

Kenexa Acquisition Announce Frequently Asked Questions

Purpose

The purpose of this document is to address particular questions and provide additional insight about IBM's agreement to acquire Kenexa. To view the full press release, go to:

<http://www.ibm.com/press/us/en/pressrelease/38635.wss>.

Categories:

[General](#)

[Business Partners \(Kenexa and IBM\)](#)

GENERAL

1. What are you announcing today?

On December 4, 2012, IBM completed the acquisition of Kenexa, a publicly held company headquartered in Wayne, Pennsylvania (hereafter referred to as Kenexa, an IBM Company). Kenexa is a leading provider of end-to-end, integrated talent management solutions and services that help customers optimize their most important asset – their workforce.

Kenexa's unique combination of software, content and services provides its clients with a one-stop provider for their portfolio of human capital requirements, with solutions including:

- Recruitment Technology
- Performance Management
- Learning
- Compensation Planning and Strategy
- Assessments
- Employee Surveys
- And more...

2. Who is Kenexa? What do they do?

Founded in 1987, Kenexa is an industry leader, providing cloud-based, integrated talent management solutions that help customers identify the best individuals for every job and foster optimal work environments. Kenexa has studied human behavior and team dynamics in the workplace, and has developed software solutions, business processes, and expert consulting that helps organizations deliver positive business outcomes through human resources.

In short, Kenexa helps business leaders across multiple industries attract, attain and inspire their most valuable assets.

With operations in 21 countries, Kenexa has a large and diverse client base of approximately 8,900 customers globally, including over half of the Fortune 500.

Kenexa's unique combination of software, content and services provides its clients with a one-stop provider for their portfolio of human capital requirements, with solutions including:

Technology and content offerings:

- Recruitment Technology: Automates the full cycle of talent acquisition from sourcing to hiring to onboarding
- Performance Management: Automates performance and compensation management, career development and succession planning

- Learning: Comprehensive Learning Management System (LMS), Learning Content Management System (LCMS) and knowledge management solution supporting on-site, virtual, mobile and social learning
- Compensation Planning and Strategy: Enables customers to automate compensation surveys, build market rates, analyze pay practices and design compensation plans
- Assessments: Over 1,000 tests enabling organizations to select and retain top performers based on key areas that predict performance and potential
- Surveys: Automates employee surveys and customer satisfaction surveys that improve organizational performance

Services offerings:

- Recruitment Process Outsourcing (RPO): Global recruitment services that leverage technology to reach highly qualified candidates and deliver them real - time to recruiters
- Implementation Services
- Human Capital Management Consulting

3. **Why is Kenexa considered a leader? What awards or recognition have they received?**

IBM values customer actions -- and customers have voted with their checkbook on Kenexa's end-to-end talent management solutions for global enterprises across a variety of industries, such that Kenexa has had rapid growth of 29% CAGR since 2004, with placements in over half of the Fortune 500.

Further, based on 2011 customer surveys, Kenexa was recognized for its global leadership in RPO by HRO Today, with such important metrics as "Quality of hire." [Click here to learn more.](#)

Kenexa was also recognized by TrainingIndustry.com as a Top 20 Leadership Company, based on criteria, such as strength of clients and the breadth of programs and audiences served. [Click here to learn more.](#)

4. **Why did IBM acquire Kenexa?**

Business leaders around the globe are looking to transform business processes to increase effectiveness by attracting and retaining talent, improving performance management and compensation, and cultivating future leaders. According to IBM's CEO survey, 71% of respondents cite human capital as the single biggest contributor to creating sustained economic value. The acquisition of Kenexa and the launch of the new IBM growth play—smarter workforce—will help further accelerate our clients' abilities to impact business results and build competitive advantage through workforce optimization.

With the acquisition of Kenexa, IBM is helping to redefine the work experience for all business functions -- from marketing to sales to development. The combination of IBM and Kenexa will allow IBM to help clients attract and develop the right skills to build the right teams, for the right projects, the first time.

When a smarter workforce is effectively enabled, it can fundamentally change the way an organization attracts, retains, and inspires people to get things done.

- Sales teams can be more agile; junior level reps learn from experts and start generating new business more quickly
- Customer service teams can predict and resolve problems before they become major issues
- Marketing can develop a deeper understanding of customer needs to create more powerful campaigns
- Product development teams can delight customers and lead the competition with crowdsourced innovation

IBM's smarter workforce initiative is focused on helping companies deliver business results that are tangible and measurable. In summary, a smarter workforce means:

- Getting the **right skills**, on the right project, the first time
- Connecting via **social tools** to learn faster & act with speed
- Integrating **people & process** for business transformation
- Acting on **data supported by analytics** to make the right decisions
- Exploiting new opportunities on a **global scale**
- Delivering **outcomes for clients** and is motivated to excel
- Leveraging social, mobile and analytics delivered via the **cloud**

IBM's [industry-leading](#) social software, HR services and business process outsourcing complement the world-class front-office process solutions delivered by Kenexa's 2,800 employees. With Kenexa, IBM will be able to offer strategic consulting, a social technology platform, and the delivery of local skills and services in multiple countries to help clients create a smarter workforce and lead in any market.

5. How does Kenexa software fit within the IBM software portfolio?

The Kenexa portfolio will become part of the IBM Social Business portfolio. Following the close of the acquisition, the Kenexa team will become part of the Software Solutions Group, led by GM Alistair Rennie, and form a close operational alignment with the Global Process Services organization, led by Lori Steele.

6. How does Kenexa fit within the IBM Global Process Services (GPS) portfolio?

This announcement is significant for GPS for a number of reasons. The acquisition will greatly enhance our multi-process Human Resource, Learning and Recruiting services capabilities. Kenexa's technology will create a foundation around which we can continue to build our services offerings while expanding our assets with industry-leading software-as-a-service (SaaS) applications in recruiting, learning, analytics, talent management, compensation and data collection. The inclusion of Kenexa into the IBM portfolio demonstrates our ongoing commitment to the HR marketplace while adding additional talent management delivery capability and localized expertise to our global footprint.

7. How does this acquisition of Kenexa impact the IBM GPS Human Resources, Learning and Recruiting services business?

We will look to leverage the ongoing investments in the smarter workforce tools and technologies to bring about fundamental changes to how people work. IBM expects to leverage our recognized expertise in social networking, analytics, content management and consulting services to drive improved performance to customers in the marketplace.

8. How does this acquisition of Kenexa impact the Recruitment Process Services of the respective organizations?

The Kenexa acquisition give IBM the ability to bring together complementary approaches to recruitment services and utilize the best practices and service delivery capabilities of the respective organizations that will drive the business to a higher level. The combination of Kenexa's quality of hire methodology and tools with IBM's delivery excellence efforts will enable us to deliver greater value to our clients. The combined global organization will be positioned to provide even better support to our clients throughout the changing market conditions with localized talent management expertise across the globe.

9. How do Kenexa clients benefit?

Kenexa clients will benefit from the combined technologies and skills of both companies, including increased investment, global reach, industry expertise and support available from IBM, along with IBM's commitment to innovation in general. Our combined team will work together to facilitate a seamless transition in client service and support. IBM is best in class at integration and has a significant track record of 25 successful acquisitions over the past three years.

Consistent with IBM strategy, IBM will continue to support and enhance Kenexa's technologies and clients while allowing them to take advantage of the broader IBM portfolio, including the IBM Enterprise Social Platform, Business Analytics, Global Process Services and other enhanced service options from IBM Global Services and increased international support (people, product localization, etc.). The executive leadership of both IBM and Kenexa are committed to the long term success of this acquisition. It is anticipated that the Kenexa management team will remain part of the integrated leadership team to drive the broader Smarter Workforce agenda into the marketplace.

10. What are the key benefits IBM customers will gain?

A smarter workforce approach helps organizations attract, connect, and inspire their employees and simplify their work experience. This is done through an integrated set of offerings that assist organizations attract and retain talent, expand skill bases, and help people optimize and redefine their work. This combination of enterprise grade social networking tools and analytics along with talent management processes and expertise help facilitate a more competitive workforce. In today's global and digital work environment, organizations require deployment flexibility (whether on premises, in the Cloud or outsourced) and seamless integration with their existing management tools. IBM's smarter workforce approach provides an industry-leading solution.

11. How does the acquisition affect Kenexa Business Partners?

IBM intends to extend and grow with the skilled Business Partner community that has helped make Kenexa successful. As IBM works hard to deliver portfolio enhancements based on Kenexa technology, Kenexa Business Partners are encouraged to get started now. To find out more about establishing a deeper relationship with IBM, visit [IBM PartnerWorld](#).

12. How does this affect IBM's Business Partners that are in the HR space?

For most Business Partners, this solution is expected to open new markets, buyers and opportunities. IBM will continue to work with Business Partners on joint opportunities to provide clients with the best overall value to match their needs, and will lead with the IBM Smarter Workforce solutions in white space opportunities.

13. How does this affect Kenexa client's current support and services contracts?

Until the acquisition closes, IBM and Kenexa remain separate companies; therefore Kenexa clients will see no changes at this time in the way they access Support and Professional Services (e.g., same support contact numbers, same team delivering support, etc.).

After the acquisition closes, the IBM and Kenexa Client Support and Professional Services teams and Kenexa's Business Partners will be completely focused on clients' ongoing success with the Kenexa products. Over time as any changes occur, information will be communicated to clients and partners with ample lead time to allow for planning and a smooth transition.

14. How does the acquisition affect IBM's Smarter Planet vision?

Organizations everywhere are seeking new ways to innovate and create competitive advantage. Our smarter planet strategy is to help clients leverage the instrumented, interconnected, intelligent systems that are emerging across the world to transform their organizations and business processes. IBM's investments in social business, including Kenexa, help to bring people into this equation. By digitizing front office processes, organizations can effectively leverage information to improve the effectiveness of their workforce and improve business outcomes. This improvement will result in a workforce that:

- Gets the right skills, on the right project, the first time
- Connects via social tools to learn faster and act with speed
- Acts on insights driven by analytics to make the right decisions
- Delivers outcomes for clients and is motivated to excel

The combined capabilities of IBM and Kenexa will help clients address the pressing need to attract and retain the best and the brightest employees, expand their skill base, and enable their workforce to act on the insights that can be derived from the vast quantities of data generated on a smarter planet.

15. What is IBM's Acquisition strategy?

IBM examines multiple factors when considering potential acquisitions; chief among those is delivering superior client and shareholder value. IBM looks for companies that complement and enhance the rest of the IBM portfolio to better provide an end-to-end solution for clients, while delivering shareholder value and return on investment consistent with the IBM financial model.

This acquisition further demonstrates IBM investment and leadership in social business.

KENEXA BUSINESS PARTNERS

1. How does this affect current Kenexa Business Partners?

Kenexa Business Partners will continue to operate as Business Partners of Kenexa, which became an IBM company when the transaction closed. As before this announcement, Kenexa Business Partners are also encouraged to enroll in IBM's Business Partner program – IBM PartnerWorld – to access a vast array of benefits and resources, including marketing, selling, technical and training/certification resources.

Visit [IBM PartnerWorld](#) for additional information.

2. Does IBM plan to continue relationships with Kenexa's Business Partners?

IBM intends to extend and grow with the skilled Business Partner community that has helped make Kenexa successful. As IBM works hard to deliver portfolio enhancements based on Kenexa technology, Kenexa Business Partners are encouraged to find out more about establishing a deeper relationship with IBM, by visiting [IBM PartnerWorld](#).

3. What happens next?

For now, it's business as usual. Continue doing business on existing Kenexa Business Partner contracts and jointly making clients successful. As the integration of Kenexa progresses, a series of communications will occur that will address any questions and concerns from Kenexa and its Business Partners.

4. What happens to Kenexa's existing partner program?

For now, nothing changes. It is important to conduct business as usual. At some point in the future, the Kenexa technology will be available for Business Partners through the IBM Business Partner program. After close, IBM and Kenexa will provide recommendations to Kenexa's business partners on which of IBM's business partner programs can be leveraged.

Updated business partner information for the Kenexa acquisition, as well as all IBM Software Group acquisitions, is available on the [IBM Software Group Acquisitions page](#) on IBM PartnerWorld.

5. Will there be any change to existing partner contracts?

When the acquisition closes, these will continue business as usual, including support for existing Business Partner contracts. Over time, IBM will work with Kenexa Business Partners continuing as IBM Business Partners to transition to IBM's Business Partner programs.

IBM BUSINESS PARTNERS

1. **How does this affect current IBM Business Partners?**
The Kenexa acquisition offers existing IBM Business Partners an unique and lucrative opportunity to expand their business model including reselling (“shrink wrapped” content for assessments, survey, compensation and leadership solutions) and Services (configuration, integration and training)
2. **As an existing IBM Business Partner, am I now automatically a Kenexa BP/reseller?**
No. Kenexa is an IBM company and until transfer of business (ToB), it will operate as a separate entity. IBM Business Partners who are interested in reselling Kenexa will need to meet participation criteria and complete a “Kenexa reseller agreement”. These agreements are being developed now and should be ready in early 1Q '13. These agreements will be valid through Transfer of Business (ToB), targeted for January of 2014, at which point all the Kenexa offerings will be available in Passport Advantage and Kenexa business partner programs will be enabled in Software Value Plus. From that point on, it's business as usual.
3. **How do I become a Kenexa reseller?**
Stay tuned. We will soon be communicating how to participate in the Kenexa “fast track” program. In the meantime, learn as much as you can, and connect with your channel managers and Kenexa integration execs in your Geo to get any questions you have clarified.
4. **What solutions are available for BPs to sell from Kenexa?**
Kenexa offerings fall into 3 logical categories: Content, Application Software (Global Talent Management - GTM), and Services, including configuration and integration services, training and outsourcing.
5. **Does Kenexa have any reselling Business Partners, and if so, where are they located?**
Kenexa currently has a very limited Business Partner Ecosystem, and few value added resell Partners. Most are technology integration Partners.
6. **How do Business Partners make money with Kenexa?**
Kenexa offers two fundamental types of offerings. For the products sold in a “consumption” model, like assessments, surveys, compensation and leadership solutions, there will be a straight forward discounted price that BPs can purchase at. The SaaS products will be sold in a traditional cloud model, meaning \$x per user per month. The details are being finalized currently and will be communicated out to all BPs as soon as available.
7. **Will my Distributor carry the Kenexa products/solutions?**
Kenexa currently only operates in a single tier model, meaning that everything is contracted directly with Kenexa. However, at ToB, Kenexa offerings will be available in Passport Advantage and IBM Business Partner Programs will be enabled. Distributors will have access to the solutions at that time.
8. **Should I continue to work with my BPSR for Kenexa opportunities?**
We are in the process of appointing Geo sales leaders in both major markets and the GMU. Initially, these individuals will be your key point of contact, with respect to getting Partners signed up, as well as coordinating enablement. Once the Kenexa products get incorporated into Passport Advantage, your support and contacts will likely realign with that change.
9. **Where should I go for more information regarding the Kenexa announcement and the opportunity for partners?**
Please visit [IBM PartnerWorld](#) and the [IBM Software Group acquisitions](#) site for additional information.

Disclosure

Clients are responsible for ensuring their own compliance with various laws and regulations. It is the client's sole responsibility to obtain advice of competent legal counsel as to the identification and interpretation of any relevant laws and regulations that may affect the client's business and any actions the client may need to take to comply with such laws and regulations. IBM does not provide legal, accounting or auditing advice or represent or warrant that its services or products will ensure that the client is in compliance with any law or regulation.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this communication regarding the benefits and synergies of the transaction, future opportunities for the combined company and products and any other statements regarding IBM and Kenexa's future expectations, beliefs, goals or prospects constitute forward-looking statements made within the meaning of Section 21E of the Securities Exchange Act of 1934 and (collectively, forward-looking statements). Any statements that are not statements of historical fact (including statements containing the words "believes," "plans," "anticipates," "expects," "estimates" and similar expressions) should also be considered forward looking statements. A number of important factors could cause actual results or events to differ materially from those indicated by such forwardlooking statements including the parties' ability to meet expectations regarding the accounting and tax treatments of the transaction; the possibility that the parties may be unable to achieve expected synergies and operating efficiencies in the arrangement within the expected time-frames or at all and to successfully integrate Kenexa's operations into those of IBM; such integration may be more difficult, time-consuming or costly than expected; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the transaction; the retention of certain key employees of Kenexa may be difficult; IBM and Kenexa are subject to intense competition and increased competition is expected in the future; fluctuations in foreign currencies could result in transaction losses and increased expenses; the volatility of the international marketplace; and the other factors described in IBM's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and in its most recent quarterly report filed with the SEC, and Kenexa's Annual Report on Form 10-K for the fiscal year ended February 28, 2011 and in its most recent quarterly report filed with the SEC. IBM and Kenexa assume no obligation to update the information in this communication, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.