



Director Matthew Massengill Shares Firsthand Lessons About Splitting a Company

Matthew Massengill is a director and former chairman and CEO of Western Digital, which announced plans in October 2023 to spin off its flash memory businesses from the division that makes hard drives. He spoke with *The Informed Board* about the board process leading up to the decision, and the board's role in the ongoing preparations for the split, which was completed on February 24, 2025. He has served on the board since 2000, and was CEO from 2000 to 2005.

See also our Spring 2024 article [“Best Practices: How a Board Can Enhance Shareholder Value Creation in a Spin-Off.”](#)

What was the process that led up to the decision to spin off WD's flash memory business?

As a board, we had been examining this and other strategic options — not just a spinoff — for at least two years, prompted by discussions with management and within the board, and with investors.

While both businesses were performing well, shareholders were not happy. Many said they would prefer to invest in a pure hard drive or a pure flash memory company. There was overwhelming evidence that we were paying a penalty in terms of our valuation for having these two businesses under one roof.

With the help of advisers, we ran financial analyses that showed the businesses could benefit from

operating independently, with separate capital structures. There was also the less quantifiable factor that, as separate companies, each management could focus exclusively on their segment of the storage market.

How did you go about forming a second board for the flash memory spinco?

We made the decision at the board level that, for continuity and institutional memory, we had to have some existing WD directors on the spinco board, selected along with new directors based on their skills to create the right mix.

We formed an assessment committee that created a matrix of the skills each business would need and we gave thought to who from our existing board would meet those criteria.



What about senior management?

Because the two businesses had operated to a large degree independently, with their own management structures, in the vast majority of cases, it was pretty obvious who would go where.

But the board did have to fill the most senior positions, such as CEO and CFO, for each half of the business. We brought in an outside consultant to help with that, and they interviewed internal and external candidates to gauge the available talent. That provided a very valuable independent perspective.

What advice would you give to directors at other companies weighing a spinoff?

First, you have to be open to the possibility that a strategy that made sense in the past doesn't now. When

we agreed to buy SanDisk and its flash memory business in 2015, that technology looked like it would dominate the industry in the future. But the growth of cloud computing since then has created enormous demand for hard drives, so hard drives have remained a very vibrant business.

Second, make sure the rationale for the spinoff is solid and that that your analysis is thorough. What made our decision in some ways hard was that this wasn't the spinoff of a minor, non-core unit. The two businesses are roughly equal in revenue, and both had strong positions in their markets. What made it easier is that they have been run fairly independently, so the dividing line was relatively clear.

Finally, I'd say be prepared for the challenges of juggling all the work necessary to prepare for a spinoff while also managing the existing businesses and keeping customers and employees happy.

This article is from ***The Informed Board***, Skadden's quarterly newsletter for corporate directors.

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