

“What Is Important Is Invisible: to the Eye”

Interview with Jonathan Day, McKinsey & Company, London, July 14, 1999

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C.O. Scharmer: Jonathan Day, where did your journey begin? What’s the very beginning of your story?

I. The early journey: two passions

Jonathan Day: I never met my biological father. He came over to the U.S. from Germany. He and my mother parted quite early on, after I was born, he’s dead now. My mother is a musician. The man who I knew as my father was a lodger in their house: she had to take somebody in. I was in my late 20s when I found this out—I say this because I grew up not knowing he was not my biological father. He was a middling academic. He was terribly fascinated with comparative religions, and probably too much taken up with the neopaganistic movement that was once popular in some circles—all religions were expressions of a single transcendental philosophy.

He wrote a book on an English poet, Thomas Traherne. It was never very well received because the orthodox view, of course, is that these things are not at all the same; they are as different as possible.

COS: But he said they are manifestations of the same root. Hmm, how nice. That’s what I think is true.

Jonathan Day: Let’s come back to that. I was a bit of a rebel, and perhaps a disappointment to him in that sense, because I was much more interested in math, and in science and technology.

COS: So where were you born?

Jonathan Day: In Cleveland. My mother’s family came over from Russia, my father’s from Germany. I was born in ’56. My grandfather, my mother’s father, fought with the American forces in the First World War. He must have come from Russia at the turn of the century, because he died in ’72. But I got interested in two things: One was computers and IT. This was a long time ago, before everybody was doing this. The other was cognitive psychology, and cognition and artificial intelligence. I mention that because the interest in some notion of system or systems was there right from the beginning.

COS: What is the first instance of that you can remember?

II. A magic Mississippi experience

Jonathan Day: The one I remember most clearly was when I had a summer job working on a computer installation of an IBM mainframe. I managed to get to a point where I was finally able to understand from one end to another what was actually going on. These old mainframes were very primitive, and by today’s standards not very complicated.

This actually happened again a few years later, in ’74 or ’75. I’ll never forget it. I was at Johns Hopkins at the time. We had put one of the first installations of Unix, the operating system from Bell Labs, onto a minicomputer. I had printed out the source code for the operations system within a binder that was very

thick. A friend and I drove from Baltimore down to Gulfport, Mississippi. He liked to drive, and he drove this old car all through the night as I read page after page of this binder. It was right about dawn and we were coming into Mississippi, the sun was coming up and I suddenly realized how the whole thing fit together. If you think about these computer systems, they've got lots of little parts, right? The Unix source code was a very personal expression of these two men who put it together at Bell Labs. In fact, it was never really intended to be a commercial success. It was literally something that these two guys did because they wanted a better working environment. So the early source code, which was right out of Bell, had no comments. You never knew why they had done this or why had they done that. But I do remember that moment very clearly, as the sun was coming up, and suddenly realizing, ah, now I see how all these bits fit together.

When I finished at Johns Hopkins I went off to Stanford to do a Ph.D. in cognitive psychology. Again, I assumed that it was going to be a standard academic career, and again, my father never really approved because he thought it was going to the depths of scientism, looking at behavior in a mechanistic way.

COS: How about your mother?

Jonathan Day: Oh, she was fine with whatever I wanted to do. She's a pianist, and I think like a lot of artists, tends not to be super-articulate about what she's trying to do or why. It's in the doing of it.

COS: Not in the talking about it.

Jonathan Day: Right—getting a trio that comes together perfectly, or a sonata, or whatever it happens to be. So she didn't care, she was very happy with my choice. And again, my aspiration back then was that we would discover some kind of overarching system of mind.

COS: "We"?

Jonathan Day: The research group I was working with. This was in a time when the whole cognitive sciences movement was probably more optimistic even than it is today.

It was a very upbeat time: Marvin Minsky was at MIT and writing all these books, and John McCarthy, the computer scientist, was doing his work at Stanford. We all imagined this would lead to the discovery of a system, and that we would prove that we had understood something fundamental about cognition because we could encapsulate it in this great computer program. It was a very sunny time in Palo Alto, California, where it's very sunny and these things, I guess, sort of go together.

COS: So you found yourself at the heart of a movement that was about shaping the world.

III. Three disillusionments

Jonathan Day: Yes. But I think I got a bit disillusioned with it for three reasons. One was that I ran into some very interesting research. Some people from the Hebrew University—Amos Tversky, Daniel Kahneman, who studied decision-making under risk and cognitive bias—came to Stanford for a year in the fall of '78, and I worked with them while they were there.

I guess I realized that there were aspects of decision-making and aspects of human action that were harder to reduce to simple computer language—because they were pointing out the biases.

The second was that **I got a bit disillusioned with the notion that in an academic world you have to find an ever more narrow piece of research to work on.** A sub-branch of a branch. Maybe when you're very old you can step back and see the whole tree. I didn't like that very much.

And I think the third was that a lot of **religious experiences and interests and thoughts started to play more of a role in my thinking in my life.** Again—this notion of everything fitting together, of experiences, occasionally of conversations, of books, where there was this sudden sense of wholeness or harmony—I realized that what I was studying didn't offer many clues as to what that was all about or what was behind that. It was a much more experiential journey than going through some kind of logical argument to prove the existence of God or something. So I changed tack rather abruptly, and in 1979 entered divinity school at the University of Chicago to study theology. I wanted to do some work in the history of religions, and I did a master's there.

COS: Before we continue with that, could you say one or two words more about the experiences?

Jonathan Day: Sure. In an odd sort of way they're connected with why I ended up here, but that's another story. It was either in religious liturgies or in discussions. I got into quite a few discussions with people who were around the church.

At Stanford there's this great church, right in the center of the campus—the Memorial Church. There's quite a community gathered around that church. Sometimes in services, or listening to music, sometimes at a reading, I would just have a sense of all of the elements of life lining up in some way, a sense of harmony or fit, or lack of fragmentation. I'm groping for the right metaphors here.

IV. A forward experience

I remember having a curious sense of association between that and England. I had been reading John Henry Newman, and a number of different novels that had been written or placed here, and a certain

amount of Eliot. You got the sense—especially in England, even right up through the war—of a society that was quite cohesive, quite orderly. It might have been stifling or unpleasant if you didn't quite fit in, but it was quite different from the world of California, where nobody's stories connected very much. I mean, when I first moved to Palo Alto, my neighbor's greeting was "What are you into?" I thought, "What am I into?!" Are you into macrobiotic? Are you into this? Are you into that?

Similarly a lot of people, including most of my friends and I, had very fragmented lives, fragmented backgrounds. They were coming from here, they were going to there. It was a rootless place, and I suppose I had this image of England as a place where people had roots sunk deeper into the ground. I didn't even make a decision at that point, or think, "oh, I'm going to end up in London." But I suspect that I was anticipating that later experience.

COS: So that was almost a forward experience.

Jonathan Day: Yes, I think maybe it was. Certainly a lot of things like that happened. They didn't happen in the way we talk about thing happening with clients.

Too often you have intent and you have a plan to get to that intent. You say I am at "A" and I want to go to "B"—and so the steps from "A" to "B" are one, two, three, four. So it wasn't framing an intent to go from here to there. It was, as you say, a forward experience of something. Exactly.

V. Creating a startup

I was in the divinity school for three years. I did a master's, had a good time, but at the same time realized that an academic career was probably not who I was or what I needed to do. It was too specialized, it was too stylized in some way. I fell in with a group of four people who were leaving or had left academe. We started a little consulting firm in 1982, which I ran until 1990 when I came here.

That was in Chicago, and we called it Amethyst Corporation, after the purple gemstone. The Greek myth was that you would drop an amethyst into a glass of wine and you could drink the wine without any effect. It was a symbol of clarity that we could associate with the firm.

COS: So you co-founded that with your four friends?

Jonathan Day: Yes, and it was a crazy group, right? It was me; Michael, who was a historian and scholar of medieval Chinese; George, who had been a finance professor at Stanford and was the only real business person there; and a guy named Ross, who was a biologist who studied bio-diversity. It was a strange mix of people. We had no idea what we were doing.

The first assignment came from a charitable foundation which wanted to rethink how it did its work. They had about twenty people. We went to see them and had all sorts of discussions. Michael, the Chinese scholar who's not Chinese, drew an incredible diagram that Senge might not have been unhappy with. It had all sorts of circles and arrows, showing how processes interrelated. Our idea was that if you changed both the way things were done and the IT that sat behind it, you could make some very good things happen. Now you'd call it re-engineering, but at the time we didn't know that. It was different in that we tried to do it in a more natural and holistic way.

The other idea that we had that I think the re-engineering people never caught on to was a very interactive development style. We would sit with people and work with them for a day and then start to create systems to help them. We would literally sit next to them, and the systems would be developed side-by-side, as opposed to the usual method where after an interview you go away and make the system, and then give it to them.

COS: And give it to them years later.

Jonathan Day: Years later. We didn't know it at the time, but we were learning that there was a reflexivity between the work and the tools that you use to do the work. The idea was a sort of holistic

improvement process for clients, which was very interactive. We worked alongside them, trying to understand who they were, and trying to improve what it was that they did.

VI. McKinsey & Company

In 1990 I had an offer to come to McKinsey. I had been running Amethyst for just over seven years. I had a new partner, who is still running the firm. It was finally making pretty good money, but it was time to go. I think the main thing was that I was doing the teaching and not enough learning. And the great attraction to McKinsey was—

COS: A new challenge.

Jonathan Day: A new challenge. I was 34, and people said you can't come to McKinsey at 34, you're too old.

COS: Aren't they right? I don't know of others who would join the firm that late.

Jonathan Day: It's rare but it happens. And it actually was very relaxing in many ways, because at Amethyst I'd have to worry every month about paychecks, the rent, the taxes, where are the clients who are going to pay the bills? Here there was nothing to worry about. I just have to do work and solve problems. So that was okay.

COS: So what group did you join?

Jonathan Day: We weren't all grouped the way we are today. I was advised to come here to London and ended up doing some early work on organizational issues. Jim Wendler and I produced this thing which in some ways is kind of silly. We called it the Atlas of Change Management, and the idea was to create a very flat structure of these big categories, acceleration, adaptiveness, and then add in the tools, the series of interventions that you might try to apply. It was a great heresy because at the time McKinsey was trying to do everything in these frameworks, and we said let's turn it on its head, let's invert the structure. So instead of saying we have this hierarchy that has frameworks about the tools below, we'll turn it around.

COS: So you would start off with tools.

Hovering close to the details

Jonathan Day: Yes. I remember we had had this discussion group and somebody brought up Clifford Geertz, the anthropologist who wrote an essay called "Thick Description." It's a very important anthropological essay. He talks about hovering close to the details, and that's what we were trying to do.

COS: Is that design or reflection on best experiences? How does such a document get produced?

Jonathan Day: Jim, in particular, really did the heavy lifting in this. Between us we read everything that McKinsey had written about change in organizations, and quite a few other things—there were stacks and stacks of documents piled around the team room when we did this.

This was an attempt to put it all together in one place. Our vision was that it would be continually adapted and developed, and it wasn't. That's sort of a disappointment. The one thing that this had a big contribution to was ending the famous war of the frameworks.

COS: So in retrospect what would you consider the essence of this whole stream of work? What did you personally take away from this topic of change management, the essence of change?

Jonathan Day: I think the study I want to describe will answer that question. The client was a bank, and basically they said we are prepared to change everything that we do: strategy, information systems, organization, retail brand, pricing, credit, back office, branch design, everything. We want to double the

value of this company. I worked on this program from the fall of '91 to about the beginning of '94. It was the first of the enormous McKinsey transformation programs. It was a very ambitious program. We had 200 client team members, all in a big room up in Edinburgh. We had 22 McKinsey people on the scene. By those day's standards that was six or seven teams all working on the same thing. One was working on credit, and one was working on retail strategy, and one was working on commercial strategy, and one was working on cash management.

It was very exciting. We spent a morning a week with the top management, just sitting together thinking about what had happened. Throughout the whole project we spent every Wednesday morning from eight o'clock to about one together.

COS: And who's "we"?

Jonathan Day: The leadership group. There were probably five of us who went to this.

COS: And how would you interact with the 200 clients? Were they part-time or full-time?

Jonathan Day: They were full-time. They were the best of the—

COS: Two hundred? They were one team, or what?

Jonathan Day: No, subdivided. So we had a credit team, for example, which I led for a while, or I was coaching the client who was leading it. And there were fifteen people on the credit team. And then there was the retail strategy team, the commercial strategy team, and an IT team. So the idea was a group of us working with a much larger group. The firm has now done a number of these since then, and I think they've become more common. I don't know if this was the first, but certainly it was one of the first. It got attention around the world. Again, this was the theme of trying to change lots and lots of things in a coordinated way. In retrospect, it was much too top-down and Tayloristic.

I'll give you just one example from an area that I had worked on, credit. We thought we knew how to do things. We had really worked this out, we had run our numbers, we could prove this was the way to lend. One of the biggest areas of this bank was in small business lending, lending to little farmers and taxi drivers and restaurants, and the like. **In British banks, and especially in Scotland at that time, the local bank manager was a community figure. If you had a small business and you wanted a loan, you walked into the bank and you had a discussion. The manager would interview you, and then he would say yes, or he would say sorry. It was what we called "eye contact lending."**

Along came McKinsey. We said, look, we can make your loss record much better. We had forms, and if you wanted a loan you sat and filled in the forms, and they were faxed through. In 24 hours a team of very skilled professional lenders, following our principles and using our system, would turn it around and send it back. And it worked much better than the old eye contact lending system in terms of avoiding dumb loans, right? It didn't bother us at all that we were fundamentally changing the identities of hundreds and hundreds of people. And then these people would call us up and they'd say, look, you've changed who I am. I am literally a different person and for the most part, this was a change for the worse.

We didn't pay any attention to this because we knew the right way to do it. And all this stuff was about how to communicate. How do you cascade the communication down? How do you pick out the job that has to change the pivotal jobs? You make the pivotal jobs change, and if the people finally don't do what they're told, they go. No, this program had a mixed effect. It achieved 70 percent of its profit improvement, and its profit improvement was huge. It didn't become an organic improvement, but it stuck. But the young people, who worked on it, to this day say that this was a pivotal experience in their lives. It changed their lives forever...

VII. The heart of our aspiration

COS: This transition when you joined McKinsey was in 1990, right? You had a number of options back then, so what was it that helped you make your decision back then? What were your aspirations of best future scenarios that made you eventually go down there?

Jonathan Day: That's a very good question. I think McKinsey, in some ways, was more special and unusual then than it is now. McKinsey back then didn't say much about itself. There was almost a secretness or hiddenness about it. Yes, we knew that it was a management consultancy, but in contrast to almost everybody else, there was something quite unusual about it. People had a sense of mission.

COS: Uniqueness.

Jonathan Day: A sense of uniqueness, a sense of specialness. But a mission, as well. I was talking recently to my first engagement manager, and he said he thought McKinsey had lost touch with what it was supposed to be. I said, "What do you mean?" And he said, "McKinsey is supposed to be saving the world." Now people are doing financially well in the course of that activity, but that is an outcome, not the goal. It wasn't even about helping clients save money or helping clients, it was somehow about --

COS: Is that true? I wasn't aware of that.

Jonathan Day: Fundamentally I think there was an undertone of that. The firm certainly didn't announce, "We are here to save the world," but there was sense of mission. I liked the people. And I liked the London office, which at the time was a fraction of the size that it is now, within a lovely but bizarre old building a half a kilometer from here.

COS: How many people are here now?

Jonathan Day: About 400 consultants all together. It's large. Of course, it's all here, where Germany is twice our size, but they're --

COS: More distributed.

Jonathan Day: But the client I went then to serve, which has also been a very formative experience, was a large oil company. Again, the chief executive essentially wanted to take this company absolutely to the top of its league. A group of us started to work with them on that. The oil company was far more evolved in many ways than the bank. Smarter managers, first of all. This had been a time when the great oil companies could choose any graduates they wanted—they were the employers of choice in Britain. They had spent many years working with all the top gurus, with Richard Pascale and people like that, on behavior and teamwork and so on.

They already had a strong culture of empowerment and of autonomy, and they were not about to impose a top-down change program. On the one hand they wanted to work with us because they thought we would bring some ideas about getting decisions made better. But they taught us a lot. This is the lovely thing about this company—I've learned at least as much from them as they have from us. It's been a mutual discovery process. They insisted that everything be done in a joint learning model and not in a top-down fashion....

So that takes us up to '96, which is when I started working on one of these so-called special initiatives. You know, the "Architecture of Organizational Performance." Do you know the history of the special initiatives?

COS: Not really.

Jonathan Day: This is a little funny history, actually. Maybe some other time we can talk about why a firm undertook these special initiatives. But one of them was called “Corporations of the Future,” and the idea was to come up with some new concept of organization. What would organizations look like in this new world?

COS: I'm interested in that. Are the special initiatives an invention of the 1990s that didn't exist before?

Jonathan Day: They did not exist before, right. The reason I suggest we go into this in detail later is I think it's actually germane to the broader issue of leadership. The idea of the special initiatives was...not having project thinking. It was to get people together, give them time or give them resources.... I think you should do an interview

at some point with a number of people about how that happened. The team was a bizarre collection of people. We had Michael [Jung] and Johannes Meier, who were back then just starting to set out their ideas on mental and social context. We had John Stuckey, who had been a respected economist, a student of [Oliver] Williamson's and the author of an important book on vertical integration. David Meen and Michael Patsalos-Fox were directors with strong reputations as client leaders. And me.

And over time the “economics” side of this diverged, and kept the name “Corporations of the Future” and the “social sciences side” took the name “Architectures of Organizational Performance” and continued as a separate project under Michael's leadership...

That's the aspiration of our practice, actually, to say let's combine the best thinking of organizational economics with the best thinking of sociology, depth psychology, all of the disciplines that have formed Michael's thinking. But I wish I could broadly characterize the social sciences, social theories, social thinking, and bring these trends together in a way that speaks to both aspects. So that is the synthesis we're now trying to create.

COS: And how does that relate to the work that you're doing in the organization, the actual change work?

Jonathan Day: I think in many ways the heart of our aspiration for this practice is to fundamentally change the way that consulting is done and to build a model of consulting that is about quite deep dialogue that sometimes turns into projects. I guess my model for this is that we shouldn't think about studies, we should think about client relationships. We should think about conversations, extended relationships....But the heart of it is not doing studies, it's not Study Number One, Study Number Two.

COS: The heart of it is?

Jonathan Day: **Is an extended conversation between at least three groups: the clients, client executives, our people, and ideally, outside people.** Again, this was a change in McKinsey. Academics—you might read their books and articles, occasionally you'd get one of them in to have a chat, but for the most part they were extra. And I think that there's a lot that we can do to make this dialogue happen between client executives, between people like us who are in between. The really serious academics work on a different pace, work on a different level of reflectivity, think about things a lot longer than we can. **So to me that is fundamentally the aspiration we have for the practice: not to sell studies of change management or transformation, not to sell anything, actually. But it is fundamentally a different model than most of McKinsey is operating under at the moment. The dominant model is you store up some knowledge, and knowledge is an asset that you package, codify, and then teams take the knowledge and they deliver it.** That's done for a while, and the client pays the money and then obviously, you're trying to replenish the assets that you build, but it's a linear system.

COS: So what would the emerging new model look like? How would it be different?

Jonathan Day: Sometimes it wouldn't be. Sometimes there is some technique, sometimes there is a technical change, as opposed to adaptive change. You have to decide, for example, whether you want to acquire another company, and certain decisions need to be made on a purely financial basis. Or at least that needs to inform. There is technique for analyzing cash flows and financial structure of a company

you're thinking of acquiring. But the idea is to say techniques, but more than techniques. I'm stopping only because I have not thought enough about what it is we've been trying to do in terms of a consulting model, as opposed to --

COS: Yes, that's what I heard you saying. It's always the most difficult to see the things that you are in the midst of, but what I heard you saying is that the heart of "it" is not doing this or that study, but to develop the relationship. Which actually would mean to reinvent what consulting is all about.

Jonathan Day: Oh, yes, I think there are things we can borrow from, because in many ways it feels a bit like therapy in the sense that you form a relationship with—in this case with a company, rather than with individuals.

VII. The essence of consulting

COS: Who is the real client? Is it the company, is there such a thing as the company, as opposed to, say, the CEO, or the leadership team?

Jonathan Day: I think at best it is a fairly large executive leadership team that goes some distance to the front line. I will probably have conversations with about 80 people in the course of a year with my main client.

COS: And that would be just the top level or across the whole organization?

Jonathan Day: It's a fair range. When you add in our client service team, that goes to up to two or three hundred. You're trying to form a relationship between a group in McKinsey and a group in the clients. The networks that any individual has will overlap and that's an interesting dynamic, as well. The relationships that individuals form with individuals in the clients will also overlap. But I think, at best, it needs to be about a certain mutual commitment to searching for some notion of organizational vitality, organizational health. When I started doing this stuff we had a notion that you could plan things, set things in motion. Even today this is so in McKinsey, that generally organization is downstream, organization is receptive and feminine.

You know, in these flow charts people are always drawing, strategy is here or maybe it's here, and there are some kind of exogenous forces at work which determine strategy. Strategy determines direction, direction determines the organization, right? Or as a lot of colleagues like to say, I will tell you the what, you tell me the how...

And in many ways, what I was trying to do back at Amethyst, and in the program at the bank, though we didn't realize this, was working on the fundamental notion that the ways we go about doing things and the things we do are codetermined. **I think the consulting process is much more like a therapeutic process than it is a science or engineering.**

COS: What do you mean by therapeutic? How does that show up in everyday practices?

Jonathan Day: It means someone is helping the clients, individuals or groups, confront the outside world. I'll give you an example. This company has just decided to create a business that will sell natural gas and electric power, and they're very excited about it. We had a five-hour workshop this morning discussing this and what would it involve. One of the things that they have not realized is that they are about eight years behind the rest of the world in entering this particular domain. We had some discussions about what other players were doing, what other people were doing, what good performance in this kind of business actually looked like. Not just what results they delivered, but how they behaved and what kind of people they had, and what they were trying to capture, and what it felt like to be around them.

I think that is one of the big unsolved problems in this whole field—how do we get really rich, deeply rich descriptions of what is actually happening in a company? What does it feel like to be part of McKinsey or Intel or Microsoft? We either get the surface traces at the sort of absurd level like, the men

at Company A wear ties and at Company B they don't wear ties. Or we get these enormous, big, abstract descriptions like, "Performance companies are driven by leaders." What does that mean? Every company looks at itself and says, yes, we are driven by leaders. So I think it is an unsolved problem of how to convey that reality.

I just clipped a story from a magazine that a young doctor had written about his first ride in an ambulance. It was in Chicago, and it's a very powerful, poetic description. It happens that his partner, the guy who was driving the ambulance, was named Jacob. And as it happens, Jacob, the paramedic, has a limp. So the author of this little vignette quotes the biblical Jacob, who was left alone to wrestle till the break of day, and whose thigh was put out of joint during the struggle. Jacob was renamed Israel, which means "to wrestle with God." It's a very powerful description in a flowing, poetic language of what was involved in riding in the ambulance. They find a man with a heart attack and put him in the ambulance, and they take him to the emergency room and treat him, and so on. It's a rich description. You read this and you feel it. But descriptions of organizations are so deeply removed. If I tell colleagues this, they say, What the hell do you think we're supposed to do? We have to write poetry about companies that we consult with?

COS: Well, maybe we have to.

Jonathan Day: Exactly. So I think this is an unsolved problem. How do we convey it? And of course, McKinsey tried to do it the best way we know how to get there.

COS: Then there's also the question, go to where in the company, right? So whether you access the experience of the center or the experience of the periphery, or...

Jonathan Day: That's right, that's right. And the best you can usually do is take Client A to see Client B, if you're lucky, for a day, two days, maybe. It's very rich, but it's one slice in one time in a fixed social setting with closed books and all that. Sorry for the digression there, but I think this is an important unsolved problem.

COS: The question this brings to mind is related to back in '75 when you had the epiphany about Unix after driving and reading the whole night. Have you ever have a similar experience come from your immersion in change consulting?

Jonathan Day: Yes, personally many times, as in the birth of children, family things, things like that. But professional moments of understanding—I'll give you an example in the Corporation of the Future work. The economist who had been most influential is a Stanford guy named John Roberts. Roberts's great contribution to the theory has been what he calls "complementarity," which fits almost perfectly with Senge's systems thinking, although interestingly, Roberts was, and probably still is, unaware of Senge. Again, academics move in such fragmented circles.

The whole notion of complementarity is that you have features of an organizational system that are supermodular that reinforce one another. All sorts of consequences flow from that, about change, about what strategies will work and what strategies will not work. When I finally understood the mathematics of Roberts's most important paper about this, I had a similar sense of discontinuous understanding. I think when I first started to realize that we could bring Michael's thinking together with our Corporation of the Future's thinking, which I think Michael realized a long time before I did, it was a similar sense of --

COS: That they wouldn't exclude each other.

Jonathan Day: Not only that they wouldn't exclude each other, but that something quite wonderful and powerful could be built.

COS: It could be complementary itself?

Jonathan Day: Deeply complementary. That we could help clients do all sorts of things—again, back to this notion of therapy. Help them achieve degrees of freedom and possibility that just weren't there before. Not by saying you must do this, and you must do this, but by getting them to a place where the formal organizational elements and the deeper sources of meaning came together. I think another sense of aesthetic shock or discovery has come many times when I have encountered a company, or a group within a company, where that kind of alignment was really present.

COS: How would you sense that?

Jonathan Day: A colleague and I a couple of years ago were discussing this. It's like the old joke about, I can't define obscenity, but I know it when I see it. I remembered another bank here in the UK that happens to have a particular business unit that's all about clearing checks, theirs and other banks. You write checks and they go through this great processing center. We went up and spent a day with them. Almost from the moment you walked in the door you knew that these people had absolute clarity about what it was they were trying to do and why they were trying to do it. It's quite a boring business, on the one hand, but you sensed a real sort of passion. We throw this word passion around much too lightly. But there was a sense of deep excitement about their work.

COS: What senses do you use when you make such a suggestion? You say you know when you see it, but what is the cognition process in yourself that you have to deploy in order to make that suggestion?

Jonathan Day: No, no, no. At one level there are series of very rational, very explicit

things one can write down: Is the strategy clear? Do the incentives reward the right behaviors? Do they understand their customers? Are they constantly trying to make it better? Is there a sense of constantly looking for improvements? All these things you can write down. We have hundreds and hundreds of lists of these.

Now, interestingly, one of the things that has been deeply fought in our work, and which we're trying to fix now, is a sense that you could be quite prescriptive. Let me give you an example. This happened early in my career here. I went to New York and interviewed two groups in two different banks. One group was Banker's Trust. Now this was the old Banker's Trust; this, at the time, was the most creative, innovative bank probably in the world. It was constantly coming up with new ideas. It would be comparable to one of these Internet companies now, constantly coming up with new ideas.

COS: Changing the rules of the game.

Jonathan Day: Yeah, changing the rules of the game. New products coming through almost daily, and it was just a buzzy, exciting place. It was a very competent place. One of the questions that I put to them was, how do you resolve conflicts between different parts of Banker's Trust? For example, if you're the finance director of a company and I'm coming to sell one set of products, and he's coming to sell another set, and she's coming to sell, what do you do? They said it's very simple, it's the market, we compete with one another, and whoever wins, wins. You know, real tooth and nail. We transact with one another internally, everything's on a kind of market, competitive basis. And it was working. It was a market that had been brought inside.

It was very effective. We spent the greater part of the day discussing this with them and really got excited.

The next day we went to see J. P. Morgan. Now again, J. P. Morgan is not as innovative but is also a very effective bank. We had a discussion with a group about how they were working in this business, and their answer was the exact opposite. It was all relationships and trust. You would never compete with a colleague. You would find a way to work together and one of them would go with a relationship philosophy to the clients, right? So you wouldn't be called on by five people from J. P. Morgan, you'd be called on by one. I said, "How do you resolve conflicts?" They sort of looked at me like, what a strange question. I said, "What happens when two of you want a common resource?" There was a long pause; then one of them said, "We all know what's best for Morgan, and we all want what's best for Morgan." Do you see what I'm saying? Here you have two models, both of them working very well. Banker's got into trouble later on and got taken over by Deutsche Bank. J. P. Morgan has done better. So you couldn't

be prescriptive about what works...

IX. CEOs and the Formative Field of the Whole

COS: You mentioned a while ago that the client wouldn't actually be an individual person, but rather the system as a whole, or something like that. Could you elaborate on that a little bit? Is there such a thing as the whole system? What's the nature of that reality? Because in a way it's related to what we were just talking about.

Jonathan Day: Of course, the McKinsey orthodoxy, and I think what you see in the press, is that everything is the leader. And our research is to be called knowledge and leadership. And somehow leadership implies a leader. But you read in the press that General Electric is Jack Welch, and BP is John Browne, and so forth, right? These great leaders. One of our new colleagues who has just joined McKinsey from Price Waterhouse gave me these books he wrote, *Straight from the CEO*, pronouncements from great CEOs. Now on the one hand, it is absolutely not the case that these are solo acts. I mean the notion that GE is Jack Welch -- **You could almost argue that GE created Jack Welch, rather than Jack Welch created GE. On the other hand, these top people are really important and there is something special about them. And there's even something special about the formal authority that they are given, that I think often brings out changes in these individuals. I don't think we understand this.**

We're very simplistic about it: Top-down leader, leader drives change. Consultant advises leader, says this is the change we must bring about, this is your program for the first 100 days, this is what you must do, dot, dot, dot. Well, that's silly. **A leader can't drive change anymore than I can drive the weather, or drive all those cars down on the road.** On the other hand, I think there is active leadership, and chief executives are really important. There are actors that are more important, they somehow stand out from the field. We would say in McKinsey, our client is always the chief executive role. At some level this is true, at some level it's not. You never end up spending hours and hours with chief executives because they're too busy. I don't think you could serve a chief executive well unless you have a relationship with many people around them, unless you're helping. So I think it has to be a large group, 30, 50, 100, people, that as an individual is working with a larger group that we institutionally as a firm are working with. But did I misunderstand your question?

COS: This afternoon before I came here, I did another interview, with Henri Bortoft. He is a student of David Bohm's. He combined quantum physics with the Goethean approach to science. His focus is on how we can directly access the experience of the whole. For example, as you work with a leadership team for many months and years, you begin to develop a sense for the emerging whole of the company. So what is the methodology that allows us to consciously access this level of cognition? That's a completely unanswered question.

Jonathan Day: I think that's a terribly, terribly important question. And it becomes operational, for example, in mergers.

COS: How?

Jonathan Day: Because you have Company A and Company B, and you're trying to make a fusion. How can you improve your best before the fact that this is going to work? What things can you do as they've come together to decide, is it the people of B become more like A? A become more like B? You try to make a C that is somehow above the two. And this happens every day.

COS: Because it really relates to this topic. Let me share with you another conversation that I had recently with Joseph Jaworski, when the two of us did an interview with Brian Arthur. He basically made a distinction between two different levels of cognition. So there is the superficial way—you just download your mental models and impose them on reality. And then there's another mode of cognition where you do not impose your mental models on reality. This mode of cognition is reversed, so you are a channel that allows reality to come forth. Brian made the point in a Harvard Business Review article that in competitive environments of increasing returns, the most important thing is the capacity for precognition. You also mentioned that early on.

The question we asked Brian was, what does that really look like? He said you basically do three things. One is that you go out into the environment and you observe, observe, observe, as you said you did in the 1980s. He said you try to become one with the reality. Then second, you retreat and reflect. You try to access a deeper source of knowing which then allows you to tap into the source of what wants to emerge, the source of the new. You go to the inner place where knowing comes to surface. And then number three, you act in an instant. He said, for example, in Chinese and Japanese art, the painter goes to a landscape and sits for weeks and weeks and weeks and observes and observes and observes. Then all of a sudden he says "oh," and then in 20 minutes [the painting] is finished. And that's also what Henri Bortoft talked about this afternoon. His point was that there is a way were we can get direct access and relationship with the emerging whole.

X. The invisible core process of consulting

Jonathan Day: One of the tools that I fleshed out there was this cost reduction program that we still do called activity value analysis, where essentially you get hundreds of people and work out the cost structure of their particular pieces of business, and they come up with ideas for improvement. Then the ideas are sent through some set of criteria and a committee from the client says we'll do this one, we won't do this one, we'll hold this one. You know, red, green, yellow. It's a very structured process, there's even a kind of computer program that we have that gives you the cost reduction from that.

Michael Jung and I were talking with a colleague who's done hundreds and hundreds of these who believes that they're a piece of firm property. And we said the following, and this guy who's quite senior in the firm was very upset. I think he later realized that there was something there. **I said that the technical aspects of the cost reduction program are absolutely worthless, because you're not coming along and telling your client how to cut costs. Nor is there any particular value in a structured process in a computer if it tells you how to cut costs, he said. So you're telling me that I've been spending my life, you know, wasting it?"** I said, "No, no, we are taking a team, a McKinsey team that is usually a sort of idealistic, young, highly motivated, flexible, energetic group, and putting them in to the client in a way that they interact and they live together. And they go off, usually to the client's factory and they have these experiences together, they work all night, you know, go driving to Mississippi. And what happens is that certain aspects of the depths of the team are mirrored by the client... They

could be going off and building a wall together, or cooking a meal together, but it just happens that we've created an encounter around cost cutting. What's actually connecting, heart speaking to heart, is not at this level...it's out there.

COS: Right, it's another level.

Jonathan Day: The way I've found more and more useful to think about it and describe it, it's almost like a well, staring down a deep, deep well, and the further you go the harder it is to observe. Up at the surface of the well or on the field around it, there are things we can easily observe and interact with. We can observe the organizational chart, we can observe the budgeting system and the controlling system. We can observe the speeches of the CEO—i.e., the mental context. We can observe some aspects of the social context, although even here, we now start to descend into this well because at some level, because of reflexivity, we can influence the mental context and the social, but it will always form. But there are ways you can read this and Michael has his wonderful techniques, the consensors, and so on. But now, somehow, this is deeper and deeper in the sense of more removed, harder to observe, more mysterious.

COS: Almost as if it would go like this, right? So it's not just going deeper, but it's going through the eye of the needle somewhere deeper down here.

XI. "What is important is invisible to the eye"

Jonathan Day: Yeah, that's right... It's a bit like the line in *The Little Prince*, where the little prince says to the guy, "I'll make you a present of a secret." And the secret, as I recall, is what is important is invisible to the

eye. I think that's true here. What is important is invisible to the eye. And yes, we can observe, observe, observe, and measure, measure, measure, but at some level the things that are extremely important to observe are more hidden from view....

In McKinsey when we train our people, we interview them and we give them tests. They're literally given numbers to add up. Or they have an MBA, and it's proven that if you have a good MBA grade you can add up numbers. And logic problems to solve, and so on. It's all very much up here. And we put them through these very difficult experiences and ordeals of analysis and number crunching and modeling, and so on. **And at some point, some mysterious point, we expect them to develop empathy, understanding, powers of observation—powers of observation that are down here.** Now maybe this is the only way to do it. And then we end up with some who are extraordinarily good at looking down into the well, although they often don't have a clue what they're doing. They're just very, very good at it and they have an interpersonal understanding and a social understanding. And they know how to intervene in ways that work.

Can we develop these skills? Are they teachable? Is observation teachable? Could we train our associates to write like this young doctor who wrote about his night riding in the ambulance and saving the heart patient?

COS: Now what Bortoft was talking about, was that there are actually two modes of how you can operate mentally. The normal everyday way, what we learn in school, is to look at reality from the outside and to impose our projections on it. This one he calls intellectually something. And the other one he would call imaginary sensing or presencing, where in your mind you would operate from another level that would allow you to have a more direct access to reality. When operating on that level, you would intuit the phenomenon intimately from within rather than from outside. Does that fit your consulting experience?

Jonathan Day: I think, actually, that's interesting, because it is both, isn't it? You can't always stay at this level.

COS: No, no way.

Jonathan Day: Nor should you try.

COS: There's something that precedes it and there's something after that.

Jonathan Day: Yes, that's right. There's a kind of modulation and I suppose the trick in this is to understand the rhythm, and to be a bit more deliberate, or at least a bit more aware of what's happening as we move between these levels. And then, of course, one of the problems that we have in McKinsey, and like we always used to say about computer software, is it's not clear if it's a bug or a feature. This is typically not a particularly reflective place, simply in the sense that it's very action-oriented. The phone is ringing and the e-mails are coming through the computer. We have this picture in some associate training manuals of two young people running through an airport with a briefcase and a suitcase. A lot of our arrangements here are structured to make that possible. You know, Otto got a call on Monday afternoon. He was sitting in Munich, and Tuesday morning he was in Singapore. He jumped on a plane and off he went.

I think at a deeper level that's all about creating an environment of possibility and action, and openness to action, and not having to sit around and saying, should I get on the plane? Should I not get on the plane? And that's important, because clients are not usually oriented to action in quite the same way. But it means that the place gets increasingly noisy and pressured and superficial, and that we have to come up with different ways to ...

COS: The time pressure is part of your reality, but how do you organize in order to allow this to happen?

Jonathan Day: Exactly right. **And by the way, companies, also are operating with the metronome, and the metronome is going faster and faster and faster. They want things done instantly. This is the curse, this is the dark side of Silicon Valley, right? Silicon Valley makes millionaires, and all the stuff**

that has many dark sides. But one of them is that I think it is systematically taking away that, and then you end up with knowledge that is superficial. So many unsolved problems.

The other thing this fits very closely with is the whole notion of interpretation economics. I was with a group in Brussels the other day and they were talking about one of our new strategy initiatives, which is about explosive self-generating demand. This is actually an increasing returns idea, right? That certain goods or things become valuable, not in the economist's sense that they are removing work or solving some ailment, but simply because they are desirable in and of themselves. And at a kind of silly level they're looking at things like these Japanese Tamagotchis. What is it that generates this kind of explosive demand? In Britain we have a wonderful children's story called Harry Potter, which has broken all sorts of publication records, and the newspapers are all atwitter. But why it is that children all over the place in England and the U.S. want this? Not only the children want it. The parents wanted it so much that they had to publish an edition in an adult-looking cover, so you could sit there on the train and people wouldn't think you were reading a childish book. They sell the adult one for 50 percent more, or something, than the children's book.

I think the simple answer is that they've accessed something quite deep. There's an interpretation that happened, and even in the hyper-rational world of capital markets we know this is so, that the capital pricing model can explain 12%, at best, of long-term share price variance.

So all I'm saying is I think that aspect of it is not just in the high performance of individuals and groups, I think it happens in product markets, it happens in capital markets. And so I agree with you. If we could come to a better understanding of that, all sorts of very interesting things become possible.

COS: You mentioned earlier the question of getting good deep descriptions of the experience in organizations? I think that's a huge topic. And again, one, were we are just at the very beginning.

Jonathan Day: And you ask why is it that transformation programs fail, which most of them do. I can instantly identify a number of reasons why they fail. One is that they ignore complementarity. They try to change one aspect and the other aspects are unchanged, and those aspects end up essentially pulling the one changed back. They ignore past dependence, and they assume that you can change anything into anything else. That we are all individually and collectively infinitely plastic, and that a fish can turn into a bird, and we know that's not true either. They ignore the hard-to-observe factors, they forget that you have to look down deep into the well. And that you won't see very well deep in the well. But I think maybe more fundamentally, and what I hadn't realized until our conversation today, is that you probably won't have a very good idea of what it is that the organization is trying to become, anyway, right?

COS: Exactly.

Jonathan Day: Because we don't have that thick description. And that then leads to the interesting question for leaders, and advisors to leaders, and therapists, and consultants, which is where to aim.

COS: I always felt there is some sort of threshold or eye of the needle that you have to pass in order to get to these deeper levels we are talking about. What does it take to go through that eye of the needle? What is the essence of that experience or that threshold? What is it that you have to take your client or your client relationship through?

Jonathan Day: I think that's quite right. And then I suppose the hardest question of all in all of this—this is something I sometimes worry about late at night—is if we really understood this all, would that very act of understanding somehow be destructive? We would be exposing things to open discourse that shouldn't be exposed. But I think we have to assume that that's not the case.

XII. Reflection

Three themes and insights emerged from the conversation with Jonathan Day. The first one deals with the tacit dimension of client relationships. Considering the most successful client interventions, Day suggests that at the heart of these episodes is not the transfer of technical knowledge but a deeper collective experience in the context of the mixed client/consultant team. These deeper experiences

arise when project teams go through periods of very intense work that ultimately leads to breakthroughs and a deeper heart-to-heart bonding among the participants. Says Day: "They could be going off and building a wall together, or cooking a meal together, but it just happens that we've created an encounter [of this type] around cost-cutting. What's actually connecting, heart speaking to heart, it's not at this level, it's at a deeper place."

The second major theme of this conversation concerns accessing organizational experience. How does one acquire rich and deep descriptions, rather than superficial ones, of what is actually happening in a company? That is, "What does it feel like to be part of McKinsey or Intel or Microsoft?" Day suggests that without tapping into the experiential and aesthetic groundings of a company we cannot really understand high-performing organizations and systems. "I think a sense of aesthetic shock or discovery has come many times when I have encountered a company, or a group within a company, where that kind of alignment was really present."

The third theme concerns the relationship between CEOs and the organizational whole, about which, according to Day, we understand only very little. This relationship works both ways. Says Day: "You could almost argue that GE created Jack Welch, rather than that Jack Welch created GE. On the other hand, these top people are really important and there is something special about them. And there's even something special about the formal authority that they are given, that I think often brings out changes in these individuals. I don't think we understand this..."

All three topics can be understood as different manifestations of a single underlying question: What is good leadership and organization when that which is most important is invisible to the eye?