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Magic Quadrant for Cloud Core Financial Management Suites for Midsize, Large and Global Enterprises

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The market for cloud core financial management suites is benefiting from the addition of new functionalities and the rise of digital capabilities. Application leaders in midsize, large and global enterprises should use this Magic Quadrant as an aid to identifying suitable vendors of cloud solutions.

Strategic Planning Assumptions

By 2024, 60% of all new midsize core financial management application projects, and 30% of large and global ones, will be public cloud implementations.

Through 2024, digital technologies will bring new capabilities and efficiencies, as well as integrated best-of-breed financial planning and analysis and financial close capabilities, into the core financial management suite.

Market Definition/Description

Since the previous version of this Magic Quadrant, in 2018, Gartner has seen a major increase in the number of end-user inquiries about cloud solutions in this market, mainly of the public cloud variety. During the same period, the number of inquiries about on-premises and hosted solutions has fallen dramatically.

The major attractions of the cloud solutions in this market are:

- The ability to keep up to date with new releases (customers are generally forced to stay within one or two releases of the current one)
- A more consumerlike interface that eases training and onboarding
- Digital capabilities, including artificial intelligence (AI), machine learning (ML) and robotic process automation (RPA); most of these capabilities will not be retrofitted to legacy on-premises platforms
- Improved agility, gained through faster introduction of new functionality such as subscription billing, revenue recognition and financial accounting hubs
- More emphasis on end users (in the office of finance) managing the applications, with less reliance on IT staff

The market for cloud suites will continue to evolve during the next five to 10 years. While rapidly maturing, the roadmaps associated with many cloud solutions evaluated here remain a work in progress in relation to functional depth, industry and geographic support.

Many large organizations with extensive on-premises business application architectures for core financial applications are investigating cloud solutions' capabilities and gauging when they should switch to the cloud. Most are looking for solutions that are minimally capable of providing functional parity with their on-premises counterparts. In many cases, they will find capabilities in today's modern cloud solutions that surpass those of "dated" solutions. However, for multibillion-dollar organizations this point may be several years off. Many are and have been pursuing a postmodern ERP strategy that surrounds their ERP solution with best-in-class cloud solutions for ancillary functionality. Most require faster processing and better collaboration, and analytics that are easier to use are needed (such as for employee expense management and financial planning and analysis). While this strategy currently represents a large percentage of multibillion-dollar organizations, new applications integrating financial planning and analysis (FP&A) and financial close (FC) into core financials may achieve a competitive edge during the next three to five years.

Clients often ask Gartner what value a cloud project to deliver core financial capabilities can provide, and whether it can deliver this value sooner than on-premises solutions. We find that, as more organizations are adopting cloud solutions, they are typically achieving a faster time to value than they did with on-premises solutions. This improvement is often achieved when cloud core financial system deployments are accompanied by financial modernization and transformation efforts that include best-practice process adoption and simplification.

This Magic Quadrant covers core financial management suites that provide a view of an enterprise's financial position through automation and process support for any activity that has a financial impact.

According to Gartner's definition, core financial management suites include:

- The functional areas of general ledger (GL), accounts payable (AP), accounts receivable (AR), fixed assets (FA), project accounting, project costing and project billing.
- Newer capabilities, when available for inclusion, such as subscription billing, revenue recognition and account hub, as well as process enhancements aided by AI and ML.
- Financial analytics and reporting capabilities, including the provision of financial information (via profit and loss [P&L] statements and balance sheets, for example) and of key performance indicators to managers and executives. These capabilities are also gradually being targeted with AI and ML.
- Basic indirect purchasing functionality, from creating a requisition through to purchase order processing and AP invoice matching and payment. Many enterprises — especially midsize ones — need some basic procurement functionality within their core financial applications.

Please note that more-advanced procurement and sourcing functionality is covered in "Magic Quadrant for Procure-to-Pay Suites" and "Magic Quadrant for Strategic Sourcing Application Suites."

This Magic Quadrant focuses solely on core financial management suites that are marketed and sold on a stand-alone basis and delivered as cloud services. It does not cover vendors whose core financial management applications are always sold as a suite that includes operational ERP capabilities.

Two vendors that were previously in this Magic Quadrant (see the Vendors Added and Dropped section) were eliminated due to their core financial management systems not being actively sold or marketed as a stand-alone system. While most of the vendors found in this report offer capabilities beyond core financial management, this Magic Quadrant evaluates them purely on the capabilities of their cloud core financial management suites. It also evaluates their ability to market, sell and support solutions for finance organizations. This Magic Quadrant also offers a concise picture of the market's landscape, growth and evolution. It also records how the overall market has progressed even though some vendors have struggled to keep up with the pace of change.

A full list of the attributes within our definition of a "cloud service" appears in the Inclusion and Exclusion Criteria section (it is essentially unchanged from the previous editions of this Magic Quadrant). In simple terms, a cloud service must confer the benefits of SaaS on its users. In other words, the application software must be delivered and managed remotely, based on a single set of common code and data definitions, and must be consumed in a one-to-many fashion by all contracted customers at any time. The cloud service must be purchased either on a pay-for-use basis or through a subscription based on usage metrics. It must be a public cloud service that uses shared resources to provide elasticity and to support multiple consuming organizations.

Gartner's definition of a cloud service is not associated with a specific technical architecture, such as one involving multitenancy at the application level. Four types of cloud service solution met the inclusion criteria for this Magic Quadrant:

- **"Born in the cloud" solutions —** These are architected from the outset solely as cloud services. They typically have a multitenant application architecture.
- **"New generation" solutions —** These are architected for multiple deployment models, typically public cloud, private cloud and on-premises. They often support multitenancy at the database or operating system level, and may make use of virtualization techniques.
- **Existing solutions that have been substantially rearchitected as cloud services —** These are similar to the "new generation" solutions because they also support multiple deployment models (public cloud, private cloud and on-premises). But rather than starting from scratch, the vendors have made substantial changes to the underlying architecture of existing solutions in order to support public cloud deployment.

- **Existing solutions delivered as public cloud SaaS —** These are solutions for which the underlying architecture has not changed significantly, but for which vendors have developed an infrastructure-provisioning layer in order to deliver them within public clouds. (Solutions may also be offered for private cloud, hosted and on-premises environments.)

Gartner's definition of this market includes cloud core financial management suites marketed and sold to the following sizes of enterprise:

- **Midsize enterprise —** Annual revenue from $50 million to $1 billion
- **Large enterprise —** Annual revenue from more than $1 billion to $5 billion
- **Global enterprise —** Annual revenue of more than $5 billion

These definitions apply throughout this document when it refers to "midsize," "large" and "global" enterprises.

When an enterprise does not report revenue, we use an equivalent measure, such as annual funding or expenditure. This is the case, for example, with public-sector and not-for-profit organizations.

Our definition of this market excludes cloud core financial management suites aimed at small businesses; that is, those with annual revenue of less than $50 million. Those businesses are typically covered by suites that are not included in this document.

Our definition of this market is broad, covering midsize, large and global enterprises across all major regions. In such a broad market, many vendors will struggle to become Leaders, because they either focus on companies of a particular size (several focus on midsize enterprises) or have limited geographical reach.

How to Interpret This Magic Quadrant

The fact that we classify certain vendors as Leaders does not mean that their solutions are necessarily the best — in terms of functionality and technology — for all use cases. All the vendors featured in this Magic Quadrant deliver viable suites and are equally worthy of evaluation.

Gartner plans to publish a partner Critical Capabilities report in the second quarter of 2019, to assess vendors in light of a number of use cases. It will help you identify which solutions are most suitable for your needs. The use cases will include the ability to serve companies of various sizes, as well as those for business units and for EMEA-based enterprises.

Core financial management applications generally have a long and useful life, especially when they are systems of record. There is, however, a strong case for replacing many of the on-premises core financial management applications that enterprises have used for many years. Cloud solutions typically improve agility and collaboration, and offer superior analytics, ease of use, geographic coverage and industry capabilities. Consequently, the market's focus has shifted rapidly toward cloud-based solutions. The rate of cloud adoption varies widely, however — by industry, business domain and by organizations' size, sophistication and resources.

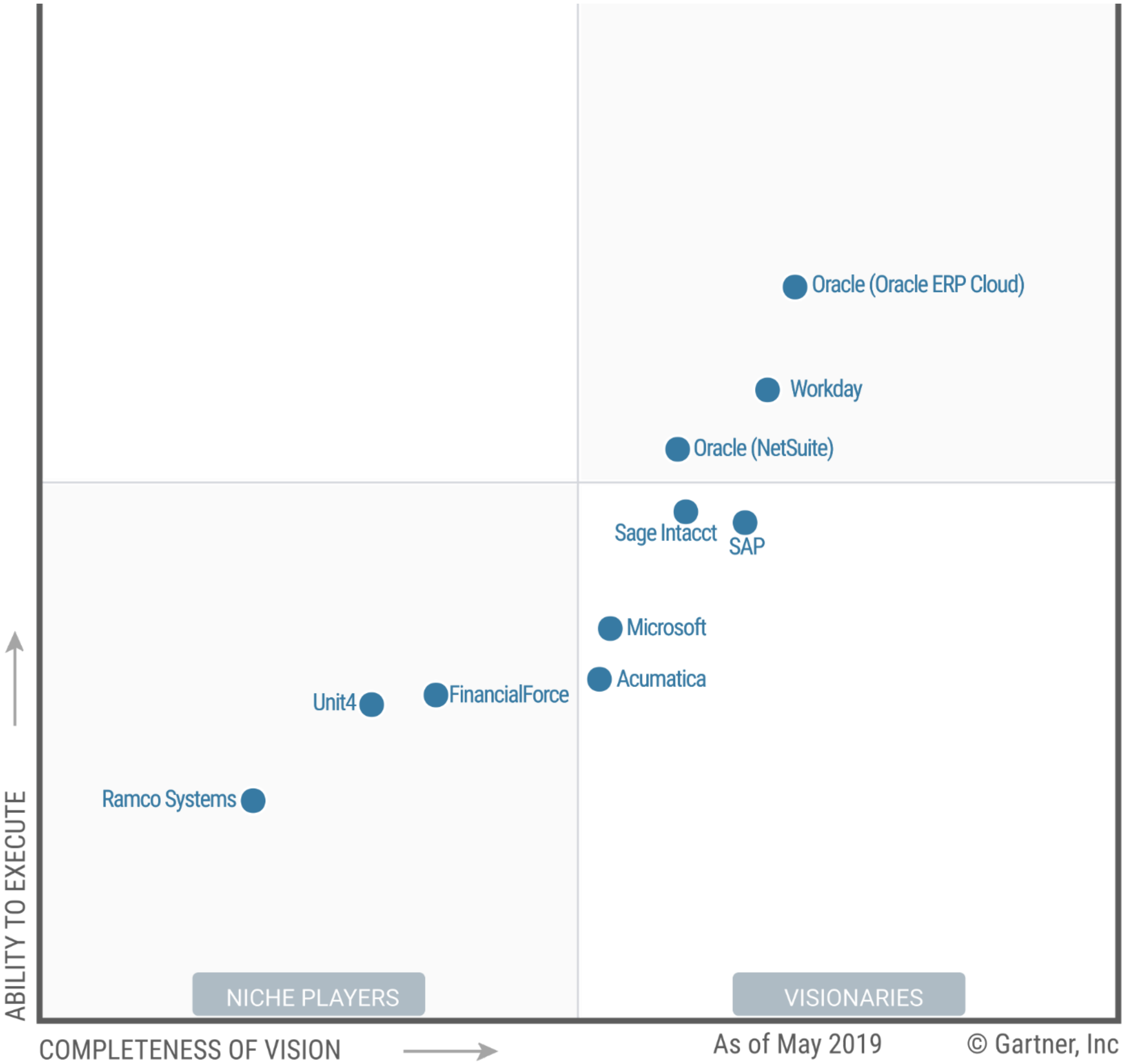
As in 2018, our survey of the evaluated vendors' reference customers shows that they value functionality significantly more than technical architecture. However, we recommend including technical architecture among your evaluation criteria because different architectural styles have different strengths and weaknesses and they should be evaluated against your organization's cloud standards.

Our reference customer survey also indicates that resellers and third-party system integrators often have insufficient knowledge of the current releases of vendors' software, and that in many cases the vendors have had to step in to help. This reflects vendors' rapid updating of applications, with new functionality typically being added in two to four cloud releases each year.

Please note: The market has advanced, year over year, as cloud core financial management suites have improved and as product adoption, innovation and execution have progressed. This requires us to recalibrate the Magic Quadrant from one year to the next, and is another reason why a comparison with the previous year's Magic Quadrant may show significant differences.

Magic Quadrant

Figure 1. Magic Quadrant for Cloud Core Financial Management Suites for Midsize, Large and Global Enterprises



Source: Gartner (May 2019)

Vendor Strengths and Cautions

Acumatica

Based in Bellevue, Washington, U.S., Acumatica sells its solutions through value-added resellers and private-label OEM partners such as Visma, Lexware, Cegid and Mind Your Own Business (MYOB). The product evaluated is the Acumatica Financial Management suite. Acumatica goes to market globally through a network of partners. It focuses on small and midsize enterprises and has customers in all major regions, with the majority located in North America. Various service-centric sectors together form its largest vertical market.

The Acumatica Financial Management suite is sold both on a stand-alone basis and as part of a broader ERP suite that includes distribution and manufacturing capabilities, along with CRM functionality. The solution is designed for midmarket customers and deployed in the Acumatica public cloud, run on Amazon Web Services (AWS), Microsoft Azure, or in a private cloud of the customer's choice (either on-premises or at a hosted facility).

Acumatica remains a Visionary, due to its focus on the cloud, its flexibility in supporting the extension of the functionality delivered by its partners, and its good core financial management functionality for midsize organizations.

Strengths

- Acumatica has a strong focus on midsize enterprises. Its partner strategy is well-suited to that market segment, enabling it to serve multiple industries and geographies.
- Acumatica shows a visionary roadmap for digital technologies (such as AI/ML); however, it is in the very early stages of execution, with limited functionality in current releases.
- Acumatica scored well with its customer references for product capabilities, showing a well-targeted and functional product for its client base. Acumatica can set up revenue billing rules for different products and services, and to link billing schedules to revenue recognition (in line with revenue recognition standard ASC 606). Visionary activities include future enhancements to invoice categorization and processing, and centralized billing.
- A wide variety of APIs, coupled with the flexibility of the Cloud xRP Platform and a range of partner apps, means that the Acumatica Financial Management suite is well-aligned with Gartner's vision of postmodern ERP.

Cautions

- Acumatica's reference customer scores place it above the mean (for this Magic Quadrant) for overall customer satisfaction this year. However, it was below the mean score in integration/deployment and service/support, showing potential issues with its consulting/reseller channel. Some reference customers were dissatisfied with their Acumatica integration and deployment.
- This year, all of Acumatica's references were based in the Americas. Enterprises based in other regions should check Acumatica's references in their home region. The bulk of Acumatica deployments made by reference customers were in North America, with some in Latin America. It did not appear in other regions. Potential users must be cautious, because this solution may not be available in every country.
- Reference customers for Acumatica once again scored the reporting and analytics capabilities — perceived as primarily based on Microsoft PowerBI — below the mean for this Magic Quadrant, and weaker than other capabilities. This is unfortunate, given the range of innate and add-on capabilities available in the product that are not being used across its customer base. Users also feel limited in performing group consolidation outside of branch accounting and want improvements to consolidate separate entities in multiple currencies.
- Acumatica offers its products on a white-label basis for sale by other vendors globally. It therefore misses the opportunity to be viewed as the primary vendor in deals, and must work hard to improve the recognition of its brand outside of North America.

FinancialForce

FinancialForce is based in San Francisco, California, U.S., and has offices in Australia, Canada, Spain and the U.K. FinancialForce has developed core financial management SaaS applications on the Salesforce platform. The product evaluated is the FinancialForce Financial Management suite. It sells its solutions directly, and most of its customers are based in North America or Europe.

FinancialForce Financial Management also offers functionality for subscription billing, revenue management and revenue forecasting. FinancialForce has customers in a wide range of industries — the largest segment being project-centric organizations, many of which also use FinancialForce Professional Services Automation. Most of its customers are midsize enterprises, but there are a small number of large and global enterprises.

FinancialForce is a Niche Player because of its limited reach outside the Salesforce ecosystem, which was also a key reason for purchase among its customer references.

Strengths

- FinancialForce focuses on the needs of the finance function and is well-positioned to take advantage of the transition of finance systems to the cloud. We have seen some progress in global penetration, with many customer references citing implementations outside of the U.S. — including in Asia/Pacific and EMEA.
- FinancialForce's unified revenue recognition supports the ASC 606 standard. Its subscription billing functionality (Financial Force Billing Central) is separately licensed under the Salesforce solution. This billing functionality is integrated with Salesforce CRM; can create consolidated invoices from multiple billing sources, including across multiple customer contract types; and supports both tiered and volume-based pricing.
- FinancialForce is making investments in digital technologies. Its investment in AI/ML is based on the Salesforce Einstein platform, which is licensed separately. Its roadmap in support of AI/ML is currently modest, with limited functionality in current releases.
- Native Salesforce architecture makes FinancialForce Financial Management attractive to organizations already using cloud services from Salesforce and its partners, due to the common look and feel, the wide range of partner applications, the extensibility and the ease of integration.

Cautions

- FinancialForce's customer reference scores placed it in the lower half of the vendors in this Magic Quadrant for product functionality. This illustrates a concern that FinancialForce may not be keeping up with the improvements that other vendors in this Magic Quadrant are making. This scoring is consistent with reference survey findings from last year. Customer references for FinancialForce considered its product capabilities and service/support to be below the mean for this Magic Quadrant; however, it scored above the mean for customer contract negotiation.

- About one-fifth of FinancialForce's reference customers were dissatisfied with their implementations, highlighting difficulty in obtaining skilled resources. They also mentioned weak partners, which means FinancialForce will need to do more in terms of partner support and training. Reporting capabilities were scored lower than other functional areas. Some references noted that the postimplementation experience has been poor — where there is a perception that the vendor charges separately for many features customers expected to be part of their initial deployment.

- FinancialForce's overall product scores from its customer references placed it neither high nor low among the vendors evaluated. Purchase order, financial reporting and AR scored less well. Users report that the scope and scale of FinancialForce's standard operational finance capabilities are lacking in places.

- FinancialForce's focus on Salesforce clients means there is limited awareness of this vendor beyond the Salesforce community and ecosystem. Prospective customers are often initially concerned about the influence of Salesforce, but they can implement FinancialForce's suite without needing to acquire the Salesforce platform.

Microsoft

Based in Redmond, Washington, U.S., Microsoft offers a number of ERP solutions, all of which include core financial management capabilities. As in prior cloud core financial management Magic Quadrants, the only Microsoft solution to meet the inclusion criteria for evaluation is Microsoft Dynamics 365 for Finance and Operations. Dynamics 365 for Finance and Operations contains a full suite of core financial management applications. It is sold and marketed on a stand-alone basis, as well as being part of the larger suite. It is aimed at midsize and large enterprises, and may be suitable for some global enterprises, depending on their requirements. It is appropriate for a wide range of industries, but the primary target sectors are retail, manufacturing, services, the public sector and distribution. It is sold primarily through partners.

Microsoft is a Visionary, due to its broad financial functionality, and wide geographic coverage.

Strengths

- Microsoft Dynamics 365 for Finance and Operations offers a comprehensive core financial management solution for midmarket and large organizations. The breadth of functionality in the product is wide, and the product performed well in the demonstrations for this Magic Quadrant. It is well-integrated with Microsoft Dynamics 365 customer engagement applications, Office 365 and the Power Platform.

- Microsoft has some leading functionality that organizations should consider. Its solution makes innovative use of technology for analytics, with embedded Power BI and real-time, in-memory multidimensional analysis capabilities. However, financial reporting and analytics was scored as being below average for this Magic Quadrant, implying that many of the organizations may not be fully utilizing these capabilities. In the future, predictive payments in AR is planned, along with vendor payments insights and advanced credit management, which shows good vision. Microsoft has a solid roadmap for utilizing AI/ML in its cloud core financial management offerings. It has, however, executed very little of this roadmap so far.

- Reference customers' scores for Microsoft were high in terms of geographic coverage. Its coverage is supported by a global network of partners, of which 75% operate in North America, 50% in EMEA and 42% in Asia/Pacific. It has also demonstrated good coverage across targeted industries.
- Reference customers consider the Microsoft product team to have been a strong partner — taking feedback and evolving the product roadmap to address key pain points or shortcomings in the product or its support. All customers are enrolled in the FastTrack customer success program, which provides direct engineering assistance to closely work with partners to help ensure faster deployment and onboarding, and quicker time to value for customers.

Cautions

- Dynamics 365 for Finance and Operations' customer reference scores placed it in the lower half of the vendors evaluated for overall satisfaction. There was dissatisfaction with evaluation and contract negotiation (user negotiations with partners) and even more so with deployment, integration, service and support.
- Although Microsoft has been building out a comprehensive partner training program, its ecosystem skills and implementation knowledge remain immature. The new FastTrack Solution Architect program is designed to enhance the implementation knowledge across partners.
- From a functional perspective, Microsoft's customer references also scored it in the lower half of the vendors evaluated. It falls below the mean for this Magic Quadrant in many areas, including AP, purchase order, project accounting and financial reporting. GL and fixed assets were above the mean. Some references reported that FastTrack was engaged too late in the delivery to be valuable, and that premier support is weak — requiring escalations to the third level of support.

Oracle (NetSuite)

NetSuite was founded in 1998, to provide web-based financial applications, and was one of the first vendors to develop multitenant SaaS business applications. In November 2016, it was acquired by Oracle, where it is operated as an independent global business unit. We have seen increased sharing of research and development (R&D) efforts at Oracle, particularly with the integration into financial analytics and FP&A.

NetSuite Financial Management is a comprehensive financial management suite that, together with financial planning, includes billing and revenue management capabilities. It is delivered on the NetSuite SuiteCloud Platform, which enables partners and users to extend, customize and integrate their applications. NetSuite Financial Management is part of a broader ERP suite. NetSuite has customers in a wide range of industries, but the business services, manufacturing, high-technology, retail and wholesale sectors are its largest.

Oracle (NetSuite) remains a Leader, whose execution and vision has improved since the last version of this Magic Quadrant.

Strengths

- NetSuite is a proven and established provider of cloud services targeting the lower midmarket (those with annual revenue of more than $50 million and less than $500 million), although the product itself is designed for companies of any size. It has a broad partner ecosystem.
- NetSuite's customer references scored it very high in client satisfaction overall. It received high scores in product evaluation/contract negotiation, deployment and integration, and slightly lesser ones for services and support. This reflects a major upturn during the past year. The majority of NetSuite's references were completely satisfied with the product, and approximately one-third were satisfied with it.
- NetSuite is still viewed by Gartner and its customer references as having strong and comprehensive financial management functionality. Its customer reference scores for GL, AP and AR place it in the top quartile of vendors in this Magic Quadrant. During the past year, NetSuite has improved in subscription billing, revenue recognition and real-time continuous consolidations, according to our evaluation.
- NetSuite has a strong roadmap for AI/ML, but only limited functionality in the current release.

Cautions

- NetSuite's focus on its broader ERP suite means it can be overlooked by customers interested principally in financial applications, especially given the strong market presence of Oracle ERP Cloud. Although NetSuite does sell its financial capabilities separately, some prospective customers have often been concerned that they will need to acquire the complete suite.
- NetSuite's target market remains globally inconsistent. Some clients may choose to go through partner channels to get it — if they are above the revenue threshold — because Oracle is now targeting NetSuite at organizations with annual revenue below $200 million (down from $500 million in 2018). While the lower marketing target focus clears up marketing concerns, we still do not see consistent follow-through from Oracle's sales teams when it comes to the positioning of NetSuite against Oracle ERP Cloud.
- Reference customers for NetSuite noted that their chosen partner implementers lacked some necessary skills. As with many of the other vendors' system integrator partners, it appears that some of NetSuite's are still not keeping up with recent releases — though there is some improvement.

Oracle (Oracle ERP Cloud)

Based in Redwood City, California, U.S., Oracle offers a number of ERP solutions, all of which include core financial management capabilities. Oracle ERP Cloud is a suite of core financial management capabilities that includes accounting hub, revenue management, project management, procurement, supply chain and risk management. It is suitable for upper-midsize, large and global enterprises, with the number of large and global enterprise customers growing rapidly. Oracle ERP Cloud is suitable for a wide range of industries and has customers in all major regions.

Oracle ERP Cloud is a Leader due to its broad and deep financial management capabilities, international capabilities, and strategic focus on selling and marketing the solution in all regions.

Strengths

- Oracle ERP Cloud provided a very strong demonstration for this Magic Quadrant and is among the leading offerings. While its overall position was strong, this was not reflected uniformly in the customer reference survey. This is, in part, due to much of the advanced functionality being newer and not yet fully deployed by customers. Oracle has a very strong roadmap for AI/ML, but only limited functionality in the current release. Its accounting hub use cases are strong for “beyond financial services” types of transactions, as well as for merger and acquisition integration use cases.

- Oracle ERP Cloud has a strong global support for language, currency and regulatory support, and has a large portfolio of customers across industries.

- Oracle’s customer reference scores place it just below the midpoint for customer satisfaction, and slightly above it for functionality (all functional areas being above the mean for this Magic Quadrant). Oracle has a strong vision for financial functionality, is well-known to financial professionals, and has messaging for finance customers that does not get lost in a broader suite proposition.

Cautions

- Oracle ERP Cloud can be implemented in a simplified “vanilla” fashion; however, many implementations are complicated due to the organization’s need for complex process support. Looking at both the customer reference responses and Gartner client calls, it is clear that many organizations underestimate this complexity and often overrun their implementation budgets.

- Customer references for Oracle stated that both Oracle and third parties underestimate the effort (resources and time) required to implement a well-configured product. They did, however, appreciate Oracle’s level of involvement in third-party implementations. Also note that while Oracle’s AI/ML roadmap is strong, customer deployment of advanced functionality remains inconsistent. This is due, in large part, to the newness of the functionality and the stage of cloud deployment at customer organizations.

- The rapid adoption of Oracle ERP Cloud by customers means that implementation skills and resources can be limited in some countries. Also, implementation partners do not always keep up to date with quarterly releases, creating a delay between availability and implementation. When Oracle implements alone, it utilizes the Soar program for conversions. Oracle needs to quickly move Soar out to its consulting partners; however, there are no plans for this at present. It continues to invest heavily in training its partners, and the number of trained consultants is growing in response to demand.

Ramco Systems

Ramco Systems is part of the Ramco Group of companies — a large, diversified conglomerate. Based in Chennai, India, Ramco has offices in all major regions. In addition to cloud core financial management capabilities, it provides ERP and human capital management (HCM) suites, along with a maintenance, repair and operations solution for the aviation industry. The product evaluated is Ramco Finance & Accounting. The majority of Ramco's ERP customers are based in Asia/Pacific, followed by EMEA (mainly Africa) and North America.

Ramco is a Niche Player, due to its focus on midsize enterprises and its strategy of primarily selling suites rather than stand-alone financial management solutions; also, there is limited global awareness of its brand.

Note: Ramco was unable to provide all the requested cloud references for this study, as 50% of its references were on-premises customers. We specifically asked the vendors to provide cloud customers that met our definition of cloud. While their product has improved year over year, the lack of cloud references unfortunately limits our ability to fully evaluate the progress made with cloud implementation within its user base.

Strengths

- Ramco Finance & Accounting is a functionally robust core financial management solution that can stand alone from Ramco's often-implemented ERP suite, from a product functionality perspective. Ramco has a strong presence in Asia/Pacific, particularly through its localization capability in India. An established presence in Asia/Pacific gives Ramco an advantage in this region, where many of the newer cloud vendors have a limited presence. The bulk of its reference customers were in Asia/Pacific, with approximately one-quarter in EMEA.

- Ramco's reference customer scores placed it near the middle of all the vendors in this Magic Quadrant for overall functionality, above the mean. Reference customers scored its functionality as above average in most areas, including AP, AR and purchasing.

- Ramco's scores for customer satisfaction were at the mean for this Magic Quadrant. It scored above the mean for integration and deployment, and service and support, but was below the mean for the evaluation and contracting process.

- While Ramco does have a slightly dated look and feel, the product demoed very well and is functionally robust. Ramco shows some limited AI/ML functionality in the current release, and a defined roadmap for future AI/ML, but this is somewhat limited when compared with other vendors in this evaluation.

Cautions

- There is limited awareness of Ramco outside Asia/Pacific, and it will face strong competition from other vendors as it expands. Reference customers highlighted the problem of time zone differences with distant support resources when local support is not immediately available. This indicates a need for improvements in Ramco's global support. Ramco's focus on suite-based sales will make it challenging to seize cloud financial opportunities as it expands in North America. It offers limited global capabilities in terms of localization and language, especially in Europe.

- This year, Ramco's customer reference scores for user interface were below the mean for this Magic Quadrant, in contrast to last year when its references expressed a liking for Ramco Finance & Accounting's ease of use. This implies that enhancements made to the user experience in 2018 did not increase user satisfaction.

- Ramco's reference customers have voiced concerns about having four cloud upgrades per year, indicating that these are not manageable. They have also voiced concern about having to manually switch between legal entities — a process hindered by the current set of analytics and drill-downs for Ramco Finance & Accounting.

Sage Intacct

Sage acquired Intacct in 2017. Sage Intacct's operations are based in San Jose, California, U.S., with additional offices in India, Tel Aviv and Romania. Sage Intacct sells both directly and through reseller partners, with most of its implementations being carried out by partners.

Sage Intacct provides a full suite of core financial management applications, including contract subscription billing and revenue management capabilities. The product evaluated, also called Sage Intacct, is aimed at small and lower-midsize enterprises, but is scalable enough for some large enterprises. Intacct had focused entirely on North America, but now, as part of Sage, is expanding its reseller channel into Europe and Asia/Pacific and is focused on broader international expansion.

Sage Intacct is a Visionary, due to its cloud commitment and its focus on financial functionality and marketing initiatives for finance teams. It has improved both its Ability to Execute and its Completeness of Vision during the past year, consistent with the growing maturity and evolving competitive standards associated with this market. However, its very limited presence outside North America continues to limit its Ability to Execute.

Strengths

- Sage Intacct offers a scalable core financial system with good flexibility and functionality in terms of GL and analytics. It is well-aligned with Gartner's vision of postmodern ERP, with a wide range of APIs and a focus on financial management applications that can work in a loosely coupled manner with other cloud services.

- Sage Intacct excelled in its customer reference scores for client satisfaction, with all key areas (evaluation and contracting, integration and deployment, service and support, and product) above the mean for this Magic Quadrant. It is well-targeted at smaller midsize organizations, but has the capacity to scale upward when accounting processes are not overly complex. Sage Intacct's reference customers note that they have a reduced dependence on IT, many saying that there was little need for IT involvement once the system was up and running.

- Sage Intacct also scored very high with its reference customers for product functionality, meaning that it provides appropriately targeted functionality to the user base it is marketed to. Its subscription billing capabilities support linear and nonlinear schedules, usage-based billing, volume discounts and tiered billing capabilities. It also includes dashboard and reporting tools that automatically calculate the key operational metrics used by SaaS businesses. Intacct also supports integration with Salesforce.

- Sage Intacct has a strong vision for how to use the cloud and new technology to support improvements to finance processes. This includes using AI to eliminate the financial close by enabling continuous auditing, and using in-memory computing for embedded financial and performance analytics. Sage Intacct was among the first vendors to offer an accounting hub.

Cautions

- Sage Intacct's focus on small and lower-midsize enterprises limits its opportunities in this market — although it might continue to scale up to address the needs of large and global enterprises.

- Sage Intacct has very limited presence outside North America; all its customer references were based there, though some implementations have spread to other regions. We would have expected more movement in this area due to the Sage acquisition, but this has still not come to fruition from a country support and reseller perspective.

- Some reference customers for Sage Intacct indicated that its fixed asset functionality lags behind other capabilities in the suite, which is consistent with our findings in prior years.

- Sage Intacct's roadmap for AI/ML is consistent with most small and midsize business (SMB) vendors in this Magic Quadrant. Sage has announced several initiatives, but nothing was available in the current release evaluated (31 December 2018). We believe, however, that Sage Intacct is in a good position to get investment from its parent company to fund digital initiatives in the future.

SAP

Based in Walldorf, Germany, SAP offers a wide range of business applications. SAP S/4HANA Cloud is its flagship cloud ERP product focused on midsize and large enterprise customers.

Although many of its customers are on SAP Business Suite (its legacy product), some plan to upgrade to one of the two versions of SAP S/4HANA for core financial management applications (SAP S/4HANA is available for on-premises or cloud deployment). SAP S/4HANA Cloud is now SAP's claimed main focus and competes directly in the market for cloud core financial management suites. It has set an end-of-life date of 2025 for its legacy ERP Central Component (ECC) product, which is causing some of its existing customers to consider SAP S/4HANA.

SAP S/4HANA Cloud is sold both to large organizations (some of which take a two-tier ERP approach) and the midmarket. Its administrative ERP capabilities are aimed at all markets, but its operational ERP capabilities focus on manufacturing and professional services organizations.

SAP is a Visionary with SAP S/4HANA Cloud and has improved its Completeness of Vision during the past year.

Strengths

- SAP is rapidly building up its capabilities in the cloud core financials space, scoring high with its customer references for product vision. Its incorporating of digital functionalities into the product places it in the top third of vendors evaluated, for that function.
- SAP draws on a strong network of large global strategic partners for implementation of SAP S/4HANA Cloud; it has a strong global presence, with localizations in many countries. According to its customer reference scores, SAP demonstrated the most global presence of all the vendors evaluated, with a good spread across the regions.
- According to our analysis, SAP is among the most robust current release offerings for AI/ML functionality of all the vendors in this Magic Quadrant, and has produced a strong roadmap for future releases. According to its reference customers, its embedded reporting capabilities are strong and can be extended with SAP Analytics Cloud.
- SAP S/4HANA Cloud uses its proprietary in-memory database (SAP HANA) to improve analytics, with a focus on real-time decision making and providing a single database to manage close processes. Subledger accounting and analytics are also improved by the universal journal entry.

Cautions

- SAP S/4HANA Cloud's customer reference scores for client satisfaction placed it in the bottom half of the vendors for this criterion. This is a decline from a position in the top half of the vendors in the previous version of this Magic Quadrant. Many of the implementation issues raised by its customer references were focused on the partner network.
- Reference customers gave SAP S/4HANA Cloud lower than average scores for functionality, placing it below the mean for this Magic Quadrant. However, the product demoed very well, and is well-integrated with FP&A capabilities through its integration with SAP Analytics Cloud.

- The rollout of SAP S/4HANA Cloud has been challenging for SAP, because it involved communicating how this offering differs from SAP's other solutions. This is not a new issue for SAP.

- Many SAP customers remain confused about the product roadmap, and the message coming from its sales force and partners is not consistent with that from corporate marketing and product development. SAP S/4HANA Cloud is only available in two of SAP's verticals; however, we see many organizations considering hybrid deployments leveraging SAP S/4HANA Cloud as a best-of-breed core financial solution — as part of a postmodern ERP strategy.

Unit4

Unit4 was founded in the Netherlands in 1980. It focuses on people-centric industries, including higher education, professional services, public services and not for profit. The product evaluated is Unit4 Business World. Unit4 first met the requirements for inclusion in this Magic Quadrant in 2018 (when it was a Visionary). It has since slipped into the Niche Players quadrant, due to not keeping up with market momentum in functionality and its low customer reference scores.

Unit4 Business World is a public cloud SaaS solution that runs primarily on the Microsoft Azure platform, with regional deployments meeting many enterprises' requirements for system and data location. Unit4 goes to market directly and through sales and implementation partners. It has vertically focused sales resources globally; a framework for a consistent, disciplined sales methodology; and sales and implementation partners in key markets, mainly in service industries. Unit4 has also invested in financial planning and analysis capabilities by acquiring prevero (not included in this analysis), which is integrated with Unit4 Business World but sold as a separate product.

This year, Unit4 is in the Niche Players quadrant, having first entered this Magic Quadrant in 2018 as a Visionary.

Strengths

- Unit4 Business World offers solid financial management functionality across the core financial management disciplines for the service industries it serves. It has very good global support, with the majority of its customer references operating in EMEA, followed by Asia/Pacific, North America and Latin America.

- Unit4's Ability to Execute is enhanced by its broad global support and the fact that it targets several service industries in the midmarket. Unit4 has a clear roadmap and vision and is an alternative that should be considered for service industry customers.

- Unit4 has Wanda, which makes it one of the first in ERP to launch a digital assistant that covers complete employee self-service processes. Users have commented positively on the conversational UI that interacts with business applications. Customer references have also commented on the reorganization/restructuring capabilities supported by Unit4's modeling capability where you can drag and drop to create a new organization chart, as well as the flexible and fully configurable workflow engine for business process changes.

Cautions

- Unit4 received scores from its customer references that place it in the bottom quartile, overall, for customer satisfaction, which impairs its Ability to Execute. Approximately half of these references were satisfied, the rest were neutral or dissatisfied, and only a small proportion were "completely" satisfied. Reference customers for Unit4 identified weaknesses in communication during implementations conducted with Unit4 and its partners. They also voiced concerns about how new functionality is rolled out in new releases, where they have experienced unplanned disruptions due to software issues. Many reference clients have said that the initial implementation was of basic features, with more complex functionality deferred due to implementation challenges.
- Unit4 received scores from its customer references that place it in the bottom quartile for product functionality, mostly due to negative customer experiences. Most areas here have shown a decline from customer reference responses in 2018. Organizations considering a Unit4 implementation must really understand how the solution can meet their needs, or not. Its subscription billing capability is not available in this cloud solution, being still within its on-premises solutions. Unit4's reference customers scored its GL code capabilities as slightly below the mean for this Magic Quadrant, but all its scores were below the mean for functionality — partially due to unhappy customers.
- Reference customers for Unit4 that had migrated from its on-premises solution observed that the implementation team for the cloud solution was less experienced than the team that implemented the on-premises solution. Overall, Unit4 received low scores for ease of integration and deployment.

Workday

Workday was founded in 2005. It is based in Pleasanton, California, U.S., and has offices in Asia/Pacific, Canada and Europe. The product evaluated, Workday Financial Management, covers all core financial management capabilities. It also includes revenue management, procurement, projects, expenses and inventory functionality. Workday markets its solutions on a common platform.

Workday Financial Management customers are mostly midsize, but it is extending its implementations to large and global enterprises in service-centric industries. Most implementations are based in North America, but Workday is expanding its presence internationally.

Workday is a Leader in this Magic Quadrant, owing to its robust cloud service, strong financial functionality and innovative use of technologies to support financial transformation.

Strengths

- Workday makes innovative use of in-memory computing in its core financial management applications. It is a solid core financial management solution for companies in service industries, in upper-midsize, large and global organizations. We see many customers of Workday HR focused on implementing Workday Financial Management, as well as new prospects considering moving off legacy products from other vendors.

- Customer references for Workday Financial Management scored it highly for product functionality. In the demonstrations, we believe that Workday was one of the strongest solutions from a product and vision perspective. It acquired a planning solution, Adaptive Insights (not evaluated in this Magic Quadrant) to replace a homegrown solution that had only limited success. Workday Revenue Management is strong for managing contracts, billing, accounting and analytics — all from a single system — as well as generating configurable billing schedules and installments automatically when creating contracts.

- Workday's customer references gave it high scores for customer satisfaction. All of its references were satisfied, and half of those were completely satisfied. It has a strong roadmap for AI/ML, but limited functionality in the current release. Its accounting hub product — Accounting Center — will be on general release in 2020.

- During the past year, Workday has been improving its global capabilities. The bulk of its references were from North America, but there was a strong showing from EMEA and representation from Asia/Pacific and Latin America.

Cautions

- As in the past, Workday has been most successful selling a combined Workday Financial Management and HCM suite, or selling Workday Financial Management to its existing HCM customers. It has penetrated 25% of the Workday HR base with its financial offering. During the past year, we have seen progress in Workday's ability to sell stand-alone financial deals beyond its HCM user base. It needs to strengthen its global go-to-market capabilities to broaden its market reach.

- Workday is increasing its roster of Workday Financial Management customers outside the U.S., but prospective customers should check whether it offers comprehensive capabilities where they need them. It is transitioning to new countries primarily where there is demand from its current customers for global expansion.

- Workday must continue to expand its consulting and partner skills, with a focus on financial requirements, especially outside North America where it needs to capture market share. Some customer references reported challenges with Workday's partners and the availability of resources. There has, however, been some improvement, year over year, because respondents also expressed increased satisfaction with implementation skills.

Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant may change over time. A vendor's appearance in a Magic Quadrant one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

Added

No vendors have been added.

Dropped

- SAP (Business ByDesign) has been dropped from the Magic Quadrant this year due to its reduced focus on selling core financials as a best-of-breed suite; instead, selling them within a larger ERP footprint.
- Epicor has been dropped from the Magic Quadrant this year due to its reduced focus on selling core financials as a best-of-breed suite; instead, selling them within a larger ERP footprint.

Inclusion and Exclusion Criteria

To be included in this Magic Quadrant, vendors had to fulfill certain criteria.

1. Product Capabilities:

Each vendor had to:

- Deliver a suite of core financial management applications that include the following capabilities: GL, AP, AR, FA, project accounting, basic purchasing (requisition to invoice processing for indirect procurement), reporting and analytics.
- Deploy a core financial management suite as a cloud service (see 3. Cloud Service Attributes below). (A core financial management suite may also be deployed in other ways — for example, on-premises or as a managed cloud service — but this Magic Quadrant is restricted to cloud-only solutions.)
- Actively market and sell the cloud core financial management suite to midsize, large and/or global enterprises.
- Actively market, sell and deploy the cloud core financial management suite on a stand-alone basis, regardless of additional bundling with broader ERP suites or other applications with an industry focus (for example, on professional services automation or other industry-specific capabilities).

2. Market Presence:

Each vendor had to:

- Have at least 150 organizations, each with annual revenue, expenditure or funding in excess of $75 million, using the cloud service in production environments. Each user organization had to be "live" with the GL functionality plus at least one other module — AP, AR, FA, project accounting or purchasing. Account hub, subscription billing, revenue recognition and AI/ML process and analytics were evaluated and given favor where they were available.

  (Note: Each user organization had to be managing at least $50 million annually through the core financial management suite. This $50 million minimum is not intended to represent the annual revenue of a parent organization when a smaller subsidiary uses the cloud service. Vendors had to be prepared to provide evidence of sufficient numbers of in-production customers.)

- Have at least 150 user organizations actively using the cloud service, when offering multiple deployment models, not 150 spread across cloud and on-premises deployments.
- Have at least $25 million of booked subscription and support revenue for the cloud core financial management suite service only — excluding revenue from on-premises, hosted, managed cloud service or other deployment models. That is from 1 November 2017 through 31 October 2018, or whichever 12-month accounting period most closely aligned with that period. Unrealized recurring revenue was not included. If a vendor chose not to disclose revenue information, Gartner used its own market research, as well as insights from public sources, to judge that vendor's eligibility for inclusion and viability.
- Actively sell and market the cloud service (and have live users of the cloud service in the qualifying revenue bands) outside the vendor's home region in at least one of the following regions: Americas, EMEA, Asia/Pacific.

3. Cloud Service Attributes:

Responsibility

Each vendor had to:

- Manage all technology infrastructure either in its own data centers or in third-party data centers.
- Implement upgrades itself directly as part of the cloud service, not through a third party or managed service provider.

Licensing and technology

Each vendor had to:

- License the cloud service on a subscription or metered pay-for-use basis.

- Neither tailor contracts to specific user organizations (except for minor adjustments), nor provide user organizations with a version different from that offered to other cloud customers.
- Have a cloud service that uses internet technologies, the use of internet files, formats and identifiers being necessary for delivery of cloud service interfaces.
- Support the cloud service with computing resources that are scalable and elastic in near real time, rather than based on dedicated hardware and infrastructure.

Customization

Each vendor had to:

- Prohibit modification of its source code. Configuration via citizen developer tools and extension via platform as a service (PaaS) — by partner, vendor or user — was allowed.

Pace of change

Each vendor had to:

- Use a single code line for all customers of the cloud service, to enable rapid deployment of new functionality by the vendor.
- Deliver at least two upgrades containing new functionality, per annum, to all users of the cloud service, and control the pace of the upgrade cycle.
- Offer self-provisioning capabilities for the service (at least for development and test instances) without involving the vendor's staff.
- Use technology to deliver a service shared by multiple customers, in order to create a pool of resources from which elasticity can be delivered.

We defined these cloud service attributes to enable inclusion of cloud services that confer the benefits of a SaaS solution without specifying a particular technical architecture (such as multitenancy at the application level).

Where vendors offer multiple cloud core financial management suites with separate code lines, each code line is represented as a separate dot on the Magic Quadrant graphic.

Honorable Mentions

The shift to the cloud has disrupted what had been a static market for on-premises core financial management applications. New vendors have emerged, and many established vendors now offer maturing cloud-deployable solutions. The following companies merit consideration as vendors of cloud core financial management solutions, but did not fulfill all the criteria for inclusion in this Magic Quadrant:

- **Aqilla:** Founded in 2006 and based in the U.K., Aqilla offers cloud-based accounting and business applications to small and midsize enterprises. Aqilla is expanding its partner network and operations outside the U.K., and already has customers in 34 countries. Aqilla is likely to increase its market presence among midsize enterprises during 2019.
- **Infor:** Infor CloudSuite Financials is a major redevelopment of Infor Lawson Financials, with significant new code and functional capabilities and an architecture that supports on-premises and multitenant cloud deployments. It was made generally available in the first quarter of 2016. There were not enough clients live on the public cloud version for Infor to appear in this Magic Quadrant, but Gartner expects this solution to increase its market presence during 2019.

Evaluation Criteria

Ability to Execute

Gartner assesses vendors' Ability to Execute by evaluating the products, technologies, services and operations that enable them to be competitive, efficient and effective in this market, and that benefit their revenue, client satisfaction and retention, and general reputation.

Each provider's Ability to Execute is judged by its success in fulfilling its promises, using the following criteria:

- **Product or Service:** This criterion assesses the product offerings that compete in the defined market. These may be offered natively or through OEM agreements and partnerships, as defined in the Market Definition/Description section and detailed in any subcriteria. This Magic Quadrant evaluates functional capabilities in all areas defined in the Market Definition/Description section, support for the needs of midsize, large and global enterprises, and the ease with which the cloud service can integrate with other cloud/on-premises applications.
- **Overall Viability:** This criterion includes an assessment of the vendor's overall financial health, as well as the financial and practical success of the relevant business unit. It considers the likelihood of the vendor continuing to offer and invest in its product, as well as the product's position in its portfolio.
- **Sales Execution/Pricing:** This criterion assesses the vendor's abilities in all presales activities and the structure that supports them. Included here are deal management, pricing and negotiation, presales support, and the sales channel's overall effectiveness. Each vendor is also evaluated on its ability to sell to finance buying centers such as CFOs and financial controllers.
- **Market Responsiveness/Record:** This criterion assesses the vendor's ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customers' needs evolve and market dynamics change. The market for cloud core financial management suites is dynamic, so this criterion addresses the vendor's ability to respond to users' needs and demands. This includes its responses to the demands of

delivering core financial management applications in the cloud, which pose new challenges for both vendor and user.

- **Marketing Execution:** This criterion assesses the clarity, quality, creativity and efficacy of programs designed to convey the vendor's message, in order to influence the market, promote a brand, increase awareness of products and establish a positive identification in customers' minds. This "mind share" can be created by a combination of publicity, promotions, thought leadership, social media use, referrals and sales activities. Each vendor is also assessed on its ability to market its offering to finance buying centers such as CFOs and financial controllers.

- **Customer Experience:** This criterion assesses the vendor's products, services and programs in terms of how they enable customers to achieve expected results with the products evaluated. Considerations include the quality of technical support for vendor-buyer interactions and account support. Also assessed is the vendor's ability to make its marketing vision a reality and help finance teams complete the transition from on-premises to cloud deployment.

- **Operations:** This criterion assesses the vendor's ability to meet its goals and commitments. Factors include the quality of the organizational structure, skills, experiences, programs, systems and other means that enable the organization to operate effectively and efficiently. In particular, we analyze the vendor's ability to deliver a robust and reliable cloud service, and its associated support and service capabilities (whether provided directly or through partners).

Table 1: Ability to Execute Evaluation Criteria

Evaluation Criteria ↓	Weighting ↓
Product or Service	High
Overall Viability	High
Sales Execution/Pricing	Medium
Market Responsiveness/Record	High
Marketing Execution	Medium
Customer Experience	High
Operations	High

Source: Gartner (May 2019)

Completeness of Vision

Gartner assesses vendors' Completeness of Vision by evaluating their ability to articulate their perspectives on the market's current and future direction, to anticipate customer needs and cloud technology trends, and to tackle competitive forces.

Each vendor's Completeness of Vision is judged on its understanding and articulation of how market forces can be exploited to create new opportunities for itself and its clients, using the following criteria:

- **Market Understanding:** This criterion assesses the vendor's ability to understand customers' needs and relate those needs to products and services. Vendors with a clear vision of their market listen to and understand customers' demands, and can shape or enhance the market. We analyzed vendors' understanding of how the market for core financial management suites is shifting to the cloud and what that means for finance functions.
- **Marketing Strategy:** This criterion looks for clear, differentiated messaging that is communicated consistently both internally and externally through social media, advertising, customer programs and positioning statements. We analyze how effective a vendor's marketing strategy has been at raising awareness of it in this new and evolving market.
- **Sales Strategy:** This criterion looks for a sound strategy for selling that uses appropriate networks, including direct and indirect sales, marketing, service and communication networks. It also assesses any partners that extend the scope and depth of the vendor's market reach, expertise, technologies, services and customer base.
- **Offering (Product) Strategy:** This criterion looks for an approach to product development and delivery that emphasizes market differentiation, functionality, methodology and features in light of current and likely future requirements.
- **Business Model:** This criterion assesses the suitability of the design, logic and execution of the vendor's business proposition in terms of the likelihood of achieving continued success.
- **Vertical/Industry Strategy:** This criterion assesses the vendor's strategy to direct resources (sales, product and development), skills and products to meet the specific needs of individual market segments, including industries. Each vendor was assessed on its strategy for service-centric industries where core financial management suites represent the foundation of an ERP strategy. However, as cloud core financial management suites are primarily a cross-industry solution, this criterion has a low weighting.
- **Innovation:** This criterion assesses direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes. In particular, we analyzed each vendor's strategy for using cloud delivery as a way of bringing innovation to the finance function and to finance processes.
- **Geographic Strategy:** This criterion assesses the vendor's strategy for directing resources, skills and offerings to meet the needs of areas outside its home region, either directly or through partners, channels and subsidiaries, as is appropriate for that region and market. We

evaluated each vendor's strategy for providing the localizations and translations required to support multinational and global organizations. We also assessed each vendor's global go-to-market approach.

Table 2: Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	Medium
Marketing Strategy	Medium
Sales Strategy	High
Offering (Product) Strategy	High
Business Model	Low
Vertical/Industry Strategy	Low
Innovation	Medium
Geographic Strategy	High

Source: Gartner (May 2019)

Quadrant Descriptions

Leaders

Leaders demonstrate a market-defining vision of how core financial management systems and processes can be supported and improved by moving them to the cloud. They couple this with a clear ability to execute this vision through products, services and go-to-market strategies. They have a strong presence in the market and are growing their revenue and market share. In this market, Leaders show a consistent ability to secure deals with enterprises of different sizes, and have a good depth of functionality across all areas of core financial management. They have multiple proofs of successful deployments by customers, both in their home region and elsewhere. Their offerings are often used by system integrator partners to support financial transformation initiatives.

Leaders typically address a wide market audience by supporting broad market requirements. However, they may fail to meet the specific needs of vertical markets or other, more specialized segments, which might be better addressed by Niche Players in particular.

Challengers

Challengers have greater market presence than Niche Players and Visionaries. They may have developed a substantial presence in one area of the market, but they lack a sufficiently broad vision to execute consistently more widely in the market. They understand the evolving needs of finance functions as they move to the cloud. They have a viable and proven cloud service, but they focus on a specific size of enterprise or selection of industries. They may focus on selling core financial management applications as part of a broader ERP offering, rather than on developing deep financial management functionality that is acknowledged as market-leading in its own right.

Challengers can become Leaders if they develop their vision for, and focus on, this market. Over time, large companies may move between the Challengers and Leaders quadrants as their product cycles shift and the market's needs change.

Visionaries

Visionaries understand how the office of finance is changing as core financial management applications move to the cloud. They have a good vision for technology and functionality, but are limited in terms of Ability to Execute or demonstrable track record. Their solutions attract enterprises that want to move core finance systems and processes aggressively to the cloud, and they may have some differentiating functional capability. Visionaries are typically limited in terms of market presence, geographic presence outside their home region, and the market's awareness of them and their products. User organizations should therefore closely evaluate the extent of Visionaries' presence in their industry segment and region.

Visionaries may become Challengers or Leaders, depending on how they strengthen their go-to-market capabilities and whether they can develop partnerships that complement their strengths. Visionaries sometimes make attractive acquisition targets for Leaders and Challengers.

Niche Players

Niche Players offer core cloud financial management functionality, but are limited in both their Completeness of Vision and Ability to Execute. Instead of a strong cloud technology vision, some have cloud-enabled existing applications for delivery as cloud services, but these offerings lack the usability of cloud-native solutions. Additionally, Niche Players are more focused on core financial management applications as part of a broader ERP suite. Although they do sell and market these applications on a stand-alone basis, this is neither their focus nor part of their primary go-to-market strategy. Consequently, they have a weaker vision for finance transformation than do Leaders and Visionaries. However, they may target specific industries or company sizes with deeper functionality — for example, several Niche Players focus on project-centric and midsize enterprises.

A Niche Player may be suitable for your requirements, and all the Niche Players in this Magic Quadrant should be considered viable contenders. However, it is important to understand their focus and to check that it meets your business requirements. If you like what a Niche Player offers, your evaluation should assess how well-aligned that vendor is with the market's direction. A Niche Player may be a risky choice if it is not heading in the same direction as the rest of the market.

Context

All the vendors in this Magic Quadrant sell and support cloud core financial management suites. The extent of their support for country-specific financial reporting and accounting processes (such as tax processing) varies, however, as does the availability of their solutions in multiple languages. Nevertheless, to appear in this Magic Quadrant, each vendor had to actively market and sell its solutions outside its home region, which means that every vendor in this Magic Quadrant operates internationally, if not globally. Application leaders should draw up a list of required languages and localizations at the start of any evaluation of vendors' cloud core financial management suites. This will help eliminate vendors that cannot meet your needs early in the process.

Gartner's client inquiry data shows that interest in cloud core financial management suites is increasing significantly. Many application leaders and senior finance users believe that moving to the cloud will enable them easily to avoid the challenges they face with on-premises core financial applications — such as cumbersome user interfaces, too much customization and expensive, hard-to-manage upgrades. Although all the solutions featured in this Magic Quadrant offer the potential to address some or all of these challenges, you nonetheless need to prepare for issues in the following areas when moving to the cloud:

- Getting finance users, who are frequently change-averse, to move from heavily customized systems to standardized processes in SaaS solutions. This requires strong change management capabilities.
- Realizing cost savings by reducing internal IT costs. This means that finance users must take a greater role in application configuration, management and testing. Most finance teams are not equipped to do this.
- Integrating cloud core financial management applications with on-premises feeder systems and other cloud services. This requires different integration strategies, as well as integration tools and techniques that your IT department may not be familiar with.

We explore these issues in more detail in "Finance Moving to the Cloud: The Steps to Take and the Benefits You Can Expect." We recommend that you study that document in conjunction with this Magic Quadrant. This will help you engage with finance users and ensure that moving core financial applications to the cloud is not treated simply as a vendor selection exercise.

Cloud core financial management applications should be deployed as part of a broad postmodern ERP strategy. Many organizations evaluating financial functionality in the cloud are tempted to adopt the traditional suite-centric approach they used for on-premises evaluations. They assume that they should source other ERP capabilities (such as for HCM and procurement) from the same vendor as their financial capabilities. Although this approach can be appropriate in some situations, it is definitely not the default approach to take in a postmodern ERP environment characterized by more federated, loosely coupled cloud services.

Application leaders evaluating cloud core financial management suites should also study "Cloud ERP: The Suite Shouldn't Always Win in Administrative ERP Strategies" and "The Impact of Postmodern ERP on Procurement." From these documents, they will learn how to help finance users work with other domains to build a coherent postmodern ERP strategy.

Market Overview

ERP is one of the largest categories of enterprise software spending, with projected revenue of $41.5 billion in 2019. Furthermore, we forecast that it will show a compound annual growth rate (CAGR) of 7.1% for the period 2018 through 2022 (on a constant-currency basis). For market-sizing purposes, Gartner's definition of ERP includes the categories of administrative ERP — financial management software (FMS) and HCM software — and operational ERP (manufacturing and operations software, and enterprise asset management software). FMS is the largest market segment and an essential component of ERP. Spending on FMS is forecast to be $14.1 billion in 2019, and we forecast a 7.6% CAGR for the period 2017 through 2022 (see "Forecast: Enterprise Application Software, Worldwide, 2017-2023, 1Q19 Update").

The ERP market is undergoing a generational technology shift, driven by the advent of cloud computing. Over the past five years, SaaS ERP growth has exceeded 20% per annum. We expect this growth to continue unabated.

However, SaaS adoption has varied across the different segments of ERP. HCM has been the fastest-growing adopter of SaaS, with more than $9.1 billion of SaaS revenue forecast for 2019 (64% of total HCM revenue). FMS lags behind HCM, with around $4.2 billion of SaaS revenue forecast for 2019 (30% of total FMS revenue). So far, adoption of SaaS in the operational ERP category remains limited.

Public cloud SaaS solutions that support FMS capabilities have matured to where they are now viable for midsize and large enterprises. While penetration is lower among global enterprises (those with annual revenue in excess of $5 billion) at the corporate level, many have begun to embrace public cloud SaaS FMS at the divisional level. We expect adoption by global enterprises to continue to grow in the next year or two. There will be a greater shift toward SaaS FMS as on-premises deployments reach the end of their useful life.

Gartner also makes the following predictions for developments in this market:

- Service-centric organizations are shifting to rapidly maturing cloud FMSs when acquiring new or replacing traditional solutions. In 2018, cloud adoption increased across all geographies by 20% to account for 27% of all FMS revenue (in U.S. dollars).
- Nearly 37% of enterprises (led by service-centric organizations) chose a cloud FMS to replace their on-premises deployments in 2018. This will rise to nearly 45% in 2020 and 56% in 2022, as more product and asset-centric organizations begin to adopt them.
- SMBs contributed 63% to SaaS FMS revenue globally in 2018. We expect that percentage to extend to 69% by 2022.

- By 2021, nearly 32% of large enterprises with systems up for replacement will switch from traditional on-premises licenses to SaaS or subscription licenses.
- SaaS will drive faster FMS replacement cycles as it matures. Twice as many North America-based companies will replace their FMS solutions in 2020 as did in 2015, and the midmarket will lead this transition.
- By 2025, demand for financial management application deployments delivered as cloud services will equate to more than 65% of total spending in the FMS market.

We expect SaaS FMS deployments to outpace all other forms of deployments, with a 2018-through-2022 CAGR of 19%, and revenue representing 41% ($7.2 billion) of overall FMS market spending by 2022. SaaS FMS revenue, unlike perpetual license revenue, takes time to mature because it is recognized over a period. Conversely, growth in on-premises license revenue (in U.S. dollars) will slow, with a five-year CAGR of –0.1%.

These predictions reflect our finding that the market for FMS, and especially for core financial management applications, is switching quickly to SaaS. During the past 24 months, this shift has become significant enough for Gartner to justify publication of this third Magic Quadrant specific to cloud core financial management suites.

Acronym Key and Glossary Terms

AI	artificial intelligence
AP	accounts payable
AR	accounts receivable
ASC 606	revenue recognition standard for revenue from contracts with customers from the Financial Accounting Standards Board (FASB)
AWS	Amazon Web Services
FA	fixed assets
FC	financial close
FMS	financial management software
FP&A	financial planning and analysis
GL	general ledger

HCM	human capital management
ML	machine learning
RPA	robotic process automation

Evaluation Criteria Definitions

Ability to Execute

Product/Service: Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

Overall Viability: Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

Sales Execution/Pricing: The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

Market Responsiveness/Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

Offering (Product) Strategy: The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

Business Model: The soundness and logic of the vendor's underlying business proposition.

Vertical/Industry Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

Innovation: Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

Geographic Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.