



A New Concept of Management

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ABSTRACT

This paper deals with management dilemmas on the example of Semco company. This paper examines two organizational models, i.e. military and participatory model. The aim of the paper has been to determine what management practices lead to the formation of a natural management system, i.e., a system that adapts its working environment to people and create the right conditions to develop their potential. To achieve this objective, the case study methodology was used. The reason, why Semco has been selected as a study case, is its unusual management model that reveals some limits of current managerial thinking. While analysing and describing the company, it was found that this company creates a working environment that is based on the values of trust, participation, cooperation, freedom and dialogue. Due to the presence of these values, a part of participative management model is amorphous structure that eliminates formal hierarchy, orders and regulations (bureaucracy), control and short-term goals. These elements of traditional management are replaced by flexible working environment which can be adjusted by employees according to their individual needs. For this model, there is a typical characteristic that changes emerge where needed, which means that the changes are not pushed from top to bottom. Participative management model is based on such values as freedom, meritocracy, partnership, information sharing and profit sharing.

INTRODUCTION

The backbone of today's economy is still made of business organization. The impact of these organizations on societies global wide is so significant that we have the impression of living life in the world rules by multinational organizations. This world has been very well characterized by P. Drucker as new pluralism or, in other words, institutional diversity and distribution of power. The basic building block of each organization is management. According to Drucker (2002), management has a social function. Its aim is to ensure results and performance of organizations. However, many organizations apply this function in its own way. They are convinced that success means controlling costs (internal organization) or that success will be achieved by means of using ideas and actions that have proved to be successful in the past (strategic inertia). Such organizations

ignore the fact that real success always lies outside because only cost centres are located inside organizations (Slintak, 2016). The only profit centre is customer. We must perceive organizations like open systems. Changes in the environment thus have a major impact on how organizations work. Against the background of external trends, we can verify whether the current management paradigms are still valid or not.

Question by Charles Handy (2016,120) and Stephen Covey (2013) referred to Drucker is “why a large part of what we call management lies in complicating the life of employees?” It is a strange question, if it is perceived in the context of key management tasks (Drucker, 2002): a. Define the purpose of organization, b. Ensure productivity of human beings involved, c. Supervise the social responsibility. Then, we find that the current forms of management tendences to diverge from its original mission. The question also is why today’s organizations resemble so much organizations that began to emerge more than a hundred years ago even though the current conditions radically differ from the past. The new order of things gives the opportunity to those who are willing to leave the old schemes and want to start doing business differently. Kosturiak (2012,2016) with Zelený (2012) talk about new entrepreneurs who build the foundations of their companies on the basis of these trends: from mass production to individual production and mass customization, from suppliers of services to self-servicing, from intermediaries to disintermediation, from suppliers to co-location, from information to knowledge, from the division of labour to reintegration, from product innovation to innovation of business models, from global to local approach.

Nowadays, we can see organizations that are in captivity of outdated paradigms as well as organizations that are trying to adapt to new paradigms of management. Differences between these concepts have been described by Drucker on the example of two basic organizational models such as the model of commands and controls (the military model) and the model based on information (vital model). Drucker (2002, p. 100) also stated that “organization of commands and controls, that has already appeared in the 19th century, can be compared to organism which holds together like a shell. Corporation, which exists today, is designed on the basis of information that are its new integrational system and expression.”

The organizational model based on information thus provides a good opportunity to explore how organizations of this type deal with management dilemmas. Currently, there are at least four apparent contradictions from which a new model of management can be constructed. The dilemmas are: a. Management or leadership, b. Hierarchy or community, c. Trust or control, d. Profit or service.

In order to explore these discrepancies, a study of Brazilian company Semco will be used. It offers plenty of examples from the field of management thinking and practice which is related to transformation of the military management model known as participative management. In the next part of this article, we will try to answer the question, what management practices lead to formulation of a natural management system, a system, which modifies work environment to people and creates appropriate conditions to develop their potential.

1. METHODOLOGY

This article is based on the case methodology. Basically, this approach is a form of empirical study which is a suitable for the comprehensive exploration of the phenomenon. The phenomenon in this case are the dilemmas of management. This phenomenon will be examined in the context of the practices of the Brazilian company Semco. The reason, why this company has been selected, is its unusual management model that defines current managerial thinking. Due to this fact it is possible to examine the existing management problems through the perspectives that reflect the practices of this company.

It is obvious that a case study of Semco is justified by the uniqueness of the case because how Yin (2011) mentioned, we may consider an extreme or unique case as rational for a single-case design. The importance of this methodology inside management field has been growing for the last years due to the implementation and influence of case methodology on surveys (Andrés et al., 2015).

Our research will be focused on collection of secondary data. Secondary data were collected from past records and manual of the company, books, scientific articles, websites etc. However, the most important source of this research is to analyse Semler's books and articles because Semler is a majority owner, former CEO and also the author of the most interesting organizational changes that took place at Semco. Currently, there are many documents about this company. The organization and its special form of management are well documented. Therefore, a case study will be possible even without a visit the company.

Case methodology is not based on statistical basis. Disadvantages of our research can be seen in not generalizing the results from our study. On the other hand, we suppose that it is possible to reveal and describe some theoretical limits in a specific situation which arise due to specially modified conditions of business practices. Therefore, our attention is to study specific features of an unusual management model, and these practices compare with today's management issues.

2. LITERATURE REVIEW

New paradigms management

Every scientific discipline consists of a set of assumptions that determine how we perceive the reality around us. These assumptions set out the boundaries of our knowledge. Premise defines the content of various disciplines and determine what is permitted. This does not apply only to the natural sciences but also social sciences. In the case of management, i.e. the prevailing theory, the paradigms offer a much greater impact on human communities than in the natural sciences. This means that if we build on bad paradigms in science, for example that Earth is the centre of the universe, it would not have too much impact on the lives of individuals. However, the same is not true for social disciplines such as management. If we come out of a bad premise in management, for example that people are machines, it can have far-reaching consequences on the lives of individuals, either in the form of individual motivation, psychological development or individual happiness. In this context, P. Drucker (2002) identified two basic sets of premises which defined theoretical and practical level of management from 30s of the twentieth century. From the mentioned, we can define especially: 1. There is only one correct organizational form, 2. There is only one correct method of managing people, 3. Market, technology and customers remain essentially unchanged, 5. Markets are defined by national borders. At the same time, he notes that none of these premises is valid anymore. Thus, it is a task of management to redefine these premises to meet the needs and requirements of today's world. Management dilemmas are a key topic also for many other authors. In the literature, we can find references to literature sources that deals with different dilemmas (such as contradiction between governance and management) as well as sources that expand Handy's view with other conflicting elements in the contemporary theory of management.

Management dilemmas

The crisis in the contemporary perception of management is described by Charles Handy (2016) in his essay *The New Management*. He argues that management is struggling with internal ambiguity that need to be solved. Solving dilemmas of management should lead to the creation of

a new management model. According to Handy (2016), the current management faces these dilemmas: 1. Management or leadership, 2. Efficiency or effectivity, 3. Trust or control.

In the case of authors, who describe partial dilemmas, most of the attention leads to conflict between management and leadership. The scope of scientific articles and books devoted to this issue is so big that we will try to summarize only the basic thoughts defining these concepts. They are summarized in the following table.

Table 1. Management vs. leadership

<i>Fundamental idea</i>	<i>Authors</i>
The manager restricts freedom, while the leader does the opposite – he gives space to others in an effort to pass on to them a greater part of responsibility.	Zaleznik (1977)
Managers are dependent on organizations; organizations are dependent on leaders.	Gardner (1990)
The manager does things right. The leader does the right thing.	Bennis (1990, 1994), Drucker (2002, 2008),
Managers are trying to motivate people (you have to). Leaders try to inspire people (to they want to do something).	Marriotti (1998)
Organization shouldn't control people. The challenge is to lead people. And the goal is a productive use of strengths and knowledge of people.	Drucker (2007)
Management relies on the power that results from formal hierarchy. Leadership comes from authority that you have to deserve (on the basis of your abilities and willingness to serve others).	Kanter (1989), Handy (2016),
There are two basic levels of performance which are namely to manage things (i.e. management) and to get to certain point or focus (i.e. leadership).	Carter-Scott (1994), Kouzes and Posner (2006)
Management (controlling) should be applied to systems, processes and artificial things. Leadership is about people.	Covey (2013), Handy (2016)
Management ensures the coherence of organizations. It is a source of order. Leadership creates the future. It brings changes and innovations.	Kotter (1990), Handy (2016)

Dilemma between efficiency and effectiveness is mentioned in several publications that explain the difference between a “How” and “Why” company (Zobrist, 2014, Carney and Getz, 2009, Slinták and Jurigová, 2015). This definition is followed by the view that there is a transition from management highlighting intellect and qualification to management appreciating creativity, initiative and passion. Other authors (see e.g. Covey, 2014) perceived the difference between efficiency and effectiveness in the way of management and leadership while efficiency is a feature of management and effectiveness is a characteristic feature of leadership.

We also meet with other terminology describing the aforementioned dilemma. Drucker (2011) deals with the issue of the balance between performance (effort) and effectiveness (results). Performance is typical for bureaucratic structures (emphasis on rules). It does not allow deviation from correct procedure. The aim of performance is to ensure a fixed order. On the contrary, effectiveness is a manifestation of adaptable structures (the emphasis is placed on initiative and creativity). Here, a considerable freedom with clearly defined responsibilities is granted. Therefore, this approach leads to vitality. While the performance appreciates administrative as a proof of good governance (leads to mediocrity and development of skills), effectiveness considers it as a supporting activity that should be limited in order to avoid reducing creative energy and individual and collective potential (leading to excellence and passion release).

The above view is followed by the dilemma of trust and control which is long-life theme of S.C. Covey (2013,2014). In his works, he explains the difference between the culture of trust and dis-

trust and their influence on the development of human beings (paradigm of holistic human) and organizations (four-dimensional organisational model). S.M. Covey (2006) in his book *The Speed of Trust* describes how to do things faster, with lower costs and strengthen the influence of organizations based on investment in trust that goes through these stages: a. Self-confidence, b. Confidence in relationships, c. Confidence of stakeholders. Dilemma of trust and control is very closely connected with both effectiveness and efficiency and especially the dilemma of management and leadership. This fact is evident when deeper examining of foundations which are backed by various authors focused on management and leadership area. One of the most important books on leadership, *Leadership Challenge*, by Kouzes and Posner (2006) states five basic steps on the path to leadership: a. Be a good example, b. Inspire by vision, c. Try new procedures, d. Provide opportunities for others, e. Work by heart. In the fourth step, authors advise to create an environment full of trust and strong relationships and they refer to research (see for example Shockley-Zabalak and et al., 2010) which shows that organizations with high trust significantly overcome those companies with low level of trust. Trust is thus characterized by many authors as having positive impact on organizational performance because it leads to satisfaction of employees, improves the level of communication, facilitates the sharing of information or willingness to accept organizational changes (see Covey, 2006, 2008; Dirks, 2010; Hurley, 2006).

To give space to others means simply to delegate authority and responsibility to others. Trust is therefore very closely linked to the principle of freedom. This is emphasized by some authors that deals with bridging the gap between process of liberalization and paternalism. They highlight the importance of freedom as a principle which reduces the artificial dependency, develops human beings and positively influence the development of antifragility (see Carney and Getz, 2009, Kosturiak, 2016, Taleb, 2012, Zobrist, 2014). Some scientific publications describe the findings about liberalization with using of proper case studies (see Semler, 2007; Hamel and Breen, 2008; Hamel, 2012). However, in the broader context the problematics of freedom at work can be seen in the light of management and leadership. Paternalism is a traditional procedure while liberalization process is always released by real leadership in which transferring of power to another people means a fundamental moral obligation of every organization in which it is applied.

Management innovation

A separate group of authors mention individual dilemmas in a broader context, taking also into account other contradictions in the prevailing theory of management. This group includes those researchers who seeks for creation of a new management model in the form of managerial innovations (see Kosturiak, 2016; Zeleny and Kosturiak, 2012). Authors, who are of a crucial importance in this area, are G. Hamel and B. Breen (2008). The book and the article *The Future of Management* shows the destructive impact of management of the industrial age and its authors introduce three major challenges faced by today's management: a. Accelerate the pace of strategic self-renewal, b. Make innovations to work for everyone, c. Adapt working environment in a way that it strengthens human abilities such as initiative, creativity and passion. Management innovations often faces obstacles that arise because of persistent paradigms (see Slintak, 2013). In these obstacles, we can see contradictions of management as described by Charles Handy.

Hamel and Breen (2008) argues that we create organizations that are not human oriented. It may be caused by: a. Too much management (discipline), too little leadership (freedom), b. Too much bureaucracy (the rules), too little community (shared purpose), c. Too much external stimulation (you must), too little meaning (I want). Other authors also follow the findings and knowledge of the above-mentioned authors. The proposals of these authors are often incorporated into the organizational models which seeks to eliminate individual differences. An example might be a model of chaordic organization (Hock, 1995, 1999) which seeks a balance between order (management) and chaos (leadership), model of liberal company (Kosturiak, 2016) which offers an alternative to companies based on traditional management model, model of learning organization (Senge, 2016)

which is built on the creation of suitable working conditions for the development of human beings, team learning and shared vision or model of biotic organization (Slintak, 2015) which deals with the conflict between management and leadership, hierarchy and network, trust and control, service and profit. One of these models is also a model of participative management applied by Brazilian company Semco. Specific features of this model are further described in the following sections.

3. EMPIRICAL STUDY: SEMCO COMPANY

Semco is a Brazilian company founded in Sao Paulo in the 1950s. It was set up by Antonio Curt Semler, an Austrian born engineer (Semco, 2016). It was originally focused on manufacturing centrifuges for the vegetable oils industry. The introduction of the Brazilian Government's National Shipbuilding Plan in the 1960s, provided Semco with a new opportunity, and the company commenced production of hydraulic and load pumps, axles and other naval components (Stockport, 2010). During 1960-1970, company equipped over 70 percent of the domestic fleet.

R. Semler (Antonio Semler's son) joined the company in 1980, 27 years after Semco was set up, it had about 100 employees, manufactured hydraulic pumps for ships, generated about \$4 million in revenues, and teetered on the brink of catastrophe. Ricardo became increasingly frustrated with the lack of real responsibility, and the condescension with which the other Board and senior staff treated him. His ideas for diversification were mostly ignored (Stockport, 2010). Finally, he was appointed president of the company by founder (his father), which gave him the power to enforce radical organizational changes. Under Ricardo's influence, Semco started to focus on a small number of customers (only shipyards) and then it started diversifying its businesses and purchased manufacturing licenses from other companies (Andrés and et al., 2015). And what is important, Semco started to change its management philosophy. It manifested for example by changing fundamental managerial habits, introducing ideas such as flexible hours, determination of wages or participatory decision making. Since the middle 80s, Semco has begun to change its existing management system. There were also created four strategical business units (SBU).

At the beginning of the nineties, Semco has decided to form strategic partnerships with established international companies that were thinking about business in the Brazilian market. Subsequently, number of companies were created such as ERM Brazil (Environmental Resources Management, for environmental consultancy), Cushman & Wakefield (real estate consultancy and facilities management market) or RGIS (to provide computerized inventories for retailers). With a new millennium, some part of the original company had specialized only in the development and creation of new business models in order to create new business units. This gave rise to the company Semco Manutenção (providing electrical and civil maintenance and other services) and BRESCO (Brazilian Renewable Energy Company).

In the recent past, Semco group had seven business units (Semco, 2016). Nowadays, there is no Semco Group, it is only Semco Partners. It has five business units in its portfolio at any given time. Each joint venture is managed independently, with its own structure, teams, and board of directors – the latter comprised of representatives from both Semco Partners and its global business partner (Semco, 2016). Many firms, which were a part of Semco Group in the past, are no longer its part of Semco Partners. Former businesses are Pitney Bowes Semco, Semco Route Maintenance, RGIS, and others. Semco Partners is also aimed at established Brazilian companies if there is the opportunity to form an association with a strategic international player that is a leader in their segment.

From 1982 to 2003, Semco has gone from 4 to 212 million (US\$) and employed from 90 to 3000 employees. In 2007, revenues were 240 million (\$). This mentioned performance shift in time, when the company implemented a radical innovation in management, is unique when we consider what external conditions Semco needed to face. The Brazilian economy was during the 80's and 90's very unstable. There was currency devaluation, record unemployment and hyperin-

flation. Not only individual companies suffered but also the entire industry. In the history of this company, there is therefore hidden not only its excellent adaptation skills but moreover never-ending desire to grow and improve in an extremely unfavourable business environment.

3.1 Artificial, or natural enterprise?

When in 1981 R. Semler took over the company from his father, it used to be a traditional organization. It had a fixed pyramidal structure based on formal hierarchy internal regulations provided a dense network of internal rules. In such structure, everyone has to do what he/she was told to do. Everything was subordinated to the rules and regulations. Information were moving in a direction from top to bottom. The company was by its size defined as a medium enterprise. There worked approximately 90 employees. However, most of them were motivated only by earnings. The company applied traditional system of rewards and punishments. All company activities, that were distributed among individual functional departments, were subjected to pre-established plans and strategic intentions. Semco indicated narrow approach only in the area of shipping industry. And its purpose was to produce its products (hydraulic pumps for ships) in a way to earn something and retain its existence. Overall, the company resembled more of a company with machines programmed by people than living organization with creative and imaginative people.

Semler's dream was to transform the authoritarian (military) management model into natural management system. The difference between these systems was mainly in the approach to people. While the first system used people (human is a production tool), the other sought to integrate human participation (human is a partner or colleague). Management system, that has gradually evolved in Semco, resembled participative management model. Its features are: a. The elimination of artificial rules and regulations (return to common sense), b. Creation of dynamic hierarchies (boss is the one who really knows and understands), c. Sharing of information (to inform is not a privilege), d. Manage and lead oneself (to treat workers like adults), e. Sharing of wealth (participative distribution of profit), 6. Improving quality of human life (the company's commitment to improving the lives of others). A series of partial changes, that form the future shape of the company, was beyond all these features. For example, you will not find a receptionist in Semco. Everyone must be able to serve himself/herself. There is no special dining room for managers. There are no special parking places for bosses (a rule who comes first, parks first). The subordinates decide about their leaders (regular assessment of top managers). Semco is constructed in a way that everyone is replaceable (including top management). Employees are treated like partners. From the original bureaucratic structure of 12 levels, only three has been left. The shape of the organizational scheme has changed, too. Organization in pyramid was changed to organization in circles.

Participative management style, that has developed in Semco, is significantly different from the original concept of the working conditions which strengthen the influence of individual on the happening in the whole organization. Thanks to this organization, the company can continually form into new shapes based on the individual effort and interest of their employees.

3.2 Order(s), or chaos (freedom)?

One of the definitions of classical management says that good organization is the company in which at first sight nothing happens. Boring environment is an expression of good working organization. Management activities include formation of rules, directives, regulations that should evoke this situation. The same situation was in Semco after the arrival of R. Semler. Semler (2001, p. 3) says: "One of my first initiatives in Semco was the cancellation of the rules." Each employee, who enters the company, will get brochure *Semco survival manual* with twenty pages and one advice (use common sense). This decision was applied also to clothing. Removing dress code in Semco caused weakening of formal hierarchy and positioned itself against the uniformity of behaviour and

thinking. Restrictions of rules on minimum strengthened authoritarianism. Nowadays, Semco appreciates natural authority that comes from the ability. Thanks to this, there is no confusion between authority and authoritarianism, the desire to control diminishes and the willingness to listen and lead is strengthened.

However, rules and regulations were always a source of order. It served to cohesion and internal order. Semco gradually realized that by the formation of rules (regulations), the company loses its flexibility (dynamics). Rules subdued creativity and slowed organizational adaptability. This observation leads the company to get rid of all manuals (rules for every situation) in favour of decision making based on common sense (support of spontaneity and individuality). The current management model reflects the finding that the desire for rules eliminates the need for innovation. In the past, the rules expressed the view of managers. Nowadays in Semco, there is a rule that no absolute truth exists. Leader is the one who will get enough supporters (voters) for his idea.

3.3 Values and principles

Semco operates as a participative management model. In this model, each employee has the right to decide about the happening in the company. For example, employees can vote on the selection of a suitable locality for the construction of a new factory. This unique approach draws each employee at the centre of the company and at the same time it builds credibility because freedom is not reflected only in words but also in concrete activities. Description of the management model, which emerged from the interview with R. Semler, suggests that freedom is an integral part of Semco's culture: *"It is a model that is based on people's freedom and need for gratification through work as the pivotal levers of a successful company."* At Semco, we can find the people who worked in traditional companies and they are surprised by the freedom that Semco company gives them. But what ensures the internal coherence and order? Semco uses a brief description of its management philosophy and culture gathered in two documents collectively referred to as "The Semco Way". These documents include the values and principles (Semco shared values and ten principles) and the basic outline of company operations (Semco survival manual). Both are a source of internal order because it shows basic standards of behaviours and way of thinking. Semco has three fundamental values on which bases its management programs (Smith and Greeb, 1993). They work in a complicated circle, each dependent on the other two (see following figure). If we eliminated one, the others would be meaningless). Core values are democracy, wealth sharing and information when the central element of participation and its accompanying feature is democracy.

Semler adds (Stockport, 2010, p. 5): *"Participation gives people control of their work, profit sharing gives them a reason to do it better and information tells them what's working and what isn't."* The values of the company are complemented by principles. The principles have become a commitment of the company to the environment. These include for example: a. Seek a balance between short-term and long-term profit, b. Placing our responsibility before profits, c. Encourage creativity and participation, d. To be honest and transparent, e. Maintain an informal and pleasant environment, or f. Have the humility to recognize our errors. Values and principles are then followed by *Semco Survival Manual*. It is a comic book which describes culture and management philosophy through practice examples. It emphasizes the focus of the company on meritocracy (authority), participation (engagement), freedom (responsibility) and communication (dialogue). The manual is not a formal set of rules, but rather a form of declaration.

3.4 Trust, or control?

The shift from management based on rules and regulations to the management style, in which employees determine their working conditions and manner of work performance, required ques-

tioning the original assumptions. The old management model created rules, indifference and stereotype. However, what Semco lacked to reach its natural state was life, passion and fun. The original model assumed that we cannot trust people. This assumption was in practice seen in many rules and control mechanisms which should compensate the lack of confidence. As indicated previously, a new model was based on the completely opposite assumption. Therefore, the company has decided to cancel the control of staff when leaving work. There was only short notice left (Semler, 2001, p. 63): *“When you leave, please make sure you do not take something what is not yours.”* Another example can be seen in travel and other costs. At Semco there is no department, no rules and no audit that can determine how much someone may spend. Trust and giving responsibility to its employees is the way Semco found to build credibility among its employees (Pettersson and Spångs, 2006).

3.5 Laissez-fair

Another assumption, which was later questioned, was: People behave like children; therefore, it is a must to take care of them. This aspect has been deeply rooted in the original company structure. It reflected paternalism. This approach gave a lot of things to employees (security, comfort, loyalty), but it also took a lot of things (freedom, the ability to learn). In contrast, the new corporate structure, that was based on freedom and responsibility, appreciated the ideal of laissez-faire. Semler (2001, p. 56) adds: *“In Semco, we behave to employees like to adults. We do not want them to ask us whether they can go to the toilet, we do not say to door-keeper to check their bags when leaving work. We stay out of their way and let them do their work.”* This attitude forces us to expect that people are responsible for their behaviour. In practice, if someone betrays the trust of the company, he is sincerely informed about this and leaves the company. On the other hand, the company trusts its employees. As a result, people can adapt their working environment (including workplace layout), determine their own salary (currently applied only to senior executives), choose their leaders or determine their working hours. Semco has also created a feedback system. Twice a year, the employees can rate the company based on questionnaires (evaluated variables are satisfaction with salary, working conditions, trust in leadership capabilities, a possibility of strike or leaving the company). The aim of this process is to evaluate the credibility of the whole company.

3.4 Hierarchy, or community?

Originally, Semco was based on a traditional design of a company. It had fixed hierarchical structure and militaristic management model. This structure was based on the principle of command and control. People working in Semco, like in other traditional businesses, honoured the principle that their role is to perform the task and not to think about it. However, this way of organization deteriorated communication, cooperation and flexibility. In addition, people lacked emotional link with the organization. Over time, the company has introduced a number of managerial innovations that have changed the original culture. These changes caused to recreate the structure based on new values and organizational principles. The intention was to create sustainable organization where people felt more enthusiastic towards their work. At the same time, a new structure should facilitate communication and cooperation, eliminate complexity (bureaucracy) and increase flexibility (the ability to absorb changes). The aim was to create a flat structure by eliminating unnecessary intermediaries (eliminate middle management).

3.5 Circular organization

Semler refused the idea of pyramid that did not correspond with the values of the company and he introduced circular organization. A new structure was based on concentric circles to replace the pyramid structure. The new structure was formed by three concentric circles. The core of circle

consisted of five to seven Counsellors who were responsible for general policy and strategy and attempted to catalyse the actions of those in the second circle. Each of the Counsellors took a six-month turn as CEO. The second circle included leaders of Semco's business units. They were called as Partners who were seven to ten. In third circle, there were Associates and Coordinators. Within this circle there were triangles (each business unit included 6-12 triangles), In these triangles, there could work 5-20 associates. Each triangle had only one coordinator. The following picture shows the scheme of circular structure.

Thanks to this new structure, Semco was closer to its values. The transition from hierarchy and despotism toward democratic workplace (workplace democracy) brought two privileges to ordinary employees: 1. The right to disagree, 2. The right of co-decision making. This led to significant redistribution of power. It was no longer possible to enforce the authority by the position but only by abilities and willingness to cooperate. Authoritarian symbols (reserved parking space, cafeteria for managers, personal assistants, receptionists, dress code) were removed and the elimination was also made in pay gaps (the best paid employee could not receive more than ten times amount of the worst paid employee). These changes have also led to reassessment of managerial work. Under the influence of new employment rights, Semco said that every manager should create an environment in which everyone has the right to co-decide (participate). The employees evaluated executive managers every semester in order to find out whether they can manage their work or not. In case of bad rating (rating below 70% out of total points), the executive managers had time for improvement. However, when there was no improvement, they were either transferred to another (lower) position or in case of disagreement they needed to find a new job.

3.6 Size

Later, Semco found that circular structure does not sufficiently correspond with the internal environment of the company. Nowadays, Semco has no formal structure. Indeed, it is one of the first things that new coming employees notice when they open Semco Survival Manual: we do not follow any fixed structure. However, some typical features of circular structure have remained. For example, organizational principle that it is better to be smaller than bigger. The size is related to the principle of confidence (I can't trust to someone who I do not know) but also the commitment and initiative (I can't be committed to something what is so large that it becomes impersonal). At Semco, they try to keep its company organized into smaller groups (which are called production cells), so Semco's business units have less than 150 employees. Production cells (triangles) at these plants range from 5 to 20 employees. If any of the companies belonging to the company portfolio outgrow its size limit of 150 employees, it will be automatically divided into smaller parts. Semco is then gradually reproducing like amoebas.

Semco also applies some organizational principles known from Japanese companies such as horizontal speed track. New entry level employees spend the first 6 months at the company moving from place to place (Baucus and Near, 1991). By this measure, the company tries to break away from the traditional idea that a human does the work based on his formal education. At Semco, they are convinced that a potential of the human being should decide about the workplace (Semler, 2013). Therefore, newcomers and existing employees try different positions in order to find the one that perfectly matches their preferences. Semco believes in a principle that it is optimal to withstand at one position from 2 to 5 years.

3.7 Partnership

Hierarchy, size and insufficient flow of information are the main obstacles of participative management. Semco reached this conclusion during several years when it introduced radical changes in its structure. The company management knew that the only true source of power is

information (Semler, 2001, 2013). Engagement and partnership can't flourish without a lot of information that are available to people on the lowest positions. Therefore, total abandonment of control meant to surrender privileged and priority rights on information. According to Semler (2013), the privileged information becomes dangerous source of power in every organization. Therefore, it was decided that they will share all information. The basis was the idea of open management (open book management). Today every employee receives all the information (including the company's financial statements), so that all team members can better participate in decision-making. The company also began to provide trainings for employees (the aim was to increase economic knowledge) so that employees were familiar with the balance sheet, income statements and other financial statements. Semco also shares the wealth that it creates together with their employees. This causes the profit distribution among organizational units (business units) and these units then distribute profit among employees. Wealth distribution system is called SemcoPar (Semco Profit-Sharing Programme). It is formulated in a way that each quarter, the profit made by each autonomous business unit is calculated and 23 per cent of that sum is divided among the employees of that unit in equal amount. The remaining 77 % of the profit is deducted for taxes (40 %), dividends to shareholders (25 %) and reinvestments (12 %). If there is a year without profit, logically there will be no profit to share.

As it is described in the previously described values of the company, the Semco management philosophy is based on sharing (information and wealth), partnership and freedom. First among all of these is employee involvement. Workers who control their working conditions are happier and more effective, than those who don't (Smith and Greeb, 1993). Employees are regarded as associates, each of whom can vote on major decisions affecting the firm. The absolute trust to the employees is today's typical feature of Semco company. Semco treats them as partners. It does not think in terms of superiority and inferiority. On a way to a new management, Semco tries to find new terms which better expresses its relationship to its employees or to those who cooperate with the company. This fact is also reflected in the company name. Today, Semco is named Semco Partners.

CONCLUSIONS

From the time that Semco has begun to promote radical changes in the concept of management, there was an enormous increase in productivity. During the first ten years, the company has grown from a factory employing 90 workers to a company consisting of six factories with 800 employees. Sales increased from 4 million (US\$) to 35 million (US\$).

Typical feature of this company is that nothing is permanent. All programs and project initiatives, which the company is famous for, has sooner or later become past. However, some corporate features are still visible till these days. This is especially commitment of the company to create democratic workplaces based on sharing information and wealth. Simultaneously, we can see a company that is very flexible (operational practices are constantly changing) and fixed (values and operating principles remain the same).

From the previous section, management system in Semco is fundamentally different from traditional management model. The differences can be seen in the concept of organization, management style, culture and purpose. The concept is in all mentioned areas related to man and makes people to feel naturally to their needs and requirements. So, we can say that no artificial systems with the need of human's adaptation are created, but rather systems that are able to adapt to people. Therefore, it is quite normal at Semco that people can determine working hours, adapt their working environment or choose their supervisors. The changes, which are an integral part of this company, often comes from below. Obedience, diligence or qualification are not valued at Semco. What is valued, is disagreement, initiative, creativity, talent and passion. As said by Sem-

ler (2013), it happened many times in past that we firstly found a talent and then we started a business.

It should be noted that the working environment of this company is not for everyone. This is due to the fact that in this system, only independent, responsible and productive people can remain. Imaginary triangle of personal mastery (I know, I can, I want) takes here a concrete form that excludes all parasites, slackers and despots. The company is committed to meritocracy. Leading role can take only the one who will get the respect of those who he/she leads. Therefore, Semco is not a suitable place for traditional managers. Semco does not tolerate commanding and controlling, insisting or even enforcement of fear and uncertainty. Credibility and leadership are evaluated each semester. That's why no one can be sure with his/her position. Semco also does not have a fixed structure, there are even no in-house rules. Internal consistency ensures only three shared values and ten operating principles. Semco is a participatory company which appreciates participation of its employees in decision-making. Each employee is therefore drawn into the happening in the company through voting rights which carry the right to co-decide and oppose.

Semco can be considered as representative of the new management. In this management system, there are no dilemmas of management because everything what company does, is subjected to human beings. And management was always about humans. Even the definition of the company is subjected to the human dimension. The company is not understood as an artificial system as we can find in Ricard Semler's words (2001, p. 240): "I appreciate my share in Semco, however in reality this is not my company anymore. I am not Semco. Semco is simply Semco." Semco is also different from a traditional concept of the company in terms of its purpose. The main objective is not profit. When defining the success, the company has concluded that it can be profitable in a long-term only if it gives priority to the quality of life. In the case of Semco, this means to establish self-management as a standard and to help others to get where they want.

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