

Jason Corsello on the SAP Acquisition of SuccessFactors

WSR: Jason Corsello from Cornerstone OnDemand has joined us for this WSR interview to give a competitor's perspective on the SAP acquisition of SuccessFactors. Thanks for joining us, Jason.

Jason Corsello: Thank you. Good to be here.

WSR: Jason, let's start off with an introduction and why you care about what's going on with this acquisition?

Jason: Yes. Currently I am the vice president of both Strategy and Corporate Development at Cornerstone OnDemand. For those who may not know Cornerstone, we are a talent management provider. Why this is obviously important to us is that SuccessFactors has been one of our primary competitors. Previous to Cornerstone, I was with Knowledge Infusion, the talent management consulting firm specializing in helping companies craft their talent strategy. Then prior to Knowledge Infusion, I was an industry analyst with the Yankee Group, focusing on the HR marketplace.

WSR: Many analysts, and SAP itself, are calling the acquisition a game changer. Do you agree or disagree?

Jason: I have a couple of perspectives here. I think it's far too early to deem the SAP acquisition of SuccessFactors any sort of success or failure. I think it's potentially game-changing in the fact that SAP has finally validated this whole concept of cloud, on which they were initially pushing back and then attempting to implement for the last six plus years. In addition, SAP has somewhat admitted that to transform a traditional on-premise vendor to a cloud vendor is practically impossible without an acquisition. To me, that's fairly notable since it actually validates cloud computing as a viable offer. If you believe everything that you've read over the last few weeks, to say this acquisition is ambitious by both sides is an understatement. I would encourage folks to get their scorebooks out, and let's track the progress in 12 to 24 months.

WSR: Maybe you can come back and talk to us again then?

Jason: I'd be happy to.

WSR: Jason, do you agree with Bill Kutik that the acquisition doesn't enhance SAP's ability to compete with Workday because SAP's HRMS is still on-premise.

Also do you think that this acquisition was a way to eliminate competition or a way to buy a better weapon in the Workday fight?

Jason: Yes. In general, I think this is SAP's attempt to address and have a story around cloud, which addresses the combination of both what Workday is doing in HCM and what Cornerstone is doing in talent management. I definitely think this is two-fold; it is somewhat admitting that they couldn't do it themselves and had to buy a company that has proven itself.

Arguably, SuccessFactors has proven itself. They've got a strong customer base and they've done a good job validating the cloud model in talent management. I think this was a "Hail Mary" for SAP, meaning this is something that they needed to do because they've been so far behind.

They view the cloud computing vendors, like Workday and Cornerstone, as a threat, but can they now bridge that gap? Again, I think it's fairly ambitious. I think a lot of the cloud vendors have an advantage on SAP even with SuccessFactors, considering all of the integration efforts that will now need to happen between the two companies.

WSR: Do you believe the acquisition leaves the non-SAP customer base wide open for other talent management vendors? Are there companies who aren't going to want to work with SuccessFactors as an SAP company and are going to go look now at other talent vendors, including yours?

Jason: Yes. Obviously, we would hope that that was the case. I think it is probably a very valid statement. If you're using SAP and all of a sudden you've got SuccessFactors; that may be a good thing. Conversely, if you're not an SAP shop, SuccessFactors may not look so attractive, especially for those clients that are Oracle shops. I'm calling it "Facing the Dueling ERPs." I'm not sure any company wants to deal with the dueling ERPs in this future world.

I think part of the other question is what's the future of talent management? I think that the future is really going to change with talent management by ERP. I'm not too optimistic because we have seen ERP's proven innovation in the last six or seven years, or lack thereof.

The converse model is that talent management still exists and those application vendors need to evolve. That's exactly what Cornerstone is initiating, determining how we continue to build off of our multi-tenant platform and address the ecosystem of talent management. Anyone that's been at any HR technology conference the past few years realizes there are still a lot of HR technology vendors out there. There are good and bad products, but what companies are looking for is a platform to tap into from an ecosystem perspective. We think Cornerstone has the potential to do that.

WSR: Do you think this acquisition is likely to spawn other acquisition activity, meaning do you think other talent management vendors are now ripe for the taking?

Jason: The whole talent management and human capital management industry has been a fairly active acquisition space in the last two years. I was just looking at some data and there have been about 25 acquisitions in this year alone. I was of the opinion a few months ago, that the activity was going to slow down just because many vendors have left the marketplace.

You might ask...will the SAP acquisition spur some of the larger vendors to become acquisition targets? I wouldn't be surprised if that was the case. If you believe my comments, that would suggest that Oracle likely needs to do something to enhance their talent management offering. That would suggest that other vendors that don't necessarily play in HR today, may find this an interesting space and may want to jump into the market.

I also think that there is plenty of room for vendors like Cornerstone to succeed and thrive on their own. If you look at the CRM marketplace today, Oracle and SAP only make up about 20 percent of market share, meaning vendors like Salesforce, have been very successful operating as an independent company. So I think there is room for companies to continue to try simply because of how they approach the market.

The big question to me is how this acquisition frenzy is going to change the nature of buying HR technology. If you look at the way that people have bought core HR systems, it's typically an IT purchase. When you look at folks that have purchased talent management systems, it's been HR people. I think that's been a good thing because it's really enabled technology to be in the hands of the business and allow the business to control what they do and how they do things.

The concern would be if these talent management vendors get consumed into ERP vendors, all of a

sudden it's IT back in control. I'm not sure how excited many HR people would be about that proposition, simply because they've had control, in part due to the capabilities of the cloud, the delivery model, the configurable nature of those products, and all of the things that enable innovation. I would frankly think that HR people still want to put their destiny in their own hands versus being dependent on an ERP world.

WSR: Any closing comments Jason.

Jason: I would just encourage people to continue to keep a pulse on the marketplace. The ambitions of the combined SAP and SuccessFactors are strong. Other acquisition activity may happen, but I don't think it should prevent organizations from purchasing HR or talent management applications; this is not time for a "wait and see" approach to the marketplace. The pace of business today is so fast and talent is changing globally that to take a "wait and see" approach that many companies have done in the Oracle world, just doesn't make sense because you can get behind so quickly and it takes longer to catch up.

This interview was conducted by Shawn Fitzgerald, WSR associate editor. Opinions expressed herein are not necessarily those of the Workforce Solutions Review editorial committee, the IHRIM board of directors and staff or the membership.

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