

Editorial: *The organizational health, the emotional memory of the organization, the positive associations of CRM capabilities, and the desired change to drive organizational performance*

In our last editorial (In a time of deepening crisis, remaining in the game for customers thanks to the “relationship culture” necessary to the resilient organization) we highlighted, among other aspects, the idea of the necessity of a sense of precision of routine (which can be employed during stressful times) and of considering the disadvantage of a resilient person (who might rather sacrifice the company than himself in times of trouble). We thought that it would be useful in what concerns ensuring continuity of the debates initiated, introducing also some elements that result from current responsible concerns. The more so as we are obliged to avoid (Karl) Albrecht's Law: “Intelligent people, when assembled into an organization, will tend toward collective stupidity.” Why? In order to be able to better understand the significance of bringing together the two quotes at the end of the editorial.

It is known that the content of organizational memory (OM) involves declarative and procedural memory, a less obvious aspect of OM being the emotional memory (EM).¹ A. E. Akgun, H. Keskin and John Byrne showed that as EM influences the routines of the organization, their beliefs, and procedures, management should consider the past emotional experience in order to be more innovative. They argued among others that a well understood and vivid EM can facilitate a stronger relationship with declarative and procedural memory.

The real problem today is to focus (conventional wisdom) on the good things, as goals you must achieve by caring about the economic and social outcomes of your actions, while surviving this actual deepening crisis and remaining still in the game for your customers. And for this it is necessary to have the right journey approach that will allow a valuable perspective on the steps to take if things don't work out as you planned.

An important challenge on the way appears to be, for instance, understanding the moderating effect of environmental factors such as competition intensity and market growth rate on the relationship between Customer Relationship Management (CRM) capabilities and business performance.² According to Yonggui Wang and Hui Feng, there are three CRM capabilities: customer interaction management capability (the skills that organizations use to identify, acquire and retain profitable customers); customer relationship upgrading capability (the skills that organizations use for up-selling and cross-selling to existing customers); customer win-back capability (the skills that organizations use to re-establish the relationship with lost or inactive but profitable customers). These three capabilities have positive association with customer orientation, customer-centric organizational system and CRM technology. And stronger capabilities lead to improved business performance.

In September this year, Toby Gibbs, Suzanne Heywood, and Matthew Pettigrew attracted our attention³ that people in the organization need to have real targets and incentives to focus on the long term, and the so-called “soft” measures of organizational health (leadership, innovation, quality of execution, employee motivation, or a company's degree of external orientation) need to be converted into annual performance metrics. Any organization should start to think about individual performance in the light of three core principles (such as: root out unhealthy habits; prioritize values; keep it simple but meaningful), considering that health-related considerations are just as important as performance-related ones.

¹ A. E. Akgun, H. Keskin and J. Byrne – Organizational emotional memory, in *Management Decision*, Emerald Group Publishing, Vol. 50, No. 1, 2012, pp. 95-114

² Y. Wang, H. Feng – Customer relationship management capabilities. Measurement, antecedents and consequences, in *Management Decision*, Emerald Group Publishing, Vol. 50, No. 1, 2012, pp. 115-129

³ Toby Gibbs, Suzanne Heywood, and Matthew Pettigrew - Encouraging your people to take the long view, *McKinsey Quarterly*, September 2012

Two principals in McKinsey Offices, Carolyn Aiken and Scott Keller, argued in 2009⁴ that in order for a desired change to drive performance, the organizations needs the skills and talent of their employees, in order to achieve an improved understanding of how humans interpret their environment and choose to act. Because it is well known that good intentions aren't enough and employees are what they think, feel, and believe in. Changing the way employees behave is not a simple matter. Carolyn Aiken and Scott Keller took into consideration the four basic conditions (a holistic perspective in "The psychology of change management"⁵) necessary before employees will change their behavior: a compelling story (because employees must see the point of the change and agree with it); role modeling (because they must also see the CEO and colleagues they admire behaving in the new way); reinforcing mechanisms (because systems, processes, and incentives must be in line with the new behavior); capability building (because employees must have the skills required to make the desired changes). But McKinsey representatives caught our attention concerning the importance of putting the four conditions in place by: not disregarding certain, sometimes irrational, but predictable, elements of human nature; ensuring they reinforce each other in ways that maximize the probability of the change spark taking off like wildfire across the organization.

As a conclusion – and beyond the humoristic quote with Albrecht's Law in the first line – we consider appropriate to bring together two other quotes: "A corporation is a living organism; it has to continue to shed its skin. Methods have to change. Focus has to change. Values have to change. The sum total of those changes is transformation" (Andrew Grove); "Performance leads to recognition. Recognition brings respect. Respect enhances power. Humility and grace in one's moments of power enhances dignity of an organization" (Narayana Murthy).

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⁴ Carolyn Aiken and Scott Keller - The irrational side of change management, The McKinsey Quarterly, Number 2, 2009, pp. 103-109

⁵ Colin Price and Emily Lawson, "The psychology of change management," mckinseyquarterly.com, June 2003