



A matter of trust and respect

By Marcel Côté



As organizations grow and reach a certain size, they frequently share a common characteristic. It is the affliction of the right hand not knowing what the left hand is doing. How often have I heard a senior manager say to a colleague, "If you had just asked, we would have been happy to help." It's a case of every employee for himself, and no one rowing together for the common goals of the company.

The symptoms of the silo effect are easy to recognize: lack of cooperation, internal competition and breakdown in communication. The result is that one division gets pitted against another - head office against operations, one department against another.

The root of the problem

Generally, silos are an offshoot of decentralized management. Ambitious managers, responding to the objectives asked of them, pull those reporting to them along in their quest.

As a result, their department's interest takes precedence over the well-being of the organization. Once one sector starts to see its own goals as more important than those of the organization as a whole, and when individualism predominates over team spirit, silos emerge.

Silos are a perversion of the decentralized management concept. The CEO may have set demanding objectives and given managers the authority and means to achieve them. One manager may be instructed to increase sales, another to reduce costs and a third to keep a tight rein on finances. In delegating responsibilities, CEOs often forget the importance of teamwork in meeting objectives.

The results are not hard to predict. Lieutenants concentrate on their personal objectives and disregard those of the whole. Since they don't expect their peers to assist them in reaching their objectives, they in turn make little effort to cooperate with other managers. Rather, they convey the message that achieving their department's goals is paramount and other departments can take care of themselves.

Abandoning the decentralization model is not the solution to the silo problem. Large organizations cannot be managed properly if power is concentrated at the top. Decentralization means delegating authority to subordinates. But with this authority come

responsibilities and, in particular, placing the interests of the company ahead of their own department's.

Building trust

Managers must learn to trust and respect their peers and share their objectives. Mistrust and disrespect allow silos to flourish, hence, the silo effect. If managers do not trust another division, and if they do not share in their objectives, they will not cooperate and silos will appear.

CEOs must promote the essential values of their organization, and respecting and understanding each other across divisional structures is one such value. Just as a modern organization cannot function if its executives are cheating it, it also cannot prosper if they do not trust one other. And trust is impossible without mutual respect.

The mark of a successful CEO is the ability to manage these values and the principles that support them. Promoting mutual trust and respect is made more difficult when a CEO assigns ambitious goals to each lieutenant. More-over, measuring performance on cooperation is not as easy as assessing whether a sales target has been met. But both objectives are as important, and if one is not measured, it will not be taken as seriously.

Units that morph into silos

Silos reduce efficiency. This is most evident in large diversified firms when the silo effect spreads throughout business units. Knocking down those barriers can be an important contributor to value creation; and it will make way for sharing services, skills and systems across units and will encourage best practices. Above all, it will also reduce unproductive tension in an organization.

Cooperation is essential among the various business units of diversified companies. A business unit has no purpose in a portfolio unless it interacts with other units and either benefits from them or contributes to their success. Any business unit that lacks such ties should be sold to a company that can better exploit its potential. Barriers between business units within the same company are harmful and should be eliminated.

Business units that transform themselves into silos, with little interaction with the rest of the organization - and there are many in large companies - should be sold. If silos cannot be eliminated, they should be traded away.

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