

BM.18

Integrate all the evaluations and make the final selection

Requires dialogue

This activity helps to select a new business model by providing a summary of key evaluation metrics for all the business model options being considered.



INPUTS

- An assessment of the business benefits of the business model concepts from the activity *BM.15 Evaluate the benefits.*
- An assessment of the implementation costs of the business model concepts from the activity *BM.16 Evaluate the costs.*
- An assessment of the implementation risks of the business model concepts from the activity *BM.11 Evaluate the risks.*

OUTPUTS

- A relative scoring of each of the business model options against a variety of indicators that show the benefits, costs and risks of implementing each of the new business model options.
- A recommendation as to which of the business model concepts you think the company should pursue used in the activity *BM.19 Pitch the new business model to the CEO.*

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To enable the selection of the best business model option, it can be useful to provide a summary of the evaluation you have performed using the *Business Model Evaluation template*. The template brings together in one document information on each of the key metrics for evaluating the business model options.

Whilst the matrix provides a useful summary, it is important that the senior management team also familiarize themselves with the detailed data that you have gathered and collated in compiling the matrix so that they can provide rigorous critical review and come to an informed decision. You should therefore circulate this information to the Senior Management Team well in advance of organizing the meeting to decide on the best business model option.

HOW TO GO ABOUT IT

1. Begin by scoring the benefits of each of the business model options, relative to the current situation, using the following scoring scale:
 - 0 – Option is more than 100% worse than the current situation.
 - 1 – Option worse is than the current situation.
 - 2 – Option is broadly the same as the current situation.
 - 3 – Option is better than the current situation.
 - 4 – Option is more than 50% better than the current situation.
 - 5 – Option is more than 75% better than the current situation.
2. Using the results of the Risk Register, assess the long term risk using the same scoring scale as described in point 1, then assess the implementation risk on a scale of high, medium or low;

were 'high' risk would mean a high probability of failure in the implementation of the new business model and serious negative consequences of failure.

3. For the cost indicators, use any data you have compiled on the investment costs to state an estimate of the upfront capital investment required to implement the new business model. Use the results of the implementation effort evaluation to score the implementation effort on a scale of high, medium or low; were 'high' effort would mean a significant proportion of company personnel involved in the implementation over an extended period of time.
4. Once you have completed the matrix decide which of the business model options you will pitch the CEO in the next step.

Template of Business Model Evaluation

	Metric	Current situation	Option 1	Option 2	Option 3
Benefits					
Risks					
Costs					

Business model evaluation

Project _____

Date _____

Version _____

	Metric	Current situation	Option 1	Option 2	Option 3
Benefits	Resource use				
	Ecosystem quality				
	Human health and toxicity				
	Other social issues				
	Profitability				
	Job creation and security				
Risks	Long term risk (after mitigation actions and successful implementation)				
	Implementation risk (High/Medium/Low)				
Costs	Upfront capital investment (state cost estimate)				
	Implementation effort (High/Medium/Low)				

Used during activities

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LEARNING CASE STUDY OF BUSINESS MODEL EVALUATION

	Metric	Current situation	Option 1	Option 2	Option 3
Benefits	Resource use	2	3	5	3
	Ecosystem quality	2	4	4	3
	Human health and toxicity	2	2	1	2
	Other social issues	2	2	2	3
	Profitability	2	3	4	3
	Job creation and security	2	1	2	2
Risks	Long term risk (after mitigation actions and successful implementation)	2	4	4	3
	Implementation risk (High/Medium/Low)	(None)	Medium	High	Low
Costs	Upfront capital investment (state cost estimate)	(None)	€ 15,000	€ 74,000	€ 3,000
	Implementation effort (High/Medium/Low)	(None)	Medium	High	Low

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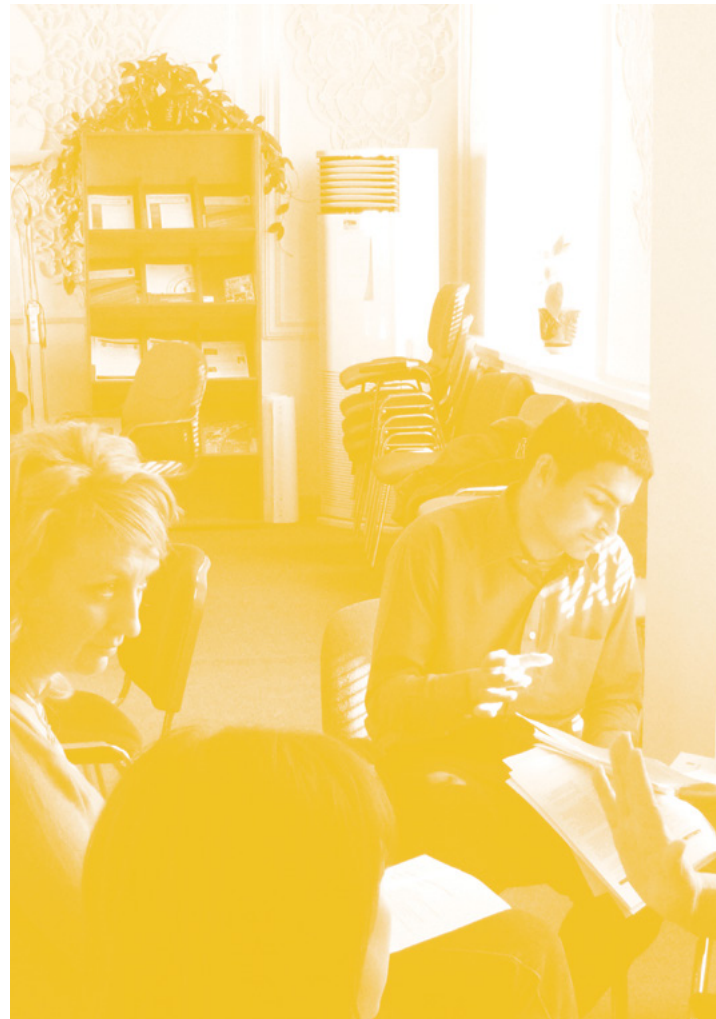
BACKGROUND INFORMATION

References and resources

Testing and validating business model ideas:

- Kastle, T. (2011). How to test a business model like a scientist. [Online] Available from <http://timkastle.org/blog/2011/03/how-to-test-a-business-model-like-a-scientist/>
- Osterwalder, A., & Pigneur, Y. (2010). Business model generation: a handbook for visionaries, game changers, and challengers. Wiley, London.

→ Further information in the Agri-food, Chemicals and Metals Supplements



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TIPS & TRICKS

ADDITIONAL METRICS

Additional metrics in the *Business Model Evaluation* template can be added to highlight issues specific to a company or a specific food and drink processing industry sector. Important metrics can be based on the KPIs previously defined in areas such as food safety, soil quality, biodiversity, waste generation etc.

LEARNING CASE STUDY OF BUSINESS MODEL EVALUATION

Three different business models were developed at Mango Pulp Co. during the Set Business Model phase. They were all evaluated and compared to the current model using the *Business Model Evaluation* template. Ultimately, the Cooperative business model, described in the activity BM.4 'Generate business model concepts at the big picture level', was chosen. Even though the implementation effort for this business model is high, it will require the least amount of direct capital investment, which is a key criterion for Mango Pulp Co. Additionally, this business model will most effectively and holistically address the sustainability challenges recognized during the Preliminary and In-depth Assessments. The CEO of the company felt that this was the business model that would successfully lead the company towards reaching the strategic goals. The results of the business model evaluation done for Mango Pulp Co. are shown below.

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	Metric	Current situation	Cooperative model	Business model 2	Business model 3
Benefits	<i>Energy intensity</i>	2	3	3	2
	<i>Material and water intensity</i>	2	4	3	4
	<i>Waste generation</i>	2	5	3	3
	<i>Food safety</i>	2	4	3	3
	<i>Soil quality</i>	2	5	3	3
	<i>Human health and toxicity</i>	2	3	3	3
	<i>Job creation and security</i>	2	4	4	3
	<i>Other social issues (e.g. gender equality)</i>	2	4	4	5
	<i>Profitability</i>	2	3	4	2
Risks	<i>Long term risk (after mitigation actions and successful implementation)</i>	2	4	3	3
	<i>Implementation risk (High/Medium/Low)</i>	(None)	Medium	Medium	Low
Costs	<i>Upfront capital investment (state cost estimate)</i>	(None)	Low	High	Medium
	<i>Implementation effort (High/Medium/Low)</i>	(None)	High	Medium	High

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LEARNING CASE STUDY OF BUSINESS MODEL EVALUATION

In the course of the phase ‘Set Business Model’ you will develop several possible business models from which the company can choose. An evaluation summary is one way of comparing the different business models.

TipTop Textiles Co. found all 3 options as viable business models to help them achieve their goal of becoming a market leader in what they perceive to be a high-growth market in the future. Based on the business model evaluation summary above, the TipTop Textiles Co. management team has decided to pursue the “Fibre Leasing” business model (option 1), as it offers the highest potential to improve environmental and social performance across the life cycle, while offering the highest potential on profitability. The company estimated that the payback time of 5 years for the “Sustainable Ink” business model (option 2) was too high. Furthermore, the “Eco-label” business model did not offer a large enough domestic market potential and there is a lack of technological expertise to meet the stringent eco-label criteria.

	Metric	Current situation	Fibre Leasing	Sustainable Printing Ink	Ecolabel
Benefits	<i>Energy intensity</i>	2	4	3	3
	<i>Material and water intensity</i>	2	5	3	4
	<i>Human health and toxicity</i>	2	5	3	5
	<i>Other social issues</i>	2	4	3	4
	<i>Profitability</i>	2	5	3	4
	<i>Job creation and security</i>	2	4	3	3
Risks	<i>Long term risk (after mitigation actions and successful implementation)</i>	2	4	3	4
	<i>Implementation risk (High/Medium/Low)</i>	Medium	Medium	Low	Medium
Costs	<i>Upfront capital investment (state cost estimate)</i>	(none)	€ 150,000	€ 85,000	€125,000
	<i>Implementation effort (High/Medium/Low)</i>	(none)	High	Medium	High

Legend: 0=100% worse than the current situation; 2= same as current situation. 5=75% better than current situation.

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LEARNING CASE STUDY OF BUSINESS MODEL EVALUATION

	Metric	Current situation	Business Model Option 1: "Return&Reuse"	Business Model Option 2: "Bike Leasing"	Business Model Option 3: "Design for Sustainability"
Benefits	Energy intensity	2	5	4	4
	Material and water intensity	2	5	4	4
	Human health and toxicity	2	5	3	5
	Other social issues	2	4	4	4
	Profitability	2	4	3	4
	Job creation and security	2	3	2	2
Risks	Long term risk (after mitigation actions and successful implementation)	2	3	3	4
	Implementation risk (High/Medium/Low)	(None)	Medium	High	High
Costs	Upfront capital investment (state cost estimate)	(None)	Medium	High	Medium
	Implementation effort (High/Medium/Low)	(None)	Medium	High	Medium