

Environmental impact has considerable weight in enterprise IT spending decisions – Highlights from **VotE: Digital Pulse**

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Publication date: Wednesday, August 24 2022

Introduction

Sustainability and the broader notion of environmental impact are becoming key factors in how many organizations evaluate, purchase and use technology. These trends are reflected in the responses to 451 Research's Voice of the Enterprise: Digital Pulse, Environmental Impact 2022 survey.

Fielded from May 24 through July 8, 2022, with a panel of approximately 575 IT decision-makers, this survey focuses on the environmental objectives of participating organizations and how they apply environmental priorities to technology purchasing decisions.

The Take

Commitment to sustainability and reduction of environmental footprint have become critical aspects of how organizations are evaluated by public and private investors, by lenders, and increasingly by current or prospective customers. While these factors undoubtedly weigh heavily in sustainability programs, organizations are also motivated by the desire to exhibit good corporate citizenship. In the specific context of IT, efficiency achieved by efforts to reduce footprint is likely to lead directly to cost savings.

In many cases, organizations are also nudged toward sustainability efforts by tools, programs, and baked-in sustainability benefits of infrastructure and public cloud vendors — it would be difficult

(and enormously counterproductive) to operate an IT environment without realizing some efficiency benefits over time due to upstream efforts. However, targeted sustainability efforts are the norm. Most organizations say they have, or are developing, formal targets for reducing environmental impact.

Summary of Findings

Organizational plans to reduce environmental impact are common, but not universal. Less than half (41%) of organizations surveyed have formal targets in place to reduce environmental impact, while another quarter (24%) say such targets are in development or planning. Organizations most likely to have targets in place include those in the finance (54%), manufacturing (53%) and government/education (51%) sectors; businesses with more than \$1 billion in revenue (55%); and companies actively engaged in digital transformation efforts (52%). Among those with formal plans, 44% have a target date to reach net-zero carbon emissions, while 39% have a net-zero emissions goal but no target date.

The potential environmental impact of a technology is an important factor in IT purchasing decisions. A significant portion of respondents indicate that the environmental impact of potential technology purchases is somewhat important (29%) or very important (47%) to their organization's decisions. The proportion that believes it is very important is higher among organizations in the finance (67%) and software and IT services (58%) sectors, as well as digital transformation leaders (58%).

Many organizations' environmental objectives are influenced by customer expectations. A significant majority of respondents say their customers consider their progress toward environmental objectives either somewhat important (33%) or very important (43%). Responses of "very important" are more common among businesses in the finance (54%), manufacturing (50%), and software and IT services (50%) markets, as well as digital transformation leaders (54%).

Many organizations would pay more for more efficient technology products and services. This willingness is likely driven by the rising cost of power and the total-cost-of-ownership benefits of efficiency alongside purely environmental objectives. More than three-quarters of organizations surveyed (79%) say they would pay some degree of premium for products or services with a reduced environmental impact, with more than one-third (35%) saying they would pay a "high" premium. Willingness to pay a high premium is much stronger among respondents in senior management (53%) compared with IT/engineering managers and staff (16%).

Core IT infrastructure (41%) and public cloud services (36%) are the technologies most commonly viewed as contributing positively to environmental objectives. Pointing to some of the major operational shifts driven by COVID-19, workforce productivity and collaboration tools (36%) and customer experience and commerce tools (28%) had the next-largest impacts. Digital transformation leaders are more likely than average to identify analytics, data platforms and data science tools (35% versus a survey average of 27%) and AI and machine-learning tools (34% versus 27%) as contributing to their environmental efforts.

The relative environmental weight of IT operations is a major factor in how an organization views its impact. Nearly half of the organizations surveyed indicate their IT operations account for most (25%) or all (19%) of their environmental impact. Organizations whose IT contributes all of their environmental impact are far more likely to have a formal target for reducing impact (75% versus the average of 41%), to consider that impact "very important" to technology decisions (82% versus 47%), to express willingness to pay a high premium for products with a reduced impact (78% versus 35%) and to expect vendors to provide tools for tracking that impact (92% versus 66%).