We show that a Banach space with separable dual can be renormed to satisfy hereditarily an "almost" optimal uniform smoothness condition. The optimal condition occurs when the canonical decomposition $X^{***}=X^{\perp}\oplus X^{*}$ is unconditional. Motivated by this result, we define a subspace X of a Banach space Y to be an h-ideal (resp. a u-ideal) if there is an hermitian projection P (resp. a projection P with $\|I-2P\| = 1$) on Y^* with kernel $X^{\perp}$. We undertake a general study of h-ideals and u-ideals. For example we show that if a separable Banach space X is an h-ideal in X^{**} then X has the complex form of Pełczyński's property (u) with constant one and the Baire-one functions Ba(X) in X^{**} are complemented by an hermitian projection; the converse holds under a compatibility condition which is shown to be necessary. We relate these ideas to the more familiar notion of an M-ideal, and to Banach lattices. We further investigate when, for a separable Banach space X, the ideal of compact operators K(X) is a u-ideal or an h-ideal in $\mathcal{L}(X)$ or $K(X)^{**}$. For example, we show that K(X) is an h-ideal in $K(X)^{**}$ if and only if X has the "unconditional compact approximation property" and X is an M-ideal in X^{**}.