

Part 18 of 20

World-Class Vendor Evaluation and Selection Scorecard

The fully annotated benchmark for selecting an ERP platform on analytical merit — criteria design, demonstration scripting, reference protocols, and pricing analysis that produce a defensible, requirements-driven decision

CONTENTS OF THIS PART

1. How to Use This Benchmark
2. Annotated Exemplar: Weighted Evaluation Framework
3. Annotated Exemplar: Scripted Demonstration Scenarios
4. The Reference Check Protocol
5. Pricing Analysis and TCO Comparison
6. Common Vendor Selection Failures and Corrections
7. Actions to Apply This Benchmark

HOW TO USE THIS BENCHMARK

The vendor selection decision is the capital allocation decision that most directly determines the ceiling of what the ERP implementation can achieve. A requirements-driven selection process that identifies the platform best matched to the organization's specific analytical needs — rather than the platform with the most polished demo or the most effective sales team — produces implementation outcomes that the convenience-driven selection process cannot achieve regardless of how well the implementation is executed.

This part provides the complete annotated architecture of a world-class vendor evaluation process: the weighted criteria framework with the specific criteria and weights appropriate for a growth-stage technology company, the scripted demonstration design with annotated example scenarios, the reference check protocol with the questions that produce genuine insight rather than vendor-curated endorsements, and the pricing analysis methodology that reveals the true total cost of ownership comparison across vendors. Every element is annotated with the reasoning that makes each component an analytical requirement rather than a procedural formality.

ANNOTATED EXEMPLAR: WEIGHTED EVALUATION FRAMEWORK

The following annotated exemplar demonstrates the weighted evaluation framework for a Series C SaaS company with multi-entity operations, ASC 606 revenue recognition complexity, and a planned pre-IPO financial reporting upgrade within three years.

WEIGHTED EVALUATION FRAMEWORK Organization: [Company] | Evaluation Date: [Date] Evaluators: CFO, Controller, VP FP&A, IT Director, Finance Operations Manager

CATEGORY 1: FINANCIAL MANAGEMENT CAPABILITIES (Weight: 30%) Subcriteria and weights within category: — Revenue recognition and ASC 606 compliance (40% of category): Can the platform handle multi-element arrangements, variable consideration, and SSP allocation for our specific contract types? — Multi-entity consolidation (25% of category): Does the platform produce consolidated financial statements across three legal entities in two currencies without manual intervention? — Chart of accounts dimensional flexibility (20% of category): Can the platform support the seven analytical dimensions required in our future-state chart of accounts design? — Financial close workflow automation (15% of category): Does the platform enforce the close sequence and provide period-close status visibility without manual coordination?

[Annotation: The revenue recognition subcriteria receives the highest weight within the financial management category because ASC 606 compliance is the most technically demanding requirement for this specific company. The weighting reflects requirements priority, not general feature importance. A company without revenue recognition complexity would weight this subcriteria much lower. This customization to organizational requirements is precisely what distinguishes a requirements-driven

evaluation from a generic platform comparison.]

CATEGORY 2: REPORTING AND ANALYTICS (Weight: 25%) Subcriteria and weights within category: — Native report flexibility (35%): Can the platform produce the 12 specific reports on the requirements list without custom development? — FP&A; integration capabilities (30%): Does the platform support API-based data exchange with the FP&A; planning tool at the required frequency and completeness? — Self-service analytics readiness (20%): Does the platform provide a user-accessible reporting interface that non-finance users can operate without analyst support? — BI tool integration (15%): Does the platform provide a clean data export or API connection to the BI tools the organization uses?

[Annotation: The FP&A; integration subcriteria receives 30% weight within the category — second only to native report flexibility — because the plan-to-perform integration described in Part Nine is a high-priority organizational requirement. An evaluator who did not weight this subcriteria explicitly would likely undervalue the integration capability difference between vendors, because integration quality is less visible in demonstrations than native reporting capability.]

CATEGORY 3: INTEGRATION ARCHITECTURE (Weight: 20%) Subcriteria and weights within category: — API completeness and quality (50%): Does the platform provide comprehensive, well-documented, stable APIs for all the integration connections in our landscape? — Integration partner ecosystem (30%): Are there pre-built connectors available for our primary integration targets — Salesforce CRM, Workday HCM, Stripe Billing? — Integration monitoring capabilities (20%): Does the platform provide monitoring and alerting for integration failures?

CATEGORY 4: SCALABILITY AND PRE-IPO READINESS (Weight: 15%) Subcriteria and weights within category: — Audit trail and internal controls (40%): Does the platform provide the audit trail depth and segregation of duties controls that pre-IPO financial reporting requires? — Transaction volume capacity (30%): Does reference data confirm acceptable performance at 3x current transaction volumes? — Regulatory compliance support (30%): Does the platform support the compliance requirements of the jurisdictions in which we operate?

CATEGORY 5: TOTAL COST OF OWNERSHIP AND VENDOR STABILITY (Weight: 10%) Subcriteria and weights within category: — 5-Year TCO comparison (60%): Based on complete cost analysis including all modules, transaction volume fees, and implementation services — Vendor financial stability (25%): Evidence that the vendor has the financial resources to maintain and develop the platform over the implementation's useful life — Implementation partner ecosystem quality (15%): Availability of qualified implementation partners with demonstrated experience at comparable organizations

SCORING SCALE: 1 — Does not meet requirement 2 — Partially meets requirement with significant gaps 3 — Meets requirement adequately 4 — Meets requirement well, minor gaps 5 — Exceeds requirement, best-in-class capability

ANNOTATED EXEMPLAR: SCRIPTED DEMONSTRATION SCENARIOS

The following annotated examples demonstrate the scripted demonstration approach for the two highest-weight evaluation categories.

SCRIPTED SCENARIO 1: Multi-Element Revenue Recognition Category: Financial Management Capabilities | Subcriteria: ASC 606 Compliance

Instructions to vendor: A customer signs a two-year contract for our subscription product at \$120,000 annually, plus a \$30,000 one-time implementation service. The standalone selling price of the subscription is \$130,000 per year and the standalone selling price of the implementation service is \$25,000. The contract includes a variable fee of up to \$15,000 for usage above a defined threshold, which we estimate has a 60% probability of being earned. Please demonstrate how your system would set up this contract, allocate the transaction price across performance obligations, record the initial deferred revenue balances, recognize revenue over the subscription term, and handle a contract modification at month 18 where the customer adds a second user tier at \$20,000 annually.

Evaluation criteria: Score each of the following on the 1-5 scale: — Does the system correctly calculate the SSP-based allocation of the \$150,000 fixed fee across the two performance obligations? — Does the system correctly apply the constraint on variable consideration at 60% probability? — Does the system produce the correct opening deferred revenue balances? — Does the system recognize subscription revenue ratably and service revenue at point of delivery? — Does the system handle the month 18 modification correctly under ASC 606 modification accounting?

[Annotation: This scenario is specifically constructed from the company's actual contract structure — not a generic subscription scenario but one that tests the specific combination of fixed fee, usage-based variable consideration, and contract modification that the company's contracts actually include. The evaluation criteria are specific, binary questions rather than general impressions, enabling consistent scoring across evaluators and across vendors.]

SCRIPTED SCENARIO 2: FP&A; Integration Data Exchange Category: Reporting and Analytics | Subcriteria: FP&A; Integration

Instructions to vendor: Please demonstrate how your system would export the following data to our FP&A; planning tool (specify tool) following the monthly close: (1) actual P&L; by cost center, product line, and geography for the closed period; (2) actual headcount by department, level, and location as of period end; (3) actual AR aging by customer segment and by days outstanding bucket; and (4) actual deferred revenue balance by contract cohort. Please show the API endpoint for each data type, the data structure returned, the authentication method, and the error handling for a failed export.

[Annotation: This scenario tests not just whether integration is possible but whether the specific data the organization needs can be exported in the specific format the FP&A; tool requires. The instruction to show

the API endpoint, data structure, authentication method, and error handling is a technical depth test — vendors with poor API quality will not be able to demonstrate these elements clearly, while vendors with strong API architecture will be able to show them immediately.]

THE REFERENCE CHECK PROTOCOL

The reference check protocol uses structured questions to extract genuinely useful information from vendor customers — the kind of information that vendor-curated reference lists are specifically designed not to surface.

REFERENCE SELECTION: Contact three to five customers selected independently from the vendor's publicly disclosed customer list, not from the vendor's provided reference list. Selection criteria: similar company size (within 50% of your revenue), similar industry vertical, similar implementation scope (same modules), and similar implementation timeline (within the past three years).

STRUCTURED QUESTION FRAMEWORK:

Opening question (always ask first): Before we discuss your specific experience, can you give me an overall rating of your implementation on a scale of 1-10, and tell me the single biggest thing that was harder than expected?

[Annotation: The overall rating question asked before any positive discussion establishes the reference's candor level. A reference who opens with an 8 out of 10 and identifies a specific challenge is engaging honestly. A reference who cannot identify anything harder than expected is either a carefully selected advocate or has not had time to reflect critically. The order matters — asking this before discussing positives prevents the social dynamic of positive priming that reduces candor on the challenge questions.]

Financial performance questions: — How did your actual total cost compare to the vendor's initial cost estimate? What was the largest cost item that was higher than initially quoted? — How did your go-live timeline compare to the original project schedule? What was the primary cause of any delay? — Are you currently utilizing all the modules and capabilities you paid for? If not, what is unused and why?

Analytical capability questions: — What specific management reports are you producing directly from the system today that you could not produce from your prior system? — What analytical questions are you still unable to answer directly from the system, and what workarounds are you using? — How long did it take your FP&A; team to start getting genuine analytical value from the system after go-live?

Risk revelation questions: — What would you do differently if you were starting the implementation today? — Are there any limitations of the platform that you discovered in production that were not visible during the evaluation? — How would you characterize the implementation partner's performance — honest assessment, not the rating you would give in a public review?

PRICING ANALYSIS AND TCO COMPARISON

The pricing analysis should be conducted through a standardized request for proposal that requires each vendor to provide a complete 5-year TCO estimate for the specific implementation scope in the requirements document.

TCO REQUEST TEMPLATE (share with all vendors simultaneously):

Please provide a complete 5-year total cost of ownership estimate for the following implementation scope: [insert scope from requirements document]. Your estimate must include:

1. Base subscription/license cost for all required modules, broken out by module with the specific price for each
2. Any transaction volume pricing that applies at our current and projected transaction volumes — specify the volume thresholds and the incremental cost above each threshold
3. Any additional user fees that would apply given our expected user count of [X]
4. Implementation services estimate — provide a detailed estimate rather than a range, broken out by phase and by activity type
5. Data migration cost estimate — provide a preliminary estimate acknowledging that the final scope depends on the data quality assessment
6. Training cost estimate for the user population described in the requirements
7. Annual ongoing support and platform administration cost for Years 2-5
8. Any pricing protections or escalation caps that apply to the subscription cost in Years 2-5

[Annotation: The instruction to provide a detailed estimate rather than a range is the most important element of the TCO request. Implementation services presented as a range — typically \$250,000 to \$400,000 — provides almost no information for comparison purposes. A detailed estimate forces the vendor to commit to a scope-specific number and reveals whether the estimate reflects genuine understanding of the implementation scope or is a generic range applied to all comparable proposals.]

TCO COMPARISON TABLE STRUCTURE: Present the completed TCO comparison in a table with Year 1 cost, Year 2-5 annual cost, 5-Year total, and NPV at the organizational discount rate for each vendor. The table should show the complete cost breakdown to enable the board to understand not just which vendor is less expensive but which cost category drives the difference.

COMMON VENDOR SELECTION FAILURES AND CORRECTIONS

The following failures appear in ERP vendor selection processes consistently. Each is paired with a specific correction.

The criteria-after-demo failure: evaluation criteria are defined or adjusted after vendor demonstrations, producing criteria that reflect the capabilities of the vendors demonstrated rather than the requirements of the organization. Correction: require the complete evaluation criteria with weights to be documented and distributed to all evaluators before the first vendor demonstration, and prohibit changes to weights after demonstrations begin.

The vendor-reference failure: reference checks are conducted only with the vendor's supplied reference list, producing uniformly positive assessments. Correction: require that at least three of the five reference checks be conducted with independently selected customers — customers chosen by the evaluation team from the vendor's public customer list, not by the vendor.

The TCO-range failure: implementation services are presented as a range rather than a specific estimate, preventing meaningful cost comparison. Correction: require all vendors to provide a specific implementation services estimate for the defined scope, acknowledging that the estimate is subject to revision after the discovery phase.

The demo-from-strengths failure: vendors present demonstrations that showcase their platform's best capabilities rather than demonstrating the scenarios most important to the evaluating organization's requirements. Correction: require all vendor demonstrations to follow the scripted scenarios, with free exploration time scheduled after the scripted scenarios rather than before.

The consensus-collapse failure: individual evaluators discuss their scores during the demonstration rather than documenting scores independently, producing a social consensus that does not reflect genuine individual assessment. Correction: require evaluators to complete individual score sheets during the demonstration and submit them to the evaluation team lead before any group discussion occurs.

ACTIONS TO APPLY THIS BENCHMARK

The following actions will immediately improve the analytical quality of ERP vendor selection in your organization.

The first action is to develop the weighted evaluation framework based on the requirements document produced before any vendor engagement begins. Distribute it to all evaluators and require their acknowledgment that the criteria are appropriate before the first vendor demonstration is scheduled.

The second action is to develop the scripted demonstration scenarios for the two to three highest-weight evaluation categories, designing each scenario specifically from the requirements document rather than from generic ERP evaluation guides. Test each scenario with an implementation advisor to verify it is technically feasible and reveals genuine capability differences.

The third action is to send the standardized TCO request template to all finalist vendors simultaneously and set a firm deadline for complete TCO proposals. Provide specific guidance that a range is not acceptable and that the proposal must include all seven cost categories specified in the template.

The fourth action is to conduct at least three independently selected reference checks per finalist vendor using the structured question framework, prioritizing the risk revelation questions over the performance questions. Document the reference check results in a consistent format that enables comparison across vendors and across references.

CLOSING PERSPECTIVE

The vendor selection process is the capital allocation decision that most directly determines the analytical ceiling of the ERP implementation. A requirements-driven selection process, executed with the disciplines described in this benchmark, will consistently identify the platform that best serves the organization's specific analytical needs — rather than the platform with the most polished sales process.

The investment in analytical rigor during selection pays back for the entire operational life of the chosen platform — which, for a growth-stage company, is typically five to ten years. A selection decision that takes six weeks of analytical work to get right is worth many times that investment when it determines the quality of the financial intelligence infrastructure for the following decade.

COMING NEXT IN THE SERIES

Part 19 — World-Class Implementation Governance and Project Framework

Part Nineteen presents the benchmark implementation governance framework — the complete annotated architecture of the steering committee charter, project plan structure, risk register, milestone definitions, change order governance, and go-live readiness criteria that keep large ERP projects on track and accountable.

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