**What is silo?**

The term silo is derived from the Greek σιρός (siros), "pit for holding grain" a structure for storing bulk materials. Silos are used in agriculture to store fermented feed known as silage, not to be confused with a grain bin, which is used to store grains.

**Organizational silos definition**

Organizational silos in business terms is defined as the separation of different types of employees, often defined by the department in which they work.

**Why do organizational silos exist?**

Organizational silos form when leaders, and ultimately employees, are allowed to develop more loyalty to a specific group or team than to the employer or company as a whole.

The unfortunate reality is many companies regularly create environments that allow organizational silos to grow and flourish. Lack of direction from the top regarding overarching corporate goals, fostering an environment of mistrust and a lack of formal communication gives tacit permission for leaders and employees to form silos.

**What causes organizational silos?**

### 1. Lacking a team mentality

A common cause of organizational silos is a lack of understanding as to how a particular department or team fits into the bigger picture, causing the executive or leader in charge of that team to focus on what we can refer to as local goals vs. company goals.

### 2. Competing for resources

Organizational silos can also exist because groups are forced to compete for resources. This happens every budget cycle and every discussion about additional headcount. These discussions are typically run as a zero-sum game, meaning if a dollar or head goes to one department, another department does without. Unfortunately, this situation is actually true as few companies have unlimited budgets, so the pie has to be shared.

### 3. Lack of communication

Many times organizational silos are created because of a lack of communication between the teams. This starts at the top in the leadership team. In [a previous series](https://www.lightercapital.com/blog/why-teams-fail-fear-of-being-vulnerable" \t "https://www.lightercapital.com/blog/_top) on The Startup Finance Blog, I discussed the five dysfunctions of a team, in which I wrote about the importance of trust and communication in the decision-making process – and the need to communicate decisions down into the organization.

### 4. Losing focus of company goals

Organizational silos can be caused by groups having a focus on immediate results vs. larger company goals. The engineering team might drop a key feature in order to make a particular schedule. They make their schedule and look good; however, the overall product suffers. The sales team is focused on getting signed deals, not necessarily whether those deals are good for the company.

### 5. Misguided incentives

Organizational silos can also be caused by misguided incentives. It is all too common to see different teams incentivized in ways that can actually conflict with the success of the company.

**What happens when organizational silos exist?**

**Unhealthy relationships form between groups**

When organizational silos exist, it tends to create bad relationships between groups and group leaders.

**Groups lose sight of company goals**

When groups within the business have different priorities and have lost sight of the overall goals, silos happen.

**Breakdown in communication between departments**

Marketing might be at odds with engineering because they never know when a new release is coming out, or maybe don’t have a complete list of features because of a breakdown in communication.

Engineering may dislike sales, because maybe the sales team keeps selling features that don’t really exist yet – putting tremendous pressure on schedules.

Customer support has to deal with all of the issues the customer faces when using the product, so their relationship with engineering is strained at best. Customer support also has extensive data about how customers use the product, but maybe they don’t share because they don’t like the engineers.

You get the point. Marketing fights for dollars so they can advertise, engineering always needs more developers and testers, and the list goes on.

Each department is more concerned with their view of the world and there is little communication between the teams. This is definitely not a healthy situation.