

# Tech entrepreneur looks for a made-in-Canada solution to Ottawa's troubled Phoenix payroll system

SEAN SILCOFF TECHNOLOGY REPORTER

David Ossip had a good 2018. The South African-born Canadian entrepreneur led the largest technology initial public offering in Canadian history when Ceridian HCM Holding Inc. went public last April on the Toronto and New York stock exchanges.

His company – which is based in Minneapolis but managed from Toronto – is an emerging leader in the human-resources software market. Its success even prompted outspoken hedge-fund manager Bill Ackman to call for Ceridian rival Automatic Data Processing to buy it last year.

Now, Mr. Ossip is hoping to top that off by winning one of the firm's biggest contracts to date – to replace the federal government's disastrous Phoenix payroll system. Ceridian was one of five bidders to qualify in November to compete in the process – and has made the most noise about its interest.

Federal lobbying registration records show that Mr. Ossip met 11 times with senior government officials this fall, and the company has been unusually public about its intentions, launching a website ([openceridian.ca](http://openceridian.ca)) and speaking with journalists about its bid. By contrast, others believed to be on the shortlist – including foreign software vendors SAP SE, Oracle Corp. and Workday Inc. – either declined to comment or did not return messages. Advising Ceridian are top Ottawa lobby firm Earncliffe Strategy Group and public affairs expert Paul Deegan, formerly a senior economic adviser to U.S. president Bill Clinton and most recently senior vice-president of corporate affairs with Canadian National Railway Co.

“We see this as Canadians being wronged and we want to help fix it,” Mr. Ossip said in an interview. “We’re very confident we can solve it.”

Fixing Phoenix hardly sounds like a prize assignment. Phoenix has been a failure since its launch in February of 2016, thanks to mismanagement by the public services and procurement department. Tens of thousands of government workers have been paid too much, paid too little or not at all since Phoenix went live. A dysfunctional system that was supposed to save Ottawa \$70-million a year will cost \$2.2-billion to stabilize by 2023. Reports by the Auditor-General of Canada and the Senate labelled it “an

incomprehensible failure” and an “international embarrassment,” respectively, and the backlog of unresolved cases has caused financial havoc for many.

“People have lost faith,” said Debi Daviau, president of the Professional Institute of the Public Service, a union that represents 55,000 federal workers. “We can’t get [a replacement for Phoenix] fast enough. I don’t really care who they choose so long as they choose it quickly and it works ... at this point I think they just need to get people paid.”

The government is determined to avoid past mistakes while gambling on a novel and speedy procurement process to pick the system that rises from Phoenix’s ashes.

Federal chief information officer Alex Benay, who is spearheading the process for the Treasury Board Secretariat, calls it an “agile” and flexible approach that doesn’t lock the government into a rigid multiyear project where “delivering on time and on budget is more important than [yielding] something that works,” he said. He expects to make recommendations by June, just nine months after the process kicked off. Typical government procurements can take three years to hit that milestone.

The government has asked for bids from software firms, not systems integrators such as IBM (the American computing-services giant had the Phoenix contract to implement a system based on Oracle software). It expects short-listed candidates to produce not only thick binders with documents but working cloud-software platforms that bureaucrats, union officials and employees can test out. Mr. Benay has promised that the process will be open and transparent and involve the unions, and he recently participated in a live Twitter chat to discuss progress so far. “We designed [the process] very differently than to what we’re used to,” Mr. Benay said. “Getting this right is extremely important, which is why we’re doing it [this] way.”

If this were a typical government procurement – which tends to favour its established suppliers – Ceridian would be at a natural disadvantage to SAP, which has done business with Ottawa for two decades and has dozens of deployments with the government, including a system that does payroll calculations for Canada Revenue Agency employees. Ms. Daviau initially called on the government to use SAP’s solution as an interim fix to Phoenix (a separate Public Services and Procurement Canada-run process is looking for solutions to clear the Phoenix backlog; Ceridian has also bid for that). In contrast to SAP, Ceridian’s federal clientele is limited to a handful of departments and Crown corporations.

But given Phoenix’s “position of crisis,” Mr. Benay said he has a “clean slate [to] start over,” which means incumbency is no advantage.

That’s not to say Ceridian hasn’t forged its own advantages. The company got a head start by advising the government, from September, 2016, to May, 2018, to help Ottawa get a handle on the Phoenix problems and review potential solutions and options, giving Mr. Ossip a chance to engage directly with public officials. “I doubt they’ve seen that level of involvement from a CEO,” he said. He also noted that the number of new

employees paid through Ceridian software each quarter is about the size of Ottawa's payroll.

Ceridian has emerged as one of the most admired HR software players by providing a suite of services through a single platform, enabling employers to enter time and attendance information in the same software engine that processes payments. That has reduced errors and manual processes for employers and enabled Ceridian's flexible software to handle complex situations such as, for example, having employees spread across multiple jurisdictions. "It is just plain better than others for many, many user scenarios," market research firm Nucleus Research said in an industry report this year.

Ceridian was a fading technology has-been until it joined forces with Mr. Ossip early this decade. Mr. Ossip, who previously led HR software firm Workbrain Corp, started a company in 2009 called Dayforce to offer payroll processing and other HR functions over the internet. He sought out Ceridian, which still offered payroll services over mainframes, to market his cloud product in exchange for 20 per cent of Dayforce. He sold the rest of Dayforce to Ceridian in 2012 on condition that the buyer's private-equity owners made him chief executive. He subsequently transformed Ceridian's culture and moved much of the development and leadership jobs to Toronto. Dayforce now has about 3,500 customers and accounts for most of Ceridian's roughly \$1-billion in revenues.

The made-in-Canada aspect is a part of Ceridian's unconventionally public pitch that Mr. Ossip said "mirrors the openness the government has in the process" while giving his firm "the ability "to overcome our disadvantage [that] we are largely unknown in the Canadian government."

Winning – and, more importantly, successfully implementing – such a high-profile, high-stakes contract on home turf would not only show up foreign competition and bring peace to payday in Ottawa. It would also give Ceridian, whose software is used to pay one in five Canadian private-sector workers, a calling card to expand into the government sector. "This would create a lot of jobs across Canada," Mr. Ossip said.

But patriotism and public relations won't determine the winner, Mr. Benay said. "We'll let the process decide what's the best solution for the users, not pressure tactics or PR or any kind of noise ... the best solution for the user wins."

<https://www.theglobeandmail.com/business/article-can-ceridian-fix-ottawas-troubled-phoenix-payroll-system/>

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