



Sustainability-driven Innovation

IDEA SELECTION FACTORS

VERSION 1.0



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Introduction to Sustainability-driven Innovation

In today's rapidly evolving global landscape, businesses are recognizing the inherent interconnectedness between innovation and sustainability. Both domains demand similar capabilities, such as the ability to navigate high-risk environments, manage complexity, and thrive amidst uncertainty. Innovation drives the development of new products, services, and business models, while sustainability ensures that these advancements are ethically sound, environmentally responsible, and socially beneficial.

Sustainability-driven innovation is the proactive and iterative integration of environmental, social, and economic sustainability principles into the conception, development, implementation, and adaptation of novel solutions, products, services, and business models. It involves leveraging a deep understanding of sustainability and innovation management frameworks, consumer and technology trends, and regulations, as well as agile methodologies, collaborative practices, and systems thinking to create value while minimizing negative impacts on ecosystems, communities, and economies. Sustainability-driven innovation transcends traditional business boundaries, fostering a culture of continuous learning, adaptation, and responsible stewardship to address complex societal and environmental challenges and drive positive change.

By integrating innovation and sustainability into their core strategies, businesses can leverage synergies to not only mitigate risks but also uncover new opportunities for growth and differentiation. Embracing this dual approach empowers organizations to forge a path towards long-term resilience, relevance, and success in an ever-changing world.

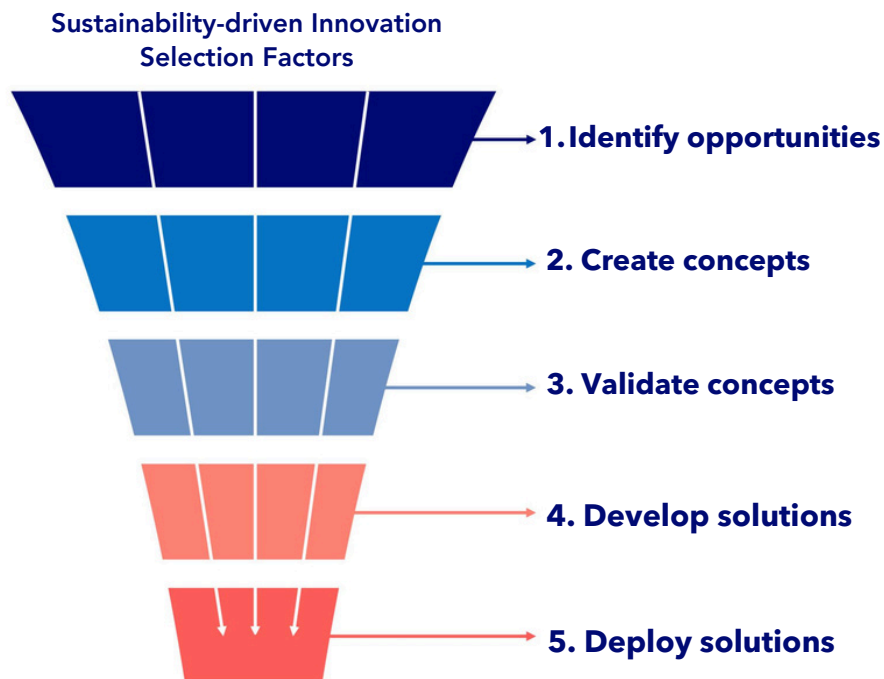


Sustainability-driven Innovation

The Innovation Funnel

In the realm of sustainability-driven innovation, the selection of ideas is not just about fostering innovation but ensuring that such innovations align with broader sustainability goals. These goals typically include environmental protection, social responsibility, and economic viability. The complexity of these projects is elevated due to their triple bottom-line implications, making the idea selection process critical to ensure that the innovations contribute positively across all three domains.

To conduct a systemic evaluation and screening of ideas, an innovation process is in order. This iterative and non-linear process begins with the collection of a broad spectrum of ideas, which are then progressively narrowed down through various stages based on specific selection factor. This process should be flexible and iterative, allowing for ideas to mature over short feedback loops. This funnel approach ensures that only the most viable and impactful ideas reach the final stages of development and execution.



Portfolio Management for Sustainable Innovations



In the realm of sustainability-driven innovation, where traditional project assessment metrics often fall short, the evaluation dimensions of Opportunity and Feasibility become crucial. These terms extend beyond financial measures, embracing a holistic approach that is aligned with the fundamental goals of sustainability.

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Opportunity vs Feasibility

In the realm of sustainability-driven innovation, where traditional project assessment metrics often fall short, the evaluation dimensions of Opportunity and Feasibility become crucial. These terms extend beyond financial measures, embracing a holistic approach that is aligned with the fundamental goals of sustainability.

Opportunity Assessment: This measures the potential value a project could add, focusing not only on immediate financial gains but also on long-term sustainable development, societal benefits, and environmental impact. It acts as a predictive tool, highlighting projects that could pave new paths for market growth, enhance brand reputation through ethical stewardship, or drive significant shifts towards sustainable industry practices.

Feasibility Assessment: This examines the practical aspects of executing a project from an organizational perspective. It assesses the company's readiness, including available resources, technological expertise, and alignment with strategic sustainability goals. Essentially, it evaluates how realistically the project can be achieved without compromising the organization's operational health.

Together, these assessments help gauge the potential Return on Investment (ROI) through a sustainability lens, enabling organizations to assemble a portfolio that responsibly propels innovation. This ensures projects are not only viable and profitable but also sustainable and ethically sound.

$$\begin{aligned}\text{Opportunity} \times \text{Feasibility} \\ &= \text{Opportunity} / \text{Difficulty} \\ &= \text{Value}/\text{Investment} = \text{ROI}\end{aligned}$$

In order to use these dimensions it becomes important to build an effective scoring system. It is therefore essential to select a well-balanced and precise array of selection factors for both Opportunity and Feasibility, tailored to the project's objectives. A recommended range of 3 to 5 factors for each dimension strikes a balance between detail and manageability. On the tables on the next pages* you will find two tables with examples of selection factors for both Opportunity and Feasibility assessment. Again, it is important to select carefully which are most relevant for the situation.

The next step is to determine the scaling statements and weightings given to each statement. The choice between additive or multiplicative scoring methods depends on which best captures the project's complexities. On the last page you will find an example of a scoring card with the scaling statements.

*Adapted from: R. Mitchell, R. Phaal and N. Athanassopoulou, "Scoring methods for prioritizing and selecting innovation projects," Proceedings of PICMET '14 Conference: Portland International Center for Management of Engineering and Technology; Infrastructure and Service Integration, Kanazawa, Japan, 2014, pp. 907-920.

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Feasibility Factors

Feasibility Dimension	Sustainability-Oriented Selection Factor	Description/Question
Characteristics of the innovative solution (product/service/etc.)	Sustainable Differentiation	How does the product stand out in terms of environmental or social benefits compared to competitors?
	Long-Term Competitive Advantage	Can we maintain a competitive edge through sustainable practices (e.g., resource efficiency, ethical sourcing)?
	Technical Feasibility & Sustainability	Is the proposed product technically feasible and sustainable in design, using eco-friendly materials and methods?
Skills and knowledge	Market Awareness of Sustainability	Do we understand the market's sustainability requirements and expectations?
	Sustainable Technical Expertise	Do our teams have the skills to innovate with sustainability in mind (e.g., lifecycle analysis, renewable technologies)?
Business processes	Fit to Sustainable Sales/Distribution	Are our sales competences aligned with sustainability goals, and is our distribution chain eco-friendly?
	Manufacturing & Supply Chain Sustainability	Can we ensure sustainable manufacturing processes and a supply chain that adheres to social and environmental standards?
	Ethical & Sustainable Funding	Is there funding available and can we make a business case for sustainability investments (such as green bonds, impact investment, etc.?)
Organisational backing	Strategic Alignment with Sustainability strategy	How well does the project align with our organizational commitment to sustainability in terms of human, social, economic, and environmental goals?

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Opportunity

Opportunity Dimension	Sustainability-Oriented Selection Factor	Description/Question
Volume	Market Size & Sustainable Market Size	What is the potential market size, or number of potential adoptions, for a market that values sustainability? And what is the market if the innovation is appealing to consumers who prioritize other features as well?
	Sustainable Sales Potential	What are our sales projections within the eco-friendly sector, and over what time frame? And the projections for a market that prioritizes other features (is it the same market?)?
	Green Synergy Opportunities	How can this project enhance our other sustainability efforts, and what collaborative opportunities could it present?
	Customer Societal Benefit	What are the tangible societal and environmental benefits of our innovation, and how can we communicate these to potential customers?
	Competitive Intensity	What is the level of competition in the market, and the level of competition coming from other sustainability players, how can the innovation drive a competitive edge?
Margin	Green Margin Improvement	How can sustainability lead to an increase in our profit margins, (e.g. by cost reduction or price premium)?
	Sustainability-Driven Cost Reduction	In what ways can sustainable practices lead to eco-efficiencies or cost savings can we capitalize on (such as resource efficiency or renewable energy adoption)?
	Market Readiness for Sustainable Solutions	How easy will it be for customers or adopters to take up the innovation; do they have to change their behaviour or processes?
Platform for Future Growth	Growth in Green Market	What is the anticipated growth of the market, both eco-friendly sector and wider and how can we position ourselves to benefit from it?
	Sustainability as a Platform for Innovation	Can our project serve as a stepping stone for future sustainable innovations, and how can we leverage this for new market opportunities?
Intangibles	Sustainability Learning Curve	How will this project advance our understanding and implementation of sustainability in our business?
	Sustainable Brand Image	How will this project enhance our brand image regarding sustainability, and what impact will this have on our stakeholders?
	Customer Relations through Sustainability	How critical is this project for maintaining and strengthening customer relations, especially with those valuing sustainability?

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Scorecard

Dimension	Weight	Selection Factor	15	10	3	Score	Weighted Score	Final
Feasibility	3	Sustainable Differentiation	At least one important feature is better than the competition	We have some minor features that are better than the competition	Doubts on if the features are better than competition	3	9	74%
	6	Sustainable Technical Expertise	Within our capability or some new skills required but they can be acquired in time	Existing staff can acquire capabilities in 3 months or less, or by recruiting new people	We will have to buy or recruit major capabilities or rely on a partner	10	60	
	6	Fit to Sustainable Sales/ Distribution	No changes are needed, in or competence of existing sales and distribution	>75% of sales force could sell it with training or 75% of existing distribution applicable	Changes to sales or distribution will need special attention	15	90	
	2	Strategic Alignment with Sustainability Strategy	Fits strategy	Supports	Neutral	15	30	
Opportunity	3	Green Synergy Opportunities	Foreseen enhancement and synergies with other sustainability initiatives	Relative enhancement and synergies with other sustainability initiatives	Potential enhancement and synergies with other sustainability initiatives	3	9	32%
	6	Market Readiness for Sustainable Solutions	Definitely attractive to most customers, no change in customer behaviour required	Some customers have asked for this but requires some change in customer behaviour	Not a specific request from customers but little change in customer behaviour	3	18	
	3	Sustainable Brand Image	Clear benefits to brand image	Some benefits to brand image	Reduced benefits to brand image	10	30	

**Fernanda Torre**

CEO Next Agents

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Fernanda Torre is a leading expert in the field of sustainability-driven innovation, currently CEO of Next Agents, a consulting firm with a mission to generate value for people and the planet, now and into the future.

Fernanda is affiliated to the House of Innovation at the Stockholm School of Economics (SSE), and part of the faculty at the Stockholm School of Entrepreneurship (SSES), where she is the co-director of the “Trendspotting and Future Thinking” program, and leader of the global entrepreneurship education program SSES Learning Lab Roundtables.

Furthermore, Fernanda was one of the founders of Boards Impact Forum (BIF), the Nordic Chapter of the Climate Governance Initiative from the World Economic Forum. Today she is the Operations Director of BIF where she engages board directors across the Nordics and internationally to accelerate climate actions and foster sustainable business practices.


At Next Agents she is the affiliated for the Nordics for Rapid Learning Cycles (RLC) and agile project management framework that supports businesses accelerating the development and deployment of cleantech and sustainable innovations. Next Agents is a member of Cradlenet and Nordic Circular Hotspot, as well as part of the Swedish Climate Startup Map.


A co-author of the book "AI Leadership for Boards – The Future of Corporate Governance," Fernanda’s research seeks to empower corporate boards in the governance of sustainability and responsible AI. The latest research paper was published in 2024 on the concept of board dynamic capabilities.

Fernanda has MBA from Stockholm School of Economics (President’s list for graduating on the top ten percent of the class), an MFA in Experience Design from Konstfack, and a Bachelor of Arts in Graphic Design from Porto University. She served as a board member of Innovationsledarna and is since 2018 a Swedish Expert in the technical committee for the development of the 56000 ISO standard on Innovation Management.

Fernanda Torre stands out as a leader whose career is a testament to the power of bridging design, innovation, and strategic management to create a sustainable and equitable future.

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