kinds of things where we say, don't worry about the course material anymore. We have approximately 10 great threads that go from 2 to 17. Things like, how do we measure ourselves as humans? So there's a place for math and physics and all that there. How do we express ourselves? So there's a place for music and literature, etc., but also for grammar.

And then we have things that everyone has forgotten, which are probably the most important things in life. The very important things in life, we know nothing about. We know nothing about love, we know nothing about death, we know nothing about why we're here. So we need a thread in school that talks about everything we don't know. So that's a big part of what we do. (Applause) So over the years, we started going into other things. We'd say, why do we have to scold the kids and say, sit down and come here and do that, and so forth. We said, let's get the kids to do something we call a circle, which meets once a week. And we'd say, you put the rules together and then you decide what you want to do with it. So can you all hit yourself on the head? Sure, for a week, try. They came up with the very same rules that we had, except they're theirs. And then, they have the power, which means, they can and do suspend and expel kids so that we're not playing school, they really decide.

And then, in this same vein, we keep a digital mosaic, because this is not constructivist or Montessori or something. It's something where we keep the Brazilian curriculum with 600 tiles of a mosaic, which we want to expose these kids to by the time they're 17. And follow this all the time and we know how they're doing and we say, you're not interested in this now, let's wait a year. And the kids are in groups that don't have an age category, so the six-year-old kid who is ready for that with an 11-year-old, that eliminates all of the gangs and the groups and this stuff that we have in the schools, in general. And they have a zero to 100 percent grading, which they do themselves with an app every couple of hours. Until we know they're 37 percent of the way we'd like them to be on this issue, so that we can send them out in the world with them knowing enough about it. And so the courses are World Cup Soccer, or building a bicycle. And people will sign up for a 45-day course on building a bicycle. Now, try to build a bicycle without knowing that pi is 3.1416. You can't. And try, any one of you, using 3.1416 for something. You don't know anymore. So this is lost and that's what we try to do there, which is looking for wisdom in that school.

And that brings us back to this graph and this distribution of our life. I accumulated a lot of money when I think about it. When you think and you say, now is the time to give back -- well, if you're giving back, you took too much. (Laughter) (Applause) I keep thinking of Warren Buffet waking up one day and finding out he has 30 billion dollars more than he thought he had. And he looks and he says, what am I going to do with this? And he says, I'll give it to someone who really needs this. I'll give it to Bill Gates. (Laughter) And my guy, who's my financial advisor in New York, he says, look, you're a silly guy because you would have 4.1 times more money today if you had made money with money instead of sharing as you go. But I like sharing as you go better. (Applause)

I taught MBAs at MIT for a time and I ended up, one day, at the Mount Auburn Cemetery. It is a beautiful cemetery in Cambridge. And I was walking around. It was my birthday and I was thinking. And the first time around, I saw these tombstones and these wonderful people who'd done great things and I thought, what do I want to be remembered for? And I did another stroll around, and the second time, another question came to me, which did me better, which was, why do I want to be remembered at all? (Laughter) And that, I think, took me different places. When I was 50, my wife Fernanda and I sat for a whole afternoon, we had a big pit with fire, and I threw everything I had ever done into that fire. This is a book in 38 languages, hundreds and hundreds of articles and DVDs, everything there was. And that did two things. One, it freed our five kids from following in our steps, our shadow -- They don't know what I do. (Laughter) Which is good. And I'm not going to take them somewhere and say, one day all of this will be yours. (Laughter) The five kids know nothing, which is good.

And the second thing is, I freed myself from this anchor of past achievement or whatever. I'm free to start something new every time and to decide things from scratch in part of those terminal days. And some people would say, oh, so now you have this time, these terminal days, and so you go out and do everything. No, we've been to the beaches, so we've been to Samoa and Maldives and Mozambique, so that's done. I've climbed mountains in the Himalayas. I've gone down 60 meters to see hammerhead sharks. I've spent 59 days on the back of a camel from Chad to Timbuktu. I've gone to the magnetic North Pole on a dog sled. So, we've been busy. It's what I'd like to call my empty bucket list. (Laughter)

And with this rationale, I look at these days and I think, I'm not retired. I don't feel retired at all. And so I'm writing a new book. We started three new companies in the last two years. I'm now working on getting this school system for free out into the world, and I've found, very interestingly enough, that nobody wants it for free. And so I've been trying for 10 years to get the public system to take over this school rationale, much as the public schools we have, which has instead of 43 out of 100, as their rating, as their grades, has 91 out of 100. But for free, nobody wants it. So maybe we'll start charging for it and then it will go somewhere. But getting this out is one of the things we want to do.

And I think what this leaves us as a message for all of you, I think is a little bit like this: We've all learned how to go on Sunday night to email and work from home. But very few of us have learned how to go to the movies on Monday afternoon. And if we're looking for wisdom, we need to learn to do that as well. And so, what we've done all of these years is very simple, is use the little tool, which is ask three whys in a row. Because the first why you always have a good answer for. The second why, it starts getting difficult. By the third why, you don't really know why you're doing what you're doing. What I want to leave you with is the seed and the thought that maybe if you do this, you will come to the question, what for? What am I doing this for? And hopefully, as a result of that, and over time, I hope that with this, and that's what I'm wishing you, you'll have a much wiser future. Thank you very much. (Applause)

Chris Anderson: So Ricardo, you're kind of crazy. (Laughter) To many people, this seems crazy. And yet so deeply wise, also. The pieces I'm trying to put together are this: Your ideas are so radical. How, in business, for example, these ideas have been out for a while, probably the percentage of businesses that have taken some of them is still quite low. Are there any times you've seen some big company take on one of your ideas and you've gone, "Yes!"?

Ricardo Semler: It happens. It happened about two weeks ago with Richard Branson, with his people saying, oh, I don't want to control your holidays anymore, or Netflix does a little bit of this and that, but I don't think it's very important. I'd like to see it happen maybe a little bit in a bit of a missionary zeal, but that's a very personal one. But the fact is that it takes a leap of faith about losing control. And almost nobody who is in control is ready to take leaps of faith. It will have to come from kids and other people who are starting companies in a different way.

CA: So that's the key thing? From your point of view the evidence is there, in the business point of view this works, but people just don't have the courage to -- (Whoosh)

RS: They don't even have the incentive. You're running a company with a 90-day mandate. It's a quarterly report. If you're not good in 90 days, you're out. So you say, "Here's a great program that, in less than one generation --" And the guy says, "Get out of here." So this is the problem. (Laughter)

CA: What you're trying to do in education seems to me incredibly profound. Everyone is bothered about their country's education system. No one thinks that we've caught up yet to a world where there's Google and all these technological options. So you've got actual evidence now that the kids so far going through your system, there's a dramatic increase in performance. How do we help you move these ideas forward?

RS: I think it's that problem of ideas whose time has come. And I've never been very evangelical about these things. We put it out there. Suddenly, you find people -- there's a group in Japan, which scares me very much, which is called the Semlerists, and they have 120 companies. They've invited me. I've always been scared to go. And there is a group in Holland that has 600 small, Dutch companies. It's something that will flourish on its own. Part of it will be wrong, and it doesn't matter. This will find its own place. And I'm afraid of the other one, which says, this is so good you've got to do this. Let's set up a system and put lots of money into it and then people will do it no matter what.

CA: So you have asked extraordinary questions your whole life. It seems to me that's the fuel that's driven a lot of this. Do you have any other questions for us, for TED, for this group here?

RS: I always come back to variations of the question that my son asked me when he was three. We were sitting in a jacuzzi, and he said, "Dad, why do we exist?" There is no other question. Nobody has any other question. We have variations of this one question, from three onwards. So when you spend time in a company, in a bureaucracy, in an organization and you're saying, boy -- how many people do you know who on their death beds said, boy, I wish I had spent more time at the office? So there's a whole thing of having the courage now -- not in a week, not in two months, not when you find out you have something -- to say, no, what am I doing this for? Stop everything. Let me do something else. And it will be okay, it will be much better than what you're doing, if you're stuck in a process.

CA: So that strikes me as a profound and quite beautiful way to end this penultimate day of TED. Ricardo Semler, thank you so much. RS: Thank you so much.

(Applause)