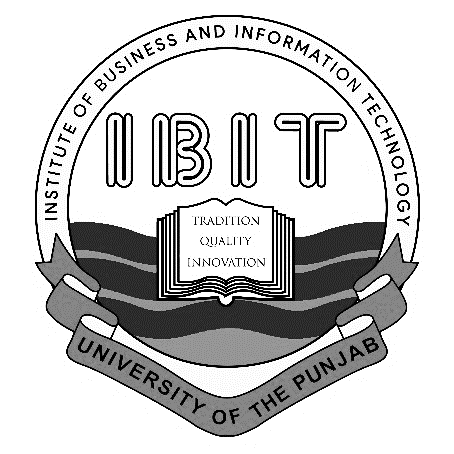
**INTEGRATIVE CASE 1.0 DISORGANIZATION AT SEMCO: HUMAN RESOURCE PRACTICES AS A STRATEGIC ADVANTAGE** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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**QUESTIONS:**

**1-How would you describe Semco’s organization design before and after the changes implemented by Ricardo Semler?**

**ANSWER:** In the early days, Semco was a classic hierarchical structure with centralized control. In fact, Semco’s management maintained a very tight control over employees in the organization. Employees worked extremely hard and lived in fear of losing their jobs for failing to comply with all of the policies or to exceed high expectations. Semler himself adopted this mindset until stress started causing health issues, which prompted him to re-evaluate this management approach for himself and for all Semco employees.

Fairly rapidly, he led the organization to the ultimate in a decentralized design that functions autonomously. Employees work in self-managed teams, and their individual performance and contribution to the overarching goals of the organization determine whether they remain with the company and advance in terms of salary and other forms of compensation. Horizontal communication linkages are strong, and decision-making authority resides in the hands of all employees. Transparency is an important value within the organization, and all employees are given access to all financial documents, including salary and compensation information. Semco appears to have a very motivated workforce that finds fulfillment in work well done. As one employee reported, there is reciprocity: Semco respects its employees and treats them like adults who are capable of doing the right thing for the organization, and in return, satisfied employees work hard and make good decisions that benefit the organization.

**3- . Describe the rather unusual Human Resource policies now in effect at Semco.**

**ANSWER:** Two of the major HR issues discussed in the case are working hours and compensation. Many of Semco’s employees are allowed to work as many hours as they wish from whatever location they wish. Their performance is judged solely on how well they deliver on desired outcomes for the organization. Even in the manufacturing arm of the organization, workers jointly determine when they will work together to produce the company’s various products. Semco employees also determine their own salaries and other forms of compensation, as well as other benefits. If an employee feels he or she deserves a raise, he or she gets one. However, there is an element of peer pressure at work within Semco, or what Semler refers to as the “free market” for employment within the company. The organization makes all compensation information available to all employees, which motivates employees to be reasonable and not abuse this system. Additionally, if an employee does not contribute and earn the compensation he or she has chosen, that employee will most likely be shut out from all of the teams. That employee will be deemed superfluous to the organization and will be let go.

**4- Semco handle downsizing during a weak economy? How did that approach benefit the company?**

**ANSWER:** During an economic crisis most, companies would begin to suffer financially, productivity and employment wise. But Semco seemed to beat the odds. Before they decided to make the decision to downsize workers took the initiative and proposed to take a 30 percent reduction in wages, subject to their slice of profits being enhanced to 39 percent, management pay being reduced by 40 percent, and their being entitled to vet every expense. As the economic situation became better, Semco’s financial outlook stabilized. Even though Semco’s financial health became restored, they feared that because of the instability of the Brazilian economy, they could possibly face hardship in the future so to avoid that the decided to downsize. Unlike most companies however, they were able to use this opportunity to empower their employees and make them entrepreneurs. Because Semco employees were already so loyal to the company they trusted the decisions of the Counselors and in the end greatly benefited from them. As of 1998, nearly 66 percent of Semco’s new products were produced by satellite firms, and 66 percent of its workforce operated through these units. By taking these actions Semco was able to cut costs greatly both in salaries and inventory, and by getting the work executed by individuals who knew its requirements inside out thus not losing out on quality.