Magic Quadrant for Cloud Financial Close Solutions

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Financial close solutions help the office of finance manage the financial close and apply appropriate controls throughout the accounting cycle. Application leaders should use this Magic Quadrant to identify vendors that are a good match for their financial close needs.

Market Definition/Description

The market for financial close (FC) solutions has grown very mature. In a mature market, you have a relatively unchanging set of Leaders, a cluster of Visionaries and a continuous stream of new entrants. We have seen this maturation over the past few years, with the steady development of a somewhat eclipselike shape to the plotting of vendors in this Magic Quadrant. The market has also become more fragmented. Although a few vendors address many of its functional pillars, there are also many vendors that do not compete against each other; in fact, many of them partner with each other. Unfortunately, the "clustering" of vendors in our Magic Quadrant often confuses end-user customers as they draw up shortlists of vendors.

We have also identified a trend for newer entrants to focus on offering broad financial operations management solutions underpinned by more expansive record-to-report perspectives. Additionally, we have spotted a new trend for "big stack" core financial management vendors to integrate functionality for the FC — and financial planning and analysis (FP&A) — more tightly into their offerings in order to support the office of finance. This trend may soon cause many application leaders to reconsider popular postmodern best-of-breed approaches and replace them with strategies favoring integrated single-vendor applications (see "Is Your Organization Ready to Move Away From a Postmodern Application Approach in Finance?"). We predict that, by 2023, 30% of organizations will use the financial consolidation capabilities, including accounting hubs, within cloud core financial management suites, which will reduce deployments of third-party tools.

All the vendors in this Magic Quadrant deliver cloud FC solutions. Some of them sell private cloud or single-tenant options, in addition to public cloud solutions. It is important to note that vendors may also sell perpetual licenses — for example, for an on-premises model — in conjunction with hosting services. We have not included products with such licenses or that deployment model in this Magic Quadrant. Because users tend to value functionality primarily, and more are requesting cloud deployments, we have defined certain cloud service attributes that vendors had to display if they were to appear in this Magic Quadrant (see the Inclusion and Exclusion Criteria below). In short, vendors' cloud services must confer the benefits of SaaS upon their users. This requires the application software to be delivered and managed remotely, based on a single set of common code and data definitions, and consumed in a one-to-many model by all contracted customers at any time. The cloud services must be purchasable on a pay-for-use basis or with a subscription based on usage metrics. In addition, these services must be public cloud services — that is, they must use shared resources to provide elasticity and support multiple consuming organizations.

We identified three types of cloud service vendor that meet our inclusion criteria:

- **Cloud-only vendors with cloud solutions that have, from the outset, been architected wholly or largely as cloud services.** These typically have a multitenant application architecture.
- **Traditional on-premises vendors with new "built for the cloud" solutions.** Although these solutions have been built for the cloud, they may reuse functional code and platforms from the vendor's preceding on-premises offering. They also may vary in their degree of multitenancy.
- **Traditional on-premises vendors that have made their solutions available as a cloud service. All components have to have subscription pricing, including the license for the product.** These services often support multiple deployment models (public cloud, private cloud and on-premises). They may use a provisioning layer that enables the vendor to deliver the service in a public cloud. Alternatively, they may support multitenancy at the database or OS level and use virtualization techniques. This type of cloud service is broadly defined, and its vendors vary in how extensively they have rearchitected: Each strikes its own balance between the levels of effort required to reuse code, improve ease of use and add functionality. Vendors that use third-party cloud platforms — such as those from Amazon Web Services (AWS) or, more commonly in this market, Microsoft (Azure) — face the challenge of continually drawing on the rapidly increasing capabilities of those platforms.

The cloud FC market has impacted the office of finance. Several trends fueled by technological change are enabling the office of finance to improve the FC process in terms of effectiveness, efficiency and compliance. Most of the associated capabilities are "greenfield" opportunities — that is, they face no constraints from previous work — for organizations that previously relied heavily on spreadsheets and manual processes. New cloud FC trends include the following:

- The marketing of most cloud FC solutions almost exclusively to the end user. There is also growing availability of cloud office-of-finance-focused solutions that can be administered by the end user, mostly configured by the end user, and technologically managed by the cloud service provider. These have less support for integration and technology management by the IT department.
- The increasing willingness of the office of finance to put critical financial data in a public cloud. Some capability areas, such as disclosure management, have been almost exclusively sourced from cloud solutions during the past five years, without any security breaches. This shows the viability of these solutions.
- The emergence of platform as a service (PaaS) offerings. These provide a foundation for current and future applications, scenarios and blueprints from vendors. They enable end users to

develop their own applications and extend the platform without breaking the code, which in turn enables differentiation that can improve the office of finance. In future, this trend will also enable vendors' partners to offer specialized intellectual property and further applications to meet clients' requirements.

- The increasing ability of cloud solutions from specialist FC vendors to integrate with both cloud and on-premises solutions in hybrid environments. We have seen this in many cases where the enterprise solution is on-premises but business units use cloud FC solutions locally.
- The growing convergence of financial consolidation and reporting and enhanced financial control and automation (EFCA) functions in specialist vendor suites, as well as of cloud core financial management suites, with FC offerings. Cloud core financial management suites cover general ledger (GL), accounts payable, accounts receivable and fixed assets.
- The postmodern selection of best-of-breed components from different vendors to address specific requirements, rather than selecting all FC components from a single vendor.

These trends will continue to significantly improve enterprises' financial management by automating many manual processes and replacing customized solutions. Although financial consolidation and reporting applications have long been used, the other pillars of the FC sector represent greenfield opportunities for many enterprises.

As defined by Gartner, the components of an FC solution support financial accounting processes to help achieve a corporate FC. The FC solution market includes the following components:

- **Financial consolidation.** This component confers the ability to bring together financial information from multiple GL sources, while providing for eliminations for intercompany accounting and booking for joint-venture and non-GL business units. It may include support for developing a financial consolidation instance, for the purpose of tax data provisioning, to help the tax organization prepare returns and plan. Even with a single GL, an organization may still have complex financial consolidation needs — but small and midsize organizations with limited legal entities may not require complex financial consolidation capabilities.
- **Financial reporting.** This component provides financial-accounting-based reporting to meet the demands of regulators, investors and tax authorities, and to inform the organization's operational and strategic financial management.
- **Reconciliation management.** This component manages the financial accounting reconciliations between feeder systems, bank accounts, subledgers and the GL. It is not inclusive of vertically focused operational reconciliations (that is, financial services operational reconciliations).
- **Close management.** This component confers the ability to manage the FC, including activities spanning accounting cycles. Capabilities include the EFCA functions of close management, close "cockpits" that span ERP and post-ERP processes, and journal entry control.
- **Intercompany transactions.** This component, which is also an EFCA function, confers the abilities to approve at a voucher level and to handle accounting transactions across multiple GLs and companies. This function works closely with intercompany reconciliation.

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- **Disclosure management.** Another EFCA function, this component confers the ability to support multiple regulatory requirements for disclosure reporting, including eXtensible Business Reporting Language (XBRL) and in-line XBRL (iXBRL) tagging. It may also provide “board book” capability and form the foundation for performance reporting within FP&A.

This Magic Quadrant presents a global view of the primary vendors in the cloud FC market. Organizations using this Magic Quadrant for evaluation purposes must take this into account when applying its findings to their specific requirements. The fact that some vendors are classified as Leaders does not necessarily mean that these vendors’ solutions effectively address all functional and technical requirements for all use cases better than those of vendors in the other three quadrants. Vendors in this Magic Quadrant vary in their ability to support different FC processes and use cases. Organizations should draw up their own unique shortlists of vendors, in light of the complexity and scale of their requirements, and may well want to include vendors not profiled in this Magic Quadrant. This Magic Quadrant is not designed to be the sole tool to use when creating a shortlist. It should be used as part of an organization’s due diligence and in conjunction with discussions with Gartner analysts, a review of Gartner Peer Insights opinions and the study of related Gartner publications. Related publications include the associated Critical Capabilities report, which is product-focused and examines use cases for cloud FC solutions.

Please be aware that:

- The positions of vendors in the Magic Quadrant are based on an algorithm that considers vendors as a whole. Year-to-year comparisons are not necessarily valid.
- The market has progressed as cloud FC solutions have improved and as product adoption, innovation and execution have improved. This evolution necessitates recalibration from one year to the next, which is another reason why year-to-year comparisons may be misleading.

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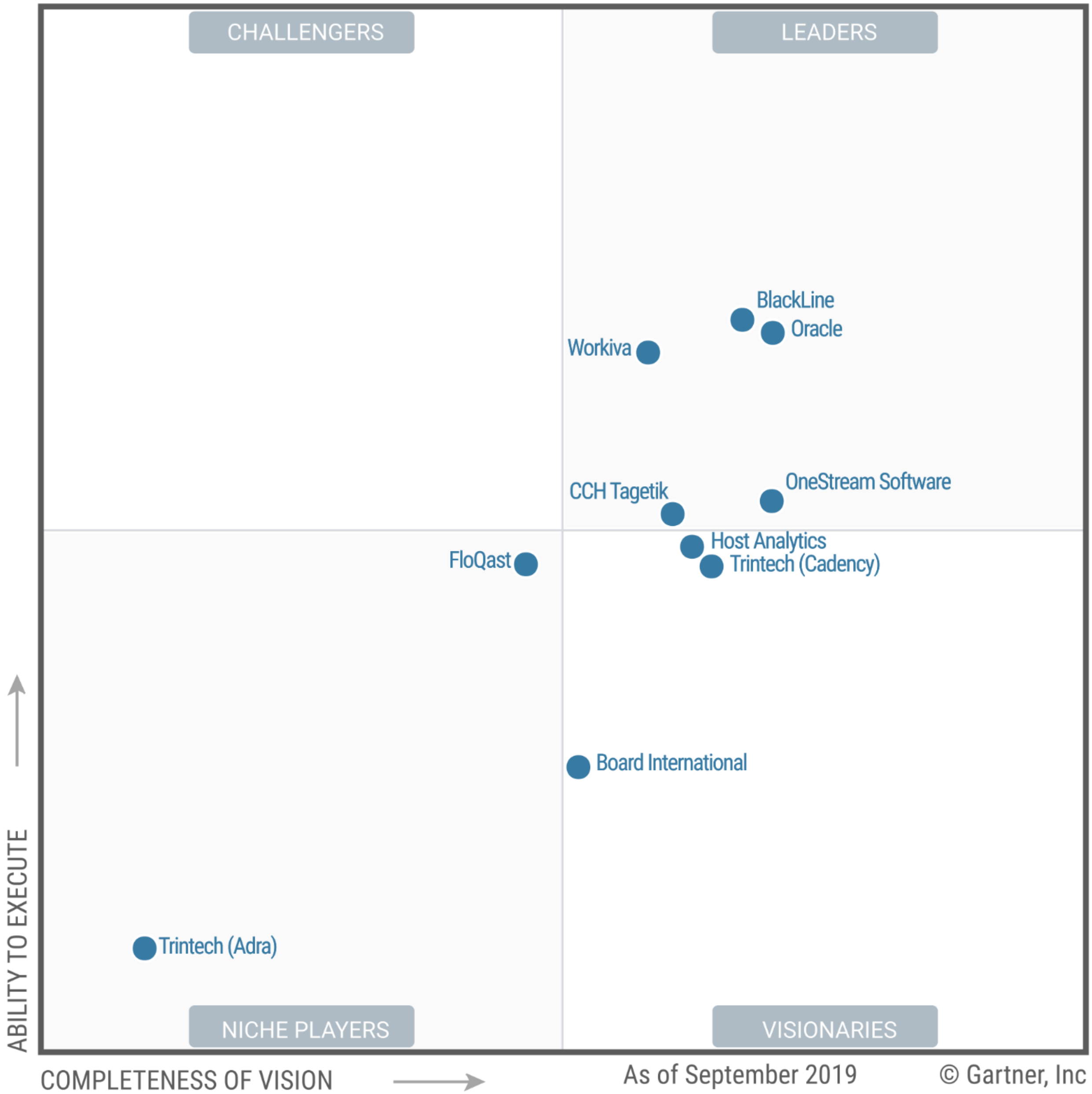
Magic Quadrant

Figure 1. Magic Quadrant for Cloud Financial Close Solutions



Source: Gartner (October 2019)

Vendor Strengths and Cautions

BlackLine

BlackLine, based in Woodland Hills, California, U.S., is a pure-play cloud vendor that provides solutions only for nonconsolidation FC functions. Its reconciliation, close management, and intercompany transactions products include Account Reconciliations, Task Management, Transaction Matching, Journal Entry, Intercompany Hub, Consolidation Integrity Manager and Variance Analysis. BlackLine solutions are designed to work with each other as part of an integrated platform. They can be purchased individually or in bundles — Balance Sheet Integrity, Close Process Management, Accounting Process Automation and Finance Transformation — designed to align with the requirements of each customer. The BlackLine Intercompany Hub solution acts as a centralized repository in which intercompany transactions are initiated, approved, validated and booked.

Since the previous Magic Quadrant, BlackLine has embarked on a new reseller partnership with SAP (SAP Solution Extension), allied itself with Deloitte, EY and KPMG, and announced embedded machine learning (ML) to bolster its transaction-matching capabilities. It has also opened offices in Singapore and Japan and delivered new API capabilities, as well as Oracle and Intacct connectors.

BlackLine remains a Leader in this market. It has a diversified customer base of over 2,800 customers and is one of the vendors that has defined the cloud market for non-consolidation FC solutions during the past six years.

Strengths

- Partnerships were associated with eight of BlackLine's top 10 deals in 2018. These partnerships encompass many ERP vendors, consulting services, business process outsourcers, service bureaus and referral technology partners worldwide. BlackLine's ecosystem of over 75 partners is broadly dispersed and active in supporting its products.
- BlackLine is a well-recognized brand in the finance industry, and many finance personnel often buy its products again when they migrate to new companies. BlackLine has also been successful in establishing relationships with leading financial management service providers, aided by its finance transformation practices.
- Surveyed reference customers scored BlackLine in the highest quartile for customer experience and overall product capabilities. Additionally, BlackLine displays strong vision with its introduction of artificial intelligence (AI) into transaction-matching capabilities. Multiple reference customers praised BlackLine for ease of implementation and customer support.

Cautions

- BlackLine's pricing is considered "premium," compared with that of other vendors offering similar products in large and midmarket segments. However, BlackLine can be very competitive when pitched against multiple vendors. Additionally, its global direct sales capability is still emerging, bolstered by its relationship with SAP.

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- BlackLine's revamp of its user experience remains an ongoing project. Some reference customers described a "slow roadmap" to deploying modern dashboards and expressed desire for a more presentable UI. Those evaluating and migrating to cloud FC solutions said they expect an experience "upgrade" that delivers improved usability.
- BlackLine's transaction matching for reconciliations is often a concern for companies during contract negotiations because it is priced separately, according to discussions with users of Gartner's client inquiry service. We have encountered cases where users of BlackLine's software chose to limit the amount of reconciliation matching, which can unintentionally lower the value of an implementation.

Board International

Board International is co-headquartered in Boston, Massachusetts, U.S., and Chiasso, Switzerland. In January 2019, Nordic Capital, a private equity fund, acquired a majority share of Board. Board sells both on-premises and cloud solutions (using Microsoft Azure). It blends business intelligence (BI), performance management and predictive analytics into a framework offering strong customization capabilities. Its strongest market remains Europe (81% of its reference customers came from there). It offers solutions for financial reporting, consolidation and management reporting. Its cloud solutions use Microsoft Azure.

Board's FC capabilities are used by both midsize and large organizations. It also has BI capabilities in its PaaS offering, which can augment its management and financial reporting capabilities. In 2018, Board enhanced its Financial Consolidation offering with advanced XBRL processing capabilities based on Fujitsu's Interstage XWand engine in order to improve the XBRL filing process. It also launched a migration tool for Hyperion Financial Management, enhanced its e-learning service, added BearingPoint to its stable of partners, and expanded its channel in Australia and New Zealand.

Board remains a Visionary, having maintained average scores for Completeness of Vision and Ability to Execute. It offers strong analytics and has shown solid vision in terms of understanding both the market as a whole and a broad range of industries.

Strengths

- Board's financial reporting capability is strong due to its global perspective and knowledge of international requirements, when compared with some North American vendors. Board provides a good alternative for global customers that have EMEA-based and International Financial Reporting Standards (IFRS) reporting requirements.
- Board supports midsize, large and enterprisewide organizations. While 71% of its customers had $1 billion or less in annual revenue, 24% had revenue of between $1 billion and $10 billion, and 5% had $10 billion or more in our customer reference survey.
- Reference customers for Board reported that their top-three product selection criteria were functional capabilities, ease of use and analytics. Board's strengths are underpinned by its

flexibility as a platform and its analytics for FC use cases, in which it scored in the highest quartile.

Cautions

- A majority of Board's surveyed reference customers said that they required the support of Board or a third-party consulting organization for version updates. Those considering Board must be prepared to use external resources and budget accordingly.
- Reference customers for Board identified challenges with implementations, as well as with the amount of resources and training required to obtain the results sought, particularly when getting started. Reasons given ranged from a lack of predefined templates for implementations to a lack of clear guidance when there are multiple ways to achieve the same result. Vague error messages and less-than-exemplary documentation were also identified as minor detractions from their overall satisfaction.
- Although Board's financial reporting capability is strong, due to its global perspective and knowledge of international requirements, many customers have developed consolidation on top of the Board platform themselves, or by using the vendor's professional services or a third party. More than a few Board customers surveyed by Gartner referred to its software as more of a "toolkit" than an off-the-shelf product.

CCH Tagetik

CCH Tagetik is owned by Wolters Kluwer and is part of its Corporate Performance Solutions business unit. Co-headquartered in Lucca, Italy, and Stamford, Connecticut, U.S., CCH Tagetik sells both on-premises and cloud solutions, with cloud solutions now accounting for the majority of its sales. CCH Tagetik supports FC processes, as well as FP&A requirements. Its cloud service can use AWS or Microsoft Azure cloud environments. CCH Tagetik was the first software vendor certified as being "powered by SAP HANA." The SAP HANA product stack is natively integrated into the solution, which improves overall performance.

CCH Tagetik has always had a strong on-premises solution for global financial consolidation, and its platform supports that as well as intercompany reconciliation, financial reporting, disclosure management, close management, packaged regulatory reporting solutions and tax provisioning. Because its cloud and on-premises solutions are functionally the same, CCH Tagetik has been successful at seizing large cloud consolidation replacement opportunities.

CCH Tagetik has moved into the Leaders quadrant, due to its strong overall capabilities, ability to support complex FC use cases, robust development roadmap and solid customer adoption. It has also increased its penetration of the cloud financial reporting and consolidation sectors and enhanced its support for key regulatory requirements.

Strengths

- CCH Tagetik has consistently demonstrated its ability to satisfy the needs of large, complex organizations for financial consolidation, intercompany reconciliation, disclosure management and reporting. It received higher scores from its larger reference customers — a finding consistent with our analysis of interactions with users of Gartner's client inquiry service.

- The addition of the Analytic Information Hub has bolstered CCH Tagetik's consolidation, reporting and disclosure capabilities. CCH Tagetik has also enhanced its user experience with an updated UI that simplifies navigation and workflow, upgraded its analytics dashboards, and improved its mobile support capabilities.
- Reference customers' scores put CCH Tagetik in the highest quartile for both customer experience and overall product capabilities. They reported a high degree of vendor intimacy and communication, as well as satisfaction with the vendor's product functionality, support and performance. Reference customers for CCH Tagetik reported that their top-three product selection criteria were ease of use, solution flexibility and functional capabilities.

Cautions

- More than half of CCH Tagetik's customers are from Europe. Organizations seeking strong geographical support outside Europe should scrutinize service levels and check references from customers of the same size and in the same industry.
- While acknowledging the versatility of CCH Tagetik, reference customers identified a need for more advanced product knowledge to exploit all of the solution's features. Extra training time at the outset ensures that finance/super users can maintain and own the system themselves, and thus reduce their dependency on IT staff.
- Although we see CCH Tagetik using Microsoft Excel's functionality, some reference customers mentioned minor challenges with retrieve formulas, system freezes and report-writing complexity.

FloQast

FloQast is based in Los Angeles, California, U.S., spans all industries and focuses on the midmarket. This vendor was first known for tracking and organizing close processes and balance sheet reconciliations, but has transitioned into focusing on doing more work for accountants as well. In late 2018, FloQast started to beta test a new transaction-matching solution, which went into production at the end of the first quarter of 2019.

FloQast has a large number of Sage Intacct and Oracle (NetSuite) customers. In 2018, FloQast saw a swing toward upper-midmarket customer adoption and launched a new channel program that included bidirectional referral agreements with Workiva and Host Analytics. It also introduced flux analysis, custom tags, and a "strict" tie-out mode that automates and upgrades controls governing the redoing of reconciliations. Finally, FloQast introduced new "ready to review" notification capabilities and improved its close analytics and security.

FloQast remains a Niche Player, its position having improved slightly in terms of Ability to Execute and significantly in terms of Completeness of Vision. This combined improvement is based on continued new customer adoption in the lower midmarket, progress in shifting further upmarket, an

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AI-driven innovation roadmap and expanded functionality. Additionally, reference customers' scores for support and vendor satisfaction were in the top quartile.

Strengths

- While focused on the midmarket, FloQast is also relevant to the business units of larger organizations. Not being overly complex, its software can be implemented rapidly, thus providing quick time to value for clients with close management requirements. Reference customers identified ease of use and integration with their accounting teams' existing processes as strengths, and highlighted the fact that the solution allows them to continue using Microsoft Excel and their own checklists. All of FloQast's reference customers were able to deploy its solution in under six months, and nearly all took advantage of new versions as soon as they became available.
- FloQast offers excellent prices for the midmarket, and its solution is often less costly than higher-level FC products. Many customers have found that they do not need to pay for the additional complex functionality found in solutions aimed at larger enterprises. FloQast came in second overall in terms of customers surveyed who would be willing to recommend the product without qualification.
- FloQast scored in the top quartile for ease of use, ease of maintenance, ease of implementation, and integration. These scores, together with FloQast's high level of customer satisfaction, have enabled organizations to justify its usefulness and ability to deliver short-term value without requiring a complete financial transformation initiative.

Cautions

- FloQast introduced a transaction matching product, FloQast Match, in late 2018, and it went into production in 2019. Those evaluating this product should check with FloQast reference customers to ensure it will meet their requirements, given its relative immaturity.
- Although reference customers said FloQast met their requirements, they also requested additional features. Among these were aging statistics for reconciliations, and more reporting functionality tied to FC bottlenecks by task/user.
- FloQast competes primarily in North America — its ability to market its products globally remains immature. Although it continues to build channels outside North America, most of its international penetration is achieved through multinational companies based in North America. Prospective customers outside North America should check that it has adequate sales and support capabilities in their region.

Host Analytics

Host Analytics is a cloud-only vendor based in Redwood City, California, U.S. It was acquired by Vector Capital, a private equity firm, in January 2019 for an unknown amount. Host Analytics' cloud platform supports financial reporting and consolidation, as well as FP&A functions. This vendor has been successful where complex consolidation and reporting capabilities are required. Gartner

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expects Vector Capital's cash infusion to help Host Analytics acquire other vendors, build new capabilities and expand its reach around the world.

Host Analytics focuses on the midmarket and large enterprises. In 2018, it entered into an integration and technology partnership with BlackLine and signed an agreement with FloQast to provide account reconciliation capabilities to lower-midmarket customers. When Host Analytics is used together with these partners, customers can manage the complete month-end close, consolidation and reporting process on the Host Analytics platform. Also released in 2018 were task management capabilities, standard and recurring journals for all scenarios, a new multiple-journal copy feature, journal uploading, support for retained earnings roll forward, and entity locking.

Host Analytics is a Visionary in this market. It scores highly for overall product capabilities, but its execution has declined compared with other major competitors in this market with respect to penetration and market visibility and presence. Its vision remains strong, particularly as it relates to complementary strategic partnerships. Additionally, its global capability has continued to improve, and it should continue to do so under Vector Capital's ownership.

Strengths

- Nearly all of Host Analytics' reference customers said they upgraded to new versions as soon as they were available. In this regard, the vendor's scores from reference customers were the highest of any vendor in this Magic Quadrant, and they indicate a reliable cloud architecture and a well-honed version release process. Host Analytics' reference customers also gave it the highest score in the survey for not needing vendor or third-party support for upgrades again illustrating the strength of its cloud platform.
- Host Analytics' reference customers scored it in the highest quartile for support and vendor satisfaction, as well as for integration. All would recommend it to others without qualification — Host Analytics is one of only two vendors in this Magic Quadrant to achieve that distinction. Host Analytics' reference customers reported their top-three product selection criteria as ease of use and functional capabilities, followed by a three-way tie between solution flexibility, performance and cloud capabilities.
- Host Analytics has a comparatively mature cloud solution for the FC, and its product supports the more complex use cases. Our dealings with users of Gartner' client inquiry service suggest that it is seen by customers as providing a stable and proven platform that can support large and complex organizations, as well as midsize organizations. Gartner Peer Insights reviews note that consolidations and reporting capabilities are straightforward and easy to navigate.

Cautions

- Host Analytics' analytics capabilities remain in the midquartile — it received scores about average for the 10 vendors assessed in this Magic Quadrant. Midquartile scores are typically sufficient for most FC use cases.
- Most of Host Analytics' software sales, consulting and support capabilities are in North America. All of its reference customers' deployments took place there, although the vendor was

also active in other regions. Prospective customers outside North America should check whether Host Analytics offers consulting and support capabilities where they need them.

- Reference customers for Host Analytics identified a need for improvements to consolidation elimination functionality in order to gain a better understanding of the information Host Analytics uses when conducting eliminations. Additionally, a few reference customers highlighted a need for Host Analytics to vet partners' competency more strictly before using them to deploy its consolidation solution.

OneStream Software

OneStream Software is headquartered in Rochester, Michigan, U.S. In February 2019, it announced that it had entered into an agreement to receive a $500 million investment from KKR, a major private equity firm. OneStream's XF platform supports financial consolidation, financial reporting, financial close, complex intercompany eliminations and reconciliation management. It also supports FP&A.

OneStream offers several deployment options for its FC solution, including on-premises perpetual license; perpetual license with cloud hosting; and full SaaS cloud offering (using Microsoft Azure), for which no perpetual licenses are involved. Most of OneStream's cloud customers have single-tenant implementations. The only implementation option from OneStream evaluated in this Magic Quadrant is the full SaaS cloud offering, which OneStream uses for its primary go-to-market approach.

OneStream is now a Leader. Its scores for Ability to Execute reflect high levels of customer satisfaction, as well as improved viability and market penetration. OneStream's vision for its cloud FC solution is also strong because it can draw on platform capabilities across all FC applications and has attracted many leading system integrators (SIs) to support its implementations. OneStream tends to be used by large organizations for complex, enterprisewide financial consolidation, close and reporting applications, and has a marketplace of solutions that include compliance reporting, tax provisioning and account reconciliation. OneStream competes effectively against much larger vendors in this area, and its solution has been successfully implemented by large enterprises.

Strengths

- OneStream outscored all the other vendors in the reference customer survey with respect to its solution's value for money, and received some of the highest scores for product satisfaction and overall capabilities. Improvements in these scores underpin its momentum and new status as a Leader. Adoption of its cloud FC capabilities has continued to increase, and we expect KKR's capital investment to result in further strong momentum.
- Reference customers scored OneStream in the top quartile for the key nonproduct functionality areas evaluated. In addition, all of OneStream's reference customers would recommend it to others without qualification. Reference customers identified their top-three criteria when selecting OneStream as functional capabilities, performance and ease of use.
- OneStream's XF platform competes well because all functional applications share the same UI, data model, workflows and security. Its offering represents more than an assemblage of integrated stand-alone modules. For users seeking a single platform that unifies FC (as well as

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FP&A) capabilities, this can result in a lower total cost of ownership (TCO), as more capabilities are utilized.

Cautions

- A notable number of OneStream reference customers again reported that their deployment took nine months or more. Part of the reason for this is that the majority of OneStream customers surveyed implemented multiple use cases that involved both FP&A and FC capabilities and had complex design requirements, compared with those of other vendors in this Magic Quadrant. It is therefore important for customers to reach agreement with OneStream about expected deployment times.
- OneStream needs to improve its support for maintenance and updates, judging from the below-average scores it received from reference customers in this regard. This may be due to OneStream offering the option for customers to upgrade according to their own time frames, rather than accepting upgrades as soon as they become available.
- Reference customers for OneStream identified a need for small improvements in areas such as the UI and for simpler management of security.

Oracle

Oracle, based in Redwood City, California, U.S., is best known for its on-premises Hyperion FP&A and FC solutions, but now sells only cloud offerings. Its cloud FC offerings include Oracle Financial Consolidation and Close Cloud Service (Oracle FCCS), Oracle Account Reconciliation Cloud Service (Oracle ARCS), and Oracle Enterprise Performance Reporting Cloud Service (Oracle EPRCS). In addition, Oracle Tax Reporting Cloud Service addresses tax provisioning and reporting needs.

Customers attracted to Oracle typically seek extended close process management bolstered by intelligent process automation, support for complex consolidations, global reconciliations including transaction matching, and enhanced narrative reporting. In 2018, Oracle continued to invest in advanced robotics for advanced close process automation and added extended support for automatic consolidation logic based on complex legal structures. Other new capabilities included rule-based matching of transactions, natural language processing chatbots supporting voice and text, and automated financial consolidations that run in the background without explicit user action.

Oracle remains a Leader, due to its market traction with Oracle FCCS, its geographic, sales and product strategy, and its business model. Oracle supports both midsize and large organizations, as well as enterprisewide use, and it scores well for both medium and complex FC process support.

Strengths

- Oracle has many large customers, a global reach, a large ecosystem of implementation partners, and a service organization that offers broad business domain and industry coverage. The large and growing global user community for Oracle FCCS was said by some reference customers to help sharpen their knowledge of Oracle's capabilities, identify best practices and overcome challenges. Oracle can exploit these attributes to increase the market penetration of its cloud FC products.

- Oracle reference customers stated that they were pleased with the range of standard features in Oracle FCCS, and specifically highlighted the ease of use and navigability of Oracle ARCS.
- Functional improvements in 2018 continued to bring Oracle FCCS's capabilities up to par with the previous on-premises Oracle Hyperion Financial Management (HFM) offering. Reference customers for Oracle reported that their top product selection criterion was the solution's functional capabilities. Oracle's Completeness of Vision is underpinned by a strong and detailed end-to-end innovation roadmap, which it has the ability to fund and execute.

Cautions

- Reference customers scored Oracle in the lowest quartile for ease of implementation, ease of maintenance and upgrading, performance, and vendor satisfaction. They also scored it among the lowest for sales experience. Oracle respondents may have had a mix of cloud and on-premises solutions deployed, which may have impacted these impressions.
- Approximately one-third of Oracle's reference customers said they would recommend Oracle to others, but with minor qualifications. Some commented that the consolidation environment could be more stable and identified the need for additional functionality in ARCS. They also highlighted the need for FCCS support environment improvements.
- Although the situation is improving, Gartner continues to hear complaints from users of our inquiry service about SIs not keeping up to date with Oracle FCCS product releases, which occur several times a year. As a result, we continue to see SIs not implementing or taking advantage of newly released functionality. Oracle is investing more in partner enablement activities to address this issue. Prospective customers of Oracle's FC solutions should ensure that SIs are well versed in how to take advantage of the full capabilities of the latest versions.

Trintech (Adra)

Trintech is based in Dallas, Texas, U.S. Following its acquisition of Adra Software in November 2017, Trintech offers the cloud-based Adra Suite, delivered via SaaS subscription. It focuses this solution on lower-midmarket customers globally. Components within the Adra Suite include account matching (the initial focus of Adra Software), balance sheet reconciliation, task management and FC insights/analytics. Additionally, the Adra Suite provides a range of prepackaged integrations/connectors for popular ERP systems. Trintech also sells the Cadency product, which it focuses on upper-midsize and enterprise customers and which we evaluate separately in this Magic Quadrant.

Nearly 1,200 SaaS customers use the Adra Suite in production environments. Most of these are based in Europe, with only a small percentage based in other regions, including North America. In 2018, Trintech established operations for the Adra Suite in North America (with launch plans for 2019), the U.K. and Australia. Functionality introduced in 2018 included Adra Matcher for transaction matching, new transaction status dashboards in the Adra Balancer reconciliation module and enhanced filters for task management.

With the Adra Suite, Trintech remains a Niche Player, as it primarily targets lower midmarket organizations with moderate requirements in terms of FC process complexity and is in the early stages of its global rollout.

Strengths

- Trintech's Adra Suite is one of only a few lower-midmarket-focused solutions on the market that has transaction-matching capability built-in. Because of the product's ease of use and maintenance, this can provide lower-midsize organizations with an opportunity to automate more reconciliation management requirements.
- Trintech's Adra Suite has good penetration in Scandinavian countries, where it has been a proven reconciliation management solution for more than a decade. Its workflow, routing and approval capabilities, once a weakness, have also significantly improved.
- Trintech aims the Adra Suite at the lower-midsize market, where there is a significant opportunity to address the needs of organizations that have been largely ignored by offering a solution with attractive, well-aligned pricing.

Cautions

- Reference customers for Adra reported intermittent performance challenges with respect to response times, expressed desire for quicker development of new features, and identified the rapid turnover of sales and support contacts as an issue that Trintech should address.
- Prospective customers must determine whether the Adra Suite will meet their current and future requirements, or whether they require a more robust product — particularly if they have complex needs. Reference customers reported that Trintech has opportunities to improve its product by enabling it to support more complexity and enhancing its ability to group companies consisting of several entities.
- The Adra Suite has limited presence outside Europe. As it has only a minor presence in Asia/Pacific, South America, the U.K. and the U.S., prospective customers need to fully understand the level of local support available to them. They should also note that, although Trintech is rolling out a new partnership program for the Adra Suite, support for implementations still comes largely from Trintech itself.

Trintech (Cadency)

Trintech is based in Dallas, Texas, U.S. In January 2018, it announced that Summit Partners had purchased a majority stake in the company, with Vista Equity Partners remaining a minority shareholder. Trintech offers cloud-only products, including Cadency, a record-to-report solution delivered via SaaS subscription through a secure private cloud. Cadency includes functionality for operational matching/reconciliation, intercompany transaction management, GL reconciliation, journal entry management, close workflow management, and disclosure management/reporting. Trintech also offers the Adra Suite, which is maintained as a separate product and evaluated separately in this Magic Quadrant.

In 2018, Reconciliation Match, a feature for high-volume matching and reconciliation, and Intercompany, a system of control for transaction management, were added to the product. Trintech also introduced a new Advanced Reporting functionality that centralizes both analytics and data discovery across the portfolio. A Record to Report Automation Framework was also launched, encompassing ERP connectors, APIs, third-party robotic process automation (RPA) connectors, risk intelligent robotics and AI. A direct sales and support office for Cadency was also established in Germany.

Trintech remains a Visionary with Cadency due to this product's strength in the upper-midsize and enterprise market as a functionally rich integrated suite of FC functions that draws on a common business process platform.

Strengths

- Trintech's Cadency product offers strong reconciliation management capabilities that are suitable for large organizations with complex needs. Surveyed reference customers scored Cadency above the average for its support for complex FC processes. More than three-quarters of them would recommend it to others without qualification. It addresses many areas of EFCA and is a good choice for organizations that want to address multiple areas of the FC when starting out or that simply want to "turn on" additional functionality after the initial implementation.
- Trintech's integrated Cadency suite offers organizations the opportunity to extend their FC solution footprint without having to acquire separate products on a piecemeal basis. As new functions are enabled, organizations can use the same platform to acquire the additional SaaS seats they require to bring applications to new users. Reference customers scored Cadency above the average for ease of implementation.
- With Cadency, Trintech remains ahead of most its competitors, particularly when it comes to releasing RPA capabilities that draw on customers' configured risk profiles. For example, Cadency includes risk-aware automatic approval of close workflow items and automated reclassification of accounts based on risk tolerance; additionally, it enables integration of third-party systems into the close workflow. Reference customers identified the ability to automatically reconcile the majority of their activities as a major timesaver.

Cautions

- Trintech does not have the same marketing visibility as its main competitors in this market. It has yet to achieve its desired level of brand recognition. However, the 2018 majority-stake investment made by Summit Partners, along with the continued involvement of Vista Equity Partners, should help bolster Trintech's marketing capabilities.
- The positioning and pricing of Trintech's Cadency suite deter organizations that want just one capability, such as reconciliation, especially as Trintech's per-seat SaaS prices are sometimes higher than those of other midmarket competitors. On the other hand, if a customer uses multiple Cadency functions, this could result in a lower TCO.

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- Although Cadency's scores from reference customers have improved in key areas such as customer satisfaction, ease of maintenance and integration, nagging issues persist. Reference customers identified a need for more timely responses to support requests. They also noted minor regression issues with new releases and suggested that Trintech provide a sandbox or test platform to help them identify and address these issues earlier.

Workiva

Workiva, based in Ames, Iowa, U.S., is a cloud-only vendor. It supports FC processes, including disclosure management and close management. It also supports the related creation and combination of text documents, workbooks, presentations, dashboards and charts that can support the FC. Workiva has partnerships with many other FC and FP&A vendors, including Anaplan, BlackLine, FloQast and Host Analytics, to bolster the disclosure management capabilities of their solutions. In 2018, it made improvements that included the introduction of tools to shorten the FC and modernize reporting by improving the ability to share views and custom datasets and publish datasets across workspaces. Additionally, it made disclosure management improvements that included iXBRL tagging, the addition of an iXBRL viewer, and redesigned filing and review workflows.

Workiva remains a Leader, thanks to its strong execution in the market. It is also one of the two vendors that have defined the cloud market for non-consolidation FC solutions during the past six years. In terms of Completeness of Vision, however, Workiva's position has worsened slightly in this Magic Quadrant, primarily because competitors now offer broader ranges of FC capabilities and associated innovation roadmaps exploiting features such as advanced RPA and AI.

Workiva is a large public company with more than 3,300 customers. Many organizations can use Workiva to develop custom FC applications. These include applications for trial balance management, financial statement generation, management discussions and monthly close presentations, collaborative tax preparation (not covered in this Magic Quadrant), journal entry preparation, and monthly close checklists with accompanying routing and approvals.

Strengths

- Reference customers' scores put Workiva in the top quartile for support and vendor satisfaction. They also scored it in the highest quartile for meeting customers' needs, value for money and overall product capabilities. The reference customers almost all praised Workiva's customer service. In addition, they all would recommend Workiva to others, albeit with minor qualifications in a few cases. They identified their top-three product selection criteria for Workiva as functional capabilities, ease of use and cloud capabilities.
- Workiva supports both midsize and large organizations. The tendency for large companies to use Workiva reflects their more complex financial disclosure and performance reporting requirements. Even so, almost all of Workiva's reference customers stated that their deployments were completed in six months or less.

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- Workiva offers additional popular FC capabilities. We estimate that Workiva commands, for example, more than 50% of the U.S. market for Securities and Exchange Commission (SEC) XBRL cloud services. Also, many of its customers are acquiring more Workiva seats in order to use its product in other areas of financial closure.

Cautions

- Workiva is used more often for financial disclosure than for other functions within financial closure. As a result, Workiva has fewer large FC deployments. As part of their evaluation process, prospective customers should be sure to speak to reference customers that have FC deployments of similar scope.
- Most customers that use Workiva's product in production environments continue to be in North America, and its customers outside the U.S. are typically part of large North America-based multinationals. Most of Workiva's software sales, consulting and support capabilities are also in North America, although the company plans to open additional offices in EMEA in 2019. Prospective customers outside the U.S. should evaluate relevant customer references for their region and appraise the local consulting and support capabilities.
- Although Workiva is used by both midsize and large organizations, and has customers with hundreds of users, its solutions tend to be used tactically within business units and departments.

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

None.

Dropped

None.

Inclusion and Exclusion Criteria

To be included in this Magic Quadrant, vendors had to demonstrate the following product capabilities, market presence, cloud service attributes and vendor viability:

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Product Capabilities

Gartner defines the components of an FC solution as supporting financial accounting processes ultimately to achieve an FC. Each vendor in this market must support at least two areas of the FC in the cloud. Gartner defines the components of FC process support as follows:

- **Financial consolidation.** This component confers the ability to bring together financial information from multiple GL sources, while providing for eliminations for intercompany accounting and booking for joint venture and non-GL businesses. It may include support for developing a financial consolidation instance, for the purpose of tax data provisioning to help the tax organization prepare returns and plan. Even with a single GL, an organization may still have complex financial consolidation needs. However, small and midsize organizations with limited legal entities may not require complex financial consolidation capabilities.
- **Financial reporting.** This component provides financial-accounting-based reporting to meet the demands of regulators, investors and tax authorities, and to inform an organization's operational and strategic financial management.
- **Reconciliation management.** This includes solutions to manage GL, subledger and bank account reconciliations. It may include operational reconciliation capability, but the focus is on reconciliation within the office of finance.
- **Close management.** This component confers the ability to manage the FC, including activities spanning accounting cycles. Capabilities include the EFCA functions of reconciliation management, close cockpits that span ERP and post-ERP processes, and journal entry control.
- **Disclosure management.** Another EFCA function, this component confers the ability to support multiple regulatory requirements for disclosure reporting, including XBRL and iXBRL tagging. It may also provide board book capability and form the foundation for performance reporting within strategic corporate performance management.
- **Intercompany transactions.** This component, which is also an EFCA function, confers the ability to approve at a voucher level and to handle accounting transactions across multiple GLs and companies. This function works closely with intercompany reconciliation.

In addition to the above functional areas, each vendor must:

- Deploy its FC solution(s) as a cloud service. The FC offering(s) 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 solutions only.
- Actively market and sell its cloud FC solution(s) to midsize and/or large and/or global organizations.
- Actively market, sell and deploy the cloud FC solution(s) on a stand-alone basis.

Market Presence

To be eligible for inclusion, each vendor had to:

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- Have at least 75 organizations using its cloud service in production environments. Vendors had to be prepared to provide evidence of sufficient production customers. If a vendor chose not to disclose this information, Gartner was at liberty to use its own market research and insights from public sources to judge that vendor's eligibility for inclusion.
- Have generated at least $10 million in booked subscription revenue from cloud FC SaaS offerings (that is, excluding any revenue from on-premises, hosted, managed cloud service or other deployment models) between 1 January 2018 and 31 December 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 was at liberty to use its own market research and insights from public sources to judge that vendor's eligibility for inclusion.
- Actively sell and market the cloud solution (and have live users of the cloud solution) outside the vendor's home region in at least one of the following regions: Americas, EMEA or Asia/Pacific.

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 as part of the cloud service, not via a third-party or managed service provider.

Licensing and technology

Each vendor had to:

- License its cloud service on a subscription basis or by metered pay for use.
- Not tailor contracts to specific user organizations (except for minor adjustments), nor provide specific user organizations with a version different from that offered to other cloud customers.
- Have a cloud service that uses internet technologies — use of internet files, formats and identifiers is necessary for the delivery of cloud service interfaces.
- Use computing resources to support the cloud service that are scalable and elastic in near real time, rather than based on dedicated hardware/infrastructure.

Customization

Each vendor had to:

- Not allow modification of source code. Configuration via citizen developer tools and extension via 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 year 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 involvement of the vendor's staff.
- Use service delivery technology that is shared by multiple customers, in order to create a pool of resources from which elasticity can be delivered.

These cloud service attributes were defined to allow the 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 FC solutions with separate source code lines, each code line is evaluated separately and represented by a separate dot on the Magic Quadrant.

Vendor Viability

To be eligible for inclusion, vendors had to be financially viable and profitable, or have a realistic path to profitability.

Evaluation Criteria

Ability to Execute

The following criteria and weightings were used to evaluate each vendor's Ability to Execute:

- **Product/service:** Core goods and services offered by the vendor that compete in and serve the market. This criterion covers product and service capabilities, quality, feature sets and skills (offered natively or through OEMs), as defined in the market definition and possibly further detailed by other criteria.
- **Overall viability:** Includes assessment of the vendor's overall financial health, the financial and practical success of the relevant business unit, and the likelihood of that business unit continuing to invest in and offer the product within the vendor's product portfolio.
- **Sales execution/pricing:** The vendor's capabilities in presales and sales activities, and the structure that supports them in this market. This criterion also includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.
- **Market responsiveness/record:** 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. This criterion also considers how responsive the vendor has been over time.

- **Marketing execution:** The clarity, quality, creativity and efficacy of the vendor's execution of marketing programs designed to deliver its message in order to influence the market, promote its brand and business, and increase awareness of its products and services (and thereby establish a positive view of the product, brand and vendor in the minds of potential buyers). These programs may include, among other elements, a combination of advertising, promotions, thought leadership, word of mouth and sales activities.
- **Customer experience:** Relationships, products, services and programs that enable clients to succeed with the products evaluated. This criterion includes the ways in which customers receive technical support or account support for those products. It also includes ancillary tools, customer support programs (and their quality), availability of user groups and SLAs. Specifically, the Magic Quadrant survey asked reference customers to score their overall satisfaction in the following areas:
  - Sales experience
  - Implementation experience
  - Ease of use
  - Application flexibility
  - Performance
  - Integration
  - Analytics
  - Application governance/life cycle management
  - Ongoing maintenance effort
  - Solution's ability to meet their needs
  - Overall satisfaction with the vendor
- **Operations:** The vendor's ability to meet its goals and commitments. This includes the quality of the organizational structure, such as the skills, experiences, programs, systems and other means that enable the vendor to operate effectively and efficiently.

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Table 1. Ability to Execute Evaluation Criteria

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

Source: Gartner (October 2019)

Completeness of Vision

The following criteria and weightings were used to evaluate each vendor's Completeness of Vision:

- **Market understanding:** The vendor's ability to understand buyers' needs and to translate those needs into products and services. Vendors with the highest degree of vision listen to, and understand, what buyers want and need, and can use that information to shape or enhance their relationship with buyers.
- **Marketing strategy:** A clear, differentiated set of messages communicated consistently throughout the organization and publicized by means of an online presence, advertising, customer programs, events and positioning statements.
- **Sales strategy:** A strategy for selling products or services that uses an appropriate network of direct and indirect sales, marketing, service and communication affiliates to extend the scope and depth of the vendor's market reach, skills, expertise, technologies, services and customer base.
- **Offering (product) strategy:** The vendor's approach to product development and service delivery that emphasizes differentiation, functions, methodology and feature set in relation to current and future requirements.
- **Business model:** The validity and logic of the vendor's underlying business proposition in this market.
- **Vertical/industry strategy:** The vendor's strategy to direct resources, skills and offerings to meet the needs of individual market segments, including industries.

- **Innovation:** The vendor's marshaling of resources, expertise or capital for competitive advantage, investment, consolidation or defense against acquisition.
- **Geographic strategy:** The vendor's strategy to direct resources, skills and offerings to meet the needs of regions beyond its "home" or native area — directly or through partners, channels and subsidiaries — as appropriate for that region and market.

Table 2. Completeness of Vision Evaluation Criteria

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

Source: Gartner (October 2019)

Quadrant Descriptions

Leaders

Leaders provide mature offerings that meet market demand and have demonstrated the vision necessary to sustain their market position as requirements evolve. The hallmark of Leaders is that they focus on, and invest in, their offerings to the point where they lead the market and can affect its overall direction. As a result, Leaders can be vendors to watch as you try to understand how new market offerings might evolve. Leaders typically possess a large, satisfied customer base (relative to the size of the market) and enjoy high visibility within the market. Their size and financial strength enable them to remain viable in a challenging economy. Leaders typically respond to 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.

Challengers

Challengers have strong Ability to Execute, but may offer products that don't fully align with Gartner's definition of the market. Large vendors in mature markets may be positioned as Challengers because they choose to minimize risk or avoid disrupting either their customers' activities or their own. Although Challengers typically have significant size and financial resources, they may lack strong vision, innovation or an overall understanding of the market's needs. Challengers may offer products nearing the end of their lives that dominate a large, but shrinking, segment. Challengers can become Leaders if their vision develops. Over time, large companies may move between the Challengers and Leaders quadrants as their product cycles and the market's needs shift.

Visionaries

Visionaries align with Gartner's view of how a market will evolve, but their ability to deliver against that vision is less proven. In growing markets, this is the typical status. In more mature markets, it may reflect a competitive strategy for a smaller vendor — such as selling an innovation ahead of mainstream demand — or a larger vendor trying to get out of a rut or differentiate itself. Visionaries fall into the higher-risk/higher-reward category. They often introduce new technology, services or business models, but may also need to build financial strength, service and support, and sales and distribution channels. Whether Visionaries become Challengers or Leaders may depend on whether customers accept new technologies or whether the vendors can develop partnerships that complement their strengths. Visionaries are sometimes attractive acquisition targets for Leaders and Challengers.

Niche Players

Niche Players do well in a segment of a market, or have a limited ability to innovate or outperform other vendors in the wider market. This may be because they focus on a particular functionality or region, or because they are new entrants. Alternatively, they may be struggling to remain relevant in a market that is moving away from them. Niche Players may have reasonably broad functionality, but limited implementation and support capabilities and relatively limited customer bases. Niche Players do not demonstrate a strong vision for their offerings. For end users, assessing Niche Players is more challenging than assessing the vendors in other quadrants. This is because some could make progress, while others may not execute well and may lack the vision and means to keep pace with broader market demands. A Niche Player may well be perfect for your requirements. However, even if you like what a Niche Player offers, if it runs contrary to the direction of the market it may be a risky choice because its long-term viability will be threatened.

Context

This Magic Quadrant is one that many Gartner customers will use when evaluating vendors. They should understand, however, that the fact that certain vendors are classified as Leaders does not necessarily mean that those vendors' solutions effectively address all functional and technical requirements for all use cases better than other vendors' solutions. All the vendors featured in this Magic Quadrant deliver viable cloud FC solutions and are equally worthy of evaluation.

The office of finance must modernize financial business processes by improving coordination between financial and operational reporting in order to support accurate and effective reporting for

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performance management. Cloud FC solutions are addressing this need with new ease-of-use, collaboration, platform, integration, process management and analytics capabilities.

Available solutions vary in their ability to support two different modes of use. A bimodal approach is important to modernize finance processes and ensure that the office of finance can do two things:

1. Provide control, compliance and transparency.
2. Respond to changes in business strategy and remain aligned with the more rapid changes in operational planning systems.

Cloud FC solutions are almost exclusively used by the office of finance. However, within the area of disclosure management there is an opportunity for nonfinance departments to collaborate better with the finance organization, as well as for them to use these solutions independently. This is largely due to the introduction of cloud-based products that are easier to use and an organizationwide need for modeling, analytics and integrated business planning.

This market continues to evolve. Vendors have made significant, and in some cases unprecedented, investments in solutions, primarily for their cloud-based offerings. We expect the shift from on-premises to cloud-based product investment to accelerate.

Cloud FC solutions are used by both small and midsize businesses (SMBs) and large organizations, but they are more prevalent in midsize and large ones. There is potential for growth in the use of these solutions by small organizations. This is because improved ease of use, flexibility, performance and analytics, enabled by cloud, in-memory and mobile technologies, is enabling functionality that meets, and can even exceed, that previously available only to larger organizations. In addition, for SMBs, the barriers to use have been lowered by reduced software costs and less need for specialized consulting. Large organizations typically already have some type of budgeting and planning solution, but cloud FC solutions offer them opportunities to:

- Reduce ongoing support costs.
- Provide more flexible options for individual business units and departments in order to address specific needs.
- Support new initiatives, such as those related to integrated business planning and financial modeling.

Although the FC market may seem focused only on FC efficiency, there will be new developments in relation to how its applications integrate with core financial management suites, as well as with other financial business applications. We can also expect more innovation as end users adopt application platforms with frameworks that can provide more financial management capability.

Market Overview

Cloud FC solutions help organizations improve their financial processes. However, many Gartner clients continue to use legacy business applications to support financial reporting, financial consolidation and other capabilities needed for FC. For many organizations, financial consolidation

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is a static process and not subject to change. Gartner receives many inquiries from organizations that continue to operate legacy financial consolidation applications, many of which are at, or nearing, the end of their support periods.

We are now at a point where cloud FC solutions should be considered for financial consolidation for almost all use cases. That said, EFCA-based solutions have almost always been favored in the cloud, as opposed to on-premises, where more collaboration is required between finance and business units.

There is much room for improvement in the office of finance. In a typical organization, we still see deep penetration by Microsoft Excel for executing, monitoring and tracking financial processes. For most, the FC is a process that has yet to take advantage of the new technologies identified in this Magic Quadrant. Gartner sees this situation changing rapidly during the next few years, with the FC application market undergoing significant transformation by using new technologies, particularly in-memory computing, RPA and other AI capabilities — all delivered as cloud services.

Many organizations have taken a best-of-breed approach to vendor selection to address the needs of the FC. Although this approach is still common, a transition is underway from “point” FC solutions to suites that benefit from a common interface, common master data and common process management across their components. Gartner sees many organizations moving away from point solutions to address specific tactical needs, such as those for financial consolidation and reporting, in order to develop a more complete vision for the FC.

Similarly, a trend has emerged for “big stack” core financial vendors to integrate functionality for the FC (and FP&A) more tightly in order to support the office of finance. As noted earlier, this trend will also cause many application leaders to reconsider popular postmodern best-of-breed approaches and to replace them with strategies that favor integrated single-vendor applications (see “Is Your Organization Ready to Move Away From a Postmodern Application Approach in Finance?”).

We also continue to see many vendors in this market offer additional FC components. The following add-on FC projects will be quite popular during the next five years, with customers taking single-vendor or multivendor approaches:

- Implementation of disclosure management capabilities by financial consolidation and reporting users.
- Implementation of reconciliation and close management capabilities by financial consolidation and reporting customers.
- Extension of process management capabilities to the entire close by reconciliation customers.
- Use of workflow capabilities for journal entry and chart-of-account change routing and approval by reconciliation and close management customers.
- Implementation by financial consolidation and reporting users of a solution that integrates with financial consolidation capabilities for intercompany transactions.

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Solutions should be chosen as part of a full FC strategy — as opposed to selecting a point solution for each pillar of the FC. Although the latter approach might address tactical needs, the ability to add additional functionality may be impaired; it might also prove more costly. Some FC vendors offer cloud FC platforms on which customized applications can be developed to allow for more innovation.

This Magic Quadrant reflects the continued shift from traditional on-premises deployments to cloud solutions. There have been very few new on-premises FC offerings during the past couple of years, as most vendors have moved to the cloud. Some vendors do offer the same platform on-premises and in the cloud, but they are the exceptions. Most legacy FC platforms are on-premises and receive less investment and innovation than cloud solutions. Gartner clients' on-premises FC solutions have five to eight years before they attain end-of-life status. Application leaders must understand where on-premises applications are in their life cycle and when they will lose support. For new FC functionality, a cloud solution should be their first choice.

Cloud FC solutions are typically based on either financial consolidation or EFCA. Although some financial consolidation solutions have close management capabilities, these are mostly "thin" and do not include account reconciliation. Some vendors that offer consolidation and reconciliation do so via nonintegrated solutions and, at times, through partnerships. During the next three to five years, many vendors will seek to improve integration through merged products, partnerships and acquisitions. Application leaders should review their procurement strategy and decide whether they should replace point solutions with a suite from a vendor that already offers an integrated solution. Where capabilities are lacking in such solutions, they should urge vendors to fill the gaps by increasing integration with partners' products.

The variety of cloud FC solutions has increased. Some FC vendors now sell PaaS offerings that enable the user to build applications for finance. Some have highly capable wizards and tools that enable customers to develop solutions to address functional requirements beyond what the product was originally intended for (for example, managing chart-of-accounts changes, follow-ups on results and performance inquiries). Many FC vendors will face a challenge to build these capabilities into new templates and applications. Much of the innovation in new solutions will stem from specific use cases that apply across vendors' customer bases. Application leaders should attend user conferences, connect to peer forums and network with users of other companies to understand whether these use cases apply to their organizations.

AI, ML and RPA will have a major impact on FC solutions during the next three to five years. In "Predicts 2018: SaaS Financial Management Applications Increase Integration, Automation and Sophistication," we forecast that embedded AI will improve usability and predictive capabilities and will be a key differentiator for evaluations of financial systems, including FC applications. Although the move to the cloud has been the major focus in recent years, these applications will continue to evolve as they use these new AI, ML and RPA capabilities. Although most FC evaluations deal with traditional processes and existing functionality, this is about to change rapidly as organizations take advantage of the new capabilities.

We will see AI and ML included in FC applications in the following ways:

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- AI and ML will be deployed to improve usability and process support via bots, chatbots and virtual assistants.
- AI will be integrated into analytics and predictive models, along with ML, to address a number of important financial analytical tasks. Examples are identification of anomalies, improving reconciliations, making recommendations for process bottlenecks, predicting future process and data issues, comparing results over a period of time, and predicting where issues may arise in the future.
- AI and ML will help these applications understand higher-level process issues and trends that may not be apparent with the current set of financial analytics.

RPA will also transform FC applications:

- RPA will deliver a new wave of process automation that eliminates manual processes/low-value clerical tasks from close processes. We are already seeing a number of FC vendors developing relationships with RPA vendors to create interfaces and natural extensions to financial processes.
- RPA will reduce the need for IT-supplied data integration. For example, RPA coupled with ML could be used to identify opportunities to eliminate repetitive tasks, such as integration with email and third-party reporting tools, as well as integrating sets of data from spreadsheets. This is because the technology will be able to study appropriate actions that accompany certain frequent conditions — thereby improving efficiency and eliminating the need for lower-level repetitive tasks.

When AI, ML and RPA combine, there will be transformative impacts on the finance organization and the FC. FC vendors that ignore these forces, or that fail to acquire these technologies or integrate third-party products, will be at a competitive disadvantage. By 2023, if not sooner, these new technologies will be expected to be part of the FC set of business applications.

We expect this market to continue to evolve and that we will see more innovation from vendors not featured in this Magic Quadrant. Vendors of cloud core financial management suites will build FC capabilities into their products. Some vendors have already successfully incorporated financial consolidation, financial reporting and reconciliation capabilities into their core products. In-memory computing is already enabling at least one large vendor of cloud financial offerings to do this, and we expect to see more following as they rearchitect their products to remain competitive.

Application leaders must monitor vendors’ product roadmaps to understand how new cloud FC capabilities will be delivered.

Gartner Recommended Reading

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

“How Markets and Vendors Are Evaluated in Gartner Magic Quadrants”

"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 Core Financial Management Suites for Midsize, Large and Global Enterprises"

"Critical Capabilities for Cloud Financial Planning and Analysis Solutions"

"Is Your Organization Ready to Move Away From a Postmodern Application Approach in Finance?"

"Digitizing Processes Through RPA: What Comes Next?"

Evidence

Gartner conducted a survey of organizations using cloud FC solutions. The survey ran from February 2019 through April 2019. The survey participants were reference customers nominated by each of the vendors in this Magic Quadrant. These customers were asked 21 questions about their experiences with their cloud FC vendor and its solution(s).

We obtained 426 full responses, which represented companies that had deployed FC solutions in four different regions, as follows:

- North America (67%)
- Europe, the Middle East and Africa (43%)
- Asia/Pacific (19%)
- Latin America (12%)

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.

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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.

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