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Magic Quadrant for CPM Suites, 2007

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The market for corporate performance management suites is maturing rapidly, and the vendor landscape is changing dramatically. Users should evaluate vendors carefully according to business needs and the broader business intelligence and performance management strategy.

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WHAT YOU NEED TO KNOW

The market for corporate performance management (CPM) suites is maturing rapidly, which means that vendors' offerings are rich in functionality, with many potential benefits. The downside is that rapid market growth means consolidation will continue, leading to uncertainty created by the need of the acquiring vendors to rationalize product portfolios. This makes it difficult for many organizations to make strategic decisions. Consequently, IT organizations must balance the tactical pressure to buy specialist solutions against more-strategic, but not fully realized, integrated solutions from the larger vendors.

Additionally, today's specialist solution can become part of tomorrow's large-vendor portfolio. Therefore, conduct evaluations on the basis of fit-to-business requirements and the ability of any solution to leverage your business intelligence (BI) and information management infrastructure. Where solutions from specialist vendors are chosen, these should be justified on a three- to five-year basis to enable the decision to be reviewed in the near future, when the larger, acquisitive vendors are likely to have completed their portfolio rationalizations. Organizations buying from vendors that are in the process of rationalizing acquired products should negotiate like-for-like functionality upgrades, in case the product they own does not figure into the vendor's future product strategy (see Figure 1).

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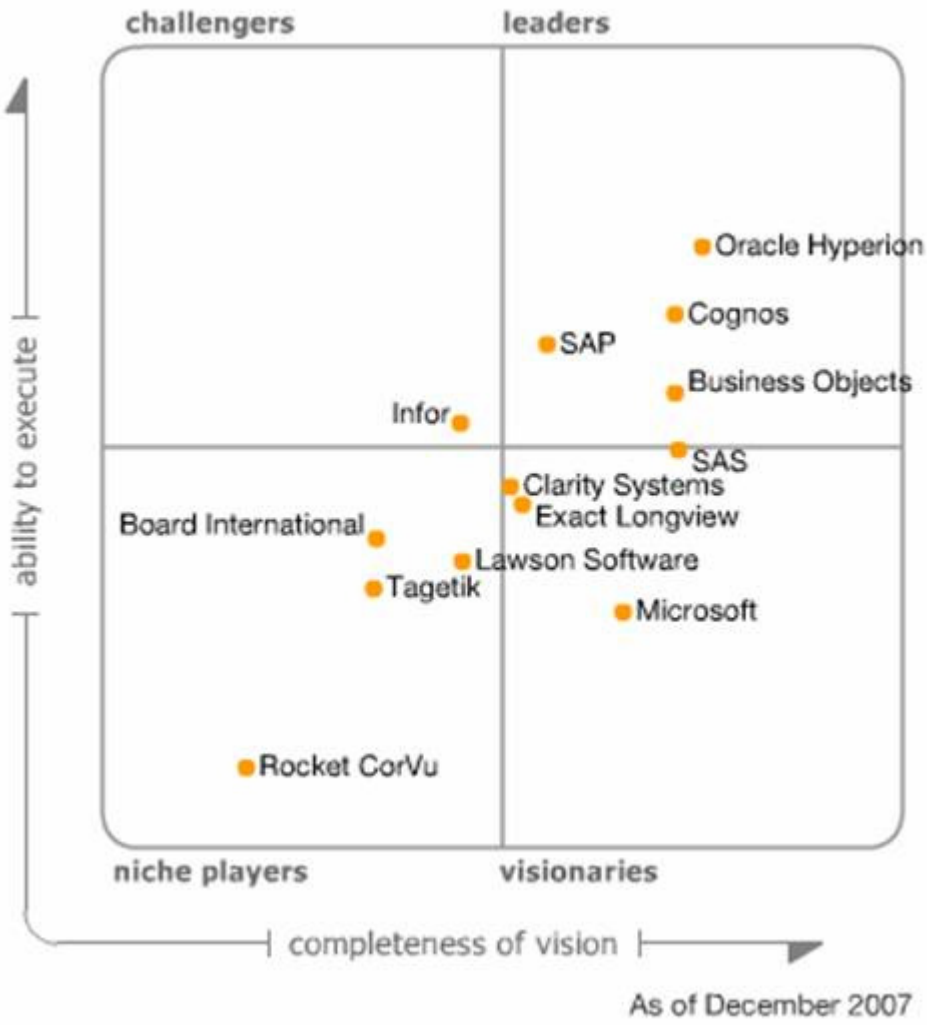
Figure 1. Magic Quadrant for CPM Suites, 2007



Source: Gartner (December 2007)

Market Overview

CPM includes the processes used to manage corporate performance, such as strategy formulation, budgeting and forecasting; the methodologies that drive some processes, including the balanced scorecard, or value-based management; and the metrics used to measure performance against strategic and operational performance goals. However, CPM also comprises a series of analytic applications that provides 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 below).

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This is a rapidly growing and dynamic market that grew 20.2% in 2006 to more than $1.5 billion (see "Market Share: CPM Suites Software, Worldwide, 2006, Composite View"). This level of growth makes CPM suites one of the hottest software markets, which is fueling the rapid consolidation of the market as larger vendors snap up smaller ones. Although this high level of growth will dip slightly, Gartner forecasts that the compound annual growth rate from 2006 to 2011 will be 14.4%, meaning that the market will be worth around $3 billion in 2011 (see "Forecast: Corporate Performance Management Suites, Worldwide, 2006-2011, Composite View").

This level of growth is occurring because the CPM suites market is maturing rapidly. However, there is still a large unaddressed market opportunity as users replace spreadsheet-based applications with more-robust solutions (Gartner estimates that 50% to 60% of large enterprises still use spreadsheets for budgeting and planning), and many organizations that previously deployed some CPM applications typically have small, isolated implementations of single applications (for example, a legacy financial-consolidation application deployed in the corporate finance function).

Gartner has not seen a significant shift in user deployment trends during the past year. The number of CPM evaluations definitely is increasing, and the size of many evaluations (in number of users) is growing. However, most CPM evaluations remained focused on budgeting, planning and forecasting, financial consolidation and management, and statutory reporting. The more advanced aspects of CPM, such as strategy management and profitability modeling, still appear in few evaluations.

This level of growth means that there is a significant opportunity for vendors of CPM suites, and this is reflected in the rapid pace of the consolidations that have transformed the market during the past year. Since the 2006 CPM suites Magic Quadrant was published, Hyperion Solutions, Cartesis, OutlookSoft, Applix and Longview Solutions (now Exact Longview) all have been acquired. Also, as a result of Oracle's acquisition of Hyperion, the Oracle PeopleSoft CPM and Oracle CPM solutions are no longer shown as separate solutions. Although Oracle still intends to support and enhance these products under its Applications Unlimited program, the Hyperion applications are now the focus of strategic investment. SAP's intended acquisition of Business Objects and IBM's proposed acquisition of Cognos (which acquired Applix) are further evidence of ongoing market consolidation, although these acquisitions were not complete at the time that this Magic Quadrant was prepared.

The reduction in CPM specialist vendors is giving vendors like Clarity Systems and Exact Longview greater market exposure and has helped open up the market to other smaller specialists, such as Tagetik and KCI Computing. However, Microsoft's PerformancePoint Server became generally available in November 2007, and this will increase overall competitive market pressures. We anticipate further consolidation and turbulence as the CPM suites market continues to mature and converge with BI platforms and enterprise applications. Gartner believes that more organizations will acquire CPM suites from their ERP or BI vendors where CPM is integrated with the underlying platform and that this will increase the pressure on specialist vendors in the midterm. However, in the short term, specialist vendors will capitalize on the opportunities created by megavendors rationalizing their acquired portfolios.

In this dynamic atmosphere, strategic purchasing will be difficult, so users must evaluate CPM suites based on best-fit-to-business requirements and must justify investments on a three- to five-year payback period. Users also should evaluate the technical architecture and integration capabilities of potential CPM vendors to ensure that they can leverage BI and enterprise application investments.

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Market Definition/Description

Some CPM suite market vendors offer a broad range of solutions, while others feature more-limited point applications. This Magic Quadrant presents a view of the major vendors offering broad CPM suites. Gartner defines the main application components of a CPM suite as follows:

Budgeting, Planning and Forecasting: In CPM applications, the core of the budgeting, planning and forecasting (BP&F) process is a financial-modeling engine that has integrated profit and loss, balance sheet and cash flow forecasting capabilities. CPM BP&F applications also support the complete budget creation and approval process with an appropriate workflow that enables users to define and control the flow of budgets, plans and forecasts for review and approval. These applications should keep an audit trail of changes to budgets, plans and forecasts. This is an important requirement for addressing regulatory demands, such as those related to the U.S. Sarbanes-Oxley Act. These applications support the two most-common forms of financial planning: short-term financial budgeting, usually with a one-year horizon, and longer-term planning, commonly with a three- to five-year horizon. CPM BP&F applications also support forecasting and modeling, which involve extrapolating new versions of plans and budgets based on the analysis of historical data.

CPM BP&F applications should provide strategic planning capabilities to model the specific effects of strategic initiatives in combination with each other or against an overall "base case" scenario that represents ongoing operations. These applications should support initiatives management, in which the responsibility for strategic initiatives can be assigned to specific managers and delivery progress can be monitored; the applications also should provide links to strategy maps in scorecard applications.

Finally, CPM BP&F applications should offer capabilities that extend beyond financially focused budgets, supporting the creation of models based on a network of business drivers that enables users to model financial outcomes by varying the business driver assumptions. This capability helps link CPM to other areas of performance management.

Profitability Modeling and Optimization: This includes activity-based costing (ABC) applications that determine and allocate costs at a highly granular level, and activity-based management applications that provide capabilities to enable users to model the impact on profitability of different cost and resource allocation strategies. Some applications have moved beyond the "traditional" ABC focus to enable revenue to be allocated in addition to costs to model packaging, bundling, pricing and 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.

Dashboard and Scorecard Applications: A dashboard (or cockpit) is a reporting mechanism that aggregates and displays metrics and key performance indicators (KPIs), enabling them to be examined at a glance before further exploration via additional BI tools. Dashboards are useful KPI- and metric-reporting mechanisms that enable users to quickly monitor and track performance via an esthetic user interface, which employs visualization components, such as gauges, thermometers, dials and traffic lights. A scorecard is an application that helps organizations measure and align the strategic and tactical aspects of businesses, processes and individuals via goals and targets. Scorecards require a more structured approach and framework than a dashboard, making use of a methodology such as the balanced scorecard.

Financial Consolidation: Financial-consolidation applications enable organizations to reconcile, consolidate, summarize and aggregate financial data based on different accounting standards and federal regulations. These applications must be able to handle consolidation from multiple generally accepted accounting principals (GAAP) perspectives in a single system, while

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maintaining a clear audit trail of how each set of results was obtained. Financial-consolidation applications are being deployed increasingly in a federated fashion to provide financial and management consolidations at local, regional and 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 group consolidation using shared dimensions (such as legal entity and account) across the federated models.

Financial, Statutory and Management Reporting: CPM applications, such as financial consolidation and BP&F, require that some output be formatted as structured financial statements; thus, reporting tools need additional logic and presentation capabilities to handle these requirements (such as logic to manage debit/credit signage and calculation rules for creating a cash flow statement from profit and loss and balance sheet data). The applications should support specific GAAP accounting presentation rules, such as U.S. GAAP or International Financial Reporting Standards (IFRS), to support preparation of statutory financial statements. In addition, the applications should support financial-reporting technologies, such as XBRL, because regulators increasingly will require the submission of financial statements in XBRL format.

CPM applications should provide management reporting capabilities. This requires financial-statement presentation format, as well as additional functionality, primarily budget/variance analysis. CPM should enable the creation of "management packs," which produce groups of reports electronically or in printed form, with the ability to add annotations and commentary. Finally, CPM should include visualization techniques designed specifically to support the analysis of variance from budgets or targets. This can include integration with dashboard and scorecard applications and specific visualization techniques, such as hyperbolic trees.

Inclusion and Exclusion Criteria

The following criteria are used to assess vendors for inclusion in this Magic Quadrant. A vendor that does not meet the criteria may be considered for inclusion if it is a specialist vendor or a new entrant to the market and exhibits an innovative product vision that is demonstrably different from established vendors and represents a future direction for CPM suites.

Market Presence

- At least 20 live customers using two or more CPM suite applications from that vendor
- License 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, Europe, the Middle East and Africa (EMEA), Asia/Pacific and Japan
- Target customers: midsize/large companies; or large, public-sector or nongovernmental organizations with multiple, diverse departments

Product Capabilities

CPM suite offerings include at least three application components described above.

Vendor Viability

The vendor must have enough cash to fund a year of operations at the current burn rate and must not be in the process of filing for bankruptcy.

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Added

One emerging vendor we highlighted in 2006, Tagetik, capitalized on the market opportunity and achieved license revenue, warranting its inclusion in this Magic Quadrant. Other smaller vendors also benefiting from the growth of the CPM suites market did not yet meet our inclusion criteria but are worthy of consideration in CPM evaluations. They are:

- **KCI Computing:** U.S.-based KCI continues to make progress, especially in some major global implementations in Tier 1 organizations. The company offers sophisticated, Excel-based planning and profitability-modeling-focused CPM solutions that can be considered by midsize and large organizations. During the past year, KCI strengthened its financial-consolidation offerings based on work with large multinational organizations.

- **proDacapo:** EMEA-based proDacapo offers a 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 clients are EMEA-based, proDacapo has international customers with global operations and customers in the Asia/Pacific region.

- **Prophix Software:** This company continues to target midsize companies and has a full SQL server-based version of its applications available, but it does not yet have the license revenue to warrant inclusion. However, Prophix is worthy of evaluation by midmarket companies looking for a CPM suite.

- **Winterheller Software:** EMEA-based Winterheller's Professional Planner covers planning, budgeting and forecasting, financial consolidation and reporting. Winterheller has developed its own calculation engine for simulation and forecasting. The company mainly has targeted midsize companies in German-speaking regions of Europe but is increasing its international operations with a view to growing outside its "home" markets.

- **Exie:** This company continues to make progress with its component-based application builder approach, gaining some interesting deployments of CPM linked to broader performance management solutions. However, the company currently operates only in EMEA, and its subscription-based license revenue does not yet meet the inclusion criteria. Organizations in northern Europe seeking CPM as part of a broader performance management solution should consider Exie.

There is increasing interest in software as a service (SaaS) solutions in the CPM suites market. Adaptive Planning and Host Analytics offer CPM applications as a service, although both vendors also offer on-premises versions of their software. Adaptive Planning focuses its offerings around BP&F, and targets midsize companies and the departments of large enterprises, while Host Analytics offers a broader CPM suite for midsize and large organizations. Neither vendor meets the inclusion criteria (partly because of the SaaS license revenue model), but both are adding customers and should be evaluated by organizations considering CPM solutions that find the SaaS value proposition of faster, lower-cost deployments attractive.

Dropped

- Applix was dropped because it was acquired by Cognos (which is being acquired by IBM). The Applix products will comprise part of the Cognos CPM solution, primarily extending the analytics and financial/management reporting capabilities.

- OutlookSoft was dropped because it was acquired by SAP. SAP announced a road map to include the OutlookSoft products as part of SAP's CPM suite (and to integrate the products with NetWeaver BI). However, the proposed acquisition of Business Objects

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creates significant product overlap, and SAP will not be able to announce its future road map for the combination of OutlookSoft and Business Objects CPM applications until the acquisition is complete.

- Hyperion was acquired by Oracle and becomes Oracle Hyperion. Oracle PeopleSoft Enterprise Performance Management (EPM) and Oracle CPM were dropped because the focus of Oracle's strategic development is the Hyperion product set. Oracle PeopleSoft EPM and Oracle CPM will continue to be supported and enhanced under the Applications Unlimited program, but Oracle will encourage users to move to Oracle Hyperion products.

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 vendors' capabilities in all sales activities and the structure that supports them. This criterion also includes an assessment of the cost of CPM suite licenses, implementation 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.

Customer Experience: This includes the vendors' capability to deliver pre- and post-sale support, which enables clients to be successful with their CPM suites. The criterion also includes the quality and availability of vendors' support desks, 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, experiences, programs, systems and other vehicles that enable vendors to operate effectively and efficiently in the market on an ongoing basis.

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 (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

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Evaluation Criteria	Weighting
Marketing Execution	No Rating
Customer Experience	High
Operations	Standard

Source: Gartner

Completeness of Vision

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

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

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 and subsidiaries, as appropriate for the geography and market.

Innovation: This was assessed under each criterion above, as appropriate. For example, product innovation was assessed under Product Strategy. Therefore, innovation was not rated as a separate criterion (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

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Evaluation Criteria	Weighting
Innovation	No Rating
Geographic Strategy	Standard

Source: Gartner

Leaders

Leaders' performances excel in the CPM suite market segment. They can deliver breadth and depth of CPM suite functionality, as well as provide enterprisewide implementations to support a broad CPM strategy. Leaders successfully articulate a business proposition that resonates with buyers and are supported by the viability and operational capability to deliver on a global basis.

Challengers

Challengers provide offerings that are complementary to their established business applications. In doing so, they expect to leverage their installed client bases. They typically offer good breadth of functionality, but their solutions are tied primarily to their own applications. Challengers also may have a limited vision of CPM that is not well-aligned with Gartner's vision of where CPM is heading.

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, or there may be concerns about its capability to grow and provide consistent execution.

Niche Players

Niche vendors 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 vendors 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 limited geographic presence outside their home regions.

Vendor Strengths and Cautions

Board International

Strengths

- Users like Board International's "toolkit" approach, which enables CPM applications to be configured easily and extended to meet users' unique requirements. This also is a popular feature with Board's partners, which can create tailored solutions quickly and cost effectively. This is reflected in above-average references.
- Board is strengthening its approach to financial consolidation and released the first phase of a packaged financial-consolidation application. This supports Italian GAAP and IFRS, but U.S. GAAP and others will be released in the second half of 2007 and in

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2008. This application will support complex consolidation requirements and includes intercompany eliminations and reconciliation.

- Board's functional CPM footprint is quite broad, and it can accommodate profitability modeling and strategy management.
- Board has a good technology vision focused around Microsoft technology, involving a .NET service-oriented architecture (SOA) supporting a 64-bit architecture.

Cautions

- Board has limited market presence and awareness, although it has exhibited good growth rates and has increased its presence in the Asia/Pacific region.
- The company has relied purely on its channel for sales, which has limited its ability to sell in the increasingly competitive CPM suites market. It is introducing a degree of direct sales overlay to address this.
- Although the toolkit approach is popular, Board must continue to deliver more packaged solutions; otherwise, it will not be able to scale its delivery model to become a larger player in the market.

Business Objects

Strengths

- Business Objects has built a comprehensive CPM portfolio through an aggressive acquisition strategy (including the acquisition of Cartesis since our last CPM Magic Quadrant was published). Business Objects has a road map to develop an integrated solution that leverages the strengths of the individual components. The CPM portfolio has particular strengths in financial consolidation and profitability modeling.
- Business Objects has a visionary strategy to create a broad EPM solution that will build on its CPM portfolio. This leverages other components of its BI platform and includes service offerings and a center of excellence.
- Business Objects has strong BI offerings for the midmarket and plans to augment this with CPM capabilities, capitalizing on the opportunity for CPM in this segment.
- On 7 October 2007, SAP announced its intention to buy Business Objects, which will be run as an independent business unit. SAP is a financially strong organization, which will increase Business Objects' potential to penetrate the global CPM suites market.

Cautions

- Business Objects was a late entrant into the CPM suites market. Its rapid growth and aggressive acquisition trail have raised its capabilities, but there are signs that this is straining the company's professional services organization.
- Business Objects is still in the process of rationalizing its CPM application portfolio. This creates a degree of uncertainty in some evaluations.
- Further uncertainty has arisen over the Business Objects product road maps because of the proposed acquisition by SAP. SAP has its own suite of CPM applications and cannot yet explain how it will rationalize these with the Business Objects portfolio until the acquisition completes. Business Objects is ranked as a leader based on its current

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capabilities and future potential as a CPM suite vendor, but users and prospects should realize that there will be some short-term disruption and uncertainty while the acquisition completes.

Clarity Systems

Strengths

- Clarity Systems is one of the remaining independent CPM specialists that represents a viable option for firms that do not want to commit to larger ERP and BI offerings. This means that Clarity has been appearing in more evaluations, which is reflected in improved pipeline and growth rates. Clarity recently announced record results, including more than 100% year-on-year growth in license revenue.
- Clarity offers a comprehensive, Web-based CPM suite covering all aspects of CPM. The suite leverages Excel and Web interfaces, and uses a single, unified data model for all applications. This makes Clarity's solution attractive, as compared with those of larger vendors currently in the process of rationalizing portfolios that include acquired products.
- Clarity has strengthened its CPM solution to improve financial reporting and statutory report submission, making it easier for organizations to create and submit reports such as 10-Ks.
- Clarity provides its solution on Microsoft Analysis Services and Oracle Essbase online analytical processing (OLAP), which gives Clarity broad market coverage. Clarity has benefited from Oracle's acquisition of Hyperion because Clarity is now an Oracle partner, which will improve Clarity's support for the Essbase environment. Previously, Hyperion was not supportive of Clarity from a partner perspective.

Cautions

- Clarity will benefit from the vibrant CPM suites market during the next two to three years but may struggle in the longer term as the market consolidates toward the megavendors. More organizations will acquire CPM suites from their ERP or BI vendors, where CPM is integrated with the underlying platform.
- Clarity has relied on its internal professional services organization for most implementations. Clarity may be challenged to support its continued growth unless it can establish more-significant partnerships with leading system integrators.
- Clarity's sales and implementation coverage outside North America is still limited. This limits its ability to successfully compete in large global CPM deals.

Cognos

Strengths

- One of the initial BI vendors to venture into the CPM market, Cognos has remained a leader owing to its core strengths in BP&F (which still drives most CPM deals) and has maintained a strong market presence. Its Controller product for financial consolidation continues to gain ground, and Cognos is continuing to integrate these solutions with its underlying BI platform. This give Cognos greater opportunity to cross-sell Controller to Cognos Planning customers.
- Cognos has done a good job of extending its CPM functionality through "blueprints" that users can download free of charge. These often are developed through its Innovation

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Center for Performance Management and gives Cognos vertical and functional capabilities outside core CPM applications. This helps Cognos to deliver its broader performance management vision.

- Cognos is introducing a financial-reporting tool that will improve the financial-reporting experience. This solution will address the unique requirements for financial and management reporting and is designed for business users rather than for IT. Cognos Planning 8.2 has improved user interface options (through a Web client and Excel) and has adopted Cognos 8 platform services.
- Cognos has good partnerships with system integrators and resellers that enable the company to extend its global footprint.
- The acquisition of Applix provides an in-memory, online analytical processing engine, TM1, which strengthens general reporting and analytics capabilities, and provides good integration with Excel.
- Cognos offers a combination of CPM applications and BI platform capabilities that enables it to compete effectively in enterprise-level CPM deals.
- IBM has announced its intention to acquire Cognos. This will strengthen the company's ability to execute in several areas but is not reflected in the current ratings, because the acquisition will not complete until 2008.

Cautions

- Despite continued product enhancements, the underlying technology of Cognos Planning is starting to show its age and will face increased challenges in the future. Cognos could incorporate the acquired TM1 technology to address this, but this has not been announced.
- Cognos' financial-consolidation solution, Controller, is an established product but does not have the same penetration in the direct sales, partner and system integrator communities as Cognos Planning. This means that Controller's market presence is limited, as compared with other Cognos products.
- For profitability modeling and optimization, Cognos has a partnership with Acorn Systems that has not generated significant interest. Acorn Systems announced a partnership with SAP earlier in 2007 to become a significant component of its CPM suite. We believe that this will eclipse the Cognos partnership. However, according to Cognos, 25% of Applix's customers are performing profitability analysis with TM1. Consequently, the Applix acquisition gives Cognos the opportunity to plug this gap.
- The proposed acquisition of Cognos by IBM may introduce uncertainty in the short term, but this is likely to be minimal because there is virtually no product overlap and IBM has not been a player in the CPM suites market. However, in the midterm and long term, the commitment of IBM to Cognos' CPM suite may be less clear. IBM does not have a track record with applications, and its consulting arm, IBM Global Services, will continue to deliver services based on competitor products (that is, it will not work exclusively on the Cognos CPM suite).

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Exact Longview

Strengths

- Longview continues to exhibit a broad functional solution for organizations with more-complex requirements, and its solution appeals to customers that want to implement a CPM suite rather than a single CPM application. The solution can handle large data volumes (for example, daily profitability analysis on a dataset with 3 billion rows).
- Longview benefited from the change in ownership of OutlookSoft and Cartesis through acquisitions, because Exact Longview is now one of the few specialist vendors that offers an alternative to the large BI pure-play and megavendors. This means that Exact Longview has been appearing in more evaluations, which is reflected in improved pipeline and growth rates.
- Improvements in Longview's strategy map capability slated for the v.7 release have been brought forward to the v.3.5.3 release.
- Longview has a good technology vision for its next major release, v.7. This 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 is planned for release in 2008.

Cautions

- Longview has struggled to gain market share owing to limited sales and marketing capability; its operations are focused primarily in North America and the U.K. However, Longview Solutions recently was acquired by Exact Software, a $330 million business application company headquartered in the Netherlands. Exact plans to maintain Longview as an independent business unit targeting the CPM suites market and plans to develop offerings to complement its own ERP applications. This acquisition will give Exact Longview a global route to market and the opportunity to leverage Exact's international operations, although Exact will have to invest in sales and marketing itself to make this a reality. Exact has committed to continue with the development and delivery of v.7.
- Longview has limited partnerships with system integrators and technology partners. Its partnership with Information Builders has not generated significant business so far, but Longview has refocused on this relationship and expects it to have a more positive impact on results in the near term.
- The current generation of products offers good CPM functionality, but the user interface and underlying technology are not as compelling as those of many competitors in sales situations. This will be addressed with the delivery of version 7.

Infor

Strengths

- Infor's CPM suite has particular strengths in strategy management and BP&F. The latest release, Infor PM 10, introduces many enhancements to its financial-consolidation functionality, including improvements to the management of complex consolidations and an incremental consolidation capability that has improved consolidation performance. This will enhance its capability to compete in large, global CPM deals.

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- Infor has made good progress on previous CPM and financial management road map announcements by delivering Infor PM 10, the first iteration of its converged BI/performance management solutions (formerly Geac Computer's MPC and Systems Union MIS).
- Infor has a large installed base (approximately 70,000 customers) using its transactional applications in the midmarket and enterprise space, which are ideal target markets for its CPM solutions. It has a broad, enterprise-level CPM solution and the capability to move down-market and develop new market share in the low-market to midmarket CPM space.
- Infor has seen steady growth during the past year in CPM sales based on the former GEAC MPC together with a refocus of MIS DecisionWare for delivering custom analytic applications.

Cautions

- The Infor brand is not well-known, and this will limit its ability to compete for new business outside its installed base unless Infor can create greater awareness.
- Lack of awareness of the Infor brand and product range are challenges in its installed base. Many customers are unaware that the CPM products they use now are owned by Infor, and the new branding of Infor PM will be unrecognized by customers unless Infor undertakes proactive marketing campaigns. Consequently, installations could be replaced without Infor being invited to bid, owing purely to a lack of awareness.
- Infor faces tough competition and has yet to prove that it can gain wide acceptance with IT departments in preference over CPM offerings from the other large vendors.

Lawson Software

Strengths

- Lawson Software offers a number of CPM applications that add value to its S3 and M3 ERP applications. The Lawson Business Intelligence (LBI) suite provides dashboards, scorecards and analytics with interactive alerts for S3 and M3, and Lawson offers a specific budgeting and planning solution for S3, while its Opportunity Analyzer offers strategic planning and business process improvement capabilities primarily for M3, although this can be utilized by S3 users as a consulting offering.
- The installed base continues to show interest in LBI, and this is being marketed to all S3 and M3 users (including those that still use RPG versions of M3). This increases the revenue opportunity for Lawson with LBI.
- Lawson's Landmark solution provides the capability to model and integrate CPM financial process management across CPM and ERP products, including in-process CPM measurements.

Cautions

- Feedback from client references was less positive than for other vendors, indicating that the adoption of LBI is still in the relatively early stages. This affected the ability to execute a rating.
- Lawson's CPM solution has limited financial-consolidation capability. This it not an issue for midmarket companies, but larger Tier 1 companies with complex consolidation

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requirements will need to source a financial-consolidation solution from another CPM vendor.

- Lawson also lacks profitability management capability and has no established partnerships for this functionality. Consequently, its overall CPM vision is limited, as compared with leading CPM vendors.

Microsoft

Strengths

- With the release of Microsoft Office PerformancePoint Server, Microsoft now has a CPM suite that provides all the major components necessary for competing in midmarket and enterprise deals. PerformancePoint Server delivers BP&F and financial-consolidation functionality, and includes Business Scorecard Manager and ProClarity for scorecarding and analytics. FRx financial-reporting functionality is planned to be incorporated in an upcoming PerformancePoint Server enhancement scheduled for 2008.
- Microsoft is a global and financially strong vendor capable of competing on price, product features and performance, geographic presence and strength-of-partner base with CPM specialists and other megavendors, such as Oracle and SAP.
- Microsoft has added a sales, implementation and support capability, mostly recruited from the CPM market, to meet the potential demand for its CPM offerings.
- Microsoft has invested heavily to ensure that a global base of partners and system integrators has committed to PerformancePoint Server. Although the extent of the commitment remains to be proved in implementations, Microsoft has a good vision of how partners will help it to be successful in the CPM suites market.

Cautions

- Microsoft has had limited presence in the CPM suites market, concentrating on a mix of products, primarily FRx, Forecaster and Business Scorecard Manager. Despite its brand reputation, Microsoft must create significant awareness that it now has a competitive CPM suite offering in PerformancePoint Server.
- Microsoft's CPM offering will appeal most to customers already committed to a Microsoft BI stack, because PerformancePoint uses SQL Server 2005 for its underlying database and leverages Excel and SharePoint Services. Non-Microsoft organizations can use PerformancePoint, provided they purchase the other components of the Microsoft stack, which may limit PerformancePoint's attractiveness to such organizations.
- Competition is fierce, and Microsoft may struggle with its partner-oriented approach in Tier 1 sales against established CPM vendors with experienced direct sales forces. Initially, there will be limited availability of support and implementation specialists as its partner base ramps up in response to demand.
- PerformancePoint Server lacks packaged profitability modeling and activity-based management capabilities, although it should be possible to build this with the functionality and tools currently delivered.

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Oracle Hyperion

Strengths

- Oracle's acquisition of Hyperion has been received positively by most customers and prospects, and Oracle has made its commitment to the Hyperion CPM applications clear. Oracle will continue to develop these as the foundation of a broader suite of what it calls EPM applications, and these solutions will be targeted at Oracle and non-Oracle application customers.
- Hyperion remains the most recognized CPM brand, particularly in the office of finance, and is included in the vast majority of evaluations.
- Oracle has simplified pricing for Hyperion applications and has removed some of the licensing constructs that made the solution relatively expensive, as compared with those of it competitors (for example, application fees and test/development server charges). Oracle also has shown itself more willing to negotiate in commercial situations.
- Innovative features in Hyperion System 9, such as Workspace and EPM Architect, help overcome the perceived limitations of separate planning and financial-consolidation applications.

Cautions

- Although the pricing is simplified and employs a user-based approach, the licensing model can still be expensive for larger deployments (hundreds of users and more), especially for Financial Management.
- Annual maintenance is charged at Oracle's standard rates, which are higher than the industry average.
- Although Oracle has communicated a clear road map, some areas of product rationalization are needed. For example, Oracle has multiple profitability modeling and optimization solutions. In 2008, Oracle plans to release a new profitability management solution based on the Hyperion product stack that will be the strategic product going forward (while existing products will continue to be supported). There also are overlaps in reporting tools between Oracle Business Intelligence Suite Enterprise Edition and System 9-based Hyperion tools.

Rocket CorVu

Strengths

- CorVu continues to provide good product functionality in strategy management, particularly in its support of the Balanced Scorecard methodology.
- The company has vertical strengths in the public sector and has an offering aimed at midmarket manufacturers.
- CorVu has an established user base across EMEA, North America and Asia/Pacific, and continues to add new customers.
- The acquisition of CorVu by Rocket Software means that CorVu will become part of Rocket's broader BI portfolio, although the CorVu brand will be retained. This should give Rocket CorVu wider market opportunities in the future.

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Cautions

- CorVu has limited market awareness and a small partner network. This restricts its ability to compete in a market that is becoming dominated by large, established vendors.
- CorVu had exhibited declining revenue and undertook a relatively large short-term loan. On 22 May 2007, CorVu was acquired by Rocket Software and became a private company. This addressed short-term financial concerns; Rocket Software is a larger organization, with more than 700 employees and revenue in the range of $100 million to $1 billion. Rocket Software has been integrating CorVu into its business operations and will launch new positioning for CorVu as an integral part of Rocket in early 2008.

SAP

Strengths

- SAP's CPM team has delivered on the vision the company articulated in 2006 through the acquisition of Pilot Software and OutlookSoft. SAP will use Pilot Software for strategy management, and OutlookSoft will become the foundation for BP&F, financial-consolidation and financial/management reporting. However, Strategic Enterprise Management-Business Consolidation (SEM-BCS) will continue to be supported, because SAP has many customers (especially in Germany) that feel OutlookSoft financial consolidation is not an appropriate replacement. Future financial-consolidation products will use OutlookSoft as the user interface, while users will be able to use the OutlookSoft or SEM-BCS consolidation engine. SAP also announced a partnership with Acorn Systems whereby SAP will resell Acorn's profitability solutions.
- This combination of solutions could yield a strong CPM solution. SAP has produced a road map that reconciles existing SEM components and newly acquired solutions, and will enable current customers to transition during the next two to three years.
- Once SAP integrates its CPM solutions with NetWeaver BI, these applications, along with its ERP financial applications and governance risk and compliance offerings, will give SAP a strong combined portfolio that will be appealing to customers looking for an integrated finance and CPM offering. The positioning of the Office of the CFO solution shows promise in providing a comprehensive offering aimed at finance organizations.
- In October 2007, SAP announced its intention to acquire Business Objects. The midterm potential of the combined portfolio of SAP and Business Objects' CPM solutions is strong.

Cautions

- The recently announced intention to acquire Business Objects means that there likely will be changes to SAP's CPM road map, although little information will be made available until the acquisition is complete. This is creating uncertainty among the user base and prospects, because there is significant product overlap with Business Objects' CPM offerings. This uncertainty will hamper SAP's ability to win greater market share in the short term, although it will be resolved once a road map is announced (probably in the first half of 2008). Despite this short-term uncertainty, SAP is still ranked as a leader based on the overall vision it shows in the CPM space and the future potential of its combined portfolio.
- The pending acquisition creates uncertainty about the future direction of SAP's partnership with Acorn Systems for profitability management, because Business Objects

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already has its own profitability management solutions (which it acquired from ALG Software).

- SAP currently sells its CPM solutions outside its user base, based around OutlookSoft running on Microsoft products. Although the acquisition of Business Objects will significantly strengthen its non-SAP sales force, Business Objects already has its own CPM suite, so SAP will need to clarify its sales strategy in this area.

SAS

Strengths

- SAS still has the strongest combination of profitability modeling and strategy management of any CPM suite vendors, which makes it suitable for organizations looking for a strategic approach to CPM.
- SAS Financial Management is gaining market traction (especially in the financial services and government verticals), and SAS is focusing greater sales resources on this solution, especially in the Americas and EMEA. SAP is winning more business in non-SAS accounts and prospects, such as the Excel integration.
- SAS has introduced a global performance management program that will help focus SAS sales and marketing resources on CPM and other aspects of performance management.
- SAS is linking its advanced forecasting and simulation capabilities from Forecast Server to the planning and budgeting functionality of Financial Management to give it predictive capabilities. This will make it a very strong offering for organizations looking to implement scenario modeling. SAS will add functionality in 2008 to cover the more operational aspects of planning and budgeting that will be integrated with Financial Management.

Cautions

- SAS still suffers from a lack of visibility in the CPM suites market, as compared with other, better-recognized CPM brands.
- Most CPM suite evaluations do not focus on components where SAS is strongest, namely strategy management and profitability modeling, although we expect this to change during the next three years.
- Partner relationships for "mainstream" CPM (that is, with a focus on BP&F and financial consolidation) are less widely established than many other vendors, but SAS is working to address this.
- SAS's vertical strength in broad solutions for financial services means that "point" CPM opportunities outside this vertical often do not gain enough sales focus.

Tagetik

Strengths

- Tagetik understands the CPM space well and has comprehensive functionality in all areas, except strategy management and scorecarding (although the company is planning to release products in this area in 2008). Tagetik is particularly strong for

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financial consolidation and financial, management and statutory reporting. Many of its larger customers are handling complex consolidation and reporting requirements.

- Tagetik grew from a consulting company, and its employees have a good depth of knowledge of the more complex aspects of CPM. This is reflected in above-average satisfaction scores from reference customers and a track record of competitive wins against larger players in its home market (Italy).
- The company has been growing, is profitable and is expanding internationally by growing its distributor network in Europe and the U.S.
- Tagetik has gained traction in banking and financial services in southern and eastern Europe, and has good vertical knowledge for this sector.

Cautions

- Tagetik's operations have been limited mainly to its home markets in Italy (where it is based) and southern and Eastern Europe. Thus, the company may struggle to get attention in new markets, unless it invests heavily in marketing.
- Although Tagetik has been growing in its home markets, it may be challenged to create the same growth rates in the increasingly competitive global market. Microsoft's entry into the market may make it harder for Tagetik to attract new distributors.
- Tagetik can be considered by organizations in EMEA and the U.S., but beware that, outside southern and Eastern Europe, implementation resources may be limited in the short term as the distributor network ramps up.

RECOMMENDED READING

"Cognos to Acquire Applix to Bolster CPM Suite and BI"

"Hyperion Purchase Will Strengthen Oracle in BI Platform and CPM Suites Markets"

"Longview Deal Continues CPM Market Consolidation"

"Magic Quadrants and MarketScopes: How Gartner Evaluates Vendors Within a Market"

"Market Trends: CPM Suites, Worldwide, 2006-2011"

"Microsoft Office PerformancePoint Server 2007 Coming Soon to a Desktop Near You"

"SAP's Planned Business Objects Buy Signals Strategic Shift"

"The Impact of Microsoft Office PerformancePoint Server 2007 in CPM"

"Understanding CPM Applications"

Acronym Key and Glossary Terms

ABC activity-based costing

BP&F budgeting, planning and forecasting

BI business intelligence

CPM corporate performance management

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EPM	Enterprise Performance Management
EMEA	Europe, the Middle East and Africa
GAAP	generally accepted accounting principles
IFRS	International Financial Reporting Standards
KPIs	key performance indicators
LBI	Lawson Business Intelligence
OLAP	online analytical processing
SOA	service-oriented architecture
SaaS	software as a service
SEM-BCS	Strategic Enterprise Management-Business Consolidation

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 a change of focus by a vendor.

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 and others, 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.

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

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

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

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen 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 Web site, 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.

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