Perspective

Czech Public Sector Survey: Security No. 1 Priority, Cloud Development Stalled

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IN THIS PERSPECTIVE

This IDC Perspective comments on the results of the March-April 2016 survey of participants in the Czech Republic's biggest public sector ICT conference, *Internet ve statni sprave a samosprave* (ISSS). The survey focused on two main topics: security and cloud. This paper puts the results of the survey into the context of Czech public sector ICT, and examines the main findings.

ISSS Conference

ISSS is the Czech Republic's main public sector ICT event; IDC participates in it as an analytical partner. The 2016 ISSS focused mainly on security and the new European Union Regulation 910/2014 on electronic identification and trust services for electronic transactions in the internal market (eIDAS). IDC consequently decided to align its questionnaire with this main topic, while retaining certain questions about cloud from the 2015 survey. The purpose of retaining the cloud questions was to assess the dynamics of the Czech cloud market and offer an insight as to how perceptions of cloud have changed in a year. IDC also provides an overview of the sector in general, showing stakeholders' priorities and a budgetary overview. The cloud and general overview questions were exactly the same in 2016 as in the previous year, so that the years could be compared and the differences analyzed.

Although the survey results have to be taken with a grain of salt, as they represent only the attendees of the ISSS conference and not an unbiased sample of Czech government stakeholders, the relatively large number of respondents (N=123) offers a solid insight into the mind of stakeholders in Czech public sector ICT.

Public Sector ICT Priorities and Budgetary Outlook

Table 1 offers a view of the reported priorities, and its message is clear: Security worries continue to reign supreme in the priorities of the individuals surveyed. Front-end services for citizens took second place in both years, but the importance of these services declined notably over the course of one year. This decline is likely to have been caused by external factors (the new cybersecurity law and EU directives) that force stakeholders to focus their attention elsewhere. This attention shift is reflected in the fact that regulatory compliance was regarded as more important in 2016 than in 2015.

TABLE 1

IT Priorities

Q. What are the top three IT priorities in your organization for (2015) 2016?

Priorities	2015	2016
Internal IT user efficiency	23%	14%
Aligning IT with organizational strategy	24%	17%
Procurement efficiency	15%	12%
Human resource management	9%	5%
IT organization responsiveness	14%	10%
Citizen service enhancements	38%	29%
Internal service productivity/efficiency	19%	18%
Green IT (carbon footprint and recycling)	not present	1%
Reducing costs	27%	18%
Data retention	21%	20%
Regulatory compliance	17%	26%
Collaboration across government institutions	15%	19%
Process automation	17%	18%
Outsourcing IT services	3%	4%
Security of information and systems	42%	54%
Improving quality of skills of internal IT departments	6%	10%
Digitization	not present	12%
Other; please specify	3%	2%
Count	N=117	N=123

Source: IDC 2015, 2016

The budgetary outlook of most of the surveyed organizations had improved year on year in 2016. IT budgets are much more likely to increase than to decrease in 2016, whereas in 2015, increase and decrease were equally probable. This change may reflect the end of the period of fiscal tightening in the public sector, as well as new demands for regulatory compliance in security and demand for the rollout of new services. Table 2 gives an overview of the budgetary outlook for 2016 and a comparison with the 2015 outlook.

TABLE 2

Budgetary Outlook

Q. In comparison with last year, how will your IT budget change?

IT budget size	2015	2016
Increase considerably (10% or more)	3%	7%
Increase slightly (2–10%)	22%	28%
Stay the same	50%	53%
Decrease slightly (2–10%)	23%	11%
Decrease considerably (10% or more)	2%	2%
	N=117	N=123

Source: IDC 2015, 2016

Cloud

A comparison of the 2015 and 2016 survey results shows little change in cloud adoption in the Czech public sector, pointing to a lack of development in this sector. The majority of budgets will be spent on traditional IT, the share of which in overall spending even increased slightly from 2015 to 2016. However, the difference is relatively small and may be attributed to the fact that different members of the surveyed organizations formed the pool of respondents in 2016. That said, the results still show that cloud adoption rates have stalled, and that most public sector organizations do not invest in cloud at all.

TABLE 3

Share of ICT Spending on Cloud

Q. What percentage of your organization's current total annual IT budget will, in your estimation, be allocated to each of the following areas?

Area	Value	2015	2016
Traditional IT	Mean	79.7	82.7
	Median	90.0	90.0
	Minimum	0.0	0.0
	Maximum	100.0	100.0
	Count	N=117	N=123
Public cloud	Mean	7.7	7.8
	Median	0.0	0.0
	Minimum	0.0	0.0
	Maximum	70.0	60.0
	Count	N=117	N=123
Private cloud	Mean	10.3	9.6
	Median	0.0	0.0
	Minimum	0.0	0.0
	Maximum	80.0	100.0
	Count	N=117	N=123

Source: IDC 2015, 2016

These still-very-low adoption rates raise the following questions: What are the key reasons public sector organizations are reluctant to subscribe even to private cloud? Will these reasons change over time? Table 4 offers some answers.

TABLE 4

Common Concerns in Cloud Adoption

Q. What are your main fears of using government-run, private cloud?

Concerns	2015	2016
Security concerns	47%	41%
Excessive costs not justifying the benefits	34%	37%
Lack of current IT staff skills in using cloud-based solutions	15%	18%
Lock-in to solutions that may not match our needs	48%	41%
Loss of control over our own IT budget	10%	11%
Difficult to justify potential increase in operational budget	5%	10%
Loss of control over IT plans	10%	7%
Things will move too slowly (excess bureaucracy)	40%	36%
Technical support will not be good enough	21%	15%
Documentation and wikis will be underdeveloped	5%	8%
Breach of data confidentiality by government provider	22%	20%
Cloud outages or network failures	31%	20%
Other; please specify	2%	2%
Count	N=117	N=123

Source: IDC 2015, 2016

Security concerns still top the list. Clearly, public sector officials are not yet persuaded that cloud solutions are as secure as traditional in-house solutions. However, the trajectory is positive; 41% of the respondents cited security as the main concern in 2016, compared with 47% in 2015. The worry of vendor lock-in is also at the top of the list; quite understandably, as lock-in situations are relatively common in the Czech government sector, and many officials are very worried about the excessive power a cloud provider would wield in a customer-provider relationship. The customer is extremely dependent on the cloud provider, as cloud inaccessibility can result in a lack of functioning of key systems. This differs from the traditional model, in which the provider of any particular service does not influence the functioning of all systems.

The notable decrease in concerns of cloud outages and network failures bodes well for cloud adoption. Clearly, public sector officials are beginning to believe that the current infrastructure is sufficient to support cloud solutions.

IT Security

The third focus area of the survey was security. As seen above, security clearly interests public policy stakeholders a great deal. Therefore, the survey aimed at answering two questions: What are people worried about the most? What drives security spending in the Czech public sector? Tables 5 and 6 provide answers; topping the list of perceived threats are employee-related threats, malware, and hacking.

Not surprisingly (given the answers to the questions above on the main priorities), the biggest spending drivers are related to compliance with the Czech Cybersecurity Act and other regulations. Mobile and cloud solutions are not yet major spending drivers, although they may increase the security perimeter considerably. Security investments in mobile and cloud solutions in the public sector remain low due to the lack of penetration of said solutions, rather than (for example) a low number of security threats.

TABLE 5

Main Threats

Q. *Which threats (up to three) do you consider as posing the greatest danger to your organization's network, data, and Internet security?*

Threat	2016
Unintentional data leakage/loss by employees	53%
Malware	24%
External hacking	41%
Employee sabotage	32%
Bring your own device (BYOD) and remote access points	10%
Distributed denial of service (DDoS) attack	19%
Shadow IT systems and solutions	16%
Unwanted reconfiguration	4%
External social networks	23%
Spam	28%
Big data initiatives and management	3%
Cloud security breaches	11%
Enterprise social networks	2%
Other; please specify	2%
Count	N=123

Source: IDC 2016

TABLE 6

Main IT Security Spending Drivers

Q. *Which of the following factors (up to three) most drive security spending in your organization?*

Factor	2016
Cybersecurity Act	58%
Other regulation(s)	42%
Security audit result	35%
Security incidents	42%
Mobile computing — internally issued devices	16%
Mobile computing — BYOD and remote access points	15%
Cloud solutions — private cloud	7%
Cloud solutions — public cloud	14%
Other; please specify	1%
Count	N=123

Source: IDC Government Insights, 2016

Essential Guidance

The results of the survey show that cloud adoption remains low, while security spending is high, leading to very different market expectations for cloud and security vendors. Two main themes for both cloud and security emerged from the survey, which ICT vendors and stakeholders should note.

- **Cloud Security Fears Are Fading Slowly:** Security fears are still present, but in reality, cloud services are beginning to be used internationally precisely because of their security advantages. Vendors and policymakers alike should take note of Estonia's example, where cloud (both government-owned and commercial) is being adopted precisely because it helps the government to solve its security concerns.
- **The Administrative Burden Related to Cloud Adoption Should Be Addressed:** Apart from security, the biggest worries are the administrative burden (primarily the need to adhere to public procurement rules, which tend to be tedious and time-consuming) and vendor lock-in. Both challenges should be addressed through the new National Cloud Strategy, which should, to a large extent, mitigate bureaucratic procurement problems and offer contractual standards on preventing vendor lock-in. Vendors should expect cloud development in the public sector to take off only after the strategy has been approved and the related legislation has been passed.
- **Security Is Increasing in Importance:** The time for ICT security vendors has come. This is evident not only from the results of the survey, but also from the ongoing EU-funded Czech initiative specifically focused on public sector cybersecurity. Vendors with a strong offering in access management and authentication have reason to be especially optimistic, as the survey suggests that managing employee behavior and safeguarding against possible misconduct are the focus of attention.
- **Security Regulations Will Drive Public Sector Spending:** Regulatory compliance is the condition *sine qua non* for all public organizations. This is evident from the main drivers of ICT security spending. Aligning products with regulatory needs is key to success in the public sector. If you do not want to compete solely on price, you can win if your offering is specifically tailored to meet regulation-related needs, as most tender proceedings will involve criteria oriented toward finding a "best-fit" solution.

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Related Research

- *Perspective: CEE 2016 Government Outlook* (IDC #CEMA41048316, March 2016)
- *Public Procurement: How to Navigate in an "Anti-Corruption Drive" Environment* (IDC #CEMA40910016, December 2015)
- *Business Strategy: Weather Report: Clouds Are Forming Where Spending Is Low in the CEE Government Sector* (IDC #EGI09X, March 2015)
- *Survey: IT Security and Government in EU CEE* (IDC #CEMA21324, July 2014)

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