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Why separations aren't 'reverse integrations' —and what it takes to govern them *well*

Looking ahead into 2026 and beyond, divestitures are entering a new phase.

The volume of separations may moderate, but the ones that remain are becoming more surgical, more strategic, and more tightly linked to transformation agendas. Organizations are divesting not simply to shed non-core assets, but to reallocate capital, simplify operating models, and sharpen strategic focus. That means each divestiture carries more weight now—and less room for execution error.

Despite this outlook, outcomes remain inconsistent. Deloitte's latest divestiture research suggests that only about half of sellers ultimately meet their expectations for value, timing, and cost—which makes divestiture success something like a coin toss. In an environment where separations are fewer but more consequential, separation leaders can no longer afford to accept that risk. To avoid it, they need to get their craft right.[1]

One persistent, and costly, assumption is helping to keep outcomes uneven: that separations are simply integrations in reverse. They are not.

The false symmetry that undermines separation outcomes

Integrations and separations do share workstreams, timelines, and Day 1 milestones. But these are surface similarities. Beneath that surface, the two processes operate under very different economic and execution logics (figure 1).

Integrations are fundamentally about combination and even creation: Their task is to align operating models, capture synergies, and manage change over time. Separations are about disentanglement under pressure: They define what stays, what goes, and what must be rebuilt—and often, they must reach these decisions before the organization fully understands their downstream implications.

This distinction matters because the toleration of ambiguity is very different from one of these deal types to the other. Integrations have a future; they can absorb and correct some uncertainty over time. In separations, which focus on endpoints, ambiguity compounds cost.

That difference shows up clearly in the ways experienced deal leaders think about governance. Deloitte's M&A governance survey reveals that responding leaders responsible for separations anchor governance around stranded costs, one-time separation costs, and transition economics. In comparison, integration leaders emphasize synergies, talent, and customer experience. These are not just different metrics. They reflect fundamentally different value lenses.[2] And this means treating separations as reverse integrations applies the wrong governance logic to the problem.

Figure 1. What separation leaders govern vs. what integration leaders govern

Integration governance optimizes upside. Separation governance protects against downside. This contrast underscores why separations are not reverse integrations and require a distinct governance lens.

Separation leaders	Integration leaders
Stranded costs (32% ranked 1st)	Synergies (45% ranked 1st)
One-time separation costs (30% ranked 1st)	Talent experience (29% ranked 2nd)
TSA costs (14% ranked 1st)	Customer experience (18% ranked 3rd)
Talent experience (18% ranked 3rd)	One-time integration costs (4%)
Customer experience (4% ranked 1st)	Dis-synergies (3%)

Source: Deloitte M&A deal strategy and governance survey (n = 220). IMO leaders (n = 91); SMO leaders (n = 50)
(% of respondents ranking the metric in their top 3 metrics or key performance indicators)

Where separation governance most often breaks down

When divestitures underperform, the explanation is often execution difficulty—complexity, limited resources, or competing priorities with the core business. In reality, these are symptoms, not root causes. In separations, governance breakdowns tend to originate in three structural design flaws.

1. Perimeter decisions are deferred for too long

Teams move forward without fully resolving which assets, people, systems, and overheads will belong to RemainCo and which to the divested business. They assume Transitional Services Agreements (TSAs) will provide flexibility and buy them time.

In practice, this deferral creates ambiguity at the exact moment when clarity is most needed. As long as services, systems, and roles remain shared, decisions slow down, accountability blurs, and trade-offs are repeatedly revisited. What appears as "slow decision-making" is often the downstream effect of unresolved perimeter choices that governance was not empowered—or directed—to force early.

AI can make separation work move faster. But if governance has not settled what is actually being separated, all that speed really does is get you to the wrong answer sooner.

No one doubts that AI can make certain separation activities faster: drafting TSA language, accelerating document review, or surfacing stranded cost drivers earlier in the process. But AI does not resolve the core failure mode that plagues many separations: delayed perimeter decisions and unresolved RemainCo trade-offs. In fact, AI-compressed task timelines can actually expose weak governance because teams can move faster even as they remain misaligned on what they are actually separating.

2. The separation cost model lacks clear ownership

Integrations typically treat cost synergies as upside opportunities they can realize. In separations, stranded costs represent downside risk planners need to avoid—and downside risk behaves very differently.

Despite this clear distinction, many separation governance structures treat the cost model as a finance artifact rather than as an instrument of governance. When no single leader is accountable for challenging assumptions, sequencing cost actions, and linking TSA scope to end-state operating model decisions, costs can linger. The result can be not just higher SG&A, but persistent conflict between separation teams and business leaders over priorities, timing, and acceptable disruption.

3. Governance intensity drops after legal close

Full separation rarely occurs at closing. It unfolds over months or sometimes years—just as executive attention, incentives, and bandwidth decline. TSAs mask underlying cost exposure, deal milestones fade from view, governance forums lose authority, and cadence weakens.

This is when value erosion quietly accelerates. Decisions stall, visibility deteriorates, and teams fall back into business-as-usual priorities, even though the separation is not yet truly complete.

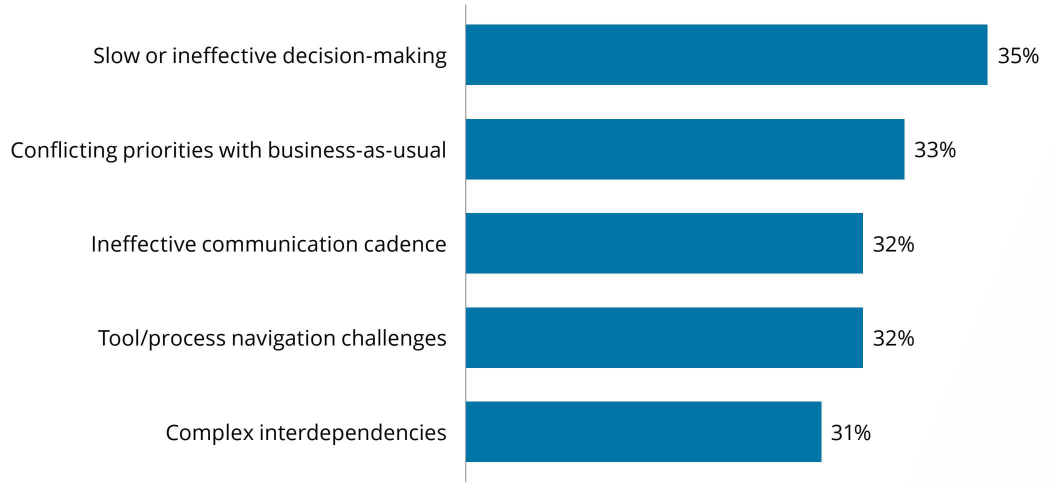
These structural governance gaps manifest in consistent, observable ways. How does this actually feel inside the deal? Deal leaders do not experience them as "perimeter ambiguity" or "weak cost model governance." They experience them as slow decisions, competing priorities, and limited real-time visibility into the things that matter most. Figure 2 shows how separation governance breakdowns show up in practice.

Together, these symptoms point toward a central conclusion: Separation governance failures are rarely about effort or intent. They are frequently the result of governance structures that do not have sufficient business authority to force early perimeter decisions, challenge cost assumptions, and arbitrate the RemainCo trade-offs that no function wants to own.

In separations, where decisions are irreversible and downside risk dominates, junior governance leadership is particularly exposed. First-time sellers often underestimate the level of leadership separations require, which compounds value erosion through delayed or deferred decisions.

Figure 2. How separation governance breakdowns show up in practice

Governance failures in separations are rarely about effort or intent—they stem from delayed decisions, competing priorities, and weak escalation. Breakdowns compound quickly in divestitures, where ambiguity translates directly into stranded costs and value leakage.



Source: Deloitte M&A deal strategy and governance survey (n = 220). IMO leaders (n = 91); SMO leaders (n = 50)
(% of respondents ranking the metric in their top 3 metrics or key performance indicators)

Why first-time sellers are especially exposed

These governance traps are most acute for first-time or infrequent sellers, because their inexperienced leadership teams may underestimate the complexity of disentanglement, assume they can "solve later," or reuse integration playbooks that don't translate well to separation realities.

Experience matters. Deloitte's divestiture research shows that organizations with more separation experience are less likely to suffer prolonged post-divestment margin erosion. This suggests that governance maturity, not deal structure alone, is a critical differentiator.[3]

First-time sellers often learn the hard way that a single bad decision isn't what destroys separation value. A series of deferred ones does.

Separation governance is deal strategy, not administration

Within Deloitte's Growth Transformer framework,[4] divestitures sit squarely within defensive M&A strategies—moves designed to protect value, sharpen focus, and create capacity for future growth. But defensive does not mean passive. These moves succeed only when they are governed with the same rigor organizations apply to transformational acquisitions.

Effective separation governance looks different by design.

It starts with explicitly defining the RemainCo end state before finalizing the disposal perimeter. It treats the cost model as a governance artifact, not merely as a finance output. It enforces sequencing discipline for irreversible decisions. And it persists beyond close, through TSA exit and operating model reset.

The core mistake organizations make is to treat separation governance as an execution support function. In reality, it is a strategic capability—one that coordinates decisions no single function has an incentive to own.

As divestitures become fewer, larger, and more consequential, intent will matter less to separation success. Instead, outcomes will hinge on whether leaders govern separations as the fundamentally different transformations they are. Until they do, value erosion will remain a costly unforced error.

If you are considering a divestiture, or you are in the midst of one and ready to reevaluate effective governance, reach out for a discussion.

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About the survey and acknowledgments

In late 2025, a Deloitte survey conducted by Potloc—a market research firm—polled 220 M&A executives on deal strategy and governance practices. All participants worked at private or public companies, held a director-level or above position, and had M&A experience within the last two years.

A special thank you to Tarah Patz and Olivia Hindy for their support to the authors throughout the development of this survey and publication. The authors would also like to thank (listed in alphabetical order) Nikki Beck, Kim Garnett, Joost Krikhaar, Fernando Medina, Stacia Mendoza, Stacy Nagy, and all others who have contributed to this paper.

Endnotes

1. Jason Caulfield and Lucy Julian, "Unlocking value: Approaching stranded costs in M&A," Deloitte, March 21, 2025.
2. Deloitte, *2025 M&A Deal Strategy and Governance Survey*. Based on a survey of 220 executives with M&A deal strategy and governance.
3. Deloitte, *2026 Global Divestiture Survey: The rise of transformational divestitures*, January 2026.
4. Sriram Prakash and Hugh Frecheville, "Strategy – Building a transformational M&A playbook," in *The Growth Transformer's Playbook*, Deloitte, September 2025, pp. 11–19.

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