

Magic Quadrant for Cloud ERP for Service-Centric Enterprises

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Service-centric enterprises adopt cloud ERP applications to benefit from more-structured sets of process capabilities that produce better business outcomes. Application leaders should use this research to evaluate vendors of cloud ERP application suites as part of a composable ERP strategy.

Strategic Planning Assumptions

By 2027, at least 50% of the artificial intelligence (AI)-powered features of ERP applications will be enabled through generative AI (GenAI) capabilities.

By 2027, 60% of customers replacing ERP applications will select software for their platform and business process orchestration capabilities, rather than their transactional planning capabilities.

By 2027, more than 50% of service-centric enterprises will look for an ERP suite approach to meet their need for system-of-record capabilities.

Market Definition/Description

Gartner defines the market for cloud ERP for service-centric enterprises as a market for application technology that supports the automation of operational activities for service-centric (nonproduct) industries, including financial management, order-to-cash, source-to-pay, human capital management and other administrative capabilities. Cloud ERP for service-centric enterprises is delivered under a SaaS license model (with frequent

mandatory updates), where application support, infrastructure provisioning and management are the responsibility of the vendor.

Broadly speaking, ERP solutions enable a variety of enterprisewide business processes, primarily those associated with systems of record and systems of differentiation. ERP solutions form the core systems that allow an enterprise to conduct business. For service-centric ERP solutions, process enablement covers a wide range of enterprise processes that include:

- Financial management system (FMS) functionality, including general ledger, accounts payable (AP), accounts receivable (AR) and financial planning.
- Order-to-cash (O2C) functionality, ranging from configure, price and quote (CPQ) to cash collection activities.
- Source-to-pay (S2P) functionality, which must cover at least e-sourcing, contract life cycle management, e-purchasing, AP invoice automation, supplier management, collaboration and payments.
- Human capital management (HCM) functionality, which must cover at least administrative HR capabilities, such as core HR data management, employee life cycle transactions and position management.
- Other administrative ERP functionality, to support typical service-centric activities, such as extended planning and analysis (xP&A), project management (for project-centric capabilities), service procurement and real estate lease management.

Mandatory Features

Must-have capabilities for this market include:

- Financial management system capabilities that provide visibility into an enterprise's financial position through automation and process support for any activity that has a financial impact.
- Order-to-cash (O2C) capabilities that provide the framework for the financial supply chain that supports the mission of an organization to make money by providing services to customers. O2C integrates financial and operational processes within an organization, and must be robust for transactional support and analytics to coordinate enterprise operations.

- Source-to-pay capabilities, including the ability to pay for and manage supply of goods, services and people in support of delivery of revenue-generating services. Included are e-sourcing, contract management, e-purchasing, accounts payable, supplier engagement and collaboration, payments and procurement of services
- Human capital management functions that relate to administrative HR and talent management business requirements, including core HR data management, employee life cycle transactions, and position management.

Common Features

- Modular/Composable architectures displaying the ease with which the ERP can be deployed and integrated alongside other applications (cloud and on-premises) or platforms outside the primary ERP application suite to fulfill a composable ERP strategy. This includes the development for extension of the data model and/or functionality and the ability to consume, provide and exchange data/metadata.
- Advanced technology features associated with modern cloud solutions that include standard and generative AI, predictive analytics, hyperautomation and low-code development embedded in the applications or made available in the associated platform-as-a-service (PaaS) offering. Additionally, the solutions may offer configurable UI, mobile compatibility, contextualized secure data access and analytical reporting.
- Support/Systems Integrator (SI)/Methodology capabilities that address quality, cost, global availability and certification of professional services proved vital to driving deployment of ERP solutions for clients. Included are established partner networks, vendor certification programs and the capacity to support implementations that are properly aligned with the ERP vendor's sales strategies and projections.
- Geographic coverage showcasing partner ecosystems and the ability to address languages and localization features provided by the vendor and/or partners.
- Complex corporate requirements, particularly for vendors targeting larger more complex enterprises, addressing the ability to manage multiple business units, multiple types of business, perform financial and operational consolidations within one instance of the suite, and provide reporting across various operating units and lines of business. This also includes the ability to manage major business processes across multiple business units.

- Sustainability functions that include ranking, reporting on and managing environmental, social and corporate governance initiatives natively within the suite.
- xP&A able to go beyond the financial organization's use of financial planning and analysis (FP&A) and that is capable of merging financial and operational planning processes, allowing management to improve decisions and deliver better results across the enterprise.
- Ancillary capabilities, such as project management and professional services automation (for project-centric capabilities), subscription and recurring billing, service procurement and real estate lease management, may be offered optionally based on supported industries.

Magic Quadrant

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





Vendor Strengths and Cautions

Certinia

Acquired in 2023 by Haveli Investments, Certinia is a Niche Player that mainly serves midmarket organizations. Most of its clients are in North America (NA), with a smaller number in Europe, the Middle East and Africa (EMEA), and a much lower percentage in the Asia/Pacific (APAC) region. It offers a fully managed cloud solution, focused mainly on financial management and customer-centric operations. It relies on partner solutions for human capital management (HCM) capabilities and some source to pay (S2P) capabilities.

Certinia continues to build on its strengths in professional services automation (PSA) and subscription and usage billing.

Certinia has introduced AI capabilities for more accurate forecasts and cash flow management, and plans to expand extended planning and analysis (xP&A) and spend analysis with machine learning (ML) capabilities. This will support a more comprehensive and holistic view of enterprise performance.

Strengths

- **Strong customer-centric operations:** Certinia's integration with Salesforce provides strong, customer-focused out-of-the box capabilities. This is particularly true with respect to process flows, reporting and dashboards; mapping financial records to sales opportunities; and guiding customers from selling to month-end financial close.
- **User community and customer service:** Certinia offers engaging customer service and extensive support resources, including forums, webinars and training, and strong user community interactions available for guidance on more complex configuration or reporting. Gartner Peer Insights reviewers have praised its user community and customer service.
- **Intuitive native capabilities:** Certinia recently added accounting playbooks that simplify the period and year-end close processes, and it also added the ability to create board books with contextual commentary. Customers, including reviewers in Gartner Peer Insights, report satisfaction with the comprehensive, out-of-the-box views of transactions in reporting and dashboards, with good low-code capabilities to customize them.

Cautions

- **Partner dependency on HR capabilities:** Certinia continues to lack native HR capabilities, which are available only through its partnership with ADP. Organizations looking for a comprehensive, service-centric ERP suite should consider additional third-party integrations.
- **Sustainability:** Certinia doesn't offer out-of-the-box environmental, social and governance (ESG) capabilities and reporting. Instead, it provides customers with the flexibility to add additional data to supplier record tables, and to use this data to create ad hoc sustainability reporting or to define sourcing from suppliers with sustainable business practices.

- **Embedded AI capabilities:** Certinia's overall GenAI efforts lag in the market, although it has embedded Salesforce Einstein Discovery into the ERP and introduced AI capabilities to support customers seeking actionable insights in forecasting and cash flow. For example, Certinia plans to add accounts payable (AP) automation by the middle of 2025, long after some top competitors will have already introduced the capability. Certinia was recently named an initial development partner for Salesforce AgentForce, which may help accelerate innovation in tangible use cases.

Microsoft (Business Central)

Microsoft Dynamics 365 Business Central is a Niche Player in this Magic Quadrant. This is a solution for enterprises in the lower midmarket segment. Clients are typically enterprises that generate less than \$150 million in annual revenue in the Americas, EMEA and the APAC region. It is a fully managed cloud solution delivered from Microsoft Azure data centers that integrates with other Microsoft products (e.g., Microsoft 365, the Dynamics 365 CRM suite, SharePoint and Dataverse).

Business Central has native financial and operational capabilities. It relies heavily on partner solutions available on the Microsoft AppSource store for HR and more-vertical solution capabilities. Microsoft did not respond to requests for supplemental information with respect to Business Central. Hence, Gartner's analysis is based on other credible public sources.

Strengths

- **Continuing market momentum:** Business Central customer adoption levels are growing consistently, with Microsoft reporting adoption by 40,000 customers. Growth can be attributed to a combination of factors, including integration with other Microsoft products, its large ecosystem of value-added resellers (VARs) and independent software vendors (ISVs), broad global reach, and well-recognized Microsoft brand.
- **AI-enabled Copilot:** Like other solutions in the Microsoft applications portfolio, Business Central has incorporated Copilot and AI-enabled capabilities in the suite. Compared with other solutions that target small or midsize businesses (SMBs), Business Central's AI roadmap vision looks above average. This includes currently available auto-reconciliation of bank statements, in-product analytics built with natural language, in-product guidance and data search with natural language.

- **Microsoft stack integration:** Customers that are Microsoft-centric may benefit from Business Central integration with other Microsoft offerings, such as Microsoft 365, Power BI, Teams and Power Platform.

Cautions

- **Migration from other Microsoft ERPs:** Customers using Microsoft NAV or other SMB ERP solutions, such as GP or SL from Microsoft, have been told that Business Central was their natural modernization path. This is not necessarily the best approach for all scenarios. It depends on the level of customization and complexity.
- **Horizontal ERP strategy:** The horizontal (as opposed to industry-vertical) approach of Business Central requires customers to consider AppSource as an essential element in fulfilling their particular business needs. The number of multiple offerings, some of them with apparent overlapping features, is a challenge, according to customer feedback.
- **HR functionality:** HR capabilities are still considered too simple and are suitable only for small and/or low-complexity organizations seeking a lightweight systems of record for HR. Customers that want a comprehensive suite will need to rely on solutions that have prebuilt integrations with Business Central available in AppSource.

Microsoft (Dynamics 365)

Microsoft Dynamics 365 is a Leader in this Magic Quadrant. It is a fully managed cloud SaaS solution delivered from Microsoft Azure data centers. Although many ERP components are natively developed, its partner solutions enable industry-specific capabilities. It serves midsize-to-large service businesses, primarily in EMEA, the Americas and the APAC region.

Recent enhancements include xP&A with business performance planning, and various Copilot GenAI capabilities to orchestrate tasks and processes and provide interactive AI-powered assistance. Other enhancements include AP and bank statement automation, expanded country coverage, and support for complex tax scenarios, as well as global e-invoicing requirements.

Strengths

- **GenAI:** Microsoft Dynamics 365 leads in delivering embedded GenAI capabilities through Copilot in Dynamics 365. These Copilot capabilities support business functions critical to service-centric organizations, including finance (i.e., business performance planning), project operations, HR, field service, procurement and commerce. In addition, Microsoft

launched Copilot for Finance in preview for finance-specific automation and insight within Microsoft 365 apps such as Excel and Outlook.

- **Large-enterprise FMS capabilities:** Microsoft's broad core financial management solution for midmarket and large organizations is well-integrated with Microsoft Dynamics 365 customer engagement applications, Microsoft Teams, Microsoft 365 and the Power Platform. AI-driven insights help finance teams identify trends, anomalies and opportunities for cost savings and revenue growth. New tools and features also support global regulations, such as the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA), as well as various tax laws.
- **Microsoft Azure capabilities:** With the Azure cloud platform's capabilities, Dynamics 365 has out-of-the-box integrations with a rich set of enterprise-class platform services, such as Microsoft Fabric, Microsoft Power BI, Power Apps and Dataverse. Azure can handle large volumes of data, which customers using Microsoft tools may view as an attractive differentiator.

Cautions

- **Global and complex customer references:** Global and complex enterprises report difficulty finding references for implementing Microsoft Dynamics 365 on a large scale. Microsoft plans capabilities to make the solution more attractive to these customers, including increased automation support for complex financial consolidations.
- **HR functionality:** For HR capabilities, Microsoft remains relatively untested in the large-enterprise market by organizations of more than 1,000 employees. Microsoft Dynamics 365 has major functional gaps in payroll, career and succession management. In 2024, Microsoft did release a recruiting capability powered by Copilot, business performance planning for workforce planning, and Copilot in HR for service management.
- **Complex customization:** Although Dynamics 365 offers rich customization capabilities, customers have told Gartner that leveraging them often requires advanced technical skills and deep platform knowledge. Although the Power Platform provides a low-code method to extend applications, those requiring substantial tailoring to fill functional gaps or to extend complex applications may need skilled developers or consultants to use these capabilities.

Oracle (Fusion Cloud ERP)

Oracle Fusion Cloud ERP is a Leader in this Magic Quadrant. It is a modular and configurable SaaS solution for upper-midmarket and large-enterprise, service-centric organizations. Its clients are spread across the Americas, EMEA and the APAC region. This is a fully managed cloud solution that runs in Oracle data centers or in an Oracle Cloud at Customer tenant.

It provides the extensive ERP capabilities required by many service industries, while integrating third-party solutions for customers adopting composable architecture for specialized capabilities. Building on its ERP product strategy, Oracle continues to strongly invest in AI and GenAI-enabled core ERP capabilities to support use cases aimed at financial and HR end users.

Strengths

- **Operational ERP:** Oracle Fusion Cloud ERP continues to show maturity in multiple service-centric core functions, from cloud financial management to people and third-party resource management, project management, procurement, xP&A and order to cash (O2C) capabilities.
- **Technology platform:** Oracle continues to provide strong application and data integration, extension development and AI-enabled capabilities through the Oracle Cloud Infrastructure (OCI)-based platform strategy.
- **Embedded AI capabilities:** Oracle is embedding AI and GenAI in a wide range of use cases, from financial and HR capabilities to prompt-based user experience (UX). At this point, Oracle notes that those ERP-embedded features have no additional licensing costs for Fusion users, which may appeal to customers interested in launching ERP automation strategies.

Cautions

- **Oracle ERP on-premises migration:** In Gartner interactions with clients, on-premises Oracle ERP customers (e.g., PeopleSoft, EBS and JDEdwards) evaluating a migration to Oracle Fusion often report concern about gaps between it and their existing solutions. On-premises Oracle ERP customers evaluating Fusion Cloud ERP are encouraged to scrutinize the offering to ensure that functional parity exists across the depth and breadth of their requirements.
- **Global partner ecosystem:** Although Oracle has a large network of partners delivering Oracle Fusion engagements worldwide, delivery quality consistency in a multiple country rollout is not always the same, even when global system integrators (SIs) lead the effort.

That may be even more visible outside NA and Europe. Although this may result from the strength of global Oracle Cloud ERP customer demand, Gartner clients report that global partners particularly lack the same level of experience with Oracle Fusion in their teams worldwide.

- **Price:** Gartner customers continue to report that the price initially proposed can be high, compared with other providers that may be under consideration. This is particularly true for midsize organizations.

Oracle (NetSuite)

Oracle NetSuite is a Challenger in this Magic Quadrant. The product is a comprehensive ERP suite, with a wide range of functionalities for midmarket, service-centric enterprises. Most of its clients are in the Americas, with smaller percentages in EMEA and the APAC region. It is a fully managed cloud SaaS solution that runs exclusively in Oracle data centers.

Oracle recently introduced new solutions for Field Service Management and Enterprise Performance Management, which now include capabilities for managing and reporting on sustainability and ESG initiatives. NetSuite's GenAI solution (Text Enhance) automates the creation of content, leveraging NetSuite data.

Strengths

- **Global presence:** Oracle continues to extend NetSuite's presence to all regions, using its own and Oracle's larger network of offices around the world to increase business in countries throughout EMEA; the APAC region, including Japan; and Latin America (LATAM).
- **360-degree dashboards:** Oracle continues to invest in 360-degree dashboards that bring together traditionally disparate data points to provide more comprehensive views of key business relationships. This feature makes reporting and insights readily available at the consolidated, subsidiary and detailed transactional level. NetSuite Analytics Warehouse applies ML algorithms to customer data to produce predictions, forecasts and classifications for data analysis and visualization.
- **Technology platform:** NetSuite benefits from OCI, powered by Oracle's innovation and AI services. Benefits include enhanced performance, scalability, security and access to Oracle's broader suite of enterprise-grade cloud services, such as Oracle Autonomous Database, Analytics Cloud and Integration Cloud.

Cautions

- **Extended planning and analysis:** NetSuite functionality for modeling project financials and workforce planning with third-party workers requires customization to configure what is needed where an out-of-the-box application may fit a particular need without requiring customization.
- **Project resource management:** Although NetSuite supports the ability to manage internal employee resources and availability, it remains unable to support the management of third-party workers. This limits its applicability for customers that require such capabilities. Organizations seeking to manage both internal and external HR will need to evaluate third-party solutions to fill this gap.
- **Product delivery schedules:** Despite continuous development, NetSuite has lagged in areas such as GenAI. Although it plans an aggressive rollout aimed at addressing this in the future, prospective buyers evaluating the solution should scrutinize delivery schedules for innovative capabilities to align with their modernization strategies.

Sage

Sage is a Niche Player in this Magic Quadrant. Sage Intacct, the solution profiled in this Magic Quadrant, is a fully managed cloud solution targeted at lower-midmarket organizations. Its clients are mainly in NA, but are also in the U.K., Australia, South Africa, France and Germany. Focused on financial management applications, it includes a planning solution, with capabilities developed in-house.

For other capabilities in many areas, it relies on partner solutions. Sage has introduced a fixed-asset management solution, along with multibook depreciation, and has added new solutions for grantmaking and donor-advised funds for nonprofit organizations. It plans to leverage GenAI to help automate key processes, including the financial close in the near future. Sage did not respond to requests for supplemental information with respect to Intacct. Hence, Gartner's analysis is based on other credible public sources.

Strengths

- **Financial management:** Sage is a strong financial management solution for midsize enterprises (MSEs), with solid multientity and multicountry global consolidation capabilities. New AP automation capabilities include AI-driven, multiline GL coding. Other enhancements include AP invoice matching with variance notifications extending to the

line level, support for complex legal business structures, and the use of the Sage Network to automate and synchronize financial transactions and processes between businesses.

- **Support for project-driven organizations:** Sage has introduced a Professional Services Automation solution that offers AI-powered project resource management. It includes a project intelligence dashboard that enables project managers, grant managers and administrators to track key performance indicators (KPIs).
- **Improved industry focus:** Sage is gaining traction in the construction industry as the financial management component of Sage Construction Management. Likewise, it has improved its support for not-for-profit organizations by connecting operational and financial processes, adding fundraising via DonorPerfect, and new capabilities for grantmaking and donor-advised funds.

Cautions

- **Concentration in NA:** Sage has a limited presence outside NA, despite expanding into key English-speaking markets around the world, as well as France and Germany.
- **Incomplete procurement and HR strategy:** Sage does not offer a complete procure to pay (P2P) solution. Rather, it depends on partners to fill the gap in delivering procurement as part of its core finance capabilities. It's the same with HR, where it doesn't offer capabilities for benefits administration, career and succession management, or HR service management.
- **Financial planning capabilities:** Larger midsize businesses may find Sage Planning to be functionally limited. It is fully integrated with its core accounting solution and is sufficient for smaller organizations. Those requiring financial planning capabilities should perform due diligence to ensure that it supports the full range of their requirements.

SAP (Business ByDesign)

SAP Business ByDesign is a Niche Player in this Magic Quadrant. It serves mainly midmarket organizations and subsidiaries of large corporations, with clients in the Americas, the APAC region and EMEA, which is the largest market for this offering. A fully managed cloud solution, it includes native capabilities for financial management and procurement applications; however, it often relies on partners' solutions in other functional areas.

New functionality is no longer delivered through the SAP Business ByDesign core product, but through integration with SAP Business and Technology Platform (BTP). Customers may

need to subscribe to SAP BTP services, based on the capabilities they require and their scale of usage.

Strengths

- **Modern platform:** SAP's S/4HANA technology and the availability of the SAP BTP enable ByDesign customers to leverage advanced analytics, including SAP Analytics Cloud; embrace modern, low-code customization and integration capabilities; and gain access to AI and ML services. They also enable partners to build unique capabilities designed for their industry or region.
- **Breadth of industry-specific solutions:** MSE customers that want to go live quickly, without the need for process designing, typically appreciate the variety of prebuilt functionality and processes developed from SAP and its partners. These solutions are tailored to a variety of industry needs.
- **Service provider ecosystem:** SAP Business ByDesign has established a large ecosystem of service providers that offer a range of industry knowledge to help customers with implementations.

Cautions

- **Slowing product roadmap:** SAP considers SAP ByDesign to be a mature, functionally complete product. As a result, it does not plan to deliver modern innovations, such as GenAI, directly to its core ERP. Instead, innovation will be delivered through integration with the SAP BTP and may require additional licensing charges for customers.
- **Service-industry partner add-ons:** New industry add-ons and special solutions from partners will be built on SAP's BTP for consumption by customers. This is in addition to the option to embed capabilities to extend ByDesign scenarios with Cloud Applications Studio (SDK) in SAP Business ByDesign. Although SAP provides many of the administrative and operational ERP capabilities required by service-centric industries, customers may experience additional licensing fees for these add-ons and customer-specific solutions. They may also find that these add-ons aren't specifically tailored to the needs of MSEs, as were those created in the past specifically for the SAP Business ByDesign solution.
- **Articulated future strategy:** SAP has been approaching existing customers and encouraging them to migrate over to SAP S/4HANA Public Cloud. Similarly, it has been approaching and encouraging partners to upskill toward GROW with SAP S/4HANA Cloud

Public Edition. These often mixed and rephrased messages continue to fuel growing concerns and speculation about the future of SAP Business ByDesign.

SAP (S/4HANA Cloud)

SAP S/4HANA Cloud Public Edition, is a Leader in this Magic Quadrant. SAP's Cloud ERP portfolio includes both public and private cloud options, but only S/4HANA Cloud Public Edition met the inclusion criteria to be evaluated in this research. The product has a global reach and is targeted at midmarket, large and global enterprises. SAP S/4HANA Cloud Public Edition is sold primarily through a commercial bundle (GROW with SAP) via implementation partners' channels. It is a fully managed SaaS cloud solution and has financial management, O2C, HR, indirect procurement and vendor management capabilities.

Vertical-industry, preconfigured best practices are available for retail, professional services and the public sector. Tighter integration with SAP Analytics Cloud provides more comprehensive and advanced analytical capabilities, including planning, forecasting and what-if analysis. It recently introduced an AI digital assistant, Joule, and Microsoft Copilot integration, along with Fiori AI-assisted summarization features.

Strengths

- **Modern technology portfolio:** SAP S/4HANA Cloud Public Edition is part of a wide SAP technology portfolio that includes an associated cloud platform (SAP BTP) offering capabilities to deliver modern customization and integration.
- **AI and GenAI:** SAP is moving forward with its AI capabilities strategy. Offerings such as Joule, alongside partnerships with other technology vendors (e.g., Microsoft), help customers envision how this may deliver value to those planning to leverage ERP-embedded AI.
- **Global partner support:** SAP stands out with one of the most extensive implementation partner networks in the market. This supports its presence across multiple geographies and types of customers, enabling customers with a global footprint to consider this solution as a strong contender.

Cautions

- **Cross-functional complexity:** Service-centric enterprises looking to adopt a cross-functional ERP scope, including HR and Strategic Sourcing capabilities, may need to rely on stand-alone applications (e.g., SuccessFactors and Ariba). Although integrated and

harmonized, they are not part of the core S/4HANA application. Although licensing access to these applications may be included as part of the commercial bundle, they come with the need to manage, at minimum, a different UX and associated integrations. This is an issue for some prospective buyers, especially midsize organizations.

- **Live customers in complex organizations:** Gartner has observed that most live customers of the S/4HANA Public Edition are lower and midsize organizations. Larger global customers considering this solution should scrutinize it against their requirements to ensure that it can meet their needs.
- **Complex cost models:** Customers looking to adopt embedded AI capabilities or SAP BTP features may be challenged to understand how their total cost of ownership (TCO) will be affected by the associated consumption of data and/or messages. This is a key concern for customers that anticipate relying heavily on AI-enabled capabilities or extensions created in SAP BTP.

Workday

Workday is a Leader in this Magic Quadrant. The Workday Platform is primarily aimed at upper-midmarket, large and global organizations, with clients primarily in NA, which makes up nearly three-quarters of the customer base, as well as EMEA and the APAC region. This fully native cloud solution focuses on advancing AI capabilities in its applications, enhancing UX and expanding its financial and HCM suites.

Workday plans further expansion globally into professional services, tech and media, retail and hospitality, financial services, government, education, and healthcare. As part of its next generation of AI, Workday Illuminate, it is developing more AI and GenAI use cases, including automating transactions, querying data and surfacing insights via Workday Assistant, and predictive planning.

Strengths

- **Unified data core:** Workday offers a unified data core. It is fully harmonized across its ERP suite and enhances its built-in analytics and AI capabilities. This improves its ability to integrate its business functions by eliminating data silos and improving operational efficiency and decision making for users.
- **Advanced HR capabilities:** Workday Human Capital Management is one of the leading HR solutions in the ERP market. Workday introduced a talent marketplace and Skills Cloud to better match employees with internal opportunities and enhance skills tracking and

development. Workday also recently acquired HiredScore, further bolstering its product line with a comprehensive AI-powered talent acquisition and internal mobility solution.

- **Services CPQ:** Workday's new services configure-price-quote (CPQ) solution integrates with its financial management system (FMS), HCM, PSA and planning capabilities, and it tightly integrates with Salesforce's CRM. The solution improves quoting, adds quote capability to project automation and captures resource demand.

Cautions

- **Global reach and support:** Workday's global reach and depth of expertise lags other leading vendors in this market, which is particularly critical for large global enterprises headquartered outside NA. Although it now has deployments worldwide, prospective buyers need to determine whether its resources are sufficient to meet their needs.
- **Financial close and consolidation:** Workday recently introduced Workday Adaptive Planning and consolidation to meet the needs of the enterprise performance management (EPM) market. This new packaged offering unites Workday Adaptive Planning with substantial close and consolidation capabilities within Workday Financial Management. Prospective buyers should assess the newly packaged offering for advanced features they may require, such as the ability to manage complex multientity structures, versus other available third-party solutions.
- **Native recurring billing management:** Although Workday offers some capabilities for managing recurring billing scenarios, it continues to rely on ecosystem partner solutions to provide more comprehensive solutions. It recently detailed plans to introduce a native solution strengthening needed capabilities. Prospective buyers should determine whether the current and/or newly packaged solution meets their requirements versus other available third-party solutions.

Inclusion and Exclusion Criteria

Magic Quadrant research identifies and analyzes the most relevant providers and their products in a market. As such, several criteria elements were considered prerequisites for a vendor to be considered in this year's version of the Magic Quadrant.

From Gartner's perspective, a service-centric cloud ERP suite must provide, at a minimum, financial management, S2P and HR functionality. Optionally, the vendor may offer other

operational ERP capabilities (such as project management and enterprise asset management [EAM]) directly or through industry vertical packages with partners. However, no partner solutions, only the suite-embedded functionalities described above, were considered as part of this evaluation.

The offering of specialized industry-specific modules was considered a plus, rather than a requirement, for inclusion in this Magic Quadrant, and we did not rate any specialized industry-specific modules.

Product capabilities/functionalities:

- **Financial management:** General ledger, AP, accounts receivable (AR), fixed assets, cash management and financial planning.
- **Order-to-cash:** Provide a substantial component of functionalities by vertical as described in the market definition. Examples include external integration to ingest sales orders and convert to customer orders, manage project and services provided to customer, project accounting, simplified and complex billing, account management, and revenue recognition.
- **Human capital management:** Provide administrative HR capabilities, such as core HR data management, employee life cycle transactions and position management. May also include payroll and benefits administration. It should also provide support to talent management, including a minimum of three of the following functions: recruiting, onboarding, performance and goals management; career and succession management; learning management; and compensation management. It is expected that the aforementioned functions support employee and manager self-service via browser and mobile application.
- **S2P:** Includes e-sourcing, contract management, e-purchasing, AP invoice automation, supplier management, collaboration and payments can involve supplier master data, order confirmations and changes through a network or portal.
- **Operational ERP:** To support service-centric industries, such as xP&A, project management (for project-centric capabilities), planning, services procurement and real estate lease management.

Market presence:

- The vendor must serve at least 700 organizations with annual revenue/expenditures/funding of more than \$75 million in production using the ERP application. Each of those organizations must be “live” with at least three of the components (modules) of operational ERP — including finance, HCM and procurement. Vendors must be prepared to provide evidence of sufficient in-production customers. If a vendor chooses not to disclose this information, then Gartner may use its own market research, as well as insights from public sources, to judge that vendor’s eligibility for inclusion and viability.
- These 700 organizations must be managing at least \$150 million annually through the ERP suite. The annual revenue of a parent organization cannot be used when only a smaller subsidiary uses the cloud service as a lower-tier ERP.
- The vendor must actively sell and market the cloud service (and have live users of the cloud service in the qualifying revenue ranges) outside its home region. Gartner defines regions as the following: Americas (North, South and Central America), EMEA and the APAC region. At least 25% of the cloud service revenue must be from outside the vendor’s home region.
- The vendor must have at least \$100 million in booked subscription and support revenue for the ERP suite cloud service only (that is, excluding any revenue from on-premises, hosted, managed cloud service or other deployment models). This involves the period from January 2023 through December 2023 (or whichever 12-month accounting period most closely aligns with that period). Unrealized recurring revenue may not be included. If a vendor chooses not to disclose revenue information, Gartner may use its own market research, as well as insights from public sources, to judge that vendor’s eligibility for inclusion and viability.

Cloud service attributes:

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

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

- **Licensing and technology:**

- The cloud service must be licensed on a subscription basis or metered pay for use.
- Users cannot have a contract that is only for them (except for minor adjustments), nor can they be provided with a version different from that offered to other cloud customers.
- The cloud service must use internet technologies. Use of internet files, formats and identifiers are necessary for delivery of cloud service interfaces.
- Computing resources used to support the cloud service should be scalable and elastic in near-real time, rather than based on dedicated hardware/infrastructure.

- **Customization:**

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

- **Pace of change:**

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

All of the above inclusion criteria must relate to a cloud service based on a single code line with a unique user interface (UI) and data model. For vendors offering multiple cloud ERP suites, each with its own code line, each must meet the inclusion criteria above. For example, each cloud ERP suite must have at least 700 organizations in production.

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

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

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

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

Honorable Mentions

The following vendors did not qualify for inclusion in this Magic Quadrant, but nevertheless merit consideration by enterprises with specific needs in certain industries or regions:

- **Infor:** This vendor did not satisfy the criteria for the minimum number of organizations (with revenue exceeding \$75 million) in production using the ERP application and for having at least 25% of cloud service outside its home region. Infor's go-forward market strategy is to focus on healthcare, financial services, HCM and the public sector in NA.
- **Ramco Systems:** This vendor did not satisfy the criterion for minimum yearly booked revenue (\$100 million) from its cloud service ERP suite.
- **TOTVS:** This vendor focuses on LATAM and did not meet the criterion for selling cloud solutions outside its home region.

- **Unit4:** This vendor did not satisfy the criterion for minimum yearly booked revenue (\$100 million) from its cloud service ERP suite.
- **Yonyou:** This vendor focuses on the APAC region and did not satisfy the criterion for selling cloud solutions outside its home region.

Evaluation Criteria

Ability to Execute

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

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

- **Product or Service:** This criterion assesses the product offerings that compete in the defined market. These may be offered natively or through original equipment manufacturer (OEM) agreements and partnerships, as defined in the Market Definition/Description section and detailed in any subcriteria. This Magic Quadrant evaluates functional capabilities in all areas defined in the Market Definition/Description section, support for the needs of midsize, large and global enterprises, and the ease with which the cloud service can integrate with other cloud/on-premises applications.
- **Overall Viability:** This criterion includes an assessment of the vendor's overall financial health, as well as the financial and practical success of the relevant business unit. It considers the likelihood of the vendor continuing to offer and invest in its product, as well as the product's position in its portfolio.
- **Sales Execution/Pricing:** This criterion assesses the vendor's abilities in all presales activities and the structure that supports them. Included here are deal management, pricing and negotiation, presales support, and the sales channel's overall effectiveness. Each vendor is also evaluated on its ability to sell ERP.
- **Market Responsiveness/Record:** This criterion assesses the vendor's ability to respond, change direction, be flexible and achieve competitive success as opportunities develop,

competitors act, customers' needs evolve and market dynamics change. The market for cloud ERP suites is dynamic, so this criterion addresses the vendor's ability to respond to users' needs and demands. This includes its responses to the demands of delivering service-centric ERP applications in the cloud, which pose new challenges for vendors and users.

- **Marketing Execution:** This criterion assesses the clarity, quality, creativity and efficacy of programs designed to convey the vendor's message, influence the market, promote a brand, increase awareness of products and establish a positive identification in customers' minds. This "mind share" can be created by a combination of publicity, promotions, thought leadership, social media use, referrals and sales activities.
- **Customer Experience:** This criterion assesses the vendor's products, services and programs in terms of how they enable customers to achieve expected results with the products evaluated. Considerations include the quality of technical support for vendor-buyer interactions and account support. Also assessed is the vendor's ability to make its marketing vision a reality and help finance teams complete the transition from on-premises to cloud deployment.
- **Operations:** This criterion assesses the vendor's ability to meet its goals and commitments. Factors include the quality of the organizational structure, skills, experiences, programs, systems and other means that enable the organization to operate effectively and efficiently. In particular, we analyze the vendor's ability to deliver a robust and reliable cloud service, and its associated support and service capabilities (whether provided directly or through partners).

Ability to Execute Evaluation Criteria

<i>Evaluation Criteria</i>	<i>Weighting</i>
Product or Service	High
Overall Viability	High
Sales Execution/Pricing	Medium
Market Responsiveness/Record	High

<i>Evaluation Criteria</i>	<i>Weighting</i>
Marketing Execution	Medium
Customer Experience	High
Operations	High

Source: Gartner (November 2024)

Completeness of Vision

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

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

- **Market Understanding:** This criterion assesses the vendor’s ability to understand customers’ needs and relate those needs to products and services. Vendors with a clear vision of their market listen to and understand customers’ demands and can shape or enhance the market. We analyzed vendors’ understanding of how the market for core financial management suites is shifting to the cloud and what that means for finance functions.
- **Marketing Strategy:** This criterion looks for clear, differentiated messaging that is communicated consistently both internally and externally through social media, advertising, customer programs and positioning statements. We analyze how effective a vendor’s marketing strategy has been at raising awareness of it in this new and evolving market.
- **Sales Strategy:** This criterion looks for a sound strategy for selling that uses appropriate networks, including direct and indirect sales, marketing, service, and communication

networks. It also assesses any partners that extend the scope and depth of the vendor's market reach, expertise, technologies, services and customer base.

- **Offering (Product) Strategy:** This criterion looks for an approach to product development and delivery that emphasizes market differentiation, functionality, methodology and features in light of current and likely future requirements.
- **Business Model:** This criterion assesses the suitability of the design, logic and execution of the vendor's business proposition in terms of the likelihood of achieving continued success.
- **Vertical/Industry Strategy:** This criterion assesses the vendor's strategy to direct resources (e.g., sales, product and development), skills and products to meet the specific needs of individual market segments, including industries. Each vendor was assessed on its strategy for service-centric industries. However, because cloud core financial management suites are primarily a cross-industry solution, this criterion has a low weighting.
- **Innovation:** This criterion assesses direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or preemptive purposes. In particular, we analyzed each vendor's strategy for using cloud delivery as a way of bringing innovation to ERP functions and processes.
- **Geographic Strategy:** This criterion assesses the vendor's strategy for directing resources, skills and offerings to meet the needs of areas outside its home region, either directly or through partners, channels and subsidiaries, as is appropriate for that region and market. We evaluated each vendor's strategy for providing the localizations and translations required to support multinational and global organizations. We also assessed each vendor's global go-to-market approach.

Completeness of Vision Evaluation Criteria

<i>Evaluation Criteria</i>	<i>Weighting</i>
Market Understanding	High
Marketing Strategy	Medium

<i>Evaluation Criteria</i>	<i>Weighting</i>
Sales Strategy	High
Offering (Product) Strategy	High
Business Model	Low
Vertical/Industry Strategy	Medium
Innovation	Medium

Source: Gartner (November 2024)

Quadrant Descriptions

Leaders

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

Leaders typically address a wide market audience by supporting broad market requirements. However, they may fail to meet the specific needs of vertical markets or other, more specialized segments, which might be better addressed by Niche Players in particular. They may also be too complex to deal with or too costly to be considered in less complex functional scenarios.

Challengers

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

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

Visionaries

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

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

Niche Players

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

A Niche Player may be suitable for your requirements, and all Niche Players in this Magic Quadrant should be considered viable contenders. If you like what a Niche Player offers, your evaluation should assess how well-aligned that vendor is with the market's direction and your potential business strategic direction. A Niche Player may be a risky choice if this assessment shows it is not following the trends of your specific industry or market.

Context

When looking at the application projects approved budget-wise during the past two years, ERP remains among the top elements in the list, according to the 2023 Gartner Enterprise Application Business Value Metrics Survey. ¹ Evaluating and selecting vendors against business and technical requirements is the key to successful ERP journeys. Gartner's client inquiry data shows that interest in composable ERP suites and AI-enabled ERP strategies is on the rise.

Similarly, ERP software vendors are incorporating AI capabilities consumable by users of modern cloud ERP at an increasingly rapid rate. *Gartner predicts that, by 2027, at least 50% of the AI-powered features in ERP applications will be enabled through GenAI capabilities.* Application leaders and those evaluating cloud service-centric ERP solutions should be aware that these two trends (composable ERP and traditional/GenAI) support the basis of their ability to deliver increasing layers of business value beyond traditional solutions.

Application leaders evaluating service-centric cloud ERP solutions must understand the technologies and frameworks that underpin a composable approach. Gartner predicts that, *by 2027, 60% of those replacing ERP applications will select software for the platform and business process orchestration capabilities, rather than transactional planning capabilities.* This is because composable ERP strategies and associated vendor platforms enable both technical flexibility and continuous improvement, as well as a stable foundation for embracing emerging automated capabilities.

Composable architecture and modular software increase ERP users' ability to "compose" their business processes and optimize their use of enterprise resources. This increases the importance of ensuring that ERP vendor's business process orchestration, integration and data management capabilities are thoroughly evaluated (see [Navigate 10 Ugly Truths of Composable ERP](#)).

When evaluating service-centric ERP suites, application leaders must assess and compare offerings from ERP vendors together. Comparing based on the impact of their emerging technology offerings, such as traditional and GenAI, ensures that their selection can support a responsive and future-ready approach. It will be critical that application leaders distinguish reality from hype when planning for when and how to incorporate these into their ERP strategy (see [Generative AI Use-Case Comparison for Cloud ERP](#)). Business cases for ERP transformation based on automation capabilities must lead with defining truly transformational capabilities that focus on value creation, differentiated capabilities, and the shared ability to automate and orchestrate business processes across all business domains.

Gartner's 2023 ERP, Procurement, HCM and Finance Survey with ERP leaders showed that only 27% of respondents consider their ERP strategy strongly aligned with their business strategy.² Business leaders still lag in effectively participating in ERP evaluation, selection and implementation, as they see ERP as "software" rather than a set of practices for managing enterprise resources.

Ensuring the ERP evaluation is a joint effort between IT, business stakeholders and process leaders is imperative for application leaders guiding their organizations to successfully adopt cloud service-centric ERP. They must ensure that the goals and target value of ERP selections are aligned with readiness to benefit from them from an operational and technology standpoint (see [What IT Leaders Must Do to Avoid Disappointing ERP Initiatives](#)). This can be achieved by engaging key business stakeholders in a partnership and sketching a value realization roadmap tied to business outcomes.

Additional emerging technologies and capabilities, such as ESG, are also affecting service-centric ERP evaluations. This reflects today's more complex, multivendor ERP technology landscape, as well as solutions differing in terms of adoption, maturity and benefit. When evaluating solutions, application leaders must analyze them against their business requirements and plan for their adoption now, because the changes associated with them will be significant. In many cases, they will lay the foundation for even greater change in the future. To assist in this process, Gartner covers a full range of these technologies and capabilities (see [Hype Cycle for ERP, 2024](#)).

Application leaders can significantly increase their chances of ERP success by evaluating highly configurable, cloud-service-centric ERP solutions capable of harnessing modern AI and other emerging technologies that are well-aligned with business strategy and deliver tangible benefits.

Market Overview

Service-Centric Cloud ERP Market Is Healthy

The ERP market continues to represent a significant portion of the enterprise applications market. According to Gartner's analysis, the worldwide ERP software market grew 13% to \$51 billion in total software revenue in 2023. Cloud ERP adoption, price increases, AI and ERP industry clouds were all factors driving market growth. Administrative ERP capabilities (HCM and FMS software), which are especially critical to service-centric organizations, represent nearly 90% of ERP revenue (see [Market Share Analysis: ERP Software, Worldwide, 2023](#)).

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

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

ERP Platforms Continue to Move Quickly to the Cloud

Service-centric organizations continue to move ERP platforms to the cloud, embracing it faster than product-centric organizations. The pressure of digital transformation and replacement cycles are driving service organizations to modernize and improve their back-office processes. As organizations prioritize agility and efficiency, there is increased interest in ERP solutions that facilitate collaboration, automate processes and provide real-time insights for informed decisions. This is mainly due to the reduced complexity of O2C and supply chains for service-centric organizations, compared with product-centric.

Cloud improves productivity by providing an effective and efficient approach to automate service-centric business processes. In exploring the transformative potential of AI in ERP systems, service-centric companies are poised to unlock unprecedented insights for

strategic decision-making. As AI continues to evolve, its integration with ERP systems will undoubtedly play a pivotal role in shaping the future of service-centric industries.

For example, many service-centric organizations want to automate repetitive tasks and minimize human error in processes, including data entry, invoice processing and the hiring process. The goal is to free employees to focus on more value-added activities and to improve operational efficiency and accuracy. Others seek modern solutions that improve planning capabilities, such as demand forecasting, resource allocation and capacity planning, that can predict high periods of service demand and optimize staffing levels.

Our core financials coverage at Gartner shows that organizations that want to consolidate these capabilities into a single vendor/solution approach for ERP often need to keep a composable mindset across all the above domains. They still may not end up with a single-vendor approach capable of addressing all their needs.

Robust, Complete Functionality Improves Implementations

Service-centric ERP implementations have improved due to more robust and more complete functionality in these solutions. This has occurred in areas such as service CPQ, recurring billing management and revenue recognition, supplier and contract life cycle management (CLM), xP&A, and integrated PSA. This is occurring in the context of a composable application architecture, with the ERP solution being considered for a larger footprint due to the availability of these new components.

Many organizations want to better plan their O2C strategy and leverage a consolidated solutions approach where possible, while still mainly selecting the best fit-to-function for their applications. With O2C being tightly linked with FMS and procurement, many organizations see the value of a more integrated approach to ERP, rather than buying core financials and extensions as a one-off. *By 2027, Gartner predicts that more than 50% of service-centric enterprises will look for an ERP-suite approach to meet their need for system-of-record capabilities.*

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

The emergence of digital business has, in recent years, affected service-centric organizations by disrupting many traditional business models in industries. Consequently, moving the administrative business processes to the cloud shifts the support functions toward further digital transformation of the business. Emerging technologies such as AI further improve digital processes that can enhance UX through content recommendation, automated content accessibility or smart resource management. Furthermore, today’s service-centric ERP offerings provide an improved approach for organizations to manage and excel at composability. Enterprises can design solutions composing ERP modules, along with additional applications that best meet their requirements. Sometimes this means choosing components that are outside the service-centric ERP domain (e.g., billing and contract management).

In exploring the transformative potential of AI in ERP systems, service-centric companies are poised to unlock unprecedented insights for strategic decision making. As AI technology continues to evolve, its integration with ERP systems will undoubtedly play a pivotal role in shaping the future of service-centric industries.

Acronym Key and Glossary Terms

ERP	Enterprise resource planning
FMS	Financial management suite
HCM	Human capital management
O2C	Order to cash
xP&A	Extended planning and analysis

⊕ Evaluation Criteria Definitions

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