



VIEWPOINT ANALYSIS

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Vendor Viewpoint Cornerstone OnDemand

May 2021



VENDOR VIEWPOINT

CORNERSTONE ONDEMAND

MAY 2021

VENDOR BASICS

Headquarters: Santa Monica, California

Headcount: Circa 3,500

Year Established: 1999

Chief Executive: Phil Saunders

Latest Revenue: \$740m

Operations: Global

Latest Profit/Loss: -\$31.6m

Notable Investors: Publicly Traded

Competitors/Peer Group: Workday, SAP, Oracle, Talentsoft

CORNERSTONE SNAPSHOT

Cornerstone OnDemand are one of the world's largest talent and people management software vendors. Headquartered in Santa Monica, California, their software is used by many of the world's largest businesses to recruit, onboard, and manage their employees to higher performance. The company refers to the area they work in as People Development Solutions.

Founded in 1999 and reaching an Initial Public Offering in 2007, the business has grown across their key product lines throughout the last twenty years. Today, they sit within an important growth area (HR software) and have leadership positions in a number of segments such as Learning and Performance Management. The business is pushing out into aspects of core HR and Recruitment to provide a unified suite of HR products.

Cornerstone have a rich history and pedigree within their core markets and we expect them to use this industry reputation to continue to build out market share and develop even richer capabilities for their clients. The acquisition of Saba in 2020 brought a considerable amount of new revenue and new customers to the newly enlarged business. This can only be a benefit to the future market share performance.

LOCATIONS

Cornerstone are headquartered in Santa Monica, California. They have offices throughout the world and provide a strong global footprint across sales, marketing and R&D. Notable locations include:

EMEA - London, Munich, Amsterdam, Madrid, Milan and Tel Aviv - with circa half of the office estate.

United States - Dublin CA, Sunnyvale CA, Utah and New York.

Asia Pacific - Sydney, Auckland, Mumbai, Bangalore, Tokyo, Hong Kong and Singapore.

LEADERSHIP TEAM

Cornerstone were quite unusual in that their founder Adam Miller had run the business as CEO since 1999. The announcement and subsequent acquisition of competitor Saba Software brought a change at the helm with the Saba CEO Phil Saunders being appointed as the new CEO of Cornerstone in June 2020.

Although Adam Miller has stepped-up to joint Chairman of the Board of Directors, no doubt he will still have a significant input into the day to day management of the expanded business. The wider management team have a broad base of experience from different industries and have been in role for a solid amount of time. The Saba acquisition will no doubt prove to be a challenge but having the CEO of Saba transitioned to the CEO role of the newly-merged business will be an advantage.

Key executives include:

Co-Chair - Adam Miller & Elisa Steele
CEO - Phil Saunders
CFO - Chirag Shah
Field Operations - Jeff Lautenbach
CMO & Strategy Officer - Heidi Spirgi

CUSTOMERS

Cornerstone's customers tend to be very vocal in their support for the business and very loyal to the brand and the platform. The customer base, like most HR platforms, sits across multiple industries and they count the likes of Western Union, PayPal, Wendy's and Philips amongst their customers. The Cornerstone and Saba suites are used by over 75 million people across over 180 countries and 6000 companies, making them one of the largest HR solution players.

As the Cornerstone platform is made up of different suites (Recruiting, Learning, Performance et al) customers sit within different elements of the overall product and through careful nurturing they may grow into the unified platform. The Saba customer base itself is relatively fragmented due to the various acquisitions that Saba made in the previous few years (they included the likes of Halogen and Lumesse). Saba customers include the likes of American Airlines, Bupa, Credit Suisse and bring a large footprint of enterprise clients to an already strong installed base. The combination of the two large customer groups creates a very strong installed base from which to build the new company provided that Cornerstone manages the transition effectively and provides solid guidance as to the future technology roadmap.

MARKET BUZZ

The combination of Saba and Cornerstone brought a level of excitement to some industry commentators as it announced a new, larger competitor on the block. The last decade has seen a raft of mergers and acquisitions in the talent management space, with a number of prominent players being snapped up by larger ERP vendors looking to bolster their HR suite of products. The new Cornerstone, under a new CEO, can perhaps start to create an approach that complements the likes of SAP, Oracle and Workday as a standalone technology platform rather than competing head to head with the industry behemoths.

We expect to see Cornerstone stepping-up to satisfy the demand for an agile workforce - perhaps there has never been such a time where businesses need to be nimble and where their workforce can often need to reskill multiple times each year due to competition, regulatory changes and health/environmental changes.

DEVELOPMENT MILESTONES

1999 - Cornerstone established.

2007 - Initial Public Offering.

2012 - Acquisition of Sonar6.

2017 - Investments from LinkedIn and Silver Lake Partners.

2018 - Acquisitions of Workpop and Grovo.

2020 - Acquisition of Saba Software for \$1.295b

EXPECTED TRAJECTORY

Viewpoint Analysis expects Cornerstone to continue to be a key player in the HR technology arena. The repercussions of Covid19 are yet to be fully felt at time of writing, but as with all software as a service vendors, we expect the format of the business (accessible from any device) to help drive adoption of new users and new customers. HR technology is now a critical component of a company's application landscape - and in a pandemic, it can literally be a life saver. Knowing what skills and training your employees have is now more important than ever - and being able to deliver enhancements to both, in a remote fashion, will be a big boost to all existing customers.

The combined business will be aiming to push across \$1b in annual revenues - this is believed to be a significant step for a software business. In order to do this quickly, Cornerstone will depend upon the Saba customer base buying into the goals and technology transitions / upsell opportunities that can be found in the expanded product suite. Although there will no doubt be turbulence in a few key accounts, there should be an understanding that the combined business will bring more in-application capability, more R&D depth and intellectual property - as well as the improved financial stability that will be a by-product of the coming together. We believe that Cornerstone will transition quickly and effectively and promote confidence in the customer base as well as drawing new prospective customers to the enlarged group.

KEY COMPETITORS

The HR technology components which make up Cornerstone's product suite are often found in ERP platforms - both legacy and new cloud ERP suites. As such, Cornerstone see competitive pressure from the likes of Oracle and SAP, but also vendors with specific focus on the talent/recruiting market. Following the acquisition of Saba (a direct competitor of Cornerstone) and previous competitors being acquired (Taleo by Oracle and SuccessFactors by SAP) the 'at scale' talent management peer group has diminished significantly. We believe that this consolidation will greatly help Cornerstone to differentiate themselves as the defacto standard for non-ERP or non-platform talent and people development requirements.

The largest standalone HR technology competitor is Workday. Workday are creating an exceptional suite of HR capabilities but are also heading in the 'Cloud ERP' direction. We believe that this leaves open the opportunity for Cornerstone to gain further market share across the talent area as the major vendor in this HR application category.



PRIMARY PRODUCTS

Cornerstone's domain is squarely in the HR and Talent space. This is an area that has served them well since the turn of the century and where they have a strong knowledge-base and customers dependent upon them. They are looking to build out market share in some of the wider HR technology areas such as core HR and recruiting, both areas are an obvious fit for existing customers to develop in to.

We would expect that Cornerstone will need to invest a large number of R&D resources to either bring Saba and Cornerstone technology capabilities together or to support an end of life strategy for specific components. We also note a drive towards artificial intelligence (AI) and other new opportunities to transition the product suite for the new decade.

Primary product areas include:

- Recruitment
- Learning
- E-Learning Content
- Performance Management
- Workforce Data Management

VISION

The emergence of HR technology start-ups towards the end of the last millennium brought a new approach in the industry with the establishment of the likes of Cornerstone and other competitor platforms in the performance management and learning area. This move led to the industry (in part) transitioning from large ERP platforms that include HR, to separate best-of-breed functional solutions owned by large ERP providers and loosely coupled. Conversely in some cases, HR application providers are also moving to build out into an ERP provider with the addition of finance and other traditional ERP-type capabilities. Which direction will ultimately provide the most popular approach is perhaps yet to be seen but we can safely assume that this is going to lead to a major competitive battle with both big winners and losers.

As the industry continues to evolve, customers are now also moving out of point solutions within those new HR technologies (e.g. succession management or performance management applications) to a wider, suite-based Talent Management and Learning platform. This ties in with Cornerstone's move to having a unified talent platform, As the customer demand continues to grow for cloud HR solutions, having a single view of employee becomes an important element to create a competitive and high performing workplace.

The combination of Cornerstone and Saba sees the business effectively doubling-down on the talent space. They are embracing the dynamic world where companies have to change rapidly in order to survive and to meet increasingly challenging market changes. As customers continue to meet these challenges, there should be an expectation that they will need 'people development solutions' to onboard, train and re-train employees to meet the needs that are presented at any one time.

Our viewpoint is that Cornerstone are making a wise strategic move by further enhancing capabilities in the people development area - and indeed by using this 'People Development' terminology. Whereas some other HR software vendors may focus upon the process of managing an employee through core HR applications, Cornerstone are focusing on improving the number one asset of almost every global business - their people. In doing so, this vision will no doubt allow Cornerstone to use solid ROI calculations to demonstrate an investment leading to an improvement in bottom line performance.



WHAT WE LIKE ABOUT CORNERSTONE ONDEMAND

- A few years ago, Cornerstone's competitive position appeared to be under threat from a spate of talent management acquisitions by the large ERP vendors, bringing point solutions into their wider HR capabilities. As those mega-vendors (including the likes of SAP, Oracle and Infor) consolidated and built-out a cloud ERP platform, it may have led to Cornerstone looking to do something similar or to find a new corporate home. However, the leadership took a different approach and one which we believe has ultimately placed the company in an exceptionally strong position to meet the varied and critical demands faced by enterprises of all shapes and sizes across the globe.
- We believe the product combinations (with the inclusion of Saba) will offer the existing customer base a selection of technologies to meet their needs. The business appears to have a developed strategy for how the products work together and the roadmaps for each.
- We believe that Cornerstone will be able to take advantage of an increased spend across the people development landscape as a large selection of global corporates funnel additional funding into developing a more flexible workforce. The company signalled that they may take advantage of this demand with a strong performance in Q1 of 2021.
- The global reach of the business and brand awareness amongst the critical HR community should also help Cornerstone to continue to be a trusted partner to the HR and Operations teams. The acquisition of Saba saw Cornerstone take away the second largest player in the market. Cornerstone will be a difficult competitor to address when a customer is looking in the People Development / Talent space.
- We like the balance in the leadership team with the CEO relatively new into position (2020) but with an experienced Chair in the form of the Cornerstone founder.

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ABOUT VIEWPOINT ANALYSIS

Viewpoint Analysis Ltd is a Vendor Insight Analyst. We spend our time understanding the global IT vendor community so that our customers don't have to. We use this deep understanding to then guide end-user businesses to find the right technology vendors to meet their needs and help the IT vendor community through promotion services to help them stand-out from the crowd and find new pipeline.

Based in Leeds, United Kingdom, the business was set-up to promote the global technology marketplace and to build bridges between the IT vendor community and the end-users that need them.

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