

/ TWO TOP LEARNING PROVIDERS JOIN FORCES AS SKILLSOFT ACQUIRES SUMTOTAL

What Happens to the Non-learning Pieces of SumTotal Is Not as Clear

By Lance Haun, Practice Leader, Thought Leadership and Industry Positioning

SAN FRANCISCO (Aug. 25, 2014) — Two of the biggest brands in learning are becoming one, with [Skillsoft acquiring SumTotal](#) for an undisclosed sum. The dust from the big news last week is starting to settle, and we're just beginning to get a clear picture of what this means for Skillsoft and SumTotal, as well as for the market as a whole.

When SumTotal was passed up in the acquisition blitz of 2011-2012, there was an undercurrent of speculation as to what was next for it. Given that it's private equity-owned, it really had two options:

- Cut operating costs, cash checks, and sell off the business piecemeal until it was no more
- Reinvest and increase the value of its investment even more and look for another player to do a big buy

Without knowing the financials behind the deal, it appears that the second option has paid off well for Vista Equity Partners, owner of SumTotal.

For Skillsoft, it's dipped its toes into technology with its own LMS, and CEO Chuck Moran says it'll continue supporting it for the foreseeable future. There's also a larger, talent management technology play here that Skillsoft has made itself a part of, if it so desires.

It's clear to us that this acquisition is primarily about one thing, though: learning.

WHAT DOES THIS MEAN FOR SKILLSOFT AND SUMTOTAL GOING FORWARD

Our recent learning technology brand study is set to go live soon, but to just give you a preview of how big this acquisition is for learning, consider the brand recall and recognition numbers from our research:

- When it comes to brand recall — what names people associate unprompted as learning providers — SumTotal was in the top five, and Skillsoft was in the top 10.
- When it comes to brand recognition — what names are recognized as learning providers — Skillsoft led all with a high degree of familiarity, and SumTotal was in the top 10.

While the core HR and talent management functionality is nice — and we'll get to that in a second — this deal is all about learning. In [his letter to Skillsoft customers](#), Moran states (emphasis mine), "**Learning content development and innovation remain a core focus.** This acquisition will significantly expand Skillsoft's cloud-based learning solutions and will add Talent and HR capabilities to our existing solutions, allowing us to better serve our global enterprise, government education and SMB customers."

Learning and content go together like peanut butter and jelly. While content can support other areas of the talent management stack as well, the integration with learning is at the core here. As organizations continue to struggle with learning technologies and content, consolidation is one possible solution to make that easier.

In April, Josh Bersin [wrote of the acquisition of CrossKnowledge by Wiley](#), "[CrossKnowledge's] strategy of integrating content with platform technology is definitely



the future. (Skillsoft has been trying to do this for years and has turned Skillport into a formidable platform of its own.)”

This is a new level of commitment to the idea that content and technology integration is becoming a more compelling pitch. Only time will tell if the new Skillsoft will be able to execute a vision that most have been unable to accomplish.

Speaking of the new company, we’d be a little shocked if Skillsoft didn’t consider changing its name at some point. Maybe this concern stems from our marketing focus, but if it does plan on making a play in the broader talent management space, Skillsoft probably isn’t the name it wants to go to war with.

I’d also be remiss if I didn’t at least mention even the slight possibility of one of my favorite products being retired or sold off. SumTotal’s elixHR platform is one of the most interesting solutions for dealing with the realities of HR technology: multiple, disparate systems that don’t talk to each other or play nice. The platform brings in data from nearly any source and gives organizations a single source of truth — an alternative for single platform consolidation. If Skillsoft isn’t committed to the talent management technology piece, it could be an attractive piece to sell to another second-tier provider.

Skillsoft, though, has many options going forward. It could compete to be the world’s leading learning technology provider, or it could try its hand at being at the top of a second tier of talent management providers, with a compelling, learning-focused pitch. And its core content customers probably have very little to worry about right now, though their options for technology expansion should open up, too.

WHY IT MATTERS FOR THE INDUSTRY

David Wentworth, senior learning analyst at Brandon Hall Group, put the immediate [short-term consequences of this deal into a clear light](#):

“There are also questions around Skillsoft’s partner network. There are a lot of LMS platforms pushing out Skillsoft content, not to mention a vast array of talent management partners. This will have a big impact on the market, and it will be interesting to see where all of these partnerships and rivalries end up.”

Skillsoft’s technology partners seem to be taking a wait-and-see approach to the news thus far. End-user pressure on both technology providers and Skillsoft will probably keep those partnerships in check for a while, but it will be interesting if Skillsoft starts to take a more aggressive approach to disadvantaging its new competitors.

Looking three to five years down the road is more interesting, though. Next year is going to be a period of intense client movement that has been simmering for years. While other big players in talent management have spent the last five years acquiring and consolidating technologies to prepare for it, the Skillsoft/SumTotal combination won’t have that advantage. There simply won’t be enough time to do big code refreshes, entire product overhauls, or robust integration activities.

After the acquisition closes, the company needs a clear path forward and a compelling pitch for both clients and prospects. How strong that pitch is will determine how worried other learning and talent management players should be. A learning-focused, talent management play — taking advantage of the relative strengths of both organizations — could be worrying for a market that often sees learning as a key (or *the* key) component of talent management.

Vagueness about the future of SumTotal’s talent management products outside of learning, the role of Skillsoft’s own LMS, or the status of some of its long-running partnerships with now-competing providers could lead to a disaster at an incredibly inopportune time.



At the very least, it should be interesting timing. The acquisition is scheduled to close Oct. 6, the day before the HR Technology Conference & Exposition begins.

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