



The UNITE Circular Organizational Structure

The circular organizational structure is an alternative to a classical pyramid organizational structure. It supports in particular agile organizations who are operating in fast-paced environments and allows to tap into the intelligence of all involved.

A part of the Digital Leadership Capability Management Reference Content: #DL-MS-OD-COS.
More information on this model is [available here](#).

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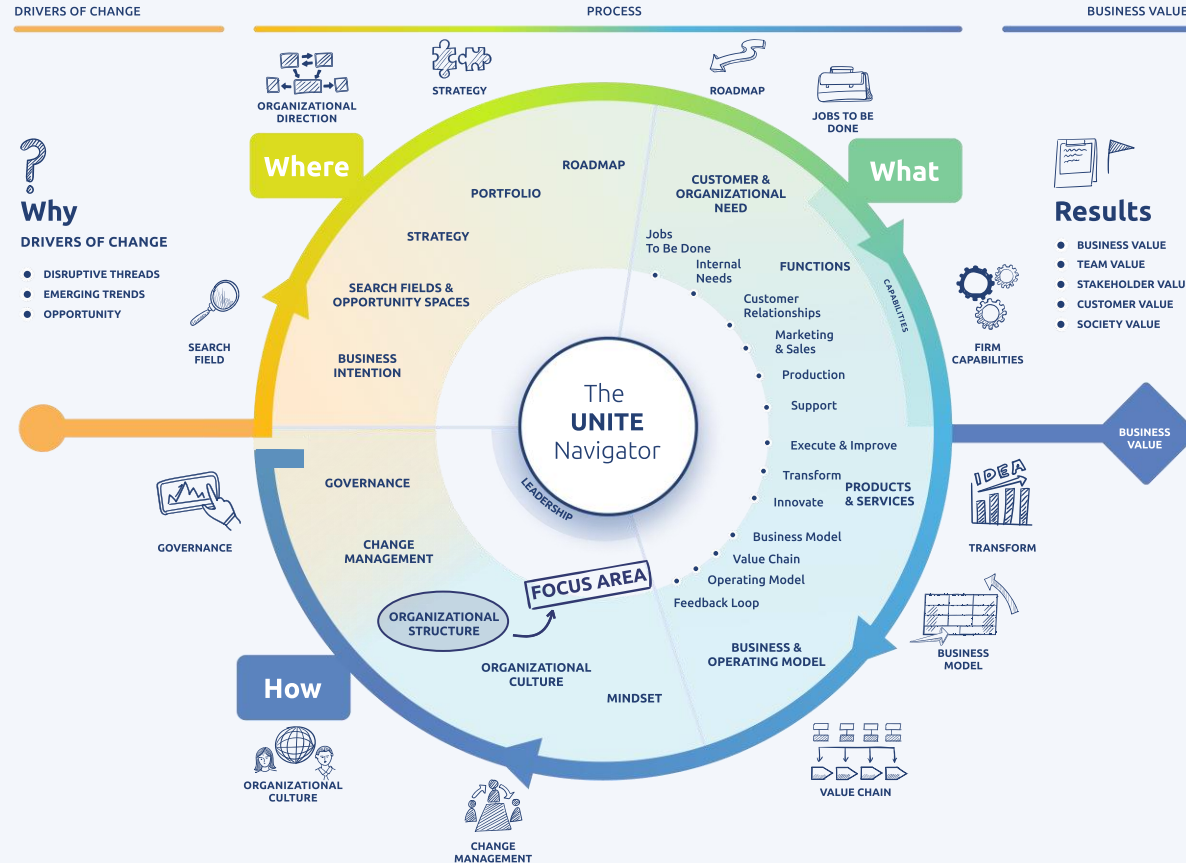
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THE UNITE NAVIGATOR – An overview and introduction to all UNITE models



- > The UNITE models are the by far largest library of innovation and transformation models on the Internet. They cover all areas of digital strategy, innovation, transformation as well as any related field.
- > The UNITE Navigator provides an introduction and overview of all digital-related fields.
- > As part of today's presentation, we will focus on *organization and more specifically on an organizational design that allows to pursue all three horizons of growth.*

Background to the UNITE Circular Organizational Structure

Why we use it

Classic pyramidal type of organizational structures are rigid, slow, top-centric and siloed.

While such a structure may lend itself to efficient production, it is not well adapted to organizations wanting to innovate or organizations which require adaptability in changing times.

The circular organizational structure is a superior response for organizations seeking to pursue objectives such as agility, employee involvement or innovation.

How it works

The circular organizational structure gives as much responsibility as healthily possible to decentralized sub-circles where the value is created (principle of subsidiarity).

This allows to take decisions exactly where the know-how on how to solve question or impediments are the highest. This equally allows the outermost rings to achieve the greatest possible interaction with the ecosystem in which the organization is embedded and it empowers the circles generating the value to steering the organization and help mold it in the best possible shape.

Leadership of a circle is distributed among the members of the circle. This enables rapid adaptation to unpredictable market events.

What is the goal

An organizational structure that can respond with agility. Circular organizations can dynamically adapt to changing circumstances, enable employees, allows joint leadership and are a perfect basis for innovation or any other change to happen effectively.

> Please read the [related chapter in the book](#) to fully understand the concept of Circular Organizational Structure.

The challenge of organizing for innovation

Classical organizations are typically organized like a pyramid with one man at the top in charge of the decisions and the many at the bottom who ultimately execute orders.

This structure has several shortcomings: it leads to a rigid and siloed structure, it does not utilize the brainpower of the many, it does not respond to the fast-changing nature of markets, and particularly not the needs of an organization seeking to innovate and change itself which requires great adaptability.

To create innovation or transform any kind of organization, we therefore need to follow different design principles then classical organizations which are designed for stability and instead **design an organization that is designed to explore, adapt and maximize the utilization of brainpower of all involved.**

This means we need agility over rigid structures: the structure needs to flow and adapt to changing circumstances in the blink of an eye while still offering a sense of belonging to those involved and we need to ultimately involve everybody and giving the team(s) the authority they need.

As part of this download package, we are going to discuss the core principles of a self-governing organization that responds to the needs we identified, how to set it up, how its constituting circles work as well as how to scale it as your initiative grows.

Introducing the self-governing organization

The self-governing organization is based on a circular organization model. This type of organization is built on well-known foundations including lean/agile, sociocratic, integral, systemic and systems theory teachings.

The circular organization is based on the strict principle of subsidiarity. As much responsibility as healthily possible is located in decentralized sub-circles where the value is created. And therefore, as many decisions as possible are made exactly where the know-how on how to solve question or impediments are the highest. This allows the outermost rings to achieve the greatest possible interaction with the ecosystem in which the organization is embedded and it empowers the circles generating the value to steering the organization and help mold it in the best possible shape.

The organization is divided into a series of non-overlapping rings, each containing a number of teams displayed as circles. A circle (= team) consists of 1 - 10 colleagues and a simple design rule applies: as few circles and fixed relationships as possible - to reduce cooperation costs - and as much as necessary - for the orientation of those directly affected.

Leadership of a circle is distributed among the members of the circle. This enables rapid adaptation to unpredictable market events. We can quickly reflect, react and adapt to changes. From the aspect of leadership, we no longer speak of top-down, rather about outside-in, since it is the outermost value creation ring molding the organization as it sees fit for the market requirements.

THE UNITE CIRCULAR ORGANIZATIONAL STRUCTURE

TYPES OF CIRCLES

Communities of practice

ITP – IT practitioners
MP – Marketing practitioners
PP – Production practitioners

Collegial Groups

CG1 – **CG5**

Pool

FA – Facilitator
MO – Moderator

TYPES OF RINGS

Business Ring

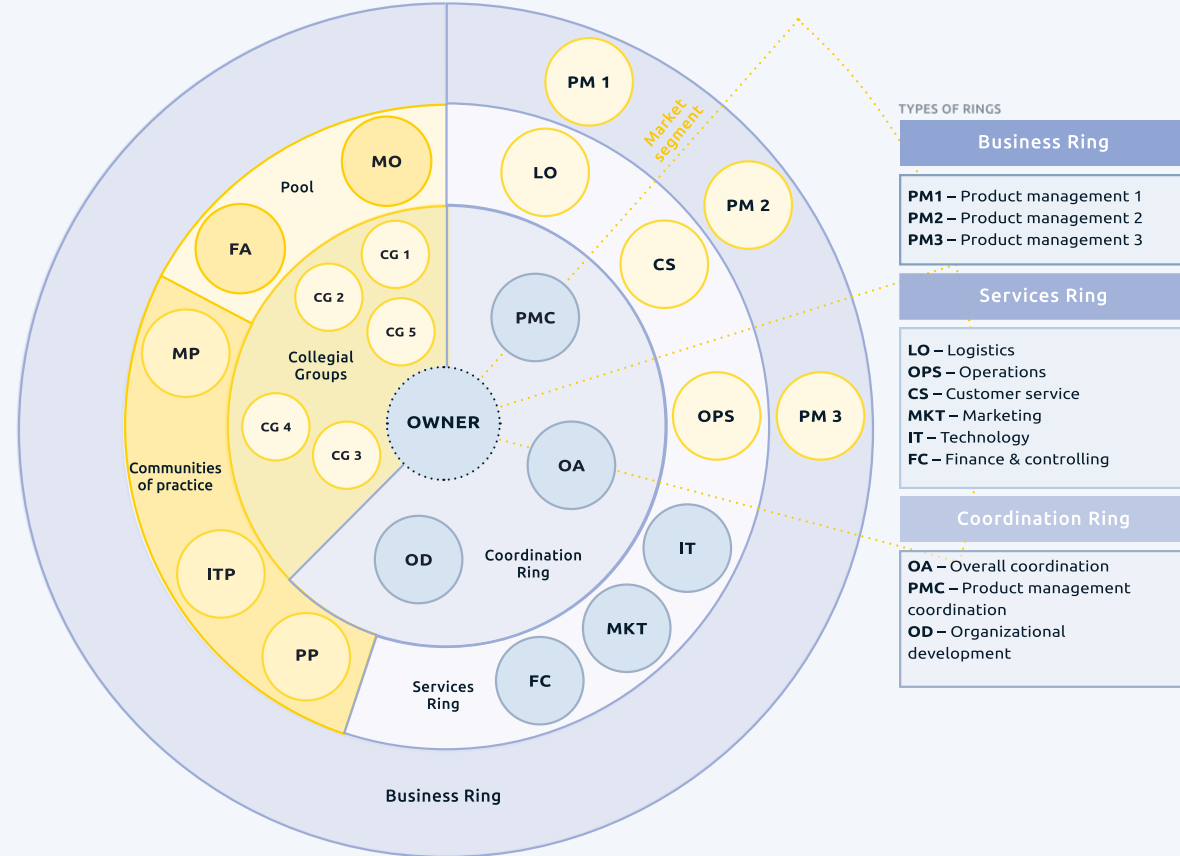
PM1 – Product management 1
PM2 – Product management 2
PM3 – Product management 3

Services Ring

LO – Logistics
OPS – Operations
CS – Customer service
MKT – Marketing
IT – Technology
FC – Finance & controlling

Coordination Ring

OA – Overall coordination
PMC – Product management coordination
OD – Organizational development



What is what ...

THE BUSINESS RING

The outermost ring creates the products and services customers pay for. This is where all the roles, tasks and processes are gathered that directly generate customer value.

As far as possible, the Business Ring should consist of interdisciplinary teams in which all disciplines and competencies that are part of the core Value Creation process, and that make a difference relevant to the market, are represented.

THE SERVICES RING

The business circles leverage the next ring, which includes general supporting services such as accounting, marketing, HR, IT or sales in order to reap the benefits of central teams that can serve the entire organization. The Service Ring also hosts circles who create value indirectly, but are fundamental to the business, like product management, etc.

Notice that the Service Ring supports the Business Ring, not the other way around. This means that the organization is led by the market and not by any internal department (or management hierarchy).

What is what ...

THE COORDINATION RING

Each circle manages itself and its area of responsibility. Nevertheless, overarching and company-wide tasks must be attended to. This is the work of the Coordination Ring and can include activities such as running a central brand, budgeting or coordinating circles from the Business Ring.

Each coordination circle must find appropriate ways of dealing with decision-making. For example:

- > **Ad-hoc:** Members of several circles discuss a matter with each other as needed and ensure that appropriate agreements and decisions take effect in the coordinated circles.
- > **Regular:** A fixed form of cooperation is agreed upon between different circles, for example, regular working meetings or mutual information, approvals or release procedures.
- > **Institutionalized:** A joint coordination circle is established by the impacted circles who then transfer part of their decision-making authority to it, and then make decisions together in this circle according to the procedures agreed upon.

To avoid power clusters and the accumulation of functionaries, it is helpful to regularly re-elect the representatives doing coordination work and to limit their tenure in such circles (the rotation principle). The exact balance between continuity and renewal must be found specifically for each circle.

THE OWNER RING

The innermost ring includes the founders or owners of the organization. Its constitution is usually determined by the company's legal status, such as a limited liability company or stock corporation.

The founders or owners are the initial cell from which the organization has grown, but they may not be operationally involved. Nonetheless, since the Owner Ring tends to nominate the first representatives to the Coordination Ring, they are in the position to introduce or change the basic rules that govern how the organization operates.

What is what ...

COLLEGIAL PEER GROUPS

In a self-governing organization, colleagues own their personal development in collaboration with a group of colleagues. This replaces the personnel review by managers in traditional companies and also many of the duties of a traditional HR department.

This work is done in Collegial Peer Group circles that are made up of 3 to 5 colleagues. These colleagues support each other confidentially in their personal and professional development and also jointly take on employer tasks, such as:

- > the organization of work (if you share the same expertise)
- > the design of one's work context
- > the procurement of personal work equipment
- > ensuring job satisfaction
- > monitoring contributions to the group
- > one's personal and professional development

The job of a Collegial Peer Group is to provide feedback, assessments, external views, outside perspectives, suggestions, critical questions, confirmations, support and conflict resolution. Therefore, the colleagues may engage in the following activities regularly:

- > Obtaining and reflecting on 360° feedback
- > Collegial Consulting
- > Providing job references when colleagues decide to transition into another role or to another company

The composition of the peer group is flexible. Colleagues with similar areas of expertise have a deeper understanding, whereas a more diverse peer group enables a greater variety of perspectives

What is what ...

COMMUNITIES OF PRACTICE

Practitioner groups are regular meetings of specialists in a field to share experiences and knowledge and learn from each other. For example, all Learning Facilitators (see role description) can meet regularly to exchange ideas about retrospectives, or all salespeople might exchange ideas about sales techniques, etc. They can also share tips and experiences, apply Collegial Consulting, and jointly organize training on the topics in their field.

In many cases, the meetings function as an open space or BarCamp, possibly kicked off with an inspirational keynote beforehand, but sometimes also in the style of a hackathon, in which something useful for the group is created together.

POOLS

Pools are groups of colleagues with special skills who can be requested on an as-needed basis. Ultimately, different circles support each other and lend colleagues to each other. The pool is the platform that coordinates and mediates supply and demand. They can include the same colleagues as compose practitioner groups on a particular topic. During an innovation or transformation process, it makes sense to establish a facilitator pool early on. Colleagues who already have moderation skills or are similarly qualified can be used by circles for the moderation of retrospectives or decision-making, for example.

Getting the flywheel spinning: where to get started?

START WITH THE ORGANIZATIONAL DEVELOPMENT CIRCLE

The Organization Development Circle is in the Coordination Ring and owns all aspects of organizational development. It supports the organization through its constitutional process, provides advice, and supervises the creation of circles in the remaining ring segments.

After you have successfully completed your Minimum Viable Product and are ready to scale, it's time to setup the Organization Development Circle. This circle will meet almost weekly in the first few months of scaling in order to support the establishment and growth of your initiative as it solidifies itself in Stage 4.

The Organizational Development Circle is also an ideal entry point for organizational development coaches, who can assist in building the organization. Normally, the Organizational Development Circle is no longer required once the organization is in full swing. This should be the case after one to two years based on our experience.

Two-way communication with the entire organization is critical for the Organizational Development Circle since it drives the evolution of the organization itself.

DO VALUE STREAM MAPPING

Value Delivery Chain(s) serve our customers. Therefore, we need to determine how to best set them up, so that they can do so efficiently.

In our book *[“How to Create Innovation”](#)*, we introduced the [Operating Model Canvas](#), including the core Value Delivery Chains. We suggest using this template as a starting point to do your Value Stream Mapping. Mapping allows you to document the series of steps that take your product or service from the supplier to the customer.

Once you are ready to get more detailed, develop a full-blown Service Blueprint to get a clear picture of the core service you are offering to your users. Then, you can identify how to set up the business and service circles using Value Stream Mapping: The combination of these two methodologies will help you gain a holistic understanding of Value Creation, optimize end-to-end flows, and setup your Value Stream and general operations efficiently, with as few wasteful disruptions to the flow as possible.

Related models

THE UNITE CIRCLE CONSTITUTION TEMPLATE

NAME OF THE CIRCLE*	VISION
PURPOSE, NATURE, AREA OF RESPONSIBILITY*	FURTHER INFORMATION
A new colleague shall understand the few sentences well and quickly.	Where do we store work protocols and other information.
CONSTITUTING CIRCLE*	REGULATORY FRAMEWORK
	Mention only the circle-specific regulatory frameworks, which result from the circle's special products, business models, markets or the like and are not affecting the whole organization.
CUSTOMERS, SERVICE RECIPIENTS, REVENUE GENERATORS*	EXTERNAL REFERENCES
SUPPLIERS, COOPERATION PARTNERS	WORK EQUIPMENT
Who are our most important suppliers and cooperation partners? What special dependencies exist from, to or between them? What special framework conditions and contracts exist here?	List what tools, hardware, software, machines, licenses, algorithms, vehicles, etc. are included?
 PRODUCTION RESOURCES	
What means of production are relevant to the value creation and purpose of the circle, such as: materials, raw materials, intermediate products and data.	

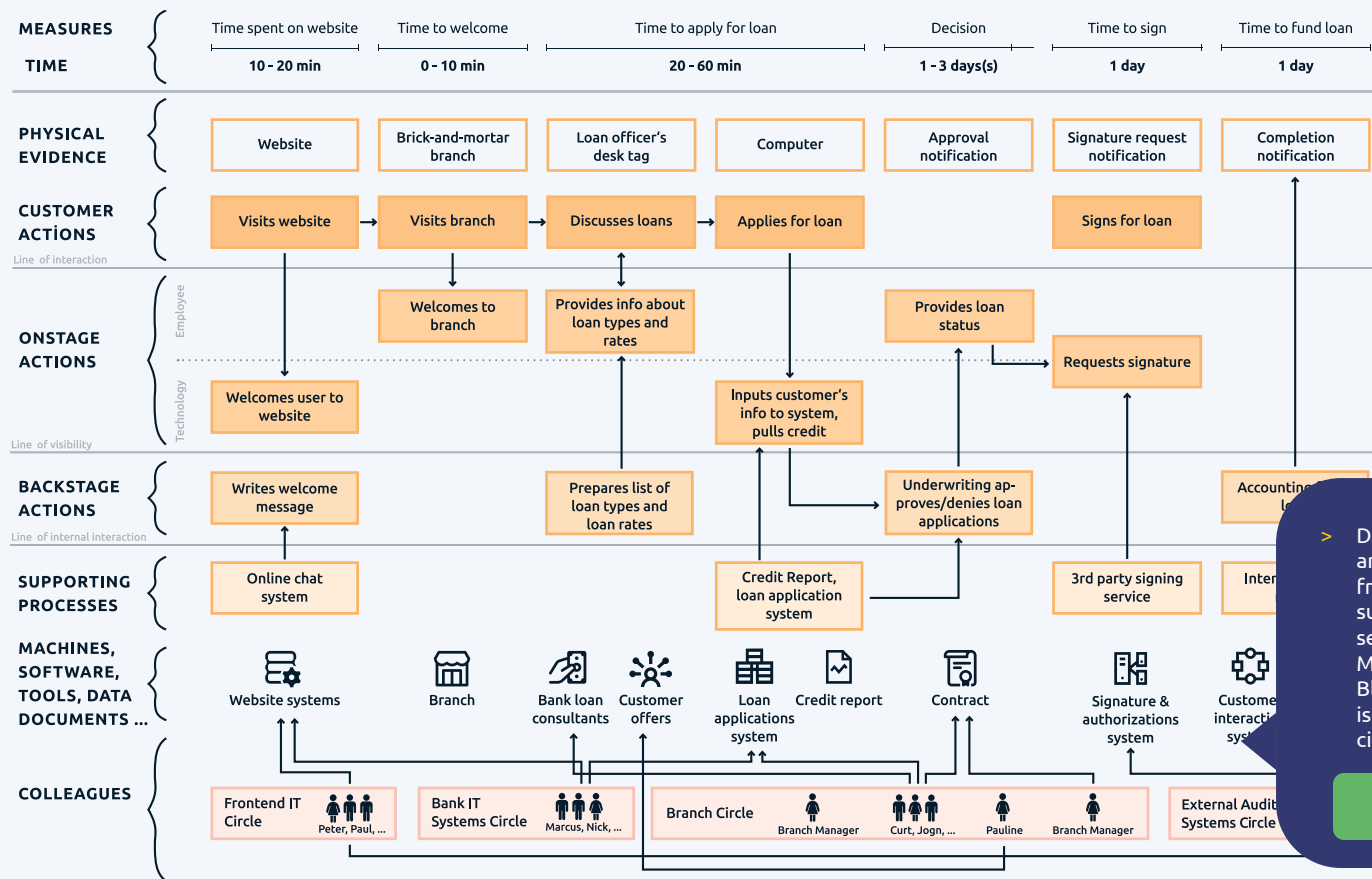
 SUB- & COMMON CIRCLES*		
CIRCLE NAME	SUPERVISOR	
 MEMBERS AND ROLES*		
NAME OF COLLEAGUE	OW H./W	ROLL
		HOST
		DOCUMENTARY
		LEARNING FACILITATOR
		ECO
 WORKING MEETINGS AND PROCESSES*		
DESIGNATION	RHYTHM	
WORKING MEETING		
RETROSPECTIVE		

Creating and launching circles

- > See where the constitution of a circle helps your colleagues to agree on the guidelines and way of working. The UNITE model "Circle Constitution" will help you align and define the key parameters when constituting a new circle.

THE UNITE CIRCLE
CONSTITUTION TEMPLATE

THE UNITE APPROACH TO VALUE STREAM MAPPING

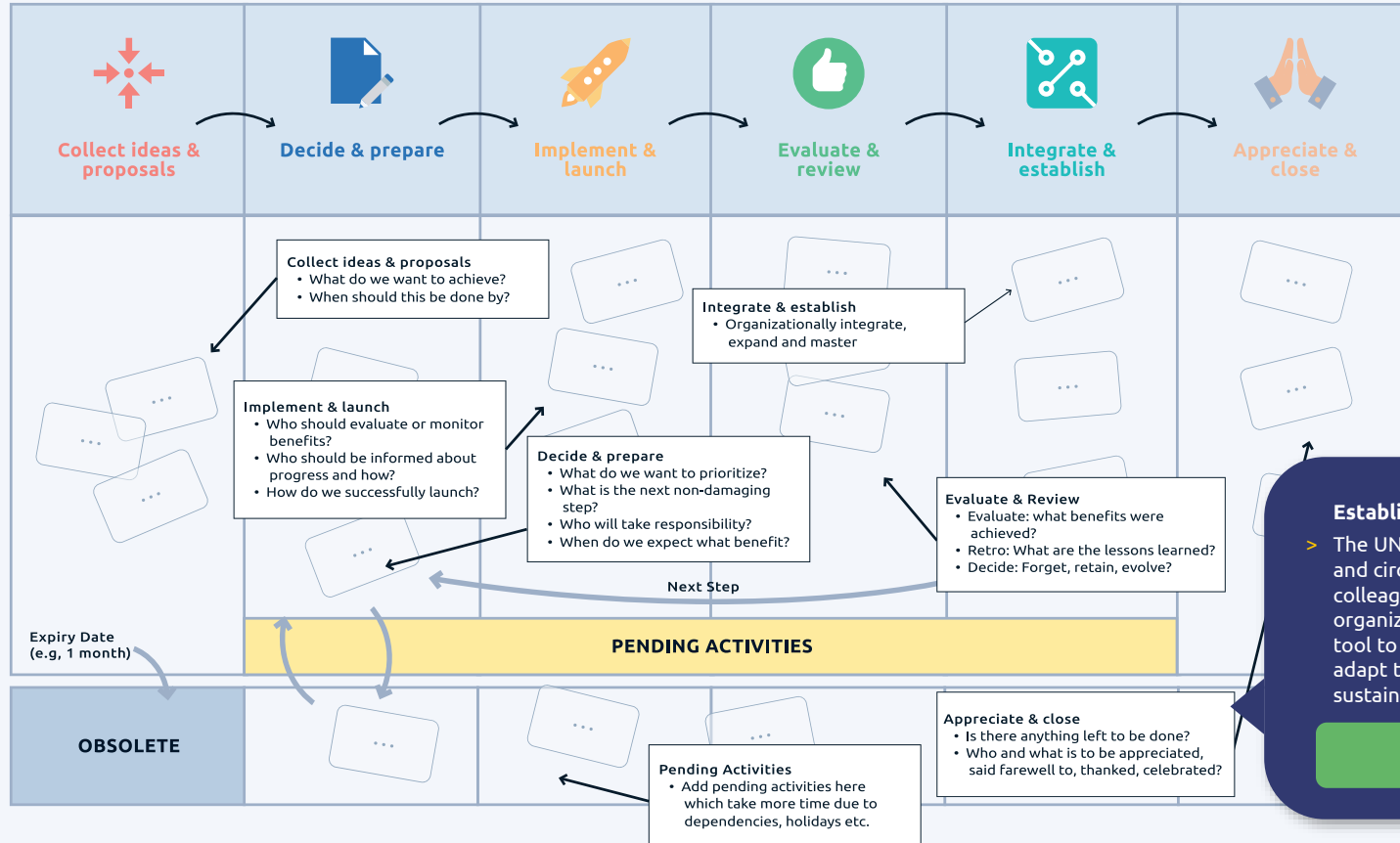


> Design your core value creation processes in an ideal way. Connect the dots end to end from onstage action to backstage to supporting processes, IT and your internal setup. The UNITE Approach to Value Stream Mapping takes the best from Service Blueprinting and Value Stream Mapping and is an ideal basis to develop an agile and circular organization.



**THE UNITE APPROACH TO
VALUE STREAM MAPPING**

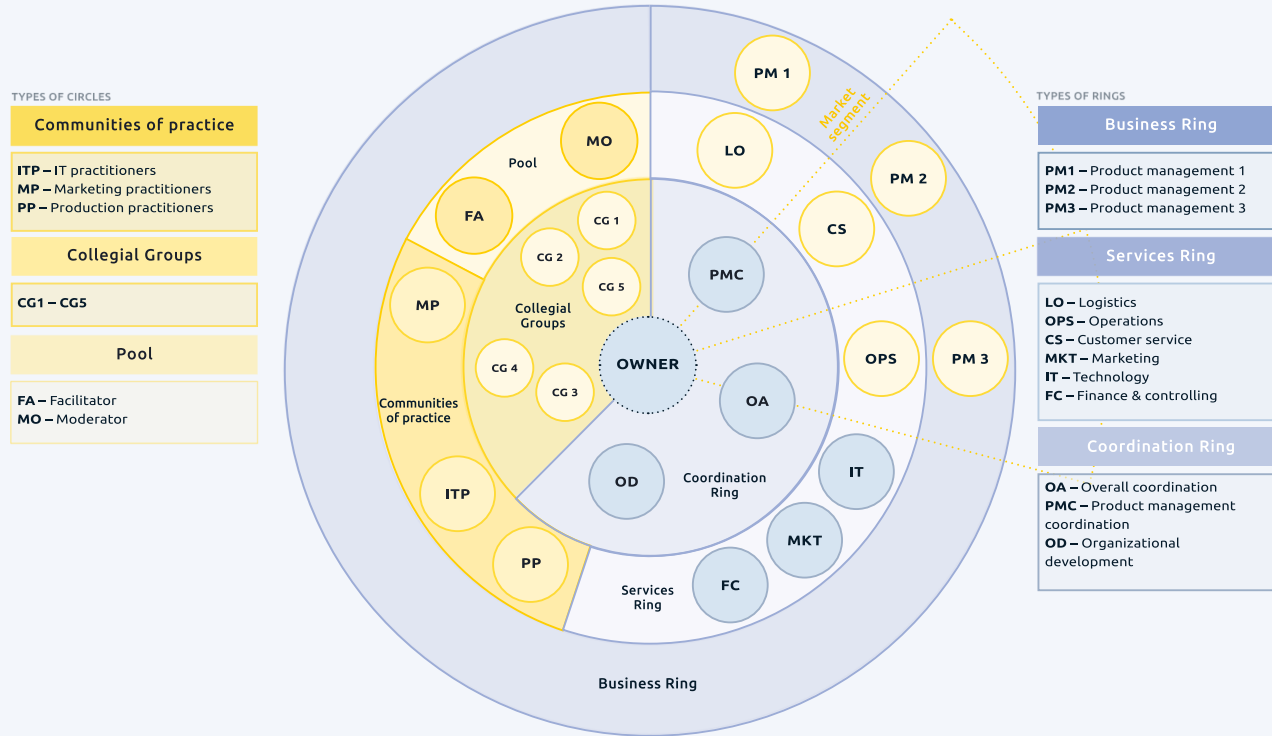
THE UNITE COMPANY BOARD

**Establish collaboration between circles**

- > The UNITE Company Board is the way an agile and circular organization evolves. It allows all colleagues to step back and work "on the organization". The company board is a critical tool to help the organization to continuously adapt to the market as quickly and sustainably as possible.

**UNITE COMPANY BOARD**

THE UNITE CIRCULAR ORGANIZATIONAL STRUCTURE



Introducing the circular organizational structure

The circular organizational structure is an alternative to a classical pyramid organizational structure. It supports in particular agile organizations who are operating in fast-paced environments and allows to tap into the intelligence of all involved.



THE UNITE CIRCULAR ORGANIZATIONAL STRUCTURE

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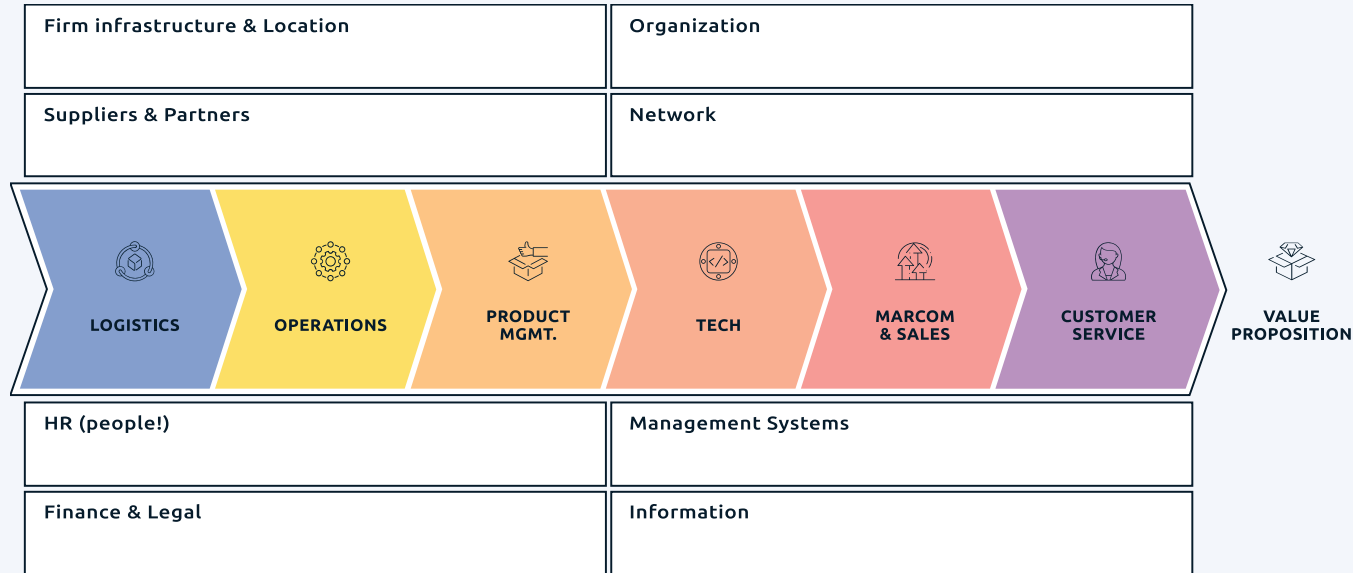


Your business idea launched and grows and grows. Where to go from know, how can we scale and still keep the start-up culture, entrepreneurship and mindset alive. Look no further, visit the UNITE model “Scaling the circular organization”.

↓ THE UNITE CIRCULAR ORGANIZATIONAL STRUCTURE

Download the UNITE Models for FREE

THE UNITE OPERATING MODEL CANVAS



- > The Operating Model Canvas helps you think through your Operating Model and helps you bridge the famous Strategy-Execution Gap.
- > Particularly in the context of the organizational models it is critical, since a different organization will require a very different operating model.
- > The model is described in details in our book *How to Create Innovation*.
- > Click here to get the full download package:

↓ UNITE OPERATING MODEL

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I have coached and advised over one hundred owners of traditional, family-owned businesses, international corporations, NGO's, C-level members and Boards of Directors. My mission is to empower people and activate their intrinsic motivation to radically simplify the complicated and uncertain path of change towards a living, thriving, self-learning and future-proof organization. My mandates includes coaching and advising of strategy development, leadership- and team development, and organizational transformation from classic hierarchical to self-governing, agile companies.

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Over 20 multi-million Euro & Dollar projects, 14 years abroad living in 11 countries, research and lectures at numerous European universities, 18 startups either co-founded or invested in, setup of over 20 companies, led over 1.000 workshops, numerous awards and always new impulses – this is Stefan F. Dieffenbacher. Led large scale projects & programs with multi-million-\$ impact for: BMW, BNP Paribas, Deutsche Telekom, Epson, Etihad Etisalat, Hubert Burda Media, IBM, Jaguar, Linde, Mobily, o2, Pfizer, Sapient, Sky, VNG, Vodafone, and others.

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**THE BOOK ABOUT HOW
TO CREATE INNOVATION**

HOW TO CREATE INNOVATION is a practical, comprehensive, OpenSource guide for successful innovation and digital transformation. The UNITE initiative and movement, supported by a global team of industry leaders and innovation researchers, aims to spark a revolution in global innovation and transformation.

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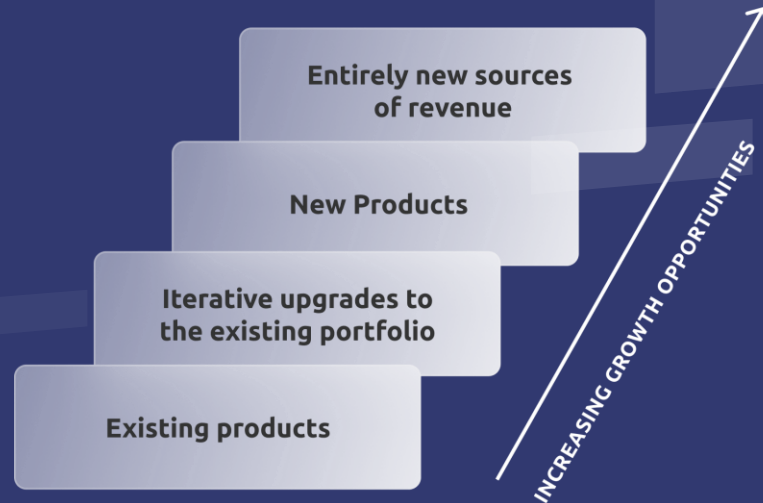
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Discover our Culture & Organizational Change Practice



Don't let a decoupled culture and structure hold your business back

Do you know why most innovation and transformation projects fail?

Organizations are pumping plenty of cash into innovation and transformation initiatives. The problem is that the expected results often fail to materialize.

The primary issue is not one of ideas or directions – initiatives get stuck in strategy-execution. Let's thus turn the number one innovation obstructor in the best business enablers ever.

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