Salesforce buys Rypple, Signals Move into HCM

Summary: On December 15th, Salesforce announced that it was buying Rypple, a Social Performance Start-up. Terms of the deal were not released.

Event: Salesforce announced it was buying Toronto based Rypple and also that its new HCM Unit, SuccessForce would be headed by SAP and Oracle veteran John Wookey.

Analysis: By buying Rypple, Salesforce is looking to leverage some of the Rypple features, which includes real-time performance feedback and tasks, into its core Chatter Platform. Given Rypple’s limited customer base, we expect that this move is more focused on getting traction for its newly announced HCM business unit, SuccessForce.

Expanding into HCM is a strategic move for Salesforce. Salesforce has been doing quite well with its Cloud based CRM set of apps and in the last 24 months, it also made a successful move into Enterprise Social Software.

The one area that gives Salesforce an advantage over others is that it is going all out in focusing on socially enabling business applications. Salesforce already has an Executive team and a Salesforce that is comfortable with Social based applications.

Given this, the question for Salesforce is will they be able to change the game in Performance and Talent Management from a look back approach of many current Performance Management applications to one of real-time feedback that builds a more motivated workforce.

Additionally, to fully participate in HCM and Talent Management, Salesforce will need to make some major acquisitions, in part because of the time it takes to develop and mature all the modules that make up these people focused software suites.

We expect that Salesforce will need to buy at least two providers to round out its Suite. The technology providers that acquisition candidates include:
- Taleo (Recruiting)
- Saba (Learning and Collaboration)
- Cornerstone OnDemand (Talent Suite)
- Workday (HCM and Talent)
- Halogen Software (HCM and Talent)

All of these providers have solid install base of customers and expect movement on these providers by Salesforce or other acquirers.

Despite all of these moves, outside of Talent Applications, the urgency to rip and replace Core HR is not high on many enterprises list.

Aragon Advisory: We have entered a new phase of M&A activity in HCM and Talent Management. Enterprises will need to step back and understand the forward looking direction of products, particularly evaluating detailed roadmaps.

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Given that the Rypple acquisition won’t close until April 2012, unless it makes some more acquisitions, don’t look for much from Salesforce in HCM until the second half of 2012.