

EVENT FLASH

Workscope Acquires Performaworks in Expansion of Workforce Management Offerings, Enhancing Performance and Compensation Management

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IN THIS EVENT FLASH

This IDC Flash offers an analysis of Workscope following its acquisition of Performaworks. Performance management has been gaining strong interest rapidly among organizations. Driven on the one side by the desire to align the activities of the workforce with the goals of the business in specific quantifiable terms and on the other side by the desire to capture meaningful data to support motivation and the retention of key talent, performance management is expected by many to be one of the hottest areas within HR services in the coming 18 months.

SITUATION OVERVIEW

On March 4, 2004, Workscope announced that it had finalized arrangements to acquire substantially all of the assets of Performaworks. Financial terms of the transaction were not disclosed.

Performaworks is a provider of performance management software. The acquisition will allow Workscope to integrate its enterprise compensation management solution with Performaworks' products for employee performance management under a new product family branded as OneForce. The new combined offering will be positioned as an adaptive and configurable "pay-for-performance" solution.

Having grown far beyond its roots in HR self-service, Workscope now provides a range of benefits and workforce management applications, employee self-service, compensation, and an employee portal. The acquisition of Performaworks is Workscope's third acquisition in less than a year. Its other acquisitions were as follows:

- ☒ In August 2003, Workscope purchased the operating assets of CallConnect, a comprehensive HR service center specializing in employee benefits communication.
- ☒ In April 2003, Workscope acquired TALX Corp.'s benefits enrollment line of business, including all active customer contracts.

FUTURE OUTLOOK

This acquisition is a strong move in Workscope expansion beyond supporting benefits administration toward the delivery of comprehensive workforce management solutions. In particular, this acquisition nicely complements Workscope's existing offerings both in benefits administration and in compensation management and pay-for-performance administration.

Performance management is rapidly emerging as a key battleground for competitors in HR automation, consulting, and outsourcing services. Driven by the desire to run HR as a business and the need to identify return on HR-related investments, organizations are increasingly interested in offerings that help them address the areas of performance management, pay for performance, HR scorecards, and HR measurement and analytics.

Both buyers and service providers are beginning to shift expectations beyond simply reducing costs in an attempt to deliver tighter alignment between HR performance and business performance. Additionally, there is growing concern that the impending recovery of the job market will unleash a wave of "warm chair attrition" — people leaving in reaction to how they feel they were treated during the recession. An internal mobility program, driven largely by career aspirations that surfaced during performance reviews, is seen as a key tool in mitigating the risk of people fleeing current jobs for perceived greener pastures while improving motivation and productivity.

Many solution providers are already working on addressing this through new reporting and analytics capabilities as well as through acquisitions. On February 24, 2004, Ceridian announced it had formed an alliance with Softscape, a performance management software provider. In addition, CCH acquired KnowledgePoint and Manpower has taken an equity stake in CareerHarmony.

Workscope's acquisition of Performaworks, in particular its smooth and rapid integration of Performaworks' offerings into its existing OneForce offering suite, is a well-timed and well-executed move in alignment with the emerging opportunities within HR. It has strong potential as a source of not only new revenue but new clients for the company. At the same time, expect this move to be a model quickly followed by other players in the HR service and technology space. The key to long-term success will come down to the best overall execution.

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