

# Magic Quadrant for Corporate Performance Management Suites

19 March 2012 ID:G00219353

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## VIEW SUMMARY

Corporate performance management supports cost optimization and growth initiatives. CPM is a suitable fit for nearly all organizations, and should be a priority initiative for CFOs to enable the finance functions necessary to deliver short- and long-term strategic benefits to the business.

## Market Definition/Description

The corporate performance management (CPM) market has the characteristics of a mature market, with fairly consistent vendor positioning year over year, with consistent Leaders and Challengers, emerging Niche Players, and innovators that are pushing the functional boundaries of the CPM suite. The CPM market is populated with many vendors, some offering a broad range of solutions, while others have limited, specific point applications.

The market, as a whole, is also being rejuvenated by increasing its focus on the office of finance and bringing financial governance capabilities (e.g., close management, disclosure management) in the suite. Gartner observed this movement in last year's Magic Quadrant for CPM, but it picked up in intensity in 2011, when more customers combined core CPM and financial governance capabilities in RFPs and subsequent deals. The goal of this Magic Quadrant is to present a global view of the main vendors that offer broad CPM suites that should be considered by organizations seeking to implement a CPM strategy. However, this does not mean that specialist vendors offering narrower solutions should not be considered for some of your CPM requirements.

There has been a change in the scope of functionality included in the CPM suite market this year. The expanded application components of a CPM suite are now as follows:

- Budgeting, planning and forecasting (BP&F)
- Profitability modeling and optimization (PM&O)
- Strategy management
- Financial consolidation and close
- Financial and management reporting and disclosure

### BP&F

This covers the development of budgets, plans and forecasts. In CPM, the core of the BP&F process is a financial-modeling engine that has an integrated profit-and-loss, balance sheet and cash flow forecasting capability. This is the key feature that distinguishes CPM from other analytic applications that also create budgets, plans and forecasts (such as sales and operations planning [S&OP] or marketing campaign planning applications). CPM applications support the creation of financially focused budgets and plans, and should support the complete budget creation and approval process with appropriate workflow that enables users to define and control the flow of budgets, plans and forecasts for review and approval. These applications should also keep an audit trail of changes to budgets, plans and forecasts.

CPM BP&F should support the two forms of financial planning that dominate most organizations: short-term financial budgeting, usually with a one-year time horizon, and longer-term planning, commonly with a three- to five-year time horizon. The financial budget is used to set financial targets for revenue, expenditures and cash generation, and typically uses financial classifications found in the general ledger. The long-term financial plan is used by executives to evaluate the effects of alternative strategies (such as merger and acquisition activity), and represents a high-level perspective of revenue, expenses, balance sheet items and cash flows. BP&F applications should also support other aspects of strategic planning, such as initiative management, and should provide links to strategy maps in scorecard applications. BP&F applications may also provide other detailed planning, such as salary or head count planning, revenue planning, capital planning, or expense planning.

CPM BP&F applications should support sophisticated forecasting and modeling, which involve extrapolating new versions of plans and budgets based on the analysis of historical data. Forecasting can be simple (for example, add three months of actual data to nine months of budget data) or sophisticated (based on statistical techniques) to help predict future performance. They should also offer more-sophisticated capabilities that extend beyond financially focused budgets, supporting the creation of models based on a network of business drivers that enable users to model financial outcomes by varying the business driver assumptions. This capability helps link CPM to other areas of

## EVALUATION CRITERIA DEFINITIONS

### Ability to Execute

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

**Overall Viability (Business Unit, Financial, Strategy, Organization):** Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood of the individual business unit to continue investing in the product, to continue offering the product and to advance the state of the art within the organization's portfolio of products.

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

**Market Responsiveness and Track 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 in order 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, 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, etc.

**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 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,

performance management (PM).

## PM&O

PM&O includes activity-based costing (ABC) applications that determine and allocate costs at a highly granular level to, for example, determine the cost of each task (activity) that an agent may perform across all channels in a customer service contact center. This information can be applied to various "cost objects," including products, customers and customer segments, to help determine product and customer profitability. Activity-based management applications take this approach one stage further and provide modeling capabilities to enable users to model the impact on the profitability of different cost and resource allocation strategies. More-sophisticated applications have moved beyond the traditional ABC focus to enable revenue to be allocated in a similar manner, which, in some industries where there are complex sales models (such as those selling through intermediaries), can be as complex as the costing model. This approach can help model optimal product and service offerings in packaging, bundling and pricing, as well as optimize channel strategies. Increasingly, profitability-modeling applications are focusing on profit optimization capabilities that enable executives to see the impact of different strategies on profitability from different perspectives, such as customer or product.

## Strategy Management

Strategy management applications provide a packaged approach to support strategic planning, modeling and monitoring to improve corporate performance, accelerate management decision making and facilitate collaboration. These solutions are usually tied to strategy maps or methodologies, such as the balanced scorecard. Strategy management comprises:

**Strategic planning** — The creation of high-level business plans to evaluate the impact of different strategic alternatives. This includes creating strategic plans on a base-case-plus or initiative-based approach, along with scenario modeling to compare the financial outcomes of various strategies. Strategic planning includes long-term financial planning, which creates a high-level perspective of revenue, expenses, balance sheet items and cash flows to show the financial impact of different strategic alternatives.

**Initiative/goal management** — Includes project-management-like tools to enable responsible managers to execute specific tasks related to a strategy.

**Scorecards and strategy maps** — Used to record strategies, objectives and tasks; measure performance; and provide a collaborative environment for effective, enterprisewide communication.

**Dashboards (or cockpits)** — Aggregate and display metrics and key performance indicators (KPIs), enabling them to be examined at a glance before further exploration via additional business intelligence (BI) tools.

CPM suites should, at the very least, provide dashboard capabilities to help display performance information in a way that is easily understood by users. However, more-sophisticated organizations are implementing strategy maps (linked frameworks of KPIs) using scorecard software to link CPM to other aspects of PM. Strategy management is, therefore, becoming an increasingly important aspect of CPM suites.

## Financial Consolidation and Close

This type of application lets organizations reconcile, consolidate, summarize and aggregate financial data based on different accounting standards and government regulations. New functionality for financial close and reconciliations management is being provided by CPM vendors as they expand their financial governance capabilities. These applications require complex transaction-processing rules to automate intercompany transaction management (elimination and matching), and must maintain a detailed audit trail of all transactions processed to arrive at the consolidated financial results. These applications must provide sophisticated multicurrency-handling capabilities, including the ability to support complex translation and revaluation processing. They are a fundamental part of CPM, because they create the audited, enterprise-level view of financial information that must be shared with other CPM applications to analyze variance from targets. Financial consolidation applications are increasingly being deployed more widely in a federated fashion to provide financial and management consolidations at local, regional or business unit subconsolidations by linking directly to the general ledgers at this level.

Financial consolidation applications should be scalable enough to support this deployment model and should provide a group consolidation using shared dimensions (such as legal entity and account) across the federated models. Financial consolidation solutions are part of the corporate close process, and, increasingly, these solutions will be extended with elements of close management (which forms part of financial governance suites), primarily improved close control process management and journal entry controls, in addition to intercompany transaction management. These capabilities should be offered as part of a CPM suite, but also may be sold stand-alone by some vendors as part of a broader close management solution.

## Financial and Management Reporting and Disclosure

CPM has specific disclosure and reporting requirements that require specialized reporting tools. CPM applications, such as financial consolidation and BP&F, require some of their output to be formatted as structured financial statements; therefore, reporting tools need additional logic and presentation capabilities to handle these requirements (for example, calculation rules for creating a cash flow statement from profit-and-loss and balance sheet data). They should support specific generally accepted accounting principles (GAAP) presentation rules, such as U.S. GAAP or International Financial Reporting Standards (IFRS), to enable the preparation of statutory financial statements with

advertising, customer programs and positioning statements.

**Sales Strategy:** The strategy for selling product 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 set 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 verticals.

**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.

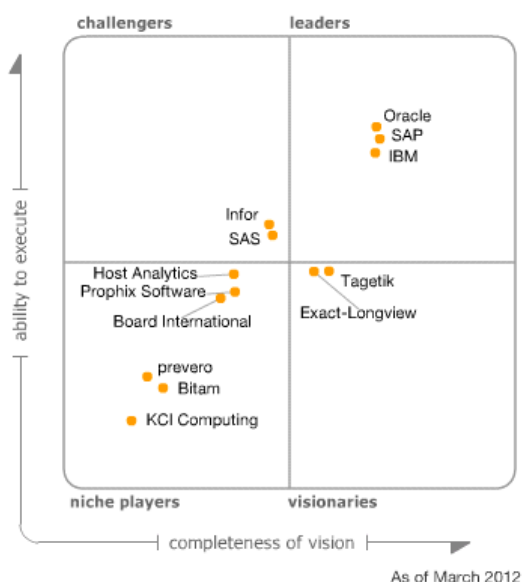
appropriate commentary and supplementary notes. Increasingly, financial-reporting solutions incorporate process controls for reporting and disclosure, such as templates, collaboration between the company and the financial statement publisher, business rules, workflow, and audit trails to better meet regulatory, compliance and governance programs. In addition, they should support financial-reporting technologies, such as eXtensible Business Reporting Language (XBRL), as regulators increasingly require the submission of financial statements in XBRL format. As a result, we have added emphasis in our evaluation for disclosure management capabilities. This is a component of the financial governance market segment that links to financial consolidation solutions, but will also be an integrated component of a financial consolidation within the next five years.

Disclosure and reporting solutions are employed to provide rigor and management of other regulatory reporting cycles, such as sustainability. CPM applications should provide the reporting capabilities required to produce the management reports used by executives at corporate and business unit levels to manage and explain financial performance. This requires a financial statement presentation format, but also requires additional functionality, primarily budget/variance analysis. CPM applications should also enable the creation of management packs, which enable groups of reports to be produced electronically or in printed form, with the ability to add annotations and commentary. Finally, these applications include visualization techniques specifically designed to support analysis of variance from budgets or targets, and comparisons with historical performance. This can include integration with dashboard and scorecard applications, as well as specific visualization techniques, such as decision trees, heat maps and hyperbolic trees.

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## Magic Quadrant

**Figure 1.** Magic Quadrant for Corporate Performance Management Suites



Source: Gartner (March 2012)

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## Vendor Strengths and Cautions

### BITAM

#### Strengths

Bitam is capable of running on multiple platforms. It is a client/server and Web-based, three-tiered application that enables integration into heterogeneous environments supporting multiple Web servers that support Windows, Unix or Linux platforms. Bitam G6 provides a combined BI and CPM portfolio: Artus, Stratego, Ektos and Papiro, supporting a Microsoft stack utilizing SQL Server, Analysis Services, Microsoft Outlook and Microsoft Office, as well as non-Microsoft platforms, such as Oracle, Sybase, Teradata, Netezza and SAP Business Information Warehouse (SAP BW). Ektos is a financial-planning application that provides budgeting, forecasting and consolidation. Stratego is a strategy management application, and financial, statutory and management reporting are supported via a financial analytical model based on the Artus BI platform. Papiro provides a graphical report development environment. KPI Online provides prebuilt or customizable dashboards and analytical tools, such as forecasting and trending.

Bitam is well-suited for midsize companies looking for BP&F, strategy management, financial consolidation and financial reporting. According to our reference survey, the most common reason for choosing Bitam was for strategy management and planning. Bitam solutions are available in English, Dutch, German, Portuguese, Italian and Spanish for on-premises and on-demand (software as a service [SaaS]) licensing models.

Bitam claims that more than 1,800 customers, mostly in Latin America and North America (such as Pfizer, Coca-Cola, Home Depot, Johnson Controls, Petroleos Mexicanos, GNC, Black & Decker

and Janssen, as well as government clients), are using its CPM capabilities, with more than 100 of them using its SaaS solutions.

### Cautions

Bitam offers a CPM suite targeted at midsize companies and departmental solutions in larger enterprises (75% of its customers are small-to-midsize businesses with annual revenue of less than \$500 million); however, the company may be challenged to meet the complexity and scalability required in larger customer deployments. Although it has added some limited capability for financial consolidation (it has yet to add close management and disclosure management), this is relatively lightweight when compared with the market standards, and will need to be extended to compete effectively with the rest of the CPM market.

Bitam's operations have been limited mainly to its home markets in Latin America and North America. Although it has continued to increase presence (albeit with slower growth) in the North American region, the company may struggle to get attention in new markets, unless it invests heavily in marketing. Bitam will need to address its branding and go-to-market strategies to expand its global presence.

Feedback from client references declined during the past year and was below average, indicating that the adoption of Bitam is still in the relatively early stages. This has affected the company's Ability to Execute rating.

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## BOARD INTERNATIONAL

### Strengths

Board International has continued to expand at above-average growth rates for the CPM market — 48% license growth in 2011 globally — and now claims more than 800 CPM customers (mostly in EMEA), but has developed a global execution capability, with headquarters in Lugano, Switzerland; direct offices in Germany, Italy, Singapore, Spain, the U.S., the U.K., Australia, India, Mexico, Dubai, Hong Kong and Japan; as well as a worldwide resellers' network.

Users like the vendor's programming-free toolkit approach, which enables CPM applications to be configured easily and extended to meet users' unique requirements. Its toolkit approach gives it a broad functional footprint in CPM, and it can accommodate complex planning and profitability-modeling requirements. The toolkit also has strong strategy management capabilities. Board International improved financial consolidation and planning functionality in v.7.3, and has created packaged CPM offerings. This also is popular with the vendor's consulting partners, who can create tailored solutions quickly and cost-effectively. This approach particularly appeals to clients that want strong functionality with ease of maintenance.

The vendor has demonstrated the ability to take CPM beyond finance into operational planning and analysis. Its integrated approach to BI and CPM is well-suited to integrate S&OP and financial planning.

Board International has leveraged the Microsoft platform; Board 7 was developed using Microsoft's Windows Communication Foundation (WCF) and Windows Presentation Foundation (WPF) development standards, providing a .NET service-oriented architecture (SOA) supporting a 64-bit architecture and a Silverlight-based Web client, utilizing advanced visualizations and increased Microsoft Office integration. In addition to a strong hybrid in-memory online analytical processing (OLAP) capability for large data volumes, Board 7 has specific integration with SAP BW, Microsoft Analysis Services and Oracle Hyperion Essbase.

### Cautions

The vendor is stronger in EMEA than in other geographic locations. Although growth and expansion continues, Board International must increase its efforts to create recognition and momentum in its overseas operations to ensure that it can compete more effectively with competitors. Furthermore, it is competing on a wider front than just CPM, and is more challenged to spread its R&D budget sufficiently across this wider portfolio than more-specialized competitors.

Board International continues to show above-average results in Gartner's customer satisfaction survey, scoring well for service and support, and for meeting overall objectives. The average size of customers and deployments indicates that the majority of references were midsize enterprises; however, the vendor has seen significant new growth in large corporate clients that will leverage Board International's hybrid in-memory OLAP capability for their larger user bases and more extensive data volume needs.

Although the vendor has added more functionality for financial consolidation (it has yet to add close management and disclosure management), it is still challenged to grow the number of customers choosing this functionality. Board International is mainly deployed by customers looking for BP&F, PM&O and strategy management solutions.

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## EXACT-LONGVIEW

### Strengths

Exact-Longview has a broad functional solution across all aspects of CPM, and its solution appeals to customers that want to implement a CPM suite in a single, integrated application suite, rather than multiple point CPM applications. The solution can handle large data volumes (for example, daily profitability analysis on a dataset with 3 billion rows) with considerable complexity and as a result, Exact-Longview's primary focus remains larger Tier 1 enterprises.

The vendor continued to add customers during 2011, and sales of its tax provisioning application are boosting overall performance. There is a high level of customer satisfaction, consistent with the previous Magic Quadrant, and, Exact-Longview scored highest on the customer satisfaction survey.

While tax provisioning is still not considered part of the CPM suite for this Magic Quadrant evaluation, it is a part of Exact-Longview's CPM platform, and it can act as a differentiator in some CPM evaluations. The incremental revenue from this solution also contributes to strengthening its overall viability as an independent business unit within Exact-Longview.

Exact-Longview's latest CPM product is Longview 7, which was formerly known as Khalix. The vendor has been successful selling this product to new customers (31 net new customers during the past year, with a base of 356 total customers) and having current customers take the upgrade. Longview 7 is a major technology upgrade to the CPM platform that underpins the Longview product. Current users can migrate from earlier versions of Khalix (enhanced through 2010) to Longview 7 at no additional charge. Longview 7 has an SOA base that leverages Microsoft .NET for service delivery and development (studios), and uses Java Platform, Enterprise Edition for data and execution servers. This continues to help attract Microsoft customers and is a strength.

Exact-Longview has a global technology partnership with MicroStrategy and is MicroStrategy's preferred CPM solution. The integration with MicroStrategy offers BI and advanced reporting and analytics to Longview customers, including mobile dashboards. The strategic relationship with MicroStrategy also helps Longview get access to MicroStrategy's sales force in the Asia/Pacific region and Latin American markets, and is a strength.

### Cautions

Awareness for Exact-Longview continues to remain a challenge, but it is improving as companies seek viable alternatives to the megavendor consolidations. Because the vendor is operated as an independent business unit, it has not been able to leverage the Exact-Longview brand and is challenged by the dominance of the megavendors in terms of market awareness.

The vendor has limited direct international reach outside North America and EMEA, which can be a challenge because its primary target is large multinational companies, many of which have financial operations outside of these regions. As a result, Exact-Longview continues to miss out on the increasing interest in CPM in the Asia/Pacific region, while facing competition from emerging specialist vendors like Bitam in Latin America. However, the strategic partnership with MicroStrategy provides access to MicroStrategy's regional offices in the Asia/Pacific region and Latin America.

Broad partnerships with system integrators (SIs) that encompass CPM remain a challenge. Exact-Longview has created some good partnerships with major service providers (e.g., PwC, Deloitte) for its tax solutions, but these do not generally extend to broader CPM coverage. This is a challenge, because SIs are increasingly focusing on megavendor offerings; therefore, Exact-Longview must create stronger partnerships with boutique SIs focusing on tax and financial reporting, and extend current relationships to gain mind share.

Although the vendor has a partnership with Trintech for financial governance, this has not generated much incremental business, given Trintech's lower penetration and limited success with product. However, Trintech's upcoming release includes enhancements to overcome some of the product's weaknesses, which could help improve penetration and implementation success.

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## HOST ANALYTICS

### Strengths

Host Analytics has grown to close to 250 customers, with 85% of those based in North America. All new deals have been SaaS-based for the past four years.

Host Analytics provides a full CPM suite. The integrated suite provides budgeting, revenue planning, and financial reporting and consolidation functionality from a single data model. The integrated approach provides the same look and feel across all modules, with integrated reporting and scenario modeling and planning, enhancing ease of use.

The vendor's SaaS module provides a lower entry price point for organizations in need of a CPM solution. It employs a flexible pricing module so that customers only need to license what they use. Pricing is modular-based (Host Analytics Budget, Host Analytics Consolidator, Executive Report Manager, Host Analytics Decision Hub, etc.) and offers bundles for full CPM suite customers, with reduced pricing available for small or midsize businesses. With the product modules and bundles, a range of customers can be serviced. Host Analytics can target small or midsize businesses, as well as line-of-business solutions for larger Tier 1 enterprises. In 2011, Host Analytics had a number of deals in large enterprises with full enterprise rollout, rather than just department usage, and we expect this number to increase dramatically in 2012. Host Analytics has effectively competed against midmarket offerings, like Adaptive Planning, and larger enterprise offerings, like Oracle Hyperion Planning and Hyperion Financial Management, where its solutions were chosen as the appropriate ones given user requirements.

Gartner has started to see Host Analytics compete effectively in firms with complex budgeting requirements. Host Analytics provides an opportunity for a lower-cost, easier-to-implement solution through a SaaS model. Its recurring revenue stream from its SaaS offerings provides the consistency and capability to continue to develop and support its products, as it is less subject to market fluctuations. The vendor is seeing channel revenue being generated by the regional consulting companies, national accounting firms and ERP Master value-added resellers (VARs).

Host Analytics covers most of the components in a CPM suite in a SaaS offering through an

Excel-like interface, which is unique for a vendor that is solely a SaaS provider, because its primary SaaS competitor (Adaptive Planning) covers a smaller number of CPM pillars (i.e., planning and reporting). Host Analytics has strength in adding new functionality — for example, it has added financial statement production through its Enterprise Reporting Management (ERM) solution, and access to integrated external data with the Host Analytics Decision Hub, making it a more viable option for organizations preferring a CPM SaaS solution.

### Cautions

Host Analytics is a small company, although growing in revenue year over year, and carries with it the viability concerns that firms have with companies of this size. However, these concerns should be somewhat minimized by the fact that SaaS revenue booked will provide a backlog that should offer some near-term stability.

The vendor may be challenged to support larger international rollouts as it moves upmarket. It currently does not have international language support, so that limits the scope of international deals.

Host Analytics performs most of its implementations through its professional services organizations, but now has an established U.S. consulting partner network. Some partners are small/niche in nature, as most of these implementations are streamlined and do not provide extensive professional services opportunities for the Big Four consulting companies.

The vendor may be challenged to balance the demands placed on it by its success (e.g., more international support, growing customer base, more functionality) as it continues to expand.

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## IBM

### Strengths

IBM's core CPM strength remains within BP&F; however, its Cognos Financial Statement Reporting (FSR) product, formerly Clarity FSR, is the best-established product of its kind in the market. IBM offers a full suite of CPM applications and has continued to enhance the analytics capabilities within them. IBM's Smarter Analytics strategy is positively impacting its vision for CPM. For example, the new CFO Performance Dashboard - Advanced Edition employs temporal causal modeling alongside new information visualization capabilities to provide greater insight into the relationships between performance and objective measurements. These new capabilities from IBM Research are part of this new offering led by IBM's Global Business Services organization. It uses Cognos 10 Business Intelligence and Cognos TM1 functionality, but also leverages the benefits of SPSS predictive analytics from its broader business analytics portfolio.

IBM has made advances to its distributed architecture to improve scalability, and has introduced a new modeling environment called IBM Cognos Performance Modeler to facilitate the accelerated creation of new planning, analytics and profitability models. The new Cognos Insight offering acts as both a distributed planning client and a data discovery desktop tool that enables an individual's analytic discoveries and/or models to be promoted to the enterprise level, where they can be shared and, if needed, enhanced by Performance Modeler. IBM CPM clients with Planning Contributor licenses are automatically entitled to Cognos Insight. Gartner has determined that data-driven decision making ranks among the highest of technology-enabled capabilities potentially having the most strategic value to the business (see "Executive Advisory: CEO and Senior Executive Survey, 2011; Detail Report"). IBM's ability to embed advanced analytics within its CPM offerings has increased its Completeness of Vision ranking in this year's Magic Quadrant.

Both IBM's enterprise and midmarket customer bases continue to grow. IBM Cognos Express for midmarket and departmental applications has grown at a particularly healthy rate; 650 partners are currently enabled on Cognos Express and IBM has more than 1,000 customers worldwide (up about 100% from last year).

The 2011 CPM Suites Magic Quadrant survey results indicate that IBM's customer respondents have begun to use its CPM solutions more widely across their organizations. The number of IBM customers surveyed with 500+ users has jumped from 17% in 2010 to 41% in 2011. In addition to growing the number of large implementations, IBM's customers also reported higher satisfaction ratings this year. Seventy-three percent of IBM's customers reported a strong positive response; this is a sizable increase from the 50% reported in last year's survey, and compares favorably with the other megavendors. These changes indicate a growing organizationwide acceptance of IBM's CPM solutions.

### Cautions

IBM's Cognos Controller product for Financial Consolidation is the least-deployed of IBM's CPM components among IBM's survey respondents. Survey results indicate that only 32% of this year's survey respondents use the Controller product; this represents almost a 100% decrease from last year's results. Although IBM's customer references responded enthusiastically about increased overall IBM CPM usage (68% plan to increase their usage of IBM CPM solutions, a score within the top one-third among all CPM vendor respondents), survey participants were less enthusiastic about increased usage of the Controller product. However, these results are not indicative of any dissatisfaction with the overall IBM suite; as noted earlier, IBM has a very high overall customer satisfaction rating. IBM's recent focus on its Financial Close Management offering, which combines FSR with Controller using an integrated data approach, may expand customer use and acceptance of the suite by leveraging the strength of FSR for disclosure management.

IBM maintains two separate planning solutions. Although the Cognos Insight/TM1 product represents IBM's strategic direction, it still has to manage two user bases and, in some cases,

still sells Cognos Planning. Although interface consistency isn't an issue, this continues to cause some confusion among prospects and current users.

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## INFOR

### Strengths

Infor increased its addressable market for CPM-based cross-sell and upsell opportunities with further integration into the wider Infor application portfolio and the acquisition and integration of Lawson. Gartner estimates that there are more than 3,000 Infor PM customers, and the vendor has a widespread global customer base, with products available in multiple languages. With the Infor PM 10.x releases and Infor PM Business Edition, there is plenty of potential to further cross-sell and penetrate net new accounts. Infor continued to show revenue growth in 2011, but at slightly less than the average for the market.

Infor has a broad CPM and BI portfolio used in its application base, with editions for the enterprise and midmarkets. Its integrated CPM and BI capabilities enable customers to deliver a comprehensive BI and PM framework. Its strong CPM capabilities are delivered in a modular solution that is particularly strong for planning and strategy management, although it also caters to profitability modeling, financial consolidation and financial reporting.

Recent enhancements to the portfolio enable financial analytics on thin clients, greater industry-specific integrations with business applications and tighter integration with embedded BI extensions. These capabilities are a strength for current Infor customers.

### Cautions

Infor continued its momentum in 2011. Several changes in senior management and a conflicting set of messages over Infor-owned CPM and BI product expansion, versus increased adoption of Microsoft BI tools, has increased client confusion. Infor must communicate its product road maps more clearly.

The vendor has made an effort to raise awareness of its PM portfolio through influencers and direct marketing to customers; however, awareness remains relatively low, particularly outside the Infor ERP base of clients. This will limit Infor's ability to compete for new business outside its installed base, unless it can build greater awareness.

Infor has scored below average in our customer satisfaction survey consistently for the past few years, and this continued in 2011. These issues remain a key challenge for Infor and will limit its ability to raise execution scores next year unless action is taken quickly. It may have too broad of a PM focus to be able to concentrate on services to support CPM initiatives, and its SI partnerships are limited.

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## KCI COMPUTING

### Strengths

KCI Computing's CPM suite, called Control, contains BP&F and financial reporting, and consolidation and management reporting components aimed at midsize to large companies. The vendor has about 155 customers worldwide. Profitability forecasting, analysis and management is a core functionality of the company's solution, and KCI Computing enhances this functionality by also offering expanded functionality with three complementary modules that can be licensed separately: ForecastPro for time series statistical forecasting; Bill of Materials for materials costing, capacity planning and price sensitivity analysis; and Project Simulation for resource and cost modeling/forecasting portfolio composition management, and capacity and profitability evaluation for project-based operations.

Control is a single, inclusive solution with a common user interface. Microsoft Excel is its main user interface, and Control exploits Excel's formatting, graphics, and analytics capabilities. Control also provides built-in extract, transform and load (ETL) functionality. It runs on a variety of databases, including Oracle, Microsoft SQL Server, DB2/UDB, Informix and Sybase. KCI Computing may be an appropriate choice for customers that have specific database requirements in its established markets.

Our Magic Quadrant survey results have consistently found that KCI Computing's customers rate it above average for meeting implementation expectations and for overall customer experience.

### Cautions

KCI Computing has offices in Torrance, California, Toronto, Canada and Bangalore, India, but it may be challenged to support large global rollouts across multiple regions with many users.

The vendor has limited revenue, when compared with many other vendors in this Magic Quadrant. It will have difficulty competing with many of the established players, and cannot create the awareness and market presence of its competitors; therefore, it's at risk of being excluded from many deals where it could be credible.

KCI Computing does not have disclosure management functionality or strategy management functionality. Organizations looking for a more complete CPM solution including strategy management will most likely not choose KCI Computing unless its existing modules are integrated with other solutions for this functionality. For example, the vendor does not offer dashboards; however, it does facilitate scorecard creation with prebuilt integration to Microsoft Analysis Services and any tool that relies on relational or multidimensional data stores. In addition, it resells Artus from its partner Bitam, for which it has prebuilt integration.

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## ORACLE

### Strengths

Oracle is a Leader in CPM suites, with one of the most widely distributed solutions in the market. Oracle Hyperion Enterprise Performance Management is recognized by CFOs worldwide. The vendor has a well-established partner channel, with both large and smaller CPM SI specialists. Hyperion skills are also plentiful among the independent consultant community, given the well-established products.

The vendor has a very broad product suite and provides a full CPM suite through a multiproduct approach (employing common foundation and administrative components), with differing applications for each of the major business processes for financial consolidation (Hyperion Financial Management, Hyperion Financial Close Management and Hyperion Disclosure Management) and financial planning (Hyperion Planning and related modules, and Oracle Crystal Ball), respectively. These are augmented with Hyperion Profitability and Cost Management, Hyperion Strategic Finance, and Oracle Scorecard and Strategy Management (part of Oracle Business Intelligence Foundation Suite, replacing Hyperion Performance Scorecard). Hyperion Data Relationship Management and Hyperion Financial Data Quality Management provide data management, ETL from multiple sources, and metadata integration between components of the CPM suite and other systems.

Oracle offers a very comprehensive and functional planning suite. In addition to the core Hyperion Planning and Hyperion Strategic Finance for long-term planning, Oracle has additional planning modules for workforce planning, capital assets planning and, in the near future, project financial planning. It has also expanded into industry solutions, including public-sector planning and budgeting and balance sheet planning (for banks).

The vendor has continued to provide strong execution capability in 2011 to Oracle-centric clients running a wide portfolio of Oracle products and to open-market clients. Oracle has demonstrated impressive growth in North America and Western Europe, and fast expansion in the Asia/Pacific region, the Middle East and Africa, and Latin America through a combination of broad product functionality, extensive direct and indirect channels, and wide-ranging service capabilities. In general, customer survey results show improved levels of satisfaction.

Oracle continues to innovate, bringing incremental improvements across the portfolio as well as new financial close management, disclosure management and predictive planning additions. Furthermore, Oracle has improved integration of Hyperion with the Oracle BI platform, and has improved planning performance, enabling Hyperion Planning to use Oracle Exalytics In-Memory Machine.

### Cautions

Oracle customers use Hyperion mostly for planning and financial consolidation (the most commonly deployed parts of CPM), with less adoption of the wider portfolio components (although adoption is growing). Still, many of its customers use smaller subsets of its CPM solutions, and Oracle needs to do a better job in expanding its footprint across all CPM solutions. Customer satisfaction evaluation scores remain below average again this year, a trend that has continued for the past four annual surveys. However, Gartner has noted improved levels of satisfaction.

The vendor is primarily deployed by enterprise firms, and some smaller clients have cited its broad portfolio to be too expensive or complex for their requirements. While not a red flag for growth now, this may become more problematic and may hinder expansion into some emerging markets.

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## PREVERO

In 2011, Winterheller merged with prevero and has taken the prevero name. Winterheller's solution was evaluated for this Magic Quadrant. Due to the timing of the prevero-Winterheller merger, prevero as a company and prevero's enterprise p7 platform were not assessed. The vendor now offers a CPM and BI product portfolio into which the Winterheller offerings have been integrated. Next year's Magic Quadrant evaluation will be of the combined prevero organization and product portfolio.

### Strengths

In June 2011, 100% of Winterheller, including its solution portfolio, development and consulting skills, were transferred to Munich-based prevero, a BI corporate planning, reporting and analysis company founded in 1994. The vendor's aim is to enable companies to enhance and sustain their decision and control processes. The vendor has a broad customer base in German-speaking countries. The merger of prevero and Winterheller brings the combined customer base to a claimed 5,000+ companies, mostly midsize organizations in Germany, Switzerland and Austria. This merger, if proved successful over time, has the potential to elevate prevero's standing within this space.

The CPM suite includes Professional Planner for BP&F; Professional Consolidation for FCC and Reporting; Professional Modeller for data integration; Professional Treasury for short-term and long-term cash planning; and Professional Analyser for interactive analysis, reporting, and dashboards and scorecards. The 2011 CPM Suites Magic Quadrant survey respondents indicated that Professional Planner for BP&F is the most widely used CPM module.

### Cautions



The prevero takeover of Winterheller was a friendly one; however, time will tell the degree to which the merger was successful. Gartner's survey respondents showed no indication of immediate customer-related issues (the survey was conducted six months after the takeover was announced).

Although Winterheller had provided BI and CPM solutions for more than 20 years, it is relatively unknown outside EMEA. Because prevero's customers are largely located in Austria, Germany and Switzerland, it doesn't seem that the merger will have an immediate effect on the combined entity's recognition outside these countries. As a result, prevero is likely to stay focused on its geographic niche. This will continue to impede the vendor's ability to compete with larger vendors.

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## PROPHIX SOFTWARE

### Strengths

Prophix Software had a good year. Some of this success can be attributed to the relationship it built with Microsoft and its sales on the Microsoft Dynamics side, where it is a preferred solution in many of those cases. Prophix Software is increasing international coverage, and this will be a growth area for future revenue growth. Prophix 10 is based on Microsoft technologies, and leverages Microsoft Analysis Services, Reporting Services, Office and SharePoint Services. It has some very attractive features for budget creation and management, such as the ability to directly compare proposed budget changes to the base plan over a variable time span. The user interface is appealing, and its technology stack is attractive to midmarket companies. For the lower market, its Express solution is suitable for organizations with revenue of more than \$10 million, while Prophix 10 is targeted at larger organizations.

Prophix Software typically focuses on the sub-\$1 billion annual revenue market and has a good breadth of CPM functionality, covering budgeting, financial and operational planning; forecasting; financial consolidation; reporting; analytics; and scorecarding. It also delivers profitability modeling capabilities through its InfoFlex technology, and it includes sophisticated allocation capabilities that can support an activity-based management approach. Prophix Software allows users to combine multiple plans at ledger and subledger levels, and to roll them up into the overall corporate plans. The solution also extends beyond CPM into areas such as personnel planning; demand planning, project planning, inventory planning, and sales planning and forecasting.

The vendor now has more than 1,850 customers worldwide, with 70% of those being in North America, and it has been experiencing good revenue growth. Prophix Software added financial consolidation functionality (Financial Controller) about 24 months ago, which provides financial consolidation capabilities that are suitable for its target market, and not specifically targeted at competing with Hyperion Financial Management. Prophix Software includes functionality for financial and management reporting covering formal reporting, the creation and distribution of management report books, and ad hoc analysis/reporting. This is achieved through Template Designer, Report Binders and Business Process Manager. Prophix Software has partnered with Semansys Technologies to deliver XBRL reporting capabilities.

Like many of the Niche Vendors that provide their own services and have a higher-touch approach to their customers, Prophix Software has gained high customer satisfaction, as determined from the Magic Quadrant survey of its users.

### Cautions

The vendor is a strong midmarket player, but has less market visibility than the leading CPM competitors; it is a small company with limited marketing resources. However, it has made improvements, particularly through its Microsoft and boutique SI and reseller partnerships.

Although Prophix Software is capitalizing on the opportunities created by Microsoft's withdrawal from the CPM suite market (particularly in North America), other specialist vendors, such as Exact-Longview and Tagetik, as well as SAP, are also competing for many of the same opportunities, and these vendors are better-established in the upper midmarket. However, in the small or midsize business market, we see many companies going to Prophix Software because of better price points.

The vendor may be challenged to maintain its good customer reference scores as it faces both rapid growth and an expansion of its partner channel. It is still a relatively small company and the continuing rapid growth may put pressure on its internal resources.

Prophix Software has not been strong in financial consolidation functionality, compared with other vendors, but it is fit for purpose for its midmarket customers. This has not been an issue in its earlier products, which were targeted at smaller midsize companies. However, with the move upmarket, the vendor needs to strengthen the financial consolidation functionality, as well as develop capabilities for disclosure management. Prophix Software does not yet provide disclosure management, which is a growing requirement and capability within the CPM suite market of enterprise companies, although it does support XBRL via a partner offering. The vendor must work toward a more comprehensive approach as it moves upmarket.

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## SAP

### Strengths

SAP continues to be a Leader with a healthy CPM market share, with a 25.6% growth rate for the period used for this Magic Quadrant. It now has 8,350 CPM customers in both SAP ERP and

non-ERP accounts. SAP has a broad portfolio of applications and continues to grow its CPM footprint through acquisitions, with its last acquisition being the 2010 purchase of a partner solution, cundus, for disclosure and notes management. SAP is partnering for reconciliations management with BlackLine Systems, and for strategic finance with FinanceSeer. The key strategic components of SAP BusinessObjects Strategy Management, SAP BusinessObjects Business Planning and Consolidation, SAP BusinessObjects Profitability and Cost Management, SAP BusinessObjects Financial Consolidation, and SAP BusinessObjects Disclosure Management continue to deliver a good breadth and depth of functionality in all areas of CPM.

SAP continues to improve its sales effectiveness through a better focus on its customers and prospects. CPM applications are sold through a broad mix of direct sales force and indirect partners and channels, and this is indeed a strength. The vendor has been able to develop good relationships with boutique consulting firms with years of expertise in SAP products, including Column5, Aster Group and Vantage Performance Solutions. The CPM applications are directly supported by a dedicated CPM sales team, which supports the core account executives who own key accounts. SAP has a partnership with Microsoft to support the SAP BusinessObjects Planning and Consolidation version for the Microsoft platform as a preferred solution, and this is seen in the marketplace, but to a lesser extent in 2011 than in 2010. This amounts to a balanced mix of SAP's own services and those from partners for both consulting and strategic functions or industry-specific product development.

SAP is executing well on an aggressive road map to deliver integration among the various acquired CPM applications in its portfolio and integration with SAP NetWeaver BW and SAP BusinessObjects BI. The integration of SAP's CPM and GRC products is continuing. As part of EPM 10, in 2011, SAP announced support for risk-adjusted planning and forecasting, as well as a new common user experience, integration with SAP BusinessObjects Business Intelligence solutions, a purpose-built mobile CPM application for strategy management and a common Microsoft Office add-in spanning CPM processes. Support for vertical industries is also improving, as evidenced by the release of a series of industry-specific planning solutions for public sector, healthcare and banking, all built on SAP BusinessObjects Planning and Consolidation.

SAP's commitment to SAP HANA, its in-memory database, will provide advanced capabilities for planning and forecasting through the availability of SAP BusinessObjects Planning and Consolidation version for SAP NetWeaver on SAP HANA. SAP has also indicated in its road map that this will include a future SaaS-based CPM offering. This could be a vital platform for SAP CPM in future years.

#### Cautions

There is still confusion in the user base about the role of the acquired products, and about the impact of the EPM road map on existing SAP products, but this is improving with EPM 10.0, which provides more clarity. Legacy SRC users have either upgraded or, in some cases, moved to other vendor offerings; however, SRC is still a supported application through 2013, and some users intend to upgrade to SAP BusinessObjects Planning and Consolidation.

Although SAP has committed to the support of strategic enterprise management (SEM) and related products to support CPM (such as NetWeaver BI Integrated Planning for Finance, which still has a significant user base) through 2020 and potentially beyond, some SAP customers that have made major investments in these solutions are disappointed that these products are no longer viewed as strategic CPM products by SAP. Although SAP is still supporting these products, users will have to purchase EPM applications if they want leading-edge CPM functionality. Although many users are planning possible moves to the EPM solution, some are looking at alternatives, instead of assuming that SAP is the only answer. Although we expect SAP to retain most of these customers, it is an opportunity for competitors to target the SAP user base.

SAP's user reference responses continue to show lower levels of satisfaction than their main competitors, especially for initial and add-on implementation consulting and phone support. This indicates that there are still improvements to be made in service and support areas. We observe that much of this may be due to the use of third-party SIs and the inconsistency of implementation support.

Although SAP is committed to SAP HANA, it is early days yet and there are conflicts between SAP BusinessObjects Planning and Consolidation developments (e.g., rapid deployment solution for S&OP) and HANA native analytics applications (for S&OP). The vision is good, but SAP needs to clearly communicate its published road map.

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## SAS

### Strengths

SAS continues to focus on analytics as well as CPM as an element of a broader risk and PM solution throughout the enterprise. SAS's CPM products leverage SAS's analytics and BI expertise and experience, leveraging statistics, data mining, text analytics, forecasting, econometrics, operations research, quality improvement and model management within its CPM products. Its BP&F product (SAS Financial Management) provides unique predictive capabilities that SAS calls "Intelligent Forecasting" (for example, in the use of confidence levels in providing evidence-based estimations of the achievement of forecasts and objectives).

Survey results indicate that SAS's CPM customers are also increasingly adopting its strategy management (SAS Strategy Management) and PM&O SAS Activity-Based Management solutions, and SAS claims that its customers' average strategy management implementation size is growing.

SAS and Accenture have continued to invest in their joint effort, the Accenture SAS Analytics Group, formed in February 2010. It is currently developing six industry and two cross-industry

joint offerings, including customer profitability optimization and workforce analytics. The Accenture SAS Analytics Group continues in its effort to build, market, sell, deliver and manage predictive analytics software solutions and services.

With the 9.3 release (in July 2011), SAS has given further attention to improving the end-user experience and has furthered its high data volume capability with new in-memory processing capabilities that can speed a greater breadth of high volume, organizationwide PM and analytics processing tasks.

#### Cautions

SAS is generally known for its sophisticated, industry-specific solutions and overall PM approach, a reputation which tends to result in a lack of visibility in the CPM suite market, especially for evaluations focused primarily on financial consolidation or BP&F. SAS is also sometimes perceived as a complex solution that requires both significant and specialized skills; however, our survey results to date don't indicate unusual costs for SAS CPM solutions.

As competitors' products for predictive planning, strategy management and profitability modeling products become more capable in this space (for example, with IBM's newer offerings), SAS will face greater competition in areas that have traditionally been its strength.

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## TAGETIK

#### Strengths

Tagetik continues to grow at a faster-than-average rate in the CPM suite market, with 475 clients globally. It is profitable, and is expanding internationally by growing its direct channel and distributor network in Europe and the U.S. (where there is 90% year-over-year revenue growth). Tagetik now has over 275 employees, showing year-over-year growth. Furthermore, the vendor has grown fast in Tier 1 international companies based in the U.K., France and Germany, and, more recently, in North America. Overall it has increased its international (non-Italy) license revenue by 60% during the past year.

Tagetik 4.0 is based on a data model that supports all areas of CPM functionality and disclosure management (including XBRL support) through its Collaborative Disclosure Management (CDM) offering and scorecarding capabilities. We have seen many deals for its CDM product (where there is high demand and lower barriers to entry, particularly in the U.S.). We believe these CDM deals will eventually lead to further sales of the vendor's CPM suite. Tagetik has demonstrated strong execution and innovation capabilities, culminating in its position as a Visionary in this Magic Quadrant.

Tagetik provides a solution for all the components of CPM, but remains particularly strong for financial consolidation and financial management and statutory, disclosure, and management reporting. Many of its larger customers are handling complex consolidation and reporting requirements. However, Tagetik is also seeing an increased adoption for BP&F-type solutions, evidenced by large planning and multiprocess projects among Tier 1 customers, showing that it is gaining broader adoption for more than just complex financial consolidation.

Tagetik has expanded its road map to incorporate a broader view of BI and PM by extending beyond traditional CPM boundaries with additional process workflows to build custom analytics processes, to build vertical templates and to leverage the Microsoft stack (built-in integration with Microsoft SharePoint Server and Microsoft BI platform). The Microsoft relationship is helping generate more global opportunities and is introducing Tagetik to new clients.

Tagetik grew from a consulting company to a CPM solution provider in 1994, and its employees have a good depth of knowledge of the more complex aspects of CPM, particularly in the areas of international/global financial consolidation. Tagetik achieved among the highest scores in this year's customer satisfaction survey, significantly improving on last year, indicating that it continues to add capabilities to support its rapid expansion.

#### Cautions

Tagetik's operations have been limited mainly to its home markets in Western Europe (where it is based). The vendor showed 90% growth in its U.S. operations, has added new operations in Australia and South America, and now also does business in Asia. However, a high percentage of Tagetik's revenue still comes from its operations in its home markets in Western Europe. Tagetik still faces challenges to gain attention in international markets, unless it continues to invest heavily in marketing and partnering, as well as continuing to hire thought leaders outside of its home Italian market. As Tagetik establishes a larger North American market, it will increasingly face tough competition from the megavendors and homegrown North American specialist CPM vendors, such as Host Analytics, Exact-Longview and Prophix Software.

Despite establishing a raft of service provider and reseller relationships, the vendor continues to struggle to gain wide awareness with IT and finance departments in preference over CPM offerings from the other specialists and larger vendors, particularly outside of Europe. However, we believe that Tagetik is establishing capabilities outside of Europe to achieve those goals. It may struggle with its direct and partner-oriented approach in Tier 1 sales limiting its volume of opportunities against established CPM vendors with larger direct sales forces. Its solution is very capable and can support larger organizations. Although improved, there is still limited availability of support and implementation specialists, as Tagetik's partner base builds capabilities to meet demand, although momentum is growing through established regional partnerships, such as with PwC, Deloitte and Capgemini.

Tagetik is still mainly used by finance organizations, and will need to continue to raise awareness and extend beyond finance to achieve continued market penetration in the future.

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## Vendors Added or Dropped

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

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### ADDED

There were no vendors added to the Magic Quadrant. However, there were new entrants to the market that focus on particular pillars of CPM, in addition to those that are veterans that continue to achieve success in specific pillars. Other specialist vendors are also benefiting from the growth of the CPM suite market, but did not yet meet our inclusion criteria. They are worthy of consideration in CPM evaluations, and include:

**Acorn Systems:** Acorn Systems is focused on PM&O solutions as a best-of-breed provider with an established customer installed base, primarily in North America and EMEA. Acorn Systems is well-suited for clients that recognize the need for a sophisticated PM&O solution and desire to easily integrate into other CPM and BI components. The vendor's core offering is the Web-based Performance Analyzer, and the company extends its value through industry- and initiative-specific solutions, as well as its own experienced implementers and partner and reseller network. Acorn Systems has a partnership with Microsoft to leverage Microsoft's BI capabilities, is resold by Exact-Longview, and has been integrated into many of the other third-party providers' solutions in the CPM suite market.

**Adaptive Planning:** Adaptive Planning is an on-demand budgeting, forecasting and reporting solution vendor for small or midsize businesses that provides an alternative to inefficient, Excel-based processes for CPM. In September 2010, the company released Adaptive Planning 7.0, a major product update that delivered new features for reporting, application management and data integration. Its solution includes reporting, dashboards and modeling for more CPM functionality, as well as Web-based collaboration capabilities that integrate online documents, discussion groups, project management and other Web 2.0 features into the context of financial processes. Adaptive Planning has continued to show strong sales/revenue growth (50%+ growth in bookings and revenue in 2010) and now counts more than 75 enterprise organizations among its base of more than 900 customers. It has gained momentum with partners (developing a significant North American channel and smaller EMEA and Asia/Pacific region reseller channels) and through partnerships (especially with NetSuite, which has generated more than 100 joint customers). Gartner's interactions with Adaptive Planning clients indicate a high level of customer satisfaction. Clients considering SaaS-based budgeting, planning and reporting should consider Adaptive Planning.

**Anaplan:** Anaplan is an emerging SaaS platform for CPM. It is an in-memory planning and analytics platform that allows users to build planning applications collaboratively for finance and other domain areas.

**arcplan:** This vendor brings a BI point of view to the CPM market, similar to Board International. Its second-generation CPM solution (arcplan Edge) was launched in mid-2010, and offers out-of-the-box BP&F capabilities that are most important to the midmarket, while leveraging its BI platform (arcplan Enterprise). The vendor is better-suited for clients with needs that are outside the scope of a packaged CPM suite. Its portal integration, integrated workflow functionality, federated write-back capabilities and access to most data sources support the building of complex analytics applications (for example, to deliver closed-loop planning or to support collaborative operational and financial PM).

**Unit4-Exie:** This vendor has focused its message more broadly on PM, although its component-based application builder approach is still suitable for core CPM deployments, especially where there is a strong focus on alignment with strategy. Exie has been acquired by Unit4, and Unit4 is using Exie's technology to launch a range of packaged business analytics applications in 2012. These will be downloadable from an app store and will cover several aspects of CPM and other areas of performance management.

**FinanceSeer:** This is a SaaS solution for strategic finance capabilities, intended for the finance analyst. FinanceSeer is partnering with SAP as part of its CPM offering for strategic finance.

**Prodacapo:** Swedish-based Prodacapo offers a Web-enabled CPM suite with a focus on activity-based management and profitability modeling, business planning, and a balanced scorecard targeted at midsize and large organizations. Although most of its 170 active CPM clients are EMEA-based, Prodacapo now has international customers with global operations and customers in North America (in August 2010, it opened its first office there) and the Asia/Pacific region. By offering an interesting combination of modeling, data integration, reporting and analysis, Prodacapo has continued to grow outside its Scandinavian home markets, and is able to capture greater market share as customers increasingly look to profitability modeling and strategy management solutions to drive business transformation. Prodacapo is available as a modular application residing on either SQL Server or Oracle.

**QPR:** This Finnish-based vendor predominantly provides scorecarding, strategy management, planning and reporting solutions through its direct business and partner network, serving approximately 780 global CPM customers (although the majority of its customers are in EMEA, QPR has seen increased expansion in the Asia/Pacific region). QPR also enables customers to model and optimize business processes that help align business processes with strategic and risk

management objectives. Collaboration and reporting are provided by a portal that integrates the three core components of the solution (QPR ScoreCard, QPR FactView and QPR ProcessGuide) with Excel integration and support for SharePoint Server. QPR clients indicate that (relative to other CPM vendors) there have been some implementation and support issues impacting customer satisfaction.

**Tidemark:** Tidemark is a SaaS CPM solution built on Terremark's cloud computing infrastructure, using Cloudera's Hadoop distribution, VMware virtualization and SnapLogic middleware, with a strong emphasis on mobile delivery and engaging visualization.

As mentioned above, financial governance applications are converging with CPM suites and, in 2011, we saw new offerings, partnerships and acquisitions from many of the vendors, principally in the disclosure management area. There are a number of best-of-breed vendors that offer financial governance solutions for disclosure management, close management and reconciliations management that will integrate with CPM and ERP suites and could function as extensions, including solutions from BlackLine Systems, Chesapeake System Solutions, Fiserv-CheckFree, Infogix, Rivet Software, SmartStream, Trintech, WebFilings and UBmatrix.

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## DROPPED

There were no vendors dropped from the Magic Quadrant.

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## Inclusion and Exclusion Criteria

### Market Presence:

- At least 20 live customers using two or more of the CPM suite applications from that vendor
- License and maintenance revenue of at least \$5 million from CPM applications in the most recent fiscal year
- Live customers in more than one of the following geographic regions: North America, South America, EMEA, the Asia/Pacific region and Japan
- Target customers — either midsize or large companies, or large public-sector/nongovernmental (NGO) organizations with multiple, diverse departments

### Product Capabilities:

A CPM suite offering includes at least three of the application components described above, with at least one being BP&F and another being financial consolidation and close (and/or financial and management reporting and disclosure)

### Vendor Viability:

Vendor must be viable, and must not be in the process of filing for bankruptcy

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## Evaluation Criteria

### ABILITY TO EXECUTE

These criteria and weightings were used to evaluate vendors' market positions:

**Product/Service:** This involves CPM suite functionality across the five application components described above, including the underlying technical architecture.

**Overall Viability (Business Unit, Financial, Strategy, Organization):** This includes an assessment of the organization's overall financial health, the financial and practical success of the business, and the likelihood that the individual business will continue to invest in the CPM suite within the vendor's portfolio of products.

**Sales Execution/Pricing:** This comprises the vendor's capabilities in all sales activities and the structures that support them. This criterion also includes an assessment of the cost of CPM suite licenses, implementations and ownership.

**Market Responsiveness and Track Record:** This involves the vendor's overall effectiveness in the market, including its responsiveness to users, capability to articulate a clear CPM value proposition and the number of live implementations of its CPM suite. This criterion was raised in priority to standard to reflect its increased importance in a more mature market.

**Marketing Execution:** This was not rated as a separate criterion, because it was evaluated as part of Market Responsiveness and Track Record, as well as under Operations.

**Customer Experience:** This includes the vendor's capability to deliver presales and postsales support, which enables clients to be successful with their CPM suites. This criterion also includes the quality and availability of the vendor's support desk, as well as implementation services.

**Operations:** This involves the organization's capability to meet goals and commitments with respect to CPM suites. Factors include the quality of the organizational structure, such as skills, experience, programs, systems and other vehicles that enable vendors to operate effectively and efficiently in the market on an ongoing basis (see Table 1).

**Table 1. Ability to Execute Evaluation Criteria**

Evaluation Criteria	Weighting
Product/Service	high
Overall Viability (Business Unit, Financial, Strategy, Organization)	high
Sales Execution/Pricing	standard
Market Responsiveness and Track Record	standard
Marketing Execution	no rating
Customer Experience	high
Operations	standard

Source: Gartner (March 2012)

**COMPLETENESS OF VISION**

These criteria and weightings were used to evaluate the position of vendors in the market:

**Market Understanding:** This is the vendor's capability to understand buyers' needs and to translate these needs into products and services. It addresses whether vendors show the highest degree of vision, listen to and understand buyers' wants and needs, and whether they can shape or enhance these wants with their added visions. This criterion was reduced in priority to low because the market is now well-understood by most vendors.

**Marketing Strategy:** This involves a clear, differentiated set of messages matching Gartner's vision of CPM that is communicated consistently throughout the organization and is externalized effectively to the market.

**Sales Strategy:** This is the strategy for selling CPM suites 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:** This is the CPM suite product strategy covering breadth and depth of functionality, underlying technology, and openness.

**Business Model:** This refers to the soundness of each vendor's strategy to deliver CPM suites to the market.

**Vertical/Industry Strategy:** This is the vendor's strategy to direct resources, skills and offerings to meet the specific needs of vertical market segments. This criterion was raised in priority to standard to reflect the increasing maturity of the market.

**Innovation:** This was assessed under each criterion above, as appropriate (for example, product innovation was assessed under Offering [Product] Strategy). Therefore, innovation was not rated as a separate criterion.

**Geographic Strategy:** This is the vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the home geography directly or through partners, channels or subsidiaries, as appropriate for the geography and market (see Table 2).

**Table 2. Completeness of Vision Evaluation Criteria**

Evaluation Criteria	Weighting
Market Understanding	low
Marketing Strategy	standard
Sales Strategy	standard
Offering (Product) Strategy	high
Business Model	high
Vertical/Industry Strategy	standard
Innovation	no rating
Geographic Strategy	standard

Source: Gartner (March 2012)

**Quadrant Descriptions**

**LEADERS**

Leaders possess a large percentage of the market share in the CPM suite market and demonstrate superior CPM sales levels. They can deliver breadth and depth of CPM suite functionality, as well as provide enterprisewide implementations to support a broad CPM strategy. Leaders excel at vision, successfully articulate a business proposition that resonates with buyers, are well-recognized in the space, have broad international presence in execution and are supported by the viability and operational capability to deliver on a global basis.

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## CHALLENGERS

Challengers must have strong sales revenue and multinational capabilities. They offer good breadth of functionality, but their solutions may lack one or more CPM components. They may provide offerings that are complementary to their established business applications in order to leverage their primary installed client base. Challengers may also have a more limited vision of CPM than Leaders.

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## VISIONARIES

Visionaries have a strong vision for delivering a CPM suite. They are distinguished by the openness and flexibility of their application architectures and offer depth of functionality in the areas they address, but they may have gaps relative to broader functionality requirements. A Visionary vendor is a market thought leader and an innovator; however, it may have yet to achieve sufficient scale and/or market share, or there may be concerns about its capability to grow and provide consistent execution.

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## NICHE PLAYERS

Niche Players do well in a specific segment of the CPM suite market, or have limited capability to innovate or outperform other vendors in the market. These vendors may be focused on a specific domain or aspect of CPM and are likely to lack depth of functionality, or they may have gaps relative to broader CPM suite functionality requirements. Niche Players may have reasonably broad CPM suites, but limited implementation and support capabilities, and relatively limited customer bases, or they may not have achieved the necessary scale to solidify their market positions. Some have a limited geographic presence outside their home regions.

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## Context

Previous years were marked by large-scale vendor consolidation and subsequent portfolio rationalization, while this year, like 2011, has seen a more stable market in which the vendors have focused on execution, with large vendors selling to their existing customer bases and most vendors that sell to midmarket and Tier 1 companies bringing in additional financial governance capabilities. As in 2010, 2011 saw the development, partnering and acquisition of financial governance capabilities into the core CPM vendor portfolios for financial governance (see "Financial Governance Applications Emerge to Enhance Financial Controls and Regulatory Reporting"), and in particular, disclosure management capabilities (see "Navigating the Disclosure Management Marketplace"). This is especially prevalent in relation to additional applications to support the financial close and consolidation processes, as well as the financial and regulatory reporting and disclosure processes. While CPM is capable of supporting broad enterprise capabilities, most of the vendors have taken up the messaging, while also diving deeper into focus on the office of finance.

Through the past 36 months of economic uncertainty, CPM has helped to manage cost optimization efforts, but through 2011, as in 2010, many more CPM initiatives were justified on the basis of supporting growth strategies. Consequently, the market and the vendors that support it remain buoyant and positive about the market outlook. We continue to see increasing market consolidation, such as with the SAP acquisition of a disclosure solution from cundus, which further transitions market share to the remaining megavendors.

In particular, the market continues to be dominated, in terms of market share, by the three CPM megavendors (Oracle, SAP and IBM); although they all have strong product portfolios, there is still some uncertainty among users about future product road maps, although vendors are not afraid to choose products to deem legacy in favor of go-forward products after these acquisitions (e.g., IBM Clarity Systems CPM). Additionally, specialist vendors continue to grow (Gartner is tracking over 90 vendors offering full or partial solutions for CPM), although there are no new entrants in the Magic Quadrant. In particular, CPM is seeing emerging solutions (e.g., Anaplan, FinanceSeer and Tidemark) that are only SaaS-based models enter the market, and we predict that this will have a major impact on the market during the next three to five years. Emerging specialists continue to offer leading-edge functionality and licensing options that appeal to organizations that do not want to choose from among the megavendors.

CPM should continue to be considered both a strategic and tactical set of applications. CPM suites can bring greater rigor, accuracy and transparency to many financial management processes, such as BP&F, financials and regulatory reporting (and associated compliance challenges), can deliver a better understanding of the drivers of corporate profitability, and can improve financial reporting and ensure the accuracy of reporting results. Although awareness of the CPM concept has become more widespread, Gartner still estimates that 35% of large enterprises and as much as 65% of midsize businesses are using spreadsheets or legacy applications to meet their core management processes for BP&F, financial consolidation and financial reporting. Furthermore, most CPM suite implementations have focused more on improving the financial functions (primarily BP&F), and less on the strategic aspects of CPM (such as strategy management and profitability modeling). Clients that have established CPM solutions for BP&F and reporting are now increasingly looking at strategy management and profitability modeling to increase the sophistication and scope of their solutions; first-time adopters are also investigating the higher value of these less adopted CPM components. Hence, there is still a significant and growing demand for CPM solutions. Therefore, conduct

evaluations of the CPM suites based on their fit with these key business requirements, and on the ability of any solution to meet your PM and BI needs.

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## Market Overview

CPM includes the processes used to manage corporate performance (such as strategy formulation, budgeting and forecasting), the methodologies that support these processes (including the balanced scorecard or value-based management), and the metrics used to measure performance against strategic and operational performance goals. CPM also comprises a series of analytics applications, such as BP&F, financial consolidation and financial reporting solutions, which provide the functionality to support these processes, methodologies and metrics, targeted at the CFO, finance team, senior executives and corporate-level decision makers (see the Market Definition/Description section). CPM projects typically focus on BP&F or on financial consolidation and reporting. However, CPM applications are also key in linking strategy to operational execution; they also leverage BI investments to bring consistency to financial and operational reporting, which can improve corporate governance and help address compliance issues. Increasingly, CPM applications can be used to identify the drivers of profitability to help organizations pursue profitable revenue growth, and, in the past year, we have seen an expansion of CPM coverage to incorporate financial governance capabilities to support financial close and disclosure processes. However, there is a lack of knowledge among most finance and business users about the potential of these applications, and few companies appear to be leveraging them to their fullest extent.

The 2011 Gartner Financial Executives International (FEI) technology study (see "CFOs Cite BI and CPM as Top Priorities: 2011 Gartner FEI Technology Study") found that CPM was a major technology initiative for CFOs; because CPM is considered both a BI and an enterprise application, both of these categories topped CFO's technology initiative plans for 2011 and 2012, (BI at 65% and enterprise applications at 46%). The top CPM processes that CFOs will seek to upgrade in 2012, according to the study, are BP&F, performance measurement/scorecards/dashboards, and financial reporting and consolidation. The study showed that many of the top constraints are components of what the CPM suite targets.

Trends for CPM that emerged or continued to be strong in 2011 were:

**Emphasis on the office of finance** — Enterprises have become more cautious about taking on big or complex projects when funding is less certain. As in 2010, this cautious market has meant delays in contract signings and more focus on total cost of ownership and ROI. There was more of a focus on financial consolidation and reporting, including disclosure management (also due to the U.S. XBRL mandate) and traditional BP&F. This tactical versus strategic approach reduced the scope of many CPM projects, and customers retrenched from buying more-strategic components of CPM, such as profitability modeling and strategy management, postponing these projects for 2012 and beyond.

**Focus on point solutions for CPM pillars** — A common approach in 2011 was to purchase and deliver a single CPM component as opposed to a full CPM suite, most often BP&F or financial consolidation and reporting. This approach entails fewer costs and risks and less time, but it also misses the transformational benefits that could be obtained from a full CPM suite implementation. It also puts in question the ability to execute on future CPM projects effectively, if organizations do not select solutions with the full scope in mind, and instead have to integrate disparate systems in the future.

**Back to basics/CPM consolidations** — In line with a general desire to leverage software assets already purchased, 2011 encouraged some clients to focus on improving existing CPM or legacy implementations, rather than to look at new CPM investments, as well as to move to common enterprise platforms for BP&F and other CPM pillars. There was also a belief among more organizations that they should be able to implement these solutions via a more "vanilla" approach, with less customization/configuration, particularly for BP&F.

**Investment in SaaS applications** — 2011 brought a renewed interest in SaaS platforms for CPM functionality, including vendors such as Host Analytics, Adaptive Planning, FinanceSeer, Anaplan and Tidemark. Many firms that would not have considered SaaS before are now questioning if it could be applicable to their organizations. Because SaaS solutions typically are less configurable, this was done in concert with the abovementioned "back-to-basics approach. SaaS is also being considered for "the last mile of finance" set of applications, including disclosure management, with vendors such as Rivet Software and WebFilings seeing increased success.

The BI market grew 13% — one of the fastest rates in enterprise software — to reach \$10.5 billion in 2010. The CPM suite market grew a bit less than that, at 12.8% in 2010, up from 28% the prior year (see "Market Share Analysis: Business Intelligence, Analytics and Performance Management, Worldwide, 2010"). Gartner believes CPM is now a mature market that will show steady growth in the future, perhaps continuing at slightly less than that of the BI market, as there is a general interest across enterprise disciplines in analytics and BI platforms, which grew 17.7%.

The CPM market continues to be dominated by three megavendors: Oracle, SAP and IBM. Although they all have strong product portfolios, there is still some uncertainty among users about these vendors' future product road maps, most recently around the implications of IBM's focus on TM1 over its acquired Clarity Systems CPM solution. Additionally, there are many specialist vendors that offer leading-edge functionality and licensing options that appeal to organizations that do not want to choose from the megavendors. However, SAP (16.8%) and Oracle (21.9%) were able to outperform the market growth rate, while the other megavendor, IBM, experienced lesser growth (7.6%). As in 2010, the majority of specialist CPM vendors grew more than the overall market. Almost all the



revenue in the market is generated through traditional on-premises implementations. However, we have also seen increased traction for SaaS-based CPM solutions.

While the 2011 Gartner FEI study shows there were improvements from 2010 in the perception of the maturity of BI and CPM investments, there is also room for further improvement, mostly around integrating CPM with operational data and strategy management. Twenty-five percent felt that there was complete consistency between operational and CPM results; however, 75% cited that there were differences between operational data and financial data, with 54% of that percentage stating that these were minor differences, but 21% claiming more severe issues with consistency. Unfortunately, during financial close and management reporting runs, most of the time is spent chasing down reconciliation differences.

Most current CPM projects typically focus on BP&F or on financial consolidation and reporting, and there is still a long way to go before there is significant penetration in profitability management and strategy management. However, CPM applications are also key in linking strategy to operational execution; they also leverage BI investments to bring consistency to financial and operational reporting, which can improve corporate governance and can help address compliance issues. Increasingly, CPM applications can be used to identify the drivers of profitability to help organizations pursue profitable revenue growth. However, there is a lack of knowledge among most finance and business users about the potential of these applications, and few companies appear to be leveraging them to their fullest extent. Many organizations that have implemented CPM solutions have not implemented more of the advanced functionality, including strategy management and profitability management. In fact, these are top constraints to success for the finance organization. By leveraging PM&O, the finance organization can address its top constraint.

As part of this research, Gartner conducted a survey of organizations using CPM products. The survey participants were customer references nominated by each of the 13 CPM vendors in this Magic Quadrant. These surveyed customers were asked 20 specific questions about their experiences with their CPM vendors and solutions. The results were used in support of the assessment of the CPM suite market. For 2011, we obtained 233 full responses (up from 220 in 2010) representing companies headquartered across six different geographic regions, as follows: North America, 55%; Western Europe, 25%; Latin America, 9%; Central/Eastern Europe, 7%; the Asia/Pacific region, 4%; and the Middle East and Africa, 1%. These CPM deployments had the following ranges of users:

- One to 49 users: 37%
- 50 to 199 users: 28%
- 200 to 499 users: 17%
- 500 or more users: 18%

As with previous years, survey respondents represented a wide range of industries.

In addition to the survey results, final Magic Quadrant ratings are also the result of the significant consideration of information evaluated from Gartner CPM reference visits and calls throughout the year; these interactions serve as an important part of the vendor evaluation.

This year's survey indicates that CPM solutions continue to be more widely used. This increased usage is due to a number of factors, including the growing acceptance of organizationwide CPM initiatives, the fact that organizations are better-leveraging their CPM investments, and the further integration of CPM into wider BI and PM strategies. This has allowed vendors to continue to sell to their existing customer bases. Several specific survey measures further evidence wider CPM use in 2011 vs. 2010, including:

- Although CPM is still generally sponsored by finance, for the first time, fewer than half (47%) of survey respondents reported that CPM software is mainly used by finance and senior management to report on financial performance (down from 55% last year). Conversely, a greater percentage (41%) of those surveyed indicated that CPM software is now widely used across the organization to help manage their business (up from 30% last year).

- The average implementation size is steadily growing. For example, respondents report that 18% of their implementations have 500 or more users (up from 13% last year). These results also vary by vendor. For example, Oracle and IBM customer survey respondents have the largest percentage of 500+ user implementations; Oracle has 52% (up from 45%) and IBM has 41% (a large increase from 17% last year).

- As expected, the majority of CPM data is sourced from Finance applications (76%), spreadsheets (70%) and ERP data warehouses (45%). However, for 2011, a higher percentage of data was reported as being sourced from operational applications (36%, up from 24%), Corporate data warehouses (38%, up from 29%) and external data sources (37%, up from 29%).

BP&F remains the most widely used CPM module (82% of respondents use this module, up from 75%) followed by financial management, reporting and disclosure (65%, consistent with 63% last year), and financial consolidation and close (53%, up from 43%). PM&O and strategy management remain fairly consistent at 31% and 27%, respectively. Although these latter two modules are, on the whole, the least widely used, this varies by vendor. For example, 81% of Bitam's customers and 50% of IBM's customers use the strategy management module (up from 55% and 39%, respectively).

Although respondents continue to indicate that the greatest benefits realized relate to finance's use of traditional BP&F and financial close modules, it's worthwhile to note that a gradually increasing percentage of them indicate that their CPM solutions provide more strategic benefits. For example, among respondents:

- 46% selected "provides a better understanding of current performance" (up from 42%)

39% selected "provides a linkage between strategic planning, financial budgets and operational activity" (up from 31%)

37% selected "allows better prediction of future financial and business performance" (up from 36%)

36% "allows better understanding of the drivers of profitability" (up from 31%)

These survey results continue to support previous year's findings, indicating that CPM solutions are fulfilling steadily increasing analytics and strategic purposes within PM and BI frameworks.

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