

Aragon Research

Topics: Knowledge

Issues: How will enterprises acquire and distribute knowledge?

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Talent and HCM Part III: Kenexa Buys Learning Provider Outstart

Summary: On February 6th, Kenexa announced that it was buying Learning Suite provider Outstart for US \$38.9 million in cash.

Event: In its earnings announcement, Kenexa revealed that it was buying Outstart for \$38.9 Million. Details of the acquisition were not provided.

Analysis: Given that other Talent/HCM providers have made learning acquisitions to round out their Suites, it was only a matter of time before Kenexa made the leap as well. With Outstart, Kenexa gets 300 customers and a Learning Suite that is complimentary to its overall HCM Suite.

Kenexa is known for its numerous acquisitions and it needed to have a solid learning offering to compete in the emerging Talent/HCM Über Suite marketplace.

Over the years, Outstart created and also helped to consolidate the LCMS market while also building a full ELearning Suite. Outstart's LCMS and Mobile authoring tools are well known in Learning and Development departments.

Outstart's flagship customers have counted on its leadership in Learning Content Management Systems. Many of its current customers use LMS's from a variety of providers (e.g. Saba and SAP/SuccessFactors (Plateau).

Kenexa should be positioned to compete in Social Learning as well, since Outstart has a foothold with its Participate offering. Aragon's opinion is that for real knowledge transfer to occur, a social platform is needed to enable people to connect in real time and also share content with each other.

What is now clear is that the shift to a new Über Suite (combination of HRM and Talent Management) has triggered another round of vendor consolidation.

With Kenexa, SAP and Oracle all making moves to strengthen their HCM/Talent Suites, it opens questions for what the others, such as Workday will do to enhance their offering. This also makes Learning focused providers, such as Saba and Meridian KSI takeover targets.

The challenge for these Über Suite providers are now two fold. First, Learning is becoming the cornerstone of many of these offerings and many Talent HCM providers will need to adjust their messaging and their positioning. Many will continue to push their core offering due to culture or other issues.

Second, Social is becoming a new way to work and to learn. These Über Suite providers will need to be able to compete with a Social Suite. Integrating Activity feeds will not be enough.

Kenexa can now be counted as one of the Talent and HCM providers that has a full Learning Suite. This should allow them to compete in more deals going forward.

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Aragon Advisory: For enterprises that have more than one Talent or HCM provider, it is time to take a close look at product roadmaps. As Learning becomes more social and informal, this will put pressure on providers that are not investing in this module or in Social HCM overall.

Enterprises should add Kenexa to their list Learning Providers that should be evaluated.

Enterprises should also ask Kenexa for detailed product roadmaps.