

Organizational transformation through radical circles:
A path to retaining critical human capital

Abstract: Developing the inclusive organization continues to represent a key managerial challenge. Retention of diverse human capital through radical circles presents a possible path. Organizational transformation may enable firms to make dramatic and impactful changes to strategy, structure and human capital retention. Empirical data suggests that most corporate transformations do not accomplish their goals. Radical circles - a powerful form of secretive collaboration among rebels - make it easier for leadership to reshape an organization's strategic vision and trigger transformation. The radical circle may also be a highly effective mechanism to bond valuable employees to the organization and prevent impactful employee departures. This study highlights the phenomenon of the radical circle through a variety of illustrative cases. Following the comparison of radical circles to a variety of other transformation processes, we outline the conditions which could lead to successful organizational transformation through radical circles. Finally, we offer guidance for leaders interacting with radical circles and highlight challenges for managers regarding the nurturing of radical circles and generating successful employee retention.

Key Words: radical circles, employee retention, organizational transformation

1. Employee retention: A persistent problem

The war for talent rages on – even three decades after the landmark *McKinsey Quarterly* article from Chambers and colleagues (1998) made the call to arms to address the problem of attracting and retaining talent. The talent war is contested on a variety of fronts, including talent identification, hiring, compensation, motivation and retention. A significant amount of attention has been paid to the challenges of talent identification and hiring – with the assumption that firms cannot compete without bringing in enough talent (Wang & Zatzick, 2018). While the focus on hiring is warranted, we believe leaders must direct equal, if not more, attention to the retention of valuable human capital. In spite of concerted efforts to fight the war for talent, a number of scholars (McDonnell, 2011; McDonnell, Collings, Mellahi, & Schuler, 2017; Somaya & Williamson, 2008) explain that employee mobility continues to increase.

Modern managers and leaders have learned that people are the key strategic resource, and firm strategy needs to be built on a human resources foundation (Bartlett & Ghoshal, 2002). Yet competition for scarce human resources remains intense. The war for talent sees no end in sight. Not only are there continuing efforts to identify and hire the right people, but the challenge of developing them within the firm continues to be a struggle (Fernandez-Araoz, Groysberg, & Nohira, 2011). Managing talent can enhance performance and improve pursuit of a competitive advantage – not just from efforts by top management, but functional and technical roles can have a sizeable strategic impact on firm performance (Luthans & Youssef, 2004; McDonnell et al., 2017).

Part of the process of retention must entail creating environments in which talented employees remain connected to the organization as it evolves, and continually reaffirm their identification with organizational goals and strategy. If employees actively participate in the

transformation processes of the firm – especially if they are protagonists in shaping a new direction – they are more prone to continuously find meaning in their evolving organizations (Pasmore, 2015; Reeves, Faeste, Whitaker, & Hassan, 2018).

We have observed a path to organizational transformation originating from employees, not top management – a transformation that is not only conducted, but even activated, from the bottom. The activation is triggered by a small group of individuals who voluntarily come together to agitate for and activate a change process. This group is identified as a radical circle. We believe that the radical circle is a mechanism through which organizations can refine firm strategic values and continue the pursuit of a competitive advantage while engaging and retaining valuable employees. The organizational transformation generated by radical circles may be a way to transform an organization fueled by those who may know best – skilled employees from within the organization – as well as retain some of the organization’s most valuable human capital.

We examine the impact of radical circles on employee retention and motivation through the lens of talent management (McDonnell et al., 2017). The ultimate goal of talent management is to contribute to sustainable organizational performance (McDonnell et al., 2017), and radical circles could be considered a valuable instantiation of talent management efforts. In their recent review of the talent management construct, McDonnell and colleagues assert that talent management “should be concerned with understanding where value is added in organizations by human capital, how talented individuals influence organizational performance, and how talent practice can maximize the contributions of these individuals” (2017: 116). Organizational transformation may be a fertile area for talented human capital assets to contribute to a firm’s long term success.

2. Challenges to Organizational Transformation

In their recent study, Reeves and colleagues (2018) examined the outcomes of corporate transformation during 2004-2016 with 300 companies across a variety of industries. The authors demonstrated that majority of transformation do not accomplish their goals. At any point during the 12-year study period, approximately one third of all companies studied were experiencing “a severe deterioration in total shareholder return (TSR), and that share has stayed roughly constant in recent years” (Reeves et al., 2018, p. 2). Firms had a very difficult time recovering from this downturn – the study reported that only 25% of these deteriorating companies could outperform their industries in the short and long term after the point of deterioration – despite initiating significant transformation efforts. The firms with the most severe downturns (TSR deterioration of 20+ percentage points) were most unlikely to succeed in transformation; 95% of these firms failed to ever return to performance levels seen before their deterioration. Organizations need to recognize deterioration quickly, or risk long-term failure.

Organizations face numerous challenges when seeking pathways for organizational transformation - from overcoming inertia to grasping the ever-changing environments in which the firms compete. Managers are confronted with a variety of roadmaps that aim to guide them through the treacherous waters of change, but as Anthony, Johnson and Sinfield explained in their *Sloan Management Review* article examining institutionalizing innovation, “there is no one-size-fits-all way to structure for innovation” (2008: 49). Yet, one common characteristic of many of these change processes is that change is assumed somehow to be activated from the top. Once the CEO or other leaders activates the change process, these efforts may encompass lesser or greater contributions from other levels of the organization through a variety of possible paths, including bottom up transformation. However, the call for change seems to always emanate

from the top of the organization (Burnes & Cooke, 2012; Kanter, Stein, & Jick, 1992). Leaders are assumed to have some kind of active role: either in providing direction or, at least, in igniting the process of change. We believe that this may not be the most effective means to successful organizational transformation for all firms. The radical circle may provide a pathway to successful organizational transformation that provides an additional benefit of retention of important employees.

3. Radical Circles, Organizational Transformation and Organizational Identification

As seen in a variety of organizational settings (See Table 1 for a summary of key features of certain radical circles), the radical circle most often evolves from a small group of disaffected individuals driven to transform an organization's vision or business model. Often starting in secret, the "radicals" generate ideas and potential strategic solutions without the bounds of organizational change processes or ideation parameters.

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As seen in Table 1, radical circles can emerge in a variety of industries, organizational forms, and stages of organizational evolution. Radical circles are often small in size, as their quest requires commitment to the same shared malaise, voluntary resources, and action under the radar. Additionally, they all share a few common features.

First, radical circles are not appointed nor activated by senior management. They come together on a voluntary basis, with a small group of employees sharing a "malaise" towards the existing direction of the firm. Second, members of the radical circle do not approach top executives early on, for two reasons: (1) by opposing the existing "official" direction of their leadership team, they know that they would be perceived as rebels, and would hardly get support as such; and (2) they initially share only a malaise, but not necessarily a common understanding

on how to address the challenge. They most likely bring initial ideas to the newly formed circle, often contrasting to each other, that would collapse if challenged by top executives at this stage. They continue their progress in secret - undergoing the arduous process of questioning, refining and re-examining their ideas for a new vision for the firm. We term this process as the “quest”.

The quest serves to transform their initial intuitions into a robust vision. The quest could be considered an intense period of sensebreaking and sensemaking by the members of the radical circle (Altuna, Dell’Era, Landoni, & Verganti, 2017; Pratt, 2000; Weick, 1995). Sensebreaking fuels feelings of dissatisfaction (or “malaise”) with the status quo (Pratt, 2000), driving individuals to ask questions such as “Who are we?” and “What are my values and goals?” Questions that are driven by feelings of identity incongruence with the organization (Ashforth, Harrison, & Corley, 2008), most often because of previous personal and unique experiences of the members of the circle. In the case of the Xbox, one of the renegades had just been hired by Microsoft after a previous stint as a game developer, where he experienced the struggles of programming games on a Windows platform. A radical circle however is not a set of destructive rebels: they do not only break, but they also build new meaning, and they want to build it, at least initially, within the organization. They want to transform it for the better. They are therefore engaged also in a process of sense giving. Both of these actions – sensebreaking and sensegiving – would be performed during the quest, and both actions could be fueling the redevelopment of the radical circle members’ conceptualization of the firm’s vision as well as the members’ identification with the organization (Ashforth et al., 2008; Pratt, 2000; Weick, 1995).

The radical circle members commit their time and resources voluntarily, develop mock-ups, and slowly and secretly engage other key stakeholders until they feel ready for their approach to top management. In other words, radical circles do not merely come up with ideas,

but produce robust visions that have survived the hard, voluntary work, reflections and mutual clashes within the circle.

There may be significant variation in the level of secrecy and the duration of the quest. The radical circle that drove the change at Microsoft only made themselves visible months after they started, when Bill Gates called for a new project to address the gaming market. It is at that moment that the four renegades emerged from secrecy and unveiled the unorthodox direction they had been working on for months. Their vision was so compelling that Microsoft eventually made the radical circle's unorthodox direction the core of the Xbox development.

On the other end of the spectrum, we examined the development of the Miura sports car at Lamborghini. Similarly to the radical circle's work at Microsoft, it was a small group of in-house engineers who activated the transformation process working on their off hours. They wanted to design an aggressive mid-engine, race car inspired sports car, although they knew that Ferruccio Lamborghini, the company's founder, was not a racing fanatic. They started their secret, voluntary quest to begin the design of the vehicle that became the Miura. At the time, the company was essentially a startup, and keeping voluntary work secret was not possible for long. The engineers in the radical circle disclosed their design to Mr. Lamborghini relatively early in the life of the vehicle. Yet, Lamborghini was at that time focused on the survival of his fledgling firm in the face of competitive pressure from Ferrari and Maserati, so he did not provide further support beyond a "just do it". Months later, when the radicals showed him a "naked" prototype of the car (i.e. without the body and styling) Lamborghini fell in love, reframed his vision, and provided the team with the investment and support to move into production. His approval of the design of the category-changing Miura lent critical support to the engineering team working with

limited resources to develop a vehicle that could surpass the performance and design features of arch-rival Ferrari.

A third characteristic of radical circle members is that they often have no previous formal working relationships; they share a malaise, which they arrived at despite their different roles and personal histories. They need to develop their own routines and create a “micro-organization” to explore ideas, challenge each other and make their vision more robust.

Radical circles (Shani, Greenbaum, & Verganti, 2018; Verganti & Shani, 2016) can serve as engines for organizational transformation that arise from within an organization without any formal nurturing by the firm or its managers. The outcome of the radical circle’s work may extend beyond organizational transformation to include talent retention. Employees may highly value the strategic impact of their agitation to change and the transformed organization. The organizational transformation facilitated by the efforts of the radical circle may enable individual radical circle members (and others, potentially) to increase their sense of belonging to the firm and facilitate enhanced sensemaking and sensebreaking (Pratt, 2000; Weick, 1995). This sense of belonging and sensemaking/sensebreaking has been shown to increase organizational identification (Ashforth, Harrison, & Corley, 2008). A number of studies have demonstrated that increased organizational identification directly and indirectly lowers turnover intentions (De Moura et al., 2009; Mael & Ashforth, 1995; Van Dick et al., 2004). De Moura et al. summarized the influence of organizational identification on employee retention by explaining that “organizational identity has a relatively powerful and proximal influence on turnover intention. For organizations that wish to reduce turnover it would be worth focusing on efforts to enhance organizational identity” (2009: p. 554).

Van Dick and colleagues (2004) successfully tested a model of the mediating effects of job satisfaction on the relationship between organizational identification and turnover intentions. Job satisfaction was shown to positively mediate the relationship. Radical circles may be a vehicle for increased job satisfaction. The radical circle contributes to meaningful firm transformation and is a direct result of the dedicated work of the radical circle members. As a result, increased job satisfaction may further reduce the turnover intentions of radical circle members (Chen et al., 2011).

Each of the initial four members of the Microsoft radical circle remained with the organization for a number of years beyond the end of the radical circle – ranging from four years for Seamus Blackley to over 18 years for Otto Berkes. Their ability to reshape the organization certainly paid dividends for Microsoft and the Xbox. Furthermore, the organizational transformation triggered by the radical circle kept these highly talented engineers and designers part of Microsoft, rather than fleeing the firm for opportunities elsewhere.

4. The Radical Circle Transformation Process Framework

Given that radical circles triggered organizational transformation in a wide variety of organizations, we venture to advance a process-based framework that captures the essence of what we have observed in practice. The framework presented in Figure 1 identifies three main phases of transformation, namely *activating*, *disclosing* and *enacting*. The *activating* phase includes the initial formation of the radical circle by organizational radicals, driven by their shared malaise with the firm's current strategic vision. Once formed, the radical circle develops a variety of norms regarding its composition, its function and its working rules. These norms help the circle maintain focus as the process progresses – especially during the vision development stage. Vision development is centered on the quest. The sensebreaking and sensemaking

occurring during the quest can facilitate the development of a new organizational vision and enhance radical circle members' organizational identification.

The solution begins to be revealed in the *disclosing* stage. First, the radical circle seeks to identify and approach an advocate for their new vision from managers and/or leaders above their level in the organization. The advocate is a critical component for the legitimization of the radical circle work. The second stage of disclosing is the process of gaining leadership support – often directed or orchestrated by the advocate.

Once leadership support is earned, the radical circle-initiated change process reaches the *enacting* stage. As we have seen in a variety of radical circles, this is the point where circles often dissolve – as the change process begins to be institutionalized into the broader organization. Senior executives may begin to deploy resources in support of the new strategic vision, as the organization begins to be transformed. While the specific experiences of each radical circle differ, we see the activating, disclosing and enacting process repeating itself each time. The enacting of the new organizational vision and the outcome of the quest facilitate stronger organizational identification among members of the radical circle, and, as a result, greater levels of employee retention (De Moura et al., 2009; Van Dick et al., 2004).

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5. Radical circles vs other patterns of organizational transformation

What is unique in radical circles and how do they differ from other frameworks for organizational transformation? Academic research has indeed identified a number of organizational transformation processes (Bartunek & Jones, 2017; Pasmore, 2015; Romanelli & Tushman, 1994; Wischnevsky & Damanpour, 2006). Of course, any process of organizational transformation requires some kind of involvement of different levels of an organization, both in

terms of leadership and engagement of employees. Yet, there may be significant differences in the dynamics of the process that explain which mechanisms are best suited to address rapid transitions in the context. In particular, Figure 2 enables us to clarify the peculiarity of radical circles, by classifying those approaches according to two fundamental dimensions: activation and institutionalization:

- Who *activates* the transformation process, i.e. whether the perception of the need to change came and the ignition of the change process comes from the top of the firm or the bottom;
- Who *institutionalizes* the change, i.e. whether the formalization of the change process into the organization and the management of the change process once it is institutionalized comes from the top or the bottom.

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The first of the characterizations of the organizational transformation forces is *cascading* (the upper left corner of the Figure 2): change activated from the top and institutionalized from the top. Change is activated by top executives, as they perceive a need for change. The change process is then institutionalized into a change program that is cascaded down to the firm. One example is the Swedish manufacturing giant ABB instituting an organization-wide transformation process centered on reducing cycle times through a process named “T 50”. ABB’s CEO Percy Barnevik led the effort by empowering all managers to cut all cycle time by 50% within three years. Senior managers were given all the needed resources to manage the process and had to report progress periodically. All managerial periodic review had to address challenges and progress towards the accomplishment of the T-50 objective. The increase capacity by 50% coupled with the decision not to let go of any employee, resulted in the creation

of an innovative culture that enhanced employee retention throughout the company (Mitki, Shani, & Stjerberg, 2000). The success of the program ultimately served as a model for other Swedish firms, with ABB's CEO appointed to boards of shareholders of firms such as Volvo and General Motors to trigger similar initiatives.

The second characterization of the organizational forces is *empowering* (the bottom left of Figure 2). The activation process is still initiated by top executives, but the orchestration of the process is greatly diffused to the bottom of the organization – leadership of the change process is dependent on input and leadership from lower levels of the organization. For example, another inspirational CEO, Jack Welch of General Electric, created the “Work-Out Program” to generate transformational ideas from throughout GE (Wozny & Barlett, 1999). The Work-Out Program solicited ideas and attempted to change GE's culture through New England town hall-style meetings that solicited ideas and identified problems through feedback from all levels in the company – something previously tamped down by GE's conservative, bureaucratic culture. The program has often been characterized as a “bottom-up” transformation process. Yet, the inspiration and motivation for the process was directed by one person, Jack Welch, from his position at the top of the organization – but the visionary approach empowered all levels of the organization to be meaningful originators, contributors and managers of the change process.

So, whereas ABB and GE differ in the extent to which change was orchestrated from the top down or from the bottom up, both cases relied heavily on the capabilities of each company's CEO to recognize a need for change and set a direction. Change was activated from the top.

By comparison, *radical circles* are activated from the bottom of the organization but institutionalized from the top (the upper right quadrant of Figure 2). As illustrated earlier, the transformation at Microsoft was driven by a radical circle of four engineers, without any ignition

from the top, and well ahead of Microsoft's management recognition of the disruption coming. However, radical circles eventually rely on institutionalization from the top. Once the radical circle reveals itself, the purpose is not to disrupt and destroy their own organization, but to lead it into a new direction. The radical circle needs resources and support, and therefore, after the pain and suffering of the quest, top management recognition and endorsement to scale up the initiative is critical for the success chances of the new vision. If top management does not recognize the work of the radical circle, the danger is that the radical circle stops its efforts in frustration. Other times, however, the radical circle does not stop its work, but the members of the radical circle leave the organization to continue the circle's initiative as a startup.

We identify the *spinoff* as the fourth characterization of our organizational transformation matrix (the lower right quadrant of Figure 2). Unlike the successful transformation of Microsoft through the radical circle initiating strategic and organizational change, IBM failed to recognize the strategic benefits of the ERP software package SAP. A small group of five IBM software engineers developed the software while working for the company, and the ERP software could have transformed the company's balance between hardware and software. However, when presented to IBM Germany's senior leadership, the idea was rejected as not being aligned with current or future strategic objectives. Rather than surrender to the whims of senior management, the small group of engineers decided to separate from IBM and pursue the opportunity as an independent startup firm. Ultimately, over the ensuing 46 years, SAP has established market leadership, reaching €23.5 billion in revenue in 2017 (SAP SE, 2017). A spinoff would be the ultimate example of the failure to retain top talent. As seen above, not only did IBM lose the opportunity to establish a stronghold in the ERP market, but the company lost a number of talented engineers and software developers.

As can be seen from the discussion above, the four organizational transformation orientations vary on a few key dimensions such as activation, institutionalization, participation, norms, cognitive procedures, and targeted outcomes. (See Table 2 below)

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6. Radical circles as a key retention mechanism

Our observation is that radical circles form organically. They succeed when they are activated not by top management, but by employees driven by an authentic “malaise” with the firm’s current strategic direction. The radical circle succeeds not just by generating ideas, but by producing a deep, robust vision. A radical circle should only approach top management with its new vision once that vision has received significant scrutiny within the radical circle. The members of the radical circle – though the processes of sensebreaking and sensemaking (Pratt, 2000; Weick, 1995) – can not only transform the organization, but redefine each of the radical circle’s members’ organizational identification. Strengthening employee identification with the firm is likely to enhance employee commitment to continue and be a contributing member and push away exploring opportunities elsewhere and propensity to leave.

Leaders need to be best prepared to listen to the radical ideas originating from their employees, rather than generating radicals from among their employees. Listening carefully to the unorthodox ideas can enable a more productive exchange with the radical circle. The best way to recognize the promise of radical circles is to test the robustness of their vision. Top executives and their management teams should challenge the radical circle – to check if the circle has indeed struggled through its quest to develop and refine its new vision – but be oriented towards openness to hear and understand the proposed new vision that has emerged from the radical circle. Listening may be a critical component of strengthening employees’

organizational identification. With greater listening from senior management, employees may enhance their sense of belonging, which has a direct, positive influence on organizational identification (Ashforth et al., 2008). Consequently, greater organizational identification can lead to reduced employee turnover. Without a commitment to listening, top executives and their firms may foment frustration among employees who feel they are not being heard – with the growing frustration stopping the future flow of potentially valuable innovations. In rapidly changing and highly competitive environments, firms should be mindful of contributing to the creation of highly motivated and knowledgeable competitors arising from spinoffs.

The radical circle could be the bonding agent that keeps critical employees engaged and committed to the firm. Facilitating the development of radical circles may be a passive talent management initiative that could facilitate retention and employee development (McDonnell, 2011). The bonding culture fueled by radical circles could produce engaged, committed action; engaging and energizing feelings of commitment to the firm and its goals (Bartlett & Ghoshal, 2002). Employees sharing a strong bond with the organization can be critical components of necessary organizational transformation. The strengthening of this bond may translate into heightened levels of organizational identity (Ashforth & Mael, 1989; Mael & Ashforth, 1995). The radical circle enables motivated individuals to share not only a concern for the organization's goals, but exchange meaningful information across a variety of functional areas. Firms need to “enable [the] sharing of specialized knowledge. A firm needs to actively link, leverage and embed the pockets of individual-based knowledge and expertise, [or] it risks underutilizing it or worse, losing it” (Bartlett & Ghoshal, 2002, p. 38).

Do firms want to promote radicals and radical circles in ever-changing environments often characterized by hyper-competition – environments that necessitate employee focus and

dedication to the firm's ongoing mission for strategic success? We believe firms do not need to specifically encourage the formation of radical circles, because any formalization of radical circles will kill their voluntary creation, their secretive quest, and their autonomous nature, which are the basic dynamics of their success. Most importantly, managers can foster the emergence of radical circles by nurturing a culture and practice of collaboration beyond the formal organizational schemes – no matter the type of organization. Further, having survived the painful process of a voluntary quest (rather than simply brainstorming), radical circles make it easier for the leadership team to focus its attention on a few potential disruptions that have already been carefully addressed by the radical circle rather than being overwhelmed by an overabundance of ideas generated from throughout the organization, whose value is difficult to capture.

7. Final thoughts

The change process triggered by radical circles differs from the majority of organization transformation approaches because it is activated from the bottom, not the top, of the organization. The radical circle approach appears to work in a variety of contexts because the bottom-up activation for change may compensate for situations where top executives are not aware of the need for change or have cognitive filters (such as shared mental models) that prevent them from seeing new paths (Mohamed, Ferzandi, & Hamilton, 2010; Reeves et al., 2018). In established organizations, organizational systems may be unable to cope with the prospect of significant disruption to the existing strategic vision because of organizational inertia or top management is burdened by cognitive filters that have narrowed its scope of vision too dramatically. Radical circles provide an alternative path to organizational transformation.

Radical circles emerge in different contexts and industries (See Table 3). Organizational transformation triggered by radical circles is an approach that we have seen succeed at a variety

of firms in a variety of industries. Each of these radical circles activated the transformation process from the bottom; started as small initial groups; featured voluntary participation; and established shared values that drove the circle's behavior. Radical circles provide an opportunity for passionate and discontented rebels to stay within the organization and trigger organizational transformation from within instead of leaving the company and launching a spin off.

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In order to empower transformation, managers may better focus their efforts at creating a culture that encourages organizational rebels rather than developing proscribed, top-down change processes or procedures. A culture that encourages collaboration among employees who recognize opportunities for change and one that promotes the airing of radical ideas – rather than punishing or impeding the free flow of these radical, rebellious ideas – may facilitate more consistent, successful organizational transformation. If top executives want to capture big disruptions, they may need to stop soliciting great quantities of ideas from scattered individuals, and rather focus their attention to those few robust visions that comes from the voluntary and painful quests of radical circles.

While organizational transformation efforts may be disruptive and difficult, we can see a positive outcome as well. Heightened organizational identification from the drivers of organizational transformation – such as members of a radical circle – may enhance employee retention, embrace diversity, facilitate an inclusive culture, and directly reduce turnover intentions for these key employees.

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Table 1. Radical Circle Examples

1 – **Microsoft Xbox.** Four engineers and designers – dismayed by the company’s lack of strategic interest in the hardware sector – began to talk together about their concerns about the company’s vision. Meeting in secret, the four began discussing potential solutions for the company’s absence in the hardware sector (Shani & Verganti, 2016). The four engineers and designers had no previous working relationships with each other, as each was from a different area within Microsoft. This radical circle continued to brainstorm, challenge their ideas and refine their proposed solution without any support or recognition from senior management or any formal, in-house change agents. Ultimately, the radical circle sought support from one senior executive who served as the liaison to Bill Gates, CEO Steve Ballmer and other top managers. The radical circle’s efforts led to the development of the Xbox home video game and entertainment console. The radical circle activated the transformation process within Microsoft without any top management impetus or CEO fiat.

Radical Circle Retention Outcome: Each of the RC members remained with the firm for at least three years after the initiation of the Xbox development process.

2 – **SWM Middle School.** SWM Middle School is a public school located in the western United States. Dismayed by the prospects of school closure and recent history of poor student achievement, a small group of parents, teachers and community members began meeting to discuss potential changes to the school. Meeting in secret without support from the principal or school superintendent, the radical circle established norms for its members and ultimately developed a series of proposals aimed at changing the course of the school’s fate. Ultimately, the radical circle approached the superintendent and school principal to gain support for their proposed changes. The revised vision included formalizing greater parental involvement and financial support; creating external fundraising efforts to offset shortfalls from governmental funding; and an innovative approach to developing curriculum and in-class experiences. Gaining support from the superintendent and principal, the changes were enacted, resulting in the school avoiding closure and its students performing at levels at or above the best schools in the state. Facing a real threat but an almost unknowable timetable, the radical circle activated the change process that transformed SWM Middle School into the model program that it is today.

Radical Circle Retention Outcome: The principal and the superintendent remained in their positions and received commendation and career enhancements after the initiation of the RC’s change efforts.

3 – **Lamborghini Miura.** Driven by the desire to surpass Ferrari and other Italian car manufacturers’ sports car offerings, a small group of designers and engineers began meeting on off-hours and after work to develop a revolutionary sports car chassis and engine to compete with the market leaders. Led by Chief Designer Gian Paolo Dallara, Assistant Designer Paolo Stanzani, and Engine Developer Giotto Bizzarrini, the radical circle sought to develop and design a sports car despite a corporate focus on continuing development of grand touring (“GT”) cars that served as the foundation for the firm’s early success. While Mr. Lamborghini was focused on the survival of his fledgling firm in the face of competitive pressure from Ferrari and Maserati, the small group of in-house designers and engineers activated the transformation process. Given Lamborghini’s tenuous status as essentially a start-up in the Italian auto industry at the time, the firm did not allocate resources or managerial attention to sports car designs – preferring to focus on expanding its existing stable of grand touring models. Sensing an opportunity to outpace Ferrari and expand the company’s market presence, CEO Ferruccio Lamborghini quickly approved the sports car development project after the radical circle of engineers and designers divulged their design to him (Dallara, 2017). Ultimately, the mid-engine, transverse mounted V-12 powered Miura captivated the auto world in the middle 1960s and remains one of the most desired Italian supercars of all time.

Radical Circle Retention Outcome: Gian Paolo Dallara remained with Lamborghini through 1969, Paolo Stanzani remained with the company through 1974, and Giotto Bizzarrini remained in his position as an engine designer for a number of years.

Table 2. Differentiators of Radical Circles vs. Other Change Processes

	Cascading	Empowering	Radical Circle	Spin-Off
Example	ABB T50	GE Work-Out	Microsoft Xbox	SAP software spin-off from IBM
Activation	From the top	From the top	From the bottom	From the bottom
Institutionalization	From the top	From the bottom	From the top	From the bottom
Participation	Appointed	Empowered	Voluntary (by invitation only)	Predetermined
Norms	Provided	Provided	Self-Defined by the circle	Provided
When effective	Pressure on performance in a stable environment	Company-wide incremental change	Disruption: rapid breakthrough changes in the environment	Idea not supported or aligned with current or future strategic vision
Cognitive Procedures	Knowledge	Creativity	Criticism	Separation
Targeted Outcomes	Improvement	Culture change	Disruption	Decoupling

Table 3. Diversity of Radical Circles

	Microsoft Xbox	U.S. Middle School	Lamborghini Miura
Organization Type	<ul style="list-style-type: none"> • Large public company • Consumer electronics 	<ul style="list-style-type: none"> • Not for profit government entity • Middle school 	<ul style="list-style-type: none"> • Small private company • Automobile manufacturing
Radical Circle Origins	<ul style="list-style-type: none"> • Small group of company engineers and designers 	<ul style="list-style-type: none"> • Parents, teachers and community members 	<ul style="list-style-type: none"> • Internal team of engineers and designers
Radical Circle Mission	<ul style="list-style-type: none"> • Develop hardware solutions in a formerly exclusively software-focused firm 	<ul style="list-style-type: none"> • Preserve the school under threat of closure 	<ul style="list-style-type: none"> • Design sports car where primary design directive was to develop grand touring cars
Key Decision Makers/Gatekeepers	<ul style="list-style-type: none"> • Bill Gates and entrenched software development infrastructure 	<ul style="list-style-type: none"> • School superintendent and principal 	<ul style="list-style-type: none"> • Ferruccio Lamborghini and automotive media tastemakers
Measures of Success: Innovation	<ul style="list-style-type: none"> • Competition with established gaming consoles 	<ul style="list-style-type: none"> • School survival and student success 	<ul style="list-style-type: none"> • Surpassing design and performance levels achieved by Ferrari and other sports car manufacturers
Measure of Success: Talent Retention	<ul style="list-style-type: none"> • Keeping critical software and hardware engineers 	<ul style="list-style-type: none"> • Retaining talented teachers and administrators 	<ul style="list-style-type: none"> • Keeping creative designers and engineers
Key Challenges	<ul style="list-style-type: none"> • Overcoming history of software development and software market dominance 	<ul style="list-style-type: none"> • Institutional inertia 	<ul style="list-style-type: none"> • Resource constraints and other early stage firm obstacles

Figure 1. Radical Circle Transformation Process

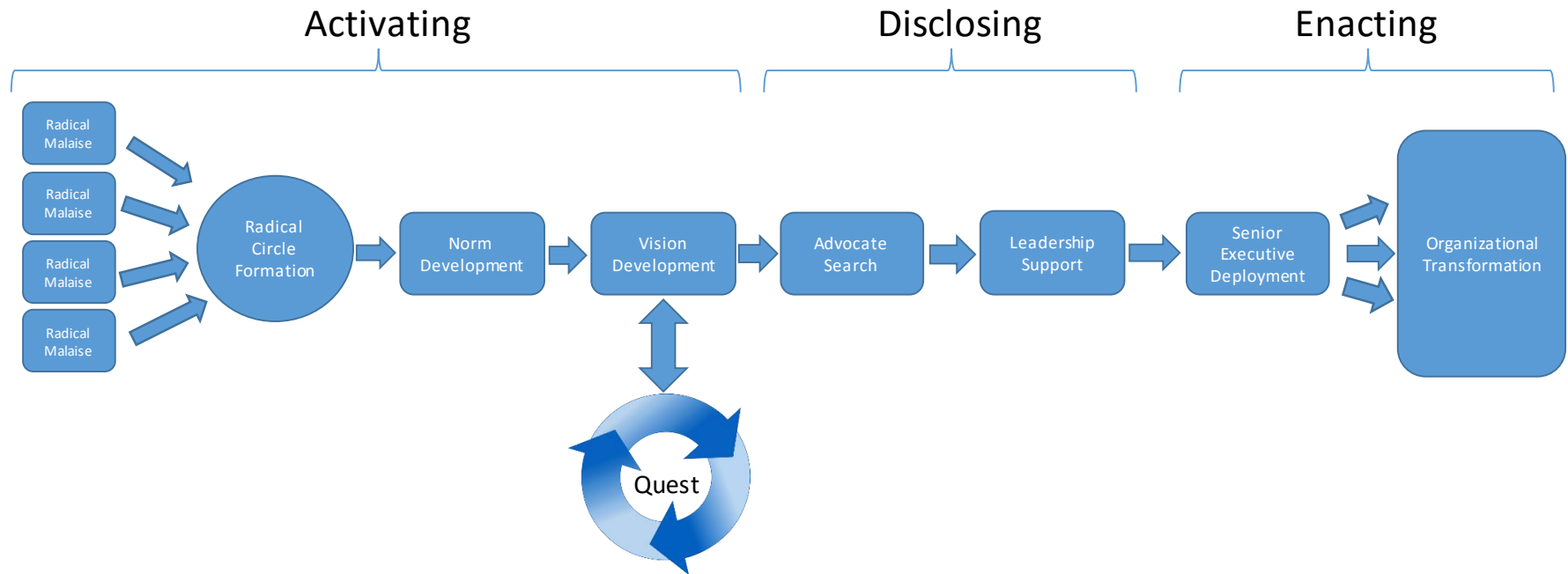


Figure 2. Organizational Transformation – Institutionalizing and Activation Forces

		Activation	
		Top	Bottom
Institutionalization	Top	Cascading	Radical Circle
	Bottom	Empowering	Spin-off