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PERSONAL DEVELOPMENT

On the Several Risks of Working in a Silo

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Silos have long been a familiar landmark on the rural scene. Nowadays, they are large, multistory concrete structures used to store hundreds of thousands of bushels of grain on farms. Despite their pastoral association, there are a couple of obvious risks of working in and around silos—namely, the threat of a small spark causing a dust explosion, as well as the presence of noxious and combustible gases released by fermenting grain.

THE HIDDEN DANGERS OF SILOS

There is another peril known in the lingo of agricultural workplace safety as “engulfment” or “entrapment.” This peril frequently results in the suffocation or crushing to death of farm workers who are literally buried alive inside a silo with little or no warning by a sudden avalanche of grain. Such silo fatalities are more prevalent in the corn-growing Midwestern states, disproportionately casting teenage boys in the role of victims. Whether due to insouciance, ignorance or the mere presumption of immortality, young men will make the risky decision to climb into a silo to loosen clumps of damp corn caked to the inside walls without taking necessary precautions. They should probably know better, yet the fact remains that in these situations a risk is taken and too often the worst happens.

Aside from their physical presence, silos exist in metaphorical form too. These are the figurative silos that wall off and impair communication and knowledge sharing within organizations. Contemporary management treatises routinely bemoan the negative effect of silos on corporate innovation and growth. However, and at a personal level, working in a corporate silo can

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be an effective way to safeguard one’s expertise—and thereby preserve one’s job as well as a helpful paycheck. These welcome benefits are in sharp contrast to management’s abiding concern that organizational silos, particularly when combined with scant documentation, can translate into significant key-person risk.

Closer to home, what effect might working in a silo have on the individual actuary? There’s a natural tendency to double down on a sure bet in a given practice area, eschewing professional diversification, even though textbooks say spreading risk is the prudent thing to do. And keeping one’s head down, ignoring broader contextual issues and their implications—all in the furtherance of keeping one’s current job—is okay when things are working well but may not be as successful in an evolving workplace in which things are not working quite so well.

THE BENEFITS OF VENTURING OUTSIDE ONE’S SILO

Taking a broader interest in actuarial matters may seem incompatible with the wall-to-wall workaday demands that allow no spare time or energy for diversions. Yet taking a professional interest outside one’s silo—by reading an article or attending a session or webinar beyond one’s traditional ambit—can yield benefits—if only an appreciation of how other actuaries live. It’s been said that learning a second language leads to a deeper understanding of one’s first language. In the same way, delving into the world of catastrophic event modeling, or embedded policyholder options, or the paradox of pension funding, for example, when one doesn’t work in those areas, can yield new insights into actuarial practice writ large and may translate into greater effectiveness in one’s daily work too.

Konrad Lorenz, the noted Austrian behaviorist and Nobel Prize winner, once observed:

Every man gets a narrower and narrower field of knowledge in which he must be an expert in order to compete with other people. The specialist knows more and more about less and less and finally knows everything about nothing.

In two brief sentences, Lorenz has neatly described the motivation that underlies an open-eyed and deliberate pursuit of specialization. Though an actuary may take justifiable pride in his or her ability to deal with myriad detail and technical complexity, this can be a risky approach. After all, it’s nearly impossible to keep abreast of every development in one’s silo—akin to Lewis Carroll’s Red Queen, who runs and runs but is fated to remain in the same place. And what happens if circumstances should change unexpectedly someday? How—or perhaps how well—might the specialized actuary adapt in a new environment?



THE HYPHENATED ACTUARY

A practical consequence of actuarial silos is the use of terms like health actuary, investment actuary and so on—hence the birth of the hyphenated actuary, something we very much take for granted today. On reflection, actuarial specialization is entirely consistent with the economic principle of the division of labor, a hallmark of the Industrial Revolution. Using the well-known example of the pinmaker, Adam Smith, in the first chapter of his *The Wealth of Nations*, described how specialization translates into greater productivity. And it seems pretty clear that relying on the division of labor to deliver economic efficiencies, as a business strategy, is still with us in our modern Information Age.

Smith picks up the division of labor thread later on in his work when discussing education, and he includes an interesting comment on a potentially limiting countereffect:

[T]he understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose whole life is spent in performing a few simple operations, of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding, or to exert his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion,

and generally becomes as stupid and ignorant as it is possible for a human creature to become.¹

So, and perhaps not too surprisingly, there is some tension inherent in professional specialization—between dealing with the exigencies of the day and preparing for an uncertain tomorrow. A typically actuarial trade-off.

I wonder what it was like before actuarial silos came to be—before the advent of the hyphenated actuary, in a time when generalists ruled. And what may come afterward is open to conjecture. Will it be the Lorenz-type expert who “knows everything about nothing” endgame? No one can say for certain. Yet in this light, silo safety, as it were, seems a good idea worth bearing in mind, if only to ensure that one’s chosen silo doesn’t accidentally become an inadvertent tomb. ■



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ENDNOTE

- 1 Smith, Adam. 1776. *The Wealth of Nations*, 5th ed. Repr., New York/Toronto: The Modern Library, 2000, p. 840.