Corporate Transaction Notification: Ceridian

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Initiatives: HCM Technology Transformation

Ceridian’s acquisition of Ascender expands its direct payroll coverage in Asia/Pacific. Application leaders considering Ceridian for a global human capital management deployment should consider the potential impact of this acquisition.

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Magic Quadrant for Cloud HCM Suites for 1,000+ Employee Enterprises

Key Background
Ceridian emerged as a Leader in Gartner’s Magic Quadrant for Cloud HCM Suites for 1,000+ Employee Enterprises in 2020, having been a Challenger in the previous four iterations. Historically, this vendor has maintained a strong position and focus in the North America (NA) midmarket supporting NA compliance use cases (see Critical Capabilities for Cloud HCM Suites for 1,000+ Employee Enterprises). But Ceridian has been expanding its geographic scope and has lately been aggressive with acquisitions to establish itself as a vendor for global HCM suite deployments. Ascender is an Asia/Pacific (APAC) regional specialist. It has strong payroll and HR administration expertise, mostly in the mature APAC market, and thus helps Ceridian expand its reach. Ascender currently has around 1,500 live customers with a notable presence in higher education and government institutions.

Considerations for Technology and Service Selection
This research is intended to provide relevant contextual information to help you consider and prepare for potential future risk or advantage. It is not a reevaluation of providers, but rather an update based on publicly available information at a certain point in time. Because the results of corporate reorganizations typically change and evolve over time, Gartner analysts will continue to monitor these changes. The next annual update of the Magic Quadrant will reflect the potential impact(s) that we determine the corporate reorganization may have on provider positions.

We encourage you to use this perspective in conjunction with the existing Magic Quadrant as you consider initial resources for provider evaluations and decision-making. As you assess your unique business and technical requirements, always supplement this research with scheduled analyst inquiries to help you and begin to gain insight on further developments, before making any decision.
Prepare for Potential Impacts of Ceridian's Acquisition

APAC has the highest growth rate for enterprise resource planning (ERP) revenue among all market segments (see Market Share: Enterprise Resource Planning, Worldwide, 2019). However, the region has a lot of variance in terms of language, culture, economic growth and levels of digital maturity. Australia represents the largest ERP investment in the whole of APAC. Its 2019 year-end spend in HCM software was $499 million out of a total $1,000 million spent across the entire APAC region.

With the acquisition of Ascender, Ceridian is able to offer a stronger value proposition, especially for NA- or EU-headquartered organizations with a footprint in Australia-New Zealand (ANZ). In the long term, Ceridian can look to target large global HCM rollouts. Existing Ascender customers may not gain much benefit in the short-to-medium term, but could reap the benefits of stronger talent management and core HR software in the longer term.

Market Analysis

The ANZ HCM market is particularly challenging, with many unique business and regulatory requirements for both payroll and workforce management. For example, the Australian Taxation Office (ATO) requires organizations to comply with Single Touch Payroll (STP), enterprise bargaining agreements (EBA) and awards interpretation (determined through a Better Off Overall test [BOOT]) regulations. As a result, application leaders responsible for driving global HCM technology projects tend to separate ANZ payroll and workforce management (and sometimes even the core HR module) from the global rollout. The region also has local providers such as ELMO, PageUp, Frontier Software and TechnologyOne that challenge global HCM players with differentiators, including better regional ecosystem and integrations with local talent marketplaces.

The broader APAC market, especially the public sector and product-based industries, has a historical reliance on Oracle and SAP — mainly due to legacy Oracle PeopleSoft, Oracle E-Business Suite and SAP ERP Central Component (ECC) client investments. The Ascender acquisition looks to improve Ceridian's competitive position versus these global HCM suites.

Provider Analysis

Ascender is the third and largest acquisition in successive years for Ceridian, after it previously purchased RITEQ (workforce management provider in Australia) in 2019, and Excelity Global in 2020. Ceridian had also developed its own Australia payroll localization in 2019. However, according to interactions with Gartner end users, both uptake of new customers for Ceridian in ANZ and assimilation of the previous portfolios have been limited to date.

Application leaders planning for global HCM technology transformation, and evaluating Ceridian, should consider the potential synergies of this acquisition:

- There is currently no mainstream global provider that delivers a comprehensive HCM suite including payroll and workforce management in ANZ. This is because existing providers either leave payroll out or rely on partners such as Kronos or WorkForce Software for workforce management. A consolidated
offering in the future could deliver a rare combination of global-capable products with strong local expertise.

- There was some common direction between Ascender and Ceridian even before the acquisition — such as support for digital wallets, flexible earned wage access (FEWA), continuous calculation and flexible pay cycles. These synergies could speed up the assimilation.

- Global HCM rollouts generally need major support for treasury services, tax calculation and country setup complexity in APAC countries. Ascender's long track record in delivering outsourcing services could provide this utilitarian cover.

Similarly, existing and prospective customers should anticipate or at least be aware of the following cautions:

- Ceridian is tasked with consolidating existing and acquired sales and development functions in different continents other than where it is headquartered. Customers may see changes in account management/support and licensing changes as a result of Ascender integrating into Ceridian.

- The majority of Ascender's business is supported by business process outsourcing (BPO), whereas this is a smaller part of Ceridian's business, which focuses primarily on cloud HCM software. The service-centric mindset of Ascender could be challenging to integrate with the more product-centric Ceridian organization.

- Ascender's 2018 acquisition of PeopleStreme to fill talent management functionality gaps did not result in the company gaining significant traction within its customer base. One potential outcome would be for Ceridian to replace Ascender HR's talent management and core HR with Ceridian's Dayforce modules in the historical Ascender customer base.

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