

Break down organizational silos

Facilitate cross-company coordination



Didier Avril, série Storytelling

Our sources

This synopsis is based on the publications presented below and on the back page.

The Silo Effect

Gillian Tett, Simon & Schuster, 2015.

Team of Teams

General Stanley McChrystal, Portfolio Penguin, 2015.

Many businesses are divided into “silos,” that is, separate departments that focus primarily on their own objectives rather than those of the organization as a whole.

Although they are widely criticized today, these silos were originally created to support organizational choices based on past experience. They allow businesses to assign teams to tackle major challenges, such as excelling in a specific business line or success in a given market. When Sony decided to deploy a business unit organization in 1993, these entities significantly reduced costs and increased margins, multiplying profits by 13 in just four years! This model also fosters employee empowerment and engagement by addressing the instinctive human desire to belong to a tribe with shared codes and objectives.

However, this autonomy often comes at the price of strong compartmentalization. Information stays largely within a given silo, and teams don’t know how to work together, or may even act as rivals. This hinders both

learning and the ability to join forces to innovate or conduct a concerted strategy—qualities that have become essential in today’s fast-moving business environment.

This is why many business leaders now feel the need to “break down organizational silos,” i.e., to lead business units to cooperate to achieve common goals. That being said, people generally do not easily give up the comfort and power conferred by autonomy! To address this challenge, experts recommend acting in 3 ways:

- **Unite people around shared goals and challenges**, by making units jointly responsible for clear and tangible objectives.
- **Build bridges between units**, by encouraging employees to establish interpersonal bonds and structuring the sharing of information.
- **Facilitate spontaneous cooperation**. Once people become better acquainted and pursue shared goals, they are often well-placed to identify the most effective ways to join forces.

In this synopsis...

- 1 The challenges of siloed organizations
- 2 Provide good reasons to collaborate
- 3 Build bridges
- 4 Facilitate spontaneous collaboration

1 The challenges of siloed organizations

Organizations structured into highly specialized and autonomous entities or units experienced immense success throughout the 20th century. By focusing teams on specific markets or functions, while giving them a great deal of discretion on how to achieve targeted objectives, companies have encouraged

The dynamism brought by organizing a business into autonomous units is not sufficient to tackle the challenges posed by rapidly changing markets.

employees' dynamism and excellence in their area of responsibility. This organizational model has also facilitated the rapid expansion of global corporations, which needed only create new business units to tackle new segments.

Today, the silo model seems to have reached its limits. The compartmentalization of skills is proving to be a brake on innovation and adaptation, key factors to succeed in unpredictable, complex environments.

In fact, to remain sustainable and innovative, businesses structured into autonomous teams must address three major challenges:

1 Better sharing of information

In rapidly-changing markets, the flow of information is critical. However, the siloed organizational model, as its name indicates, emphasizes the compartmentalization that often goes hand-in-hand with specialization and business unit autonomy. Information is certainly consolidated at headquarters, but not all. More importantly, information doesn't flow smoothly across the organization. This is why, at the 1999 Las Vegas tech convention, Sony displayed two music players with relatively similar features, but incompatible digital formats! Caught up in the race to innovate, the two divisions concerned hadn't bothered to share their research,

nor the choices they had made as they advanced with their respective projects.

2 Improve coordination

Focused on their own objectives, business units are not particularly inclined to make the effort required to coordinate with one another. Worse, power struggles and competition for recognition or resources quite commonly drive units to act as rivals. In fiercely competitive markets where margins are tight, internal competition destroys valuable opportunities to optimize performance, for example, by aligning purchasing practices, pooling resources or coordinating customer-facing initiatives. When Sony's new CEO arrived in 2005, he was shocked by the sudden realization that he personally owned 35 Sony devices, each with a different electrical charger!

3 Succeed at getting people to join forces

As markets shift, companies may need to adopt approaches that cut across traditional organizational boundaries. Business units must do more than just coordinate with one another; they must actually join forces to design completely new or integrated products and services. This is the challenge, for example, encountered by construction industry players whose customers expect not only the delivery of buildings or tunnels, but also optimized operation and maintenance over the life of these facilities. For construction firms, this means integrating the efforts of entities with a long history of significant autonomy in very different occupations.

To meet these challenges and thus overcome the limitations of organizational silos, the experts recommend working on three dimensions:

- Provide good reasons for people to cooperate;
- Build bridges between units to facilitate contacts and information flow;
- Promote the emergence of spontaneous collaboration initiatives.

2 Provide good reasons to cooperate

Cooperation takes effort, and the benefits are rarely immediate. People must thus have good reasons to engage in these efforts and to persevere. Leaders who have managed to reinforce cross-company collaboration often got the ball rolling by engaging people around objectives that can be attained only by working in concert.

1 Engage people around the customer

The goal of better responding to customer needs is often the most unifying rallying point (Figure A). Indeed, this objective is generally perceived as legitimate and potentially beneficial for everyone involved. That being said, this often requires a major effort of outreach and communication – while remaining lucid about the fact that this awareness is rarely enough in itself to change behavior; rather, it is a basis for supporting change efforts towards more cooperation. This, for example, was the starting point of the CFO of Unilever in Mexico. When he first arrived on the job, he went out to meet with customers to understand why they were turning away from the company's products. He observed that the problem was largely caused by operational deficiencies—products running short in stores, promotional campaigns impossible for retailers to implement, etc. Sharing this observation with the executive committee was an effective trigger to convince Sales, Logistics and Marketing that they needed to work together. Their joint initiatives rapidly gave rise to an upturn in both sales and margin!

The challenge of better coordination focused on customer service has led some organizations to entirely reconsider the way they are structured. This was certainly true for the Jones Lang LaSalle commercial real estate firm. This firm was split into three large units, each dedicated to a specific

business activity: representing tenants who wished to lease or purchase, maintaining buildings and properties, and managing real estate development. The biggest accounts, however, needed all of these services, and their satisfaction suffered from the uneven quality

People must have good reasons to make the effort to cooperate.

provided by the various divisions and geographies. An integrated unit dedicated to New York City, separate from the three main divisions, was created in 2002 and achieved excellent sales performance. This inspired the firm in 2005 to restructure its organizational model into two divisions, one dedicated to key accounts and the other focused on local one-off

transactions. Performance markedly improved as a result. Even so, this radical restructuring approach is not a panacea. As observed in the *Harvard Business Review* article, *Change for Change's Sake*, any structural choice has its limitations. For example, when a restructured organization generates a leap in performance, this is often due to the attention paid to issues that went unnoticed in the old organization—in this case, the need for an integrated service offering—more than to the intrinsic value of the new organizational structure.

Give business units a stake in overall performance

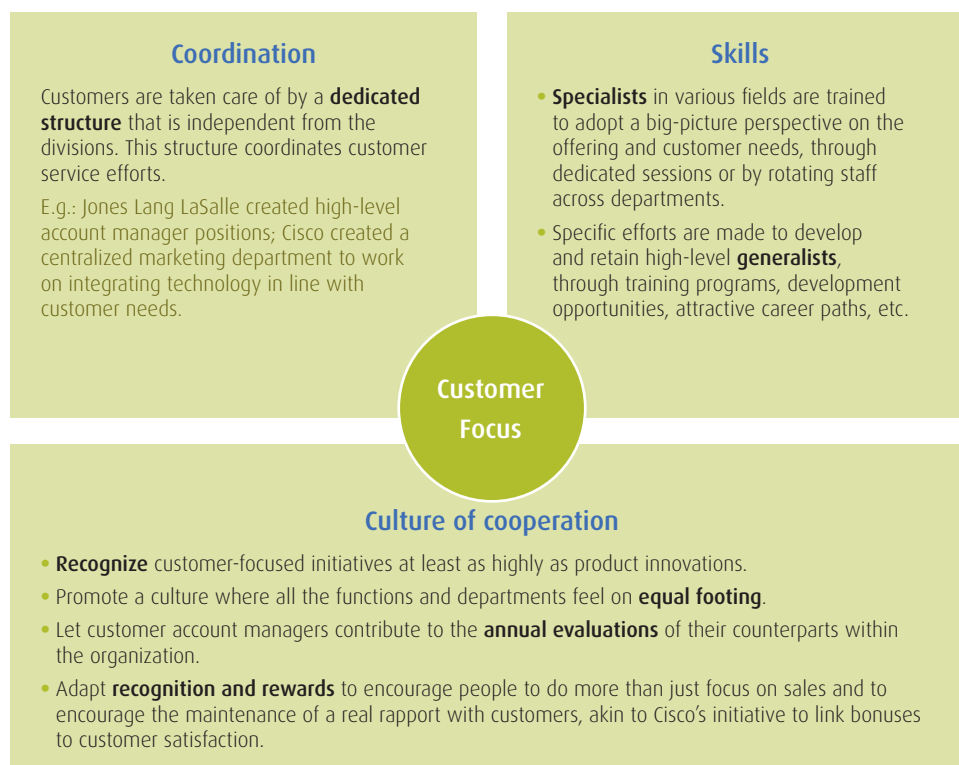
Emphasizing shared interests, such as the need to improve customer service or generate performance improvements, is necessary but insufficient.

Even when shared interests are theoretically clear, people must initially devote a lot of time and resources to start collaborating. Yet the outcome is uncertain, and they cannot predict how much they will personally benefit! Companies are therefore advised to adapt their goal-setting and recognition systems to link individual and local interests directly to the common good. Lou Gerstner adopted this approach when he became CEO of IBM in the early nineties. At the time, there had been some talk about chopping the company up into seven separate companies. Lou Gerstner preferred instead to bet on uniting the various business lines to provide integrated customer service. To create the needed impetus, he modified the bonus system to link individual compensation to the company's overall performance, rather than just performance of the home unit.

FIGURE A Focus on the customer to break down organizational silos

Many executives say they would like to shift the focus of the organization from selling products to responding to the needs of the customer. In practice, however, their efforts run into difficulties in achieving collaboration across divisions whose offerings must be integrated the best to serve the customer well.

Three important areas of work emerge from observing companies that have managed to surmount this challenge:



Based on *Silo Busting: How to Execute on the Promise of Customer Focus*, Ranjay Gulati, Harvard Business Review, May 2007.

Bring out cooperative behaviors

People can't simply be ordered to cooperate. Indeed, cooperation is based on daily micro-behaviors and gestures which are as much reflexive as deliberately intended. This is illustrated in a study by an MIT professor, Sandy Pentlang. He equipped employees at several companies with badges designed to trace their individual interactions. The findings highlight a strong correlation between team performance and creativity and the intensity of day-to-day individual interactions, both within the team and with external counterparts. Day-to-day behavior is what makes the difference. Rather than hold a few structured meetings, companies must endeavor to establish a culture in which people share information, exchange ideas and engage in discussion.

Beyond encouraging entities to work together toward common objectives, companies must hence seek to influence the work culture. When Lou Gerstner set up his new bonus system, he simultaneously devoted major efforts to explaining the underlying rationale. More than a simple compensation system, he used it as a driver

to change the mindset of employees. More generally, individual objectives, annual evaluations and performance reviews must encourage people to cooperate, communicate and show team spirit.

3 Build bridges

The anthropologist Gillian Tett, author of *The Silo Effect*, stresses that the silo phenomenon results from a very natural human need. In reality, we all need to feel part of a tribe, that is, a group where we can identify each

Breaking down silos requires mixing teams and actively facilitating the flow of information.

member and with which we share a common frame of reference. However, this sense of belonging also fosters a worldview that establishes a clear difference between "us" and "them." That is why most large corporations have clear dividing lines between the headquarters and subsidiaries, between business units, between the front and back office, between the production

plant and support teams, etc. In companies where it is possible for everyone to know everyone else—that is, with a workforce under 150 to 300 employees, according to researchers—these dividing lines are less systematic. They may nonetheless be just as noticeable when very different professional communities or cultures cohabitate.

It is thus better to start from the assumption that people always find it more natural to collaborate within their own team or unit than with others—and engage a proactive approach to compensate for this reflex by organizing the flow of communication and points of contact across the various entities.

Adapt the organization of workspace

In most successful de-siloing experiences, adapting the workspace is cited as a major success factor. Indeed, the way space is organized partly molds behavior. Teams don't work or communicate in the same way if they are scattered across many small closed offices versus working in a big open space. Businesses seldom have as much latitude as they would like to reorganize their facilities, but they can still utilize many mechanisms to facilitate

FIGURE B Organize cross-company "melting pots"

Encouraging people to join other teams temporarily is an excellent means to build bridges across the company. These exchanges help people gain a broader understanding of the company's challenges and establish personal bonds which facilitate cooperation. To be successful, however, this intermingling requires certain key success factors:

PROFILE TYPES	MELTING POT METHODS AND OBJECTIVES	KEY SUCCESS FACTORS
New hires	Design an integration program lasting a few weeks or months, in which people participate in the life of other departments. Newcomers can thereby begin to build their network, become better known to the organization and integrate rapidly.	Assign a mentor or ask the person's future boss to provide coaching . Regular update conversations will help these newcomers actively observe, make sense of their observations and understand the company culture.
Experienced employees	Transfer an expert from one department to another for a few months to enable him or her to become immersed in a team with which they regularly interact. The expert then plays an ambassadorial role, becoming a bridge between the two teams and integrating the issues and challenges of the other team.	Be willing to do without a particularly talented employee who is in a position to be an effective ambassador. Employ a careful selection process to ensure that the person transferred possesses not only the requisite expertise, but also the interpersonal and relationship skills to fully build the link.

contact across the organization. One hospital, for instance, built covered passageways between buildings to make it easier for people to physically travel between departments. It also revised the allocation of facilities to shorten the distance between departments that would benefit from working together more frequently, such as rheumatology, orthopedics and traumatology. Setting up areas where people are obliged to encounter one other—e.g., a lounge at the junction between two departments; office supply cabinets and printers positioned in common spaces—also creates opportunities for informal contact. These are places for people to become better acquainted and discover what their colleagues are up to. Such spaces not only help to foster more cordial relationships between departments, but also facilitate spontaneous professional discussions in which ideas are circulated and generated.

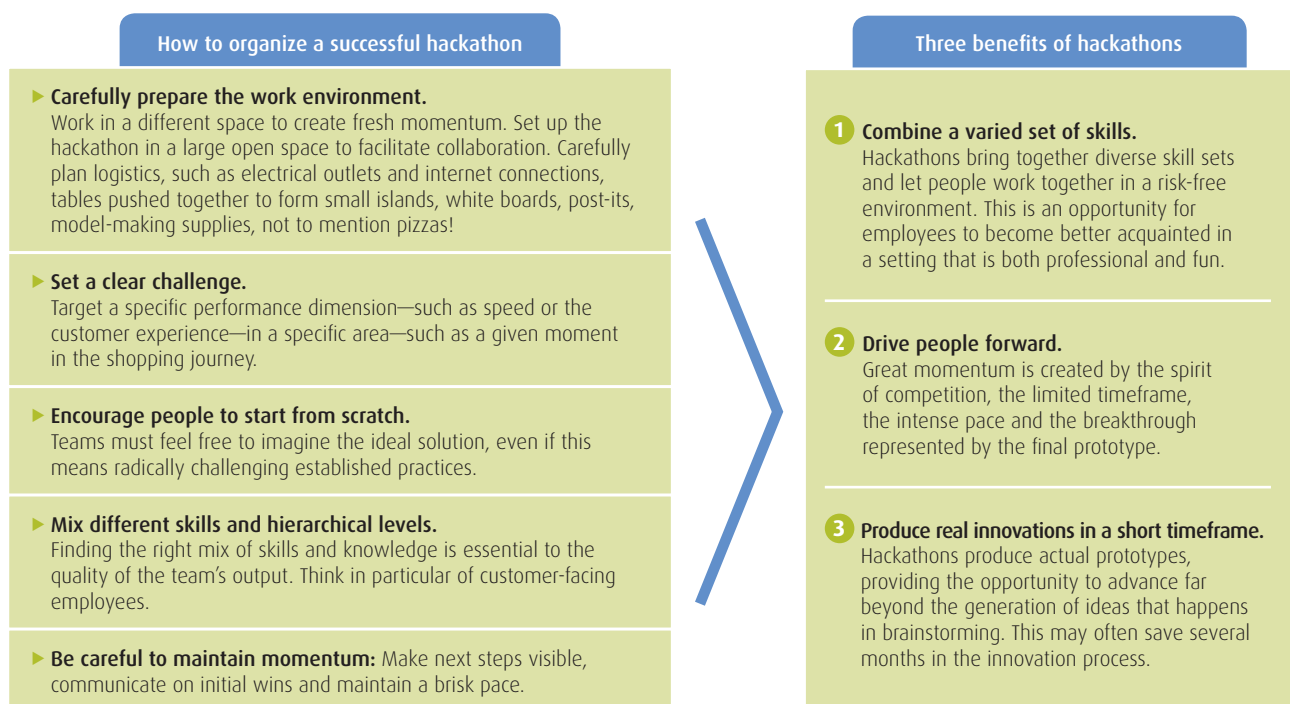
Organize staff rotations

The obstacles to cooperation are reduced considerably when people become better acquainted. If, for example, a member of the marketing team has had an opportunity to work several weeks with the company lawyers, there is a good chance that he or she will change how marketing colleagues view legal issues. Indeed, he or she will have established bonds with the legal team, gaining a better understanding of the latter's mindset and constraints. This type of cross-pollination has been observed to reduce generalizations, negative assumptions and rivalry. Moreover, armed with this experience, the concerned marketing professional will be able to interact with legal experts more effectively and call on them more easily when needed. And he or she will also probably share advice in this arena with colleagues.

Various methods can be used to create such networks of relationships (Figure B). Staff can be exchanged temporarily across departments. General McChrystal, the chief of the U.S. Joint Special Operations Task Force in Iraq, did precisely that. He asked every unit to send one member to another unit for six months. The links thus created considerably reinforced trust and the quality of transversal cooperation. Facebook instilled *Hackamonth*, a practice in which people, after 12 or 18 months in the same job, join another team for a few months, then choose to remain there or go back to their old team. The integration period for new hires can also be put to good use. Facebook has a six-week program during which new hires get to know the various teams in the company. In the process, the newcomers also forge relationships with one another, facilitating continued links once they have

FIGURE C Organize successful hackathons

Hackathons were originally defined as events which brought together teams of developers for 1 to 2 days, who were challenged to design an application prototype to present at the end of the allocated timeframe. Nowadays, hackathons refer more generally to collective innovation challenges held over a limited period of time. The goal is to produce an innovative prototype in a given domain—a new store concept model, a beta version of a smartphone application, an interface display screen, an after-sale service process diagram, etc.



Based on *Demystifying the hackathon*, Ferry Griepink, Alan Lau, Javier Vara, McKinsey Quarterly, October 2015.

joined their respective teams. Other companies have organized systematic rotations in which new employees spend their first six months in different teams to develop a general perspective of the organization and build their network. *Hackathons*, one or two-day events gathering mixed teams around an innovation challenge, can also be a good source of inspiration. The virtue of these events lies as much in the fact that different teams come together as in the ideas that are generated (Figure C). Finally, encouraging people to participate as often as possible in cross-functional projects also offers excellent opportunities to build bridges between teams.

Facilitate the flow and sharing of information

Organizational silos are also very often reflected in the way the company's

IT systems are configured. The various departments often store information in a dedicated space on a server and don't think—or want—to share this data with the others. New technologies, however, represent a real opportunity to break down communication silos and facilitate the sharing of information. The company's social networks offer innumerable possibilities, starting with instant messaging tools and online employee directories (Figure D). Similarly, the company may find it beneficial to rethink the principles governing information storage and accessibility. Rather than attempt to identify the relevance of information to particular departments, the company should broadly share all data that isn't truly confidential. This is because deciding in advance which data might be useful to others can be tricky. For instance, when the New York Mayor's Office decided to share data on indebted households

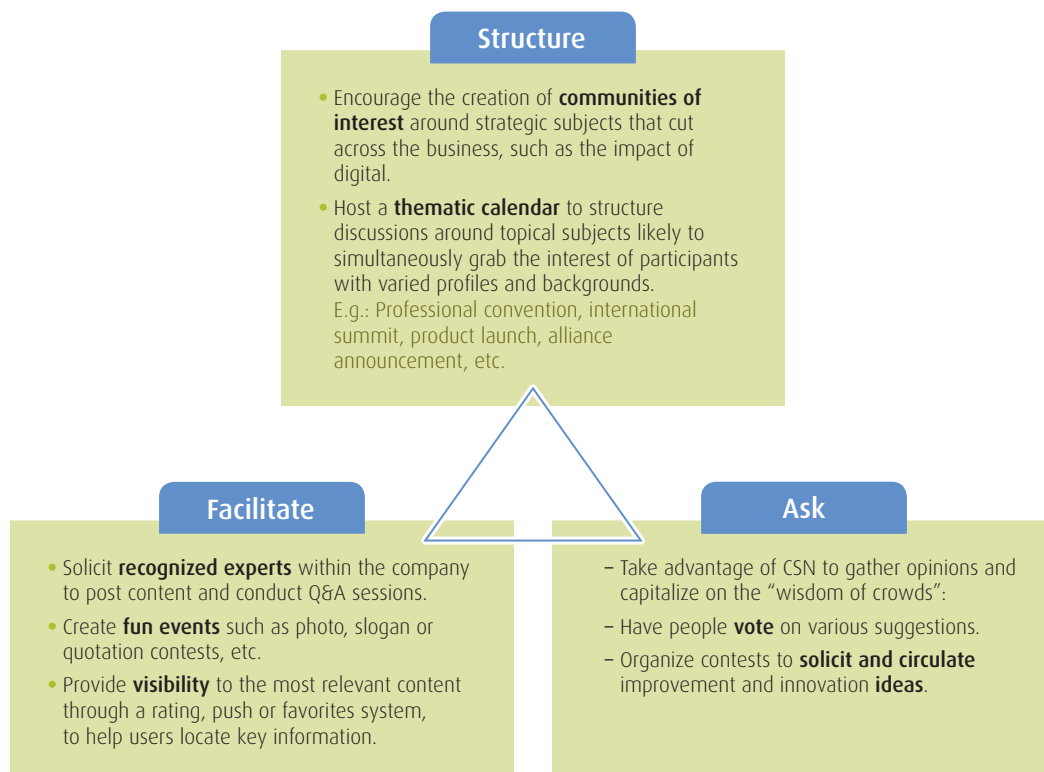
internally, it never imagined that this information would prove invaluable to the city's Bureau of Fire Prevention. By mapping the location of indebted households, the fire brigade observed a strong correlation with the risk of fire in these often rundown homes. As a result, highly targeted prevention measures were taken in at-risk buildings and the number of fires decreased considerably. Facilitating access to data scattered throughout the organization thus often helps to identify hitherto unsuspected opportunities.

Organize the flow of communication

Reorganizing the manner in which communication flows is another means to break down organizational silos. A major facet of General McChrystal's efforts to improve communication and cooperation was to provide the

FIGURE D Use corporate social networks to share knowledge effectively

Corporate Social Networks (CSN) are a good way for companies to support the sharing of information and knowledge across different units. But many companies have been disappointed to note that the mere existence of social networks does not necessarily guarantee results. Those who have been able to tap the full potential of this resource have adopted a three-pronged approach:



resources to hold a daily video conference that brought together practically every entity mobilized in the conflicts in Iraq and Afghanistan, including embassies, local FBI bases, etc. This not only enabled the general to optimize coordination, but also instill the desired collaborative culture.

The establishment of a cross-flow of communication does not necessarily require the addition of new channels, the flip side of which may be to accentuate information overload. The potential of existing channels should be explored first to facilitate the circulation of key information. Unilever, for example, used to maintain some 400 different intranet systems, that is, practically one site per country, brand or function. Communication was not always coherent, and people had trouble finding the right information. The group decided to move to a unified intranet system, available in 20 languages. This leap toward greater simplicity markedly improved the flow of information. In the same spirit, the finance director of General Electric replaced the annual seminar, in which successive presentations were given to describe the various branch strategies, with shorter and more frequent work sessions. At these sessions, the business lines share their observations on market trends and discuss the implications for the company strategy. This simple change in format allows for a better flow of communication and richer discussions among the leaders of the concerned departments and functions.

4 Facilitate spontaneous cooperation

Many leaders worried about the existence of organizational silos would already be delighted to get all departments cooperating fully on strategic projects. Indeed, surmounting the rivalries or indifference that often hinder the attainment of the goals identified by company leaders is already a big step forward. But this vision may well overlook a critical aspect, namely

the emergence of spontaneous cross-company collaboration at all levels of management. In a world that requires businesses to adapt frequently and fast, everything can't be driven from the top.

To combat organizational silos, it is important to target cooperative reflexes at all levels.

Establish "connectors" between teams

Spontaneously, everyone wants to build teams composed of the best specialists. In so doing, however, we lose sight of what makes it difficult for teams to work together, because each domain of expertise naturally possesses its own jargon and frame of reference. Employee rotation programs do a lot to attenuate this problem. Yet, companies

The most effective collaboration is not necessarily organized top-down.

must go even further, if possible, by ensuring that each domain of expertise is composed of at least 10% generalists. These team members may well be seasoned professionals in their home team's domain, but they are characterized by the ability to easily cross borders. They usually have a keen sense of curiosity and are interested in other areas, understand the culture, feel quickly at ease with other teams and willingly master their jargon. Integrating people with this profile greatly facilitates spontaneous interactions between teams.

Redefine the role of the manager

People's willingness and ability to take initiative depends strongly on the attitude of the manager. To foster spontaneous collaboration, managers must give up trying to referee all decisions. By leaving room for autonomy, they let people find the best ways to cooperate. This may seem like wishful thinking, but General McChrystal tried it successfully. Formal procedure

dictated that he had to validate all air strike decisions personally. Having created the conditions to ensure that everyone involved shared information and had the same understanding of the priorities, he chose to give priority to the speed of decision. He consequently delegated these decisions to the concerned parties, and observed a marked improvement in performance, both in terms of shorter cycle times and team accountability. Those involved had a general overview of the situation, were well-aware of the constraints and strengths of the other teams, and hence coordinated well with one another. They pooled their resources or spontaneously made tradeoffs on scarce resources, such as the provision of a drone. General McChrystal reports this change in role as difficult and sometimes uncomfortable. Indeed, it required him to forfeit the rewarding role of decision-maker for that of what the general called a "gardener"—that is, focused on creating the right conditions for people to interact in the collective best interest. Yet this was a major collective performance improvement driver.

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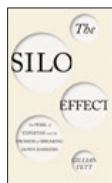
There are major advantages to organizing a business into autonomous units focused on reaching excellence in their respective domains. The downside, however, is often the creation of organizational silos that can be handicapping in fast-changing environments. Radical restructuring is not necessarily required to eliminate these silos. However, companies must take proactive measures to rally everyone around shared objectives and build bridges across units, but also to adapt leadership practices.

Our selection

To find the best ideas on this subject, we recommend the following publications:

The Silo Effect

Gillian Tett, Simon & Schuster, 2015.



The anthropologist author casts her detached professional eye on the phenomenon of organizational silos, both in business and the public sector. She shows that silos meet a basic human need to gather in like-minded groups in which it is easy to tell who is in or out. In the first part of the book, she also shows the potential detrimental effects of this reflex on many different levels, including risk management, information flow and innovation. Organizational silos prevent the formation of a general picture of the situation, as well as the combination of different talents—abilities that have become extremely valuable. The example of competing innovations amongst different

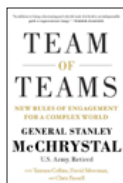
departments of Sony is particularly enlightening.

In the second part, the author shares best practices of organizations which have effectively managed to eliminate silos. She also describes the benefits derived therefrom. New York City Hall, for instance, was faced with a dramatically high number of residential fires. By encouraging collaboration across very different departments, such as social services and urban renewal, the mayor's office managed to identify at-risk buildings well in advance and take adequate fire prevention measures. The author underlines the importance of adapting work spaces, as well as processes, and of maintaining constant efforts to avoid the formation of new silos!

This book intelligently combines anthropological and organizational approaches by underlining the best practices which readers can transfer to their own organization.

Team of Teams

General Stanley McChrystal, Portfolio Penguin, 2015.



General McChrystal took command of the American Task Force in Iraq in 2004. The American army there was struggling at the time. The general's first reflex was to invest more resources and organize more raids—in vain. Ambushes, deadly terrorist attacks and loss of strategic points continued to increase.

He then realized that this situation could only be reversed by radically modifying traditional practices. He tackled the silos that compartmentalized the many players involved—various army corps, intelligence services, embassies, etc. He gathered all the analysts in one big open space, sat himself in the middle and covered the walls with screens to track operations as they took place. This change shook habits of compartmentalization and competition between teams. People were astonished to see the general holding conference calls on loudspeaker! By constantly initiating exchanges of personnel and information, McChrystal managed to get the various departments to cooperate. The difference was quickly visible on the ground, as the number of operations, but especially their relevance and quality, increased dramatically.

Have no fear—this isn't a boring account of military operations. The author provides many relevant parallels with the business world. Examples borrowed from Bell, Boeing, Facebook and NASA make it easier to transpose the lessons drawn. He shows how companies who have been able to overcome the limitations of silos have organized themselves into networks of teams, supported by regular communication flow, staff exchanges, cross-functional projects and shared challenges.

This book is particularly interesting on two accounts: a first-person recounting of little-known aspects of American operations in Iraq and the story of a noteworthy experience in organizational de-siloing.

And also...

We also relied on the following publications:

- **Silo Busting: How to Execute on the Promise of Customer Focus**, Ranjay Gulati, Harvard Business Review, May 2007.
When customer focus becomes a key driver for breaking down organizational silos.
- **Change for Change's Sake**, Freek Vermeulen, Phanish Puranam, Ranjay Gulati, Harvard Business Review, June 2010.
There is no such thing as an ideal organization. Forcing yourself to regularly change it is perhaps the best way to avoid becoming anchored in habits that inevitably have a downside.
- **Get Out of the Silo**, Edward H. Baker, Strategy + Business, January 2009.
An interview with Professor David Aaker, who underlines the limits of organizational silos for the marketing function.
- **Demystifying the hackathon**, Ferry Grijpink, Alan Lau, Javier Vara, McKinsey Quarterly, October 2015.
Hackathon-type challenges are not reserved for digital businesses; don't hesitate to organize a hackathon to combine expertise and accelerate the innovation cycle.
- **Keeping multibusiness companies running smoothly**, Brian Worrell, Steve Weiner, Jean-Hugues Monier, McKinsey Insights, December 2013.
The finance directors of General Electric and Unilever expound on the good practices they use to boost the performance of these two great corporations.

Further readings

To explore this topic further:

- **Encourage cooperation** (Manageris synopsis 232b)
Cooperation between teams is a key driver of agility, but it is not easy to establish. How can we create the conditions to get people to want to invest in the collective game?
- **Participative management in the 2.0 era** (Manageris synopsis 218b)
In times of free exchanges in discussion forums and instantaneous information flow through social networks and Twitter, traditional in-company communication channels look archaic. How can one nourish a real conversation between an organization and its employees?
- **Foster cooperation across organizational boundaries** (Manageris synopsis 202a)
Rather than a question of ill will, lack of cooperation is often a result of the visceral need for belonging that governs our interpersonal relationships. How can we take this need into account to boost collaboration?

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