

Infor's Acquisition of Workbrain Signals Bigger Push Into HCM

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Infor's acquisition of Workbrain, a leading vendor in workforce management applications, signals a stronger push by Infor into the human capital management software market.

Event

On 2 April 2007, workforce management software vendor Workbrain announced that it has entered into an agreement with Infor, which will acquire all of Workbrain's outstanding common shares at a price of \$12.50 per share in cash. The transaction values Workbrain, on a fully diluted basis, at approximately \$227 million. The deal is expected to close during June 2007.

Analysis

Infor's acquisition of Workbrain comes closely on the heels of the private equity firm Hellman & Friedman's acquisition of Kronos (see "Hellman & Friedman Acquisition of Kronos Will Fund Further Growth"). Both vendors are leaders in the time and attendance space, and fierce competitors. Their respective acquisitions highlight two very different growth strategies:

- Workbrain will become part of a much larger vendor, Infor, which has a large customer base (70,000 customers globally) and a broad array of products (coming from a large number of other acquisitions), including a full complement of human resource management system (HRMS) and talent management applications from SSA Global (HCM and Infinium) and Geac (E Series, M Series, and SmartStream). Workbrain fills a hole in the Infor HCM portfolio in workforce management.
- By contrast, Kronos will be the centerpiece for Hellman & Friedman. Kronos already has HRMS and workforce management capabilities and has made an initial foray into talent management (see "Kronos to Reach Beyond Workforce Management With Unicru Buy").

This is a positive deal for both Infor and Workbrain. Workbrain's growth had slowed in 2006. However, it has a strong product set with a "blue chip" customer base and good growth opportunities. As a stand-alone company, Workbrain would have been challenged to grow out its international infrastructure as fast as Kronos. As part of Infor, Workbrain will have the resources and the infrastructure to compete more effectively head-to-head with Kronos.

Several synergies between Infor and Workbrain show potential:

- Infor currently has a much greater global presence than Workbrain, which has more than 200 customers that are primarily North America-based. Some large U.S. multinationals are using Workbrain solutions in multiple countries, but the company was just starting to expand its base outside of North America.
- Workbrain will gain access to a much larger sales, implementation services and support infrastructure. Infor estimates that it has approximately 30 customers in common with Workbrain, which indicates a potential opportunity for cross-selling and upselling. However, midmarket customers comprise much of the Infor customer base and target market, whereas Workbrain has targeted very large, complex enterprises. Some of Infor's acquisitions (such as Datastream Systems and Epiphany) have brought it add-on applications that target large enterprises. Workbrain has been most successful selling to the midmarket through its partnership with Ultimate Software. After Workbrain becomes part of Infor, its products will compete with Ultimate Software's, which could impact the future of that relationship.

Infor will need to prove that it can take advantage of the midmarket cross-sell and upsell opportunity while still meeting the commitments to Workbrain's large, complex customer base. We believe that this will not be the last acquisition for Infor in HCM. Though the SSA acquisition gave Infor talent management applications, these have not been widely adopted. This would be the next logical area for Infor to target in HCM.

RECOMMENDATIONS

Workbrain customers at large, complex companies:

- Seek assurances from Infor about a continuing focus on your needs. We do not expect this to be a problem, but Infor is likely to focus more on serving the midmarket (companies with less than a 10,000 employees) to take advantage of cross-sell and upsell opportunities.

Workbrain customers and prospects:

- Expect the normal occurrence of a possible disruption in sales and support as the transition occurs. Given Infor's experience with acquisitions, we expect such disruption to be minimal. Also, expect Infor sales, implementation services and support personnel to take time to become familiar with Workbrain. If issues do arise, customers and prospects should be escalate those concerns up the chain at Infor.
- Press Infor for details on any changes in product road maps once the acquisition is complete. Infor is expected to deliver a three-year statement of direction within three weeks after the acquisition closes. Look for some focus on integration with the existing Infor HRMS portfolio, which may take precedence over some previous development plans.

Infor customers

- Consider Workbrain for your workforce management needs.

RECOMMENDED READING

- "Two New Deals Raise Concern for Retailers" — The recent acquisitions of workforce management vendors Workbrain and Kronos validate the retail industry's focus on improved store effectiveness. **By Gale Daikoku**
- "MarketScope for Retail Time and Labor Applications, 2006" — Industry investment in retail workforce management capabilities continues to grow as Web-based solutions mature and retailers seek to improve store productivity. **By Gale Daikoku and James Holincheck**

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