MARKET ALERT

ADP CLOSES GAPS AND EXPANDS CAPABILITIES WITH WORKFORCE SOFTWARE ACQUISITION

The News

The October 2024 acquisition of WorkForce Software affords ADP the opportunity to expand its offerings in HR-related software, take advantage of a respected global support organization and strengthen its product suite even as it offers new capabilities to new and existing markets.

On first glance, the transaction appears to position a big fish to down a smaller fish by combining product lines and employees. But in the month since the deal was announced, ADP has said little, if anything, about dramatic changes to its product development and product marketing efforts.

If ADP has big changes in mind for either organization and its products, it's being coy about them. WorkForce will operate as a unit of ADP, at least initially, and its customers can continue to use its platform as a standalone: Purchasing or implementing some sort of ADP product won't be required.

The acquisition, worth a reported $1.2 billion, brings together an industry behemoth with a smaller but well-regarded quasi-competitor. With annual revenue of about $19 billion and more than 64,000 employees, ADP does indeed dwarf WorkForce, with its estimated $254 million in revenue and roughly 600 employees.

However, WorkForce brings two imperatives to the table. First, its product suite complements ADP's in areas like time and attendance, scheduling, forecasting, leave and absence and employee communications. Second, Workforce serves 1,000 large and enterprise-level customers with little overlap with ADP's 1.1 million, the majority of which are small or medium-sized businesses.

"As the needs of today's global workforce continue to shift, employers need dynamic workforce management solutions that will help them maintain compliance and flexibility while engaging their employees," said ADP President and CEO Maria Black.

SHARE THIS REPORT

AT A GLANCE

Solution

ADP

The Situation

- ADP acquired WorkForce Software to expand its HR software offerings and global support.
- WorkForce Software primarily serves large enterprise customers, contrasting ADP's focus on small and medium-sized businesses.

Success Highlights

- Acquisition valued at $1.2 billion complements ADP's product suite with WorkForce's time and attendance solutions.
- Boosted revenue forecast by 1%, reflecting immediate positive financial impact.
- Maintained WorkForce Software's standalone functionality to ensure customer continuity and satisfaction.

Addressing that shift remains central to ADP's mission. For some time, the company has been steadily strengthening its technology suite and pursuing opportunities to keep pace with market demands. In September, for example, ADP unveiled Lyric, an HCM platform that offers more flexibility, personalization and ease of use across its global platform. Earlier this year, the company enhanced the ADP Marketplace to streamline selection of its partners' AI-based tools, and launched ADP Assist, a generative-AI solution that allows users to interact with products through simple, natural-language conversations.

In the near term, the deal boosts ADP's revenue. Since the transaction was announced, according to Reuters, ADP has raised its revenue forecast to see growth of between 6% and 7%, up from its previous forecast of 5% to 6%. For the first quarter, ADP earned revenue of $4.83 billion, higher than analysts' estimates of $4.77 billion.

What Happens Now

At least for the time being, ADP plans no dramatic changes in either company's business. There are no immediate plans to combine staff, and ADP has indicated its intention to leave WorkForce's current product plans alone... at least for now. WorkForce Software's customers will not need to adopt ADP's HR and payroll products, and WorkForce's integration efforts with ERP, HCM, payroll and other providers will continue.

That's sure to change over time. While few immediate changes are intended for either company, ADP has said its two teams will develop a plan to join people, processes and technologies. It appears that the combined teams will consider ways to closely integrate their product suites and begin looking for new joint opportunities that make sense for their existing customers and, presumably, new ones.

How We Got Here

The acquisition is all about growth. WorkForce Software's payroll solutions fill in gaps in ADP's platform, and ADP's resources strengthen WorkForce's product development and support efforts. Both companies have experience in the global market, but now they can pursue new solutions by leveraging the expertise of the other, taking advantage of their experience with enterprise customers.

In addition, adding 1.1 million companies – even if many of them are at work at different levels of the market – offers WorkForce new opportunities for sales, assuming the companies' teams develop relationships to share leads and leverage each other's marketing efforts. All in all, ADP sees the acquisition as strengthening its ability to serve existing customers and develop new ones.

For its part, WorkForce Software sees ADP as a partner in developing new products for workforce optimization, compliance and employee engagement. CEO Jeff Moses said ADP's global experience and deployment will be critical to delivering forward-looking workforce management solutions for the enterprise.

Mark Feffer

Contributing Analyst | 3Sixty Insights

Mark Feffer is the editor of WorkforceAI.News and the HCM Technology Report, and Contributing Analyst of 3Sixty Insights. Recognized as one of the most trusted journalists covering HR technology, he has written for Reworked, TechTarget, HR Magazine, SHRM, TLNT and TalentCulture. His podcast PeopleTech is downloaded by tens of thousands of listeners each month. Previously, he was executive editor of RecruitingDaily and Managing Editor of Dice.

Mark began his career as one of the first online editors for Dow Jones and The Wall Street Journal. He then worked with a variety of companies as a writer of feature articles, executive presentations and multimedia features. His clients included AT&T, Charles Schwab, Merrill Lynch, Bloomberg and Dow Jones.

He has a Master of Science in Journalism from Northwestern University and a Bachelor of Science in Broadcasting and Film from Boston University. His novel "September" was published in 2006.

LinkedIn: https://www.linkedin.com/in/markfeffer/