

Critical Capabilities for Cloud Core Financial Management Suites for Midsize, Large and Global Enterprises

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Migration from on-premises to cloud-based core financial management suites is a major concern for the Office of Finance. Cloud solutions are now more robust, but they are not yet suitable for all organizations. This report will help application leaders assess solutions for specific use cases.

Key Findings

- The competitive environment for cloud core financial management suites has intensified since 2018. Solutions have become more robust and comprehensive, resulting in increased adoption, especially among services-centric organizations. Some positions have changed since the 2018 edition of this Critical Capabilities report, mostly due to client perceptions identified by the survey that supports this research.
- Vendors rated as Leaders in the companion Magic Quadrant do not necessarily make them right for your business. It is important to select the most appropriate vendor and solution for your use case to avoid compromising your success.
- According to survey respondents, product functionality is the most important decision factor in cloud core financial management suite evaluations. A key task is to monitor vendor roadmaps for new important functionality, such as artificial intelligence (AI) and machine learning (ML).

Recommendations

Application leaders responsible for finance applications should:

- Use this document as a starting point for assessing the suitability of vendors in light of your use case(s) and critical capability criteria. It will help you determine the best fit for how your organization will use a cloud core financial management suite during the next five to eight years.
- Eliminate from consideration vendors that do not have key requirements, such as sufficient geographic presence and support for the country-specific demands of your planned deployment.

- Assess each remaining vendor and solution further by checking references from your team's professional network and those provided by the vendors.

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 inefficiencies, as well as integrated best-of-breed financial planning and analysis and financial close capabilities, into core financial management suites.

What You Need to Know

The market for cloud core financial management suites (defined in “Magic Quadrant for Cloud Core Financial Management Suites for Midsize, Large and Global Enterprises”) has been going strong for the past three years and is evolving at a rapid pace. Consistent with the 2018 edition of this Critical Capabilities report, the use cases in the present document identify the primary segments within this broad market and focus on the product capabilities of the vendors within these segments. This enables a finer-grained analysis of which vendors may be best suited to each use case. Vendors that are described as Leaders in the Magic Quadrant do not necessarily have the highest-ranked solutions for every use case. Niche Players, for example, can do very well in certain use cases because they focus on certain sectors, rather than the wider market (which is why they are defined as Niche Players). This document should be used by application leaders who need to understand which solution best suits the size of their company or the size of a business unit within a large enterprise.

There are five important considerations that will enable application leaders to make the best use of this report:

1. The ratings by critical capability are mainly sourced from the survey of reference customers conducted for the companion Magic Quadrant. Changes between the 2018 and 2019 scores can be attributed mostly to changes in the scores achieved in the respective surveys. Some vendors have not done well from 2018 to 2019, due to lower customer satisfaction scores.
2. The functionality considered by this 2019 Critical Capabilities report and the companion Magic Quadrant has been augmented to include subscription billing and revenue management (rolled into accounts receivable), finance accounting hub (rolled into general ledger [GL] complex capabilities), and AI/ML support (rolled into functional areas by use case).
3. Support for languages, country-specific localizations and geographic presence is a “gating” factor in any evaluation of core financial management applications. Vendors may not be suitable for deployment in some countries, regardless of where they rank in terms of product rating in any use case. It is not possible in the context of this Critical Capabilities report to account for the country-level suitability of every vendor in every use case. Application leaders should review

the suitability of any vendor based on its geographic presence and support for the primary countries in which the cloud core financial management suite will be deployed.

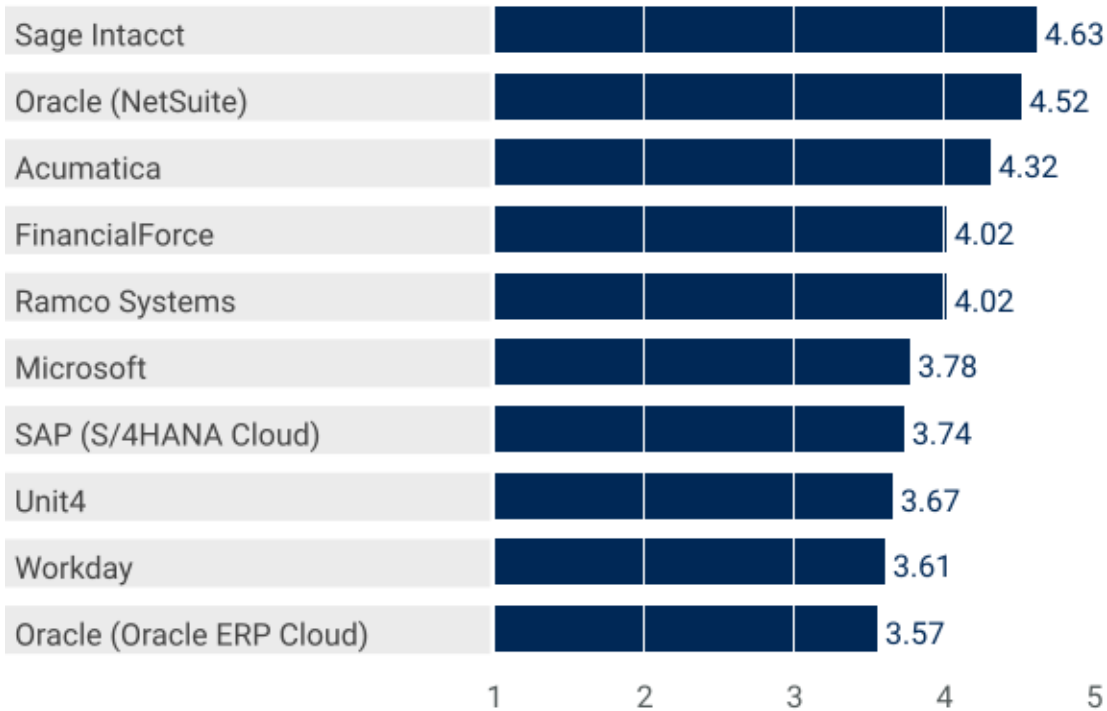
- 4. Our five use cases cover all functional areas of cloud core financial management suites. Use the interactive version of this Critical Capabilities report to adjust critical capability weightings to achieve a closer match with your organization’s functional requirements.
- 5. Several vendors do not target all segments of this broad market, instead preferring to focus on particular types of organization. If, in Gartner’s opinion, a vendor is not appropriate for a specific use case, it is flagged as “not applicable” (N/A) in the use-case ratings.

Analysis

Critical Capabilities Use-Case Graphics

Figure 1. Vendors’ Product Scores for the Core Financials for Lower Midsize Enterprises Use Case

Product or Service Scores for Core Financials for Lower Midsize Enterprises



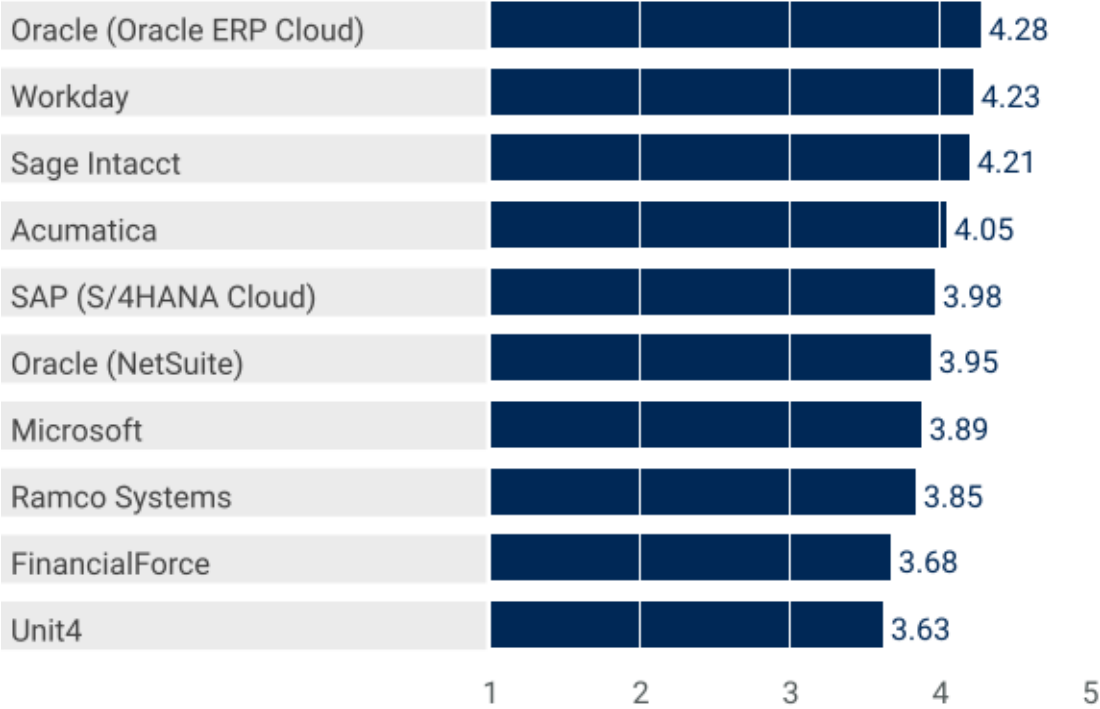
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Figure 2. Vendors' Product Scores for the Core Financials for Upper Midsize Enterprises Use Case

Product or Service Scores for Core Financials for Upper Midsize Enterprises



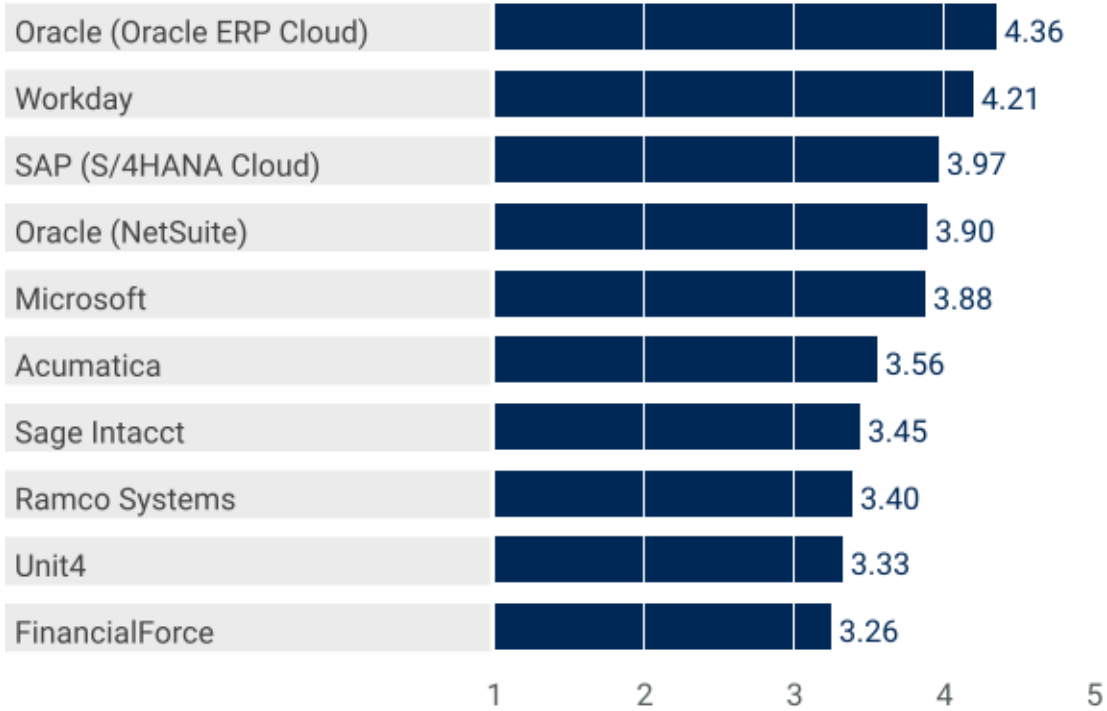
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Figure 3. Vendors' Product Scores for the Core Financials for Large Enterprises Use Case

Product or Service Scores for Core Financials for Large Enterprises



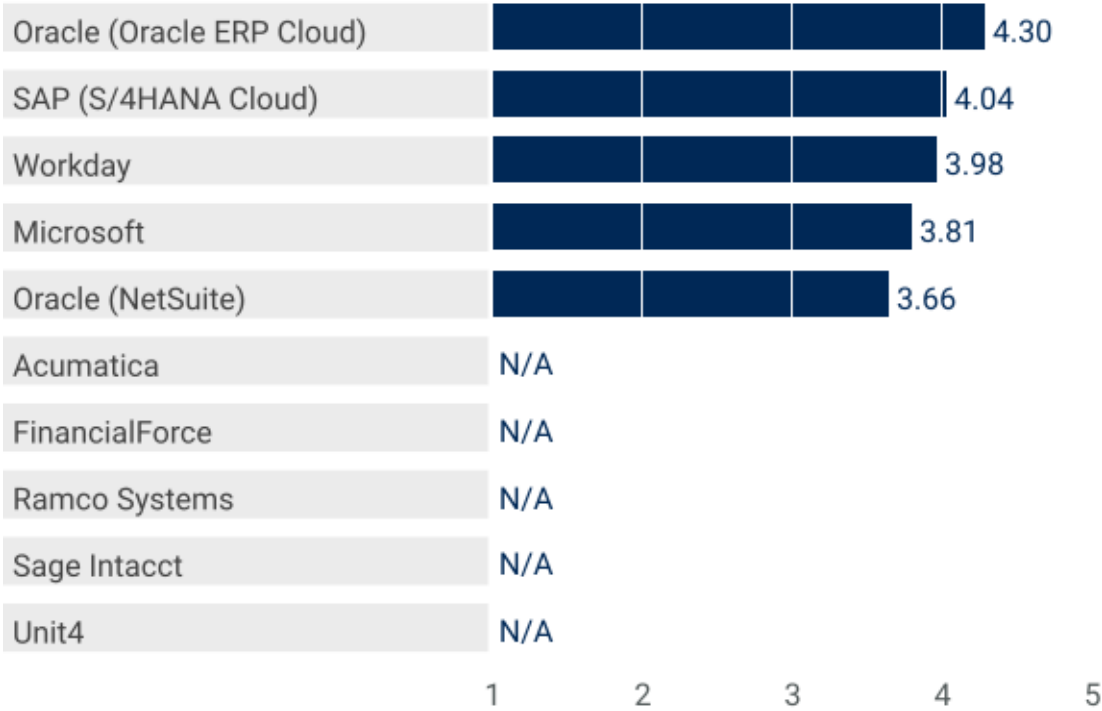
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Figure 4. Vendors' Product Scores for the Global Enterprise Financial Backbone Use Case

Product or Service Scores for Global Enterprise Financial Backbone

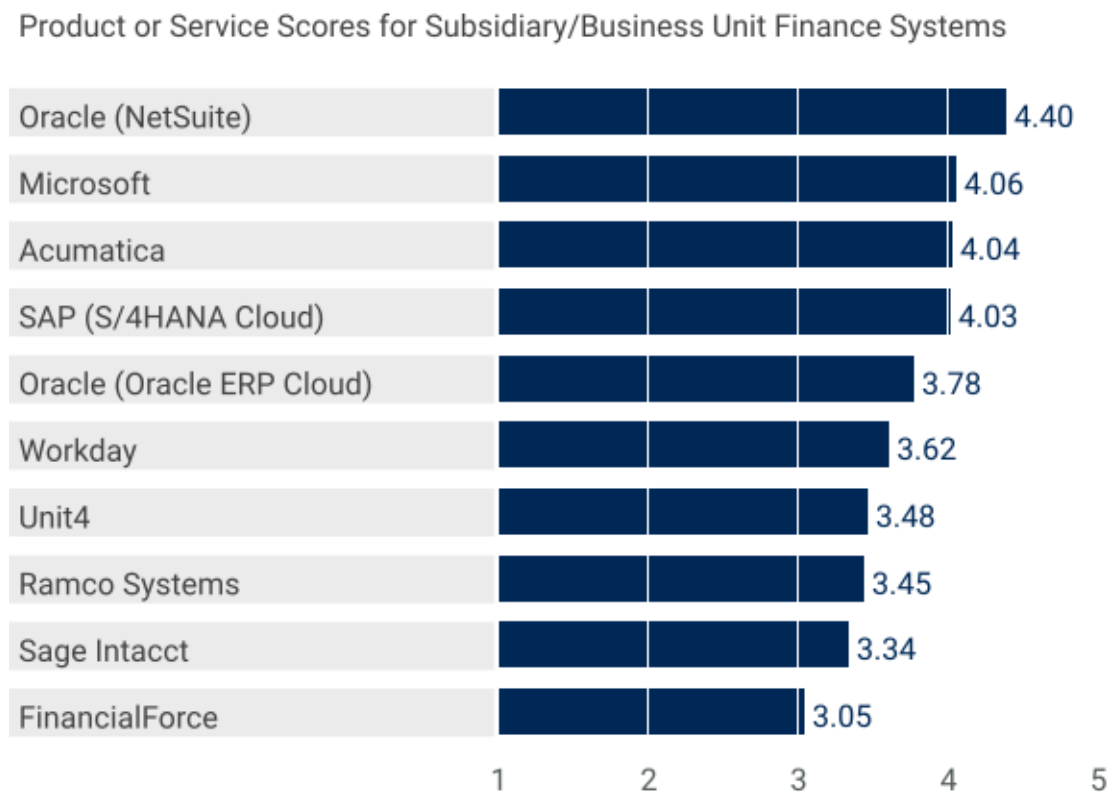


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Figure 5. Vendors' Product Scores for the Subsidiary/Business Unit Finance Systems Use Case



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Vendors

Acumatica

Headquartered in Bellevue, Washington, U.S., Acumatica sells its solutions through value-added resellers and private-label OEM partners (such as Visma, MYOB, Lexware and Cegid) that have adopted the Acumatica Cloud xRP Platform. Acumatica focuses on small and midsize organizations and, in Gartner's opinion, is not applicable to either of the global enterprise financial backbone use cases. It is, however, a viable candidate for large or global organizations looking for systems for a business unit or subsidiary.

Acumatica scored well across most functional capabilities, and its financial management functionality is well-suited to its primary target market of small and midsize organizations. Acumatica scored higher for the ability to support more complex GL capabilities, project accounting and purchasing/accounts payable. Compared with the previous Critical Capabilities report, Acumatica's fixed asset accounting has improved. Acumatica scored well for ease of configuration and deployment, with reference survey respondents praising how quickly users were able to

familiarize themselves with the system. It ranked in the third quartile for financial analysis and reporting — lower than in the prior year. These scores are measured year over year, based on the survey of reference customers.

Acumatica has customers in all geographic regions, with the majority in North America. It scored in the lower half of the vendors for geographic coverage. However, in several regions, Acumatica goes to market through its private-label OEM partners, rather than under the Acumatica brand, which increases sales, but reduces market awareness of its brand. Organizations based outside North America need to identify whether Acumatica (or one of its partners) has support for their required languages and localizations. This also means that Acumatica scores lower in the subsidiary/business unit use case, because other vendors offer a single brand identity on a global basis.

FinancialForce

FinancialForce is headquartered in San Francisco, California, U.S., and has offices in Canada, the U.K., Spain and Australia. It was founded in 2009 as a joint venture between Unit4 (the majority shareholder) and Salesforce Ventures (a minority shareholder). Since then, it has also received investment from Advent International and TCV. FinancialForce initially developed core financial management SaaS applications on the Salesforce platform, and subsequently added professional services automation, human capital management (HCM), and supply chain capabilities through acquisitions and ongoing development.

FinancialForce has improved its scores for GL coding structures and processes and complex GL capabilities, purchasing and accounts payable, accounts receivable and fixed asset accounting. FinancialForce has also improved its scores for usability and for configuration, deployment and integration. These scores are measured year over year, on the basis of the survey of reference customers. Its global subsidiary score has been lowered, as we have seen few use cases for it in this area.

Most FinancialForce customers are lower midsize organizations, but there are a small number of large and global organizations. FinancialForce is planning to increase its presence among larger organizations and is certainly viable as a potential candidate for most use cases, with the exception of global ones, but it has yet to do this in 2019. It needs to expand its range of localizations and language support to become a stronger candidate as a global enterprise financial backbone. As in 2018, this work is underway, so organizations considering FinancialForce for deployment in multiple countries need to monitor the availability of required languages and localizations.

Microsoft

Product evaluated: Microsoft Dynamics 365 for Finance and Operations

Headquartered in Redmond, Washington, U.S., Microsoft offers a number of ERP solutions, all of which include core financial management capabilities. The product evaluated in this Critical Capabilities report is Microsoft Dynamics 365 for Finance and Operations, a cloud-native evolution of Dynamics AX 2012.

Microsoft Dynamics 365 for Finance and Operations scores strongly for GL coding and fixed assets, but has declined in terms of complex GL, accounts receivable and project accounting. Still, overall, Microsoft has a comprehensive range of core financial management functionality, and it is a viable candidate for all the use cases evaluated in this report. Surveyed reference customers scored it lower than the average for ease of configuration, deployment and integration (and slightly down from the 2018 survey).

Dynamics 365 for Finance and Operations is primarily aimed at midsize and large organizations. However, its above-average score for geographic coverage, coupled with a good score for complex GL capabilities, means it is also a viable candidate for the global enterprise financial backbone use case. The product's wide geographic coverage also means it scores well in the subsidiary/business unit finance system use case.

Oracle (NetSuite)

NetSuite was founded in 1998 to provide web-based financial applications. It was one of the first vendors to develop multitenant SaaS business applications. After initially focusing on financial applications, NetSuite expanded its offerings to include other ERP functionality, as well as e-commerce and CRM. In November 2016, it was acquired by Oracle. Oracle is operating NetSuite as an independent global business unit, with some sharing of research and development efforts.

NetSuite made large improvements in the client satisfaction survey this year, and ranked first for product capabilities in the survey of reference customers. It has made major improvements in accounts receivable and fixed assets, while improving its scores for GL code structure, accounts payable, project accounting, financial analysis and reporting, usability and configuration. These improvements are further bolstered by its long heritage as a cloud core financial management suite provider. NetSuite also received good scores for usability and ease of configuration, deployment and integration, with survey respondents identifying the SuiteCloud platform and a variety of integration capabilities as key strengths (similar to 2018).

NetSuite also scored above the average for geographic coverage as it has a wide range of languages and localizations available. This contributes to its high score in the subsidiary/business unit finance system use case. NetSuite is being positioned by Oracle to appeal to organizations with less than \$200 million in revenue per year, which impacts its upper midmarket, large and global use case scores. This also impacts its score for the core financials for large enterprises use case, as well as making it inapplicable to the global enterprise financial backbone use case.

Oracle (Oracle ERP Cloud)

Headquartered in Redwood City, California, U.S., Oracle offers a number of ERP solutions, all of which include core financial management capabilities. This is the third year in which Oracle ERP Cloud appears in this Critical Capabilities report. Oracle ERP Cloud is evaluated separately from NetSuite, as Oracle runs these offerings independently of the other.

Oracle ERP Cloud's ranking dropped slightly in the user satisfaction survey this year, where it came sixth out of 10 in terms of product capabilities. It achieved higher scores for GL coding and

accounts payable, but slightly lower scores for complex GL, accounts receivable, and financial analysis and reporting. It was also rated slightly lower for reporting. Oracle does have a breadth and depth of core financial management and reporting functionality, which can be extended with other modules for supply chain and HCM. Oracle ERP Cloud has customers in all geographies and is tied in the top position for geographic coverage.

The overall strength of Oracle ERP Cloud as a cloud core financial management suite, coupled with its broad geographic coverage, means it is a credible solution for all upper midsize through global use cases evaluated in this Critical Capabilities report.

Ramco Systems

Ramco Systems is part of the Ramco Group of companies — a large, diversified conglomerate. Headquartered in Chennai, India, Ramco Systems has offices in all regions. Ramco has comprehensive coverage of all core financial management capabilities and is well-suited to its primary target of midsize organizations, although it is a credible solution for some large organizations. Ramco's user interface continues to have a slightly dated look and feel, and this contributed to its lower-than-average usability score.

The majority of Ramco ERP customers are based in Asia/Pacific (with the highest concentration in India), and it has relatively limited global coverage in terms of languages and localizations. This adversely impacts its rankings in the core financials for upper midsize enterprises and core financials for large enterprises use cases. It also means that, in Gartner's opinion, Ramco is not applicable to the global enterprise financial backbone use case. We also have some concerns about its cloud deployments as 50% of its survey respondents were on-premises (which violated our rules for the study). Still, it has been able to make improvements in GL, project accounting, financial analytics and usability. It has lower ratings this year in lower midsize enterprises and subsidiaries.

Ramco is most suitable for organizations based in Asia/Pacific (where several other vendors have little or no presence) and for those seeking a subsidiary/business unit finance system for deployment in Asia/Pacific. While it has remained constant in terms of geographic capability from 2018 to 2019, it is still below average for geographic capability, compared with other vendors in this study. However, Ramco has stated that it plans to expand its presence in North America and other regions, so organizations based outside Asia/Pacific should monitor its progress.

Sage Intacct

Headquartered in San Jose, California, U.S., with offices in Romania, Israel and India, Sage Intacct was founded in 1999 to provide small and midsize organizations with online financial applications. It was one of the first vendors to develop multitenant SaaS business applications. It was acquired by Sage in 2017. The effects of this acquisition are still being realized, as Sage Intacct is largely operating independently from the rest of the Sage organization.

Sage Intacct ranked in the upper quartile for product functionality on the user satisfaction survey. It scored very well for most functional capabilities, with significant improvements in accounts receivable, and in financial analytics and reporting.

Although Intacct primarily targets lower midsize organizations, its goal is to provide financial capabilities that scale with its clients as they grow, and its functionality scores support this goal. Sage Intacct's more complex GL capabilities support this goal, but it still needs to make improvements in fixed asset accounting to achieve this. Its stronger scores for financial processes mean it is also a viable solution for upper midsize and large enterprise use cases. However, its limited presence outside North America, and a lack of languages and localizations, reduces its scores for both these use cases. This also limits its suitability as a subsidiary/business unit and global enterprise backbone finance system. In 2018, Sage Intacct was planning to expand its reseller channel into Europe and Asia/Pacific, but this did not happen. As a result, we have reduced its use case rating for global subsidiary. Organizations based outside North America considering Intacct need to check its presence in their region and its support for languages and localizations before proceeding with an evaluation.

SAP (S/4HANA Cloud)

Headquartered in Walldorf, Germany, SAP offers a wide range of business applications. SAP S/4HANA Cloud is its flagship cloud ERP solution. SAP positions SAP S/4HANA Cloud as the preferred cloud solution for midsize and large enterprises. SAP Business ByDesign has been dropped from this Critical Capabilities due to SAP's reduced focus on selling core financials as a best-of-breed suite, rather than within a larger ERP footprint.

SAP S/4HANA Cloud scored above the average for global coverage because of its comprehensive localization capability. This contributes to its above-average score in the subsidiary/business unit use case. SAP is also positioning this product for two-tier ERP deployments. These may occur in a hybrid approach when the enterprise solution is an on-premises solution, typically the SAP Business Suite or S/4HANA on-premises.

SAP S/4HANA Cloud scored lower on the user satisfaction survey, ranking in the lower half of vendors in the study. As a result, most of its critical capabilities are lower than last year. Notably, it ranked lower for project accounting, accounts receivable, and configuration, deployment and integration. Still, S/4HANA's core financial management functionality is comprehensive in scope. As in 2018, survey respondents noted that SAP often stepped into the implementation to assist the system integrators when they encountered issues. This demonstrates SAP's commitment to roll out this product effectively and gain market share.

The functional breadth and global coverage of SAP S/4HANA Cloud mean it could be considered by some midsize, large and global organizations in the two main verticals that it covers: discrete manufacturing and service organizations. SAP S/4HANA Cloud's focus is less on the lower midmarket (where SAP positions its Business ByDesign product).

Unit4

Product evaluated: Business World

Unit4 was founded in the Netherlands in 1980. It is focused on people-centric industries, including higher education, professional and public services, and the not-for-profit sector. This is the second year in which Business World has been included in the Critical Capabilities report for cloud core financial management suites.

The past year has not been a good one for Unit4, judging from the customer satisfaction survey, most of the ratings from which reduce its critical capability scores. It came last overall for product capabilities in the survey. It has, however, made improvements in the areas of GL coding, accounts payable, fixed assets, financial analytics and reporting (potentially leveraging the benefits of acquiring the prevero solution), and configuration/deployment and integration. Its critical capabilities scores have dropped significantly, relative to the overall market, in terms of complex GL, accounts receivable and project accounting. It also has lower scores for usability.

This year Unit4 climbed to eighth place for the lower midsize enterprise use case (up from last place last year), given its focus and ability to support the use case's attributed weightings. It ranked ninth for the upper midmarket use case, sixth for the large organization use case, and seventh for the subsidiary/business unit finance systems use case. Some of the downward movement is due to its lower user survey scores. Unit4 has average global capabilities, which is the main reason for it not being in the global enterprise use case.

Workday

Founded in 2005 and headquartered in Pleasanton, California, U.S., with offices in Canada, Europe and Asia/Pacific, Workday is one of the new generation of cloud-only ERP vendors. It built its applications on a multitenant SaaS architecture and uses an object-based in-memory data store. Workday has seen most success in HCM. It released Workday Financial Management in 2008. Workday acquired Adaptive Insights in 2018 to add financial planning and analysis capabilities to its financial management offering, replacing its homegrown planning application.

Workday has a good breadth and depth of financial management functionality. It has improved its scores on the client satisfaction survey, which has benefited its product scores for GL structures, accounts payable, fixed assets, usability, and configuration, deployment and integration. It ranked fourth overall in the survey for product capabilities. Similar to its 2018 scores, it is rated above average, scoring between 4 and 5 for all functional capabilities. Its scores have dipped slightly for project accounting, financial analytics and reporting, and global coverage, which impacts its suitability for the global enterprise and the subsidiary/business unit use cases.

The majority of Workday's customers are based in North America, but the vendor is expanding its financial presence internationally, and is expected to grow its global footprint. Organizations based outside North America that are considering Workday need to check its presence in their region, as well as its support for languages and localizations, before proceeding with an evaluation.

Context

This Critical Capabilities analysis differentiates the appropriateness of each vendor's solution based on five use cases that represent the primary subsegments of the cloud core financial management suite market. Four of the use cases represent the different sizes and complexities of organizations adopting cloud core financial management suites (lower midsize, upper midsize, large and global). The fifth use case represents a specific deployment approach within larger organizations, where a cloud core financial management suite is used to support autonomous business units or independent subsidiaries that may fall outside wider deployment of a groupwide ERP solution (a two-tier ERP deployment).

Product/Service Class Definition

Cloud core financial management suites provide visibility into an enterprise's financial position through automation and process support for any activity that has a financial impact.

Gartner defines core financial management suites as including:

- The core functional areas of GL — including finance account hub, accounts payable, accounts receivable — including subscription billing and revenue recognition, fixed assets, and project accounting, project costing and project billing. AI and ML are considered within each functional area, where available.
- Financial analytics and reporting capabilities, including the provision of financial information (such as profit and loss, and balance sheet) and the ability to provide financial information (such as key performance indicators [KPIs]) to managers and executives. *Note: Excludes financial planning and analysis (see “Magic Quadrant for Cloud Financial Planning and Analysis Solutions” and “Critical Capabilities for Cloud Financial Planning and Analysis Solutions”) and financial close (see “Magic Quadrant for Cloud Financial Close Solutions” and “Critical Capabilities for Cloud Financial Close Solutions”).*
- Basic indirect purchasing functionality (from creating a requisition through to purchase order processing and accounts payable invoice matching and payment), because many organizations — especially midsize organizations — need some basic procurement functionality as part of a core financial application's deployment.

Note: More sophisticated procurement and sourcing functionality is covered in “Magic Quadrant for Procure-to-Pay Suites,” “Magic Quadrant for Strategic Sourcing Application Suites” and “Critical Capabilities for Strategic Sourcing Application Suites.”

Vendors are evaluated in this research only on the capabilities of their cloud core financial management suites. However, most vendors do offer additional capabilities beyond these suites, and these should be evaluated based on an organization's specific business needs. These additional use cases must be considered; to do so, organizations will most likely need to refer to other Magic Quadrants and Critical Capabilities.

Critical Capabilities Definition

Lower Midsize Focus

The vendor's focus on the lower midsize market segment in terms of product capabilities, roadmap and segment needs.

Configure/Deploy/Integrate

How easily the vendor's solution can be configured and deployed, and the ease with which it can be integrated with other applications (cloud and on-premises) outside the finance domain.

This capability is important because cloud core financial management suites typically need to be integrated with a wide range of applications as they are a "hub" system in the sense that many systems feed data into the GL. They will also need to link with other cloud and on-premises applications that may form part of a postmodern ERP strategy (such as HCM, travel expense management and procure-to-pay solutions). This capability is weighted higher for midsize organizations as they typically have fewer IT resources to support these activities than do larger organizations.

Accounts Receivable

Ability to record accounting entries relating to customer invoices raised in external billing systems, process incoming cash, match cash to outstanding customer invoices, produce customer statements, and follow up on overdue invoices.

This capability focuses on the process of accounting for customer invoices once they have been raised by an external billing system, and managing the collection of payments relating to these invoices. This capability does not include billing, invoice production/delivery or revenue recognition because those capabilities are highly specialized according to industry needs, and are often provided by specialist solutions or custom development. Several of the vendors featured in this analysis offer these capabilities, but they were not included in their accounts receivable critical capability scores.

Financial Analytics and Reporting

The quality of delivered inquiries, functionality of report writers, ability to provide high-quality financial information (such as profit and loss, and balance sheet), and the ability to provide financial information (such as KPIs) to managers and executives in dashboards.

This capability is important in all use cases. This is because data and information from the core financial management suite is used by managers and senior executives to understand and analyze the financial performance of legal entities, cost centers, products, projects and other data entities.

Note: This does not include budgeting and planning capabilities.

GL Coding Structures/Processes

Ability of the general ledger (GL) to define data entities at the account and transaction level, and support hierarchical and multiledger analysis structures. Also covers journal entry and other processing functionality in the GL, and the ability to help manage and streamline period-end close.

The GL is the heart of any core financial management suite. Therefore the flexibility of the system to enable users to define and manage financial data entities (such as company, account, cost center, project and more) is important to all user organizations. Also, all organizations need a GL system that enables quick and effective processing of data and that supports the month-end close.

Project Accounting/Costing/Billing

Ability to track project costs using a different structure from the GL (for example, a work breakdown structure), record inception-to-date costs, and pass accounting entries to the GL. Ability to perform project costing and bill for projects.

This capability is weighted as more important for midsize organizations because many are project-centric and will rely on the project accounting capabilities of their core financial management suite to support their needs. Large organizations are more likely to use specialist project and portfolio management or professional services automation solutions, so this capability is weighted lower in their use case.

Purchasing and Accounts Payable

Ability to raise requisitions against an online catalog, convert requisitions into purchase orders, and receive goods/services against purchase orders.

Also includes the ability to receive supplier invoices, match them to purchase order data and goods received notes, route around the organization for approval, and pay using a variety of methods.

All organizations need core AP capabilities, and midsize organizations (and some large ones) will also expect their core financial management suite to provide reasonable procurement functionality to support indirect purchasing and purchasing of materials that may be used in projects. However, many larger and more complex organizations will perform some (or all) of their procurement capabilities in specialized procure-to-pay solutions, which is why this capability receives lower weightings in these use cases.

Usability

Overall usability of the system, including user interface, workflow and collaboration capabilities. This capability is particularly important for lower midsize organizations that have small IT teams and will not be able to invest in extensive user-training programs.

Fixed Asset Accounting

Ability to record fixed assets, calculate all accounting entries associated with the acquisition of assets, depreciation and asset disposal, and manage physical location of assets.

Midsized organizations typically do not have complex needs for this capability as they do not have significant volumes of fixed assets, so they primarily only need an asset register with appropriate depreciation accounting. Large and global organizations need to manage larger volumes of assets and have more complex needs, including mass manipulation of assets that need to be grouped in various ways, plus support for a wider range of depreciation methods.

Complex GL Capabilities

Ability of the GL to support complex, multiple-entity accounting and reporting, intercompany processing and reconciliation, and to support complex allocations for overhead allocations, costing and profitability analysis. This would include financial accounting hub, where applicable.

This capability is important to organizations with more complex requirements, and those that need to manage and report across multiple legal entities. These organizations frequently have inter- and intra-company processing requirements that require automated offset entry creation and reconciliation capabilities to ensure appropriate entries have been made across all such entities. The finance system is often a key enterprise system in such organizations, and is often used for internal management accounting and costing using inbuilt allocation capabilities.

Geographic Coverage

Number and scope of language translations and country-specific localizations provided by the vendor and/or partners. Vendors receive higher scores for the languages and localizations they develop themselves, due to the research-and-development commitment required to support this.

Translations and localizations are important to large and global enterprises because their core financial management suites will have to deal with legal entities operating in multiple countries. This capability is also important where the solution is deployed in subsidiaries or business units, because in this use case organizations often want to deploy the same solution in multiple independent subsidiaries and/or business units around the globe. This capability analyzes the breadth of languages and localizations available, but it does not assess the suitability of any vendor for deployment in a particular country or region. This would need to be part of a more formal evaluation.

Global Enterprise Focus

This capability assesses the focus of the vendor on the upper midsized market segment in terms of product capabilities, roadmap and segment needs.

Large Enterprise Focus

This capability assesses the focus of the vendor on the large enterprise market segment in terms of product capabilities, roadmap and segment needs.

Subsidiary/Business Unit Focus

This capability assesses the focus of the vendor on the subsidiary/business unit market segment in terms of product capabilities, roadmap and segment needs.

Upper Midsize Focus

This capability assesses the focus of the vendor on the upper midsize market segment in terms of product capabilities, roadmap and segment needs.

Use Cases

Core Financials for Lower Midsize Enterprises

For organizations with annual revenue of between \$50 million to \$500 million, and that have headquarters and the majority of their operations in a single country.

This use case focuses on organizations that have most of their operations in a single country (although they will need to support multicurrency processing and multiple legal entities). Geographic coverage, therefore, has a 0% weighting because organizations evaluating vendors for this use case will focus on a single country or geographic region. Lower midsize organizations require a good breadth of functional capabilities. This use case weights usability higher than other use cases because such organizations typically do not have large IT functions or resources that can support user training. Similarly, ease of configuration, deployment and integration is more important in this use case.

Core Financials for Upper Midsize Enterprises

For organizations with annual revenues of \$500 million to \$1 billion, some international operations, and more complex accounting and reporting needs.

This use case shares many similarities with that for lower midsize enterprises, but these organizations are likely to have more complex international operations. For this reason, the weightings for complex GL capabilities and geographic coverage are higher than for lower midsize organizations.

Core Financials for Large Enterprises

For organizations with annual revenue between \$1 billion and \$5 billion, operations in multiple countries, and complex financial accounting and management reporting needs.

This use case focuses on large, multinational organizations. They need complex GL capabilities and good geographic coverage but, in functional terms, there is less focus on purchasing, accounts payable and accounts receivable as it is likely their requirements in these areas may be augmented by specialist systems. For example, many large organizations may use specialist, strategic sourcing and procure-to-pay solutions to extend the purchasing functionality in the core financial

management suite. Similarly, it is likely that billing and collection capabilities will be managed outside the core financials suite, with the accounts receivable functionality acting more as an accounting ledger, rather than supporting complex processes. However, these organizations are more likely to require complex fixed asset management accounting, so this functionality is weighted higher.

Usability and ease of configuration, deployment and integration are weighted lower than for both midsize organization use cases because large enterprises will have more IT resources to support these capabilities and can also provide user training and support.

Global Enterprise Financial Backbone

For global organizations with annual revenue of more than \$5 billion, operations in multiple geographic regions, and a need to handle large volumes of complex accounting.

This use case focuses on global enterprises that want a common corporate finance backbone. This could be part of a single, global instance ERP deployment, or it could be linked to multiple operational ERP deployments. The focus of this use case is, therefore, primarily on GL capabilities (including complex functions) and on geographic coverage (because any such system will need to support a wide range of local accounting standards while still being able to provide a consistent global view of finance operations).

Subsidiary/Business Unit Finance Systems

For subsidiaries or business units within large organizations with annual revenue of less than \$1 billion. Typically deployed as part of a two-tier ERP/finance system.

This use case focuses on what is often called a two-tier deployment, whereby multinational organizations look to deploy a “lighter weight” finance system in some or all of their international subsidiary operations or autonomous business units. These solutions have less-complex functional requirements, but geographic coverage is important because multinational organizations often like to deploy the same systems in their subsidiary/business unit operations. Cloud core financial management suites are potentially a better solution than on-premises two-tier deployments, because the same configuration principles can be applied to many individual entities without the need for a physical instance in each entity location.

Vendors Added and Dropped

Added

- None.

Dropped

- **SAP (Business By Design)** has been dropped due to its reduced focus on selling core financials as a best-of-breed suite, rather than within a larger ERP footprint.

- **Epicor** has been dropped due to its reduced focus on selling core financials as a best-of-breed suite, rather than within a larger ERP footprint.

Inclusion Criteria

To be included in this Critical Capabilities, 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).

Table 1. Weighting for Critical Capabilities in Use Cases

Critical Capabilities	Core Financials for Lower Midsize Enterprises	Core Financials for Upper Midsize Enterprises	Core Financials for Large Enterprises	Global Enterprise Financial Backbone	Subsidiary/Business Unit Finance Systems
GL Coding Structures/Processes	10%	10%	10%	10%	10%
Complex GL Capabilities	0%	5%	10%	15%	0%
Purchasing and Accounts Payable	10%	9%	5%	4%	9%
Accounts Receivable	10%	9%	5%	4%	9%
Fixed Asset Accounting	5%	3%	10%	9%	9%
Project Accounting/Costing/Billing	10%	9%	5%	0%	0%
Financial Analytics and Reporting	10%	15%	15%	15%	10%
Usability	10%	5%	5%	4%	10%
Geographic Coverage	0%	5%	10%	15%	18%
Configure/Deploy/Integrate	15%	10%	5%	4%	10%
Lower Midsize Focus	20%	0%	0%	0%	0%
Upper Midsize Focus	0%	20%	0%	0%	0%
Large Enterprise Focus	0%	0%	20%	0%	0%
Global Enterprise Focus	0%	0%	0%	20%	0%
Subsidiary/Business Unit Focus	0%	0%	0%	0%	15%

Critical Capabilities	Core Financials for Lower Midsize Enterprises	Core Financials for Upper Midsize Enterprises	Core Financials for Large Enterprises	Global Enterprise Financial Backbone	Subsidiary/Business Unit Finance Systems
Total	100%	100%	100%	100%	100%
As of 1 May 2019					

Source: Gartner (May 2019)

This methodology requires analysts to identify the critical capabilities for a class of products/ services. Each capability is then weighed in terms of its relative importance for specific product/ service use cases.

Critical Capabilities Rating

Table 2. Product/Service Rating on Critical Capabilities

Critical Capabilities	Acumati- ca	Financial- Force	Micro- soft	Oracle (NetSuite)	Oracle (Oracle ERP Cloud)	Ramco Systems	Sage In- tacct	SAP (S/ 4HANA Cloud)	Unit4	Workday
GL Coding Structures/ Processes	4.6	4.1	4.2	4.8	4.4	4.5	5.0	3.9	4.1	4.4
Complex GL Capabilities	4.5	4.0	3.6	3.8	4.0	4.0	4.7	4.0	3.5	4.5
Purchasing and Accounts Payable	4.5	3.5	3.5	4.5	4.4	4.2	4.3	4.0	3.8	4.3
Accounts Receivable	4.1	3.7	3.7	4.5	4.1	4.2	4.4	3.7	3.2	4.2
Fixed Asset Accounting	4.3	3.7	4.3	4.3	4.1	4.1	3.5	3.9	3.7	4.2
Project Accounting/Costing/ Billing	4.6	4.0	3.0	4.2	4.1	4.1	4.4	3.1	3.1	4.0
Financial Analytics and Re- porting	3.8	3.5	3.5	4.4	4.0	4.1	4.7	4.0	3.7	4.0
Usability	4.4	3.9	3.9	4.7	4.3	4.0	4.8	4.3	3.0	4.5
Geographic Coverage	3.5	1.8	4.6	4.2	4.5	2.0	1.0	4.5	3.0	3.3
Configure/Deploy/Integrate	4.4	4.4	3.5	4.6	4.2	4.0	4.6	3.6	3.7	4.4
Lower Midsize Focus	4.2	4.5	4.3	4.5	1.0	3.5	5.0	3.5	4.2	1.0
Upper Midsize Focus	3.2	3.5	4.7	2.0	4.6	3.2	3.7	4.5	4.0	4.4
Large Enterprise Focus	1.0	2.0	4.0	2.0	5.0	1.5	1.0	4.0	2.5	4.5
Global Enterprise Focus	1.0	1.0	3.3	1.0	4.7	1.0	1.0	4.0	1.0	3.5

Critical Capabilities	Acumati- ca	Financial- Force	Micro- soft	Oracle (NetSuite)	Oracle (Oracle ERP Cloud)	Ramco Systems	Sage In- tacct	SAP (S/ 4HANA Cloud)	Unit4	Workday
Subsidiary/Business Unit Fo- cus	3.5	1.0	4.6	4.0	1.0	2.0	1.0	4.0	3.5	1.0
As of 1 May 2019										

Source: Gartner (May 2019)

Table 3 shows the product/service scores for each use case. The scores, which are generated by multiplying the use case weightings by the product/service ratings, summarize how well the critical capabilities are met for each use case.

Table 3. Product Score in Use Cases

Use Cases	Acumati- ca	Financial- Force	Micro- soft	Oracle (NetSuite)	Oracle (Oracle ERP Cloud)	Ramco Systems	Sage In- tacct	SAP (S/ 4HANA Cloud)	Unit4	Workday
Core Financials for Lower Midsize Enterprises	4.32	4.02	3.78	4.52	3.57	4.02	4.63	3.74	3.67	3.61
Core Financials for Upper Midsize Enterprises	4.05	3.68	3.89	3.95	4.28	3.85	4.21	3.98	3.63	4.23
Core Financials for Large Enterprises	3.56	3.26	3.88	3.90	4.36	3.40	3.45	3.97	3.33	4.21
Global Enterprise Financial Backbone	N/A	N/A	3.81	3.66	4.30	N/A	N/A	4.04	N/A	3.98
Subsidiary/Business Unit Fi- nance Systems	4.04	3.05	4.06	4.40	3.78	3.45	3.34	4.03	3.48	3.62
As of 1 May 2019										

Source: Gartner (May 2019)

To determine an overall score for each product/service in the use cases, multiply the ratings in Table 2 by the weightings shown in Table 1.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

“How Products and Services Are Evaluated in Gartner Critical Capabilities”

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

“Magic Quadrant for Cloud Financial Planning and Analysis Solutions”

“Critical Capabilities for Cloud Financial Planning and Analysis Solutions”

“Magic Quadrant for Cloud Financial Close Solutions”

“Critical Capabilities for Cloud Financial Close Solutions”

Critical Capabilities Methodology

This methodology requires analysts to identify the critical capabilities for a class of products or services. Each capability is then weighted in terms of its relative importance for specific product or service use cases. Next, products/services are rated in terms of how well they achieve each of the critical capabilities. A score that summarizes how well they meet the critical capabilities for each use case is then calculated for each product/service.

"Critical capabilities" are attributes that differentiate products/services in a class in terms of their quality and performance. Gartner recommends that users consider the set of critical capabilities as some of the most important criteria for acquisition decisions.

In defining the product/service category for evaluation, the analyst first identifies the leading uses for the products/services in this market. What needs are end-users looking to fulfill, when considering products/services in this market? Use cases should match common client deployment scenarios. These distinct client scenarios define the Use Cases.

The analyst then identifies the critical capabilities. These capabilities are generalized groups of features commonly required by this class of products/services. Each capability is assigned a level of importance in fulfilling that particular need; some sets of features are more important than others, depending on the use case being evaluated.

Each vendor's product or service is evaluated in terms of how well it delivers each capability, on a five-point scale. These ratings are displayed side-by-side for all vendors, allowing easy comparisons between the different sets of features.

Ratings and summary scores range from 1.0 to 5.0:

1 = Poor or Absent: most or all defined requirements for a capability are not achieved

2 = Fair: some requirements are not achieved

3 = Good: meets requirements

4 = Excellent: meets or exceeds some requirements

5 = Outstanding: significantly exceeds requirements

To determine an overall score for each product in the use cases, the product ratings are multiplied by the weightings to come up with the product score in use cases.

The critical capabilities Gartner has selected do not represent all capabilities for any product; therefore, may not represent those most important for a specific use situation or business objective. Clients should use a critical capabilities analysis as one of several sources of input about a product before making a product/service decision.

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