

Topics: Knowledge, Social Software

Issues: How will enterprises take advantage of new ways to share knowledge and expertise?
What are the best practices for leveraging social software to gain a competitive advantage?

IBM Shifts into HCM Software and Buys Kenexa for \$1.26 Billion

Summary: On August 27th, IBM announced that it was buying HCM provider Kenexa for \$1.26 Billion. IBM's entry into HCM will accelerate another round of enterprise software consolidation.

Event: IBM entered the HCM market with its announcement of its intent to purchase HCM solutions and services provider Kenexa.

Analysis: By buying Kenexa, IBM Software Group is shifting into the Human Capital Management application software market and is looking to Socialize it and to create a new category it is calling Smarter Workforce. We expect IBM to leverage its existing investments in Analytics, Social Software and Services, as well as the Kenexa portfolio. With this move, IBM will compete against vendors that offer Social HCM functionality such as Oracle, Peoplefluent, SAP/ SuccessFactors and Saba.

Expertise Location, which leverages social, search and analytics capabilities, appears to be one of the key tenants of IBM's Smarter Workforce initiative, which when fully instantiated, would be attractive to all lines of business, not just the HR department. If IBM can deliver on its Smarter Workforce promise, it has the potential to disrupt the HCM Market and change the way people are utilized in an enterprise.

The main application assets of Kenexa that we see are its Recruiting (BrassRing) and its Learning Suite, which Kenexa recently acquired by buying Outstart (see [First Cut](#)). We expect IBM to move quickly in both the product enhancement and Services to Socialize HCM by leveraging IBM Connections and its Analytics family, along with its growing strength in HCM Outsourcing from IBM Global Services, which will be enhanced by Kenexa's RPO service.

IBM used to compete in Corporate Learning, but it exited that space a few years ago when it quietly stopped offering its Lotus Learning product by making it a WebSphere connector and by entering into a partnership with Saba Software. Saba migrated a number of Lotus Learning customers to its LMS via a special one-year promotion.

HCM Services

IBM Global Services has always partnered to offer Learning services (mainly via Saba), and now it has an in-house app that it can leverage in its Services led deals. Note that IGS has always been able to act independently of the IBM Software Group. Kenexa Learning (formerly Outstart) has always been stronger in LCMS than they were in LMS; but that is changing with their soon to be announced Social LMS.

Learning and Learning Services

IBM can further enhance the Kenexa Learning Suite's Social Learning capabilities, one of the top use cases for Enterprise Social Networking. Additionally, IBM Global Services will be able to leverage the Outstart LCMS in its Learning Content Development and Learning Outsourcing Deals.

First of Several Acquisitions

IBM will have some work to do to round out its HCM Suite and we expect that the Kenexa acquisition is just the beginning of its HCM portfolio. By mid-year 2013, IBM will acquire an additional HCM technology provider. We would put Saba or Cornerstone OnDemand at the top of the list.

Social HCM Emerges

HCM is all about people and we see the Social HCM platform emerging (see the Five Priorities of a Social HCM Strategy). While it is just the announcement of the Kenexa acquisition by IBM, it is clear that there are synergies with the rest of the IBM Software Group product family.

Others see the convergence as well. In the last twelve months we have seen a number of moves:

- Peoplefluent bought Socialtext,
- Salesforce bought Rypple, but developed Salesforce Chatter organically
- SAP bought SuccessFactors and is in the process of combining its Social offerings
- Oracle, Saba and Silkroad have built organic Social capabilities.

This does raise questions about the strategy for other HCM providers that have no apparent Social HCM strategy. Enterprises need to take a step back when evaluating their current and their long term needs.

Aragon Advisory

Enterprises evaluating HCM and Talent Management Suites should now take a step back to evaluate the combined IBM/Kenexa and their forward looking product and services roadmap.

Enterprises should also look at other vendors that have a Social HCM strategy and be wary of others that do not. The key areas to evaluate are:

1. Social Learning
2. Social Recruiting
3. Social Onboarding
4. Social Performance

Bottom Line; The move by IBM into Human Capital Management will change the dynamics of the HCM market and will trigger a new round of merger and acquisitions. As HCM becomes more social, enterprises will need to evaluate product roadmaps from HCM providers carefully.

Related Research:

[The Five Priorities of a Social HCM Strategy.](#)

[Shifting from a Social to an Enterprise Profile.](#)

[The Aragon Research Globe for Enterprise Social Software](#)