

Tunnel visions

Vince Cable

The Silo Effect: Why Putting Everything in Its Place Isn't Such a Bright Idea

Gillian Tett

Little, Brown, 304pp, £20

Readers of the *Financial Times* will already know that Gillian Tett is a gifted, innovative and informative writer. She is the author of one of the best books on the financial crisis, *Fool's Gold*, an account of the world of investment banking seen through the eyes of a trained social anthropologist. (Tett wrote her PhD about the marriage rituals of the Tajiks, and is used to living among and observing the behaviour of strange tribes, from a remote corner of the former Soviet Union to the trading floors of New York.)

She has now turned her attention to the phenomenon of silos in organisations. Most of us are familiar with the tunnel vision that afflicts people who follow the norms of their particular department to the detriment of the whole. Without silos or compartments, large organisations would drown in a sea of chaos, but unless there is a mechanism for transcending them, all manner of damaging consequences follow. Her examples of silos include the New York Fire Department, which presided over numerous tenement fires, ignoring key indicators from other departments at City Hall, until a smart official began to join the dots and predicted fires from the database of the building inspectors. Big corporations, the military, university academics and large banks are fruitful sources of examples.

The most damaging instance of silo behaviour in recent times was the failure of governments, bankers and regulators to spot the emerging financial crisis. Tett looks at the UK establishment's wilful blindness, all the less forgivable for having the best brains of a generation in critical positions: Mervyn King at the Bank of England and Howard Davies at the then financial regulator, the FSA, among others. She examines the crisis through the experience of a top, but countercultural official at the Bank, Paul Tucker. He sensed that something was not right and noticed that some of the main indicators, notably M4 – broad money – were wildly out of line with where they should be. No one wanted to know, and particularly not the professional economists whose world-view was dominated by mathematical models that assumed efficient markets and rational expectations.

Picture caption with underline

I know how Tucker felt, because at the same time I was asking questions about reckless bank lending and the apparent bubble in house prices. I was regarded as a crank, or a malicious banker-basher, or someone whose economics had got very rusty. I recall being told at a Bank lunch that the models didn't suggest any problems and that it was none of their responsibility anyway.

In my five years in cabinet I experienced the silo problem at first hand. The cuts in local funding were having grave implications for social services, and thus for sick people's ability to support themselves without going to hospital. But that was the problem of another department. The job of the Home Office was to protect our borders, whereas my department was there to promote overseas students, highly skilled migrants and visiting businessmen, and to proclaim that "Britain is open for business". Occasionally

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we had visitors from China and elsewhere, coming here to place export orders or plan investment in the UK, being turned away in case they might become asylum-seekers. David Cameron's otherwise commendable hands-off style of management, in contrast to the control-freakery of his predecessor, had, as one of its unintended consequences, a revival of ministerial silos.

Tett doesn't allow herself to become paralysed by analysis. She devotes half of her book to successful examples of how creative management can overcome silo thinking. Technology companies that seem invincible today can become the dinosaurs of tomorrow if they do not constantly adapt and identify the silo mentality that can lead to extinction. Facebook is a good case of an

organisation which has sought to build in defence mechanisms to prevent the firm succumbing to the silos that have emasculated Sony. Facebook was among the early users of "hackathons" to bring together staff from across the company to do collective problem-solving. A deeper problem now, however, is that its recruits, though extremely bright, are all of a similar age, nerdish disposition and personality type. It has become very good at breaking down old silos but increasingly its staff constitute a tribe apart, with distinct values and a tendency towards arrogance: not unlike the investment bankers of a decade ago.

Before becoming an MP, I worked for Shell, which had many of the silo problems of large bureaucratic organisations. The Upstream explorers and engineers had a different set of values from, and rather looked down on, the boring accountants and marketing people in Downstream. The scenario planning team had the job of challenging silo-based views and seeing the big picture. When I was there, 25 years ago, the team was successful in inserting the issue of global warming into an agenda dominated by relentless technological optimism about the future of hydrocarbons, and also in focusing attention on the potential of emerging markets such as China and India.

In government, silos were sometimes challenged successfully. I inherited a big department that my predecessor had put together from business policy teams and universities. At the time, critics dismissed the exercise as mere empire-building. But it worked in getting universities, which had defensive silos – "ivory towers" – to see the economic importance of what they did, and business, which often regarded "academic" as a term of abuse, to see the value of collaborating with university engineers, research scientists and others. Now, universities such as Teesside, Northampton, Plymouth, Wolverhampton and Lincoln have become the centrepiece of their regional economy.

I also witnessed the problem of "short-termism". Savers want long-term returns and companies want long-term capital, but the transmission breaks down when there are financial intermediaries in their silos with a short-term perspective, derived from their incentive structure. A recent cultural change has prompted the main institutional investors to sign up to a more collaborative, long-term approach.

Tett writes beautifully and her book is full of insights. Those who do not know her work should make up for the oversight. ● *Vince Cable was secretary of state for business, innovation and skills from 2010 to 2015. He will appear at the Cambridge Literary Festival on 29 November*