TALENT, ORGANIZATION & PEOPLE SOLUTIONS

Accelerating the Value of Your Carve-Out: The Human Element

When Intel announced plans to sell 51 percent of its Altera business to Silver Lake this April, CEO Pat Gelsinger didn't wait for the ink to dry before making a critical move: naming Raghib Hussain as CEO of the future entity.

This wasn't just another leadership announcement. It was Intel signaling that in the high-stakes world of corporate carve-outs, people aren't an afterthought. They're the entire game.

Hussain stepped in with a clear mandate: define the strategy, shape the culture and build the leadership system from the ground up. His early presence wasn't symbolic — it was stabilizing.

Steady communication and visible leadership helped anchor key talent during a time of deep uncertainty.

That decision became a cornerstone of the separation. While the lawyers hammered out terms, Hussain's visible presence provided stability during ambiguity, helping retain crucial talent that might otherwise have fled for the exits.[1]

The Hidden Risk That Derails Most Carve-Outs

The statistics are sobering: 70–90 percent of mergers and acquisitions fail to achieve their stated objectives. Among the top three culprits? Talent and culture issues that were postponed until after the close.[2]

Our research at Alvarez & Marsal shows sell-side carve-out activity remains stable even as broader M&A volumes have declined. But sellers face unprecedented execution pressure: shorter timelines, limited planning and constrained post-close support.[3]

In this environment, people decisions aren't just HR concerns — they're direct contributors to whether value is preserved or destroyed. Erin Gore, a Managing Director from Alvarez & Marsal who works intensely with clients on culture and employee engagement during pivotal transitions, shares,

When people don't have full information, they assume worst case scenario. It's a business imperative — especially during a carve-out — to design, articulate and enroll your people in the new organization's Employee Deal. Employees must understand and believe in the value proposition of the go-forward organization, and leadership must uphold its side of the new deal.

The cost is quantifiable: Research shows that replacing key employees can cost three to four times their annual salary, not counting productivity losses, operational disruptions and strategic setbacks that silently erode deal value.

> **Most M&As don't meet their goals, with 70%–90% failing. A major reason is neglecting talent and culture issues until after the deal is closed.**

The People Playbook: Five Levers That Drive Successful Transitions

When pharmaceutical giant Merck spun off its women's health division, it made a deliberate and unconventional choice: focus first on employees facing an uncertain transition, rather than exclusively on operational details.

The financials matter, but people drive them, recalled Kevin Ali, the founding CEO of Organon. Company leaders emphasized continuity and purpose-driven alignment as central to the separation strategy.

The new company, Organon, began trading with over $6 billion in annual revenue and quickly stabilized as a standalone entity. Despite macroeconomic headwinds, it delivered consistent profitability post-spin and maintained a focus on employee engagement, cultural identity and leadership continuity as competitive differentiators.[4]

Based on what we've seen in practice, five specific talent actions consistently drive better outcomes in sell-side carve-outs:

01 Leadership Continuity and Alignment

For sell-side teams, establishing visible, aligned leadership early sets the tone. Whether interim or permanent, leaders play a defining role in modeling expectations and demonstrating commitment. Their presence signals that the path forward is both intentional and supported.

02 Organizational Clarity

Deliberate workforce mapping that accounts for individual aspirations while clarifying roles in the new structure reduces ambiguity. Employees who understand their place in the new organization are more likely to contribute productively throughout the transition. Clarity around future roles not only improves retention during uncertainty but helps employees prepare for post-close responsibilities.

03 Culture and Behavioral Reinforcement

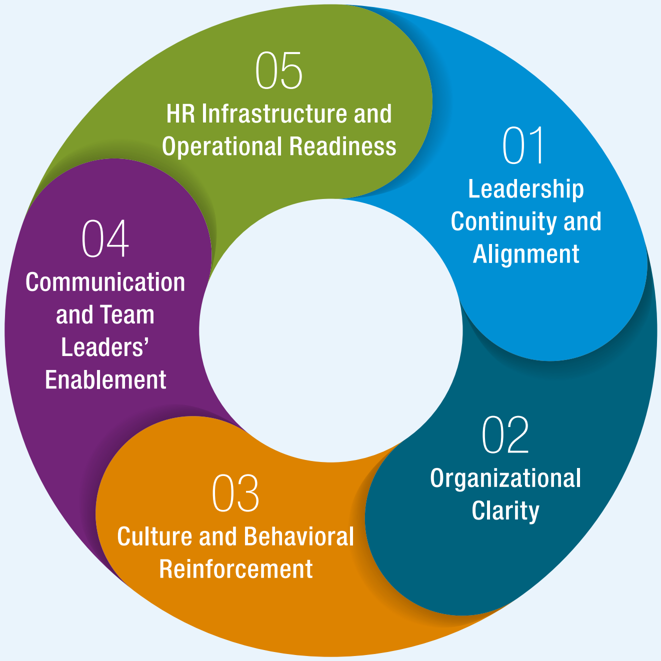
When employees whose corporate identity has been shaped by the parent company suddenly face separation, the first question is existential: "Who are we now?" Culture is defined through action, not intention. Early efforts to align on shared values reinforce the norms that support long-term success. In sell-side transitions, reinforcing familiar cultural anchors helps employees stay focused even as organizational identity evolves.

04 Communication and Team Leaders' Enablement

People managers are the primary lens through which employees experience a carve-out. When equipped with timely context and consistent messaging, they serve as translators of strategy and stabilizers of morale.

05 HR Infrastructure and Operational Readiness

Seamless transitions require operational infrastructure that's fully functional on Day 1. This includes systems for payroll, benefits, workflow approvals and performance management. When core tools are in place, employees can focus on execution rather than administrative disruption.



In sell-side transitions, reinforcing familiar cultural anchors keeps employees focused amid evolving organizational identity.

The Carve-Out Timeline: Talent Strategy at Each Deal Stage

Brad Howard, an A&M Managing Director who has deep expertise in managing human capital risks during high-stakes separations, says, “In a transaction the focus is on systems and structures — comp, benefits, integration timelines, etc. — but if you don’t get the leadership and culture piece right, the results don’t stick.”

SELL-SIDE READINESS	TRANSITION PLANNING (→ LOI)	PRE-SIGN ACTIVITIES (→ SIGN)	SIGN TO CLOSE ACTIVITIES (→ CLOSE)	TRANSACTION EXECUTION
Lay the foundation with clean data, clear HR priorities, and separated systems.	**Structure the transition to minimize disruption and define workforce responsibilities.**	**Stabilize talent through engagement, retention, and leadership selections.**	**Activate leadership and finalize structure, selections, and systems.**	**Reinforce alignment through team leader enablement, support, and training.**
▪ Define early org identity, cultural intent, and leadership vision. ▪ Align talent capabilities to separation goals. ▪ Frame the Employee Deal for Day 1.	▪ Design future org model and roles. ▪ Translate values into cultural anchors and behavioral expectations. ▪ Prepare team leader enablement tools.	▪ Launch retention and engagement efforts. ▪ Finalize Day 1 leaders and clarify roles. ▪ Activate culture and identity-building efforts.	▪ Define management operating system. ▪ Establish HR readiness finalize Employee Deal, systems, and policies. ▪ Launch cultural onboarding to reinforce behaviors and team norms.	▪ Equip team leaders with change support and communication guidance. ▪ Launch onboarding, performance, and talent processes. ▪ Reinforce culture and identity in daily routines.

When Talent Strategy Fails: The $300 Million Warning

In 2021, DuPont divested its Nutrition & Biosciences unit through a $26 billion merger with International Flavors & Fragrances (IFF). While strategically sound, execution faltered. The companies brought conflicting cultures: science-driven and hierarchical at DuPont, creative and fast-paced at IFF.

Leadership roles weren't clearly defined, employee identity was left in flux and cultural integration lagged. The result: Key leader turnover, low engagement and slow synergy capture contributed to an estimated $250–$300 million in delayed value.

IFF's CEO stepped down within 18 months, and the company underperformed expectations.[5]

Contrast this with DuPont's more deliberate approach in its 2022 sale of the Mobility & Materials segment to Celanese, an $11 billion global carve-out. DuPont appointed integration leads early and launched cultural onboarding before close to stabilize leadership and maintain employee engagement. These actions helped avoid the talent missteps that had previously delayed value realization.[6]

Getting It Right: The Honeywell Playbook

The Honeywell spin-off of its Advanced Materials unit in 2024 illustrates what's possible when people strategy is prioritized early.

From the outset, Honeywell treated leadership and workforce continuity as essential to achieving a clean separation. A permanent CEO was appointed months before the spin-off, tasked with shaping strategy, selecting leadership and codifying culture. This provided a stable foundation as the separation progressed.

Simultaneously, Honeywell launched early communication efforts to engage employees around the future vision. Employees helped shape values, influence key design decisions, and define how the spin-off would operate differently from its parent. Retention programs were introduced in advance of signing the final transition agreement.

The result: a launch marked by strong internal alignment, minimal attrition in key roles and early commercial traction. Customers experienced no disruption, and employee sentiment remained positive throughout.[7]

The Bottom Line: Talent Strategy Is the Carve-Out Strategy

Leadership alignment. Cultural clarity. Execution readiness. These aren't soft topics — they're the difference between hitting financial targets and explaining missed milestones to the board.

Lyna Sun, our colleague in Alvarez and Marsal's Corporate Transaction group sums it up: "Every carve-out leaves behind two stories: one told in numbers, the other in people. And it's the people story that determines whether the standalone numbers and shareholder value are realized."

Ask:

Before your next separation advances, step back. Have you made the talent calls that will, in actuality, drive the outcome?

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