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WHITE PAPER

Why Speed and Precision Matter in M&A, Spin-offs and Divestitures

Separating HR Operations and Global Payroll

A Stiletto HR Perspective on Deal Separations, Transfer Service Agreement (TSA) Exits and Global Payroll

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People. Process. Precision.

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Executive Summary

When an international organization divests a business, spins off a division or carves out a unit for sale, HR operations and global payroll are among the first functions that must stand on their own. They are also among the least forgiving. Every employee in every country expects to be paid correctly and on time, whatever is happening in the boardroom.

Many deal teams treat the people and payroll workstream as back-office plumbing, to be sorted out once finance, IT and legal are settled. That is a costly mistake. The separation of HR ops and payroll is where the deal's promises meet the daily reality of thousands of employees, dozens of jurisdictions and a hard contractual deadline.

HR operations carry as much of that load as payroll. Before a new entity can stand alone, it needs its own HR operations processes: recruiting, onboarding and offboarding people, maintaining core employee data, and processing job, pay and absence changes, all defined, documented and working in its own systems. Payroll depends on every one of those processes: it can only pay people correctly if joiners, movers and leavers reach it accurately and on time. And none of it lands without change management and communication: employees, managers and HR teams need to know what is changing, when, and what they need to do.

The organizations that get this right move fast, plan from day one and put experienced hands in charge of the whole programme. Those that don't often discover the true cost only after the transition period has run out.

By the Numbers

Finding	What it means for a separation	Source
Transition Services Agreements (TSAs) typically run 6–24 months	The new entity leans on the seller for up to two years unless it moves faster	KPMG ²
A typical TSA exit takes 12–24 months; an accelerated one 6–12	Good planning can roughly halve the time spent on the TSA	PwC, 2023 ¹
Early TSA exit adds 5–7% to deal value; carve-outs done well see 8–11% over three years	Speed is worth real money, not just convenience	PwC, 2023 ¹
A TSA exit involves more than 1,500 design decisions, most of them linked	Too complex to run without an experienced programme lead	PwC, 2023 ¹
Only about 1 in 3 sellers met timing and proceeds expectations in 2024; nearly half did in 2025	Most divestitures still fall short on timelines	Deloitte Global Divestiture Survey 2026 (981 sellers) ³
In startup acquisitions, 33% of acquired employees left within a year, versus 12% of regular hires	A change of ownership unsettles people; joiner, mover and leaver processes have to work from Day 1	MIT Sloan, 2019 (4,000 acquisitions) ⁶

Finding	What it means for a separation	Source
Only 12% of employees strongly agree their organization does a great job onboarding new employees	Onboarding is weak even in steady state; a new entity has to define it from scratch	Gallup ⁷
Payroll is only about 80% accurate, with 15 corrections per pay period and \$291 per error	Errors are common in steady state, and a separation adds risk	EY, 2022 (508 respondents) ⁴
1 in 6 companies faced litigation over payroll errors	Getting pay wrong has legal as well as financial costs	EY, 2022 ⁴

What Separating HR Operations Involves

Payroll is the most visible part of a separation, because it touches every employee every pay period. But most of the work that decides whether payroll runs correctly sits upstream, in HR operations. The new entity has to become a complete employer in its own right, in every country where it has people.

A separation requires eight core HR operations processes to be defined, documented and working on Day 1, each with its own requirements and failure points:

HR operations process	What must be defined for Day 1	Where it goes wrong
Recruitment	Requisition and approval steps, job posting, offer letters and contract templates in the new employer's name, and access to a recruiting system	Offers issued under the wrong legal entity, or hiring stalls because no one owns the process
Onboarding	New-hire data capture, right-to-work and background checks, system access, and handoffs to payroll and benefits enrolment	New starters are not set up in time and miss their first pay
Offboarding	Resignation and termination workflows, final pay inputs, return of equipment, removal of system access and record retention	Final pay is wrong, or leavers stay on payroll and keep system access
Core employee data management	Ownership of the employee master record, data standards, maintenance rules, audit trail, and a clean split and migration from the parent's systems	Records are incomplete or wrongly split, and errors flow straight into payroll
Job and pay changes	Approval workflows, effective dates and cut-offs for promotions, transfers, pay changes and org changes	Late or missed changes lead to retro pay and corrections
Time, absence and leave	Leave rules, absence recording and approval, balance carry-over and time data feeds to payroll	Leave balances are lost, and absence is paid incorrectly

HR operations process	What must be defined for Day 1	Where it goes wrong
Benefits administration	Enrolment, life-event changes and data feeds between HR, payroll and benefit providers	Missed feeds leave employees without cover or with wrong deductions
HR service delivery and reporting	An HR help desk, query routing and service levels, and headcount and statutory reporting for the new entity	Employees have nowhere to take questions, and reporting deadlines are missed

These processes are tightly linked to payroll. Recruitment and onboarding create the joiners' payroll has to pay; job and pay changes drive every movement in pay; offboarding produces final pay; and core data management keeps all of it accurate. That is why HR operations processes and payroll need to be defined and run as one programme, not handed from one team to the next.

Why Speed Is Critical

The clock starts the day the deal is signed. Most separations run on a Transition Services Agreement (TSA), under which the former parent keeps running HR and payroll for the new entity for a fixed period. That arrangement is a bridge, not a destination, and it is expensive to stand on.

- **TSA costs climb with time.** Fees are usually charged monthly, and extensions often come at a premium. Every month of delay is money that does not go into the new business.
- **The parent wants out.** The seller has its own priorities and limited appetite to keep supporting a business it no longer owns. Service levels tend to slip as the TSA nears its end.
- **Compliance does not wait.** New legal entities need their own employer registrations, tax IDs, social security accounts, benefits contracts and statutory filings in each country. Missing a registration window can mean fines or an inability to pay people legally.
- **HR system access has an end date.** When the TSA ends, so does access to the parent's HCM and recruiting systems, and to the HR processes that run in them. The new entity needs its own platforms, data and defined processes running before then.
- **Payroll calendars are unforgiving.** Year-end, tax-year changes and statutory reporting cycles differ by country. A go-live that slips past one of these dates can push the whole programme back by months.
- **Employee trust is fragile.** People already feel uncertain during a separation. Clear, early answers about pay, benefits and who their employer is keep good people from leaving.
- **Value realisation depends on it.** The deal case usually assumes a leaner, independent operating model. Until HR and payroll are separated, those savings and that agility stay on paper.

Speed here does not mean cutting corners. It means making the key design decisions early, running workstreams in parallel and removing every avoidable wait from the critical path.

Why a Knowledgeable Consultant Should Oversee the Whole Implementation

A global HR and payroll separation is not one project. It is dozens of country projects, several vendor selections and a data migration, all tied to the same deadline. Internal teams know their business well, but most have never run a separation before, and they still have day jobs.

An experienced consultant brings what internal teams rarely have in one place:

- **Pattern recognition.** Someone who has done this before knows where separations usually break: entity set-up, data cleansing, benefits carve-outs, parallel runs and cutover. Risks are caught before they reach the critical path.
- **Multi-country HR and payroll depth.** Statutory rules, tax, social security and reporting differ in every jurisdiction, and so do local HR process requirements such as new-hire checks, leaver documentation and record retention. A specialist knows what each country needs and how long it really takes.
- **HR process definition.** Separating HR operations is more than moving employee records. It means defining how recruitment, onboarding, offboarding and core data management will work in the new entity, who owns each step, and how each process hands off to payroll.
- **Vendor neutrality.** Choosing a global payroll provider, HCM platform or EOR partner is a long-term decision. An independent adviser selects on fit, not on a sales target, and holds vendors to their commitments.
- **End-to-end ownership.** HR, payroll, finance, IT, legal and the TSA provider each own a piece. A single programme lead connects the pieces, tracks the dependencies and makes sure nothing falls between teams.
- **Operating model design.** The goal is not to copy the parent's set-up. It is to build an HR and payroll model that fits the new organization's size, footprint and strategy.
- **Governance and pace.** Clear milestones, decision gates and escalation paths keep leadership informed and keep the programme moving.

Having one knowledgeable owner across the whole implementation is what turns a collection of tasks into a programme that lands on time.

The Cost of Delay

Delays rarely arrive as one big failure. They build up quietly, and each one makes the next more likely.

- **Rising TSA spend.** Extensions can cost more than the original term, and the new entity pays for services it wants to leave.
- **A weaker negotiating position.** An organization that has to ask for an extension has little leverage over price or service levels.
- **Duplicated costs.** Teams end up paying for the TSA and for the new platforms and vendors at the same time.

- **Compressed testing.** When the deadline stays fixed but the work slips, the first thing cut is testing and parallel runs, which raises the risk of a bad go-live.
- **Missed statutory windows.** Late entity registrations or a missed tax-year start can force a country to stay on the TSA, or to go live on a workaround.
- **Leadership distraction.** Executives spend time on escalations instead of on growing the new business.
- **Employee frustration and attrition.** Long periods of uncertainty about pay and benefits push key talent to leave, often the people the new business most needs.
- **Processes stay on the parent's terms.** While the new entity runs on the parent's HR processes, it cannot change how it hires, onboards or manages employee data, and every exception needs the parent's help.
- **Delayed value.** The synergies, cost savings and independence promised in the deal case stay out of reach for longer.

The research puts a value on speed. PwC finds that exiting a TSA early adds 5–7% to deal value, and that a well-run accelerated exit takes 6–12 months instead of the typical 12–24.¹ Yet Deloitte's 2026 survey shows only about a third of sellers met their timing and proceeds expectations in 2024.³ Every month past plan widens that gap.

The Cost of Getting It Wrong

A rushed or poorly designed implementation can do more damage than a late one. The problems surface on the first payday, in front of every employee.

Payroll errors damage trust: 42% say their employer relationship worsened

Share of employees surveyed (%), UK, Germany and US, 2024 · bars on a 0–100% scale

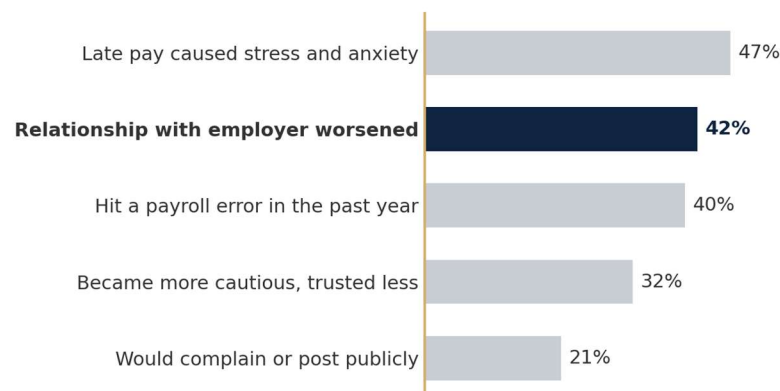


Figure 1. Source: Remote, Global Payroll Report 2024 · 2,539 employees.⁵

These are steady-state figures from Remote's 2024 payroll research.⁵ A poorly run separation, with new entities, new vendors and migrated data, raises the odds of exactly these errors.

- **Pay errors.** Missed, late or incorrect payments hit morale immediately and, in many countries, trigger penalties or legal claims.

- **Compliance breaches.** Wrong tax withholding, missing social security contributions or late statutory filings expose the organization to fines, audits and reputational harm.
- **Broken joiner and leaver processes.** New starters who are not set up in time miss their first pay, and leavers who are not processed keep being paid or keep system access.
- **Data problems.** Poorly cleansed or mapped employee data carries errors into the new system, and a separation can leave employee records incomplete or wrongly split between the two organizations.
- **Benefits gaps.** Pension, insurance and leave entitlements that are not carried over correctly can leave employees without cover and create liability.
- **Change left until go-live.** When communication and training come last, employees meet new payslips, portals and processes unprepared, and the help desk takes the strain.
- **HR service breakdown.** When employees cannot get answers about leave, benefits, access or who their manager is, confidence in the new employer falls quickly.
- **An operating model that doesn't fit.** Copying the parent's structure, or choosing the wrong vendor or platform, locks in cost and complexity for years.
- **Costly rework.** Fixing a flawed set-up after go-live often costs more than doing it right the first time, and usually means a second implementation.
- **Lost trust.** Employees who were paid wrongly in the first months remember it, and the new employer's brand pays for it.

Change Management and Communication

A separation changes who employees work for, how they are paid, where they go for help and which systems they use, often all at once. Processes and payroll can be set up correctly and the migration can still fail if employees, managers and HR teams do not understand what is changing, when it happens and what they need to do.

Change management and communication are therefore part of the migration itself, not an add-on at the end. In practice, that means:

- **Clear, early messages for employees.** Who their employer is, when changes take effect, what happens to pay, payslips, benefits and leave, and where to go with questions.
- **Communication tied to the migration plan.** Messages timed to key milestones: the announcement, data validation, the first payslip from the new entity, and the go-live of new HR systems and the help desk.
- **Leaders and managers equipped to answer.** Talking points and FAQs so leaders and line managers can answer the questions employees actually ask, consistently.
- **HR and payroll teams ready before go-live.** Training on new processes, systems, controls and handoffs, so teams are confident on Day 1 rather than learning on the job.

- **Employees ready for new tools.** Simple guidance on new self-service portals, logins, payslip formats and ways of raising queries.
- **Local fit.** Messages adapted for each country's language, working practices and pay calendar.
- **Feedback loops.** Pulse checks, query tracking and help desk trends show where confusion is building, so messages and support can be adjusted quickly.

The first payslip from a new employer is a moment of truth. If employees know what to expect, a new format or pay date is routine. If they don't, it becomes a wave of queries and a loss of trust.

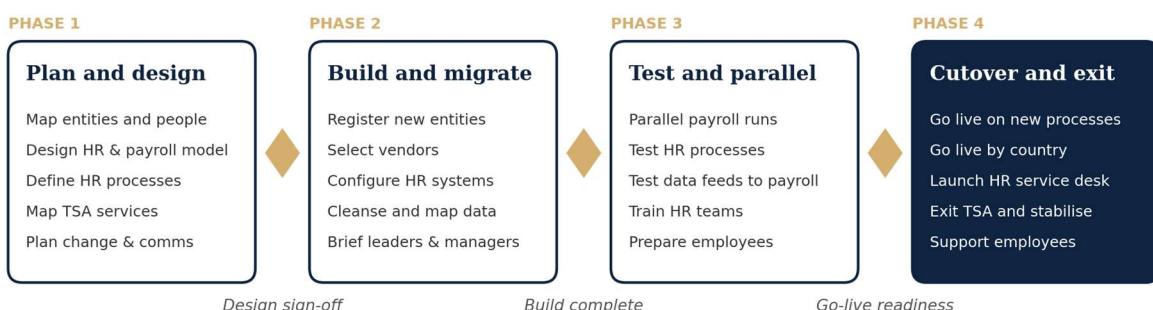
Stiletto HR partners with the client's HR, internal communications and leadership teams to make sure messaging and change management are built into the migration from day one. The client owns the voice and the relationship with its people; we make sure every process change, system change and payroll milestone has the communication, training and readiness activity it needs, at the right time.

How Stiletto HR Delivers on Time and on Value

Stiletto HR is a boutique HR operations and payroll consulting firm that has led HR and global payroll workstreams across several M&A projects, including divestitures, spin-offs and carve-outs. On these projects, the team has kept separations on schedule and made sure clients see real value from the new set-up, not just a system that switches on.

Four phases take a separation from signing to an on-time TSA exit

Stiletto HR separation approach · phases shown equal, not to scale · ♦ = decision gate



Target: TSA exit in 6 to 12 months, not the typical 12 to 24 (PwC)

Figure 2. Stiletto HR separation roadmap · 4 phases, 3 gates.

Each gate is a decision point: work moves to the next phase only when the gate's criteria are met, so problems are caught before cutover.

Our approach is built on what we have learned in those programmes:

1. **Plan from day one.** We map every country, entity, employee population, vendor and TSA service at the start, so the critical path is clear before the first deadline arrives.

2. **Design the future model, not a copy.** We help leadership decide what the new HR and payroll operating model should look like, from HR operations processes and service delivery to payroll, sized for the business as it will be.
3. **Select the right partners.** We run vendor-neutral selections for global payroll, HCM and EOR providers, and hold them to agreed timelines.
4. **Define HR operations processes.** We define and document the new entity's HR processes, including recruitment, onboarding, offboarding, core employee data management, job and pay changes, and absence, with clear owners, controls and handoffs to payroll.
5. **Build change and communication into the plan.** We partner with the client's HR and communications teams so every milestone has clear messaging, manager support and training, and employees know what is changing and when.
6. **Run workstreams in parallel.** Entity set-up, process design, data migration, configuration and testing move together, not one after another.
7. **Protect testing and parallel runs.** We build enough time into the plan that quality checks are never the thing that gets cut.
8. **Exit the TSA on schedule.** Clear milestones and governance keep the programme moving toward a clean, on-time exit.
9. **Stay through stabilisation.** We support the first payroll cycles and HR service operations after go-live, and hand over a stable, documented operation.

The result is a separation that meets its deadlines, gives the new organization HR processes that work from Day 1, keeps employees paid correctly and gives the new organization an HR and payroll function it can build on.

Conclusion: Move Fast, and Get It Right

In any separation, HR operations and global payroll are where the deal meets its people. Moving quickly limits TSA costs, compliance risk and employee uncertainty. Getting it right protects pay, trust and the value the deal was meant to create. Doing both takes experienced, end-to-end leadership, with change management and communication that bring employees along at every step.

If your organization is planning a divestiture, spin-off or carve-out, talk to Stiletto HR early. The sooner the people and payroll workstream is planned, the more options you keep and the faster your new organization can stand on its own.

Planning a divestiture, spin-off or carve-out? Contact success@stilettohr.com to start the people and payroll workstream early.

About Stiletto HR

Stiletto HR provides workforce solutions for complex environments by pairing structured HR and payroll strategy with the hands-on execution to deliver it. Guided by the principle of "People. Process.

Precision.”, the firm serves medium to very large enterprises across North America, EMEA, LATAM, and Asia, with senior advisors rather than junior consultants. Services span HR operations process design, vendor selection and technology evaluation, payroll and workforce management, operational improvement, compliance and risk advisory, and AI-powered analytics.

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