



## **DETERMINATION OF MERGER NOTIFICATION M/12/019 -**

### **IBM/Kenexa**

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#### **Section 21 of the Competition Act 2002**

#### **Proposed acquisition by IBM Corporation of Kenexa Corporation**

**Dated 16 October 2012**

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#### **Introduction**

1. On 20 September 2012, in accordance with section 18 of the Competition Act 2002 (the "Act"), the Competition Authority ("the Authority") received a notification of a proposed transaction whereby IBM Corporation ("IBM") would acquire sole control of Kenexa Corporation ("Kenexa"). Following completion of the proposed transaction IBM would acquire the entire issued share capital of Kenexa.

#### **The Undertakings Involved**

##### *IBM*

2. IBM, headquartered in Armonk, New York, USA and listed on the New York Stock Exchange is a global information technology ("IT") company. IBM is involved in the development, production, marketing and supply of a variety of software, systems (servers and storage), and services (business consulting and IT infrastructure).<sup>1</sup>
3. In the State, through its wholly owned subsidiary IBM Ireland Ltd, IBM is involved in the production, marketing and supply of a wide range of IT products (including software and IT infrastructure), after-sales services and business consulting services.<sup>2</sup>
4. For the financial year ended 31 December 2011, IBM's worldwide turnover was approximately €76.8 billion,<sup>3</sup> of which approximately €[...] million was generated in the State.

##### *Kenexa*

5. Kenexa, headquartered in Wayne, Pennsylvania, USA, and listed on the New York Stock Exchange, is a supplier of employment and retention software applications, i.e., software designed to enable its customers to recruit, retain and develop employees. Kenexa's software applications cover areas such as skills tests, compensation strategies, performance assessment, leadership development and employee

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<sup>1</sup> For more information on IBM see <<http://www.ibm.com>>.

<sup>2</sup> For more information on IBM Ireland see <<http://www.ibm.com/ibm/ie/en>>.

<sup>3</sup> Calculated using the average annual ECB exchange rate for 2011 of €1 = \$US1.392.

feedback.<sup>4</sup> Kenexa's customers, in the private and public sectors, are located in 20 countries, including Ireland.

6. In the State, Kenexa is involved in the supply of recruitment and retention software and related after-sales services.<sup>5</sup> Within the State, Kenexa has [...].<sup>6</sup>
7. For the financial year ended 31 December 2011, Kenexa's worldwide turnover was approximately €209.1 million,<sup>7</sup> of which approximately €[...] million was generated in the State.

### **Third Party Submissions**

8. No submissions were received.

### **Rationale for Proposed Transaction**

9. The parties state that the proposed transaction will:

*"enable IBM to better develop its Human Resources Management capability both functionally and in terms of the expertise Kenexa's people would bring."*<sup>8</sup>

### **Analysis**

10. There is an overlap in the global activities of IBM and Kenexa. Both IBM and Kenexa are involved in supplying human capital management ("HCM") software, which includes recruitment and retention software. International Data Corporation ("IDC")<sup>9</sup> data indicates that Kenexa and IBM have shares (by value) of approximately 2.7% and 0.1% respectively in the worldwide HCM software sector.<sup>10</sup>
11. Within the State, there is no overlap in the activities of IBM and Kenexa. Neither IBM nor Kenexa is involved in the other's area of activity within the State.
12. The parties submit that Kenexa's market presence is not significant within the State, as is illustrated by Kenexa's low turnover in the State, all of which is derived from [...]. The parties also cite IDC figures, for the Europe, Middle East and Africa ("EMEA") region which indicate that

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<sup>4</sup> For further information on Kenexa, see <<http://www.kenexa.com>>.

<sup>5</sup> Kenexa has a physical presence on the island of Ireland through its two subsidiaries, Kenexa International Limited, a holding company and its wholly owned subsidiary Kenexa Global Services Ltd.

<sup>6</sup> [...].

<sup>7</sup> Calculated using the average annual ECB exchange rate for 2011 of €1 = \$US1.392.

<sup>8</sup> Correspondence with the parties dated 8 October 2012.

See also <<http://www-03.ibm.com/press/us/en/pressrelease/38635.wss>>.

<sup>9</sup> IDC is global provider of IT market intelligence whose data has been relied upon in IT sector mergers by the Commission and the Authority, most recently in M/12/013 – Dell/Quest.

<sup>10</sup> IDC "Software Market Forecaster" dated 15 May 2012, including historical data, as provided by the parties

Kenexa has a share (by value) of approximately [0-5]% in the HCM software sector in the State and that IBM is not present.<sup>11</sup>

13. The low level of Kenexa turnover in the State, (derived from [...]), the absence of IBM from the HCM software sector in the State, and the availability of other suppliers of HCM software (such as SAP, Oracle, Kronos and others) indicates that the proposed transaction will not give rise to competition concerns in the State.
14. In light of the above, the Authority concludes that the proposed transaction will not raise competition concerns in any market for goods or services in the State.

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<sup>11</sup> IDC does not provide estimates of market shares within Ireland. The parties state, in correspondence dated 27 September 2012, that "*the shares of sales identified at the EMEA level are likely to be the same also at the Irish level.*" The IDC figures for the EMEA region show SAP and Oracle have the largest shares of approximately 34% and 12% respectively.

## **DETERMINATION**

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed transaction whereby IBM Corporation would acquire sole control of Kenexa Corporation, will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, the acquisition may be put into effect.

**For the Competition Authority**

**Gerald FitzGerald**  
**Member of the Competition Authority**