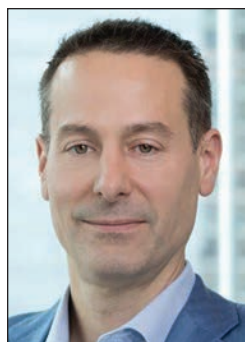


Organizational Health

An Interview with Aaron De Smet, Senior Partner, McKinsey & Company

EDITORS' NOTE Aaron De Smet counsels leadership teams as they transform their organizations to improve performance, organizational health, speed, and agility. He is also an expert on organizational design, corporate culture, leadership development, team effectiveness, capability building, and transformational change. Much of De Smet's work focuses on helping large, distributed organizations achieve growth, innovation, productivity, and organizational agility. He



Aaron De Smet

serves clients across several industries, including agriculture, biotechnology, chemicals, energy, financial services, and healthcare. De Smet writes frequently about organizational topics and has published many articles in McKinsey Quarterly and elsewhere. He is a member of the master faculty of the Change Leaders Forum and of the Organizational Agility Forum, which he helped establish. He has also led McKinsey's thinking on organizational health and was on the teams that developed the Organizational Health Index (OHI), OrgLab, and Influencer. Before joining McKinsey, De Smet worked at several other consultancies, as an independent consultant, and served as a research associate at the Institute for Behavior Resources. He has a PhD in social and organizational psychology from Columbia University, where he specialized in organizational dynamics, culture, human resource management, leadership effectiveness, and strategic change.

FIRM BRIEF McKinsey ([mckinsey.com](https://www.mckinsey.com)) is a global management consulting firm committed to helping organizations accelerate sustainable and inclusive growth. It works with clients across the private, public, and social sectors to solve complex problems and create positive change for all its stakeholders. The firm combines bold strategies and transformative technologies to help organizations innovate more sustainably, achieve lasting gains in performance, and build workforces that will thrive for this generation and the next.

Will you provide an overview of your role and areas of focus?

I counsel leadership teams looking to transform their companies to improve performance, organizational health, speed, and agility.

These are large undertakings that can have lasting impact. To ensure I offer the most effective guidance possible, I spend a lot of time researching, learning, and writing about topics like organizational design, corporate culture, and leadership development. This background of research and practical application has been crucial to developing solutions our clients need and use – ranging from the Organizational Health Index (OHI); to faster, better decision-making processes; to OrgLab, a tool to help leaders design

better organizational structures.

What do you feel has made McKinsey an industry leader and how do you describe the McKinsey difference?

McKinsey is committed to accelerating growth that is sustainable and inclusive. To achieve this goal, it is important for us to be in the arena, working with our clients to deliver economic growth, increase inclusion in the workforce, and help move the economy to net zero. We do that in a way that puts people first, fulfilling our dual mission to help our clients make lasting, substantial improvements to their performance and to create an unrivaled environment that attracts, retains, and develops exceptional people.

Will you highlight McKinsey's focus and thinking on organizational health?

We define organizational health as the ability to align, execute, and renew over time to achieve strategic goals. Underlying this are the processes, practices, and behaviors that leaders at all levels adopt every day – in other words, the day-to-day of “how we run the place.” From that perspective, organizational health is critical to a business' long-term performance. The challenge for leaders is measuring health clearly and consistently so they can assess, improve, and monitor it.

We've made a dedicated effort to turn this qualitative experience into a quantitative one that applies analytical rigor to the topic. The result is our Organizational Health Index (OHI), which measures and tracks the elements that drive organizational health and performance. We've seen that the healthiest companies tend to outperform their peers across a range of metrics, including total shareholder returns. They also align with certain patterns or “recipes” of complementary practices which we

have identified through advanced analytics and data we've collected for 20 years at thousands of companies. Our goal is to help guide organizations not only in benchmarking their organizational health, but also to more rigorously and precisely identify the specific strengths and weaknesses in the pattern of behavior leaders use to run the company.

What interested you in writing the book, *Deliberate Calm*, and what are the key messages you wanted to convey in the book?

For successful companies, and successful leaders, it can be hard to change because they have built-in ways of working that have helped them become successful in the past, but when the world around us gets particularly volatile and uncertain, it's asking us to innovate, learn, and adapt. That pressure to change can also trigger us to go back to what we know, what has worked in the past – at exactly the moment when we need to do things differently.

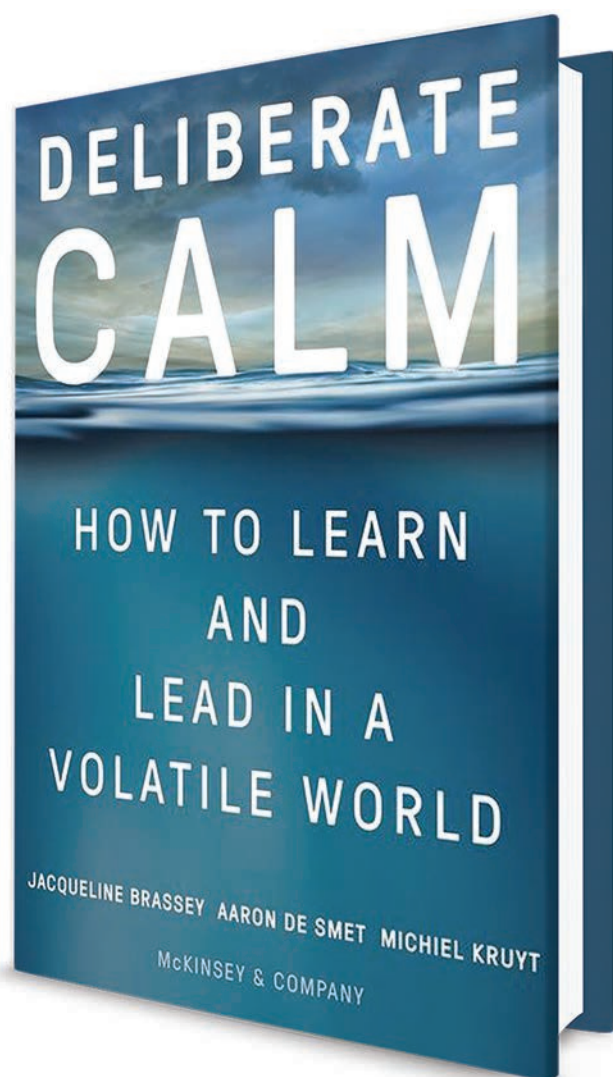
A lot was written during the pandemic about how to be resilient, but sometimes bouncing back isn't enough – we need to learn how to bounce forward into something new. Jacqueline, Michiel, and I wrote the book to help leaders navigate periods of substantial change through a set of personal practices that allow them to respond to challenges with intention rather than turning to old, albeit successful methods by default – especially when so many of today's situations call for different solutions and approaches. If readers take away just one thing from the book, it should be that it's possible to learn how to change even when change is difficult.

Under that umbrella are other key lessons:

- **Learning agility:** Essentially learning from experience, and then applying those lessons in new situations. The principle is that leaders need to be learners even in the most challenging circumstances, evidenced by one meta-analysis that found these traits were the top predictors of a leader's performance and potential.

- **Emotional self-regulation:** The ability to recognize, understand, and manage your emotions. A number of studies have found that teams with leaders who have higher levels of awareness and emotional self-regulation perform better.

- **Dual awareness:** The integration of internal circumstances and external ones. Being able to take stock of your experiences, thoughts,



emotions, and responses while maintaining an objective reading of the situation is the key to dual awareness.

What are the keys to making biology work for you instead of against you in stressful situations?

The reality is that no one can slow down the pace of change or eliminate disruptive curveballs from their life. We all can, however, change our relationship with turbulence by learning to see the opportunity in adversity. I love a quote from legendary Formula 1 driver Ayrton Senna. He said, “You cannot overtake 15 cars in sunny weather – but you can when it’s raining.” And it turns out that learning to see the silver lining in challenging situations is a skill that can be learned; curiosity and a learning mindset are muscles we can build – and the more volatile our world becomes, the more crucial these skills are. Achieving this mindset and putting it into practice is a process that is equal parts psychological, emotional, and biological.

We chose the title *Deliberate Calm* because it encapsulates the combination of these elements. “Deliberate” refers to developing awareness that you have a choice in how you experience and respond to a given situation. “Calm” refers to rationally considering how best to respond, without being swept away by emotion or governed by old habits. Combined, the result is that leaders fully appreciate their

choices and are focused and adaptable under pressure. By learning to employ *Deliberate Calm* in these moments, we learn to override our natural response and lead with innovation and creativity.

What steps can be taken to be adaptable and respond fluidly to new challenges?

Leaders often underestimate just how much of an impact they have on their team’s dynamic, often just in how they show up. Their verbal and nonverbal cues impact those around them in ways they might not expect. This is especially evident when pressure is mounting or teams are facing new challenges. Leaders must be able to assess the situation, understand everyone’s needs, and consider those factors as they create a path forward. Ultimately, the aim is to overcome what we call the “adaptability paradox:” the idea that in unfamiliar, high stakes situations, we revert to what has worked in the past even though many of today’s challenges require different skill sets and considerations to tackle.

Fighting this biological instinct to respond habitually means making a dedicated effort to understand the surrounding environment. The best way is to start small, with easy, daily exercises and practices that people can see. Supporting and listening to team members goes a long way. Then, as the situations become more challenging and less familiar, teams are ready to take

them on because they already operate in a safe, inclusive, creative environment.

While the responsibility to pave the way forward is a team effort, it’s up to leaders to make their teams feel comfortable and heard in the decisions that affect them.

How can “Deliberate Calm” improve your brain-body connection and turn it into an advantage?

Pressure can be as stifling as it is motivating and has effects far beyond the mental side of things. The core principles discussed in *Deliberate Calm* – dual awareness and the adaptability paradox – undoubtedly play a part in our brain-body connection. The more we can hone these practices and sharpen our approach, the more they can become an advantage in pressure-filled situations. Left unmanaged, negative emotions like stress, anxiety, fear, uncertainty, frustration, and pessimism greatly diminish our capacity to innovate, creatively problem-solve, and learn. However, with awareness, discernment, and practice, people can learn to extract all the good things from pressure – like motivation, focus, caution – without all the downsides. They can learn to face pressure head-on while still learning and adapting.

Dual awareness is the practice of synching up situational awareness – what the challenge in front of me is asking of me – with personal self-awareness to meet the challenge with eyes

open and an understanding of how to pivot and adapt when needed. I sometimes think of dual awareness as an in-the-moment process that ladders up to the adaptability paradox. By practicing dual awareness in real-time, we can override the adaptability paradox, learning and changing rather than reverting to our old methods. This can be as easy as taking a second to take everything in and ground oneself before making a leadership decision. This tiny moment can offer clarity and focus. Over time, these little habits strengthen our brain-body connection, helping us uncover new value we didn’t notice before.

What can be done to recharge your batteries while remaining productive?

Leaders who strengthen the resilience of their workforce not only do the right thing for their people, but also set themselves up to succeed when facing volatility or change. Upskilling on adaptability and resilience can be a powerful way to improve well-being and experience, which in turn has been shown to improve creativity, innovation, engagement, organizational speed, and performance.

Research indicates the scale is large – organizations that invest in the well-being and energy of their people see higher profit and gains in productivity and innovation. They also are better prepared to handle shocks or other business-model disruptions with greater speed and resilience in the future.

It’s also important for leaders to understand their own personal tendencies and habits when it comes to coping with stress. When people in general get super stressed, they tend to apply tricks that help them unwind, relax, or blow off steam. Leaders need to ask themselves which of these “go to” tactics are replenishing and recharging, and which are depleting over time. I have a couple of tactics I use when my mind is racing, and I really need to calm down: cooking while listening to jazz and exercise that is meditative like swimming laps or jogging. However, my other move is to binge watch sci-fi tv shows and drink red wine, which is very effective in calming me down in the short-term, but over time is depleting and not a useful tactic. Think about which tactics you use that are most emotionally, mentally, and physically nourishing over time and intentionally use them more often to recharge your batteries.

What can be learned from elite athletes who experience heightened states of flow?

Flow is often experienced when athletes are at the edge of their capability – that is, they are doing something they are very good at, but they are also pushing themselves to the edge of their capability. This usually comes after a lot of training and learning, and they find themselves in a heightened state of dual awareness, seeing what is happening around them, what is needed, and fluidly responding with just the right choices and actions in the moment. There is an analogue for decision-makers who can seamlessly pivot into a sense of creativity and curiosity, even in a turbulent environment, adopting a calm focus in order to explore and adapt amidst chaos. The story of Sully and the miracle on the Hudson is a great example. ●