EVOLVE

FOR THE PLANET
2022 REPORT

Balancing PROFIT with PURPOSE by taking a globalocal approach.

AGILITAS®
PASSION TO INNOVATE

INTRODUCTION

The future of the planet is everybody's business, but it is also true that some technology channel companies are moving faster than others when it comes to making active changes across their organisation.

With the impact of climate change now a significant concern, sustainability is no longer something that can be claimed through small actions or gestures like offsetting. To be effective, it requires a complete transformation of business processes that start with a sustainability-first mindset and an even deeper collaboration with industry partners.

As a result, becoming sustainable without significantly increasing costs is proving to be a real challenge, therefore making a case for larger and more impactful infrastructure changes. Businesses now need to be able to track ROI on how their sustainable bias is providing additional sales, just like they've been doing with marketing and sales functions for years.

Interestingly, this additional pressure on businesses to be more sustainable was reflected in our recent EVOLVE research campaign, where we experienced a decline in optimism, year on year, regarding the Channel's ability to adopt eco-friendly processes.

Last year, many businesses were at the start of their sustainability journey. Has confidence wavered slightly now they are in the thick of making their objectives a reality? What some may have thought was a tick-box exercise is now unfolding to be a company-wide mindset that must be backed up with governance, measurement and constant investment.

Adopting a sustainability-first mindset creates effective processes to combat climate change.

While these actions are the fundamental force of change, there also has to be a parallel shift in how these businesses evaluate the success of their relationships. Now, Technology Channel businesses must look beyond financial gain and broaden their definition of value, to include environmental and social responsibilities that will contribute to a healthier and more sustainable future.

Many Technology Channel businesses are already shifting their mindsets, with almost half **(46%)** stating that they measure purpose and profit in equal measure.

Of those remaining, more companies **(18%)** are prioritising environmental and social purpose over profit when it comes to their partnerships.

Despite the years of disruption from the likes of the COVID-19 pandemic and Brexit, this year saw continued optimism in building a more resilient business model to survive external factors, with confidence in this area reaching 7.8.

How resilient the Technology Channel is to external factors has become evident as we delve deeper into our findings from the decision makers. It's interesting to evaluate the next steps channel firms are taking to become a more planet-friendly organisation, whilst still continuing to drive profits through more conscious decisions.

How does your business compare? Can you relate to the findings?

# EVOLVE:
VOICE OF THE CHANNEL

This 'Evolve for The Planet' guide is the first part in the series of reports, which forms part of our channel insight campaign, 'EVOLVE: Voice of the Channel'. In June 2022, Agilitas launched its latest Channel Confidence Index: EVOLVE. This research came at a pivotal moment for the channel industry and the wider world as we moved beyond COVID-19 and explored the new trends and expectations that have emerged.

To reflect on change and look ahead, we measured the global Technology Channel's attitudes and curated trends, predictions, forecasts and commentary about the channel today and how to future-proof it for tomorrow.

CHANNEL CONFIDENCE SCORE 2022

With 2022 seeing more normality return, the Channel's optimism for future-proofing the industry has stayed strong, standing at an impressive 7.8 out of 10 when it comes to embracing innovation and undergoing significant transformation.

7.8

The research discussed in this report was conducted in February 2022 in partnership with respected research firm Opinion Matters. As in previous years, we surveyed 250 business leaders working in UK-headquartered technology companies with an annual turnover of over £5million.
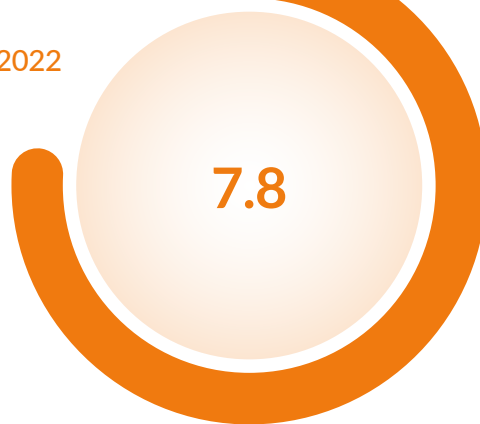
Agilitas says:

"Last year we launched our pledge to 'Act with Impact' to show our commitment to a sustainable future. Its three core pillars - Planet, People and Partners - have set out a roadmap to achieve a carbon positive workforce by 2030 and a carbon neutral operation by 2040.

"This pledge commits to numerous environmental initiatives including our partnership with Ecologi to plant 100,000 trees over the next five years. We have also joined 100s of companies in signing the Climate Coalition to act against climate change while collaborating closely with partners to share ideas and initiatives to achieve sustainability goals faster.

"We have based our latest research around these pillars and will include our findings in our series of reports. By taking a deep dive into each topic, we can not only explore our own efforts in these areas but also see the feedback of those in the channel when it comes to their sustainability strategies."
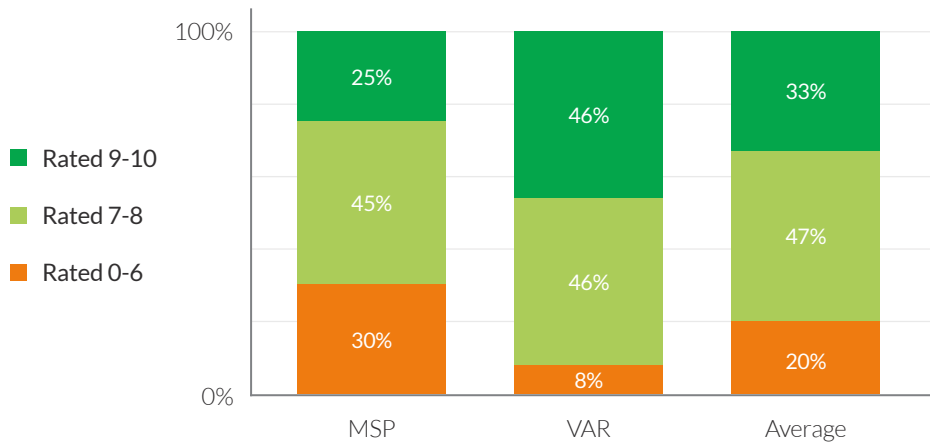
FOCUS ON THE 'E' OF ESG

Sustainability in an environmental sense was a new addition to our Channel Confidence Index last year. In 2021, confidence to act with impact and create a better, more sustainable future in the next 12 months was high, scoring 7.8 out of 10. Interestingly, confidence dipped slightly this year to 7.6 out of 10.
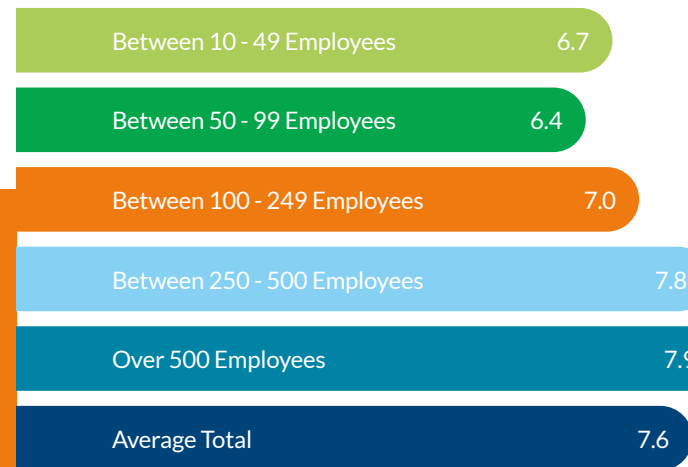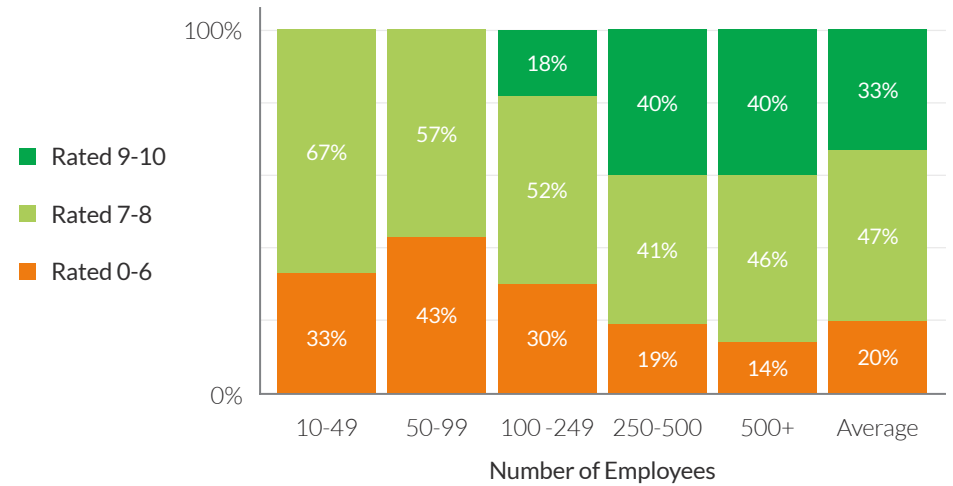
Diving deeper into the findings, IT resellers are the most confident in the market, with a huge 92% scoring 7 or above. By contrast, MSPs were less optimistic with just 70% scoring 7-10, 10% lower than the industry average.

The size of the company also appeared to be a factor with larger organisations more confident with their sustainability strategies for the next 12 months. Interestingly, none of the companies surveyed with less than 100 employees scored 9 or 10 out of a possible 10.

- ■ Rated 9-10
- ■ Rated 7-8
- ■ Rated 0-6

Number of Employees

- ■ Rated 9-10
- ■ Rated 7-8
- ■ Rated 0-6

Average confidence levels regarding sustainability:

7.3	MSP
8.3	VAR
7.6	Average

Between 10 - 49 Employees	6.7
Between 50 - 99 Employees	6.4
Between 100 - 249 Employees	7.0
Between 250 - 500 Employees	7.8
Over 500 Employees	7.9
Average Total	7.6

When looking at the mean confidence score totals for all various-sized companies, the results were as predicted.

Those who employed more than 500 staff members saw the highest confidence with 86% picking between 7 to 10 on the index.

The UK Government is now increasingly imposing objectives for businesses in these areas, with companies being benchmarked on their ESG credentials more than ever before.

Agilitas says:

"Resellers and VARs are much more confident in the 'E' area as they are more aligned to product sales and therefore the vendor's ESG metrics. This differs from MSPs, who tend to be focused on remote services and people, meaning it is more difficult to find tangible 'E' factors. For MSPs, it is the 'S' and 'G' that are prioritised through their people, tech governance and frameworks. This is down to their need to operate in guidance with the likes of ISO.

"When it comes to boosting 'E' activities, smaller companies are good at starting initiatives and showcasing innovation but quite often run out of steam due to not having enough internal resources to maintain momentum. This is not a problem for larger businesses, who are able to start slower but generate more inertia once they are up to speed."

Without a well-rounded strategy in place, many Technology Channel organisations run the risk of losing business to their competitors if they fail to comply with regulations and frameworks.

The changing landscape is already creating obstacles for companies across many industries, with 10% of Technology Channel respondents admitting that they had lost a contract or tender because they could not demonstrate their business' sustainability commitments. With sustainability now a priority across the Technology Channel, this number is predicted to rise significantly in the coming years.

This was reflected in our research, which revealed that when asked:

"Will ESG / sustainability positively impact the future success of your business?"

81% ranked between 7 to 10.

10% scored the maximum 10.
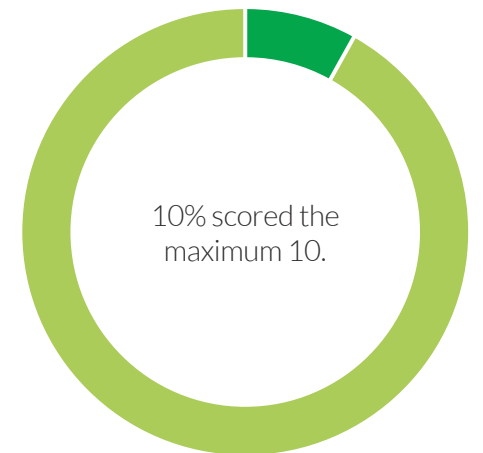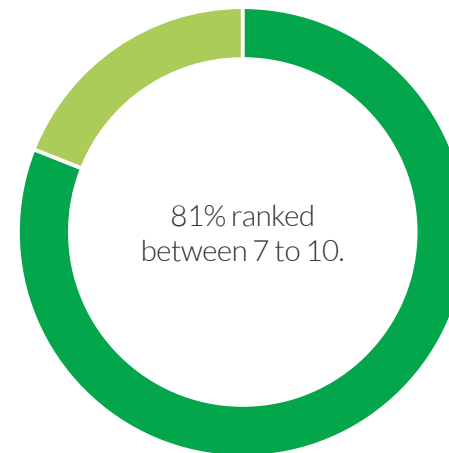
Agilitas says:

"With sustainability measures becoming more prominent in the technology channel and accelerating at a rapid pace, consumers and companies across the globe are now becoming even more conscious of the importance of Environmental, Social and Corporate Governance (ESG) practices.

"As climate, environment and diversity obstacles intensify, important changes need to be implemented. However, the rate of transformation is not yet in line with the scale required. Addressing these obstacles is important to business' interests – and ultimately an organisations' long-term success relies on a prosperous global society to trade with and a healthy planet for all. Future-proofed companies will be those who decide to assume a sustainable transformation.

"A 2021 study shows that 76% of consumers will terminate their relationship with a company that treats the environment, their employees or the community in which they operate poorly. Companies that are reluctant to evolve will be likely to become irrelevant – as products and services will have less of an influence than the organisation's ESG-processes and reputational impact."

This was followed by how confident those in the industry are that sustainability is encouraging businesses to have more eco-friendly supply chains. This saw optimism in **80%** of respondents who ranked between 7 to 10. Of this number, **10%** scored the maximum 10.

80%
ranked between
7 to 10.
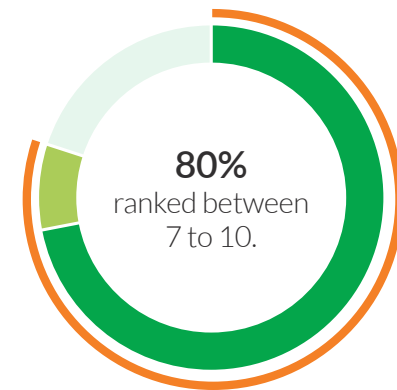
While we've reported that Channel businesses are all at different stages of their sustainability journeys, what is encouraging is that 98.4% of businesses are currently doing something within their organisations in regards to improving their impact on the planet.

Extensive implications of ESG now require businesses to take a considered approach when evaluating their efforts and implementing change in the right areas, without creating unmanageable disruption for their teams and operations. Positively, channel leaders indicated that much of this work is already underway.
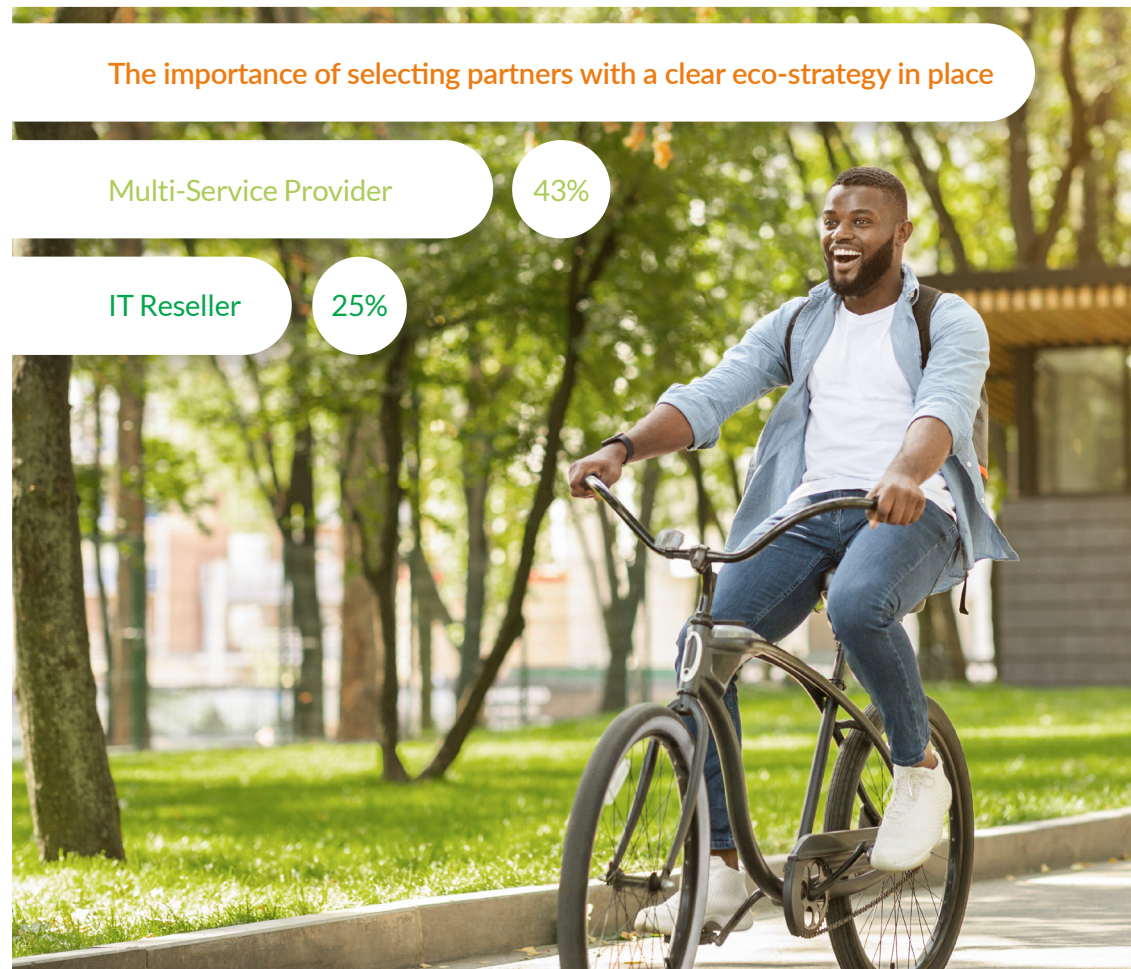
When answering the statement, 'we are proactively evaluating our sustainable/ESG efforts across our business', confidence levels came in at a mean score of 7.8, with many channel businesses taking action to improve their own environmental sustainability. We asked Technology Channel decision-makers to identify the areas where they are implementing change to measure their sustainability commitments:

Looking into energy efficiency opportunities	**41.2%**	
Encouraging remote working	**38.4%**	
Educating employees on how they can contribute	**35.6%**	
Encouraging carpooling and cycle to work schemes	**34.4%**	
Committing % of revenue to environmental schemes and charities	**34.4%**	
Reducing carbon emissions across your operation	**34.0%**	
Eliminating waste and increase recycling initiatives	**34.0%**	
Creating a robust recycling programme	**33.6%**	
Only selecting partners who have a clear eco policy	**27.6%**	

1.6% said "My company is not taking any measures to act with impact and purpose to create a more sustainable future in the next 12 months".

Interestingly, industry sectors were focusing on different strategies when it came to sustainability. For example, MSPs were much more likely to be selecting partners who have a clear eco policy (43%) compared to IT resellers (25%), with the latter focusing on more employee based strategies such as carpooling, cycle to work schemes and recycling.

The importance of selecting partners with a clear eco-strategy in place

Multi-Service Provider   43%

IT Reseller   25%

Encouraging remote working was much more likely to be adopted by smaller companies, especially the 50-99 employees bracket with larger firms focused on finding energy efficient opportunities.

MEASURE SUSTAINABILITY COMMITMENTS

When it comes to the frequency of measuring sustainability efforts, our research found that nearly 2% of respondents answered 'not at all' when asked how often they measure sustainability targets, and less than 1% stated that their business has no sustainability targets in place. Full responses were recorded as follows:

Not at all: **1.6%**

More often than quarterly: **13.6%**
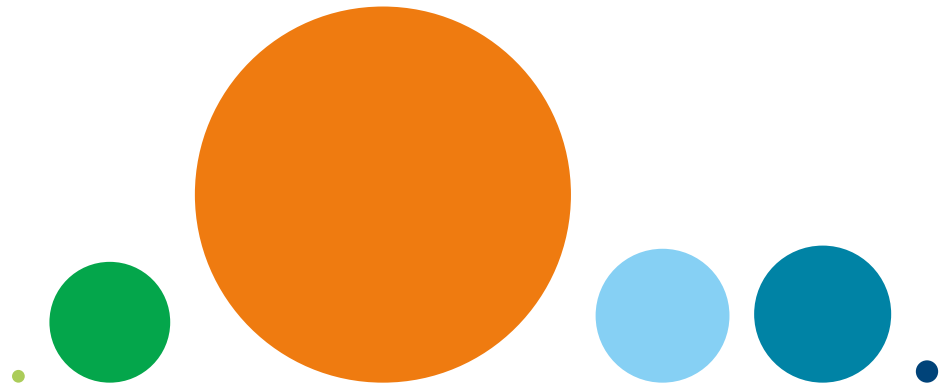
Quarterly: **47.2%**

Less often than quarterly: **16.8%**

Annually: **17.2%**

Less often than annually: **2.8%**

0.4% of respondents did not have sustainability targets in place to measure, 0.4% also chose not to measure their sustainability targets.

It has been interesting to see how the size of the business has impacted the results, with the majority of those with more than 100 employees and those with less than 50 members of staff stating they measure their efforts quarterly. This was particularly high in the smaller companies, with 67% taking part in quarterly reviews.

However, the results differed for the companies with 50 to 100 employees, with 50% revealing that they only engage in annual reviews. In this group, quarterly measurements were only carried out by 21% of those asked, 20% lower than those in the 100 to 249 employee bracket.

50% only engage in annual reviews

21% carried out quarterly measurements

Industry sectors were also taken into consideration, with 59% of MSPs scoring 8 or higher in terms of optimism for the future of sustainability and ESG within their sectors. This was even higher for VARs, who came in at 71% at 8 or higher for their confidence in ongoing proactivity.

59% of MSPs scoring 8 or higher

71% of MSPs scoring 8 or higher

Agilitas says:

"According to its 2022 figures, approximately 750 multinational enterprises, representing over 47,000 procurement and sustainability professionals, have selected EcoVadis to assess and monitor their global supplier base or selected business partners. To date, the EcoVadis database counts over 90,000 rated companies in 175 countries and 200 industries.

"EcoVadis provides businesses with a benchmark of their peers and appoints the strengths as well as possible points of improvement in management cycles. With its users on the rise, it is likely that its name will help organisations attract more collaborations with partners, something we will explore further in our dedicated partners report."

Companies around the world are also actively tracking against the official list of SDG Contributions. The SDG (Sustainable Development Goals) was created by the United Nations in 2015 and comprises 17 goals and 169 actionable targets to end poverty, fight inequality and injustice, and tackle climate change by 2030. These include:

SDG 4:	Quality Education
SDG 5:	Gender Equality
SDG 8:	Decent Work and Economic Growth
SDG 9:	Industry Innovation and Infrastructure
SDG 13:	Climate Action
SDG 16:	Peace, Justice, and Strong Institutions

These goals operate alongside the likes of the ISO14001 standard, that sets out the requirements for an environmental management system and minimising scope emissions. Split into three stages, these are recognised as:

Scope 1:	**Direct emissions from owned or controlled sources.**
Scope 2:	**Indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed.**
Scope 3:	**All other indirect emissions in a company's value chain.**

Companies have been reporting on their finances for years and disclosing sustainability efforts should be very similar. Starting with gas, electricity and transport, this can be built on to working with suppliers and partners to set targets and implement initiatives. This collaboration helps to improve the environment, local communities and supply chain working arrangements as a whole.

A GLOBALOCAL MINDSET

Globalocal is another newly explored area in this year's Technology Channel Confidence Index. The term 'globalocal' is defined by Agilitas within this research as 'building local supply chains and ecosystems across global markets'. Taking this approach will have a significant impact on reducing carbon emissions around the likes of technology production and logistics.

It is clear that a global approach will remain a permanent fixture for the Technology Channel in years to come. However, the increasing pressures on the manufacturing and production of technology hardware is adding a critical new dimension to how supply chains will evolve in the future.

How important is Globalocal to your business?
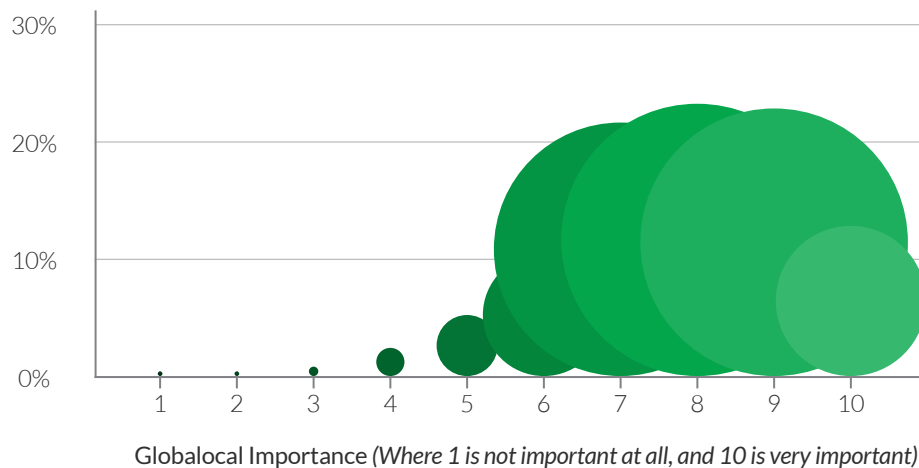
This was reflected in our responses, with only 4% of respondents placing the building of local supply chains and ecosystems lower than 5 out of a possible 10 for optimism. This reveals the IT Channel's overall confidence for a future of globalocal working, with 91% of respondents scoring 7 or above for importance.

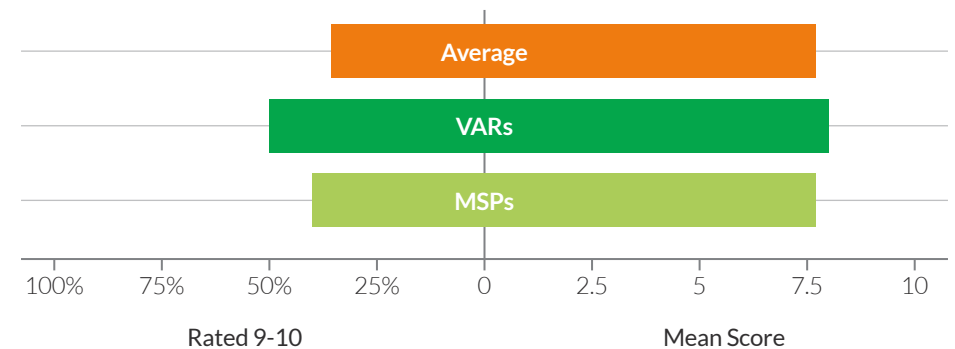**4%** placing the building of local supply chains below 5 out of 10

91% scoring 7 or above for overall confidence for a future of globalocal

In our findings, there was variation in the results depending on company size with larger companies placing much greater importance on globalocal supply chains than those with less than 100 employees.

Encouraging to see is that both MSPs and VARs rate globalocal as important with a huge 50% of VARs scoring 9 or 10.

Globalocal Importance *(Where 1 is not important at all, and 10 is very important)*

Average		
VARs		
MSPs		

100% 75% 50% 25% 0 2.5 5 7.5 10

Rated 9-10   Mean Score

Agilitas says:

"With VARs heavily dependent on their supply chain due to a focus on product sales, these findings are not surprising. It will be interesting to see how they evolve their ecosystem of partners to ensure they are not solely reliant on the traditional vendor or distributor route to market.

"VARs and MSPs have also built out much more capable partner networks over recent years as they aim to adapt to a more as-a-service annuity-based model.

"As we move forwards, developing a more sustainable ecosystem of partners who can report on their scope 3 emissions is only going to become more important, just as ISO and other best practice accreditations have done previously."

With this in mind, many businesses are also opting to partner with like-minded companies who share the same sustainability goals.

82% of those surveyed said they would opt for partners they align with.

Channel firms are no longer waiting for the vendors to make the first move, with more companies now taking ownership themselves and building their own localised eco-systems through increased partner-to-partner collaboration.

Agilitas says:

"Channel partners can provide support to both MSPs and VARs in their goals to be able to build more globalocal supply chains – i.e. Choosing partners with established FSL networks, local language support, removing the cost of engineer travel by having local engineers.

"As a result, we are seeing an emergence of globalocal supply chains whereby businesses create local ecosystems or hubs around the world and use them to operate faster and more effectively on a global scale."

How has past and current pressures affected the IT industry?

The last two years have also created huge problems for technology vendors and suppliers in all corners of the world through the global microchip shortage. This disruption has caused drastic delays in hardware production rates amidst growing demand, forcing many companies to look 'closer to home' to remain productive.

Despite a big push to Cloud computing, which has seen the rise of the public cloud and data centres, there is likely to be more pressure put on data centres to demonstrate their sustainability credentials. It has been highlighted that these sites use huge amounts of power and water to remain operational, with Microsoft's facilities using 84 million litres of water in 2021 despite previously promising a much lower figure.

While this is not the whole story, these shocking figures could see a rise in more private Cloud infrastructure that is more localised to the consumer, with the market estimated to reach a value of...

$205.4
Billion by 2025.

The two years of COVID-19 have accelerated the need to implement more efficient and effective strategies that also benefit the environment, as measures can't always be put in place overnight. Switching suppliers can be time consuming, so when asked how long they believed it would take IT Channel businesses to build successful 'globalocal' supply chains and ecosystems, top timeframes included:

6 to 12 Months - 28%

1 to 2 Years - 32%

2 to 5 Years - 22%

With that said, many channel leaders are already assessing the most important elements that will make building effective and successful globalocal supply chains possible. As with many modern businesses changes, navigating this adjustment will require a blend of the right technology, skills and regulation through the likes of:

Digital Transformation - 33.6%

Data Analytics - 30.4%

Staff Training and Personal Development - 28%

Automation and Optimisation - 24.8%

Fit-for-Purpose Trade Agreements - 24.4%

INDUSTRY *Voice*

boxxe | making technology *human*

Hazel Sagar
Chief Finance Officer at boxxe

Agilitas is proud to be building partnerships all over the country with companies that are looking to accelerate their ambitious growth plans and improve sustainability within their organisations in order to meet climate change goals. One of these collaborations is with IT solutions provider, boxxe.

We asked Hazel Sagar, Chief Finance Officer at boxxe what sustainability means to them and how the company has advanced its efforts, overcome challenges and the relationships and advice it has taken on board along the way.

boxxe says:

"In the last two years, boxxe has become more targeted in our efforts around sustainability. We have established what sustainability means to us as a business and we were keen to ensure that everyone in boxxe is taking responsibility for sustainability and understands the impact of their actions. We have also revisited how we are going to measure our impact, and where we should focus our efforts to maximise returns and reduce our impact on the environment.

"Part of the journey has been to establish our carbon footprint and set reduction targets, so we have clearly defined goals to measure the effectiveness of our efforts. We have introduced a series of carbon reduction initiatives including a work from anywhere policy to reduce emissions from commuting and business travel, switching to renewable energy sources, installing EV charging points and using low emissions vehicles to transport and distribute our products.

"Through these efforts, we have managed to reduce our emissions by 117 tCO2e, a 23% reduction against our 2019 baseline, something that we are very proud of."

What has boxxe done, and what is its sustainability strategy?

In addition to this, last year boxxe invested in the first physically backed Carbon Exchange-Traded Commodity (ETC) to offset its emissions. The ETC makes EU Carbon Allowances (EUAs) more accessible and, once held, prevents highly polluting companies from accessing those credits to pollute.

Through its holding in this carbon allowance scheme, boxxe has removed 4,761 tCO2, which is over 10 times the emissions created directly from its operations. The business is committed to continuing to reduce its emissions, and by 2030 aims to be Net Zero across its entire business from supply chain to products.

One of boxxe's key sustainability focuses for 2022 is to ensure that its partners strategy is aligned with its carbon reduction strategy so it can offer collective support in reaching Net Zero goals. Agilitas and boxxe face the same sustainability challenges, and their strong partner relationships allow them to understand how the businesses impact each other. By sharing experiences and successes, we can work together more effectively to effect the change needed to make the industry more sustainable.

The start of the sustainability journey is overwhelming, with the volume of information and areas that you could impact becoming a daunting prospect. By speaking to partners, suppliers or competitors who are further ahead in their journey and establishing connections in their sustainability or environmental teams, you can benefit from their experiences. Engage early with teams, share ideas and take them on the sustainability journey with you.

boxxe found that developing a simple sustainability plan allowed it to prioritise the areas where it could make an impact quickly and establish the key focus areas for the next 12 months based on the greatest return. Setting targets is also important in order to measure the impact of your actions in order to celebrate successes.

boxxe says:

"One of the biggest challenges we have faced was the initial data gathering exercise to establish our carbon footprint for the first time. It's an important exercise and obtaining good quality data allows you to set a good baseline for your business and for you to see where you are impacting the environment most within your operations.

"It also helps to set out the key strategies of your carbon reduction plan. After the initial data gathering exercise, we moved to monthly and quarterly data collections which are easier to manage. A key area of development for boxxe in 2022 is how we can effectively gather data from our external stakeholders and improve the level of detail provided, and we are looking forward to working closely with our partners and suppliers in this area."

LOOKING FORWARD

When it came to looking at the Channel as a whole, those asked thought the industry would be able to create a better, more sustainable future through impactful actions and initiatives. This was evident in a generally optimistic feeling with over 80% of respondents scoring 7 or above. Independent software providers were a little more pessimistic than average with only 58% scoring the higher ratings.
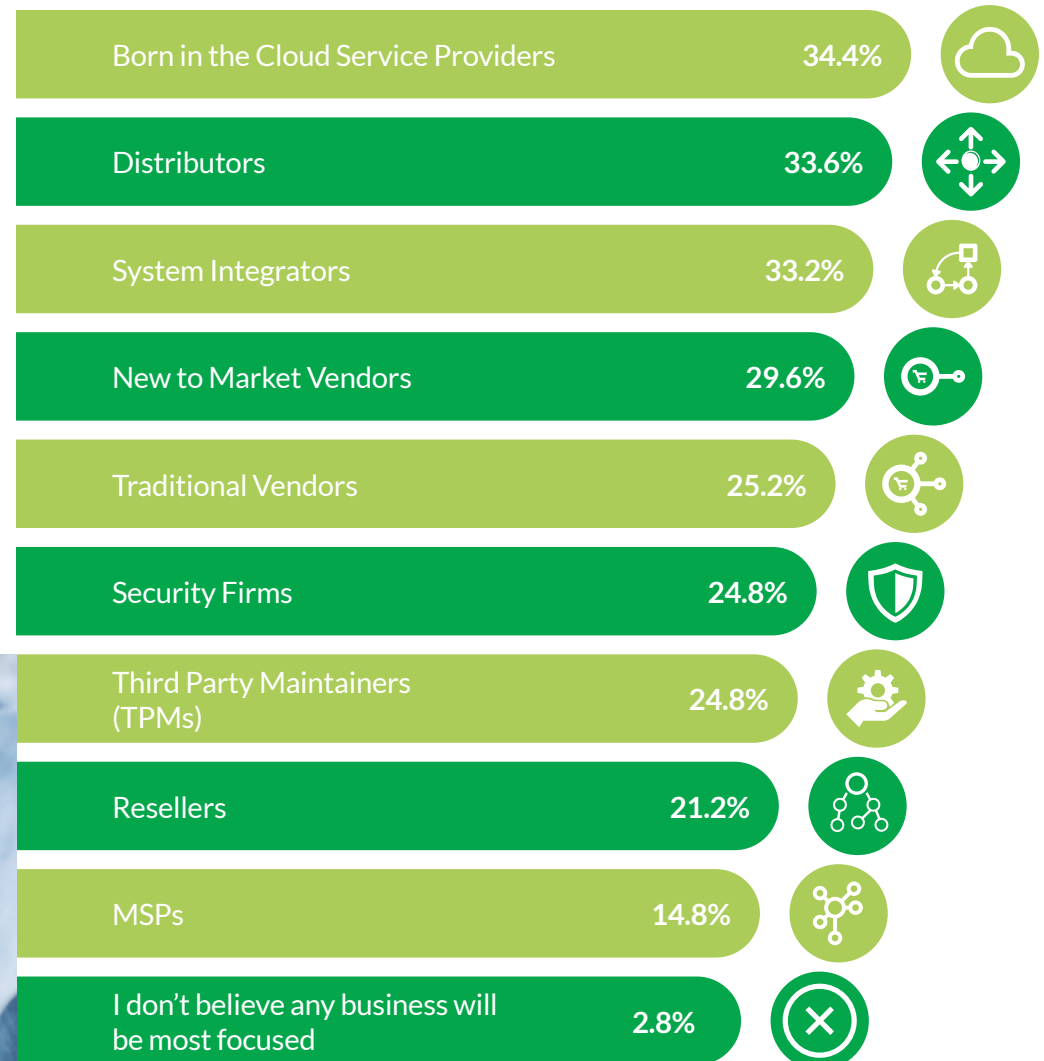
80% of respondents scored 7 or more

58% of ISPs scored 7 or more

There were big differences in opinion when it came to who would be most focused on sustainability in the year ahead. Whilst MSPs agreed with the majority that Born in the Cloud service providers would lead the way (48%), IT resellers felt that System Integrators would be driving the change (50%) with Independent Software Providers backing Distributors to have sustainability as their focus (42%).

Which IT Channel businesses do you believe will be most focused on creating a sustainable future over the next 12 months?

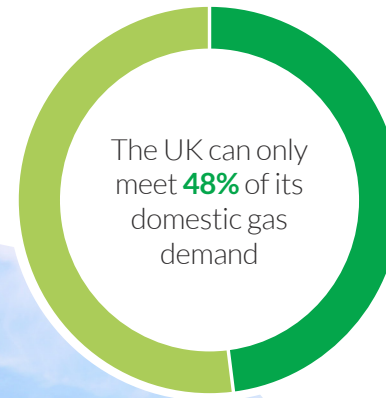| Business	%
Born in the Cloud Service Providers	34.4%
Distributors	33.6%
System Integrators	33.2%
New to Market Vendors	29.6%
Traditional Vendors	25.2%
Security Firms	24.8%
Third Party Maintainers (TPMs)	24.8%
Resellers	21.2%
MSPs	14.8%
I don't believe any business will be most focused	2.8%

FIT FOR PURPOSE?

Defining a company's purpose and communicating it to team members, customers and partners is an important exercise, as businesses increasingly look to work with others who share the same values and ethos about the future of the planet. As part of this report, purpose is defined as 'acting with impact through eco-friendly processes to create a better, more sustainable future'.

To understand the state of purpose, we asked respondents to rate how confident they feel about the Technology Channel's ability to achieve this in the next 12 months. In response, 46% stated that they valued purpose and profit in equal measure. This resulted in an impressive 7.9 out of 10.

Despite massive strides in our journey to Net Zero, external factors have created challenges which have caused efforts to be paused or in some efforts even reversed. More recently, we have seen the ban on fracking revoked in line with soaring oil and gas prices.

However, fracking will not ease the UK's energy crisis or bring down heating bills, but it will imperil climate targets, say scientists and economists. It was halted in the UK in 2019 amid opposition from green

The UK can only meet **48%** of its domestic gas demand

15% said budget restraints may lead to choosing less sustainable options

groups and local concerns over earth tremors, but there had been calls to rethink its use, given the soaring cost of energy.

Currently, the UK can only meet 48% of its gas demand from domestic supplies (this would be 54% if it did not export any gas), and due to the cost of living, half of the people are already spending less on goods and services. Of these, 15% said they were concerned that budget constraints would force them to choose less sustainable options.
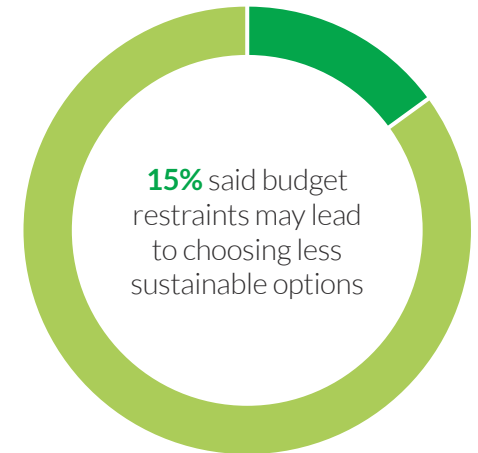
Interestingly, a large portion of 2,000 surveyed UK adults (64%) were more concerned about the long term environmental impact than their short term financial situation. This was followed by expecting more from the companies they associate with in terms of their ESG efforts and using a more local supply chain.

CONCLUSION

While the EVOLVE era may look and feel slightly different, our focus on providing actionable market insight remains the same. Over the coming months, you can expect a series of reports which will continue to map out the course of progress across the Technology Channel in the areas of People, Planet and Partners.

Throughout this report, we have reviewed the strides made in the Channel's sustainability efforts in order to make objectives a reality following the pandemic. Diving deeper into the findings, it has been evident that confidence has remained high but did vary across companies of different sizes and those in wider job roles.

However, as expected, huge problems have occurred for technology vendors and suppliers in all corners of the world through the global microchip shortage, meaning the switch to more local supply chains has become more important than ever.

Purpose has also come to the fore, with businesses increasingly looking to work with others who share the same values and ethos about the future of the planet. Acting with impact has become more difficult as eco-friendly processes to create a better, more sustainable future have been impeded by external factors which have caused efforts to be paused or in some efforts even reversed. As we move forward, it will be the people who have the power to continue to make an impact, even in the face of ongoing challenges and obstacles.

In our next report, 'EVOLVE For The People', we will explore how to withstand change and ensure channel leaders continue to find new ways to strongarm their businesses by using their biggest assets, their people. This will include supporting and empowering employees, taking advantage of the skills an outside source can offer and how collaboration is key to being resilient in the sector.

Stay tuned in to our website and social media channels, following the #ChannelConfidenceIndex #EvolvewithAgilitas hashtag for further news, views and insights from across the UK IT channel.

EVOLVE

THE CHANGING CHANNEL