

The UNITE Approach to Scaling the Circular Organization

The Approach to Scaling Circular Organizations shows ways to create a network of organization or on how to setup hybrid organizations.

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

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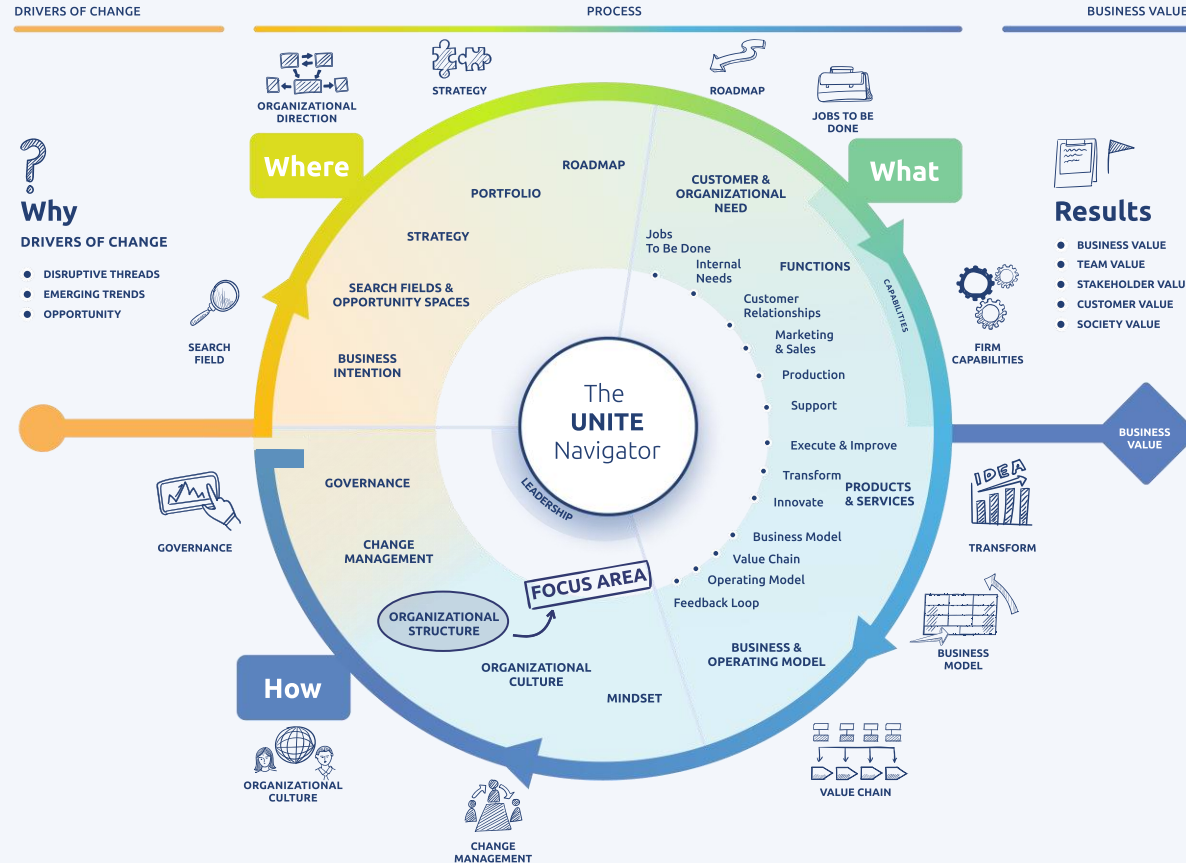
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THE UNITE NAVIGATOR – An overview and introduction to all UNITE models



- > 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 *circular organizations* and more specifically on how to *scale the circular organizational structure as your success grows*.

Background to the UNITE Approach to Scaling the Circular Organization

Why we use it

As your success grows and as you scale from start-up to big corp, you need to find ways of scaling the circular organizational structure while retaining its superior design and advantages.

You ultimately want to be able to retain the agility and the advantages of a decentralized structure which keeps all involved while enabling scale.

So how do we go about it?

How it works

The cognitive limit of humans to engage in effective working relationships is the key design boundary to take into account. This is typically referred to as the “Dunbar number”, which says that a single person cannot maintain more than around 150 social relationships at a time.

As our organization grows beyond 100 to maximum 200 people, we are splitting up the initial organizational structure into multiple organizations leveraging the principles of holding structure.

Holding structures of different characteristics ultimately allow to retain ownership and strong collaboration while maintaining the dynamics of agile organizations.

What is the goal

Scaling the circular organization.

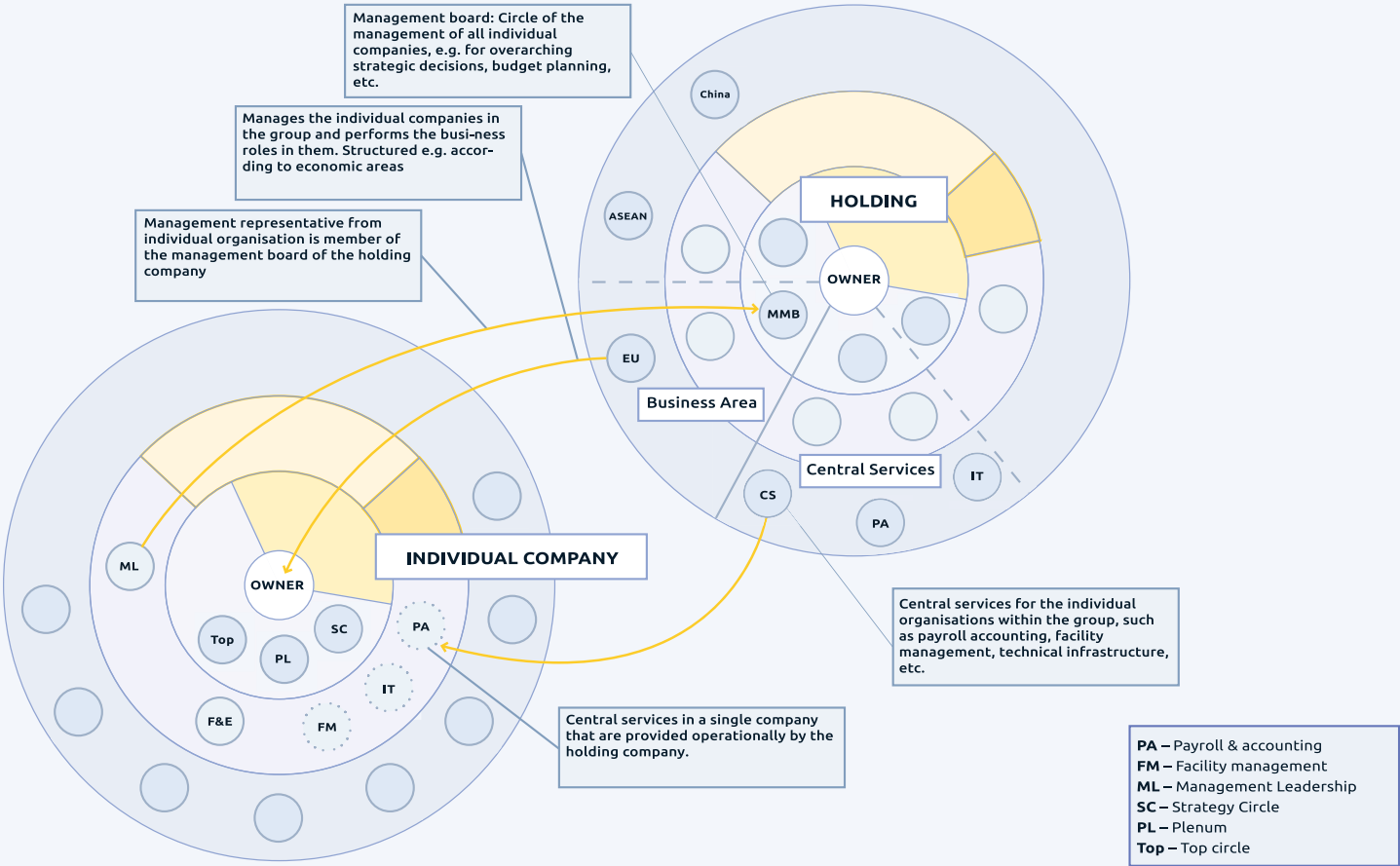
We are looking for a way to scale the organization without suffocating innovation while still enabling all involved to work together in a well aligned but decentralized network.

> Please read the [related chapter in the book](#) to fully understand the concept of scaling the circular organization

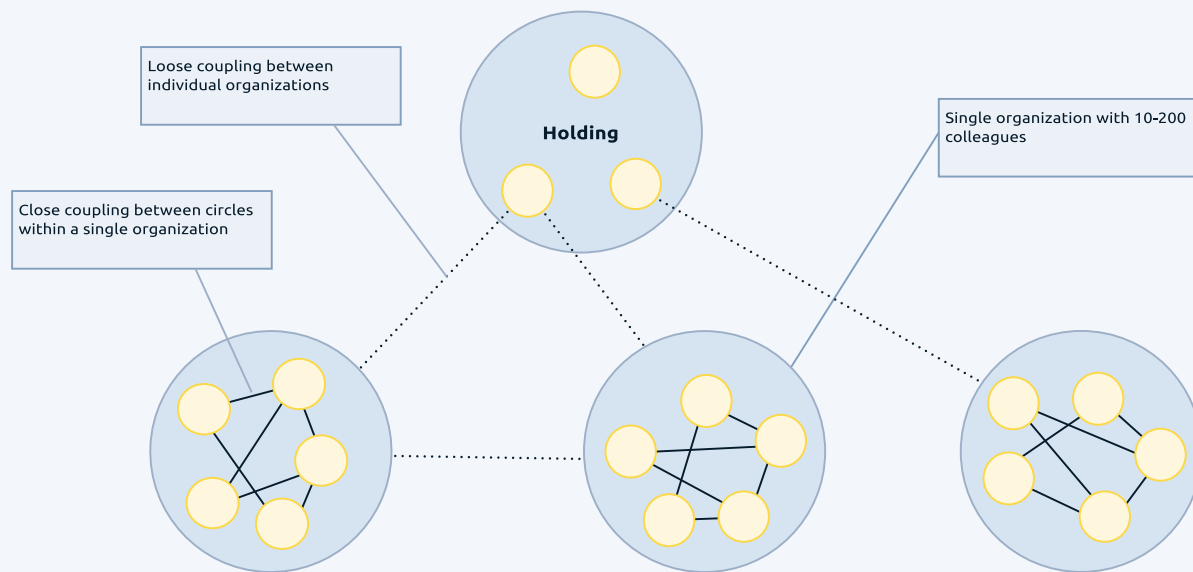
Introduction to scaling circular organizations

- > Large organizations often have the ability to scale their innovation initiatives quickly, since they can provide access to existing sales structures, are able to leverage well known brand names, can scale their production quickly or might have simply more money to invest. Particularly large organizations thus need an approach to scale quickly. This download package is a response to this need.
- > It does not make sense however to operate circle organizations with thousands of employees within one organization.
- > This is due to the limitations of the brain: according to Robin Dunbar – a leading british psychologist and researcher – a single person cannot maintain more than around 150 social relationships at a time. Therefore, we recommend that each self-governing unit is home to a maximum of 100 – 200 people depending on the context and colleagues.
- > If your organization is above the “Dunbar number” you can examine the possibilities of forming **Business Divisions** or also examine the possible **growth and division principles** explained in this download package.

THE UNITE APPROACH TO SCALING THE CIRCULAR ORGANIZATION

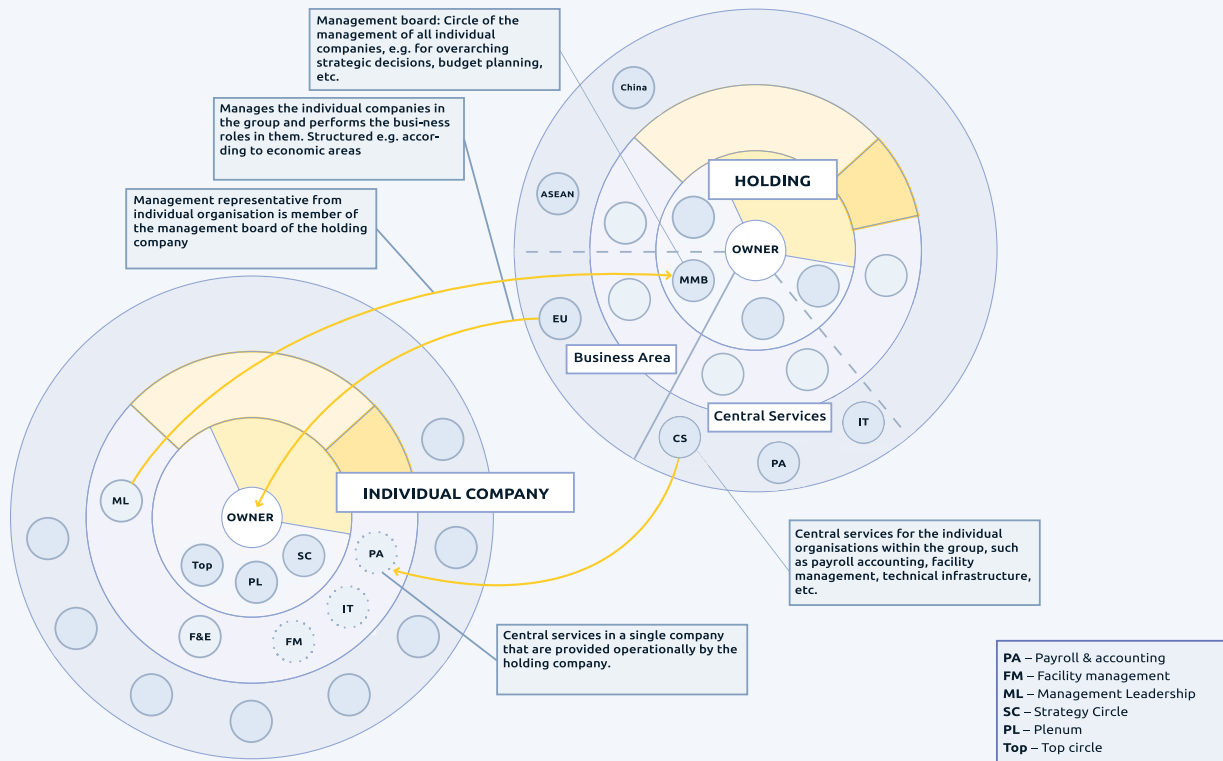


Understanding the scaling principle of circular organizations



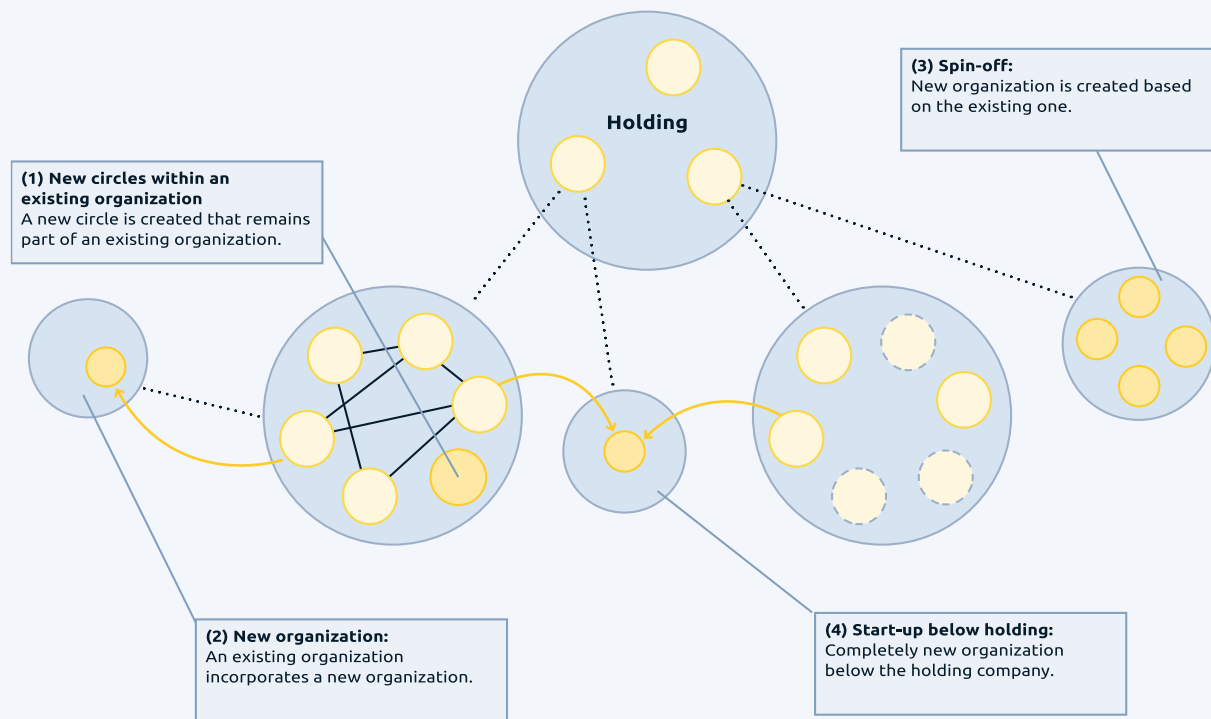
- > The fundamental scaling principle is to divide an organization once it has reached 100-200 people into smaller sub-organizations and organize them as a holding structure.
- > Each sub-organization should have a maximum of 100-200 members. Individual organizations are connected via a holding company, serving as a coordination and administration unit.
- > The holding considers the individual organizations as value creators for the holding, similar to holdings and investments external to the organization.
- > The loose coupling between a holding and an individual organization ensures that each structure can focus on what it is best at, while still allowing sufficient alignment where required.

Understanding the holding structure



- > Here is an example of how a particular business area – representing a **separate economic area** – may be spun off into an independent organization.
- > **Overarching decisions** across several individual organizations are taken within the holding.
- > The individual companies are represented at the holding through **management representatives** of those individual companies.
- > **Shared services** across several individual companies – such as for example finance and IT – are offered as central services the holding provides to the individual companies.

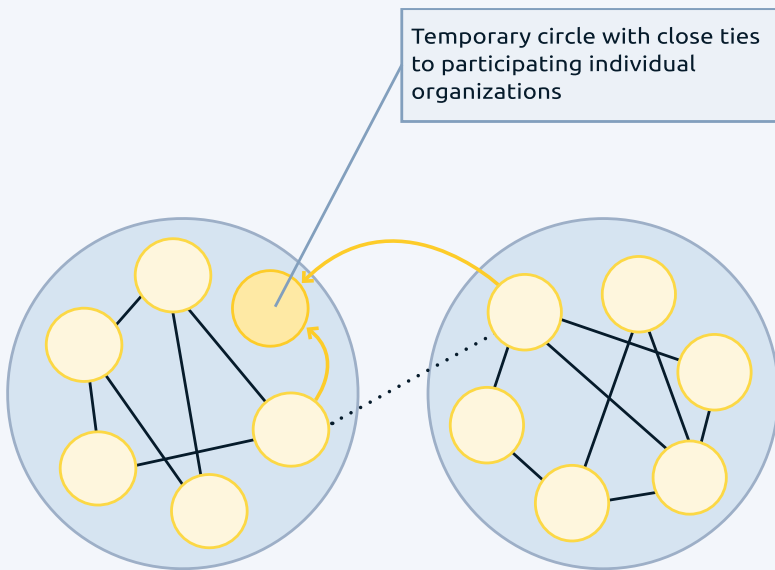
Understanding growth and division principles



Growth and division principles of circular organizations

- > **(1) New circles within an existing organization**
a new circle is created that (at least initially) remains part of an existing organization. Colleagues from neighboring organizations may still be included in this new circle.
- > **(2) New organization:**
a new organization is founded, its owner is an existing organization (not the holding). The founding organization or members of the new organization invests themselves. They bear the risk alone (without the holding) and benefit directly from the outcomes created.
- > **(3) Spin-off:**
In the spin-off principle, this is similar, except that here the new organization is still managed directly under the holding company. The existing organization(s) shrink as a result of this division.
- > **(4) Start-up below holding:**
the holding company incorporates a new start-up cell under it. Some employees of the holding company are transferred to the start-up cell. The circle of the holding typically remains in existence.

Understanding cross organizational cooperation



- > Sometimes, we need to enable cooperation between employees and groups from different organizations within a holding company.
- > This will lead to a close coupling between actors from different organizations, such as jointly trying out new business ideas and models or working on joint projects.
- > For each individual overarching collaboration between the companies in a holding, we recommend forming a new, possibly temporary, circle. You have to clarify in which organization the circle will be embedded and how representation in the other organization will be regulated.
- > In such cooperations, colleagues withdraw themselves from the existing circular organizations, which affects their value creation. The leaving can be a painful loss, or it can be a typical characteristic and strength of circular organizations that their members are in principle interchangeable.

Are hybrid organizational structures – pyramid / circle – is that actually possible?

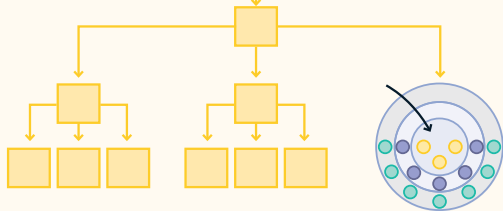
Frame of Legislation

Frame of Owner

Frame of CEO

Area designed by executive

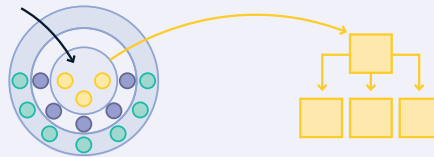
Process and Structure
designed by executive



Collegially designed area of responsibility

Process and Structure
collegially and self-organizationally
designed

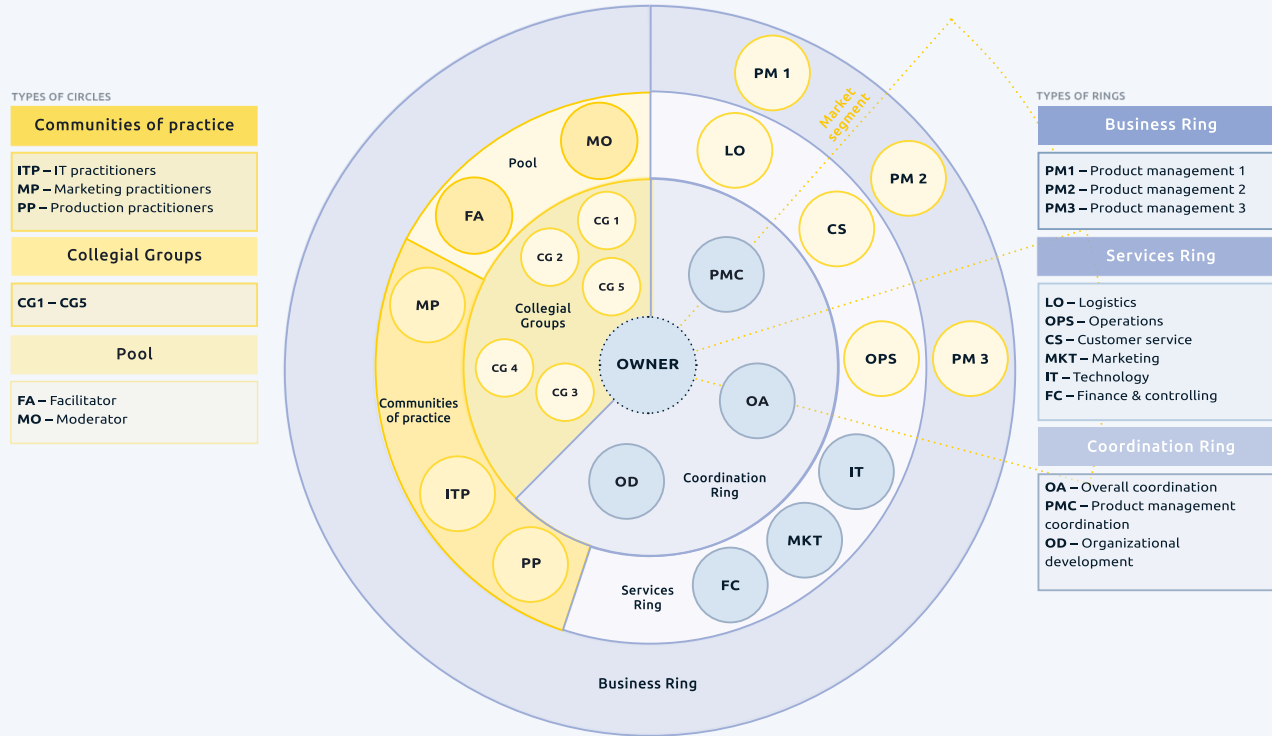
Also possible: Collegially constituted
line organization with executive



- > A circle organization can also co-exist in a hybrid constellation.
- > The owner of the circular organization is represented by the relevant colleague in the hierarchical organization.
- > It also can be used in a dual organization structure whereas the circular organization is responsible for the process and value creation.

Related models

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.

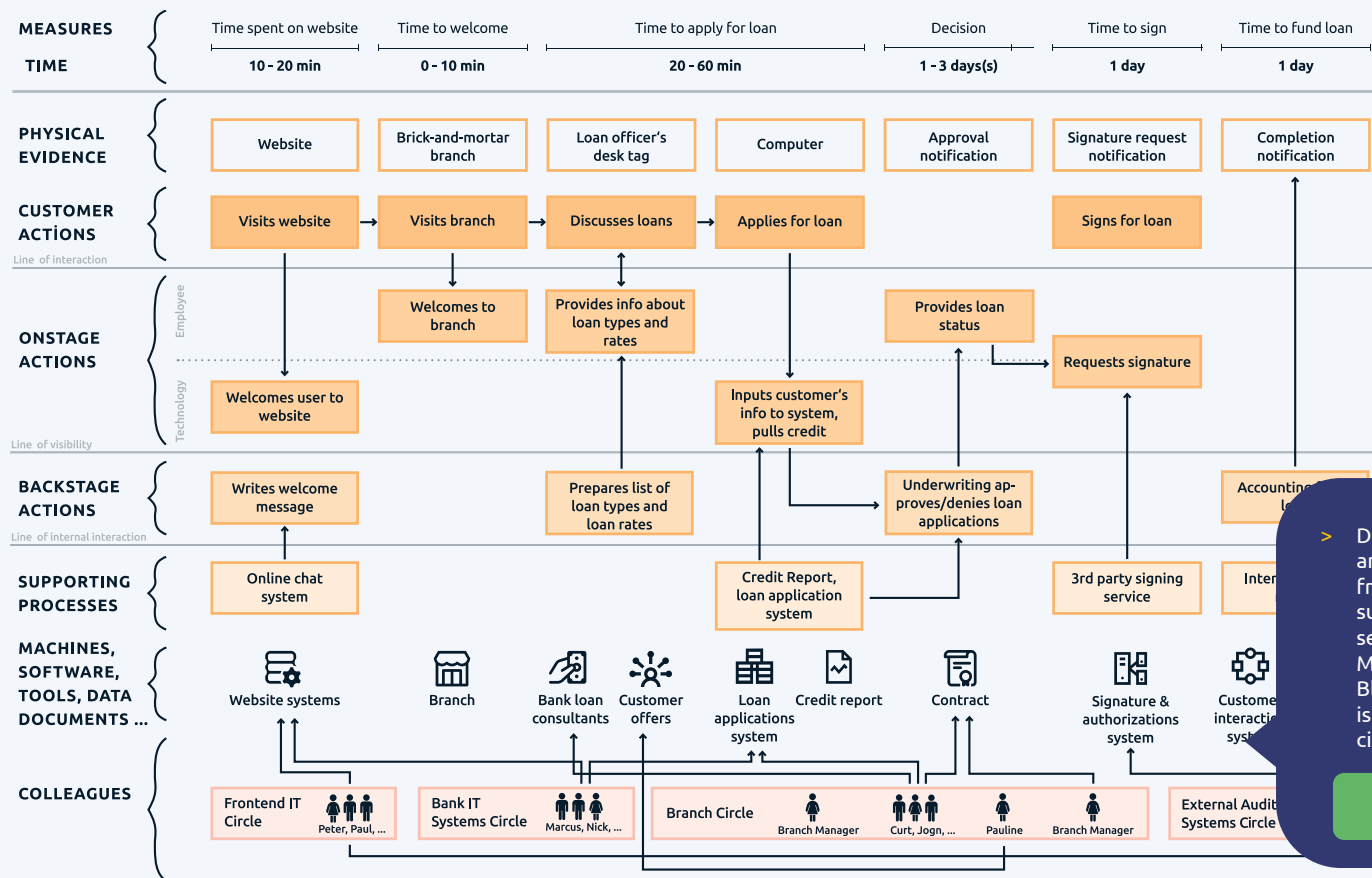


THE UNITE CIRCULAR ORGANIZATIONAL STRUCTURE

Download the UNITE Models for FREE



THE UNITE APPROACH TO VALUE STREAM MAPPING

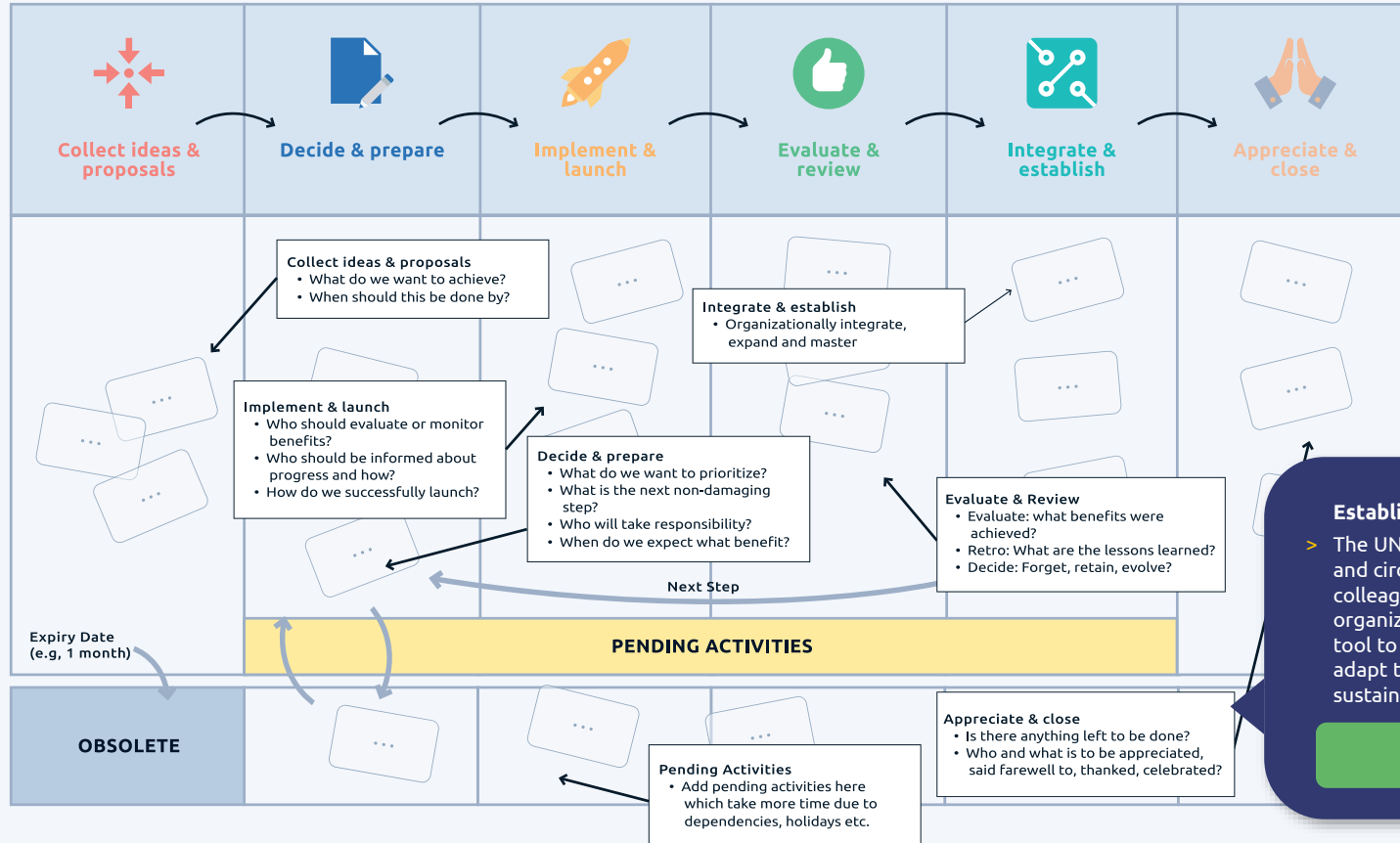


> Design your core value creation processes in an ideal way. Connect the dots end to end from onstage action to backstage to supporting processes, IT and your internal setup. The UNITE Approach to Value Stream Mapping takes the best from Service Blueprinting and Value Stream Mapping and is an ideal basis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

Main authors



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SAFe SPC, OKR Master, Coach for Self-Governing Organizations, Leadership & Team Development; Lecturer Agile Organization Development at the University of Applied Sciences FHNW Basel.

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 UNITE MODELS are the by far largest library of innovation and digital transformation models available on the market globally. They cover all important domains end2end and uniquely – they are deeply integrated. Please be invited to leverage them in your organization. **Let's UNITE and create a world worth living in !**



**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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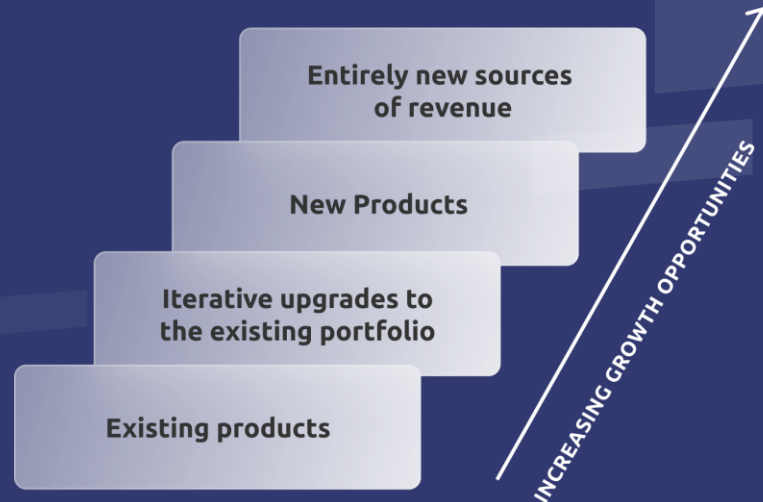
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Discover our Culture & Organizational Change Practice



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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Shared goals are the cornerstone of our customer approach. To date, our team has successfully led 74 projects with numerous global players across all industry sectors, ranging from \$50,000 projects to \$100 million programs. But helping our customers' build their futures is not enough. We are committed to changing the world through the sharing of powerful innovation and transformation practices. Join the UNITE movement and help us start an innovation revolution.



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Share my knowledge with the world!