Magic Quadrant for Cloud Financial Close Solutions

Published 21 October 2019 - ID G00370021 - 60 min read

By Analysts Robert Anderson, John Van Decker, Greg Leiter

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 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

- 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.

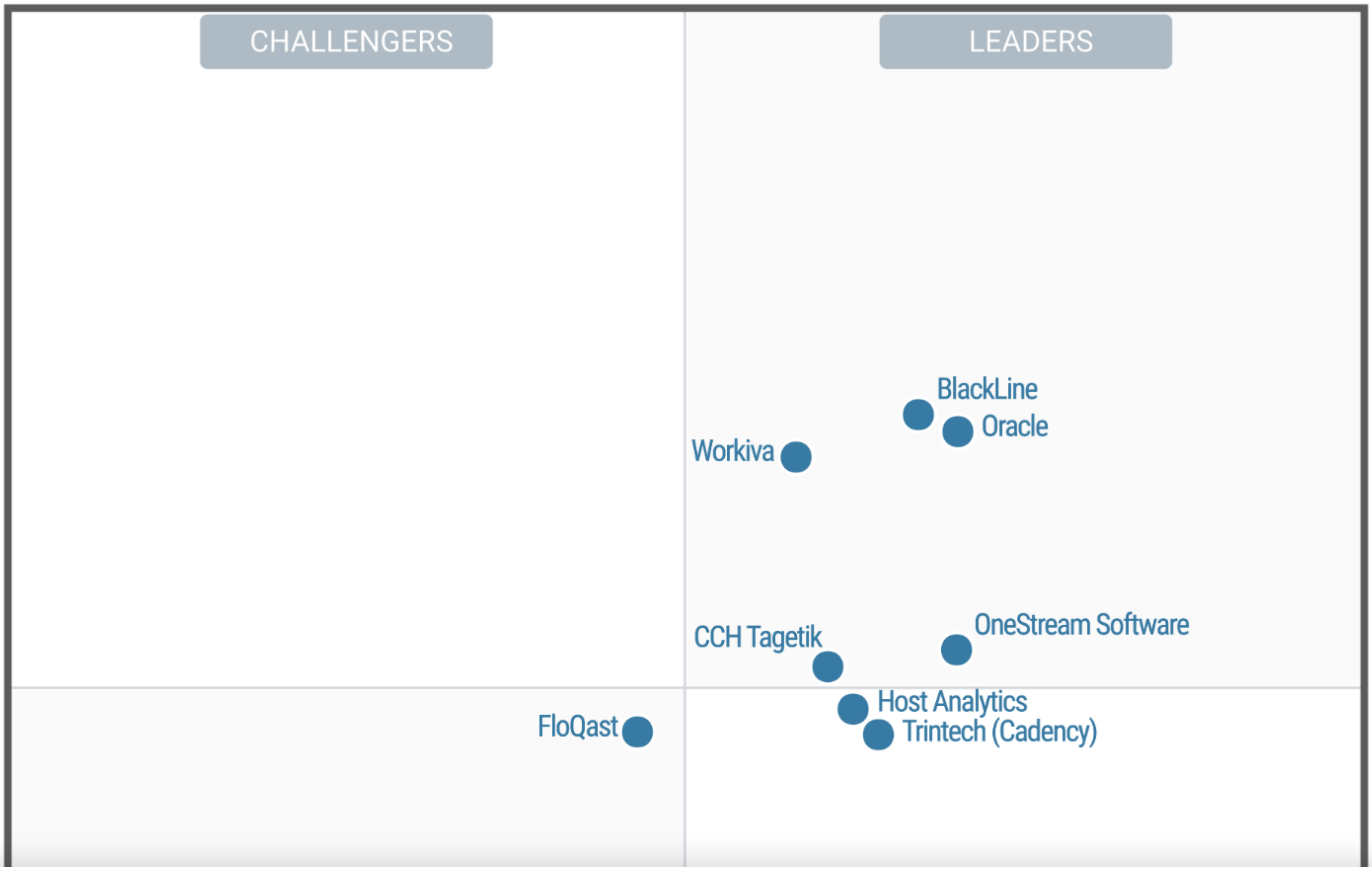
and strategic financial management.

- **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.
- **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

Magic Quadrant

Figure 1. Magic Quadrant for Cloud Financial Close Solutions



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

- 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.

- 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 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

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 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

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 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

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.

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 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.

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

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

- 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.

- 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

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

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

- **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.

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.

- 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

- **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

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:

- **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

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

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 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

- 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 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

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.

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

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:

- AI and ML will be deployed to improve usability and process support via bots, chatbots and virtual assistants.

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.

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

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

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

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

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

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

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.