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How to adapt to fast-changing environments: the case of Ceridian HCM Inc

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Dissertation written under the supervision of Patrícia Machado

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Abstract

Dissertation Title: How to adapt to fast-changing environments: the case of Ceridian HCM Inc

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Keywords: strategic change, organizational agility, adaptation, leadership, digital transformation, culture, innovation, exogenous shocks, dynamic capabilities

The present thesis investigates the major factors that can help firms to more effectively cope with fast-changing environments, through the analysis of a case study. More precisely, Ceridian Inc 's transformation and evolution in the HCM market over the last years is being analyzed because it allows to connect academic material with real world scenarios.

As a foundation of the present study, several theoretical perspectives and concepts have been discussed, including Strategic Change, Organizational Agility and Dynamic Capabilities. Data and information concerning the organization were collected through multiple sources, including the company's website, press releases and articles and a personal interview.

The case explores the importance of developing DCs and an innovative organizational culture in fast-paced environments. It also stresses the key role played by constant efforts on R&D and a strong focus on both customer and employee experience.

This case study adds to the body of research providing a real-life example of a firm whose approach has "challenged" the traditional perspectives towards change, which generally lie on assumptions mainly based on stability and routine. Instead, Ceridian HCM Inc. kept being updated, proactive and agile over time, developing a culture of innovation, considering the overall ecosystem characterized by "ongoing, evolving, and cumulative" change, as a demonstration that, approaching change, both on a micro and macro level, can allow firms to better cope with the current business environment.

Sumário

Título da dissertação: Como se adaptar a ambientes em rápida mudança: o caso da Ceridian HCM Inc.

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Palavras-chave: mudança estratégica, agilidade organizacional, adaptação, liderança, transformação digital, cultura, inovação, choques exógenos, capacidades dinâmicas

A presente tese investiga os principais fatores que podem ajudar as empresas a lidar de maneira mais eficaz com ambientes em rápida mudança, através da análise de um caso de estudo. Em concreto, a transformação e a evolução da Ceridian Inc no mercado de Gestão de Capital Humano nos últimos anos são analisadas, como um exemplo da aplicação das teorias e conceitos académicos a um caso real.

Como base para o presente estudo, várias perspetivas e conceitos teóricos foram analisados, incluindo a Mudança Estratégica, a Agilidade Organizacional e as Capacidades Dinâmicas. Os dados e as informações referentes à organização foram recolhidos através de várias fontes, incluindo o site da empresa, comunicados de imprensa, artigos e uma entrevista pessoal.

O caso explora a importância do desenvolvimento de Capacidades Dinâmicas e de uma cultura organizacional inovadora em ambientes em rápida mudança. Além disso, enfatiza o papel fundamental desempenhado pelos esforços constantes em investigação e desenvolvimento e pelo foco na experiência do cliente e dos colaboradores.

O presente caso de estudo contribui para a literatura existente ao fornecer um exemplo real de uma Empresa cuja abordagem desafiou as perspetivas tradicionais de mudança, que geralmente se baseiam em pressupostos de estabilidade e rotina. A Ceridian HCM Inc. soube manter-se atualizada, proactiva e ágil ao longo do tempo, desenvolvendo uma cultura de inovação. Considerando o ecossistema global caracterizado por mudanças contínuas e evoluções cumulativas, a Empresa demonstrou que abordar a questão da mudança, ao nível micro e macro, pode permitir às empresas lidarem melhor com o ambiente de negócios atual.

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Abbreviations

DC: Dynamic Capabilities

HCM: Human Capital Management

NPS: Net Promoter Score

OA: Organizational Agility

OC: Organizational Change

OS: Organizational Strategy

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1. Introduction

The exogenous shock caused by the COVID-19 outbreak has further increased the pace of change organizations across the globe are required to cope with in order not just to stay competitive and relevant in the marketplace, but even for their own survival. Legal, economic and technological factors are mutating on a daily basis, leading to a greater challenge for firms, whose majority struggle with the need to reinvent themselves and constantly adapt to the new reality through strategic, organizational and cultural change. To stay alive within this new paradigm, several companies have been required to make remarkable changes in processes, structures or products and services. As a result, the presence of dynamic capabilities, agility within the organization and a culture of innovation represent a precious asset that can differentiate successful firms from the others.

The dynamic capabilities view, pioneered by Teece, Pisano and Shuen (1997), has received increasing attention from scholars and researchers over the past decades, mainly because it addresses a fundamental matter: how firms can maintain a competitive advantage in the context of changing environments. This perspective arose as an extension of the Resource-Based Theory, proposed by Barney in 1986 and 1991 (Teece et al. 1997, Barreto 2010), applied for constantly changing markets. Originally defined by Teece et al, (1997) as “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” the DCs have been approached differently throughout the years. As a result, a number of different definitions have been suggested over time. Following a deep analysis of previous research and current developments, Barreto (2010) provided a new conceptualization, defining dynamic capabilities as a firm’s potential to systematically solve problems, formed by its propensity to (1) sense opportunities and threats; (2) make timely decisions; (3) make market-oriented decisions; (4) change the resource base.

To address the critical role played by these factors when dealing with fast-paced environments, I chose to discuss the case of Ceridian HCM Inc and its dramatic transformation. The present study analyses how this firm evolved; from being a services provider, initially characterized by outdated technology and a weak culture, to becoming a global leader in the HCM cloud market within a few years span, by focusing not only on the user experience, but also by addressing both employee and consumer experience in a holistic manner. This thesis also aims to emphasize the paramount importance of constantly scanning a firm’s internal and external environment with the intent to sense threats, while exploiting opportunities resulting from changes in cultural and social trends, customer’s needs and technological developments. Furthermore, it highlights that decisions need to be executed

in a timely fashion and directed at the right market. Ultimately, it shows the importance of being able to change the resource base, to make new market choices.

The present dissertation is divided into five different chapters. Following the introduction, the first section will cover the Literature Review, which provides an overview of the major theoretical frameworks. More precisely, the concepts of organizational and strategic change, organizational agility, in tandem with the dynamic capabilities' perspective will be covered. The following section will include the Teaching Case, providing in-depth insights concerning Ceridian's history, their latest developments and an overview of its internal and external environment throughout the years. The fourth chapter will cover the Teaching Notes sustaining the chosen case, with the intent to provide a guidance on the case analysis and objectives for teaching and managerial purposes. Lastly, the final sections will be comprised of the Discussion and Conclusion.

2. Literature review

The following chapter will cover the main theoretical findings that sustain the present Teaching Case. A number of perspectives will be analyzed and critically compared in a variety of fields, including various conceptualizations of Organizational Change and Agility, Strategic Change and Dynamic Capabilities view.

2.1 Organizational change

When it comes to organizational change, research has been characterized by a wide array of diverse and often contradictory perspectives and approaches (Burnes, 2004). A certain consensus among scholars and practitioners has been reached concerning the fact that change, since it is triggered by internal or/and external variables, comes in all shapes, forms and sizes, and, thus, impacts all firms in all industries (Todnem By, 2005). There is also mutual agreement concerning the rapid pace of change in the current business environment, which is increasing over time (Burnes, 2004; Luecke, 2003). However, according to Balogun and Hope Hailey (2004), approximately 70 per cent of all initiated change programs failed. In addition to this, as demonstrated by Stubbart and Knight in 2006, less than 0,1% out of the more than 6 million US firms studied survive until age 40, suggesting that, although there is awareness that “change is an ever-present feature of organizational life, both at an operational and strategic level” (Burnes 2004), only a few firms are able to successfully overcome the challenges connected with rapid changes in external and/or internal environments. Furthermore, even though the literature agrees on “the importance to any organization of its ability to define where it needs to be in the future, and how to manage the changes required getting there” (Todnem By, 2005), there is no mutual consensus on which conceptualization of change and, thus, approach is better to consider in order to develop a successful organizational strategy.

Traditional approaches to organizational change have mainly been focused on assumptions based on stability and routine. As a consequence, organizational change was considered to be an exception rather than a constant. By taking this perspective, it is likely that its pervasiveness is underestimated (Weick & Quinn, 1999). The ubiquity of change is emphasized by Feldman (2000), who has demonstrated that organizational routines are “flows of connected ideas, actions, and outcomes” that perpetually interact and change in action and can be, therefore, identified as “emergent accomplishments”, suggesting the idea that even the most allegedly stable parts of organizations, are potentially unstable.

Organizational change has been approached differently depending on a variety of factors, including the level of analysis that has been conducted (e.g. macro or micro). Several reviews of the field of organizational change have highlighted that, traditionally, researchers have approached change from outside, privileging synoptic accounts where change is viewed as “an accomplished event” (Porras and Silvers 1991, Weick and Quinn 1999, Van de Ven and Poole 1995, Tsoukas 1996). Although these models are useful, being sources of snapshots of major dimensions of organizations at different points in time, in tandem with explanations for the trajectories organizations followed (Greenwood and Hinings 1996,) it can be argued that they do not take into account “the distinguishing features of change—its fluidity, pervasiveness, open-endedness, and indivisibility” (Tsoukas & Chia, 2002). Other academics and practitioners emphasize the distinction between episodic change and continuous change, based on the perspective of the observer. According to Weick (1999) and Pettigrew (2001), episodic change refers to all those organizational changes that tend to be infrequent, discontinuous, and intentional and it is based on the assumption that it occurs “during periods of divergence when organizations are moving away from their equilibrium conditions”. Divergence represents the consequence of an increasing “misalignment between an inertial deep structure and perceived environmental demands”. Furthermore, the authors highlight that this form of change has the tendency to occur in specific periods when shocks arise from external (i.e. technological factors) or internal (such as change in key personnel) events. By contrast, through the analysis of organizational changes on a micro level, a different perception of change arises, leading to a variety of new approaches to overcome the challenges derived from coping with changing environments. The phrase of continuous change was adopted by Weick (1999) to identify those organizational changes which tend to be “ongoing, evolving, and cumulative”. These approaches assume that change is emergent. According to Pettigrew et al. (2001:705), “continuous change is characterized by slight, uninterrupted adjustments, generated simultaneously across units, that create cumulative and significant change”. “This scenario presumes tightly coupled interdependencies. When interdependencies loosen, these same continuous adjustments, now confined to smaller units, remain important as pockets of innovation that may prove appropriate in future environments” (Weick & Quinn 1999). Considering the nature of continuous change, its intervention can be viewed as a sequence of “freeze, rebalance and unfreeze”, differently from the traditional models, inspired by Lewin’s three-stage process, “unfreeze-transition-refreeze”, which are usually adopted in an episodic fashion.

In light of these considerations, it becomes clear that individuals’ mental models, and consequently, the perspectives that are taken, can have a huge impact on a firm’s capability of effectively coping with changing environments. According to Dent (1999) “most mental models are so deeply embedded

that people do not even realize they are simply models”. Individuals should, therefore, be aware of the fact that they are using mental constructs, since “mental models are critically important” and “inappropriate mental models are one of the primary factors causing organizational dysfunction today, even threatening the survival of some organizations” (Dent 1999).

2.2 Organizational Agility

Recent studies agree on the key role played by agility and employee involvement, when it comes to responding to change (Harraf 2015). Alzoubi (2011) describe Organizational Agility as “an ongoing process, much like continuous improvement (..) more a matter of becoming than being, (..) a core competency, competitive advantage, and differentiator which requires strategic thinking, an innovative mindset and the need to be adaptable and proactive.” It can be argued that it is comprised of two elements: flexibility and adaptability (Falance 2012; Holsapple & Li 2008), where a company’s flexibility illustrates its anticipated (planned) responses to external stimuli, while the (unplanned) responses and decisions made in relation to environmental stimuli are measured by the organization’s adaptability. As Piderit (2000) argues, the adoption of flatter, more agile structures, in tandem with more empowering, team-oriented cultures has represented a way through which an increased number of organizations respond to the pace of change and generally lead to a decrease in status differences resulting in an increase in expected involvement in decision-making processes by employees. According to the authors, “successful organizational adaptation is increasingly reliant on generating employee support and enthusiasm for proposed changes, rather than merely overcoming resistance”. With this regard, communication, adherence to and focus on achieving the vision can be considered as major factors differentiating successful agile organizations from the others; in particular, being leadership ultimately in charge for seeing a decision been carried out, the importance of a leader’s ability to communicate it in a way that can stimulate employee action in a timely fashion cannot be underestimated (Harraf 2015).

In addition to this, research has investigated how a firm’s organizational design can represent either a barrier or a vehicle for effective participation (Glew 1995); for instance, too bureaucratic organizations involving rules and regulations that limit autonomy and self-expression are likely to block even the potential for participation (Conger & Kanungo, 1988), whereas the implementation of new forms of organization design aimed at increasing flexibility or promoting vertical communication can be viewed as a way to increase work participation with the ultimate intent “to achieve some anticipated benefit, such as increased performance, morale, motivation, quality, or overall organizational effectiveness and competitiveness” (Glew 1995). However, in order to better respond

to the external environment and develop more agility overall, organizations also need to be capable of balancing decentralization, which increases accuracy employee responsiveness, and speed (Harraf 2015). Due to fast-changing technological environments, constant efforts in R&D are also important to succeed. The need for agility further increases as a result of greater accessibility of information and ease of information transfer (Harraf 2015).

Finally, it is worth mentioning another key element which is often present in successful organizations and is strictly linked to the concept of agility: the existence of a culture of innovation, considered as “the ability to do new things and the ability to do old things in new ways” (Holsapple & Li, 2008), “the pressing need to find a new and improved method for performing some function or providing some service” (Harraf, 2013). In hyper-dynamic environments, building a culture of innovation, involving a constant evaluation of an organization’s systems, structures, procedures, teams, and other organizational components already in place, becomes critical to be successful (Harraf 2015).

2.3 Strategic change

Although the terms organizational change and strategic change are often used interchangeably and their definitions may overlap to some extent (e.g., Mintzberg & Westley, 1992), it is worth noting their difference in meaning. While strategic change usually impacts main factors of the organization (e.g. structure, identity or strategy) and it is often fundamental and commonly initiated and lead by executives and or their consultants; organizational change may include a variety of changes that are not necessarily strategic and might be smaller in scope (e.g. Mantere et al., 2012). In light of this distinction, it can also be argued that the definition of strategic change itself might differ depending on the perspective that is taken and on the final objectives and characteristics that are explored.

Several authors have developed their definition of strategic change taking into consideration Ginsberg’s (1988) foundational typology of strategic change, which entails two broad dimensions of organizational strategy (Kunisch et al., 2017). The first dimension includes: (1) position, reflection of the choices of product/market domains, and (2) perspective, representing “the shared, dominant beliefs through which key organizational actors identify and interpret issues as worthy of attention”; whereas the second dimension identifies change as: (1) variation in magnitude, or “first-order change,” or (2) shifts in patterns, or “second-order change.” The conceptualizations based on this typology commonly consider strategic change as an outcome or state which occurs in a different organizational strategy (or what is changed). For instance, Goodstein and Boeker (1991) focus on “changes in product and service domains,” Wiersema and Bantel (1992) view corporate strategic change as “absolute change in [product] diversification level,” while Gioia et al. (1994: 364)

emphasize its “organizational mission and purpose or overall priorities and goals to reflect new emphases or direction.”

Other authors underline the role of change agents, means and actions in strategic change (Kunisch et al., 2017). With this regard, a growing stream of research defines strategic change not only as a shift in structures and processes but also as a cognitive organizational reorientation (Barr, 1998; Barr, Simper, & Huff, 1992; Gioia & Chittipeddi, 1991) which entails “a redefinition of the organization’s mission and purpose or a substantial shift in overall priorities and goals” (Gioia et al., 1994: 364). A substantial body of work in this direction has stressed the impact of managerial cognitions and “sensemaking” processes on the likelihood and content of strategic change. From this perspective, the success of strategic change will lie not only in its ability to implement new structures and processes, but also in the organization’s ability to convey the new mission and priorities to its many stakeholders (Fiss & Zajac 2006). These authors also argue that an “organization’s survival over time often depends on its conforming to normative expectations rather than simply operating with greater efficiency” (Oliver, 1991), thus, ensuring both understanding and acceptance of new strategies among key constituents is a crucial factor of the legitimacy imperative for organizations (Fiss & Zajac 2006).

Another widely shared approach adopted in the strategic change literature, places emphasis on the purposes of strategic change (Kunisch et al., 2017). According to Rajagopalan and Spreitzer (1997: 49), strategic change can be viewed as the organization’s alignment with its external environment (Snow & Hambrick, 1980; Zajac et al., 2000) and “changes in this alignment encompass (1) changes in the content of a firm ’s strategy as defined by its scope, resource deployments, competitive advantages, and synergy and (2) changes in external environment and organization brought about to initiate and implement changes in the content of strategy”.

Given the diversity of conceptualizations and methodologies adopted in the field of strategy, Kunisch et al. (2017) provide their own, broader definition of strategic change as “the multifaceted, dynamic process involving various actors (change strategists, change agents, and change recipients) which allows firms to seize (new) opportunities and/or cope with threats in order to become or remain competitive in the market environment.” This conceptualization aims to emphasize two major factors of strategic change. Firstly, strategic change consists of multifaceted subprocesses which inevitably involve changing and enduring conditions in the external and internal environments, as well as recognition, interpretations, and actions by different actors (top executives, strategists, middle managers), thus, managing its various phases and stakeholders over time is key to manage strategic change successfully (Kunisch et al., 2017). Secondly, according to the authors, strategic change is considered as a dynamic process entailing complexity, contradictions and ambiguity: although it may

be predictable, conscious, planned and linear to some extent, it also comprises unpredictable, unconscious, unplanned, and nonlinear aspects.

2.3.1 Strategic change and performance

With regards to firm performance as an antecedent of strategic change, the literature appears to agree on the fact that poor performance —either relative to a firm’s historical levels (i.e., prior years) or relative to other firms (i.e., the same time period)—fosters the likelihood of strategic change and a number of scholars suggest that this could be due to a need for performance turnaround (Boeker, 1997a). By contrast, with respect to firm performance as an outcome of strategic change, the current research has not found evidence of an universal relation (Kunisch et al.,2017) In fact, strategic change can encourage adaption and innovations (Kraatz & Zajac, 2001; Romanelli & Tushman, 1994), however, it can also lead to disruptive effects (Zajac et al., 2000). Findings are mixed: some findings suggest a positive relation (Smith&Grimm,1987; Zajac & Kraatz, 1993), others an inverted U-shaped relation (Zhang & Rajagopalan, 2010), others a negative relation (Kraatz & Zajac, 2001), and others no relation at all (Zajac & Shortell, 1989). This lack of agreement suggests the presence of several environmental and firm-level moderators that could have altered the results (Audia et al., 2000; Kraatz & Zajac,2001; Zajac&Kraatz,1993; Zajac et al., 2000). Moreover, the importance of strategic change implementation cannot be underestimated. It can be argued that, strategic change – performance relation is, therefore, contingent on the context, content and implementation of strategic change (Kunisch et al., 2017).

The authors also argue that “the impact of past performance on the timing of strategic change depends on various external and internal contingencies”, such as moderating factors comprise of the firm’s industry and its competitors with regards to external elements and the firm’s aspiration level and its internal power distribution concerning internal contingencies. The likelihood of strategic change can also depend on change agents’ interpretations of past (decreasing) performance: in case an organization’s poor performance is attributed to internal causes, strategic change will most likely take place, whereas if they consider low performance to be linked to external factors change agents will be less propense to feel the necessity of strategic change (e.g., Audia et al., 2000). In accordance with these results, research suggests that different factors can impact the interpretations, decisions, and actions of internal change agents. Internal factors involve the firms’ control systems, their strategic practices and strategic planning processes, whereas external factors comprise of external change agents and external constituents.

2.3.2 Strategic change and external factors

Concerning the role played by specific external events in strategic change, it can be argued that changes in firms' regulatory environments can trigger strategic change (Kunisch et al.,2017). The authors also argue that, considering environmental antecedents of strategic change, skill in timing plays a crucial role in uncertain environments. Academics consider strategic change to be typically triggered by higher market uncertainty, increased competition and innovation and regulatory shocks (Kunisch et al.,2017). "The ability to respond at the right time—as windows of opportunity are open—places the firm in a relatively advantageous and competitive position" and increases the likelihood of superior performance" (Eisenhardt, 1989; Eisenhardt & Bourgeois, 1988; Kim & McIntosh, 2011). Moreover, different organizations may respond differently to the opportunities and threats arising from external events, depending on the external and internal conditions they are dealing with (Hoskisson et al., 2004; Zajac&Kraatz, 1993). A body of research has also found that change agents' cognitions, since they influence their perceptions of threats and opportunities as well as the firm's alignment with its external environment, have an impact on the perceived need to change and any following action (Barr 1998; Barr et al. 1992; Gioia&Chittipeddi,1991).

2.3.3 Strategic change and internal factors

In tandem with external events, strategic change scholars have also explored events in the internal environment (Kunisch et al., 2017). More precisely, a body of research has studied CEO successions and executive turnover "events". Most studies in this field suggest that "executive succession can serve as an important adaption mechanism because they can change strategic change agents' interpretations of the external environment, bring in new skills, shake up political constellations, and mobilize the organization" (e.g., Wiersema, 1992; Wiersema& Bantel,1993). The distinction between new CEOs from inside vs. outside the firm has also been explored. Scholars suggest that inside successors are less likely to lead to strategic change (Cannella & Shen, 2001; Wiersema, 1992). On the contrary, new CEOs from outside are more likely to generate strategic change. Academics argue they usually "come with an explicit mandate for change" bring new skills and perspectives," and typically are not committed to the status quo or to the firm's established strategies and policies" (Kunisch et al., 2017). In the same study the authors also highlight that relations between new CEOs and strategic change may be contingent upon contextual factors. For instance, according to Karaevli and Zajac (2013), "outsider CEOs generate a greater degree of strategic change after taking the helm

of firms characterized by corporate stability—operationalized as ordinary succession, a long-tenured predecessor CEO, and good firm performance”.

Finally, the success of strategic change can be negatively affected by conflicts, resistance, delays, and inefficiencies in resource allocation (Rajagopalan & Spreitzer, 1997). By contrast, minimizing resistance, “garnering the necessary organization-wide support to push the strategic agenda, and allowing efficient use of available resources can aid timely completion of strategic change” (Kunisch et al., 2017).

2.4 Dynamic capabilities

In recent years, an increased emphasis has been placed on how managers can effectively overcome the challenges linked to the so-called hypercompetitive environments or high-velocity environments (Barreto 2010). The sense of uncertainty and urgency to deal with dramatic changes derived from the frequent and, often, unpredictable occurrence of major shocks in economic, political, technological, legal and cultural domains have increased over time. Recent research has suggested not only that the ability of firms to maintain a long-term competitive advantage has been decreasing over the years (Wiggins & Ruefli, 2005), but also that the firms’ need to effectively cope with major shifts becomes often imperative for their own survival.

Scientific papers suggest the DC perspective as an extension of the Resource-based view proposed by Barney in 1986 and 1991 (Teece et al. 1997, Barreto 2010). According to Barney (1991), sustained competitive advantage is generated from the resources and capabilities controlled by the firm and that are valuable, rare, imperfectly imitable, and not substitutable. These resources and capabilities can be considered as bundles of tangible and intangible assets and include a firm’s management skills, its organizational processes and routines, information and knowledge. Since 1991, the diffusion of the resource-based view (RBV) in strategic management and related fields of interest has been both dramatic and controversial (Barney 2001). In fact, a noticeable number of themes for further research have emerged and been debated over the last years. Specifically, a growing flow of research has been focusing on understanding how some firms, and not others, achieve and sustain a competitive advantage, not only in relatively stable and predictable circumstances, but also in changing environments. With this regard, it is important to highlight the enormous contribution given by Teece et al.’s in their seminal article (1997), in which they address this issue within a particular type of context and define DC as “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments.”. Since that year, research evaluating and further developing this perspective has exponentially increased and a number of definitions of

dynamic capabilities have been suggested over the last decades. While Eisenhardt and Martin (2000) consider them to be organizational processes “to integrate, reconfigure, gain and release resources to match and even create market change”, other authors have put more emphasis on the key role of a firm’s learning mechanisms in the creation and development of DC (Zollo & Winter, 2002) and present the latter as “learned and stable patterns of collective activity through which the organization systematically builds and changes its operating routines in order to improve effectiveness”. More recently, Teece (2007) identifies DC as an aggregation of three capacities: the capacity (a) to sense and shape opportunities and threats, (b) to seize opportunities, and (c) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise’s intangible and tangible assets. The same authors also argue that “the dynamic capabilities framework represents a strong break with Five Forces” for several reasons, including the fact that the ‘environmental’ context in which it is applied, is not that of the industry, but that of the business ‘ecosystem’—the community of organizations, institutions, and individuals that impact the enterprise and the enterprise’s customers and suppliers”. Furthermore, the essence of strategy is different, since in Porter’s formulation it relates to ‘coping with competition’ (Porter, 1991: 11), in contrast to “selecting and developing technologies and business models that build competitive advantage through assembling and orchestrating difficult-to-replicate assets, thereby shaping competition itself” present in the DC framework. In light of the various definitions and controversial perspectives, a new conceptualization (Barreto, 2010) has been given as an attempt to better clarify the concept. Following a deep analysis of previous research and current developments, the author defines dynamic capabilities as a firm’s potential to systematically solve problems, formed by its propensity to (1) sense opportunities and threats; (2) make timely decisions; (3) make market-oriented decisions; (4) change the resource base. Despite the remarkable contribution given by the past and current literature to this area of interest, more investigation still needs to be conducted. Due to the relatively recent nature of the DC perspective and the quick developments of the related literature, further research could be carried out, especially with regards to the approach used to assess and evaluate a company’s DC, the specific circumstances in which it operates and the relationship between a firm’s implementation of DC and superior performance.

3. Teaching case

“It has caught the world by surprise. While businesses cannot foresee every possible scenario, managing through an unprecedented situation like this requires frequent communication, an agile culture, embracing the latest technology, top of the house coordination, robust preparation, and thinking about responsibility to society.(...) In a world that is looking a little more confused and complex, creativity is a corporation’s greatest currency. (...) We’ll get through this together. (...)” commented David Ossip¹, in light of an event that would have changed the future of work and human life in a way that had never been experienced before. It was the beginning of 2020, when the Coronavirus (COVID-19), an infectious disease caused by a virus, started to spread across the globe affecting individuals lives and businesses and causing the death of thousands of people.

At that time, David Ossip was approaching his seventh anniversary as CEO of Ceridian (NYSE:CDAY). He found himself in a pensive frame of mind, reflecting on the importance of being agile and adaptable in such unpredictable, fast-changing environments. Suddenly, he reminded himself the dramatic transformation process the company had gone through during his tenure. His thoughts were crossed by the memory of a sentence he pronounced several years before, as he just started his journey at Ceridian, “If you have an organization that can’t change, you will become extinct”. That seemed to be particularly true in those new circumstances, almost a decade later.

Based out of Minneapolis, MN, Ceridian was a strong, global software and services provider which had undertaken substantial changes over the years. After acquiring Dayforce in 2012, Ceridian had rapidly expanded from its origins in payroll and workforce management (WFM) into a feature-rich cloud platform for HCM (Human Capital Management) with functionality spanning HR, payroll, benefits, WFM, and talent management. Its Cloud software had grown at a CAGR of more than 60% between 2012 and 2017.²

David knew he was steward to a storied company with a distinctive place in corporate history. Owing to the emphasis on innovation and on building an agile, “dynamic” culture placed by its leadership team, Ceridian Inc. had been in the vanguard of technological developments in the HCM industry and had become a global leader in providing HCM cloud services. However, the unexpected exogenous shock was challenging all individuals and organizations across industries around the globe. The year 2020 was supposed to be “a year of investments” at Ceridian and several deals were based on

partnerships. Would the company be able to make the necessary strategic changes to cope with this new reality?

3.1 Industry Insights

The global human capital management market was commonly segmented by component, deployment type, industry verticals and region³ (**Exhibit 1**).

Although there were several sub-categories, the lines between them had blurred over the years. In fact, even though experts agreed on the ongoing existence of stand-alone point solutions in the HCM market and buyers willing to purchase these products individually, firms delivering only point solutions became vulnerable to disintermediation. For instance, considering payroll, organizations including ADP, Ceridian and Ultimate Software, had developed platforms to serve the full employee life cycle. As a consequence of this tendency, companies that did not typically consider themselves as category competitors had started to compete with each other.

Major trends in the industry will be presented in the following chapters.

3.1.1. From Talent Management to People Management

In the early 2000s, HR professionals started talking about bringing together many of the standalone practices within HR into the function "Talent Management."⁴ Although the economy was growing over those years, significant issues, including aging baby boomers, a tight economy for critical skills, and the necessity to build leaders across the globe, needed to be addressed and refocused HR on building talent programs to recruit, develop, and better manage people. The following years saw the emergence of the so-called "Integrated Talent Management Suites" (**Fig 1**), mainly aimed at providing an integrated view of capabilities, leadership gaps, succession pools, and even talent needs for the future. HR professionals were looking for a single application that could not only be used for these core processes, but that could also provide consistent and up-to-date information on the performance, skills, compensation, competencies, career plans, and potential of their employees.

Goal: Integrated Talent Management

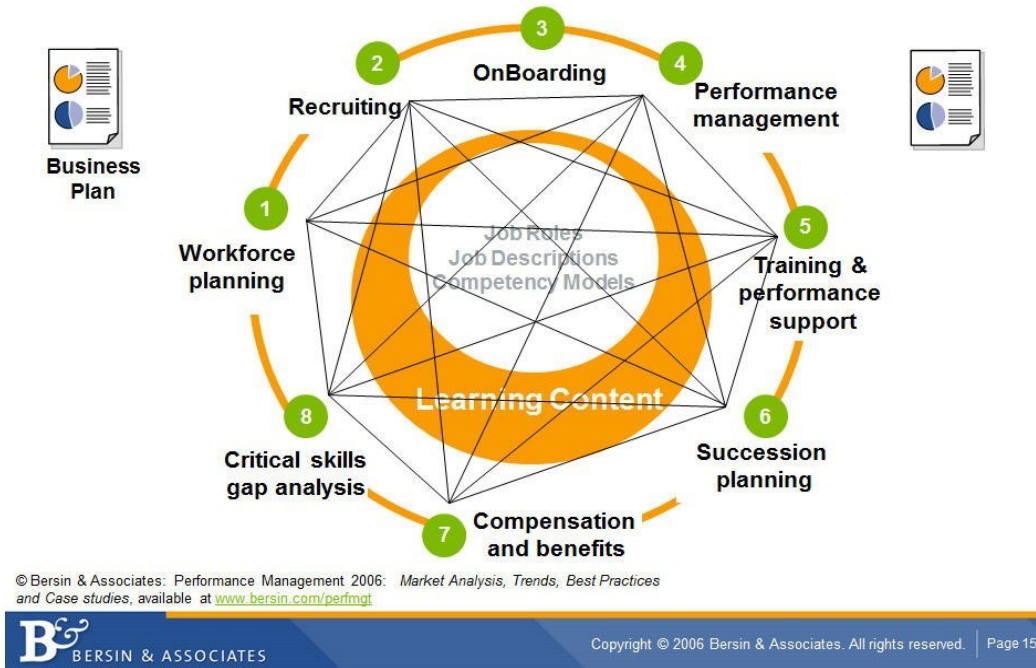


Fig 1. Goal: Integrated Talent Management by Bersin & Associates⁴

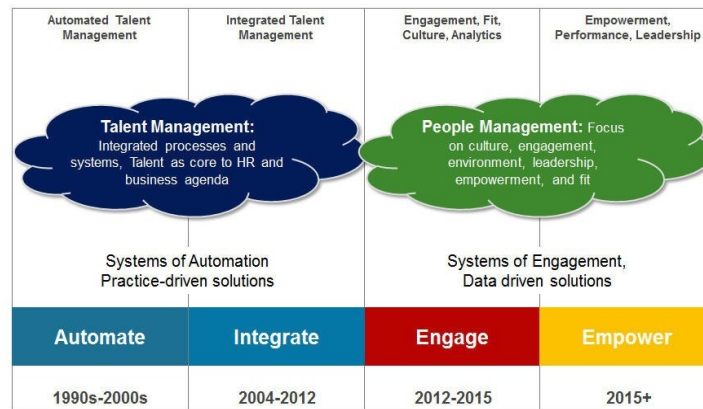
Following Authoria's leadⁱ, software vendors providing standalone tools for recruitment, performance management and learning management (SuccessFactors in Performance Management, Taleo in Recruiting, SumTotal or Saba in Learning) perceived the opportunity. There was an 8-year period of consolidation where numerous major deals were completed, including, for instance, the acquisition of Taleo (which previously bought Learn.com) and then SelectMinds by Oracle and the purchase of SuccessFactors (following its acquisition of Plateau) by SAP. Moreover, ADP acquired Workstream and built out its own LMS (Learning Management System) and talent platform and had since then developed integrated analytics and benchmarking as part of its talent management solution. Another major player at that time was Cornerstone OnDemand, which expanded from LMS to talent management and later acquired Sonar6 and then Evolve (analytics). The entire industry expanded rapidly, reaching more than \$9 billions of total product revenues in the market each year.

ⁱ Authoria (then PeopleFluent) and Softscape (later owned by SumTotal Systems) pitched the idea of a single software system that could integrate recruiting, performance management, compensation, and even learning management. For further information please visit the following website Josh Bersin (2015, January 25), Why People Management is Replacing Talent Management, retrieved from <https://joshbersin.com/2015/01/why-people-management-is-replacing-talent-management/>

Due to the rapid development of new technologies and disruptive innovations, including social networking, total connectivity across all people and systems and new data collection tools, major changes had occurred over the following decade. Although integration was still a significant issue in HR (especially in technology), the largest organizations focused their efforts on taking into account the whole "ecosystem" of talent issues in their strategies, programs, and systems, looking for tools capable of driving employee engagement. Topics such as inclusion and diversity started to be addressed and the so-called performance management was totally redesigned - with a focus on much more simplicity, coaching, agile goal management, and developmental feedback. Research on Human Capital Trends (Bersin by Deloitte 2014)⁵, showed that more than a third of the interviewed firms were pursuing projects to "simplify the work environment" and almost half of the participants were buying new HR software systems considering "ease of use" and "integrated user experience" as top buying criteria. Due to arising challenges linked to employee engagement and retention, organizations were required to shift their focus on people, considering their workforce from a new holistic perspective where individuals were viewed as voluntary consumers and organizations needed to encourage their engagement and empower them to succeed (**Fig 2**) According to a global study conducted by Deloitte at the end of 2014 involving more than 3,300 business and HR leaders from 106 countries, culture and engagement represented the most important issues overall, in tandem with leadership (which was rated as the top global issue the previous year). These findings suggested the need for businesses and HR leaders to gain a clear understanding of their organization's culture and reinvent every HR and talent program in order to better engage and empower people. Businesses kept sharing the ongoing need to develop leaders as a result of the fast-changing expectations of the workforce and the evolving challenges connected with globalization and the speed and extent of technological change and innovation. Furthermore, companies were required to redefine their engagement strategy to move from keeping people to attracting them and creating a passionate and compassionate workplace. It was also clear that the HR and talent functions were in the midst of a transformation, not only with regard to the industry itself, which needed to be upskilled, reorganized, and reinvented but also to its relationship with business leaders and issues. As a consequence, HR role overall started to be redefined, from "service provider" to an enabler and builder of talent.

From Talent to People Management

Engagement, Empowerment, Environment



Bersin by Deloitte

Fig 2. From Talent to People Management by Bersin (Deloitte) ⁴

3.1.2 Further developments

The global HCM market had grown over time reaching appr. \$13 billion in 2016 and \$16.7 billion in 2019⁶. According to experts, its market size was expected to grow at a Compound Annual Growth Rate (CAGR) of 9.7% over the following years, achieving \$26.5 billion by 2024. The emergence of new technologies, including Artificial Intelligence (AI) and Machine Learning (ML) for data analysis, in tandem with factors such as the increase in need to streamline HR operations, rise in demand of unified HCM suite, and growth in adoption of cloud-based deployment model in developed and developing countries, were expected to represent the key drivers of the HCM growth over the forecasted period⁶.

North America generated the highest revenue in the global market in 2016, due to an increased need to automate HR processes including talent management, performance management, and compensation management, high ICT expenditure, etc. According to Fortune Business Insights., the HCM Market size in this region was expected to further increase over the following years owing to the implementation of optimized workforce analytics, development of employee experience platforms and the emergence of mobile applications for HR ⁷ (**Fig 3**).

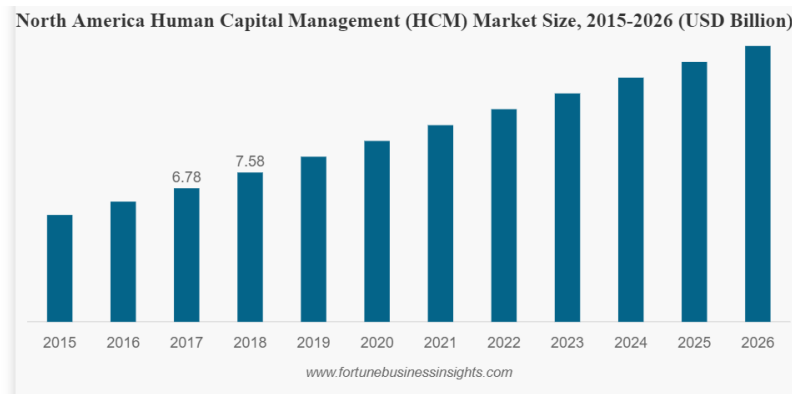


Fig 3. North America Human Capital Management Market Size by Fortune Business Insights⁷

The Asia-Pacific market was also forecasted to grow at the highest CAGR, due to a rise in adoption of mobility trends and cloud computing in those areas.

3.1.3 Main Competitors

Major players competing with Ceridian HCM Inc. included:⁸

- Automatic Data Processing (“ADP”), which provided HCM solutions primarily through service bureau models. ADP’s name recognition was greater and its operating history was longer than Dayforce’s.

- The Ultimate Software Group, Inc. (“Ultimate Software”), whose products were initially developed as on-premise solutions, had later modified and redeployed their platforms as hybrid software as a service (“SaaS”) offerings, resulting in significantly larger customer bases.

- Workday, Inc. (“Workday”), a modern HCM provider, whose solutions have been specifically built as single application platforms in the cloud.

- Large, long established enterprise application software vendors, such as Oracle Corporation (“Oracle”) and SAP SE (“SAP”), which were seeking to expand their cloud offerings through both acquisition and internal development efforts.
- Microsoft, which, after acquiring LinkedIn Corp. in 2016, aimed at strengthening its position in the Cloud applications market.

- Point solutions, including Kronos Incorporated (“Kronos”) for workforce management and Cornerstone OnDemand Inc (“Cornerstone OnDemand”) for talent management.

The 2018 HCM Applications' market shares are presented in (**Exhibit 2**).

3.2 Ceridian background

3.2.1 From 1992 to 2006

Ceridian, whose previously name was Minnesota Nice, emerged out of the Control Data Corporation in 1992⁹. The following year, the then-CEO transformed it into Ceridian. Over the years, Ceridian had grown significantly, and had made several acquisitions: its initial purchase of Systems Tax Service (a payroll tax services firm) in 1993 was quickly followed up in 1995 by the acquisitions of Centrefile and Comdata. From 1998 to 2006, a wide variety of solutions were added to its payroll, HR, and benefits offerings; including LifeWorks (the Employee Assistance Program subsidiary of Work/Family Directions), ABR Information Services (the U.S. largest third party benefits administration firm), Stored Value Systems (the U.S. largest provider of stored value cards), GLS Benefits Services, HR Comply, IBM's Commercial Employee Service Center, Recruiting Solutions International (a provider of online recruiting/workforce management offerings), Information Technology Systems (an Ireland-based HR software company), and Leade Health (a health coaching firm that focused on weight and stress management, in tandem with substance cessation and heart health.¹⁰

3.2.2 From 2007 to 2011

In 2007 Ceridian went public, however, its common stocks ceased trading by the end of the year and the company was soon delisted from the NYSE. In May 2007 it was acquired for US\$5.3 billion by the Boston-based private equity firm Thomas H. Lee Partners and Fidelity National Financial/Cannae Holdings, Inc. The deal valued Ceridian at \$36 a share, a 5.3% premium to its closing price of \$34.19 the day before and at 30 times its trailing earnings, since the organization reported earnings of \$174 million (or \$1.20 a share) in 2006¹¹. By removing the organization from the public eye, THL allowed the company to experience a respite during which the business of realigning technology and product offerings to future customer needs could occur. In fact, 2007 saw the introduction and development of new all-cloud HCM solutions (e.g. Taleo, Vurv, SuccessFactors, and Workday). As a result, a number of firms became main players in the HCM industry and a severe threat for the payroll service bureau business.

Over the following years, Ceridian experienced various internal organizational changes, aimed at taking advantage of recent technologies, tools, laws and regulations. For instance, substantial

developments to its HR processes had taken place with the adoption of different methodologies and approaches, including Six Sigma, DMAIC (define-measure-analyze-improve-control), Lean and Business Process Management Systems (BPMS). Furthermore, as a customer driven company, one of Ceridian business strategies' goals was to enhance their customer listening efforts. Therefore, a variety of specific programs and practices designed to improve customer satisfaction had been implemented. These initiatives included customer advisory boards, net promoter scores, executive customer listening visits and continued refinements to Ceridian's customer service and implementation Centers of Excellence.¹²

Despite remarkable improvements due to these programs, over the following years the organization became subject to strong criticism linked to its heavily unbalanced nature, highly disengaged workforce, a Glassdoor rating below 2, and declining business results. Although it had a great reputation in services and large market presence, strong innovation and technology were missing. Its pipeline lacked new innovative products.

3.2.3 From 2012 to 2017

A market survey conducted in 2012 showed that HR practitioners were struggling with their working systems since integration and communication between HR computer applications were lacking and this issue lead to a slow process and limited business results.¹³

Ceridian's business was still profitable, however, their performance was declining, and the company was compartmentalized between different divisions. In fact, there was Ceridian Canada and Ceridian US, operating independently, and their technology was outdated.¹⁴

It was only in 2012 that Ceridian started to take off and experience its tremendous transformation, following Ceridian's meeting with Canadian entrepreneur David Ossip (**Exhibit 3**) and the company's partnership with his latest workforce management (WFM) company and multi-tenant cloud payroll/HCM solution, Dayforce. In 2012, Ceridian acquired Dayforce and its founder emerged first as president and then as CEO and Chairman of the whole company. Dayforce had strong workforce management technology for scheduling, planning, and tracking employees¹³ and was designed to serve organizations with 100 to over 100,000 employees.¹⁵

With this platform, Ossip aimed to create a new end-to-end native HCM suite of applications, with no integrations involving acquired products. This included all three traditional domains: HR, benefits

and payroll and was supposed to track through one single application, without causing user” fatigue” and capture the entire employee experience.¹⁶

Since David Ossip took over as a CEO, several initiatives had been introduced to reinvigorate the organizational culture and bring the company to a leadership position in the HR industry.

Ossip and his team questioned themselves whether and how they could operate efficiently as a unique business. In 2011, they conducted a two-days “progress workshop” in Toronto involving leaders and influencers coming from the different divisions. The major aim of this initiative was understanding, based on the best practices of each business, what the customer experience should look like and designing the ideal customer experience, using the results of their findings.¹⁴

From his first executive meeting, David Ossip stressed the importance of people engagement when it comes to drive change. At that time, it was clear that the organizational culture was weak and Ceridian’s internal processes were organized in such a way that change was prevented instead of encouraged.¹³

Even physical structures did not suggest an open and informal communication between Ceridian personnel; for instance, there was an “executive floor”, i.e. leaders working in separated offices with staff administrative placed between them and other employees. The workplace itself seemed to promote a rather “us and them” mindset. Aimed at improving people-leadership interaction and encouraging open and regular communication, Ceridian introduced a program called Top Talent, in which a number of improvement ideas were first suggested by the individuals working at Ceridian. Following an accurate evaluation of a team of Ceridian senior leaders, the top five selections were funded, implemented, and celebrated. Another initiative involved coaching existing leaders on effective communication and hiring new leaders considering their ability to effectively communicate and manage change. Furthermore, the workplace was redesigned without the “executive floor”.¹³

Another crucial point was identifying the company’s purpose, the “why” behind Ceridian existence. Ossip and his team ended up realizing that their core purpose focused on improving work and life for people— employees and customers alike. The vision was another key element which needed to be clear and effectively communicated and understood. Once it was identified, being “the ultimate goal of Ceridian to become the preferred HR solution chosen by the employee.”, Ossip ensured that the message was often reminded within the organization by painting a picture for his people of what the company’s future would look like if they got it right.

Next, Ossip and his team verified whether people working at Ceridian identified themselves with the organization's existing values and whether they perceived that the company was acting in line with them. According to an employee survey, although the personnel was aware of the organization values, they did not believe that, on an individual and organizational level, they were living them. Therefore, new shared values consistent with the organization purpose had to be figured out and followed. Ceridian defined the following values: Customer Focus, Transparency, Diligence, Optimism, Agility. In order to communicate the new values and ensure individuals' behavior was aligned with them, an effective program was introduced. Moreover, Ossip and his team wrote and distributed a book named "Our Way", including a number of internal and external case studies demonstrating the effectiveness of following that purpose and living those values. Aimed at reminding them on an ongoing basis, Ceridian's new values were plastered on the walls throughout the building and also mentioned and discussed at the beginning of every meeting. Regular surveys concerning Ceridian personnel's understanding and connection to company values were also created, followed by initiatives to improve the results in the required areas.

Another change that was implemented involved Ceridian HR department. Ossip retained his knowledge from his experiences in his previous start-ups and utilized it to improve Ceridian internal processes. The overall organization needed to be restructured and rebuilt, in order to ensure that the right people were placed in the right roles. This process required to move various individuals to different positions and fire the ones who were not aligned with the company objectives and shared values. During the recruiting process, Ceridian evaluated candidates' considering their purpose and culture "FIT": people who are Fun, are Intelligent (not with regard to their IQ, rather their ability to learn and retain knowledge) and Team players. In tandem with testing for FIT, backgrounds and resumes evaluation, candidates' major strengths assessment, core communication, and convictions became part of Ceridian's interview process. The final decisions were also measured by employee engagement and productivity. As Ossip argued: "If employee engagement and productivity improve, and attrition drops, we know we are getting it right".

A very fundamental believe that customer experience was driven by the employee experience had been developed within the organization over those years.¹⁴ They started to systematically address Ceridian's employees' issues, gaining feedback in order to adjust and make improvements. Since people engagement was one of the key factors to address in order to improve the employee experience and, consequently, the customer satisfaction, Ceridian implemented various initiatives aimed at identifying triggers of engagement as well as triggers of disengagement; for instance, Ossip and his team created an anonymous people engagement survey twice a year. A daily people engagement tool

was also implemented into the Dayforce product. With these initiatives, it was possible to measure how internal people engagement tracked to customer service experience scores. After identifying the top five areas of organizational improvement, programs to solve the related issues were set up, then the employees were reported back and surveyed again. Furthermore, Ossip regularly hosted town halls and walkarounds to discuss with Ceridian personnel in an open forum and listen to their concerns and feedback. The aim was to understand if there was something going on before becoming a problem. In other words, recognize and work on the underlying cause before treating the symptoms.¹³

With the new technology, Ceridian focused not only on the customer experience, but also on the user experience, aiming at gaining in-depth insights on the personas of the distinct users, what they needed to gather solutions, understanding trends. Among the rest, ethnographic research was also implemented. The goal was managing the workforce as efficiently and effectively as possible. Their software needed to have processes and best practices in order to enable their people to achieve their individual and corporate objectives.¹⁴

Due to their internal efforts, Ceridian went from a less than two stars Glassdoor rating to a more than four stars over the years; their scores in terms of customer NPS and employee EPS improved, and the overall performance increased, as a result of these improvements ¹⁴ (Fig 4,5).

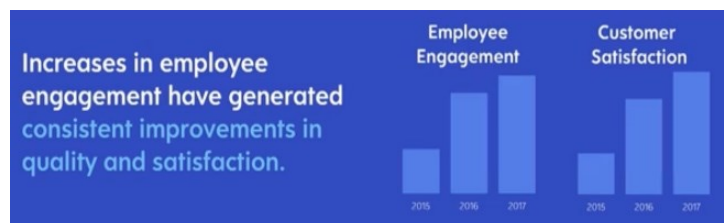


Fig 4. Insights 2018¹⁷

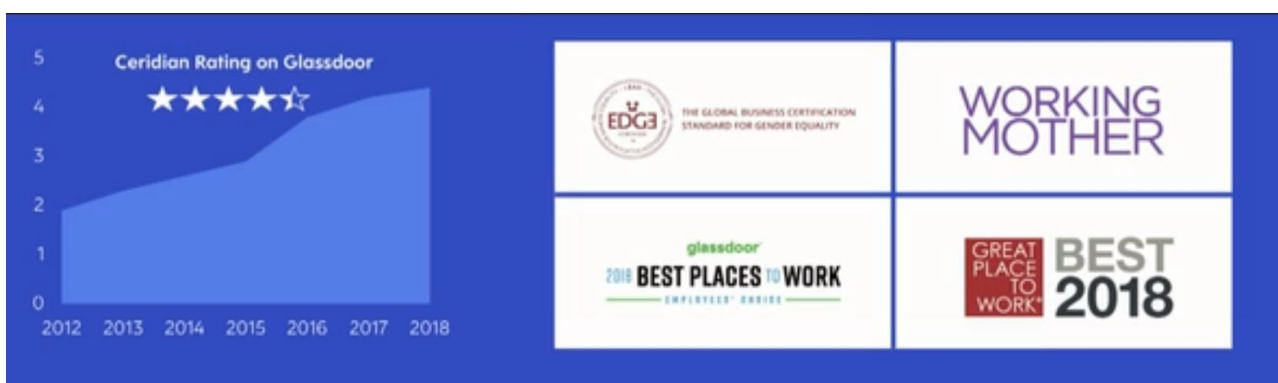


Fig 5: Insights 2018¹⁷

On the revenue side, Ceridian’s Dayforce flagship product experienced a 70% growth rate year over year, and the firm became one of the fastest growing cloud organizations in the marketplace. Furthermore, employee attrition decreased, customer retention increased, and their business began to thrive. The inflection point was changing the model of how they engaged employees. “Employee experience is our number one goal. The second is customer experience, and third is product excellence,” Ossip concluded. Ceridian was one of Canada’s Top 100 Employers for 2016.¹³

As for their offerings, Ceridian was previously highly diversified and heterogeneous. From 2013, David Ossip and his team, following their strategy to focus the company R&D efforts on its core business, started to introduce a number of strategic changes, including the following:¹⁸

- (i) selling their consumer-directed benefit services business in 2013;
- (ii) merging Comdata, their payment systems business unit, with FleetCor Technologies, in 2014;
- (iii) selling their benefits administration and post-employment compliance business in 2015;
- (iv) selling their Bureau businesses based in United Kingdom and Ireland and a portion of the operations that supported such businesses in Mauritius in 2016;
- (v) contributing their LifeWorks employee assistance program business to a joint venture, LifeWork, in 2016, then distributing their ownership in this joint venture to a holding company owned by their stockholders in 2018.

In addition to this, considerable efforts were taken to convert their existing service bureau customers to the new Dayforce HCM solution, also taking away clients from other payroll service bureau and HRMS software providers.

As a result of the various transactions undertaken over the following years, in 2018 Ceridian only actively sold Dayforce and Powerpay (a cloud platform providing scalable and straightforward payroll and HR solutions specifically designed for smaller businesses with 100 employees or fewer), resulting in a simplified business model, a lighter debt service loadⁱⁱ and a better position for continued growth. In November 2018, Ossip pointed out that “only 10% of Ceridian customers were still

ⁱⁱ As Ceridian went private in 2007, a huge amount of debt was taken on by the company.

payroll-only, and some legacy customers remained on the old, hosted, web-based solutions, still to be migrated” (Fig 6).

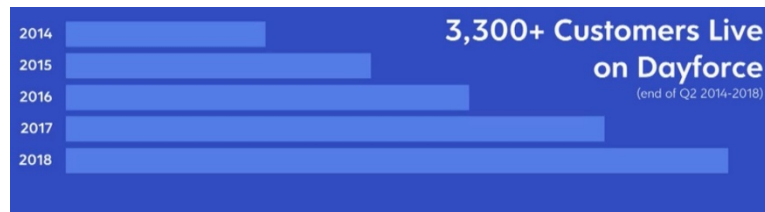


Fig 6: Insights 2018¹⁹

3.2.4 From 2018 to 2019

On April 30th 2018 the organization went public for the second time, trading their stock on both the NYSE and the Toronto Stock Exchange (Exhibit 4, 5, 6 and 7). The deal represented the largest tech IPO in Canadian history until that year raising over \$610 Million USD. Subsequently, a private placement and a secondary offering for an additional \$400 Million were also completed. As Ceridian reported, a significant amount of the net proceeds from the IPO was used to repay part of outstanding debt and refinance the remaining loans.²⁰

Over the same year, Ceridian introduced a wide range of innovations and global initiatives, including (i) the launch of Learning Management; (ii) the launch of Compensation Management; (iii) advanced reporting with predictive analytics; (iv) launch of its cloud-based platform, Dayforce, in the UK market; (v) General Data Protection Regulation (GDPR) as a requirement into the product for UK and Europe (Fig 7).

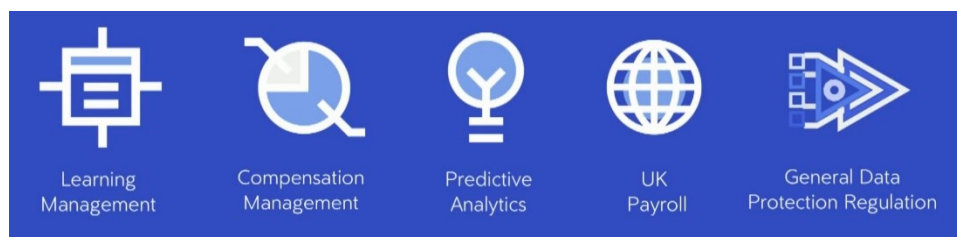


Fig 7: Insights 2018²¹

During the following years, Ceridian kept working on the development of new technologies and additional features. The major upgrades and global initiatives introduced in 2019 are illustrated below (Fig 8).

Advanced Analytics	Succession Planning	Engagement Surveys	Payroll for AUS, NZ and IRL
Compensation Benchmarking	Benefits Decision Support	On-Demand Pay	Dayforce Assistant

Fig 8: Insights 2018²²

In a press release published at the end of 2019, Ceridian illustrated their most recent results.²³ (**Exhibit 8**) “We ended the year with 4,363 Dayforce customers live, consisting of 3.9 million global active users, an increase of 0.8 million users, or 25.8% year-over-year,” argued Arthur Gitajn, Chief Financial Officer of Ceridian. “We saw significant traction in our enterprise, major markets, and global segments. The average deal size of a new sale in 2019 grew by 24%, driven by enterprise, where the average deal size grew by 100%. Global sales, primarily UK and Australia, grew by more than 150% compared to 2018”.

3.3 Leading in the midst of a global crisis

At the beginning of 2020 David Ossip reflected on the journey undertaken by Ceridian since his tenure a few years before. The organization was hardly recognizable from its initial appearance. At that time, Ceridian was not only a customer-driven company but, what could have eventually led the company to go out of business, its culture, became, after various initiatives and a clever use of technology, its major differentiator. David Ossip and his team kept updating their products and investing a huge amount of money on R&D, despite the increasing performance of their current offerings. Moreover, their values were clear, and it was noticeable how the company and its employees were living them.²⁴ This allowed Ceridian to build trust and great reputation amongst its stakeholders over time, in tandem with a strong brand.

Despite the greater name recognition and corporate history of its major competitors, Ceridian represented not only the first HCM company to offer on-demand payment functionality to its customers’ employees through the Dayforce Wallet mobile application, but it was also amongst the few HCM Cloud providers enabling continuous calculation of payroll and tax in real-time and with a growing global presence.

In light of the challenges linked to the COVID-19 outbreak, Ceridian’s leadership team agreed on rapidly implementing initiatives and adjusting plans as a response to new circumstances on a daily

basis.^{iii 25}First, they ensured their employees kept following the guidance from the WHO and provided them all the technological tools and assistance they needed to continue their operations in the safest environment. Furthermore, Ceridian had established a COVID-19 Response Team, in order to allow senior leaders to keep the focus on the business. In addition to this, the company already had a robust Business Continuity Plan, managed by a team with proven experience navigating emergency events. At the end of March 2020, Ceridian announced the availability of multiple resources, including virtual events, webinars, and written content, aimed at helping organizations navigate COVID-19. For instance, Ceridian's Executive Vice President, Chief Information Officer Warren Perlman shared the critical steps their IT department was implementing to improve operational efficiency. **(Exhibit 9)** “As a global human capital technology company and a leading corporate citizen, we believe it is Ceridian’s responsibility to help organizations deliver critical business processes while preserving employee morale and wellbeing during this uncertain time,” argued David Ossip.

In order to help companies improve safety and well-being of their employees during COVID-19, new sophisticated features and resources were promptly launched within Dayforce, including (i) Dayforce Employee Safety Monitoring: developed to better manage, and communicate with, affected employees and impacted coworkers, this function would have enabled employers to track work location, health status, and emergency contact information for everyone; (ii) Learning Portal, Complimentary COVID-19 learning resources providing content, advice to help companies increase employee wellness and productivity; (iii) On-demand pay through Dayforce Wallet, allowing employees access to their earned wages any time during a pay period with the intend to minimize employees financial stress; (iv) COVID-19 Central²⁶as a source of additional updated information.; (v) a help guide providing further details concerning Dayforce features and functionality to help Ceridian’s customers prepare and respond to COVID-19²⁷. As for CSR, Ceridian’s leadership team in tandem with going virtual, constantly supported initiatives to #FlattenTheCurve while encouraging employees to perform random acts of kindness during those tough months. Someone may wonder: What about their growth strategy and Ceridian’s 2020 planned investments? Ceridian remained transparent with their answers: “The world is changing rapidly. Tomorrow is uncertain.

ⁱⁱⁱ ”On the 21st of January 2020 the WHO started releasing regular situation reports of a previously unknown virus disease that was first reported to the organisation’s country office in China on 31st December 2019. First broadly referred to as Coronavirus, the outbreak was declared a Public Health Emergency of International Concern on 30 January. The disease was then called COVID-19 (transmitted through the SARS-CoV-2 virus) and had been characterized as a global pandemic on 11 March due to the ‘the alarming levels of spread and severity.’“ source: <https://worldmapper.org/map-animation-covid19/>

Circumstances are evolving on a daily basis. Our stakeholders are also dramatically affected by this confusing and complex situation and this may have a direct impact on our future decisions and performances. We do not have all the answers, like anyone else. But we are agile people and have built a culture of innovation. What we can do is getting prepared as much as we can to rapidly adjust our plans accordingly. We are all in this together.”¹⁴

Exhibits:

Exhibit 1: HCM Market Key Segments ³

Human Capital Management Market Key Segments:

By Component

- Software
 - Core HR
 - Recruiting
 - Workforce Management
 - Compensation & Payroll
 - Others
- Service
 - Managed Service
 - Professional

By Deployment Type

- Cloud
- On-Premises

By Industry Verticals

- Banking Financial Services, and Insurance (BFSI)
- Retail
- It & Telecommunication
- Healthcare
- Hospitality
- Government
- Manufacturing
- Others

By Region

- North America
 - U.S.
 - Canada
 - Mexico
- Europe
 - UK
 - Germany
 - France
 - Russia
 - Rest of Europe
- Asia-Pacific
 - China
 - India
 - Japan
 - Australia
 - Rest of Asia-Pacific
- LAMEA
 - Latin America
 - Middle East
 - Africa

Exhibit 2: 2018 HCM Applications market shares (by Apps Run the World)²⁸

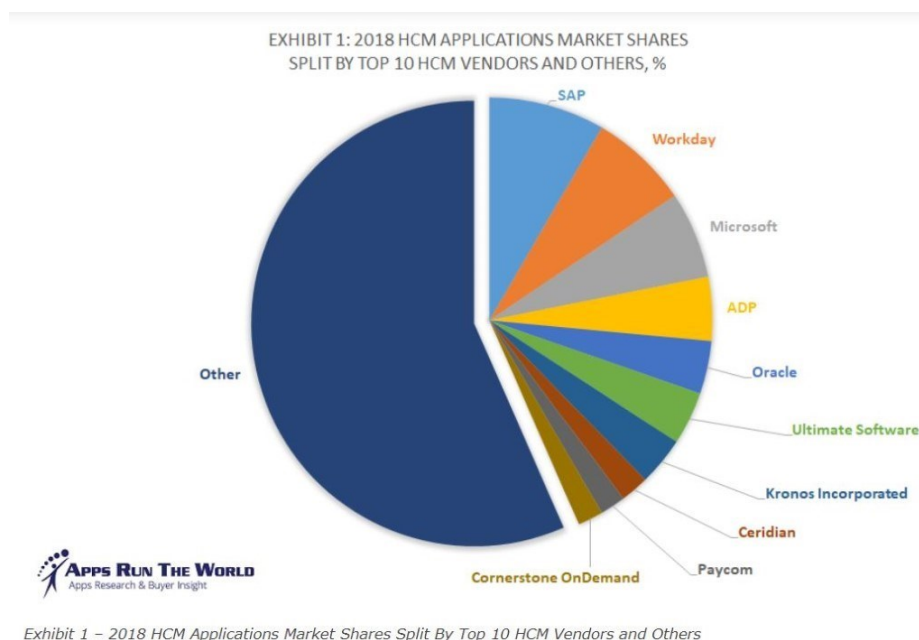


Exhibit 3: David Ossip background²⁹

At Insights 2018, one of the largest events organized by Ceridian Inc. in Las Vegas that year, David Ossip, the then-CEO and Chairman of the company, went on stage in front of hundreds of stakeholders wearing his simple dark blue t-shirt and a pair of jeans. His style was a clear reflection of his vibrant and outgoing personality. Despite his incredibly successful career and being the winner of multiple prestigious awards, he talked to his audience in a confident, but humble and discrete manner. It was noticeable how his previous life experiences had shaped not only himself as an entrepreneur, but also the future of Ceridian Inc. over time.

Following his graduation at the University of Toronto with a degree in Econometrics, Ossip started his career as an accountant, however, it soon realized it was not what he was looking for. While working at CIBC, he wrote a piece of software on his own and sold it to the company. The proceeds of this sale allowed David to pursue his MBA at Harvard Business School. After the program and a tech-scouting trip to South Africa, he founded Business Machine Interfaces having well-known companies such as Toyota and Siemens amongst his major clients. His firm was acquired by the Japan-based Amano in 1997, where Ossip also worked for one year. In 1999, the businessman found Workbrain, which has experienced an exponential growth to over \$100 million in less than five years. After Workbrain's IPO in 2003, Infor Global Solution completed its acquisition in 2007. Over the following years, David gave birth to Dayforce, SaaS-based software that merged with Ceridian in 2012. Afterwards, the entrepreneur had served first as President of Ceridian and then as a Chairmain and CEO.

During his distinguished career, the businessman had received multiple awards, including 2012 and 2013 TekTonic Awards, the Ventana Technology Innovation Award for Human Capital Management and a Gold Brandon Hall Excellence Award for Best Advance in Unique Talent Technology. Because of his outstanding leadership, David was named twice to Canada's Best 50 Managed Companies, the Ernst and Young Entrepreneur of the Year Award, the Arthur Kroeger College Award for Management and a nationally awarded Special Citation for Technology Innovation.

Exhibit 4: Founder letter (pre-IPO, 2018)³⁰

FOUNDER LETTER

Dear Friends and Prospective Investors,

Ceridian builds software that makes work life better.

As a life-long entrepreneur, I have had the opportunity to experience and take advantage of many advancements in technology and have grown several successful businesses. One constant across our ever-changing work and technology landscape is that people are at the core of any company. At Ceridian, we believe that great employee experiences translate into great customer experiences, and that in turn, fosters organizational growth and success. Our brand promise is *to make work life better* for everyone who uses our products and services.

Cloud technology, access to data, and predictive technologies transformed the workplace.

In 2009, I noticed two powerful trends that had changed the workplace: first, the adoption of cloud technology had become the norm for enterprise applications; and second, the availability of data had changed the expectations of both employees and employers alike. Employees came to expect increased flexibility, easy access to their personal and company information, the ability to receive and give feedback, and a much more personalized experience at work. Similarly, organizations knew that they had gained access to a lot of employee information and wanted to take advantage of that data and new predictive technologies to gain a better understanding of their workforce, and to equip their managers to make insightful decisions.

To meet the needs of the modern workplace, Human Capital Management (HCM) technology needed to get the right data to the right people at the right time — a goal which required real-time data, unified across the entire employee experience. However, the solutions in the market at that time were fundamentally flawed and unable to address this need. Most providers only offered a collection of separate applications spread across multiple databases, and lacked the ability to support the interrelated processes surrounding the new employee experience.

In response, I founded Dayforce — the core of today's Ceridian — because I believed that by solving this problem, we could make work life better for our users and disrupt the HCM market.

We built Dayforce to disrupt the HCM market.

I carefully studied the cloud market for HCM solutions and was very excited by what I found. First, the market for HCM and payroll applications was almost \$20 billion, with cloud payroll constituting about 25% thereof; second, payroll requirements were fairly consistent regardless of company size or industry; and third, the duration of the relationship between payroll vendor and organization seemed to be above ten years across all vendors. It was our belief that the market was ideal for building a cloud solution, and could be disrupted with a single data source, modern cloud technologies, and new predictive technologies.

Our initial focus was on addressing the disconnect between time and pay. Traditionally, these systems and data were separate, which meant that the payroll team could not start checking the data until the managers had "closed out time" in the time system, which usually only happened the day after the end of the pay period. Only then could the data be exported from the time system, imported, and batch-processed into the payroll system. This meant that the payroll team would then have a very small window of time to do the necessary auditing and adjustment entry before having to commit and fund the payroll. Most of the payroll teams canvassed admitted that they would often commit pay when they ran out of time, knowing that they would have to "clean up" the mistakes after people were paid.

I was confident we could solve this problem by building a single solution that could perform continuous calculations for time and pay. The system could instantly calculate the net earnings every time an employee would clock in or out, or when an employee record or time record would change. This would allow payroll teams to access and audit the data continuously throughout the active pay

period, thereby lowering their anxiety and increasing the accuracy of pay. Employees would gain better access to their information and increased confidence in the accuracy of their pay. Managers would have benefit from timely and fully-costed workforce information, and the CFO would achieve greater compliance and controls.

We believed that every area of the HCM market could be disrupted. A unified platform with a single source of data and predictive analytics would change the game.

The plan was to enter the market with a differentiated time and payroll solution and then expand the product to broader HCM functionality. The initial unified payroll and time solution would be designed to address the incumbent products' "flawed workflow" challenges and deliver significant benefits to users. These customer benefits made me confident that we would be able to win customers and develop long-term relationships with them. We could then add functionality for talent management to the solution, such as recruiting, performance management, compensation management, and learning management, to the solution. The additional features would give us the opportunity to sell more products to customers over time.

For example:

- Using KPIs, Dayforce could combine large volumes of data and predictive methods to help companies determine how and when labor was required. Sophisticated optimization methods would help managers build employee-friendly labor schedules that are compliant, cost-effective, and aligned with organizational goals.
- With employee performance, HR, and payroll data, Dayforce could help companies align pay-for-performance or identify gender/diversity-bias. Using similar data and optimization technology as in the labor scheduling module, we could build a compensation module that would guide managers to make more insightful merit and bonus decisions.
- By combining HR, benefits, learning and talent features in an intuitive onboarding experience, Dayforce could help the employee complete any necessary forms, enroll for benefits, learn about the company, meet their team, understand their short and longer-term goals, and begin their training plan.

We looked for a partner to accelerate our growth.

To enter the market, we partnered with Ceridian—an established payroll provider with a great reputation for service and substantial distribution capabilities. I was impressed with Ceridian's deep experience and customer focus, but it was apparent that Ceridian lacked solution for the modern workforce. Our partnership was very successful and proved Ceridian could sell and manage Dayforce's technology. In 2012, Ceridian acquired Dayforce and I became CEO of the combined global organization.

Since the acquisition, we simplified Ceridian to focus on growing our cloud HCM business, and today we continue to execute on our vision for a modern cloud platform that covers the entire employee experience and makes work life better for people.

Over 3,000 customers are live on Dayforce, and Dayforce revenue has grown at a compounded annual growth rate of greater than 60% since 2012.

A unified platform with a single source of data and predictive analytics has changed the game. We have built a remarkable business at Ceridian. Driven by the belief that engaged employees are the key to great customer experiences, we have created a culture of innovation and performance that has attracted the top talent from across the industry. Our culture combines the innovation, agility, and technical leadership of Dayforce with the domain expertise, customer focus, and experience at scale of Ceridian.

The combination of founder-led start-up and established enterprise with experience at scale has been phenomenally successful.

We live what we do, and we foster an environment where everyone in the organization cares and is passionate about our mission. I am tremendously proud that Ceridian has also been recognized as one of Glassdoor's Top 100 Places to Work in both the United States and Canada, and as one of Glassdoor's top 15 companies to "Recommend to a Friend" in the United States.

We'd be delighted for you to be a part of our story.

This initial public offering is an important milestone for Ceridian. I invite you to share in our journey as we continue our mission to innovate and to make work life better. The offering will boost our financial flexibility and provide access to capital, allowing us to accelerate our plans for the future.

We remain dedicated to building and delivering innovative technology that helps companies better engage and manage their employees, because when their employees succeed, our customers succeed — and when our customers succeed, we succeed.

I hope our story resonates with you, and that you'll join us on our journey.

Yours truly,



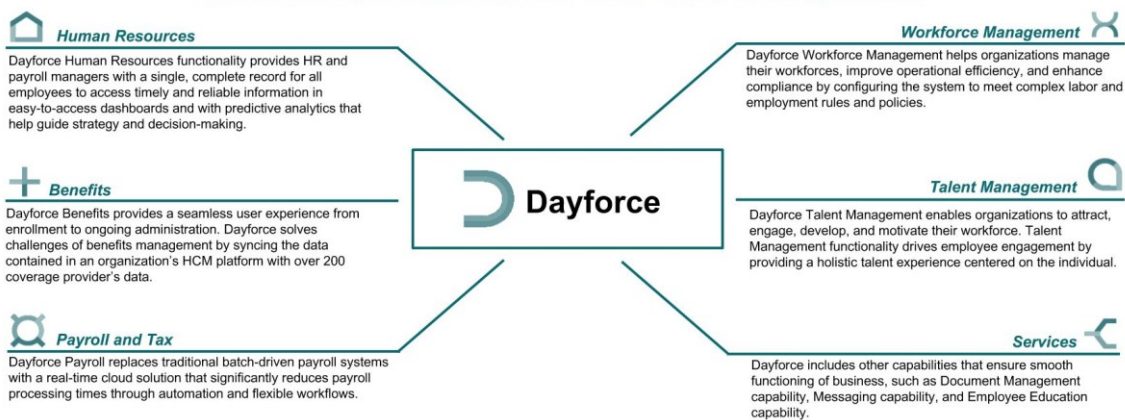
David Ossip

Dayforce Founder and Ceridian CEO

Exhibit 5: Dayforce Platform in 2018 ³¹

Dayforce Platform

Ceridian's flagship offering, Dayforce, is a comprehensive, modern, cloud HCM platform that helps businesses manage their complete employee lifecycle. It is built as a single application that combines a modern, consumer-grade user experience with proprietary application architecture, including a single employee record and a rules engine spanning all areas of HCM. The platform provides the following functionalities:



Source(s): Ceridian website, Ceridian S-1 filing

Exhibit 6: Other offerings Overview (2018) ³¹

Company Offerings Overview (Cont'd)

Other Offerings

■ Powerpay

- Powerpay is a cloud platform that provides scalable and straightforward payroll and HR solutions.
- Ceridian offers Powerpay to Canadian organizations with fewer than 100 employees.
- Specifically designed for small businesses, Powerpay enables clients to pay their employees accurately and on-time.

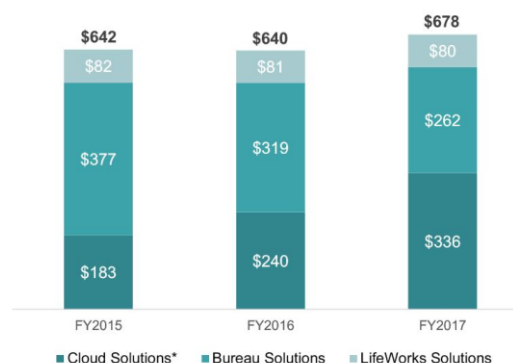
■ Bureau Solutions

- Bureau Solutions offers payroll, payroll-related tax filing services, and outsourced human resource-related services using legacy technology.
- The company generates Bureau revenue from HCM solutions delivered via a service-bureau model.

■ LifeWorks Solutions

- LifeWorks offers employee engagement services, such as employee assistance programs, exclusive perks and discounts, social recognition, a private social network, employee and corporate wellness, and employee engagement analytics.
- Ceridian offers LifeWorks in the US, Canada, and the UK directly by the LifeWorks joint venture, and in many other countries around the world through LifeWorks' network of providers.

Revenue Breakdown (in \$ million)



* Cloud Solutions = Dayforce + Powerpay

Source(s): Ceridian website, Ceridian S-1 filing

Exhibit 7: Ceridian's business strategy, 2018³¹

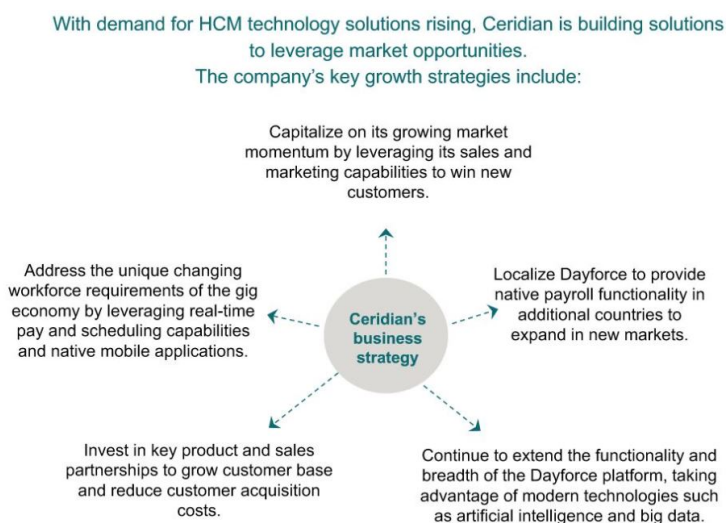


Exhibit 8: Business model (Q1 2020)³²

Our Business Model

Our business model focuses on supporting the rapid growth of Dayforce and maximizing the lifetime value of our Dayforce customer relationships. Due to our subscription model, where we recognize subscription revenues ratably over the term of the subscription period, and our high customer retention rates, we have a high level of visibility into our future revenues. The profitability of a customer to our business depends, in large part, on how long they have been a customer. Because in our current business model, PEPM subscription fees are not charged until the customer goes live, and because we incur costs in advance of receiving PEPM revenue that are not offset by our implementation fees, we estimate that it takes approximately 2 years before we are able to recover our implementation, customer acquisition, and other direct costs on a new Dayforce customer contract.

Over the lifetime of the customer relationship, we have the opportunity to realize additional PEPM revenue, both as the customer grows or rolls out the Dayforce solution to additional employees, and also by selling additional functionality to existing customers that do not currently utilize our full platform. We also incur costs to manage the account, to retain customers, and to sell additional functionality. These costs, however, are significantly less than the costs initially incurred to acquire and to implement the customer.

How We Assess Our Performance

In assessing our performance, we consider a variety of performance indicators in addition to revenue and net income. Set forth below is a description of our key performance measures.

	Year Ended December 31.		
	2019	2018	2017
Live Dayforce customers	4,363	3,718	3,001
Annual Cloud revenue retention rate (a)	96.3%	96.0%	96.7%
Cloud annualized recurring revenue (ARR) (a) (Dollars in millions)	\$ 582.0	\$ 476.2	\$ 366.7
Adjusted EBITDA (b) (Dollars in millions)	\$ 184.6	\$ 160.6	\$ 131.4
Adjusted EBITDA margin	22.4%	21.7%	19.4%

- (a) Annual Cloud revenue retention rate and Cloud annualized recurring revenue are calculated on an annual basis, and the disclosure reflects data as of the most recent fiscal year end. Please see below for further explanation.
- (b) For a reconciliation of Adjusted EBITDA to operating profit, please refer to the "Non-GAAP Measures" section.

Exhibit 9: Written by Ceridian's Executive Vice President, Chief Information Officer Warren Perlman (March 2020): Perlman's Top 10³³

One of the big lessons so far from the COVID-19 pandemic is that we live in an interconnected world, where we are all in this together.

Now more than ever, this is a time for organisations to share best practices and learn from each other. In that spirit, I'd like share what I call "**Perlman's Top 10**". These are simple, but critical steps that my colleagues and I in Ceridian's IT department took to ensure the business would continue to operate efficiently, so our employees could continue to delight our customers virtually during this unprecedented event. These steps can be done by businesses – both large and small:

#10. Use Zoom and Teams for online meetings.

#9. Increase frequency of communication to the IT and broader company teams – with helpful "how to" tips.

#8. Prepare the support desk to support user home networks (Wifi, printers, etc.).

#7. Acquire webcam-enabled laptops for staff who don't already have laptops.

#6. Enhance monitoring and reporting capabilities to provide near-real-time updates regarding VPN connections, bandwidth utilisation, and VOIP connections and capacity.

#5. Verify VPN and bandwidth capacity for a 100 percent work from home environment

#4. Contact and have regular touchpoints with all critical vendors to ensure service continuation.

#3. Heighten cybersecurity operations to ensure stability of all environments and thwart advanced phishing attacks.

#2. Verify backup services for all critical systems.

#1. Review Business Continuity Plan. Assume a 100 percent work from home environment and adjust plan accordingly.

Lastly, I cannot tell you how many calls and notes my colleagues and I in the IT department have had from our Ceridian colleagues in Canada, the U.S., Mauritius, the U.K., and Australia. This is really gratifying, and it inspires the team. Clearly, our past preparation is paying off now.

Stay safe everyone and be sure to thank your IT team!

Warren

4. Teaching notes

4.1 Synopsis

The present case focuses on the importance of strategic change and dynamic capabilities within the context of digital transition in the HCM market, through an example provided by Ceridian Inc, whose transformation process, allowed the company to recreate itself from being an aging technology services provider to a global HCM leader. The first scene opens with then-CEO, David Ossip, commenting on the unprecedented circumstances that businesses and individuals across the world were required to face at the beginning of 2020, as a result of the outbreak of COVID-19. The chapter aims to introduce the importance of being capable of changing and adapting in unpredictable environments.

The second section gives a simplified overview of the segments and industry in which Ceridian Inc. had operated during its lifetime, the major players and the most significant developments and shifts that had occurred from 2004 to 2019, as a reflection of changes in market orientation and tendencies. More precisely, this part aims at underlying the major factors organizations operating in the HCM market were required to take into account to effectively face the competition and succeed. In particular, the reader should note that the world of work had been characterized by a number of shifting needs and tendencies, as a result of changes in external circumstances.

The third chapter relates to Ceridian's history, from its origins as a services company to its evolution into a successful HCM IT firm. This section provides evidence of the organizational changes that the company had gone through over time, with a focus on the initiatives implemented since 2012, after Dayforce's acquisition. The company focused on pursuing a digital transition. With a clever use of data analytics and sophisticated technology, they introduced initiatives to improve both employee experience and user experience. In this regard, the reader should note that the "holistic" approach taken by Ceridian's leadership team and its major goals following Dayforce's purchase appeared to be consistent with the trends and needs perceived in the HCM market at that time. During David Ossip's tenure, a number of technological developments and innovations occurred, including new features contained in Dayforce and global initiatives. "Exhibit 4: Founder Letter (pre-IPO, 2018)" provides further information in this regard. Other strategic initiatives occurred, mainly aimed at simplifying the business model, lighten their debt service load and better position Ceridian for continued growth.

The following chapter mentions Ceridian's IPO and the developments that occurred in 2018 and 2019 within the context of a growth strategy.

Finally, the last section intends to be the sequel of the initial scene. After revisiting Ceridian journey, the then-CEO returns to his current reality and, together with his top management team, decides on the needed actions to take, reflecting on the impact of the global crisis on their corporate goals and plans.

Exhibits, references and additional information are provided as a support of the teaching case.

4.2 Learning objectives

Ceridian HCM Inc. case was written to be taught to both undergraduate and graduate students, in General Management or Strategy courses. Ultimately, it could also fit on HR and organizational behavior courses. The present case demonstrates how a company operating in the HCM market has been capable of making a clever use of technology, while building an agile organizational culture to pursue a successful digital transition. Furthermore, the case illustrates the dynamic capabilities' view applied to a real company.

The current teaching case aims to

- Alert students for the need to develop an agile and adaptable mindset and build an organizational culture capable of rapidly adapting to changes. In light of fast-changing environments and unpredictable circumstances, the presence of dynamic capabilities (Barreto, 2010) is crucial.
- Highlight the need to consider and deeply analyze not only external or internal episodic changes, but also new approaches and perspectives arising over time in the marketplace. When it comes to operating in fast changing and highly competitive environments, it is important to pursue constant updates, in-depth research and ongoing R&D efforts.
- Provide insights on how an effective implementation of technological tools can be beneficial to employees. Technology can be adopted to facilitate the meeting of individual and corporate objectives while improving employee experience.
- Bring attention to the importance of employee's collaboration and engagement when carrying out a Strategic Change inside the company.

4.3 Intended contribution

The present case's focal contribution is to demonstrate how an effective implementation of organizational and strategic change and dynamic capabilities result to be crucial for a company operating in fast-paced environments. The study also emphasizes the key role played by developing an agile and creative mindset and a culture of innovation to respond to continuous and unpredictable change. Additionally, the case shows that focusing not only on the user, but also on the employee and consumer experience can have a dramatic impact on a firm's business results and reputation.

4.4 Pedagogical overview

In order to analyze the case, students are requested to read the teaching case itself, the abbreviations list, additional material (especially with reference to "The Founder Letter" and the video "Insight 2018") in tandem with the case questions. From a theoretical perspective, students should have covered the basics of SC, Organizational Agility and DCs. The recommended articles for review are "Time in Strategic Change Research" by Kunisch et al. (2017), "Organizational Agility" by Harraf et al. (2015), "Dynamic Capabilities: A review of past research and an agenda for the future" by Barreto, 2010. Additional individual research on the HCM industry's major players and upcoming trends is recommended to help students bridge DCs concepts to the case (e.g. "Global HCM Trends" by Deloitte)³⁴.

4.5 Assignment questions and analysis

1. After carefully reading the case study, identify the major trends in the external environment (technological, economic, etc.) of the HCM industry from 2012 to 2020.
(Hint: Read the case exhibits to provide a more comprehensive response.)
2. Using the definition of DC provided by Barreto (2010), apply the conceptualization on Ceridian's case with detailed examples taken from the current case.
3. Analyze Ceridian' organizational transformation and the employees' role in the process.
4. Analyze the impact of COVID-19 on the world of work and critically evaluate Ceridian's responses and actions at the time the case is set.

The purpose of this question is to foster a class or group discussion. For this exercise the following home assignment is recommended before the discussion session: individually

or in groups, conduct a general research concerning the latest trends in the HCM industry and issues emerging from the global crisis caused by the COVID-19 pandemic. Consider requesting students to visit Ceridian’s website and watch the following video for additional insights:

<https://ceridian.hubs.vidyard.com/watch/z514gCfrgTwLcHFjMc7szf> (Insights 2018).

Some examples of potential (but not limited to) answers to the assignment questions stand as follows:

1.

External factor	
Technological	<ul style="list-style-type: none"> – “Rapid development of new technologies and disruptive innovations, including social networking, total connectivity across all people and systems and new data collection tools”. – The emergence of new technologies, including Artificial Intelligence (AI) and Machine Learning (ML) for data analysis as well as factors such as increase in need to streamline HR operations, rise in demand of unified HCM suite, and growth in adoption of cloud-based deployment model in developed and developing countries”
Cultural/social	<ul style="list-style-type: none"> – Challenges connected with people engagement and retention, in tandem with topics including leadership and culture were particularly stressed and resulted in the necessity for HR professionals “to consider the whole "ecosystem" of talent issues in their strategies, programs, and systems, looking for tools capable of driving employee engagement” and improving employee experience.“ – Topics such as inclusion and diversity started to be addressed – Availability of data had changed employers and employees’ expectations
Economic	<ul style="list-style-type: none"> – Growing market, especially with regards to the US, and expected to further increase over the following years owing to the implementation of optimized workforce analytics, development of employee experience platforms and the emergence of mobile applications for HR. – Highly competitive industry
Legal	<ul style="list-style-type: none"> - GDPR to protect personal data and individual privacy issues.

2.

DC: a firm’s potential to systematically solve problems, formed by its propensity to:

<p>(1) sense opportunities and threats</p> <p><u>High</u></p>	<ul style="list-style-type: none"> - David Ossip sensed the opportunity in Ceridian <u>in light of</u> the arising trends in the HCM industry. - Since they acknowledged they were operating in fast-changing and hyper competitive environments, they conducted ongoing research and updates keeping launching new features within Dayforce over time to increase sales and their customer base, in tandem with expanding globally.
<p>(2) make timely decisions</p> <p><u>Medium</u></p>	<ul style="list-style-type: none"> - Dayforce’s acquisition in 2012, relatively late compared to the competition. In fact, the emergence of cloud technologies had <u>arised</u> since 2006-2007, however, it may be argued that most customers, especially mid-small firms, were not ready for a real digital transition yet. These trends appeared to gain more significance afterwards due to technological developments and innovations.
<p>(3) make market-oriented decisions</p> <p><u>High</u></p>	<ul style="list-style-type: none"> - They operated and made organizational and strategic changes <u>taking into account</u> market orientations and latest trends (e.g. focus on employee experience, advance analytics, the emergence of A.I. and Machine Learning, Cloud platforms, etc.)
<p>(4) change the resource base</p> <p><u>High</u></p>	<ul style="list-style-type: none"> - Ceridian had <u>implemented</u> several programs to improve their HR processes and reorganize the overall company. They addressed the need to “assign the right person to the right role”. This led to the acquisition of Top Talents, <u>a number of</u> employees switching to different roles and a laid-off of people who were not a good “FIT” with Ceridian. - Also, the company sold several unrelated businesses in order to focus on their core Cloud platform and pursue their growth strategy.

3.

<p>2007-2009</p>	<ul style="list-style-type: none"> • Substantial developments to its HR processes had taken place with the adoption of different methodologies and approaches, including Six Sigma, DMAIC (define-measure-analyze-improve-control), Lean and Business Process Management Systems (BPMS). • In order to enhance their customer listening efforts, a variety of specific programs and practices had been implemented (e.g. customer advisory boards, net promoter scores, executive customer listening visits and continued refinements to Ceridian’s customer service and implementation Centers of Excellence).
<p>From 2012</p>	<ul style="list-style-type: none"> • Ceridian acquired Dayforce • David Ossip was assigned as a CEO and Chairman • They redesigned the customer experience following the workshop in Toronto <p>To reinvigorate the organizational culture:</p> <ul style="list-style-type: none"> • Introduction of the “Top Talent” program • Coaching existing leaders on effective communication and hiring new leaders considering their ability to effectively communicate and manage change. • The workplace was redesigned without the “executive floor”. • Identifying the company’s purpose, the “why” • The vision was cleared and effectively communicated • “New shared values consistent with the organization purpose had to be defined and followed and they introduced an effective program to communicate the new values and ensure individuals’ behavior was aligned with them, • Distribution of the book “Our Way”, including a number of internal and external case studies demonstrating the effectiveness of following that purpose and living those values. • Creation of regular surveys concerning Ceridian personnel’s understanding and connection to company values; initiatives to improve the results in the required areas. • Initiatives in their HR department to ensure the right people were placed in the right roles (ex. moving various individuals to different positions • Changes in their recruitment process • Anonymous people engagement surveys • Open forums • Implementation of ethnographic research <p>Ongoing product and services developments</p>

From 2013	<ul style="list-style-type: none"> • Sale of unrelated businesses to focus their R&D efforts on their Cloud platform • Merge of Comdata, their payment systems business unit, with FleetCor Technologies, in 2014.
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4.

The fourth question is supposed to evaluate students' critical thinking and engagement and their capability of doing research on a specific domain. Students may also be asked about the role and impact of Ceridian's stakeholders' decisions and actions on the company's performances and choices (e.g. major retail customers suffering from the negative consequences of the health crisis, new regulations in targeted countries). Moreover, the instructor may consider moving the discussion to Ceridian's prompt actions to changes in regulations and employees needs during the global crisis, through an in-depth analysis of the last section of the teaching case.

4.6 Board Plan

The case is designed for a 90-minute lecture. The following table shows the proposed activities and the duration of each task.

Activity	Time (Min)
Ceridian Case & Paper Review	20
Question 1	10
Question 2	15
Question 3	15
Question 4: Discussion	20
Take-aways	10

5. Discussion

It has become clear that the rapid pace of change in the current business environment is getting greater over time (Burnes, 2004; Luecke, 2003). It can be argued that the COVID19 outbreak has increased the general awareness that “change is an ever-present feature of organizational life, both at an operational and strategic level” (Burnes 2004) and that any organization’s “ability to define where it needs to be in the future, and how to manage the changes required getting there.” (By, 2005) play a critical role when dealing with changing environments. The present thesis intends to demonstrate with a real-life example that traditional approaches to organizational change, mainly focused on assumptions based on stability and routine, rather than a constant of life, are likely to underestimate the ubiquity of change (Weick & Quinn, 1999). In fact, synoptic accounts is usually privileged, and change is perceived as “an accomplished event” and commonly approached on a macro level (as Porras and Silvers 1991, Weick and Quinn 1999, Van de Ven and Poole 1995, Tsoukas 1996). However, this perspective, even though it can be useful to some extent, does not offer a comprehensive picture of the passing of time as a continuum, rather a snapshot of distinct states. The HCM industry evolution and developments over time in the present study case provides an example in which market tendencies and customers preferences and needs have evolved and keep evolving during the years as a result of multiple shifts in the overall ecosystem over time. Approaching change, not only on a macro, but also on a micro level, as such as continuous emergent change (Weick 1999), “characterized by slight, uninterrupted adjustments, generated simultaneously across units, that create cumulative and significant change” has managerial implications and, as shown in this case, can allow firms to better cope with fast-changing environments. Ceridian represents a real-life example of a firm which has been able not only to dramatically reinvent itself as a response to specific episodic events, but also to create a “dynamic” organizational culture, a shared mindset amongst their employees which, together with other factors (e.g. technology and infrastructure), enabled the organization to keep being proactive and rapidly adapt to shifts in an ecosystem characterized by “ongoing, evolving, and cumulative” change.

Ceridian also focused on developing agility within the organization, while creating a culture of innovation, in line with the conceptualization describing the latter as “the ability to do new things and the ability to do old things in new ways” and “the pressing need to find a new and improved method for performing some function or providing some service” (Harraf, 2015). According to the same author, in rapidly changing environments, building a culture of innovation, involving a constant evaluation of an organization’s systems, structures, procedures, teams, and other organizational

components already in place, in tandem with developing organizational agility, defined by Alzoubi (2011) as “an ongoing process, much like continuous improvement (..) more a matter of becoming than being, (..) a core competency, competitive advantage, and differentiator which requires strategic thinking, an innovative mindset and the need to be adaptable and proactive.”, become crucial to succeed and Ceridian case shows to be consistent with these findings. With regard to strategic change, Boeker (1997) has demonstrated that poor performance —either relative to a firm’s historical levels (i.e., prior years) or relative to other firms (i.e., the same time period)—fosters the likelihood of strategic change. In addition to this, various academics suggest that this could be due to a need for performance turnaround (Kunisch et al., 2017). Considering Ceridian case, the partnership with Dayforce started in a period when the company was still profitable, however, their performance was declining over time and they perceived the threat of losing market shares as a result of changing in customer’ s needs and expectations their current offerings could not satisfy and their major competitors already being providers of more updated products. These elements had contributed to an increased likelihood of strategic change.

Research has shown that new CEOs from outside are more likely to generate strategic change, since “they are usually not committed to the status quo or to the firm’s established strategies and policies”, and that relations between new CEOs and strategic change may be contingent upon contextual factors. (Kunisch et al., 2017) As Karaevli and Zajac (2013) also argue, “outsider CEOs generate a greater degree of strategic change after taking the helm of firms characterized by corporate stability—operationalized as ordinary succession, a long-tenured predecessor CEO, and good firm performance”. The current case relatively sustains these results: Ceridian’s major transformation occurred following Dayforce’s acquisition and David Ossip being assigned as a new CEO, with a “good”, although not satisfying performance. Furthermore, according to several studies, change agents’ cognitions, since they influence their perceptions of threats and opportunities as well as the firm’s alignment with its external environment, have an impact on the perceived need for change and any following action (Barr1998; Barr et al. 1992; Gioia&Chittipeddi,1991). It is clear that Ossip’s cognitions concerning the external environment, the extent to which Ceridian’s was aligned with it and the needed responses to change have played a significant role during the overall process. Audia et al. (2000) showed that the likelihood of strategic change can also depend on change agents’ interpretations of past (decreasing) performance: in case an organization’s poor performance is attributed to internal causes, strategic change will most likely take place, whereas if they consider low performance to be linked to external factors change agents will be less propense to feel the necessity of strategic change. In Ceridian case, it can be argued that their declining performance and

perceived risk of losing market shares were mainly attributed to two main internal causes — the lack of an innovative product in their pipeline and the fact that the organization was highly compartmentalized which led to internal organizational issues — ; this perception is likely to have increased the need for a strategic change within the organization.

In tandem with the key role of being agile, developing a culture of innovation with a TMT capable of leading effective organizational change, the present case also demonstrates how Ceridian's DCs resulted to be essential to reach their corporate goals and objectives. In fact, this firm's "potential to systematically solve problems, formed by its propensity to (1) sense opportunities and threats; (2) make timely decisions; (3) make market-oriented decisions; (4) change the resource base" (Barreto 2010) had been determinant over the company's journey: for instance, with regards to the first propensity, both Ceridian and Dayforce perceived the opportunity for a partnership and then an acquisition, as well as the threat for Ceridian of losing market shares if actions were not taken. As for timing, they sensed the emergence of Cloud platforms late compared to the competition, especially concerning products sold to large enterprises and other major players were able to take advantage of this trend increasing their customer base and making their name recognition greater over time. However, the overall demand of Cloud platforms had seen its dramatic increase over the following years, therefore, it might be argued that Ceridian's actions occurred in a time when the "windows of opportunity" were still open. Other authors agree on the importance of being capable of responding "at the right time—as windows of opportunity are open, since it places the firm in a relatively advantageous and competitive position" and increases the likelihood of superior performance" (Eisenhardt, 1989; Eisenhardt & Bourgeois, 1988; Kim & McIntosh, 2011). With this respect, Ceridian case confirms these findings. With reference to third dimension identified by Barreto (2010), market orientation, thorough research and analysis on the arising trends and customers preferences and needs had been conducted over time, leading to the development of new technologies and the launch of various new features and products that significantly increased their sales and customer base and placed Ceridian amongst the HCM top players within a few years. Finally, as for the fourth dimension, they were then capable of making several changes with regards to their resource base (e.g. from assigning David Ossip as a CEO and Chairman to selling several unrelated businesses and "moving the right person to the right role").

Despite the remarkable contribution of the DC framework to the literature in the field of Management and Strategy, it can be argued that limitations do occur and could be addressed by further research. For instance, the four measures proposed by Barreto (2010) could be further investigated, especially with reference to their assessment which is mainly qualitative and thus, may be object to subjectivity

to some extent. Furthermore, it is important to highlight that the case study research is a method which is qualitative by nature. In the present one, both primary and secondary data were used. The secondary data were collected from multiple sources including the company's website, press releases and articles, while, in terms of primary data, conversations with a director working at Ceridian Inc have been pursued and a personal interview was conducted. However, due to time and resources constraints, interviews with other members of the organization, such as front-line employees, were not viable at the time in which the present thesis was written and they could, therefore, be considered by future research in order to better analyze the role of employees and their individual experience within the context of a digital transition. Further investigation may also address Ceridian's latest developments and plans to constantly adapt to fast-changing environments and the HCM industry's evolution with the intent to provide a better understanding, not only of how organizational culture and leadership can influence the effectiveness of strategic change, but also of the upcoming trends in the world of work and changing role of HR professionals resulting from the recent global crisis.

6. Conclusion

The current business environment is characterized by ongoing change and uncertainty. Only the firms which are capable to constantly adapt to new circumstances and find creative ways to catch opportunities in the midst of uncertainty survive and thrive in this new paradigm. In such a hyperdynamic world, organizations cannot consider change as an exception, rather they need to learn how to be constantly alert and ready to quickly change by focusing on what they can control, while taking into account both the external and internal environment in their decisions. In the present thesis, a number of different, but related, perspectives have been analyzed, including SC, OA and DC. The SC theory intends to provide explanation about the factors that can have an impact on changes within an organization. In light of the definition of SC suggested by Kunisch et al., (2017) and as shown in Ceridian case, managing its various phases and stakeholders over time is key to manage strategic change successfully. Despite being a relatively new topic in the strategic and managerial field, the OA framework has also been addressed. More precisely, its major components, flexibility and adaptability, have resulted to be crucial when dealing with fast-changing environments. Finally, the DC perspective, as an attempt at a general theory of competitive advantage, has been analyzed. To demonstrate the importance of these concepts within the modern business environment, this dissertation employed a teaching case, following the story of Ceridian HCM Inc from its origins to the beginning of 2020.

The main take-aways of this thesis include the utter importance of constantly scanning a firm's internal and external environment aiming at sensing threats, while exploiting opportunities deriving from changes in cultural and social trends, customer's needs and technological developments. Hereby it is significant that decisions are made in a timely fashion and directed at the right market. The thesis also shows how a services firm has been able to reinvent itself becoming a global leader in the HCM cloud market within a span of a few years by focusing not only on the user experience, but also addressing both employee and consumer experience in a holistic manner. By building a culture of innovation and developing a shared "growth" mindset, Ceridian HCM Inc has been capable of constantly addressing new challenges by updating their products, services and processes and expanding their offering taking into account their customers' needs and upcoming trends. These factors allowed the company to stay competitive and relevant in the hyper-dynamic environments at the time in which the firm was analyzed.

This research has allowed me to deepen my knowledge of the HCM market in general, and the underlying reasons connected with the increasing relevance gained by HR professionals in the current

business environment across the world. In addition to this, I have built awareness of the vital importance of developing a learning and growth mindset, both at an individual and organizational level, and how Dynamic Capabilities can serve as a valuable asset for an organization dealing with fast-changing environments.

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