Magic Quadrant for Cloud ERP for Service-Centric Enterprises

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Service-centric organizations are increasingly adopting cloud ERP applications with superior process automation and analytic capabilities. Application leaders should use this Magic Quadrant to evaluate cloud ERP application suites as part of a composable ERP strategy.

Strategic Planning Assumptions

By 2026, 40% of organizations in service-centric industries will consolidate their core financial, HR, order-to-cash, procurement and operational solutions in a single ERP suite.

Through 2027, 80% will evaluate a multivendor strategy for service-centric ERP, and many will have difficulty choosing a single-vendor versus multivendor approach.

Market Definition/Description

All of the vendors in this Magic Quadrant sell and support service-centric ERP suites. Many vendors provide components of the functionality included in service-centric ERP suites. However, in order to be included in this Magic Quadrant, a vendor has to have a service-centric ERP offering. Gartner defines a service-centric cloud ERP solution as a suite that is sold/marketed as integrated products comprising the following (vendors had to have a minimum of three coverage areas):

- Financial management system (FMS) functionality (Those vendors that provide only financial management as a suite are rated in a separate Magic Quadrant.)
- Order-to-cash (O2C) — from CPQ through cash collection activities
- Procure to pay (P2P) — must include e-purchasing, AP invoice automation, supplier collaboration and payments
- Human capital management (HCM) — must include at least administrative HR capabilities, such as core HR data management, employee life cycle transactions and position management
- Other administrative ERP — to support service-centric industries, such as project management (for project-centric capabilities), extended planning and analysis (xP&A), and real-estate lease management

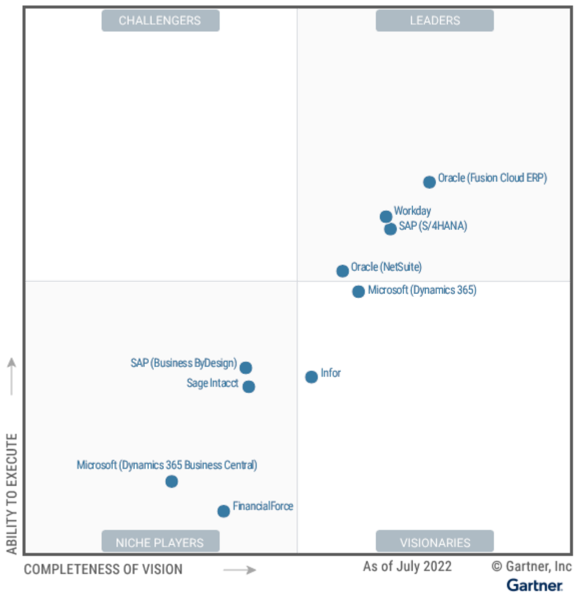
In addition to the above functional scope requirements, Gartner defines the cloud ERP for service-centric enterprises market as serving organizations that are typically focusing on service (nonproduct) industries, including:

- Professional service organizations
- Healthcare
- Software
- Media
- Financial services
- Telecom
- Nonprofit
- Real estate

The industries above are the primary industries evaluated in this research, but additional verticals are also considered (e.g., higher education, public sector, utilities.) Note: There may be separate contextualized research to cover some of these additional verticals.

Magic Quadrant

Figure 1: Magic Quadrant for Cloud ERP for Service-Centric Enterprises



Source: Gartner (July 2022)

Vendor Strengths and Cautions

FinancialForce

FinancialForce is a Niche Player in this Magic Quadrant. The product originated in 2009, providing a lower midmarket global solution. The majority of its clients are in the Americas, followed by EMEA and a much lower percentage in Asia/Pacific (APAC). FinancialForce offers a la carte pricing, as well as bundled pricing models, with the majority of its customers using named-user-based pricing. It is a 100% managed cloud SaaS solution but also includes on-premises configurations in its SaaS licensing, provided by Salesforce data centers. FinancialForce relies heavily on partner solutions for its HR and operational capabilities; however, financial modules are mainly internally developed solutions. FinancialForce typically delivers more than three upgrades per year.

Strengths

- **Project capabilities:** FinancialForce provides strong integration of projects with core financials. Furthermore, the solution's project accounting, as well as integration with FinancialForce Billing Central and other core financial components, provides a strong value proposition for a project-based organization.
- **HR partner strategy:** While missing native HR capabilities, FinancialForce has embraced a partner strategy, and it delivers "out-of-the-box" with ADP. Furthermore, FinancialForce makes use of employee skills data that could be used to inform skills management and planning.
- **Native procurement:** The purchasing solution natively supports purchasing. The company has basic self-service purchasing for goods and services and approval workflows through its buyer workspace. It also includes a supplier portal for viewing orders and submitting invoices.

Cautions

- **No native HR capabilities:** FinancialForce has no native HR capability, and it is only suited for use in conjunction with an HR system delivered by a separate vendor. It does not provide an HR or HCM solution, which is limiting for organizations that are looking for a comprehensive service-centric ERP solution.
- **Limited contract management:** FinancialForce does not have a robust contract management solution when compared to other vendors, and does not fully meet Gartner's definition of end-to-end capabilities.
- **Mostly Salesforce focus:** FinancialForce's focus on Salesforce clients means there is limited awareness of this vendor and solution beyond the Salesforce community and ecosystem. The trade-off is that prospective customers assume they'll need to purchase the Salesforce CRM platform, while it isn't a real requirement.

Infor

Infor is a Visionary in this Magic Quadrant. Its approach to service-centric ERP is through three main offerings — Infor CloudSuite Corporate, InforCloudSuite Healthcare and Infor CloudSuite Public Sector. These products originated in 2014, providing a midmarket to upper-midmarket global solution, with the majority of its customers with annual revenue of more than $150 million and less than $1 billion. The majority of its clients are almost equally placed in the Americas and EMEA, and a lower percentage are in APAC. It offers only user-based pricing. Infor CloudSuite, which forms the foundation for these products, is a 100% managed cloud SaaS solution on Amazon Web Services (AWS). Core ERP components are delivered as part of Infor CloudSuites. Users may add third-party tools via the OS platform and Marketplace.

Typically, five upgrades are delivered per year, delivered simultaneously to all users.

Strengths

- **Comprehensive HCM:** Infor CloudSuite HCM delivers a comprehensive product for use by its key target industries, such as healthcare. Infor delivers robust and native workforce management (WFM) capabilities. Coupled with strong industry configurations, Infor CloudSuite is a powerful tool for its target industries.
- **Robust vertical and FMS:** Infor CloudSuite products target the conversion of the large legacy Infor Lawson base of customers in its targeted verticals (for example, healthcare and education). The product includes very robust functionality for FMS.
- **Native procurement capabilities:** Infor includes native functionality spanning the entire source-to-pay process through its Financials & Supply Management solution. It also includes a supplier portal for responding to sourcing bids, viewing purchase orders and submitting invoices.

Cautions

- **Procurement functionality inconsistencies:** Gartner's perception is that the system screens appeared a bit disjointed, as if a user had to go to multiple modules to complete the entire P2P process. The optical character recognition (OCR) invoice scanning was a good example of the complexity that should be addressed in a redesign of this process.
- **Average O2C capabilities:** Infor does not offer differentiation in its O2C capability compared with its competitors in this Magic Quadrant. Others have demonstrated more advanced capabilities in their cloud products.
- **Perception:** Many finance professionals have worked with Infor Lawson (the product this has emerged from) but are unaware of the recent developments in capability from Infor. Infor has the capability of providing extended integration with xP&A and core financials, and it should be more aggressive in providing additional capability in achieving this vision.

Microsoft (Dynamics 365)

Microsoft Dynamics 365 is a Visionary in this Magic Quadrant. The product originated in 2016, providing a mid-to-upper midmarket to Tier 1 global solution, with the majority of its customers in the midmarket and the rest in larger enterprises. The majority of its clients are almost equally placed in EMEA, with the Americas a close second, and a lower percentage are in APAC. It offers only user-based pricing, with different levels for user types (named user and shared device). It is mainly a managed cloud SaaS solution hosted as a managed service by Microsoft and partners, but also offers, to a lesser extent, on-premises configurations. The majority of its service-centric customers are in verticals called out in this analysis. Dynamics 365 integrates with partner solutions for operational capabilities; however, many of its ERP components are sourced in-house. Typically, eight upgrades are delivered per year, with users needing to be within two service packs from the latest release.

Strengths

- **Tier 1 FMS capabilities:** We often see Microsoft compete against solutions focused on the large and global segment of the market, and we see it being a Tier 1 competitor. The vendor offers a broad core financial management solution for midmarket and large organizations that is well-integrated with Microsoft Dynamics 365 customer engagement applications, Office 365 and the Power Platform.
- **HR integration focus:** The Microsoft Dynamics 365 HR module offers some native HR capability and weaves in use of other Microsoft products, such as LinkedIn, Teams and Viva. The HR solution is a logical option for small and/or low-complexity organizations with larger investment in Microsoft tools.
- **Procurement footprint:** Dynamics 365 provides procurement capabilities for buying products or services, through procurement catalogs, vendor catalogs or external catalogs, depending on procurement categories and procurement policies for direct and indirect procurement. Advanced spend analysis is available through its July 2021 acquisition of Suplari.

Cautions

- **Gaps in HR:** The Dynamics 365 product has major functional gaps for the functions of payroll, recruiting, career and succession management, workforce management, workforce planning, and integrated HR service management. Furthermore, the product is relatively untested in the large enterprise market (above organizations with 1,000 employees).
- **Mobile procurement functionality:** Mobile functionality (for example, receiving and approvals) requires building an app with Microsoft Power Apps and is not natively supported. Catalog punchout requires transferring a shopping cart from the supplier catalog back to Dynamics 365 versus having a single cart for an integrated workflow.
- **Customer confusion with Business Central product:** Although the Microsoft Dynamics 365 Business Central (formerly NAV or Navision) solution is focused on the lower midmarket, we see confusion in the market between that product and Dynamics 365 Finance. Many organizations with a cost reduction focus want to pursue Microsoft Dynamics Business Central, while Dynamics 365 Finance may be a better functional fit. Microsoft must focus its sales and marketing initiatives on this issue to clear up the confusion.

Microsoft (Dynamics 365 Business Central)

Microsoft Dynamics 365 Business Central is a Niche Player in the Magic Quadrant. Microsoft Dynamics 365 Business Central originated in 2018, providing a lower-midmarket global solution, with clients in the Americas, EMEA and APAC with annual revenue of typically less than $150 million. It uses a subscription-based named-user pricing approach. Dynamics 365 Business Central relies solely on partner implementations. It is a 100% managed cloud solution but also includes on-premises configurations in its SaaS licensing, delivered from Microsoft 365 data centers. Dynamics 365 Business Central relies heavily on partner solutions available on Microsoft AppSource for its HR and operational capabilities; however, financial capabilities are native in the product. There are two major and 10 minor upgrades per year; customers can choose the upgrade date within a grace period. Most upgrades are done within one month of rollout and take less than 30 minutes to complete.

Strengths

- **Lower midmarket focus:** Dynamics 365 Business Central has a well-integrated set of in-house financial management capabilities for lower midmarket organizations that can be expanded through partner integrations. Its analytics leverage Microsoft capabilities, such as Power BI, in which prebuilt analytics are built upon.
- **Momentum:** The product is seeing increasing penetration in the market as users upgrade from more basic accounting solutions, as well as momentum from organizations considering the solution as they simplify ERP processes.
- **HR integrations:** The product has native onboarding capability and has partnerships and prebuilt integrations with Ceridian, ADP and Intuit (QuickBooks).

Cautions

- **Limited O2C:** Dynamics 365 Business Central has very little in terms of functionality for organizations with more than $150 million in annual revenue that have more complexity.
- **Limited HR:** Microsoft Dynamics 365 Business Central has limited native HR capability, and it is only suited for use by small and/or low-complexity organizations seeking a lightweight system of record for HR. The product has no native payroll, talent management, workforce management and HR service management capabilities, relying on partner solutions available on AppSource.
- **Limited procurement:** The indirect purchase order creation process is form-based and requires manual data entry. There is no catalog shopping, guided buying capabilities or an automated purchase order creation.

Oracle (Fusion Cloud ERP)

Oracle Fusion Cloud ERP is a Leader in this market. Oracle Fusion Cloud ERP originated in 2013, providing a highly configurable global solution for upper-midmarket and Tier 1 organizations, with global clients across the Americas, EMEA and APAC. Oracle's Cloud partner program has a robust partner network for implementations, and Oracle also has an in-house implementation team. Oracle Fusion Cloud ERP is a 100% managed cloud solution running in Oracle data centers. The product is an extensive solution covering the ERP capabilities outlined in the Market Definition/Description section of this document, while still being open to third-party solutions for those pursuing a more composable architecture. Four upgrades are delivered per year.

Strengths

- **Robust HR:** Oracle Fusion Cloud HCM is a robust tool for HR. It is both modern and flexible, making it a good option for larger and more complex organizations. It also has strong native talent management capabilities, coupled with recent innovation in the form of "Journeys" for personalized employee life cycle management.
- **Mature financials and O2C:** Oracle offers mature cloud financial management and O2C capabilities, paired with a visionary innovation roadmap, and provides leading functionality in its current product. The focus of its AI capabilities is on providing hyper-automation, seeking to approach touchless operations and a continuous close capability. Oracle has an extensive set of xP&A and financial close capabilities in its Enterprise Performance Management (EPM) suite.
- **Extensive purchasing capabilities:** Oracle Fusion Cloud Procurement is focused on providing P2P as part of a broader ERP strategy supporting direct, indirect and service spend. Oracle Fusion Cloud Procurement is integrated with Oracle's supply chain management solutions (for example, inventory, costing, manufacturing, maintenance, supply chain planning and order management), making it a strong option as a single solution to manage direct and indirect spend.

Cautions

- **HR implementations:** Variations in SI partner implementation approaches and experience can result in a highly effective deployment, or leave the product feeling cluttered. Oracle also delivers weaker native workforce management capabilities than some other competitor solutions and has limited formal partnerships for augmentation of HR functions and services compared with some other vendors in this Magic Quadrant.
- **Limited procurement partners:** Oracle has very few partnerships to extend its procurement solution. For example, it is quite common for a procurement vendor to have preconnected partners that provide supplier risk, sustainability and diversity data.
- **Post-go-live update complexity:** Oracle provides quarterly updates to its products each year; thus, the regression testing, new feature implementation and surrounding activities should not be underestimated. Oracle does provide an Opt-In approach where new features are delivered Enabled or Disabled. Customers should review new features and check the Opt-In status to ensure these will support their business.

Oracle (NetSuite)

Oracle NetSuite is a Leader in this market. Oracle NetSuite originated in 1998, providing a midmarket global solution, and the majority of its customers are lower-midmarket, consistent with Oracle's positioning of the product within its portfolio. The majority of its clients are in the Americas, followed by EMEA and APAC. It offers a monthly subscription with a base platform price, module pricing and named-user-based pricing. It is a 100% managed cloud SaaS solution running on Oracle data centers. Its clients are well-distributed over the verticals studied in this research. Oracle NetSuite has robust functionality for service-centric ERP that uses internally developed components; however, it does have partnerships for augmented functionality in O2C, HR and procurement. Two upgrades are automatically delivered to users per year.

Strengths

- **Upper-market features:** While NetSuite is targeting the midsize enterprise (MSE), many of its features are similar to the robust functionality that is in solutions targeted at larger enterprises. It is focused on providing continuous accounting capabilities, including account reconciliation, intercompany accounting, period tasks, intelligent accruals and financial analytics, including the rebranding of Oracle's EPM product to NetSuite Planning and Budgeting.
- **Global presence:** NetSuite has a strong global presence. NetSuite offers a broad and expanding ecosystem of reseller partners capable of supporting the solution, including solution partners that have their own applications that integrate with NetSuite.
- **Procurement:** Oracle NetSuite includes basic sourcing and purchasing capabilities through its SuiteCommerce platform. It has a fairly intuitive shopping cart experience. It has strong support for procurement to support retail stores and franchises.

Cautions

- **Limited HR:** NetSuite's SuitePeople offering for HR is still emerging and only available in the U.S. and the U.K. Customers requiring HR capabilities will need to source partner add-ons.
- **Incomplete end to end purchasing capabilities:** While Oracle NetSuite has native support for P2P, it sometimes requires partner solutions to meet more extensive sourcing, contract management and spend analysis requirements.
- **Cost for MSE:** Customers cited higher costs for NetSuite than other solutions focused on the MSE. They noted that costs increase significantly during renewal periods. However, many customers understand that the level of quality is high and the solution is robust, and acknowledge trade-offs between cost and capability.

Sage Intacct

Sage Intacct is a Niche Player in this Magic Quadrant. The product originated in 2000, providing a targeted solution for lower-midmarket organizations, with clients mainly in North America, and it has an emerging global presence in select countries. It uses a concurrent user approach for pricing. Resellers and implementation partners are key to Sage Intacct's strategy, leveraging value-added resells for implementation work not in focus for its own professional services team. Resellers and implementation partners are key to Sage Intacct's strategy, leveraging value-added resells for implementation work not in focus for its own professional services team. It is a 100% managed cloud solution. It mainly focuses on financial management applications, including a planning solution, using in-house developed solutions. Other capabilities are present; however, they rely on partner solutions in many areas. Four upgrades are delivered per year, and all customer organizations are upgraded at the same time.

Strengths

- **Advanced finance capabilities atypical of a lower-midmarket FMS:** Sage Intacct has a strong vision for how to use the cloud and new technology to support improvements to finance processes. This includes using AI to eliminate the financial close by enabling continuous audit to detect anomalies, and rich interactive analytics to visualize and gain real-time insight into financial and business performance. Sage Intacct has its own in-house financial planning and analysis (FP&A) solution — Sage Intacct Budgeting and Planning — seamlessly integrated, which is also intended for lower-midsize enterprises.
- **HR and project management:** Sage Intacct is one of the few vendors in its class to offer native recruiting and learning capability. The product also shows strength in project accounting capabilities.
- **APIA:** Sage Intacct has native support for AP invoice automation and supplier payments.

Cautions

- **Global reach limited:** Sage Intacct has very limited presence outside North America. Prospects evaluating Sage Intacct in Australia, the U.K. and South Africa should speak with local reference customers prior to making their selection to ensure their local support requirements can be met.
- **Limited HR capabilities:** Sage Intacct has multiple deep integrations with HR and payroll providers, but no native capability for the following HR functions: payroll, benefits administration, career and succession management, and HR service management.
- **Incomplete procurement footprint:** Sage Intacct does not offer a complete P2P solution. Purchasing is included as part of core financials. Payment automation automates the supplier payment process using AI-powered bill ingestion and fully automated payment options. In addition, supplier sourcing and evaluation are available through partner solutions.

SAP (Business ByDesign)

SAP Business ByDesign is a Niche Player in this Magic Quadrant. The product originated in 2007, providing a targeted solution for midmarket organizations and some penetration in Tier 1 organizations, with clients in the Americas, EMEA (largest market) and APAC. It uses a named-user approach for pricing. Resellers primarily sell SAP Business ByDesign strategy through the SAP PartnerEdge-Sell partner program on partner contracts. It is a 100% managed cloud solution with no on-premises capability. It has good in-house capabilities for financial management and procurement applications. Other capabilities are present; however, they rely on partner solutions in many areas. Four upgrades are delivered per year, and all customer organizations are upgraded within the same day.

Strengths

- **Viability:** SAP Business ByDesign is an established cloud solution with a wide range of financial functionality, good international capabilities and strength in professional services. It is also suitable for deployment as a two-tier solution in large organizations that use SAP ERP on-premises, including those that require multiledger, multicurrency with a global reach.
- **Extensibility:** SAP offers a flexible and extensible underlying HANA platform that allows resellers and independent software vendors to build extension functionality and add-ons. Its global partner network has helped many organizations get the solution up and running in less than six months.
- **Momentum:** The product is seeing increasing penetration in the market as users upgrade from more basic accounting solutions, as well as momentum from organizations considering the solution as they simplify ERP processes.

Cautions

- **HR limited:** SAP Business ByDesign has no native capability for the HR functions of payroll and HR service management. However, it has native integration of HR time and expense recording functionality with the O2C business processes relevant for service-centric enterprises. Readers should consider the limitations in HR functions offered versus what is commonly provided by the other vendors assessed for this research.
- **SAP S/4HANA Cloud ambiguity:** Customers noted that prospects have approached SAP concerning Business ByDesign, only to be referred to SAP's S/4HANA Cloud solution instead. SAP Business ByDesign sales strategy is to sell through partners. Clients need to carefully understand how the solution meets their requirements.
- **Procurement limitations:** SAP Business ByDesign is only suitable for small to midsize organizations, and it has a significant customer base in the professional services industry. It has very basic native procurement functionality. Organizations should assess SAP's procurement capabilities against their requirements.

SAP (S/4HANA)

SAP S/4HANA Cloud is a Leader in this Magic Quadrant. While there are several deployment models for SAP S/4HANA, we only evaluated SAP S/4HANA Cloud, which is SAP's public cloud offering, in this Magic Quadrant. The product originated in 2015, providing a targeted solution for midmarket organizations and Tier 1 organizations, with clients in the Americas, EMEA (largest market) and APAC. SAP S/4HANA Cloud is both sold directly to customers and sold through implementation partners. SAP S/4HANA Cloud is a 100% managed SaaS cloud solution. It has extensive in-house capabilities for financial management, O2C, HR and procurement applications. SAP S/4HANA Cloud, SAP's public cloud offering, has a reduced feature set compared to SAP S/4HANA Cloud, private edition.

Strengths

- **FMS product vision:** SAP S/4HANA Cloud offers a leading global solution for core financials, including strong treasury and cash management capabilities and prebuilt, out-of-the-box SAP Analytics Cloud (SAC) planning content for core financials integrated into its core finance solution. SAP Central Finance, capable of acting as an account hub (available only on S/4HANA Cloud, private edition), provides a way to consolidate other financial system data for a central process execution platform.
- **SAP SuccessFactors HXM Suite:** This robust suite of HR solutions delivers comprehensive capabilities, with a special focus on global compliance. These attributes make it well-suited for large, global, complex organizations. SAP SuccessFactors Employee Central Payroll has the most country localizations of any product included in this research. SAP is also at the forefront of innovation, with new solutions such as SAP SuccessFactors Opportunity Marketplace, which accelerates upskilling and improves internal mobility.
- **Procurement augmented with Ariba integration:** Some core procurement capabilities are part of the Cloud ERP. In addition, SAP provides a deep preintegration into SAP Fieldglass and SAP Ariba e-procurement and supply chain cloud solutions.

Cautions

- **SuccessFactors architecture:** Compared with products of SAP's closest rivals, certain aspects of SAP SuccessFactors' functionality (for example, workforce management and voice of the employee) are not native to the ERP product (S/4HANA). Furthermore, aesthetically, some of the design choices do not appear as user-friendly as those of other vendors included in this research, although this lack of user-friendliness is limited only to certain functions (such as onboarding), rather than the entire product.
- **Contract management limitations:** Even with SAP Ariba, contract management capabilities are very limited. Instead, contract management is offered via its partnership with Icertis. Analytics appear to be on a different platform and not embedded in the application.
- **Multiple deployment models de-emphasize cloud messaging:** Organizations that are looking for a cloud solution are often confused initially about the multiple deployment models that SAP supports.

Workday

Workday Enterprise Management Cloud is a Leader in this market. The product originated in 2008, providing a targeted solution for upper-midmarket and Tier 1 organizations, with clients in the Americas, EMEA and APAC, although Workday has a good percentage of customers with annual revenue of less than $150 million. It uses an enterprise approach toward pricing, which is based upon the value the solution provides. Workday is primarily sold directly to customers, completely bypassing value-added resellers. It is a 100% native cloud solution with no on-premises capability. It has good in-house capabilities for financial management, planning and analytics, O2C, HR and procurement applications. Two upgrades are delivered per year, and all customer organizations receive the update at the same time.

Strengths

- **Robust analytics/FMS foundation:** Workday makes innovative use of in-memory computing to combine core financial management applications with HCM, spend management, planning and analytics in real time, and as part of the system of record. Workday Accounting Center — a composition of its analytics platform and accounting rule engine — integrates with industry-specific solutions and automates data transformation. Workday has high machine learning adoption, which is embedded in its core architecture, delivering insights into journals, customer payment matching, spend recommendations and AI-enabled optical character recognition (OCR).

- **HR capabilities:** Workday HCM is a robust tool for HR. It is both modern and innovative, making it a good option for larger organizations that aspire to be at the forefront of the market. Workday has been adding capabilities to its portfolio, both through native development (workforce management) and through recent acquisitions (Peakon and VNDLY).
- **Procurement:** Workday has excellent sourcing and supplier management capabilities. Sourcing and supplier management is industry leading. Source to pay (S2P) is focused on indirect spend management.

Cautions

- **Global penetration/FMS:** Workday has customers operating in over 120 countries, and from our client inquiries, the vast majority of Workday customers are headquartered in North America with global operations. Prospective customers should observe Workday's roadmap to ensure there is sufficient presence in their specific countries and regions to meet their requirements, including support for IFRS 16, labor capitalization automation and VAT reporting.
- **Pricing:** Workday is typically among the higher-priced offerings and does not offer the same level of localization for payroll as some other vendors in its product class.
- **Procurement:** While strategic sourcing can be sold stand alone, P2P can only be purchased along with core finance. Strategic sourcing came via the acquisition of Scout RFP and is in the process of being fully integrated.

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

This is a new Magic Quadrant so all are new.

Dropped

This is a new Magic Quadrant so no vendor was dropped.

Inclusion and Exclusion Criteria

There were many criteria that were needed to be included in this research. From Gartner's perspective, a service-centric cloud ERP suite must provide, as a minimum, financial management, P2P and human resource functionality. Optionally, the vendor may offer other operational ERP capabilities (such as project management and enterprise asset management) either directly or through industry vertical packages with partners. However, only the above functionality will be evaluated. The offering of specialized industry-specific modules was considered a plus, rather than a requirement, for inclusion in this Magic Quadrant. We did not rate any specialized industry-specific modules. For Gartner clients, Magic Quadrant research identifies and analyzes the most relevant providers and their products in a market.

1. **Product Capabilities:**

- Financial management functionality — General ledger, accounts payable, accounts receivable, fixed assets, cash management and financial planning.
- Order-to-cash — Provide a substantial component of functionality. Provide integration to ingest sales orders and convert to customer orders, manage project and services provided to customer, project accounting as needed, simplified and complex billing, account management and revenue recognition.
- Human capital management — Provide administrative HR capabilities such as core HR data management, employee life cycle transactions and position management. May also include payroll and benefits administration. It should also provide support to talent management, including a minimum of three of the following functions: recruiting, onboarding, performance and goals management, career and succession management, learning management, and compensation management. It is expected that the aforementioned functions support employee and manager self-service via browser and mobile application.
- Procure to pay — Includes e-purchasing, AP invoice automation, supplier collaboration and payments. Supplier collaboration can involve supplier master data, order confirmations and changes through a network or portal.
- Operational ERP — To support service-centric industries, such as planning, project management (for project-centric capabilities) and real-estate lease management.

2. **Market Presence:**

- The vendor must have at least 150 organizations with annual revenue/expenditures/funding of more than $75 million in production using the ERP application. Each organization must live with at least three of the components (modules) of operational ERP — including finance, HCM and procurement. Vendors must be prepared to provide evidence of sufficient in-production customers. If a vendor chooses not to disclose this information, Gartner may use its own market research, as well as insights from public sources, to judge that vendor's eligibility for inclusion and viability.
- These 150 organizations must be managing at least $150 million annually through the ERP suite. The annual revenue of a parent organization cannot be used when only a smaller subsidiary uses the cloud service as a lower-tier ERP.
- The vendor must actively sell and market the cloud service (and have live users of the cloud service in the qualifying revenue ranges) outside of its home region. Gartner defines regions as the following: Americas, EMEA or Asia/Pacific. At least 25% of the cloud service revenue must be from outside the vendor's home region.
- The vendor must have at least $75 million in booked subscription and support revenue for the ERP suite cloud service only (that is, excluding any revenue from on-premises, hosted, managed cloud service or other deployment models) from January 2021 through December 2021 (or whichever 12-month accounting period most closely aligns with that period). Unrealized recurring revenue may not be included. If a vendor chooses not to disclose revenue information, Gartner may use its own market research, as well as insights from public sources, to judge that vendor's eligibility for inclusion and viability.

3. **Cloud Service Attributes:**

The ERP suite must be deployed as a cloud service, meeting these attribute definitions:

● Responsibility:

- The vendor must manage all technology infrastructure either in its own data centers or in third-party data centers.
- The vendor must implement upgrades as part of the cloud service, not a third party or managed service provider.

● Licensing and technology:

- The cloud service must be licensed on a subscription basis or metered pay for use.
- Users cannot have a contract that is only for them (except for minor adjustments), nor can they be provided with a version different to that offered to other cloud customers.
- The cloud service must use internet technologies. Use of internet files, formats and identifiers are necessary for delivery of cloud service interfaces.

- Computing resources used to support the cloud service should be scalable and elastic in near real time, rather than based on dedicated hardware/infrastructure.

● Customization:

- Modification of source code should not be possible. Configuration via citizen developer tools and extension via PaaS (partner, vendor or user) is allowed.

● Pace of change:

- A single code line is used for all customers of the cloud service to allow rapid deployment of new functionality by the vendor.
- The vendor must deliver at least two upgrades containing new functionality per annum to all users of the cloud service and control the pace of the update cycle. All customers must be on the current upgrade version before the release of the next upgrade version.
- The vendor must offer self-provisioning capabilities for the service (at least for development and test instances) without involvement of its own staff.
- The technology used to deliver the service must be shared by multiple customers in order to create a pool of resources from which elasticity can be delivered.

All of the above inclusion criteria relate to a cloud service based on a single code line with a unique UI and data model. For vendors offering multiple cloud ERP suites each with its own code line, each must meet the inclusion criteria above; for example, each cloud ERP suite must have at least 150 organizations in production.

This Magic Quadrant reflects Gartner's definition of "composable ERP." We define this as an adaptive technology strategy that enables the foundational administrative and operational digital capabilities for an enterprise to keep up with the pace of business change. This strategy delivers a core of composable applications and, as a service, software platforms that are highly configurable, interoperable, and flexible to adapt to future modern technology.

Consequently, if a vendor's cloud ERP suite consists of capabilities from different code lines, that vendor was included in the Magic Quadrant provided its solution:

- Has predefined workflow integrations
- Uses vendor-supported integration technologies
- Is positioned as a component of a broader "solution," rather than as a stand-alone product in the vendor's portfolio, and the vendor has users of the full solution in production

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

Evaluation Criteria

Ability to Execute

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

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

- Product or Service: This criterion assesses the product offerings that compete in the defined market. These may be offered natively or through OEM agreements and partnerships, as defined in the Market Definition/Description section and detailed in any subcriteria. This Magic Quadrant evaluates functional capabilities in all areas defined in the Market Definition/Description section, support for the needs of midsize, large and global enterprises, and the ease with which the cloud service can integrate with other cloud/on-premises applications.
- Overall Viability: This criterion includes an assessment of the vendor's overall financial health, as well as the financial and practical success of the relevant business unit. It considers the likelihood of the vendor continuing to offer and invest in its product, as well as the product's position in its portfolio.
- Sales Execution/Pricing: This criterion assesses the vendor's abilities in all presales activities and the structure that supports them. Included here are deal management, pricing and negotiation, presales support, and the sales channel's overall effectiveness. Each vendor is also evaluated on its ability to sell ERP.
- Market Responsiveness/Record: This criterion assesses the vendor's ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customers' needs evolve and market dynamics change. The market for cloud ERP suites is dynamic, so this criterion addresses the vendor's ability to respond to users' needs and demands. This includes its responses to the demands of delivering service-centric ERP applications in the cloud, which pose new challenges for both vendor and user.
- Marketing Execution: This criterion assesses the clarity, quality, creativity and efficacy of programs designed to convey the vendor's message, in order to influence the market, promote a brand, increase awareness of products and establish a positive identification in customers' minds. This "mind share" can be created by a combination of publicity, promotions, thought leadership, social media use, referrals and sales activities.
- Customer Experience: This criterion assesses the vendor's products, services and programs in terms of how they enable customers to achieve expected results with the products evaluated. Considerations include the quality of technical support for vendor-buyer interactions and account support. Also assessed is the vendor's ability to make its marketing vision a reality and help finance teams complete the transition from on-premises to cloud deployment.
- Operations: This criterion assesses the vendor's ability to meet its goals and commitments. Factors include the quality of the organizational structure, skills, experiences, programs, systems and other means that enable the organization to operate effectively and efficiently. In particular, we analyze the vendor's ability to deliver a robust and reliable cloud service, and its associated support and service capabilities (whether provided directly or through partners).

Table 1: Ability to Execute Evaluation Criteria

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

Evaluation Criteria	*Weighting*
Customer Experience	High
Operations	High

Source: Gartner (July 2022)

Completeness of Vision

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

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

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

Table 2: Completeness of Vision Evaluation Criteria

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

Source: Gartner (July 2022)

Quadrant Descriptions

Leaders

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

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

Challengers

Challengers have greater market presence than Niche Players and Visionaries. They may have developed a substantial presence in one area of the market, but they lack a sufficiently broad vision to execute consistently more widely in the market. They understand the evolving needs of finance functions as they move to the cloud. They have a viable and proven cloud service, but they focus on a specific size of enterprise or selection of industries.

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

Visionaries

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

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

Niche Players

Niche Players offer service-centric ERP capabilities, but are limited in both their Completeness of Vision and Ability to Execute and may not have the full footprint of capabilities. Instead of a strong cloud technology vision, some have cloud-enabled existing applications for delivery as cloud services, but these offerings lack the usability of cloud-native solutions. Although they do sell and market these applications on a stand-alone basis, this is neither their focus nor part of their primary go-to-market strategy. Consequently, they have a weaker vision for finance transformation than do Leaders and Visionaries. They may also target specific industries or company sizes with deeper functionality — for example, several Niche Players focus on project-centric and midsize enterprises.

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

Context

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

- Getting finance users, who are frequently change-averse, to move from heavily customized systems to standardized processes in SaaS solutions. This requires strong change management capabilities. Realizing cost savings by reducing internal IT costs. This means that ERP users must take a greater role in application configuration, management and testing. Most user teams are not equipped to do this without significant support from IT.
- Integrating ERP with on-premises feeder systems and other cloud services. This requires different integration strategies, as well as integration tools and techniques with which your IT department may not be familiar.

Not all of the ERP components will require the same level of change management. Implementing core financial systems is often the most difficult capability of the ERP suite to implement given the significant impact on financial process changes and regulatory considerations. Hence finance is often selected after human resources and procurement cloud migration projects. Still, in order to ensure ERP success, the finance implementation is critical and often a "finance-first" approach is planned. A finance-first ERP implementation helps coordinate efforts to make timely decisions that lead to improved organization performance. It gives a diverse set of stakeholders the ability to rally around a core set of financial measurements, and delivers early benefits by improving the enterprise's ability to measure business performance throughout the transformation journey. (See Deliver Finance First to Transform ERP With Purpose.)

Market Overview

Service-centric organizations continue to move ERP platforms to the cloud. Vendors are differentiating functional innovation and integration to increase digital dexterity. Consistent with our observations in the prior generation of this Magic Quadrant, service-centric organizations are embracing the move to the cloud faster than product-centric organizations. This is mainly due to the reduced complexity of order-to-cash and supply chains for service-centric organizations compared with product-centric. Many service-centric organizations see the cloud as a way of increasing value by improving the flexibility and mobile accessibility of ERP deployments. Cloud also improves productivity by providing an effective and efficient approach to automate service-centric business processes. Service-centric ERP implementations have achieved improvements, due to more robust functionality, to support business processes. More of the business processes supported by service-centric ERP offerings have achieved improvements due to more robust and more complete functionality in these solutions.

ERP is one of the largest categories of enterprise software spending. The ERP market in 2021 was estimated to be 47% on-premises and 53% cloud, with a forecast mix of 42% on-premises and 58% cloud by 2024. ERP is one of the top applications to move to the cloud. We believe that 70% of this growth is focused on service-centric ERP, which is much more advanced from an adoption perspective over product-centric.

Gartner is observing a strong trend in our client inquiries to combine various disciplines in service-centric industries. This is also being done within the context of a composable application architecture, with the ERP solution being considered for a larger footprint due to the availability of new components (e.g., xP&A). We also observe many organizations wanting to better plan their order-to-cash (O2C) strategy and leverage a consolidated solutions approach where possible, while still mainly selecting the best fit-to-function for their applications. With O2C being tightly linked with FMS and procurement, many organizations see the value of a more integrated approach to ERP, rather than buying core financials and extensions as a one-off.

Many of the ERP solutions focused on service-centric industries are becoming more robust in the depth of coverage, with many of them rivaling the capabilities of the best-of-breed. This trend will continue as more functionality makes its way into the suite, increasing the compelling rationale to seek a more integrated service-centric ERP approach.

The emergence of digital business has, in recent years, impacted service-centric organizations by disrupting many traditional business models in industries such as car service (DiDi Global, Lyft, Uber), hospitality (Airbnb and Vrbo) and streaming media (Netflix, Pluto TV, Tubi). Consequently, moving the administrative business processes to the cloud shifts the support functions toward further digital transformation of the business. Emerging technologies, like artificial intelligence (AI), further improve digital processes that can enhance user experience (UX) through content recommendation, automated content accessibility or smart resource management as examples.

Furthermore, today's service-centric ERP offerings provide an improved approach for organizations to manage and excel at composability. Enterprises can design solutions composing ERP modules along with additional applications that best meet their requirements. Sometimes this means choosing components that are outside of the service-centric ERP domain (i.e., billing, contract management).

Many organizations choose service-centric ERP solutions by evaluating the best fit solution for main pillars: financial management (including planning and operations support), HCM, procure to pay and PSA. Our core financials coverage at Gartner shows that, more often than not, organizations that desire to consolidate these capabilities into a single vendor/solution approach for ERP still need to keep a composable mindset across all the above domains. Additionally, they may not end up with a single vendor approach.

The service-centric cloud ERP market is healthy with numerous vendors offering competitive solutions for midsize and large organizations. No single vendor dominates the market, though for large organizations there are several vendors that account for the majority of new and existing solutions. For midsize organizations, a large number of vendors are offering products, some focusing on certain geographies or sectors within the service industry. However, those solutions may not have the same functional breadth and depth as solutions targeted at large organizations.

The vendors in this Magic Quadrant all actively sell and market service-centric ERP to midsize and large organizations on a stand-alone basis, even if they have a broader ERP suite offering. Although some vendors sell opportunistically to small businesses, this Market Guide does not cover service-centric ERP targeted exclusively at small businesses.

Acronym Key and Glossary Terms

ERP	enterprise resource planning
FMS	financial management suite
HCM	human capital management
O2C	order-to-cash
xP&A	extended planning and analysis

Evidence

Gartner used several sources of input for the inclusion criteria, market definition and vendor evaluations in this report. The primary sources of data include:

- Author interactions with over 200 end-user clients on their ERP application strategy in 2021 and early 2022.
- Peer Insights survey data through 31 January 2022, blended together with demo, special survey and inquiry insight.

The evaluation of vendor products for many of the categories was developed using a multianalyst approach, where finance, O2C, HR, procurement and operations were evaluated separately to be later consolidated to create a weighted-score. The weights were based upon the main drivers of purchasing a service-centric ERP based upon years of inquiry from Gartner clients. In essence, this research and analysis is a combined effort from five Gartner analysts.

Evaluation Criteria Definitions

Ability to Execute

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

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

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

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

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

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

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

Completeness of Vision

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

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

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

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

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

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

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

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