

TOP 10 MYTHS ABOUT DEMOCRATIC MANAGEMENT

BASED ON A SERIES OF VIDEOS BY RICARDO SEMLER



IN THIS E-BOOK

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ABOUT

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ABOUT THIS E-BOOK

This e-book is based on a series of videos with Ricardo Semler, produced by Semco Style Institute's sister company LeadWise (www.leadwise.co).


Watch the videos on the [LeadWise YouTube channel](#).

THE WORLD IS IN FLUX

The world is in flux, and business opportunities abound. Change is the one constant, and inertia is tantamount to decline. In our journey forward, there are always those who clear the way, the front-runners and pioneers. They are the trail-blazers who have a different perspective on today's world and decide that they will do it their own way. Even if others initially think they're too idealistic to succeed, they forge ahead, disrupting established patterns and making room for growth.

Once pioneers prove to be successful, others are inclined to follow in their footsteps, but are often warned off by those still invested in the established order. To hear the sceptics talk, democratic management simply couldn't work... and they might have a point, right? No one wants their business to change for the worse. But what if it could change for the better? Let's take a closer look at common myths about why democratic management won't work.

And who is better equipped to provide an accurate perspective on those myths than Ricardo Semler? He has been widely acclaimed as a catalyst of change for employee-empowered leadership and was already regarded as one of these key pioneers over twenty years ago. As CEO of a major company, he has already heard all the objections and experimented with a range of democratic management styles. This is his selection of the most persistent myths that stop leaders from implementing democratic practices.



**‘IT’S BEAUTIFUL
IN THEORY, BUT I
CANNOT APPLY IT
IN MY REALITY’**

MYTH 1: IT’S UTOPIAN AND NAIVE

 [watch the video](#)

One of the myths often heard when discussing democratic management is that the whole concept is utopian, or perhaps even naïve – that there is no way that people would actually work together on their own, without being told to do so, or that they could have a sense of self-motivation. However, in a time and age when dictatorship was the rule, people used that very same line of reasoning to claim that democracy would never work.

The fact is that autocracy, expressed in business by forcing people to do things at set times, leads to an enormous waste of potential and a huge diseconomy of scale. These

aspects are usually overlooked when these topics are discussed. In fact, if you give people a degree of liberty they don’t have somewhere else, if you give them the freedom to decide independently how, when and where they want to work, it has been proven that they will generate a far higher net productive value than the perceived theoretical value of having people under control.

Democratic management might seem utopian now, but a paradigm shift can make it a reality. When will your company make the shift?

MYTH 2: IT CREATES ANARCHY

 [watch the video](#)

Another myth is that democratic management only leads to anarchy. It is based on the assumption that if you are not constantly aware of everything that happens, you are not truly in control. However, an impression that we think we know everything that's happening only gives us a semblance of control. That's where attempts to control everything turn into counterproductive micromanagement.

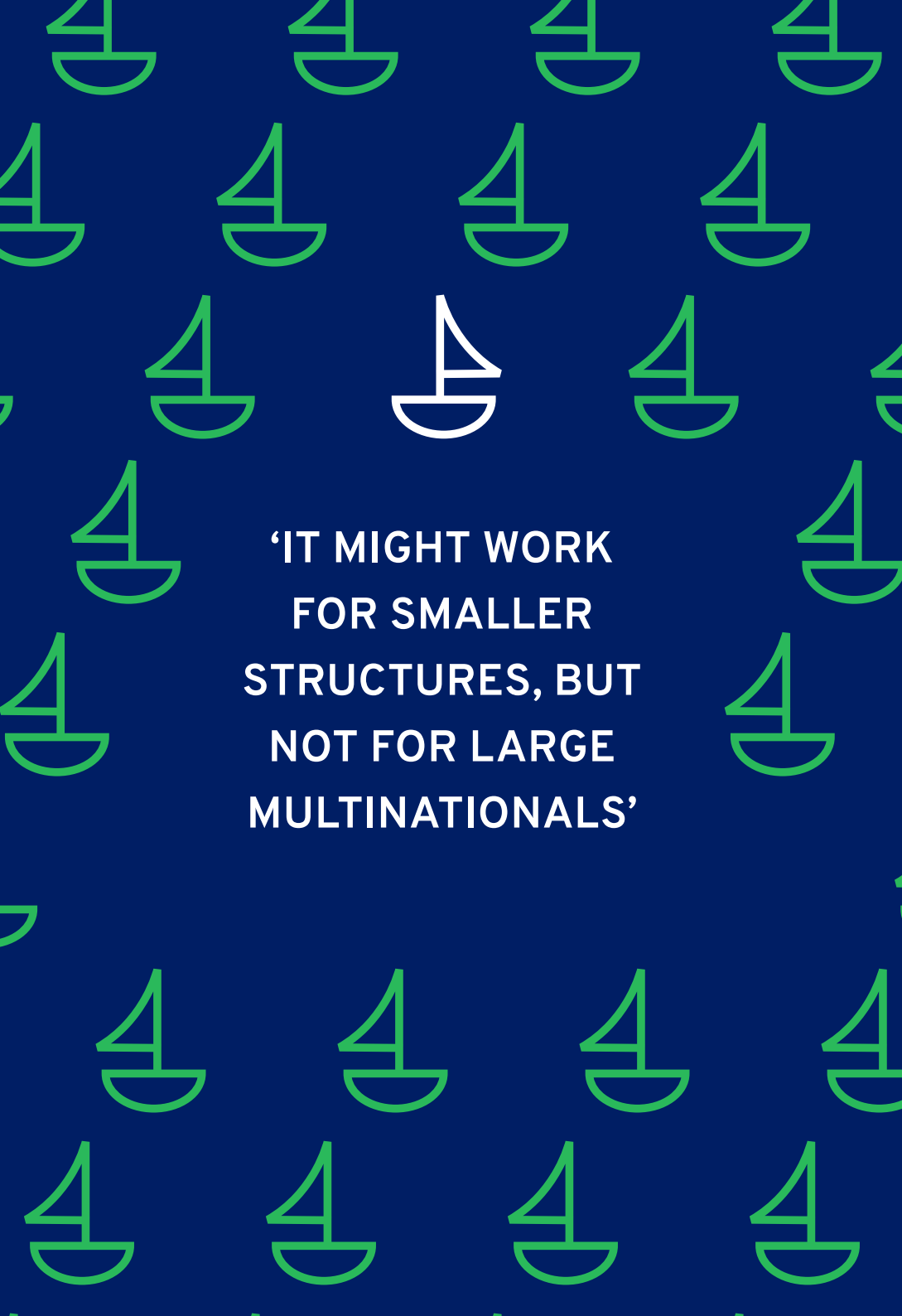
Suppose you're contracting a deliverable. There's something you need, and someone else is willing to give it to you for a certain amount of money and time as part of a bigger project. If you and everyone else working on these individual

components were incapable of self-management, it would be anarchy indeed – but it's actually more like a set of atoms, each working on its own. If you think about it, there are no truly significant complex entities in human life – warfare, biology, traffic – that are not self-controlled. It is simply silly to think that self-management is inherently anarchic and that people will do whatever they want instead of what you've agreed to do.

Once people are treated as adults, they come in and state what they're planning to do, and then they do it. They are far more organized and far more controlled than they seem. Are you ready to let go of the illusion of control?



**'IT FOSTERS
SUBORDINATION
AND LACK OF
RESPECT FOR
LEADERS; PEOPLE
WILL DO WHATEVER
THEY WANT'**



**‘IT MIGHT WORK
FOR SMALLER
STRUCTURES, BUT
NOT FOR LARGE
MULTINATIONALS’**

MYTH 3: IT'S NOT SCALABLE

 [watch the video](#)

The myth of non-scalability emerged 20 years ago, back when Semco was still a small company. Along the way, as Semco grew to have thousands of employees in a given business unit, or many thousands in the company as a whole, we found that size made no difference whatsoever. It works just as well for huge multinationals as it does for small companies. Why? It's essentially about how small groups of people interact. This concept operates on an entirely different premise than the illusion of trying to control a hundred thousand people at the same time.

All forms of collaboration are based on small groups of

people with a joint purpose, interacting with other small groups of people with purposes that temporarily coincide – like sports teams or army squads. Those groups of eight to twelve people are based on freedom, transparency and self-management. In principle, it makes no difference how many of these groups you have. At Semco, we have thousands operating at the same time and it works perfectly – and it works just as well now as when we only had fifty employees.

In any organization, big or small, the effective group size remains roughly the same if each group is allowed to self-manage. How scalable do you want your company to be?

MYTH 4: IT'S OLD-FASHIONED


 [watch the video](#)

The way people work together and the issues that come with collaboration have not changed. The tribal issues, the anthropology behind how a company is structured: those are still the same. By giving people the freedom to express themselves the way that suits them best, and leaving it in their hands how to do their work and when to deliver, you are giving people ownership of what they do.

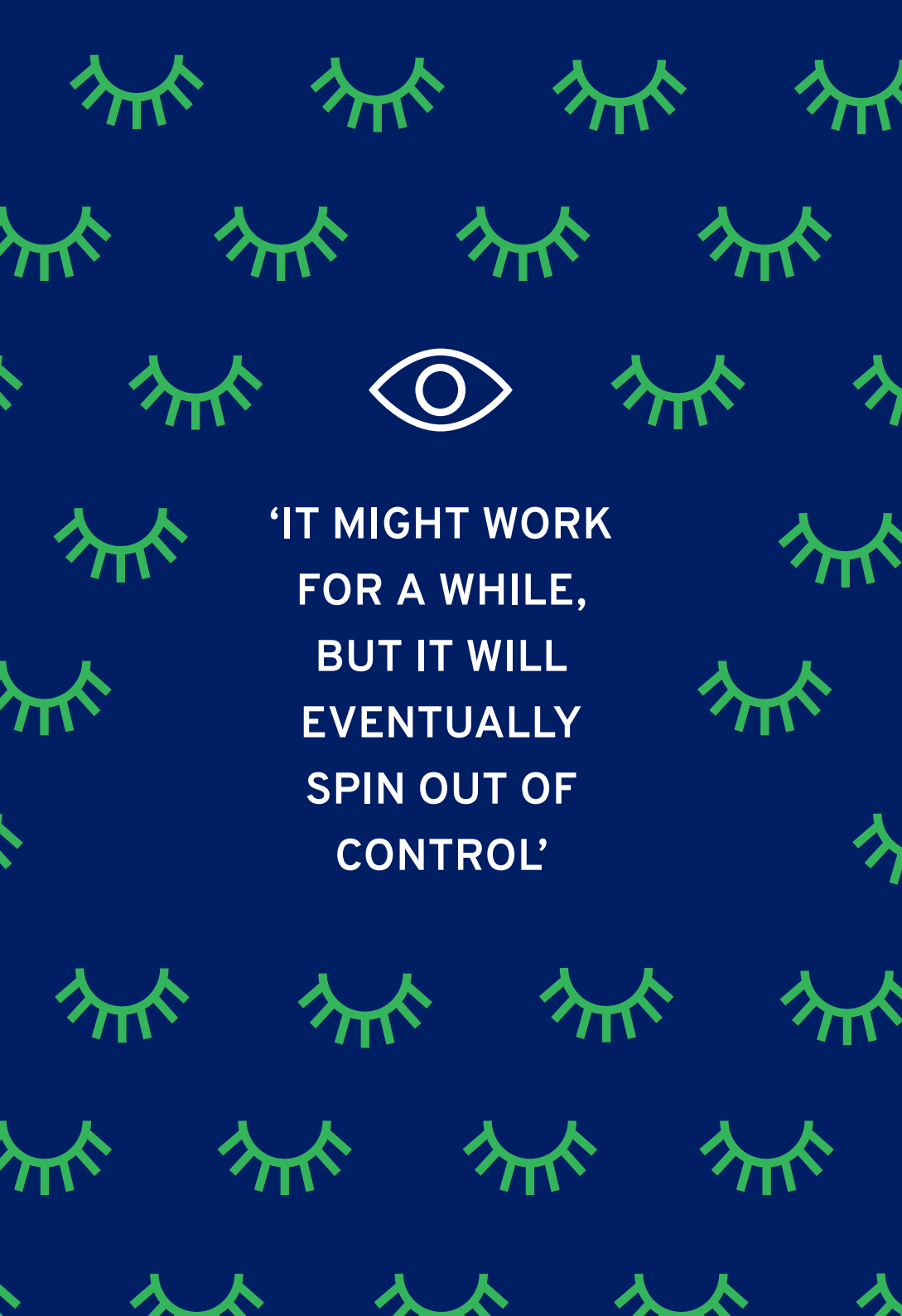
What we used to do in the past is still relevant today. In response to ongoing

innovations and technological progress, the world has grown smaller, which means that things are more like how Semco operated in the '80s or '90s. What seems taboo now worked perfectly fine then and can work perfectly fine now – only now people are ready to accept that it can actually be done.

The world has changed dramatically; the way people work together has not. Collaboration based on ownership is anything but old-fashioned. Are you ready to let go of the taboo?



**'IT MIGHT HAVE
WORKED IN THE
'80S OR '90S, BUT
2017 IS A WHOLE
NEW WORLD'**



**‘IT MIGHT WORK
FOR A WHILE,
BUT IT WILL
EVENTUALLY
SPIN OUT OF
CONTROL’**

MYTH 5: IT'S NOT SUSTAINABLE

 [watch the video](#)

Sometimes people say that democratic management doesn't seem like a sustainable solution. Now you have to take into perspective that we have been doing this for more than 30 years, so it seems redundant to even address the question of sustainability.

However, just imagine people who work in a place where they really want to work, who have control over what they do and how they do it. A place where they can dress however they want to and are paid what they want. Why would people want to exchange that for working under an authoritarian regime, returning to the old nine-to-five job?

This approach will also influence the products people are working on, or the ethics the company adheres to. Ongoing progress and evolution in people's lives will keep the company up-to-date, instead of allowing it to be stifled by sticking to the same brainwashed approach in the walled-off corporate world.

A system that updates itself constantly and allows for adaptability is self-sustaining. Continuous iterative improvement is the most sustainable approach. Is your company up for it?

MYTH 6: IT'S TOO EXPENSIVE

 [watch the video](#)

This myth is based on the fear that people will start asking for more money than they would anywhere else. The concern is that these higher salaries would make the company, business or product too expensive, and therefore unsustainable. However, what we have seen over the past 30 years is that when we give people accurate information about the context of their salaries and cost structure of the company, it's easy for them to see what the right salary would be.

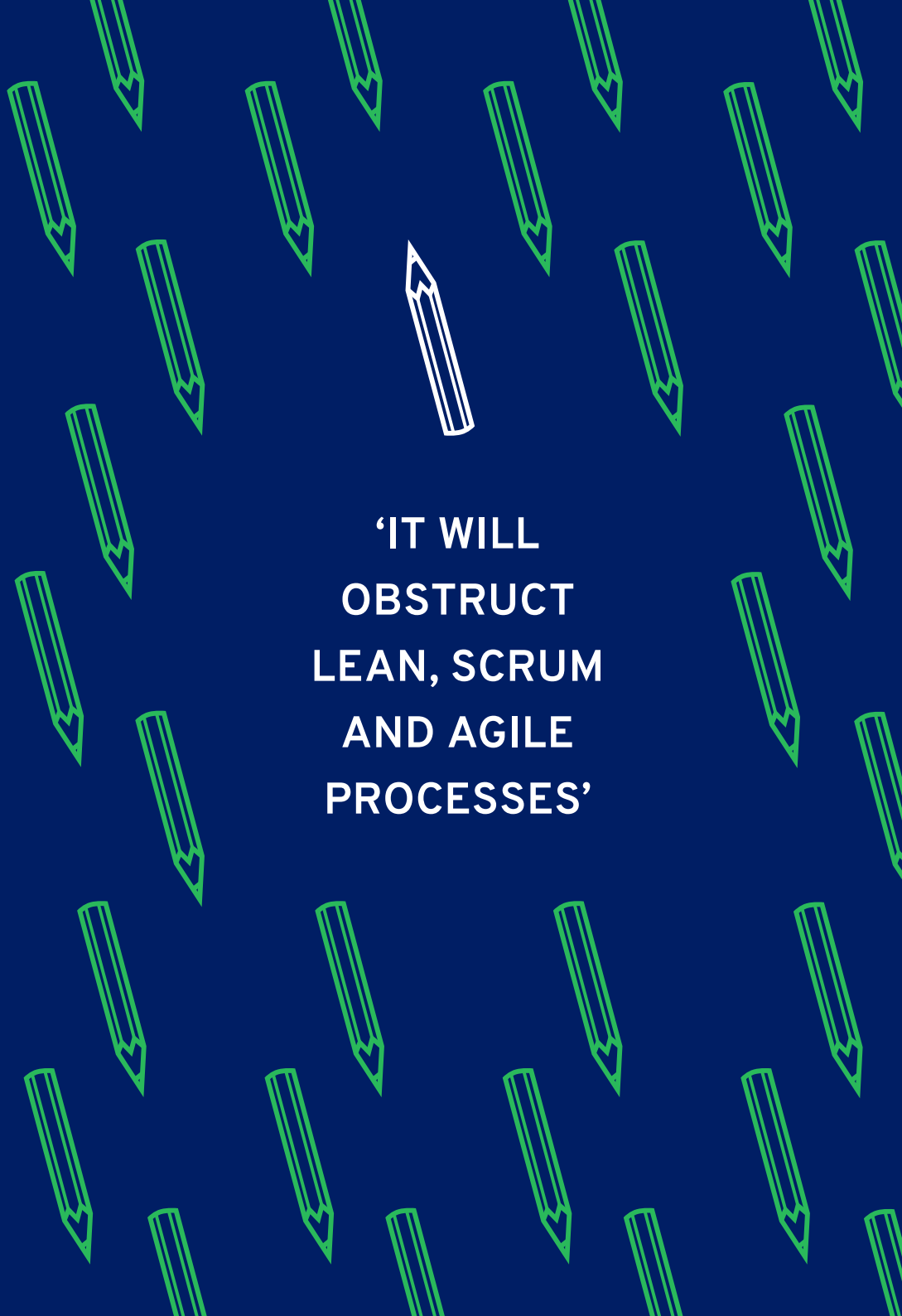
This approach actually makes people aware, and with that awareness comes ownership

of the costs. Paired with profit participation schemes, people are prone to take action related to cost and time reduction. We rarely see that attitude at other companies, because people do not feel a sense of ownership.

People who set their own salaries and only keep the people they really need will create a more effective environment. In essence, you end up with a much more productive structure, which makes an enormous difference in terms of profitability. When will you give back ownership to your employees?



**'IF EMPLOYEES
SET THEIR OWN
SALARIES, THE
ORGANIZATION
BECOMES TOO
EXPENSIVE'**



**‘IT WILL
OBSTRUCT
LEAN, SCRUM
AND AGILE
PROCESSES’**

MYTH 7: IT WASTES A LOT OF TIME

 [watch the video](#)

Today’s businesses require serious maneuverability and the ability to make fast decisions. In order to comply with these criteria, many companies have adopted LEAN, Scrum and Agile processes and ways of working. There is a persistent myth that democratic management will not be able to keep up with these processes.

But the fact is that democratic management requires no rules or regulations, removing the constraints normal companies

have to deal with. That means this way of working is as fast as using those other processes – or even faster. When the company structure is set up to encourage people to do what they believe in, facilitating collaboration and joint purpose, there is nothing holding them back.

Democratic management is as lean and agile as it gets, unleashing your company’s full potential. Are you up for removing the constraints?

MYTH 8: IT'S TOO RISKY

▶ watch the video

A common myth heard from people working in highly regulated environments – like banks or huge institutions – is that this way of working is impossible due to compliance risks. They argue that democratic management would open them up to unacceptable liability. What they actually mean by that is that they believe there is only one way to comply with all the rules and regulations: by following the specific rules in a specific order.

Instead, we have seen over the past thirty years that if you clearly explain the constraints of ethics and legislation and discuss the underlying intent,

people are very capable of working within that framework, just like they are very capable of handling the constraints of everyday life. When these compliance issues are put out there, tell them not just what to do, but why, and they'll do it. Do not let yourself be blinded by a single perspective on these matters; work within the framework and act on its intent.

Trust your employees' judgment and sense of responsibility; their professionalism was why you hired them in the first place. Are you ready to take compliance and control to the next level?



**'THERE ARE
TOO MANY
CONTROL &
COMPLIANCE
RISKS'**



**‘I CAN’T USE ANY
PLUG-AND-PLAY
PRACTICES AND
SOLUTIONS’**

MYTH 9: IT ONLY WORKS IF YOU CHANGE EVERYTHING

 [watch the video](#)

There is a very persistent myth that implementing democratic management is an all-or-nothing approach. But the fact is, there are plenty of elements that can be implemented at a time and pace of your own choosing.

Start by creating freedom in a certain field and setting up an evaluation cycle over six months, and use that information to see what works for your organization. When

you feel satisfied with the results, you can add more elements to the field in the same fashion without any need to rebuild your company from the ground up.

Change is not something that happens overnight, and it only happens when you make a start somewhere.

Why don't you start today?

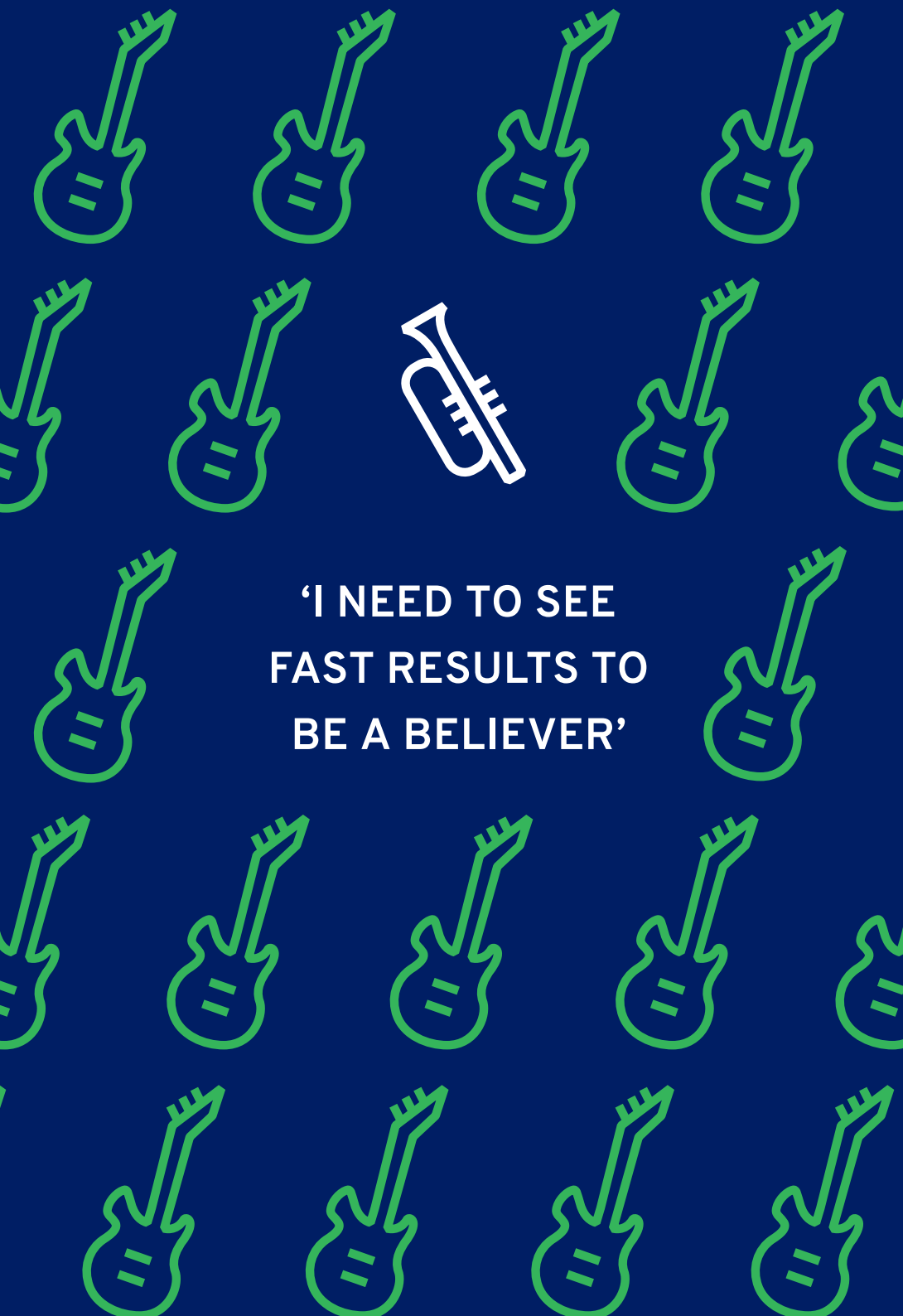
MYTH 10: IT TAKES TOO LONG

▶ watch the video

In the hustle and bustle of everyday life, people tend to go for fast results. Whether it is because people feel pressured by the market, shareholders or a superior, the quick solution often seems the most attractive. Do not confuse the adrenalin rush of fast decision-making with the conviction that you are taking decisive action. Take the hiring process, for instance. Opting to hire someone as fast as you can, might feel as if you have solved your problem, but chances of finding that right person in that time are very small. Instead, it is far better to stop and think

before you start the hiring process. Find out what type of person you really need and let candidates come in for more interviews and meetings; let both parties enter the reality of the workspace with an open mind and unbiased. And then make decisions.

Take the time to stop and consider your options instead of rushing in. Long-term time-saving decisions are better than short-term stop-gaps. How will you balance strategy versus speed?



**‘I NEED TO SEE
FAST RESULTS TO
BE A BELIEVER’**

ABOUT RICARDO SEMLER



Ricardo Semler is a champion of the employee-friendly radical corporate democracy he implemented as CEO of Semco over 20 years ago and has been fine-tuning ever since. He believes that if we simply ask why we do things and devolve power to employees, we're able to create wiser companies—ones that are simultaneously more productive and have a happier workforce.

Ricardo is the best-selling author of classic titles *Maverick* and *The Seven-Day Weekend*. He was Professor of Leadership at MIT's Sloan School of Management and Visiting Scholar at Harvard Law School, and is now working to bring radical corporate democracy to education through Lumiar School.

More info about Ricardo is available at https://en.wikipedia.org/wiki/Ricardo_Semler

ABOUT SEMCO STYLE INSTITUTE

Semco Style Institute offers training programs for consultants, interim managers, corporate change-makers and entrepreneurs who want to implement a 'Semco Style' organization. Working in concert with our network of certified Semco Style consultants, we also offer consulting services to help organizations make the transformation to democratic management or self-management.

Why do we offer these programs and services?

Because we are dedicated to helping everyone have a fulfilling and productive working life and a healthy work-life balance, while allowing organizations to generate healthy, sustainable profits.

Semco Style organizations make this possible by organizing wisely around humans instead of smartly around structures and procedures. They treat adults as adults, put people above organizational modes, and see freedom and self-interest as the basis for collective alignment. At the same time, Semco Style organizations have proven to perform better than traditional organizations.

Semco Style Institute was co-founded by three Dutch entrepreneurs with a history in education and consulting, supported by Ricardo Semler. Semco Style is based on Ricardo's philosophies, formulated in his years as CEO at Semco, the Brazilian company where he first implemented his revolutionary, successful business ideas. Our programs have been developed in full cooperation with Ricardo Semler and his team, the Semco Style Guardians.

The Semco Style Institute commenced operations in the Netherlands in May 2016. We are working with national and international partners to bring the Semco Style Institute programs to other countries, and to grow an international network of Semco Style Certified Consultants.

Want to know more about us? [Get in touch!](#)

ABOUT LEADWISE

We believe that organizations are more innovative, productive and impactful when their employees are happy and engaged.

At Leadwise, we help leaders to create positive cultures in order to attract and retain the best people.

We do this by delivering online courses, in-person workshops, and promoting peer learning through an international community of changemakers.

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