



## **Improving Performance by Breaking Down Organizational Silos**

### **Understanding Organizational Barriers**

Restructuring initiatives have become common rather than exceptional occurrences. Some are successful, others not. Once new organizational structures are in place, they typically have their limitations. Virtually every organizational chart or model, in medium to large sized companies, divides employees into business units and/or departments. This is necessary to focus skills and pool common interests and resources to achieve specific company objectives. There is however, a downside that is often not catered for – a silo effect which impacts performance.

In this paper, the silo effect will be defined, the dangers presented by silos will be briefly outlined, and an approach and suggestions to reduce these silos will be discussed.

#### **The Silo Effect Defined**

Silos may be defined as groups of employees that tend to work as autonomous units within an organization. They show a reluctance to integrate their efforts with employees in other functions of the organization. The effect has the propensity to exist throughout a Company, or between subsidiaries within a wider corporation, resulting in division and fragmentation of work responsibilities within the organization. Departments and business units can fragment into even smaller silos based on strong personal bonds, and areas of commonality that differentiate groups of employees from the rest of their department. Silos are a common occurrence, as they exist to a greater or lesser extent in most companies.

The area of an organization in which silos exist will be termed “the division” or “area’ for the purposes of this paper irrespective of whether it takes the form of a department, business unit or any other structure, purely for reading comfort.

Individuals within a given division tend to interact with other employees in their own area more than with employees outside them. This leads them to bond with each other, and feel comfortable working with employees in their area of the Company or “in-group”. In order to be allocated to the same division, employees typically have common interests and often common abilities and work values. Many members may belong to the same professional associations or have embarked on similar courses of study. Thus an in-group is strengthened by commonality on a variety of dimensions between the group members. This is exacerbated by perceptions a given division may have of differences between themselves and other divisions. Employees in another division may be united within the in-group’s perception as a separate team that operates in different ways from themselves, or “out-group”. Out-groups are typically perceived to have different interests and group personalities. They are often believed to have different work values and priorities.

## **What Factors Contribute to Silo Formation?**

### **Incompatible Objectives**

In understanding silo formation it is important to realize that individual divisions often have necessary, but conflicting priorities. For instance, an artistic department in a Company may have artistic excellence, as its greatest priority, whilst the financial department may be concerned with profit, and cost reduction or profit generating activities in the artistic department.

### **Meetings**

In many instances it is easy and convenient for employees to restrict most intra-organizational meetings within a daily schedule to their own division, and focus on its primary objectives. This keeps employees in their comfort zones from both a social and work perspective. Conflict with differing priorities associated with other parts of the organization, is avoided.

### **Incentives**

There are often major incentives for an employee to restrict most personal interactions to their own division. Employees generally report to members of their own division. Performance is appraised and compensation determined based mostly on perceptions from within their division. Work that is required of the employees may stimulate them to focus work efforts within the skill pool of their own division. People sharing similar or complimentary skills may be repeatedly allocated to the same tasks. It is often most viable to form professional networks within the department of people who conduct similar work and belong to the same professional bodies.

### **Sub-cultures**

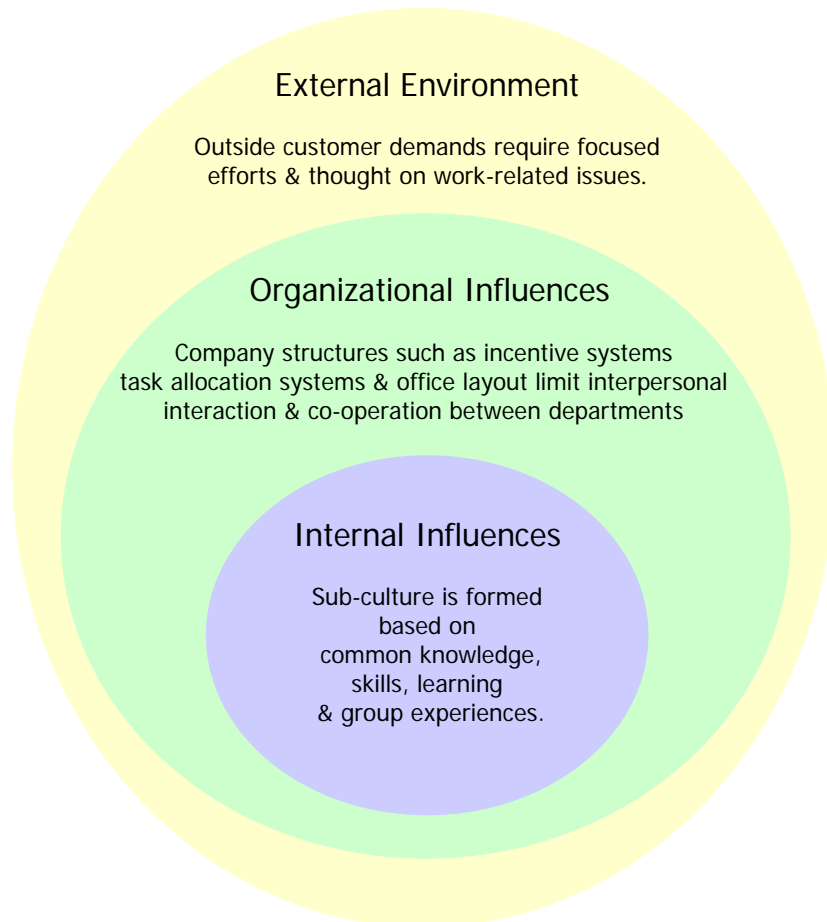
Importantly, when left to their own devices, employees within an in-group form and entrench their own sub-culture that becomes distinct from the rest of the organization. (The term “sub-culture” refers to the creation of new cultural characteristics within a subgroup of an organization.) This sub-culture makes it increasingly difficult for other members of the company to integrate into the group. Outside employees may have difficulty in understanding and articulating this culture and be unable to conform to the social norms it requires.

Employees within a given division or in-group often socialize more with each other even at communal office functions. Members of a given out-group may be and feel unwanted by the in-group within a social context. Employees will tend to feel most comfortable in their own division with their friends. Alternative sub-cultures are hard to crack, different and less inviting. Hence organizational silos are created.



## ***Silo Formation***

There are 3 types of influences that cause silos. Those internal to the silo itself, those imposed by the Company and those that stem from the outside world. These three factors interact to form silos such that each impacts the others, thereby reinforcing the silo system.



# **Why Silos are Dangerous for an Organization**

## **Communication Barriers**

Silo formation is undesirable because it creates barriers to communication between divisions. This facilitates divisions working in isolation, which negatively impacts the work process because there is a lack of integration between functions. This is particularly serious in service-based organizations that compromise on the ability to offer an integrated solution. In virtually every Company where silo effects are present, various broad organizational objectives and goals are not optimally achieved, because the collective brain power and work potential of the organization cannot be fully harnessed.

## **Minimal Co-operation between Areas**

Employees do not co-operate with and assist other departments in the Company as much as they should, costing the firm time, effort and money. Importantly within a Company or Group that offers a variety of products or services, employees may be reluctant to refer work to other sectors of the Company. Given that the rest of the Company is not a priority for them, products and services offered by other members of the Group may not be on their radar screens.

## **The Psychology of ‘Feeling a Victim’**

There is broad recognition of a “communication problem” of which everyone feels a victim. This is unfortunate because it is difficult for existing members of the firm to break down the communication barriers in light of a pervasive feeling of helplessness. The individual employee’s perception of the problem tends to be that it is insurmountable. Employees each feel that it is not their fault and exists outside their personal control. The communication breakdowns lead to errors and finger pointing, as employees want to distance themselves from errors, and avoid taking responsibility for mistakes that could impede their career progression or credibility within the Company. Anger is often directed towards certain people who are fairly or unfairly identified as being at the root of the problem. Finger pointing will also tend to reinforce in-group out-group psychology, as people prefer to antagonize members of other divisions and feel safer placing blame further away from their own divisions.

## **Silos are Long Lasting**

Once silos are constructed, they cannot be easily eliminated. People within silos have a propensity to form lasting friendships. Their subcultures become entrenched. They often socialize after hours with people within their silos and create a social distance between themselves and the rest of the company. As time passes, this distance between silos becomes more difficult to narrow.

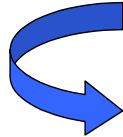


## Why Silos are dangerous: The downward spiral



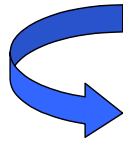
Each division is focused on its own primary objectives

Divisions do not communicate sufficiently or effectively because of the factors that feed into silo formation



Divisions do not co-operate with each other because they are uninformed

The lack of co-operation breeds resentment and a reciprocal lack of giving



Division members feel isolated from other divisions and focus work effort within their own division

Each division focuses on it's own primary objectives



# Overcoming the Barriers of a Silo Organizational Structure

## *Components of a Solution:*

### **The Process**

The elimination of silos is the end result of a process that begins with the articulation of a definition and explanation of the silo situation within the given organization. Employees need to be consulted and given the opportunity to offer suggestions on how to eliminate the silos within the Company. This ensures that definitions and explanations are based on optimal levels of information, communication and understanding. Also employees must be consulted so that they agree in principle with the definition of the silo problem. Employee dissent with components of the definition can cause unnecessary resistance to the process. It is important that the formal definition is created with sufficient sensitivity to the integrity of individual employees and in-groups. This prevents employees from constructing defensive psychological barriers that inhibit the successful completion of the process. Such sensitivity can be achieved by constructing the definition in broad terms as opposed to incorporating any point that would imply personal responsibility. Firms can greatly increase the accuracy of data that goes into the explanation by performing an organizational assessment that includes data gathering by means of employee surveys, focus groups and individual interviews.

Once the problem is clearly defined, solutions must be carefully formulated around both the needs of the Company and its employees. It is very useful while thinking about solutions to define the points at which potential integration between silos could occur.

The most workable and practical solutions are then chosen from the list of options for adoption in the organization. These selected solutions must then be communicated to employees.

The level of employee buy-in to the process is a factor that either enhances the success of an intervention or undermines it. Solutions need to stand up to employee evaluation prior to being adopted. The likelihood and extent of adoption is based on the practical strength and usability of the solutions as well as the perceived desirability of the solution. In other words the likelihood of the recommended solutions being accepted by employees is dependent on the:

- employees' perception of the merit of the solution
- extent to which employees believe it impacts their interests
- logistics of implementation.

Where the solutions impose disadvantages for employees, these can be compensated by the introduction of new advantages from the process. This has to be worked out relative to the practical situation at each Company.

In summary, to convince employees that it is in their interests to fight the silo effect, and that the firm's recommended solutions be adopted, the problem needs to be carefully defined and solutions formulated in ways that are sufficiently attractive to employees to propel them to embrace the process.

Some solutions are likely to be simple, other may be more complex to implement. There is also a need to be flexible during implementation as unforeseen issues may arise that affect the silo



elimination process. Therefore progress must be continuously evaluated and modifications made if necessary.

## **Management Commitment**

In order to eliminate the silo effect, management has to show a commitment to address the negative effects of silos. The importance of the intended improvements needs to be communicated to and internalized by every member of the company. Management needs to lead by example and processes need to be set up to demonstrate their commitment to eliminating silo effects to employees.

## **Messages from Management**

Effective communication of the problem and solutions by management to employees is key to the success of the process. There must be consensus on the course of action to be followed and the ways in which it is to be communicated. Communication options include formal meetings, written notifications, training and individual teaching. Management needs to model the recommended behaviors and demonstrate their personal participation in and commitment to the process. It is essential that sufficient resources within the Company be allocated to the process. It must be clear where responsibility for leading the initiative lies. Senior employees selected to head the initiative must be good teachers and managers, committed to the process and well respected by other employees. Employee commitment may be compromised if management commitment is questioned.

## **Organizational Objectives and Performance Evaluation**

An imperative point on the list of solutions is to define overall company objectives (if they are not already defined). These are communicated to employees, along with the employees' roles in achieving the stated objectives. The reason for this is to assist employees in recognizing common ground. This acts towards minimizing the importance of perceived differences between divisions.

Employees must be evaluated within a performance appraisal process on their performance relative to these broader organizational objectives.

Sample questions could include:

- Does the employee make practical strides towards reaching (specific or broad) organizational objectives?
- Does the employee co-operate with organizational members outside of his/her department?
- Does the employee perform tasks that benefit the rest of the Company?
- Does the employee attend meetings with members outside his/her department?
- Does the employee facilitate the performance of teamwork that includes people outside of his/her department?

In addition to these qualitative questions, quantitative measures should be put in place (where possible) to assess whether employees have co-operated with other departments or Group Companies, and acted towards maintaining a silo-free workplace. Incentive systems may also be



structured to make allowance for credit based on performance on this dimension. Alternative rewards can be put in place. A full explanation of the manipulation of performance appraisals and use of incentive systems to motivate employees to move out of silos requires an in-depth discussion beyond the scope of this paper.

### **Recognize Business Referrals**

Within a Group that offers various products and services, it is ideal that referrals to other components of the Group are recognized within the appraisal process. Ideally financial incentives should be in place to facilitate this. The firm could work on a points system whereby points would be allocated for a referral such that points accrue as credits towards a more substantial incentive.

### **Culture Changes**

In creating common ground, it may be desirable for a company to embark on broad organizational culture changes and to break down some of the components of organizational sub-cultures that inhibit optimal communication between divisions or optimal organizational performance. This needs to be evaluated and the correct interventions determined on a case-by-case basis. Obviously research would need to be conducted to understand the various sub-cultures to obtain effective results. Cultures and sub-cultures are based on deeply embedded underlying assumptions. It is important that these are uncovered and understood by both the employees within the sub-culture and change agents if efforts to break down negative components of the culture are to achieve their objective. Employees within the sub-culture must be able on a rational and/or emotional level to realize the limitations that elements of their culture impose on them. These limitations must be significant enough to the in-group to stimulate a desire for change.

Employees within a silo are only likely to accept solid solutions that solve the problem. These must be present for change to occur. It is important for in-groups and the broader management team to acknowledge that sub-cultures form over time as means of understanding the environment and achieving objectives. They provide coping mechanisms that will not be discarded lightly and without good substitutes. It may be counter-productive, threatening to the in-group and unnecessary to try and disassemble the entire sub-culture. Psychological defenses the perceived threat may elicit can inhibit the continuation of the process. Rather the focus should be on eliminating the barriers that maintain silos and creating openness to other employees and new learning.

### **Task allocation**

Amongst the most effective ways of eliminating silos is the allocation of tasks across divisions such that people from different parts of the organization are encouraged to interact and compliment each other's skills on given projects or segments of work. In some cases this can become an entrenched component of the work methodology. Where possible, feedback into the performance appraisal system needs to be gathered from members of the organization who work outside a given employee's division, and have had exposure to his or her work. Formal meetings should ideally be set up across divisions with agendas of communal interest. This also allows employees to pool their skills and resources and identify the talent and competencies that other members of the organization have to offer them.





## **Social Interaction**

Broad interpersonal interaction must be facilitated at office parties and office functions. Office functions can include sporting events against other Companies to build a broad team spirit within the Company as a whole. This would be a measure that acts towards building a focus on Company spirit as opposed to in-group versus out-group dynamics. It may also increase employees' organizational commitment levels. Similarly team games can be facilitated whereby teams are comprised of people across divisions within the Company. Companies can also briefly survey their employees outside interests. Social events such as cultural or sporting events can then be organized that attract individuals from different divisions of the organization. Including employees across different divisions is also useful within a training context. Discussions on issues that are pertinent to all can be facilitated within training. Common bonds can be created or their existence amplified.

## **Inter-personal communication**

Practical steps that facilitate improved communication must be taken, as communication barriers are integral to silo formation. For instance pertinent communication skills and listening skills training would be extremely valuable. Good training encourages employees to take responsibility for their own communication or lack thereof. Communication training is also valuable in terms of employee perceptions as many may feel that fundamentally the problem is a communication issue. This leads to the employee perception that the firm is attempting to address the issue in ways that are congruent with their own understanding.

Training around the silo issue is useful in reducing the feeling of helplessness the issue will have created. As individuals think about the problem and learn about the active steps they can take, they may be empowered to contribute towards a change and become part of the process. Training needs to be a highly intellectual as well as an emotional exercise where underlying assumptions of sub-cultures are questioned and compelling arguments are presented. An important component of training is to increase communication around mutual understanding of the incompatible objectives between divisions. Employees must be made aware of the reasons for priorities in other divisions that conflict with their own, and the out-groups experience of them. This reduces barriers as it generates new empathy and meaning for employees and gives them insight into alternative perspectives from their own.

Office space and lunchrooms can be utilized to increase interaction between members of individual departments. These are tangible initiatives that employees experience to help them bridge the gaps between silos.

## **Reinforcement and Confirmation**

Where entrenched silos are to be replaced by integrated structures, the change is too significant for managers to communicate in one session only. The key messages need to be regularly repeated to staff. Structures must be set up to ensure sufficient social mingling and continuous use of synergies between divisions over time. Success stories need to be marketed within the organization appropriately to encourage further participation and adoption. Incentive or reward systems can be powerful tools when tailored around the silo issue. Employees generally want recognition for their efforts. Feedback surrounding progress on the silo issue both in terms of



strides made within the Company and in terms of objective benefits that accrue as a direct outcome of the process need to be communicated. Positive feedback maintains employee commitment to the initiatives as they see and feel improvements being made and experience personal recognition for their contributions and achievements.

### **Tailor an Approach to the Individual Business / Group of Businesses**

Pivotal to the success of any workplace intervention is the definition and implementation of clear objectives. In as much as businesses can learn from others, an approach that is tailored to the needs of the individual business should be adopted to yield best results.

## **Eliminating Silo Effects**

