

Conducting Business: Of Chairs and Conductors

A Personal Perspective



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Just as an orchestra needs a conductor to guide its members and produce a harmonious symphony, a board needs a chairperson to lead, unite, and steer it towards the attainment of its objectives. Chairing a board and conducting an orchestra have more parallels than one might assume.

In the realm of music, a conductor stands as a pivotal figure, orchestrating the symphony of sounds produced by an ensemble of musicians. The conductor is not merely a guide for tempo or rhythm; they serve as a bridge connecting the musical pieces with the emotions they are meant to convey, ensuring that each instrument plays its part in harmony with the others. They bring forth the vision, interpretation, and direction, turning the notes on a page into a living, breathing performance.

Definition: A conductor is a trained and skilled individual who directs a group of musicians during performances, ensuring the ensemble plays in unity, achieves the desired sound, and follows the intended tempo. They utilize gestures, cues, and their expertise in music to communicate with the ensemble and guide them through the intricacies of the piece being played.

In the subsequent sections of this article, I will explore the parallels between the role of a conductor and that of a chairperson in leading a board of directors.

By understanding the nuances of conducting an orchestra, we can glean insights into effective leadership, teamwork, and collaboration, relevant not only in the world of music but also in corporate governance.

1. Orchestrating excellence: The parallel artistry of conductors and chairpersons

Let's delve into the challenges faced when chairing a board and discover how the role is akin to conducting a majestic symphony.

1.1 Setting the tempo: Leading but not dominating

A conductor ensures that every instrument begins and remains in synchrony. Similarly, the chairperson establishes the pace of board meetings, ensuring efficient time management. Yet, like an overzealous conductor who might overshadow the musicians, a chairperson too dominant can stifle the voices of other board members. The challenge lies in setting the rhythm without overshadowing the ensemble.

Example: In a board meeting discussing quarterly results, the chairperson allocates a set amount of time for each agenda point, ensuring everyone has time to speak. However, they resist the urge to interject frequently, letting the flow of discussion carry naturally.

1.2 Harmonizing different sections: Balancing diverse opinions

An orchestra consists of varying sections – woodwinds, strings, percussion, and brass – each with its unique sound. The conductor's challenge is ensuring they harmonize. A chairperson faces a similar challenge, with board members from diverse backgrounds and opinions. Striking a balance, while ensuring each member feels heard and valued, is essential.

Example: The HR department pushes for an enhanced employee benefits program, while the finance team raises concerns about costs. The chairperson creates a collaborative task force consisting of members from both departments to create a balanced proposal.

1.3 Perfecting the crescendo: Knowing when to intervene

In a symphony, there are moments of crescendo where the conductor must assertively guide the orchestra. Likewise, there are moments in board discussions that might require a chairperson's intervention, be it to steer the conversation back on track, resolve a dispute, or make a decisive call. Recognizing those pivotal moments is crucial.

Example: During a heated debate over a new company direction, the chairperson notices tensions rising and intervenes to summarize both sides of the argument, proposing a short break before reconvening to finalize decisions.

1.4 Sight-reading: The art of adaptability

Just as a conductor must sometimes sight-read new compositions and adapt them in real-time, a chairperson should also be ready to tackle unforeseen challenges. This requires an agile mindset, experience, know-how, being well-prepared, yet flexible enough to change course when required.

Example: Upon receiving unexpected news about a sudden market downturn during a board meeting, the chairperson quickly restructures the meeting's agenda to prioritize discussions around this new challenge, demonstrating agility in leadership.

1.5 Rehearsals and feedback: Continuous improvement

Conductors don't perfect symphonies in one rehearsal. They provide feedback, rectify mistakes, and strive for improvement. Chairpersons, similarly, should encourage board evaluations and feedback loops, always aiming for better governance and clearer communication.

Example: After a series of board meetings where some members felt their opinions were overlooked, the chairperson initiates a process for post-meeting anonymous feedback. Using this feedback, they modify the structure and flow of subsequent meetings.

1.6 Embracing solos: Allowing members to shine

A maestro recognizes when it's time for a violin or flute solo, letting the musician shine. In board settings, there are moments when individual members, due to their expertise or passion, should take the lead on certain topics. The chairperson must identify and facilitate such opportunities.

Example: When a new potential risk to the company is discussed, the chairperson turns to the risk management expert on the board, giving them the floor to provide a detailed analysis and guide the ensuing conversation.

1.7 The final bow: Shared success

At the end of a concert, while the conductor takes a bow, the applause is for the entire orchestra. In the same vein, while the chairperson might be at the forefront, the success of a board is collective. Celebrating achievements as a united group is paramount.

Example: After a successful year resulting in substantial company growth, the chairperson organizes an appreciation event for the board, emphasizing that the success was due to the collective effort of all members, not just the decisions at the top.

In conclusion, chairing a board of directors is an intricate dance of leadership, diplomacy, and strategy. It's about setting the tempo, knowing when to intervene, and ensuring that each board member, like every instrument in an orchestra, plays their part to create a harmonious outcome. The next time you find yourself at a board meeting or a symphony, take a moment to appreciate the maestro – be it with a baton or a gavel – guiding the ensemble to excellence.

2. From crescendos to conclusions: Navigating the nuances of preparation

A conductor isn't merely someone who shows up to wave a baton. Behind that baton wave are hours dedicated to deciphering the nuances of a musical score, discerning when the flutes crescendo or when the strings play sotto voce. The conductor crafts a vision for the final rendition, punctuating the score with personalized notes and annotations.

In a parallel fashion, before stepping into a board meeting, a chairperson, along with the board, delves into the agenda, predicts potential hurdles, and strategizes for possible board reactions. This act of 'decoding the agenda' prepares the chair to steer conversations, address issues before they arise, and ensure a seamless narrative.

Just as a conductor is intimate with every musical note, a chairperson should be deeply acquainted with every agenda point.

Both figures, whether in a concert hall or a boardroom, must possess a lucid understanding of the end goal. For the conductor, the goal is a flawless concert; for the chairperson, it's an effective and meaningful meeting. Being attuned to their respective ensembles allows conductors to predict and manage missteps or rhythm shifts. Likewise, chairpersons should remain vigilant about potential disputes or topics that might need deeper deliberation.

3. Maestros & chairs: The rhythms of leadership styles in music and management

Among the many styles of leadership, five typologies fit for addressing salient differences between chairs and conductors.

In essence, understanding the «score» of a board meeting and recognizing the style of leadership that best suits a given scenario can be instrumental in chairing a successful board. Both conductors and chairpersons wield significant influence in guiding their teams to create harmonious outcomes. Recognizing the parallels between the two roles offers valuable insights into effective leadership.

There is no single style of choice. People are different but need to tackle the same kind of challenges.

Using both renowned conductors and notable business leaders, we can identify prominent figures that might fit into these typologies. However, it's essential to note that human behavior and leadership styles are multifaceted, so these categorizations are based on well-known public perceptions and might not encompass the full range of their abilities or styles.

Joseph Pulitzer once said «Put it before them briefly so they will read it, clearly so they will appreciate it, picturesquely so they will remember it, and above all, accurately so they will be guided by its light.»

So let's have a look at the styles of eminent chairs and conductors

Table 1. The leadership styles of chairs and conductors

	Chair	Conductor
The Perfectionist	Detail-oriented, they ensure every aspect of the board’s decision-making is precise. They value thoroughness over speed.	Obsessively focused on getting every note right, they’ll rehearse a section repeatedly until it meets their expectations.
The Visionary	Big-picture thinkers, they keep the board focused on its larger mission and overarching goals, often inspiring with a compelling vision.	They see beyond the notes, focusing on the emotional journey of the music. They often emphasize the story or context behind a piece.
The Collaborator	Values the input of every board member and fosters an environment of shared decision-making.	Believes in the power of collaboration and often invites input from orchestra members during rehearsals.
The Disciplinarian	Holds board members accountable, valuing structure and order. They’re firm in their expectations and ensure procedures are followed.	Runs a tight ship, demanding punctuality, discipline, and rigorous practice. They have strict expectations and aren’t afraid to call out mistakes.
The Innovator	Encourages the board to think outside the box, embracing innovative solutions and novel approaches.	Willing to try unconventional interpretations of music or explore contemporary pieces that might be unfamiliar.

3.1 The Perfectionists

Herbert von Karajan – The long-time conductor of the Berlin Philharmonic was known for his relentless pursuit of perfection, both in terms of sound quality and the precision of performance.

Steve Jobs – The co-founder of Apple was famously meticulous about product design and functionality, demanding nothing less than excellence.

3.2 The Visionaries

Leonard Bernstein – Renowned for his ability to breathe fresh life into old compositions and his emphasis on the narrative and emotional journey of a musical piece.

Elon Musk – The CEO of SpaceX and Tesla, among other companies, is known for his ambitious vision of the future, from colonizing Mars to transitioning the world to sustainable energy.

3.3 The Collaborators

Gustavo Dudamel – Currently the conductor of the Los Angeles Philharmonic, Dudamel is known for his energetic style and his tendency to cultivate a collaborative relationship with his musicians.

Indra Nooyi – The former CEO of PepsiCo, Nooyi was known for her inclusive leadership style and her emphasis on getting insights from all levels of her organization.

3.4 The Disciplinarians

George Szell – The conductor of the Cleveland Orchestra from 1946 to 1970, Szell was known for his demanding rehearsals and exacting standards.

Jack Welch – The former CEO of General Electric, Welch was known for his rigorous management style, setting high standards, and expecting results.

3.5 The Innovators

Pierre Boulez – A composer and conductor, Boulez was known for his avant-garde compositions and his willingness to explore the boundaries of musical expression.

Richard Branson – The founder of the Virgin Group, Branson has always been known for his unconventional business strategies and his penchant for entering and disrupting various industries.

It's exciting to draw parallels between the worlds of music and business. Both spheres, though seemingly different, require a similar blend of vision, collaboration, discipline, and innovation to achieve greatness.

4. Discord and dynamics: Navigating mishaps in orchestras and boardrooms

In both the worlds of symphony orchestras and board meetings, unexpected challenges can arise. The parallels between the two showcase that, irrespective of the domain, effective leadership, and teamwork are essential in navigating unforeseen complications.

In the world of orchestras and corporate boards, disruptions can emerge as silent tremors or startling quakes, often testing the resilience and adaptability of their participants.

In an orchestra, imagine a musician missing an entrance or playing an offbeat note. This slight misstep can ripple through the ensemble, just as a board member overlooking a vital detail in a report might skew the collective decision-making process, anchoring it on potentially inaccurate information.

Sometimes, the friction stems from the clash of perspectives. A section leader's interpretation of a sonata might veer from the conductor's vision, much like board members locking horns over divergent views on the company's trajectory. These contrasting perspectives, if not addressed, can cloud the path ahead.

However, it's not always internal dynamics at play. An unexpected external noise, like the intrusive ring of a cellphone in a concert hall, can scatter an orchestra's focus. Similarly, unforeseen market shifts or sudden company revelations might jolt a board's agenda, leading them down unforeseen discussion alleys.

Preparation—or the lack thereof—can profoundly impact both realms. A musician's insufficient rehearsal can mar an orchestra's collective sound. In the boardroom, an unprepared member might unintentionally sidetrack discussions, seeking clarifications that slow the pace of decision-making.

Yet, the most delicate of all challenges might be rooted in interpersonal dynamics. Personal conflicts amongst musicians can ripple through rehearsals and performances, while unresolved tensions between board members might stifle open dialogue and impede decisive action.

Practical issues too, have their moment in the spotlight. A musician's malfunctioning instrument can jolt a performance, echoing the chaos a board might feel when faced with technical glitches in their virtual meeting platforms or presentation tools.

At the helm, leadership remains pivotal. A conductor's ambiguous cues can lead to a disjointed musical rendition, and in parallel, a chairperson's ineffective facilitation might see board discussions meandering into uncharted territories.

And finally, synchronization is of the essence. If an orchestra's sections lose sync, the tempo falters, mirroring the potential misalignments in a corporate board where varying departmental paces might cause strategic hiccups.

Yet, through these challenges, the beacon for both orchestras and boards remain the same: the symbiosis of clear communication, adaptive leadership, and undeterred teamwork. With a vigilant eye on potential pitfalls and a quiver full of contingency plans, both orchestras and boards can wade through adversities, crafting harmonies and strategies that resonate with their purpose.

5. Evolving in harmony: The learning curve of conductors and chairs

How does one become a successful conductor? Can one also become a successful chair? What do both have in common in getting there?

Becoming a successful conductor or board chair involves a combination of education, experience, personal growth, and the ability to inspire others. While the environments in which they operate differ, the paths to success in both roles share many similarities.

In essence, while the domains of music and business might seem worlds apart, the journey to leadership in both fields is strikingly similar. A blend of formal education, practical experience, continuous learning, and personal growth forms the cornerstone of success in both professions. Leadership, at its core, is about guiding, inspiring, and bringing out the best in others, whether in a boardroom or a concert hall. In the realm of symphonic sounds and corporate strategies, two figures stand prominently, guiding their respective ensembles: the conductor and the board chair. The concert and the board meeting may appear as contrasting events.

Yet, beneath the surface, the tasks of good conductors and chairs resonate with strikingly similar melodies. In both the concert hall and the boardroom, success rests on cohesive collaboration, steered by a vision and facilitated by effective leadership. The conductor and the chair, in their unique ways, exemplify the art of bringing individuals together to create something greater than the sum of its parts. Whether it's a symphonic masterpiece or a groundbreaking corporate strategy, their leadership orchestrates harmony amidst diversity.

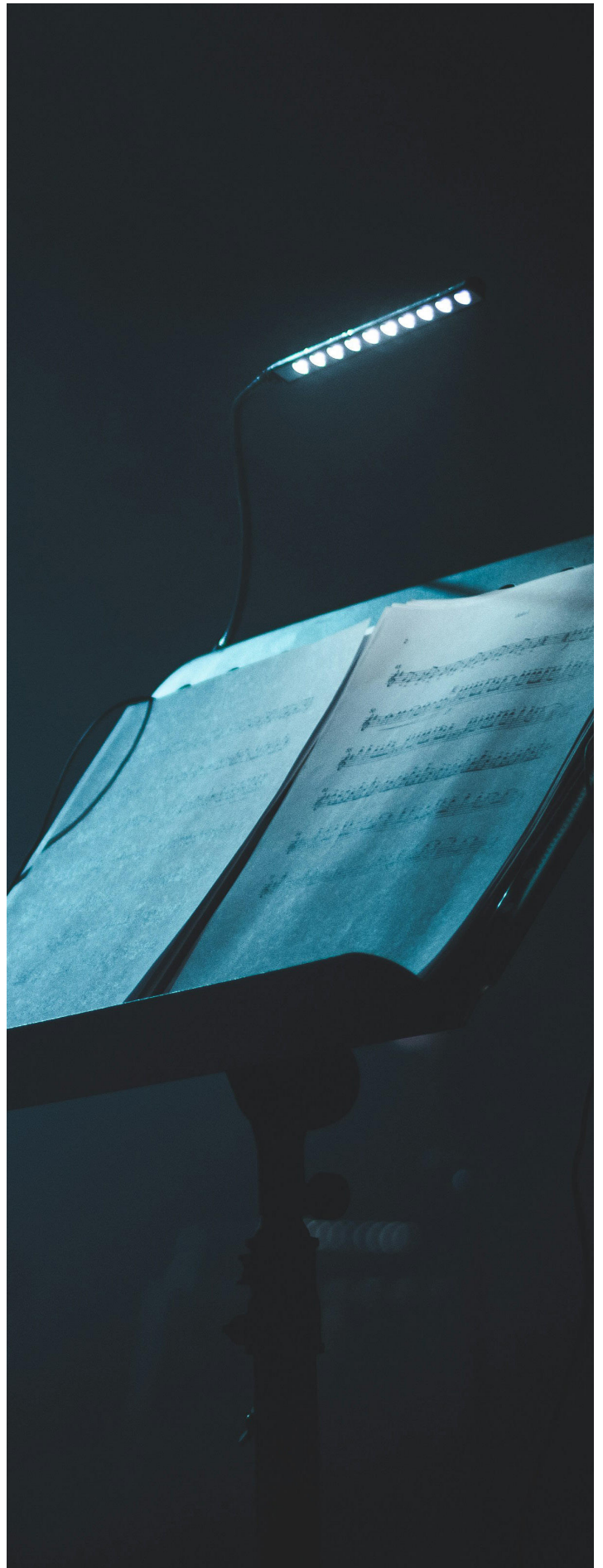


Table 2 Learning on becoming a chair or a conductor

Elements	Chair	Conductor
Education and training	<p>Formal education: A background in business, typically with a bachelor's or master's in business administration, can lay the foundation.</p> <p>Certification programs: Certain programs offer specialized training for corporate governance, which prospective chairs might find beneficial.</p> <p>Industry knowledge: An in-depth understanding of the industry in which the company operates can be vital.</p>	<p>Formal education: Many conductors begin with formal education in music, often earning bachelor's, master's, or even doctoral degrees in music, music theory, or musicology.</p> <p>Specialized programs: There are institutions and programs solely dedicated to producing the next generation of conductors, teaching them the nuances of conducting and orchestral leadership.</p> <p>Instrument proficiency: It's beneficial for conductors to be proficient in one or more musical instruments. This gives them an understanding of the challenges and capabilities of the musicians they lead.</p>
Experience and mentorship	<p>Many chairpersons serve on boards in various capacities before taking on the role of chair. They often learn the ropes from experienced chairs or through mentorship relationships.</p>	<p>Most conductors start in smaller roles, perhaps as an assistant conductor or leading smaller ensembles, gradually moving up to more significant orchestras. Mentorship from seasoned conductors can be invaluable.</p>
Leadership qualities	<p>Vision: Both need to have a clear vision and be able to communicate it effectively to their teams.</p> <p>Decision-making: They must make crucial decisions, often quickly, and stand by them.</p> <p>Empathy: Understanding the needs, strengths, and weaknesses of team members is essential.</p> <p>Conflict resolution: Both roles will inevitably encounter conflict and need the skills to resolve them constructively.</p>	
Continuous learning	<p>Staying updated with industry trends, governance best practices, and understanding global market shifts can be pivotal.</p>	<p>This could involve understanding new compositions, exploring different genres of music, or adopting novel conducting techniques.</p>
Inspiration and charisma	<p>Both roles require individuals who can inspire and motivate their teams. Charisma can be an invaluable trait, ensuring that the group trusts and follows their leadership.</p>	
Networking	<p>Building relationships within the industry can open up opportunities, whether it's invitations to conduct at renowned venues or being considered for a chair position at a significant organization.</p>	

Table 3 The ten tasks of chairing and conducting

Tasks	Chair	Conductor
1. Setting the tone	Starts the meeting by setting the agenda, ensuring everyone is on the same page, and establishing the mood for a productive discussion.	Begins by ensuring the orchestra is tuned to the same pitch, setting the stage for a harmonious performance.
2. Guiding with vision	Possesses a clear vision of the company's goals and ensures that the board's discussions and decisions align with this overarching vision.	Has a clear interpretation of the music piece, guiding the orchestra towards a cohesive and compelling performance.
3. Managing dynamics	Manages the dynamics of the boardroom, ensuring all voices are heard and no single member dominates the discussion.	Controls the volume and intensity of the orchestra, ensuring some sections aren't overpowering others.
4. Responding to mistakes	If misinformation arises or there's a contentious point, the chair steers the conversation back on track, maintaining focus and decorum.	If a musician falters, the conductor uses gestures or cues to guide them back without breaking the ensemble's flow.
5. Encouraging participation	Ensures every board member has an opportunity to express their opinions or share insights, fostering inclusivity.	Invites solos or emphasizes certain sections at specific moments to shine.
6. Balancing the ensemble	Strives for a balance in discussions, ensuring diverse viewpoints are considered, leading to well-rounded decisions.	Ensures a balance between different instruments, so the orchestra sounds harmonious and not lopsided.
7. Adapting in real-time	Adapts the meeting's flow based on unfolding discussions, new information, or unexpected challenges.	Adjusts to the acoustics of different venues or the energy of the audience.
8. Recognizing and nurturing talent	Recognizes potential in board members, encouraging their growth and valuing their contributions.	Identifies promising musicians and offers them opportunities or guidance to enhance their skills.
9. Ensuring clarity	Strives for clear communication, ensuring that every board member understands decisions, action items, or the rationale behind strategies.	Uses clear gestures to ensure every musician understands cues, tempo changes, or dynamics.
10. Closing with purpose	Summarizes the meeting's outcomes and ensures clarity on action points, wrapping up with intent.	Ends the performance with a clear, decisive gesture, signaling the conclusion.

6. The aftermath: Reflective echoes beyond the stage and boardroom

The final note has been played; the last point on the agenda discussed. The audience applauds, the board

members depart. Yet, for conductors and chairs, the journey doesn't end with the lowering of the baton or the adjournment of the meeting. The aftermath is a critical phase where both roles engage in reflection, feedback, and preparation for the future.

Table 4 Tasks of chairs and conductors after the sessions

Tasks	Chair	Conductor
Review and reflect	Reviews the minutes of the meeting, reflecting on the discussions' effectiveness, decisions made, and any pending issues.	Listens to recordings of the performance to evaluate the orchestra's execution, pinpointing areas of excellence and those needing improvement.
Gather feedback	Solicits feedback from board members, gauging their thoughts on the meeting's productivity and areas for better facilitation.	Seeks feedback from orchestra members, understanding their perspectives on how the concert went and areas of potential enhancement.
Recognize and appreciate	Recognizes the contributions of board members, especially those who provided critical insights or took on significant responsibilities.	Acknowledges the hard work of musicians, especially those who had challenging solos or parts, appreciating their dedication and effort.
Address concerns	Addresses any conflicts or unresolved issues from the meeting, ensuring that all board members are aligned and any tensions are diffused.	Addresses any logistical or interpersonal issues that might have arisen during rehearsals or the concert, ensuring a harmonious environment.
Plan ahead	Plans the agenda for the next board meeting, considering unresolved topics and upcoming strategic initiatives.	Looks to the next concert or series, selecting pieces, planning rehearsals, and considering the ensemble's growth areas.
Continuous learning	Stays updated with industry trends, governance best practices, and may attend seminars or workshops on effective leadership and board management.	Studies new compositions, explores different conducting techniques, and might even attend workshops or seminars.
Engage with the broader community	Engages with stakeholders, shareholders, or the media, communicating the board's decisions or the company's strategic direction.	Engages with fans, patrons, or the media, promoting upcoming concerts or discussing recent performances.
Recharge and recalibrate	Takes time to rest, ensuring they're rejuvenated for the next wave of rehearsals and performances.	Ensures a balance between professional responsibilities and personal time, recharging to lead with renewed energy. In the reflective quiet that follows the crescendos of concerts and board meetings, both conductors and chairs delve into a phase of introspection, growth, and forward planning. Their roles may seem culminating at the height of their respective events, but true leadership continues to echo long after the spotlight dims, ensuring continued harmony and success.

7. Concerted leadership: the resonance between committees and musical sections

Board committees, much like section leaders in orchestras, are foundational pillars that exhibit nuanced parallels. In the corporate realm, board committees delve into specialized areas of significance—be it audit, compensation, or governance—offering unmatched expertise. Analogously, section leaders breathe life into specific orchestral sections, be it strings, woodwinds, brass, or percussion, becoming masters of their musical realm.

In steering their ship, both these entities offer leadership and guidance. While board committees light the way with direction and recommendations, ensuring that intricate matters gain the spotlight, section leaders sculpt and finesse their ensemble's output, weaving a tapestry of harmonious sound during both rehearsals and grand performances.

These entities also emerge as vital communication conduits. Board committees bridge the gap between overarching board decisions and granular management deliberations, fostering efficient information flow. In the melodious realm of orchestras, section leaders become the voice of their ensemble, translating the conductor's vision into actionable feedback for their peers.

Responsibility is a mantle they both wear with pride. With board committees ensuring stringent compliance, best practices, and diligent execution in their sphere, section leaders uphold the sanctity of their section's performance, ensuring adherence to the conductor's baton and the symphony's overarching quality.

They both also are standard-bearers. While committees sculpt best practices, ensuring organizational harmony with regulations, section leaders set the performance benchmark, exuding unmatched technique, interpretation, and discipline.

The pursuit of excellence never ceases. Board committees immerse themselves in the ever-evolving landscape of regulations, refining practices and keeping the board in the know. Simultaneously, section leaders, in their relentless quest for musical perfection, inspire their ensemble to reach new crescendos.

Mentorship weaves its way into their roles too. New entrants into the corporate world find mentors in board committees, while budding musicians look up to their section leaders for guidance, integration tips, and inspiration.

To encapsulate, both board committees and section leaders are embodiments of specialized leadership, quality assurance, and essential communication in their respective domains. Their synergy epitomizes the beauty of specialization within a vast collaborative tapestry, whether orchestrating corporate success or a timeless symphonic piece.

8. Harmonizing notes and quotes: Leadership insights from renowned conductors

While many conductors have spoken about leadership in the context of their roles with orchestras, direct comparisons between conducting and business leadership in their quotes might be less common. However, many of the principles they discuss can be easily applied to a business context.

Herbert von Karajan:

«The art of conducting consists in knowing when to stop conducting to let the orchestra play.»

Sometimes, the best leadership move is to step back and let your team take the initiative. Trust in their abilities.

Leonard Bernstein:

«To achieve great things, two things are needed: a plan and not quite enough time.»

Often, constraints and a clear strategy can drive innovation and efficiency in business.

Arturo Toscanini:

«I rehearsed the orchestra for a week, and the first concert was fine. But the second was a catastrophe. When I got home, I found a ten-page letter from Gershwin telling me how to conduct his music. I didn't answer him.»

There will be countless voices and opinions on how to manage or lead. However, a leader must trust their judgment, even in the face of criticism.

Benjamin Zander:

«The conductor of an orchestra doesn't make a sound. He depends, for his power, on his ability to make other people powerful.»

A great leader amplifies the abilities of their team members, empowering them to achieve collective goals.

Carlos Kleiber:

«You have to live the music 24 hours a day.»

Passion and dedication to your craft, whether music or business, are essential for true success.

9. Symphonic strategies: My personal journey from leading boards to conducting orchestras

Having held the distinguished role of a chair across various boards for an extensive period, I have been privy to the nuanced art of steering leadership decisions, navigating challenging conversations, and guiding a collective towards unified goals. But when I embarked on the profoundly different journey of learning to conduct symphony orchestras, I anticipated it would be a separate realm, a fresh challenge unrelated to the boardroom dynamics.

Yet, as I delved deeper into the world of orchestras, immersing myself in their complex harmonies, I began to draw parallels between the two seemingly contrasting domains. The baton and the gavel, I realized, were not as different as they appeared on the surface.

Here's what I've gleaned from my twin experiences:

9.1 The pulse of unity

Just as every note in a symphony needs to harmonize for a cohesive performance, every decision in a board meeting requires alignment for collective success. The conductor, like the chair, must sense discord or disagreement and swiftly act to restore unity.

9.2 Fluidity in leadership

An effective chair, much like a skilled conductor, understands that leadership is not about rigid control. It's about setting a direction and then adapting based on the ensemble's feedback – whether it's the response of violin strings or board members' insights.

9.3 Listening before leading

In the boardroom, as on the podium, the art of listening is paramount. Before making decisions or guiding the ensemble, it's essential to truly hear – be it the faintest note from the flute or the subtle reservations in a board member's voice.

9.4 The delicate balance of power

Holding the baton or leading a board meeting is a position of power. But true strength lies in empowering others – enabling every musician to shine or every board member to voice their insights.

As my journey into the world of conducting continues, I find these lessons interwoven in every rehearsal, every performance, enriching my role as a board chair. In the end, it reaffirms the belief that leadership, in any form, is about orchestrating harmony amidst diversity. Whether guiding a group of talented musicians or steering a company towards its vision, the essence remains: fostering collaboration, nurturing talent, and creating a symphony of success.



Starting from Scratch: How to Build a Board during a Spin-off



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The rationale for a spin-off is that, once separate from the bigger business, the newly created entity has more strategic and operational freedom. A spin-off also brings greater transparency to the value of the assets. Getting to a win-win outcome and creating value for both, the parent company («ParentCo») and the spin off company («SpinCo»), is often easier said than done.¹ Unlike in an initial or secondary offering of company shares to raise capital, there is no cash benefit to the ParentCo. The company is essentially split and shares in the new entity (the «SpinCo») are allocated to the ParentCo's existing shareholders.

Senior leaders who have been part of a spin-off attest to how challenging it can be. There is a long inventory of critical decisions that need to be made in order to disentangle the two entities and ensure that the SpinCo can operate effectively from the day it is listed on the stock market. The ParentCo will need to decide which assets will be part of the SpinCo, for instance, and how to manage the interdependencies that still exist – the manufacturing sites that both might still be using, for example, or the allocation of pre-existing debt and liabilities. It will need to decide the organizational structure of the new company. And arguably some of its most important decisions will be those concerning the set-up of the new board.

As in any company, the board will play an important role in the SpinCo's success. The difference here, however, is that a SpinCo board is set up from scratch. This can be a great opportunity. «Everyone joins on the same day,» said one interviewee. «There's no baggage, no established procedures, no cliques – a rare chance to begin with a clean slate.» But it can also be a challenging endeavour, not least because of the limited amount of time ParentCo has – on average six to nine months – to set up a full board equipped with the skills, experience, values, and ways of working that will ensure its effectiveness from the get-go.

¹ «Achieving win-win spin-offs», McKinsey Quarterly article, October 2021.