The market for employee performance management software has grown quickly, and has attracted many vendors. ERP and HR management system vendors compete against emerging talent management suite providers. Leaders have emerged, but additional market consolidation is likely.

WHAT YOU NEED TO KNOW
Employee performance management (EPM) software includes performance, succession and compensation management capabilities. It is a segment of a broader, emerging talent management suite (which includes workforce planning, talent acquisition/e-recruitment and learning solutions, in addition to EPM) market. Integrated EPM deployments continue to grow, and customers are increasingly implementing EPM solutions enterprisewide. The fact that our research started with our contacting 53 potential vendors before narrowing to the 24 solutions considered in this Magic Quadrant is strong evidence of the highly competitive nature of this market. Through our analysis, we have identified several market leaders (including Halogen Software, StepStone and SuccessFactors). However, the market remains dynamic, and many promising vendors have good solutions (see Figure 1).

MAGIC QUADRANT
Market Overview
The EPM software market is a subset of the emerging talent management application suite market, which is a subset of the broader human capital management (HCM) software market. Gartner estimates that the market for EPM software was more than $450 million for the 12 months ending on 30 September 2008. Many vendors grew their EPM software revenue more than 25% during that period. SuccessFactors is the clear market share leader, with more than 20%. However, this market is evolving, and companies still face many challenges in EPM.

During client inquiries, we found that customers typically want to buy new EPM solutions to automate their EPM processes, improve the linkage between pay and performance, help support the development of the next generation of leaders in the organization, and/or improve employee/associate retention (and engagement). As part of the research for this Magic Quadrant, we surveyed 123 customers (primarily from North America and Europe) that use EPM solutions from the vendors evaluated. We asked the customers what their main objectives were in implementing an EPM solution (multiple responses were allowed). They answered as follows:

- Automate EPM processes = 65%
- Improve linkage between pay and performance = 49%
- Develop next generation of leaders in the organization = 40%
- Improve employee/associate retention = 29%
- Other = 15%
- Don’t know = 1%
The answers in the “Other” category ranged from process standardization, to integration with learning and development, to helping managers lead their teams. These results are consistent with what we found with module use. We found that 46% of the customers surveyed used at least performance and succession management from the same vendor. In addition, we found that 31% used performance and compensation management from the same vendor. It is not surprising to see a lower percentage use of performance and compensation management. We found that almost 40% of customers had different vendors for performance and compensation management. We believe that this is due to the minimal integration requirements to do some level of linking pay with performance. Many organizations only integrate overall performance ratings from the performance appraisal with compensation management. However, there is an opportunity for a deeper linkage between the achievement of specific performance goals and specific compensation pools. Some solutions already support this, but customers have not yet taken advantage of the possibility of more precisely targeting specific goal achievements with rewards.

As customers solve the challenges above (automating EPM processes, improving the ability to link pay to performance and other issues), we expect the focus to shift to leveraging talent data to make better decisions about worker-related programs and investments.

**EPM Suite Adoption/Talent Management Suite Impact**

In “MarketScope for Employee Performance Management Software, 2007,” we noted that few vendors had significant numbers of customers across all EPM domains. Although there are still a few vendors with large numbers of customers in each EPM domain, EPM suite use is not uncommon. Approximately 20% of the customer references surveyed used both of the following:

- Performance, compensation and succession management from one vendor
- Performance, succession and learning management from one vendor

Customers are definitely adopting broader “minisuites.” However, broader talent management application suite adoption is still limited; less than 5% of the surveyed customers used recruiting, performance appraisal/assessment, succession management, compensation management and learning from one vendor.

**SaaS Use**

In “SaaS Impact in Human Capital Management,” our vendor survey for the “MarketScope for Employee Performance Management Software, 2007” indicated that 44% of customers had adopted the software-as-a-service (SaaS) model, while approximately 16% of customers were using hosted EPM solutions. Our vendor survey for this Magic Quadrant showed the percentage of SaaS customers rising to almost 50%, while the percentage of customers using hosting or implementing on-
premises declined slightly (4% and 2%, respectively). Market acceptance of the SaaS delivery model continues to grow for EPM solutions, because these applications are well-suited to the model (less-stringent uptime requirements and broad organizational use), and there is now a critical mass of customers of all sizes deploying this way. However, we still find that SaaS use of EPM solutions in certain industries (for example, in the public sector) is limited.

**Technology Trends**

There are multiple architectural approaches for SaaS solutions. We have started to see an isolated tenancy architecture leveraging virtualization technology appear in EPM solutions from vendors such as Lawson and Workstream. We have also started to see EPM vendors integrate EPM solutions with social software solutions. There is a big opportunity to integrate talent profile data that exists within EPM (and broader talent management solutions) with social profile data to enable a richer view. However, the biggest technology trend in EPM is in the user experience. We have started to see EPM vendors leverage rich Internet application (RIA) tools such as Ajax, Adobe Flex and Windows Presentation Foundation/Silverlight to enable a more graphical and engaging experience for employee and manager users.

**Market Consolidation**

There have been numerous mergers and acquisitions in the EPM market during the past several years. In 2008, Taleo acquired Vurv Technology and its considerable EPM customer base. In addition, the private-equity firm Bedford Funding acquired Authority. The current economic situation will put pressure on smaller vendors that have negative cash flow from operations and limited capital. We expect to see more acquisitions during the next 12 months, as vendors with a stronger financial position look to buy additional market share, or fill out their talent management suites. Customers should put the appropriate contract protections in place so that they have the most flexibility if there is a change in ownership control, including:

- Assumption of any existing contract obligations
- Lock-in of any pricing/discounting
- Guaranteed product support for a specific period of time
- Lock-in of maintenance/subscription pricing, entitlements and caps
- Source code in escrow (if possible)
- Allowing changes to license agreement terms and conditions through an addendum signed by both parties

SaaS customers should take extra precautions, such as ensuring that they receive a regular backup of data, because if a SaaS vendor fails (or runs into cash flow problems), then access to the service could get cut off.

**Market Definition/Description**

Gartner defines the market for EPM solutions as one that encompasses the following functionality:

- Performance appraisal and assessment
- Goal and objective management
- Competency management
- Performance appraisal management
- 90-degree to 360-degree assessment management

- Multirater feedback
- Developmental planning
- Career path management
- Calibration
- Succession management
- Employee profile management
- Visualization (organization charting, 9 Box and others)
- Talent pool management
- Succession planning
- Talent review/assessment
- Impact analysis
- Compensation management
- Plan/program administration
- Guideline/pay practice administration
- Budgeting
- Planning (support for merit increases, bonus and stock allocation and others – not complex incentive compensation)
- Coaching
- Pay-for-performance support

**Inclusion and Exclusion Criteria**

The inclusion criteria for this Magic Quadrant are:

- At least 30 customers each (for at least two of the three categories) for performance appraisal and assessment, succession management and compensation management and
- At least 15 production customers (live, with more than 1,000 employees) each (for at least two of the three categories) for performance management, succession management and/or compensation management or
- $15 million in revenue from EPM solutions and
- 10 customer references

We decided to change to the Magic Quadrant from the MarketScope format for this research because the market has matured. More vendors now offer solutions that encompass all three areas. In addition, we find customers more frequently buying multiple modules (performance and succession, performance and compensation, and all three module areas), so we included vendors that can meet client needs across a broad set of EPM capabilities.

**Other Vendors to Watch**

The following vendors did not meet the inclusion criteria for this Magic Quadrant, but we list these vendors here because each has specific capabilities worth considering:

- **Infor**: One of the largest ERP vendors, Infor offers a number of HR management system (HRMS) solutions. The company also offers performance and learning management solutions (from its acquisition of Boniva Software/SSA Global). Infor customers should consider this offering as an extension of their existing investments.
- **Jobpartners**: U.K.-based Jobpartners is better known in the e-recruitment market, but it also offers an integrated set of EPM solutions. Large, Europe-based multinational organizations may want to consider Jobpartners, especially if they want integrated e-recruitment.
• Lawson: This company has built a new strategic HCM solution called Lawson Talent Management, which is in the early stages of customer deployment. This could be especially interesting for Lawson customers. Lawson offers several performance management solutions as part of its S3 product line, which includes Lawson Performance Management, Lawson Performance Management for Healthcare (from the acquisition of Competency Assessment Solutions [CAS]) and TalentView of Performance (from its partnership with Personnel Decisions International [PDI]).

• NuView Systems: U.S.-based NuView offers core HRMS solutions with integrated talent management applications (including EPM). Midsize to large U.S.-based organizations that want an integrated HCM solution that includes core HRMS and EPM could consider NuView.

• Organisation Metrics: Canada-based Organisation Metrics offers a suite of talent management applications that includes workforce planning, e-recruitment, performance management, succession management and compensation management. The company has more than 20 customers in more than 130 countries. North America-based multinational organizations could consider Organisation Metrics for their EPM needs.

• PeopleStreme: Based in Australia, this company has a strong position in the Australian market, and is expanding globally. PeopleStreme has a full suite of talent management applications (including EPM), and has a strong service offering. Asia/Pacific-based (especially in Australia/New Zealand) organizations could consider PeopleStreme for EPM solutions.

• SHL: SHL differentiates itself not by providing the process automation tools for EPM, but by delivering objective testing and assessment into EPM. SHL has partnerships with many leading EPM providers. Consider SHL when you need a strong combination of assessment content and services.

• Sonar6: New Zealand-based Sonar6 has a highly innovative user interface for performance, development and succession planning. Sonar6’s recent partnership with Tata Consultancy Services (TCS) will enable Sonar6 to expand its presence into the Indian market. Customers wanting a leading-edge user experience should consider Sonar6.

• TalentSoft: Paris-based TalentSoft, built on the latest Microsoft .NET platform, offers strong support for French legal requirements, such as Gestion Prévisionnelle des Emplois et des Compétences (GPEC), and has won several early deals with global multinationals operating in France. Europe-based multinationals should consider TalentSoft as an alternative for EPM.

• Ultimate Software: U.S.-based Ultimate Software is best known for its HRMS solutions. However, the company also offers integrated EPM solutions based on its acquisition of RTIX in 2006. Midsize to large U.S.- and Canada-based organizations seeking integrated HCM solutions that include core HRMS and EPM could consider Ultimate Software.

• Umantis: Based in Switzerland, Umantis has an impressive talent management customer base in German-speaking countries. Europe-based multinationals could consider Umantis for their EPM solutions.

Added
This is a new Magic Quadrant.

Dropped
This is a new Magic Quadrant.

Evaluation Criteria

Ability to Execute
Gartner analysts evaluate technology providers on the quality and efficacy of the processes, systems, methods and procedures that enable the EPM software provider to be competitive, efficient and effective, and to positively impact revenue, retention and reputation. Ultimately, technology providers are judged on their ability and success in capitalizing on their vision to create and deliver a product/service that meets customers’ needs (see Table 1).

Completeness of Vision
Gartner analysts evaluate technology providers on their ability to convincingly articulate logical statements about current and future market direction, innovation, customer needs and competitive forces, and on how well they map to the Gartner position (where we see the market moving). Ultimately, technology providers are rated on their understanding of how market forces can be exploited (through various strategies) to create opportunities for the provider and that differentiate them from the competition (see Table 2).

Leaders
Leaders had strong product functionality and superior customer experience with the vendor and its products. In addition, leading vendors had strong or emerging multinational solutions (with corresponding service and support).

Challengers
Challengers had good product and service capabilities, along with a solid financial position. However, these vendors have generally been followers in functionality, user experience and other key developments in the EPM market.

Table 1. Ability to Execute Evaluation Criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
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<tbody>
<tr>
<td>Product/Service</td>
<td>High</td>
</tr>
<tr>
<td>Overall Viability (Business Unit, Financial, Strategy, Organization)</td>
<td>High</td>
</tr>
<tr>
<td>Sales Execution/Pricing</td>
<td>Low</td>
</tr>
<tr>
<td>Market Responsiveness and Track Record</td>
<td>Standard</td>
</tr>
<tr>
<td>Marketing Execution</td>
<td>Standard</td>
</tr>
<tr>
<td>Customer Experience</td>
<td>High</td>
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<tr>
<td>Operations</td>
<td>Low</td>
</tr>
</tbody>
</table>

Source: Gartner
Table 2. Completeness of Vision Evaluation Criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Understanding</td>
<td>Standard</td>
</tr>
<tr>
<td>Marketing Strategy</td>
<td>Standard</td>
</tr>
<tr>
<td>Sales Strategy</td>
<td>Standard</td>
</tr>
<tr>
<td>Offering (Product) Strategy</td>
<td>High</td>
</tr>
<tr>
<td>Business Model</td>
<td>Standard</td>
</tr>
<tr>
<td>Vertical/Industry Strategy</td>
<td>Low</td>
</tr>
<tr>
<td>Innovation</td>
<td>Standard</td>
</tr>
<tr>
<td>Geographic Strategy</td>
<td>High</td>
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<td>Source: Gartner</td>
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Strengths
- Authoria is one of the few vendors that offers an integrated talent management suite that has deep functionality across recruiting, performance, succession and compensation management. In EPM, compensation is the strongest area, and has the most customer use.
- Authoria has strong awareness in the EPM market. We find Authoria included in many Gartner client evaluations, and many vendors consider it a major competitor.
- Customers cited ease of use and product integration as better-than-average.

Cautions
- Authoria has struggled financially. However, the acquisition by Bedford Funding and an infusion of additional capital ($8 million) puts Authoria on more-solid ground. Bedford has access to more than $700 million in additional capital, and has expressed a strong commitment to the HCM market.
- Authoria has built its talent management suite through acquisitions. It rebuilt the solutions on a common platform and has strong functionality, but the suite is still new and maturing. We find few customers that have upgraded from earlier releases.
- Customer feedback around Authoria has been mixed. There have been challenges with product quality, and the responsiveness of ongoing service and support. This will need to be an area of focus for the new CEO.

Visionaries
Visionaries have been advanced in promoting the latest trends (for example, user experience) driving EPM solutions.

Niche Players
Niche players have good, but not necessarily comprehensive, functionality. In some areas, they may be best-in-class; however, in others, they may not have delivered functionality (or user experience), or it may not be competitive with vendors that are best-in-class. In addition, niche players may not be growing their EPM business at the same rate as market leaders. Finally, some niche players may face financial challenges in competing long-term with leading or emerging vendors.

Vendor Strengths and Cautions

Authoria
Authoria, founded in 1997, is headquartered in Waltham, Massachusetts. The company was recently acquired by the private-equity firm Bedford Funding, and Jim McDevitt was recently brought in as the new CEO. Former CEO Tod Loofbourrow will serve as board chair. In addition to solutions for EPM, Authoria also offers e-recruitment and knowledge base/communication solutions. Version 10.8 of Authoria’s EPM solution (released in November 2008) is built on a Java Platform, Enterprise Edition (Java EE) platform. Authoria delivers its solutions to new customers only via a SaaS model. Authoria’s EPM solutions are best-suited for large U.S.-based organizations that want strong functionality across EPM, as well as a broader talent management suite that includes e-recruitment. Although the underpinnings for global deployment exist (for example, multilingual and multicurrency support), few customers have deployed the 10.x solution globally, and Authoria is still building out its global service and support infrastructure.

Cezanne Software
Cezanne Software is headquartered in London, but was originally formed through a management buyout from Gruppo Formula in Italy. In February 2006, Cezanne merged with U.K.-based HRM Software. Cezanne offers an integrated talent management suite that includes e-recruitment, surveys, organization charting (through the HRM Software acquisition), and learning management, in addition to performance management, succession management and compensation management. Version 7 utilizes a Microsoft technology stack (Active Server Pages and SQL Server), but Cezanne plans to roll out full .NET support during 2009. In addition, it plans to update the user interface using Adobe Flex in 2009. In terms of architecture and user interface, Cezanne has been more of a follower of EPM market trends. Cezanne offers multiple delivery models, including perpetual license/on-premises implementation, perpetual license/hosting and SaaS. Cezanne is well-suited for Europe-based multinational organizations that want good, out-of-the-box functionality with the opportunity to customize. Cezanne offers its solutions beyond Europe, including via a partnership with the Hay Group in the U.S.

Strengths
- Cezanne has solid functionality across all EPM domains, with compensation management being the strongest.
- Customers indicated that product quality and system performance were better-than-average. In addition, customers felt that additional deployments and upgrades and account management were better-than-average.
- Cezanne has a strong alliance strategy. In addition to the Hay Group, it has a number of sales and distribution partners, including Byte, Mizar Informatica, Sapien Software, HR Software, Tecnasa, The Optimize Group, Compact, Gruppo Tekno, ADP and Cegedim SRH. Also, Cezanne partners with Deloitte (Spain and Portugal) and Novabase (Portugal).
Cautions

- Compared with other EPM vendors, Cezanne is smaller, and has had a lower growth rate.
- Cezanne was later to market with a SaaS solution, but revenue has grown significantly from this delivery model during the past 18 months.
- Cezanne lags behind other vendors in modernizing its technical architecture. It is later than other vendors in moving to .NET and in leveraging RIA user interfaces.
- Cezanne’s brand awareness is lower, when compared with other EPM vendors, based on our client inquiries, so Cezanne needs to continue to improve its marketing strategy.
- Customers indicated that workflow and reporting were areas for improvement. Cezanne indicates that the next release of its product in first-quarter 2009 addresses these issues.

Cornerstone OnDemand
Cornerstone OnDemand, founded in 1999, is a privately held company based in Santa Monica, California. Cornerstone has operations in North America, Europe and Asia/Pacific. It offers a full set of EPM applications, as well as a full learning solution, onboarding and corporate social networking solutions. Cornerstone’s compensation management solution is new and has limited adoption by customers. Cornerstone is built using Microsoft technologies (Active Server Pages/.NET and SQL Server), and leverages Ajax for certain aspects of the user interface. The most recent release was in October 2008. Cornerstone offers its solutions exclusively through a SaaS model. Cornerstone has shown its suitability for large, global multinational customers in North America and Europe through some major wins during the past 18 months. In addition, its solution is used by small to midsize businesses.

Strengths

- Performance management and succession management functionality is best-in-class.
- Overall customer experience through the entire relationship life cycle was better-than-average or best-in-class. Customer experience across all facets of product experience was better-than-average.
- The vision for integrating corporate social networking with talent management (including EPM) is strong.
- Billings and booking growth in 2007 were 48% and 79%, respectively. Cornerstone expects to exceed these growth rates in 2008, despite the current economic situation.

Cautions

- Cornerstone has provided information that indicates it is not profitable on a generally accepted accounting principles (GAAP) basis (it is on an earnings before interest, depreciation, taxes, and amortization [EBITDA] basis); however, its annual billings have exceeded its annual outflows since 2004.
- Compensation management is a newer functionality module for Cornerstone. It is promising, but it is not quite as easy to configure as other solutions for more-complex, variable-compensation scenarios.
- Cornerstone’s brand awareness is lower, when compared with other EPM vendors, based on our client inquiries. However, we believe that Cornerstone’s strategy to improve awareness, especially in its target vertical market, is strong.

Halogen Software
Halogen Software, founded in 2001, is a privately held vendor based in Ottawa, Canada. Halogen offers a suite of talent management solutions that includes performance appraisal/assessment, succession management, compensation management and learning management. Version 8.1 uses a Java EE platform, and supports Oracle and SQL Server databases. Halogen offers multiple delivery model options for customers, including subscription license/hosted and subscription license/on-premises. During the past two years, approximately 60% of Halogen’s customers chose a hosted implementation. Halogen is well-suited for global, midsize to large enterprises (typically, 10,000 employees or fewer) that want very good overall functionality that is relatively inexpensive and easy to implement.

Strengths

- Performance appraisal/assessment and pool-based succession management functionality are very strong.
- Halogen has a strong industry strategy. Its first vertical market solution for the healthcare industry has been successful. It also offers solutions for the professional and financial services industries.
- Halogen’s focus on ease of use to set up and implement its products makes it attractive to its target market of midsize to large enterprises.
- Halogen has provided data that indicates it is growing well (a 53% compound annual growth rate [CAGR] for the past three years), and has been cash flow positive for the past four years.
- Overall customer experience through the entire relationship life cycle was better-than-average or best-in-class. Customer experience across all facets of product experience was better-than-average, except for reporting, which was considered average.

Cautions

- Compensation management is adequate for matrix-based allocations (merit increases, bonuses and other allocations), but has little support for complex, variable-pay scenarios.
- Although it has a broad array of resellers in different parts of the world, Halogen has a low percentage of customers and revenue from outside North America (11%).

HRsmart
HRsmart, founded in 1999, is a privately held vendor based in Richardson, Texas. The company has offices in Argentina, Brazil, Canada, Lebanon, South Africa, Australia and the U.K. HRsmart started in the e-recruitment market, and now offers solutions that encompass much of the talent management suite, including performance management, career development, succession management, compensation management, learning management and offboarding. Version 10 leverages open-source technologies, including Linux, PHP and MySQL. HRsmart offers its solution via a subscription license and a hosted model. HRsmart is best-suited for global, midsize to large enterprise customers (up to 25,000 employees, although the company does have some larger customers) that want very strong performance and succession management solutions integrated with recruiting.
Strengths

- Performance and succession management functionality is very strong.
- HRsmart has a comprehensive vision for an integrated talent management suite (including EPM).
- HRsmart offers good value. Its product functionality, relative to price, is strong.
- Customers cite HRsmart’s ability and willingness to customize as a strength. In addition, customers indicate that additional deployments and upgrades, as well as ongoing account management, are better-than-average.

Cautions

- HRsmart is a smaller vendor that has limited resources, when compared with other EPM vendors. However, it has provided data indicating that it is growing well (66% during the past 12 months, ending 30 June 2008), and that it is cash flow positive.
- HRsmart does not have as strong a vertical market strategy as other EPM vendors.
- HRsmart is better-known in the e-recruitment market than in the EPM market. It has a much larger customer base in e-recruitment than in the EPM market. It has gained some traction, but it has not added EPM customers at the same rate as other EPM vendors. However, its installed base in e-recruitment represents a good cross-sell opportunity.
- HRsmart resells a third-party product for compensation management from Sentient. The Sentient product has good functionality for matrix-based allocations (merit increases, bonuses and other allocations), but it is not as well-suited to complex, variable-pay scenarios. The solution also has a different user interface from the rest of HRsmart’s talent management applications. HRsmart and Sentient have integrated the solutions (overall performance ratings can be passed into Sentient), but it is a separate back-end database, with separate reporting tools.

Kenexa

Kenexa, founded in 1987, is a publicly traded (NASDAQ: KNXA) company headquartered in Wayne, Pennsylvania. Kenexa has multiple product lines that encompass the spectrum of talent management applications. Some of these product lines have come through acquisitions (BrassRing and Webhire in e-recruitment, as well as recently purchasing the code to a learning solution), and other product lines have been built directly by Kenexa (for example, its EPM solution, Kenexa CareerTracker).

Kenexa is building a next-generation, integrated talent management application suite (called Kenexa 2x) that will encompass recruiting (based on the original Kenexa Recruiter solution), EPM (based on Kenexa CareerTracker) and learning (based on the recently acquired code). Recruiting will be the first application released on Kenexa 2x (first-quarter 2009). The Kenexa CareerTracker solution supports performance, succession and compensation management. Version 4.8 of Kenexa CareerTracker uses a Java EE platform, and runs on the Oracle database. Kenexa has offered Kenexa CareerTracker primarily as a hosted solution with a subscription license. A small percentage of customers have bought with a perpetual license (hosted and on-premises). Kenexa is moving toward making the on-premises option more prominent in its strategy. Kenexa CareerTracker is best-suited for North American and European midsize to large enterprises that want strong performance management functionality with good succession and compensation management.

Strengths

- Performance management functionality is very strong.
- Kenexa’s offering of software, content and services differentiates it in the market. It provides a full range of services, from strategy to program design to implementation. In addition, it offers content ranging from competency models to behavioral assessments.
- Kenexa’s financial position is strong. It is profitable, with good liquidity and a positive cash flow.
- Kenexa’s vision of an end-to-end, integrated talent management (including EPM) suite is strong with Kenexa 2x.

Cautions

- The succession management and compensation management functionality is good, but it is not best-in-class.
- Although Kenexa will continue to support Kenexa CareerTracker, the future for customers is Kenexa 2x. Few details are available yet about the requirements for Kenexa CareerTracker customers to migrate to Kenexa 2x.
- Kenexa’s overall brand awareness in HCM is strong, but it is lower in the EPM segment, compared with other vendors, based on our client inquiries.
- Kenexa’s customers typically choose it for the combination of software and services. Overall customer satisfaction has been very good; however, as Kenexa grows in EPM, prospective customers should ensure that they vet the consulting resources proposed by Kenexa as much as software to ensure a good fit to need.

Learn.com

Learn.com, founded in 1998, is a privately held vendor based in Sunrise, Florida. Its “all you can eat” pricing model is unique in the market. Customers pay one price, and have access to all the applications offered on the LearnCenter platform. Learn.com’s solutions encompass a full e-learning suite, along with performance management, succession management, e-recruitment (including onboarding) and workforce planning. In addition, Learn.com offers a Web meeting solution called WebRoom. Learn.com’s LearnCenter platform is built on the Microsoft .NET 2.0 framework, and runs on the SQL Server database. Learn.com offers its solutions primarily via SaaS, but it is also available through a perpetual license (supporting hosted and on-premises installations – approximately 9% of customers implement on-premises). Learn.com is well-suited to midsize to large enterprises (more than 75% of customers have fewer than 10,000 employees) that want a full e-learning suite integrated with performance management.
Strengths

- One price for access to all functionality is attractive for customers that want cost certainty for their software investments.
- Reseller agreements with ADP and Kronos provide good sales reach in the U.S. market. A multinational reseller network (U.K., Middle East, South Africa and South America) gives good geographic reach.
- Learn.com has provided data indicating that it is profitable, has had good revenue growth and has a positive cash flow from operations. Its current ratio is below-average, but includes a large deferred revenue balance in its current liabilities.

Cautions

- Performance management functionality is good, but is not best-in-class (lacks strong manager support tools and calibration capabilities). Functionality in compensation and succession management is weak (with relatively low customer adoption). In addition, usability of the application, compared with other solutions in the market, was poor.
- Learn.com's brand awareness in EPM is lower than that of other vendors, based on our client inquiries. The company is known more as an e-learning provider than as an EPM vendor. We believe that Learn.com needs to improve its EPM marketing strategy if it wants to grow its business in this market.
- Customer experience was mixed. Product quality was average (some customers thought it was better-than-average; others thought it was below average, although they did cite the ability to customize as better-than-average). Service and support experience was also average (some thought it was above average, and some thought it was below average).

Meta4

Meta4, founded in 1991, is privately held, with headquarters in Madrid, Spain. The company is best-known for its core HRMS capabilities, but it also offers talent management applications, including e-recruitment, performance management, succession management, compensation management and learning. Meta4’s PeopleNet v.7 uses an object-oriented architecture (leveraging common standards for connectivity, including XML, SOAP, Component Object Model [COM] and Open Database Connectivity [ODBC]), and the applications can run on Oracle and SQL Server. Meta4 is in the process of adding RIA support to its applications using Windows Presentation Foundation. Approximately 75% of Meta4’s customers implement the solution on-premises. However, Meta4 also offers options for hosting, and for a subscription license (approximately 15% of customers have chosen a subscription license). Multinational customers that want to purchase a core HRMS solution, along with EPM solutions, should consider Meta4.

Strengths

- Performance, compensation and succession management functionality is very good.
- Meta4’s technical architecture vision is strong (for example, object-orientation, RIA and other innovations, such as desktop gadgets). However, the delivery for RIA and gadgets is still a work-in-progress.
- Customers indicated that Meta4 provides better-than-average service and support. In addition, customers highlighted integration between EPM and the core HRMS as best-in-class.
- Meta4 has provided data that indicates it is in good financial condition. The company is profitable, has good liquidity and is cash flow positive.

Oracle

Oracle, founded in 1977, is publicly traded (NASDAQ: ORCL), with headquarters in Redwood Shores, California. Oracle offers a broad array of applications, as well as middleware and database technologies. Oracle E-Business Suite (EBS) is a comprehensive Human Capital Management suite that includes integrated talent management (including EPM) applications. Oracle EBS R12 is built using a combination of Oracle Forms, an HTML framework and Java EE architecture. EBS R12 runs on Oracle Fusion Middleware 10.1.3 and the Oracle database. Oracle offers EBS through a perpetual license. In addition, customers can choose to implement on-premises, or have Oracle host the application (approximately 95% implement on-premises). Existing customers that want to add very good performance and compensation management functionality should consider Oracle EBS R12. In addition, multinational organizations that want to purchase a core HRMS with integrated EPM functionality should consider Oracle EBS.

Strengths

- Performance and compensation management functionality is very good.
- Oracle’s financial performance is strong. It is highly profitable, has demonstrated strong growth, and generates very positive cash flow from operations. However, EPM represents a relatively small part of the business for the EBS product line.
- Customers cited integration within EPM and between the core HRMS and EPM as a key reason for purchase and as a strength. In addition, customers indicated that service and support were better-than-average.
- Oracle has good implementation partners that have driven successful implementations (most customer references used a third-party system integrator), including Deloitte, K-Bace, TCS and Wipro Technologies.
Cautions

- Succession management functionality is limited in R12. Basic employee profile data can be captured, and visualization is supported by third-party partners. Suitability-match functionality can be used to identify succession candidates. Oracle plans to add the ability to define critical jobs, create a succession plan and integrate with performance management in R12.1, which is scheduled for general availability in first-quarter 2009.

- Oracle’s EBS EPM functionality requires the customer to implement its HR and self-service solutions. It would be challenging to use these solutions with a different core HRMS.

- Although Oracle's architecture is strong and has good multinational support, we have found few large-enterprise, global deployments.

- Oracle’s EBS has strong awareness in the ERP and core HRMS markets, but it struggles with its “EPM brand” outside compensation management.

- Oracle is developing a next-generation product line, Fusion Applications. It is unclear how this new product line will impact the future direction of the Oracle EBS.

Oracle PeopleSoft

Oracle completed its acquisition of PeopleSoft in January 2005. PeopleSoft's HCM suite includes core HRMS functionality, along with integrated talent management (including EPM) applications. PeopleSoft 9.0 is built using a proprietary toolkit (PeopleTools), runs on several Java EE applications servers (Oracle WebLogic, IBM WebSphere and Oracle Fusion Middleware) and databases (Oracle, SQL Server and DB2). PeopleSoft applications are offered by Oracle through a perpetual license, and can be implemented on-premises, according to Oracle, or hosted by Oracle (or a third-party partner).

Existing customers that want very good performance management functionality should consider PeopleSoft 9.0. Oracle plans a significant uplift in compensation and succession management in 9.1 (scheduled for release during 2009). Existing customers that want stronger functionality in these areas and an updated user experience across all EPM should consider PeopleSoft 9.1. Multinational organizations looking to purchase a core HRMS with integrated EPM functionality should consider PeopleSoft, but should press Oracle for a firmer release schedule for PeopleSoft 9.1 (to determine which release to implement).

Strengths

- Performance management has very good functionality.
- PeopleSoft's HCM solutions have a large installed base and strong brand awareness in the market.
- Oracle’s financial performance is very strong. It is highly profitable, has demonstrated strong growth and generates very positive cash flow from operations. Although HCM is a key product line within PeopleSoft, Employee Performance Management represents only a small (albeit growing) part of the business.

- Oracle’s vision for its PeopleSoft Employee Performance Management solution is strong. Version 9.0 added Profile Manager, which provided an integrative data structure for all PeopleSoft talent management applications. Version 9.1 addresses some key functional gaps in Employee Performance Management (including career planning, succession management, and cascading goals and objectives), and promises to improve the user experience and keep it competitive with niche solutions.

Cautions

- The release date of 9.1 during 2009 is still uncertain. In addition, the functional scope is not yet clear, so it is uncertain how many gaps in compensation and succession management are addressed.

- PeopleSoft EPM functionality requires customers to implement its HR solution. It would be challenging to use the solution with a different core HRMS.

- Although the PeopleSoft architecture is strong and has good multinational support, we have found few global deployments.

- Customer feedback has been somewhat mixed. Some customers have successfully implemented EPM functionality with no customization. Others have used PeopleTools to address gaps.

- Oracle is developing a next-generation product line, Fusion Applications. It is unclear how this new line will impact the future direction of Oracle’s PeopleSoft product line.

Pilat HR Solutions

Pilat HR Solutions is a wholly owned subsidiary of Pilat Technologies International that was formed through the purchase of Nardoni Associates International (NAI) in 1997 (NAI was originally founded in 1984). Pilat Technologies is based in Tel Aviv, Israel, with offices in Lebanon, New Jersey, the U.S. and London. Pilat has solutions that include performance management (Performance Pulse includes 360 feedback), succession management (Succession Pulse), compensation management and surveys. Version 8.0 of Pilat’s EPM solutions is built on Microsoft technologies (ASP and .NET), and uses the SQL Server. Pilat offers its solutions via perpetual license or subscription. It can be implemented on-premises, or hosted by Pilat (on a shared server or on a dedicated server). Pilat’s EPM solutions are well-suited to large North American and European enterprises that want a combination of software and services (including strategic consulting) where the vendor is willing to tailor the solution to customer-specific needs (Pilat indicates that it will guarantee upward compatibility with new releases).

Strengths

- Pilat has strong performance management functionality, along with best-in-class succession management.

- Pilat specializes in providing a tailored solution to customer-specific needs, without custom coding (through a provided toolkit). Customers confirmed that this was a strength.

- Pilat’s customers indicated that service and support capabilities are strong.
Cautions

- Pilat’s out-of-the-box functionality for compensation management is good, but it is not best-in-class. The toolkit can be used for more-complex, variable-pay scenarios, but it is not quite as easy to configure as other solutions.
- Although the flexibility of the toolkit is strong, the overall architecture is somewhat dated.
- Pilat has provided data that indicates it is slightly profitable and cash flow positive, but revenue has declined somewhat. Given the market growth overall, Pilat’s sales execution is weak, when compared with other vendors in the market. It has a relatively small EPM customer base, when compared with other vendors.
- Pilat’s services approach is a strength, but it is resource-constrained. Customers need to ensure that it vets the key consultants working on their projects.

Strengths

- Plateau offers strong functionality across performance, succession and compensation management.
- The offerings have good global capabilities, including support for 25 languages, as well as operations in the three major geographic theaters (North America, Europe and Asia/Pacific).
- Customers indicated that system administration, workflow and the ability to customize the solution were better-than-average.
- Plateau has a strong, vertical-market focus. It has dedicated go-to-market operations in the public sector, financial services and healthcare/life sciences.

Plateau

Plateau, founded in 1996, is a privately held vendor based in Arlington, Virginia. It is a leader in the e-learning market, and has expanded into performance management, succession management and compensation management (through the acquisition of Nuvosoft in February 2007). Version 5.8 Service Pack 5 is built on a Java EE platform and runs on the Oracle database. Plateau offers a perpetual license/on-premises installed solution, as well as a SaaS solution. A total of 35% of its EPM customers have chosen the SaaS solution. Plateau’s EPM solutions are appropriate for global customers of all sizes that want strong functionality across the full spectrum of EPM capabilities, in addition to best-in-class learning solutions.

Saba

Saba, founded in 1997, is a publicly traded vendor (NASDAQ: SABA) headquartered in Redwood Shores, California. Saba has expanded from the e-learning suite market into performance management (Performance Suite), succession planning (Talent Suite), and, most recently, compensation (Compensation Suite). Version 5.4 SP3 of Saba’s EPM solutions is built on the Java EE platform (supporting JBoss, Oracle WebLogic and IBM WebSphere), and runs on Oracle, SQL Server and DB2 databases. Saba’s EPM solutions are offered on-premises, as hosted and via SaaS. In 2008, 60% of new deals were purchased via the OnDemand (SaaS) delivery model. Organizations that want to build on their Saba Learning Suite deployments should consider Saba as an option for additional EPM processes. In addition, multinational organizations that want strong performance and succession management solutions should consider Saba.

Strengths

- Performance management is very strong, and succession management is strong.
- There is strong integration between learning and development for development planning. Customers cited this as a strength.
- Saba has good global coverage, with 23 languages supported and relatively broad global operations.
- The offerings provide an innovative use of social-software concepts (a talent profile that includes traditional HCM data, as well as social profile data) and strong Microsoft Outlook integration.

Cautions

- For the last 12 months, ending on 31 August 2008, Saba has not been GAAP profitable (it has been EBITDA profitable for the past two years), and its liquidity (including deferred revenue) is slightly below average. It is transitioning from a perpetual-license-based to a more-subscription-based business model, and, during such transitions, profitability, revenue growth and liquidity can be adversely affected. Saba has had strong revenue growth in its EPM business (85% year over year) and for the SaaS delivery model, and it was cash flow positive. Saba needs to continue to take advantage of its cross-sell opportunity in EPM to drive higher revenue growth and profitability.
- Compensation Suite is a new solution, and is not yet in general availability (although it is expected in July 2009).
- Saba is still known primarily as a learning vendor. It needs to improve its market awareness as a provider of talent management solutions that includes learning and EPM solutions. Saba has a large customer base (more than 1,300 customers, mostly in learning), so it should have a good opportunity to cross-sell EPM solutions to its installed base.
- Customer feedback on the EPM support is mixed. Some customers said that consulting resources were stretched between on-premises and SaaS offerings.

Salary.com

Salary.com, founded in 1999, is publicly traded (NASDAQ: SLRY), and is based in Waltham, Massachusetts. It recently announced its entrance in the broader HR software and business process outsourcing (BPO) markets with its acquisition of Genesys.
Software Systems. Salary.com delivers its solutions via SaaS. Salary.com offers data and tools for consumer users (employer/HR-reported compensation data) and enterprises of all sizes, and has grown from a compensation data and software provider into offering a broader talent management suite, called TalentManager. TalentManager provides performance management, compensation management (including incentive compensation), competency management and succession management functionality. Salary.com has standardized its architecture on Microsoft's ASP.NET 2.0 technology, along with Ajax. Salary.com has been very successful with small to midsize businesses in the U.S., but has also won several larger accounts. Salary.com is especially well-suited for midsize to large U.S.-based organizations looking for strong pay-for-performance functionality.

Strengths

- Salary.com offers strong compensation and performance management functionality, as well as strong compensation data and analysis capabilities.
- Because of its heritage as a compensation data and software provider, Salary.com has a focus on content inside its applications. It acquired ITG Competency Group and Schoonover Associates, which gives Salary.com large libraries of leadership and job-specific competencies, and associated data models. Competency content is sold separately, or inside the talent management software.
- The application is considered easy to implement and use by customers. They reported quick implementation times, typically less than 12 weeks.
- Although Salary.com is a SaaS provider, it has a well-thought-out architecture to enable customizations. Customers cited this ability to customize as better-than-average.

Cautions

- Salary.com is predominately U.S.-focused, with limited direct sales or support outside the U.S.
- The succession management functionality is new (and promising), and is not widely used.
- Brand awareness is strong in compensation market data and software, but brand awareness needs to improve in the broader EPM software market. Salary.com has a good opportunity to expand relationships with its compensation market data customers to include broader pay for performance solutions.
- Salary.com is a smaller vendor, when compared with others in the EPM market, and it is not profitable. However, it has grown reasonably well, has good liquidity, and was cash flow positive for fiscal years 2004 through 2008. Salary.com is expecting to be cash flow positive exiting fiscal year 2009. We believe that Salary.com's strategy to offer software, content and services for EPM is a good one, but with its numerous acquisitions, it may be challenging to manage.

SAP

SAP was founded in 1972, and is headquartered in Walldorf, Germany. It is listed on the Frankfurt and New York exchanges (SAP). SAP ERP HCM 6.0 offers performance management, succession management and compensation management as part of a comprehensive HCM application suite. SAP has enhanced the visualization functionality in its succession management solution through a partnership with Nakisa. The solution is offered on-premises, but hosting options are available through third-party providers. The solution is best-suited for large, global companies that make extensive use of SAP ERP HCM functionality.

Strengths

- Integration with core HCM functionality, especially for organization management, is very strong.
- There is strong support for unionized and complex global-compensation rules and policies.
- SAP's financial performance is strong. It is profitable, has demonstrated solid growth and generates very positive cash flow from operations. However, EPM represents a relatively small part of the business for the SAP Business Suite.

Cautions

- Customers still cite challenges with usability; however, SAP has made substantial investments in this area that it will deliver in ERP 6.0 Enhancement Package 4.
- Reliance on a partner product (Nakisa) to round out SAP's succession management solution undermines some of the company's competitive differentiation around integration (based on everything coming from a single vendor).
- SAP EPM functionality requires the customer to implement its HR solution. It would be challenging to use it with a different core HRMS.
- Customers often are not on the latest release, due to broader ERP considerations. However, once customers get to ERP HCM 6.0, they can take on new functionality more frequently and more incrementally through enhancement packages.

SilkRoad technology

SilkRoad technology, founded in 2003, is a privately held vendor headquartered in Winston-Salem, North Carolina. The company has more than 200 employees, and recently raised more than $54 million to fund global expansion. It began as a content management vendor, then grew into e-recruiting (via an acquisition). It has since expanded into the broader talent management space, with the acquisition of Human Asset Technologies in 2005. SilkRoad also recently acquired an e-learning vendor, VTN Technologies. SilkRoad's performance, compensation and succession management solution is called WingSpan. It is a SaaS solution, built using the Microsoft .NET platform. Midsize to large U.S.-based multinationals should consider SilkRoad Wingspan for performance management.

Strengths

- SilkRoad offerings provide strong and easy-to-use performance management functionality.
- The company has a growing global support and sales network, and robust customer growth, especially in the midmarket.
- Its solutions offer strong search and data-mining technologies to identify potential successors in succession management.
- With the recent learning solution acquisition, SilkRoad now has a growing talent management suite strategy beyond EPM.
Cautions

- Compensation functionality is basic, with limited stock and bonus calculation capability.
- Succession planning application is currently being rebuilt.
- “Mind share” is not as strong as larger players in the EPM space, and the customer base is relatively small.
- Integrating a complete suite together (recruitment, EPM and learning) will be challenging, and a strain on R&D resources.

Softscape

Softscape, founded in 1995, is privately held and based in Wayland, Massachusetts. It employs 200 people with offices in North America, Europe and Asia/Pacific. Softscape offers a broad suite of talent management functionality. The current product, Softscape Apex 2008 R2, is built on a proprietary architecture, but supports interoperability with .NET and Java EE platforms (and supports standard protocols, such as SOAP and XML). It is available as a SaaS solution, or via a perpetual license (with hosted or on-premises implementation options). Softscape has a strong customer base in the U.S., Europe and Asia. The solution is well-suited for global organizations seeking best-in-class performance management functionality, with very good compensation and succession management functionality (especially as part of a broader talent management suite).

Strengths

- Overall EPM functionality is strong, especially Performance Management. Customer references cited user experience, especially for HR users, as a strength.
- Softscape has strong global capabilities and presence. It is willing to customize the solution to meet specific customer needs.
- Softscape’s HRMS (personnel administration and self-service) capabilities are differentiators.
- Customer feedback on user experience and workflow was predominantly better-than-average.

Cautions

- We have found the customer experience for Softscape to be mixed. Some large customers have struggled with the flexibility to meet complex, global needs out of the box, and have experienced uneven quality with customizations. However, Softscape indicates that it has a 98% retention rate, which does support that most customers are satisfied with their experience.
- Softscape must balance the needs of on-premises customers with its faster-growing SaaS customer base.
- Softscape has provided data that indicates it is profitable and growing as fast as some EPM vendors. Given Softscape’s early mover advantage in EPM and strong product line, we believe the company should be demonstrating higher customer and revenue growth.

StepStone

StepStone was founded in 1996, in Norway, originally as an Internet job board. It is listed on the Oslo and London stock exchanges. To diversify beyond job boards, StepStone moved into the talent management software market. First, it expanded into e-recruitment with the launch of OneStep in 1997 (a basic, applicant-tracking system) followed by acquisitions of i-GRasp and EasyCruit, and then into EPM with the acquisition of Executrack in 2007. StepStone’s EPM solution, ETWeb 10, is built on the Microsoft .NET platform. It is available via a perpetual license (supporting on-premises and hosted implementations), as well as via SaaS. Although StepStone has some customers in North America and other regions, it is best-suited to Europe-based multinational firms that want best-in-class performance and succession management capabilities.

Strengths

- The company has a strong European (with growing Asian and North American) presence, with sales and support in major markets.
- ETWeb has best-in-class performance and succession management functionality, especially related to European functional requirements.
- Customers indicated that product quality and service/support were better-than-average.
- StepStone has a solid financial position. It is profitable, growing at a solid rate, has good liquidity and is generating positive cash flow from operations.

Cautions

- StepStone has a relatively small presence in the U.S., when compared with its major competitors. The company should continue to invest to build global market awareness, and should continue to position itself beyond the job board space.
- The vertical market strategy is not as well-defined as that of other EPM vendors.
- The user interface is not as engaging as those of other top vendors, and there is still some back-end integration work to be done between ETWeb and iGRasp.

SuccessFactors

SuccessFactors is publicly traded (NASDAQ: SFSF), and is headquartered in San Mateo, California. The company was restarted in 2001 after venture capital firms bought the company and brought in a new management team, which built a brand new product (using the intellectual property from the predecessor company) on a new technology platform. SuccessFactors began with performance management, but has expanded into other talent management processes, including succession planning, compensation and, most recently, recruitment. SuccessFactors offers its solution via SaaS. The applications are built on a Java EE platform. SuccessFactors has offerings targeted to customers of all sizes, but it is best-suited to U.S.-based and Europe-based multinational organizations that want best-in-class performance management functionality, along with very good succession and compensation management capabilities.

Strengths

- SuccessFactors offers best-in-class performance management functionality, along with very good integrated succession and compensation management.
- Monthly delivery of new functionality via the SaaS model allows the SuccessFactors solution to respond quickly to customers’ needs.
- SuccessFactors has very strong EPM market awareness and brand recognition. It also has a strong marketing strategy.
Cautions

- The company has a strong segmentation strategy, as part of its sales strategies. It also has a strong vertical strategy, as well as different go-to-market approaches based on company size. Furthermore, it has built a large direct sales force to take advantage of the opportunities in the EPM software market.
- The company has a large and varied customer base, with more than 2,360 clients (most in EPM) and more than 4 million users.
- Customers indicated that product capabilities and service/support were better-than-average or best-in-class.

Strengths

- SumTotal has the opportunity to cross-sell to a large, global learning management customer base. From its success in learning, SumTotal already has a good, multinational service and support infrastructure.

Cautions

- SuccessFactors has grown rapidly, but it has average liquidity. In addition, it is not GAAP profitable, nor is it generating positive cash flow from operations. This is the downside of the SuccessFactors sales and marketing strategy. The company has spent a lot to gain market share, and has made progress in improving its financial performance metrics in 2008. SuccessFactors has announced that it intends to be cash flow positive from operations in second-quarter 2009.
- Some customers expressed disappointment with ad hoc reporting capabilities, but SuccessFactors recently released significant new analytical capabilities.
- Compensation management is adequate for matrix-based allocations (merit increases, bonuses and other allocations), but has little support for complex, variable pay scenarios.

SumTotal

SumTotal, founded in 2004, is publicly traded (NASDAQ: SUMT), and is headquartered in Mountain View, California. In October 2008, Arun Chandra joined SumTotal from Unisys (he spent more than 20 years at Hewlett Packard) as the new CEO. SumTotal was formed with the merger of Docent and Click2learn in 2004. In 2006, SumTotal acquired MindSolve Technologies. The MindSolve products are the basis of the SumTotal TotalPerformance product. TotalPerformance includes performance management, succession management and compensation management capabilities. TotalPerformance is part of SumTotal’s Talent Development Suite, which includes learning management and collaboration solutions. Version 8.0 of TotalPerformance is built on a .NET platform. It is available via a perpetual license (on-premises implementation) or via SaaS. The solution has strong performance management functionality and is especially well-suited to existing SumTotal Learning Management System (LMS) customers wishing to deploy integrated learning and performance management. U.S.-based multinational organizations that require best-in-class performance management, along with strong succession management functionality, should consider SumTotal.

Strengths

- SumTotal products offer best-in-class performance management and strong succession management functionality. Visual Profiler is a differentiator that enables users to evaluate multiple employees (especially useful for calibration). The solution also has especially strong 9 Box visualization with manipulation capabilities.
- Customers cited ease of use, product quality and system performance as strengths.
- SumTotal has the opportunity to cross-sell to a large, global learning management customer base. From its success in learning, SumTotal already has a good, multinational service and support infrastructure.

Cautions

- For the 12 months ending on 30 September 2008, SumTotal was not GAAP profitable, and its revenue growth was slower (when compared to other EPM vendors). It is transitioning from a perpetual license-based to a subscription-based business model, and, during such transitions, revenue growth and profitability can be adversely affected. However, the company has good liquidity and is generating positive cash flow from operations.
- SumTotal is still known primarily as a learning vendor. It needs to improve its market awareness as a provider of talent management solutions that includes learning and EPM solutions.
- The adoption of compensation and succession is still relatively limited.
- Compensation functionality is basic, with limited stock and bonus calculation capability; however, a new compensation product is about to move into general availability.

Taleo

Taleo, founded in 1999, is publicly traded (NASDAQ: TLEO) and headquartered in Dublin, California. In July 2008, Taleo closed on its acquisition of Vurv Technology. Vurv had its own EPM solutions (through acquisitions of KnowledgePoint from CCI for performance and succession management and InfoTechWorks for compensation management) and a considerable customer base, especially in performance management. Taleo already had a leading e-recruitment software solution, and had built its own applications for performance and succession management, which it started to roll out to customers in 2008. Although the company has a large number of customers through the Vurv acquisition, a limited number of customers are using the Taleo-developed solution. It is important to note that Taleo is not selling the Vurv solutions from this point on (it is continuing to provide support to those customers). Taleo is selling the solutions it developed to new customers. In addition, it has partnered (with an exclusive option to purchase) with Worldwide Compensation for new compensation management customers. Taleo Performance 7.5 and WorldWide Compensation are both built on the Java EE platform. Both are available via a SaaS model. Taleo Performance will be best-suited, initially, for Taleo Recruiting customers looking to extend their use of Taleo applications into EPM. The solution is promising for large, multinational organizations that want strong performance management and evolving succession management functionality, along with a partner solution that has best-in-class global compensation management functionality (although it, too, has a limited customer base at this point).

Strengths

- Taleo Performance has strong performance management functionality. In addition, the partnership with Worldwide Compensation brings best-in-class global compensation functionality, along with deep global compensation expertise.
- Taleo Performance has a very advanced user experience that leverages Web 2.0 technologies, such as Adobe Flex. In addition, users can access core Taleo Performance functionality via Microsoft Outlook plug-ins.
- Taleo has a large e-recruitment customer base to which it can cross-sell Taleo Performance and Worldwide Compensation. In addition, it has a large Vurv installed base that it can also move onto these solutions.
• Taleo is profitable (outside of charges related to the Vurv acquisition), is growing at a strong pace, has good liquidity and generates positive cash flow from operations. At the time of this publication, Taleo’s auditors are reviewing its revenue recognition policies, which have caused a delay in filing its 10-Q, although this should be resolved shortly. This is a review of the timing of revenue recognition, and does not impact the total amount of revenue that Taleo has under contract, or the cash flow that has been and is being generated by the business.

Cautions
• Both Taleo Performance and Worldwide Compensation are newer solutions with relatively small customer bases. Although their functionality is quite promising, they are still implementing primarily with initial customers. The succession planning functionality is still largely untested, with limited customer adoption.
• Worldwide Compensation is still a separate entity, with a separate product, and although Taleo has built some integration, the user interface, data models and reporting for Worldwide Compensation differs from Taleo Performance.
• Taleo has a strong brand in e-recruitment and HCM in general, but it needs to strengthen brand awareness in the EPM market.
• Taleo needs to develop a stronger vertical market strategy.

Strengths
• Workforce planning and analytics solutions that are integrated with EPM (and the rest of the reward and talent management suite) are differentiators.
• Watson Wyatt has a large, global EPM service capability.
• The company has a strong financial condition. It has had solid growth and good liquidity, is profitable and is cash flow positive. However, Watson Wyatt’s core competency is services. The Reward product shows that Watson Wyatt can deliver as a software vendor, but we believe that the expanded software business (with talent management) will need to drive service revenue to sustain the commitment long-term.
• Watson Wyatt offers a very broad talent management suite, with specific strengths in compensation and analytics.

Cautions
• Beyond compensation management, Watson Wyatt is not perceived as a talent management software vendor. It will need to build awareness as a broader talent management suite vendor (including EPM).
• Succession and performance management solutions have good functionality, but are not best-in-class.
• Multinational functionality in talent management is immature, and was made generally available only as of October 2008.

Workscape
Workscape, founded in 1999, is privately held and is headquartered in Marlborough, Massachusetts. Workscape has three main product lines: benefits outsourcing, portal/HR self-service applications, and talent management applications. It started in EPM by building a compensation management solution. The company attempted to expand its portfolio into performance and succession management through the acquisition of Performaworks. Significant challenges with that acquisition led to Workscape sunsetting the product. The company made another attempt to add performance and succession management functionality to its own EPM suite. In 2009, Workscape expects to release expanded performance and succession management functionality on the same platform as its compensation management solution. Workscape Compensation Planner version 6.0 was released in 2006. It is built on the Java EE platform. Most Workscape customers have subscription contracts, and have the solution hosted by Workscape. Large, multinational customers should consider Workscape for compensation management, with the potential to expand into performance and succession management as those solutions mature.

Strengths
• Workscape offers best-in-class compensation management functionality with a number of large, complex global customers installed.
• Compensation management and benefits integration are differentiators. These will be of interest to U.S. organizations with complex benefits.
• Workscape has strong experience with multinational compensation processes.
• The company offers good integration and organization hierarchy maintenance tools to manage ERP and HRMS connectivity.
• Workscape indicated that it is profitable, growing revenue at a moderate rate, has no debt (and good liquidity) and is cash flow positive.

Cautions
• Workscape is late to market with performance and succession management applications. Performance is due to be released in the first half of 2009, and succession management is expected to follow later in the year.
• Although well-known as a compensation solution provider, Workscape is not well-known as a broader EPM solution provider. It will need to improve its brand awareness to compete in this broader market.
• The company has a relatively small customer base (albeit very large customers) to cross-sell.
• New competitors have emerged in compensation, offering competitive functionality and a more proven and broader suite.
Workstream
Workstream, founded in 1996, is publicly traded (NASDAQ: WSTM) and is based in Maitland, Florida. During the past decade, Workstream has grown through acquisition, buying solutions such as Icarian for recruiting, Kadiri for compensation management, and Exceed for performance management and succession management. TalentCenter 7 integrates the key acquired solutions together with a consistent user interface and security model. It was released in mid-2008, and is delivered via SaaS (using virtualization, not multitenancy). Workstream’s EPM solutions were built using a Java EE platform. Although Workstream has competitive functionality (especially in compensation management), its financial condition has significant risk for customers and prospects.

Strengths
- Workstream has a modern user interface with excellent usability. Customer references commented that this was a strength of its solution.
- The offering has strong compensation and performance management functionality. Workstream was the first vendor to implement integrated analytics with compensation planning.
- The solution has been innovative in its use of virtualization technology to support the SaaS delivery model.

Cautions
- Financial viability is a significant concern. On 21 November 2008, Workstream was notified by the NASDAQ Stock Market that the company is no longer in compliance with NASDAQ Marketplace Rule 4310(c) (3), which requires the company to have a minimum of $2.5 million in stockholders’ equity, a $35 million market capitalization, or $500,000 of net income from continuing operations for the most recently completed fiscal year or two of the three most recently completed fiscal years. In addition, its annual report on Form 10-K, filed on 14 November 2008, included an audit report by the company’s independent registered public accounting firm containing a going concern qualification. As of 31 May 2008 (its most recent financial statements filed), Workstream’s trailing 12-month profitability and cash flow were highly negative (it was EBITDA positive for its fiscal fourth quarter, ending 31 May 2008). In addition, its revenue had declined year over year, and its liquidity was below average. This will limit its flexibility to invest in new functionality and capabilities.
- Revenue is growing slower than the market, and supporting numerous acquired products while rolling out newer SaaS offerings is difficult.
- Workstream has very limited resources to execute on vertical-market and geographic strategies.

Vendors Added or Dropped
We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor appearing in a Magic Quadrant or MarketScope one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. This may be a reflection of a change in the market and, therefore, changed evaluation criteria, or a change of focus by a vendor.
Evaluation Criteria Definitions

Ability to Execute
Product/Service: Core goods and services offered by the vendor that compete in/serve the defined market. This includes current product/service capabilities, quality, feature sets and skills, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

Overall Viability (Business Unit, Financial, Strategy, Organization): Viability includes an assessment of the overall organization’s financial health, the financial and practical success of the business unit, and the likelihood of the individual business unit to continue investing in the product, to continue offering the product and to advance the state of the art within the organization's portfolio of products.

Sales Execution/Pricing: The vendor's capabilities in all pre-sales activities and the structure that supports them. This includes deal management, pricing and negotiation, pre-sales support and the overall effectiveness of the sales channel.

Market Responsiveness and Track Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message in order to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This “mind share” can be driven by a combination of publicity, promotional, thought leadership, word-of-mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups and service-level agreements.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision
Market Understanding: Ability of the vendor to understand buyers’ wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen and understand buyers’ wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the Web site, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling product that uses the appropriate network of direct and indirect sales, marketing, service and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

Offering (Product) Strategy: The vendor’s approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature set as they map to current and future requirements.

Business Model: The soundness and logic of the vendor’s underlying business proposition.

Vertical/Industry Strategy: The vendor’s strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including verticals.

Innovation: Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

Geographic Strategy: The vendor’s strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the “home” or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.