



# STERLINGBACKCHECK WISELY ACQUIRES TALENTWISE

ANALYST

**Brent Skinner**

## THE BOTTOM LINE

**The acquisition of TalentWise by background screening vendor SterlingBackcheck positions the two favorably against competitors.** Customers have access to background screening and critical components of onboarding in one vendor, an important development that should yield gains in productivity and reduce licensing costs. Nucleus' position is that providers of technology and services for talent acquisition must move to become one-stop destinations for as much of this subset of human capital management (HCM) as possible.

...

## THE ANNOUNCEMENT

In January, SterlingBackcheck announced that it has agreed to acquire TalentWise. The acquisition will combine one of the largest providers of background screening technology and services with a vendor of capable functionality also for background screening and for the nuts and bolts of onboarding. Customers of either vendor will soon have access to functionality spanning these areas, which work best with coordination. Background screening from SterlingBackcheck strengthens TalentWise's capabilities in global screening and post-hire screening (specifically, for random screenings). Additionally, SterlingBackcheck increases TalentWise's arsenal with fingerprinting and CourtDirect, a product from SterlingBackcheck that accelerates turnaround on background screening through tight access to court systems. Beyond all this, SterlingBackcheck has developed deep vertical solutions tailored for an array of industries. Though TalentWise has vertical solutions, too, the vendor stands to benefit greatly from SterlingBackcheck's in healthcare and finance.

## UPSIDE FOR CUSTOMERS

The costs of a bad hire are demonstrable. Nucleus has examined these as they relate to background screening (Nucleus Research *p191 – Finding value in background screening*, November 2015). Add to these costs the potential frustrations and further costs that employers incur when more than one vendor handles the HCM adjacent to background screening. In the case of SterlingBackcheck's acquisition of TalentWise, customers stand to experience measurable gains in productivity and savings in licensing costs.

**The costs of a bad hire are demonstrable. Employers incur additional costs when more than one vendor handles the HCM adjacent to background screening. In the case of SterlingBackcheck's acquisition of TalentWise, customers stand to realize measurable gains in productivity and savings in licensing costs.**

## PRODUCTIVITY GAINS FOR RECRUITERS

Cloud-to-cloud integration has matured considerably, and integration itself no longer presents the challenges it once did (Nucleus Research *p54 – New Partnerships Add New Hues to Competitive Landscape in HCM*, March 2015). Even so, employers that want to transfer the data they legally may (i.e., generic information) from a new hire's background check to the onboarding process save time when one vendor handles both these elements of talent acquisition. Where these activities are handled by separate companies that do not or poorly integrate their systems, Nucleus estimates that a recruiter spends half an hour of his or her time manually re-entering a new hire's generic data originally captured during the background check. On average, the fully loaded annual cost of a recruiter is \$68,513. For an employer hiring 60 employees yearly, the productivity gains coming from one-stop shopping in background screening and onboarding would amount to nearly \$1,000.

## COST SAVINGS ON LICENSING FEES

Productivity gains amounting to less than 2 percent of recruiters' fully loaded annual cost to the organization may seem negligible, but they tell just one part of the story. For the combined service, one vendor offering background checking through onboarding is likely to charge a more manageable, more affordable licensing fee. The combined cost an employer would incur by obtaining these two necessities each from a separate provider would be greater. Quickly, the financial case emerges.

Opting for one vendor offering these solutions combined, in-house, employers can avoid turning to discrete point solutions for background checking and onboarding.

## REMAINING COMPETITIVE IN HCM

In the latest Value Matrix examining vendors of technology for talent management, Nucleus observed that providers solely or mostly focused on talent management increasingly face highly capable competition from companies offering broader cross-sections of technology for all of HCM (Nucleus Research *p153 – Technology Value Matrix 2015 – Talent Management*, September 2016). Nucleus noted that the exceptions are players whose wheelhouse is squarely in talent acquisition. Theirs remains a specialized area of expertise, and Nucleus predicts that they will weather the threat best; their technologies' capabilities generally continue to outpace the rest of the HCM market's and should continue to do so.

**In talent acquisition, the urge to merge (or acquire) is compelling and increasingly necessary. In the case of SterlingBackcheck's acquisition of TalentWise, merging strengthens the two organizations' competitive wherewithal, now combined.**

## ANALOGIES IN THE COMPETITIVE LANDSCAPE

Among providers of solutions for talent acquisition, however, analogies to the aforementioned competitive landscape exist: Vendors here whose suites cover broader cross-sections of talent acquisition bring formidable competition to players providing only point solutions or whose functionality covers narrower areas of talent acquisition. Background checking remains an area of expertise within the larger practice of talent acquisition, and these players continue to thrive as point solutions. That's because the nuts and bolts of background screening are difficult to master; customers and vendors alike prefer to outsource the activity. But the urge to merge (or acquire) is compelling and increasingly necessary. In the case of SterlingBackcheck's acquisition of TalentWise, merging strengthens the two organizations' competitive wherewithal, now combined.

## RESPONDING TO MARKET DEMAND FOR CONSOLIDATION

The intersection of onboarding and background screening is the most logical place for background screeners and the rest of talent acquisition to begin consolidating their efforts. Well-known players in background checking such as HireRight and EmployeeScreenIQ offer their users onboarding capabilities through partners. The

move by SterlingBackcheck and TalentWise positions the new entity favorably against these and other competitors. Across HCM, customers are demanding more of it to be housed under the auspices of just one vendor's suite. Part of what drives this is the lack of integration necessary. Another factor is accountability: When something goes wrong, customers can get to the bottom of it quicker when just one vendor is responsible.

## LOOKING AHEAD

The wedding season has commenced in background screening. Over the next several months, more providers of it will seek suitable wives in other areas of talent acquisition. For first marriages, the best potential mates are skilled at onboarding. With its acquisition of TalentWise, SterlingBackcheck has read the tea leaves wisely. Nucleus advises the vendor's peers to follow suit.