MARKET PERSPECTIVE

Czech Public Sector, 2018

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: Czech Public Sector Decision Maker Sentiments and Priorities

This IDC Market Perspective presents results from IDC's survey among participants of the Czech Republic's biggest public sector ICT conference, Internet in the Federal and Local Government (Internet ve statni sprave a samosprave, ISSS), held April 9–10, 2018, in Hradec Kralove.

Key Takeaways

- Positive IT investment sentiment in the Czech Republic is likely approaching the peak of the cycle. Now is the time to persuade ICT decision makers about new investments. The situation is not likely to continue improving indefinitely.
- Security remains, by far, the most important issue for public sector IT decision makers. Its importance gains traction each year.
- Regulatory compliance is the main driver of security-related investments.

Recommended Actions

- Capitalize on the relative abundance of current IT budgets. Positive budget outlooks will not last forever.
- Do not ignore the security aspect, no matter what your value proposition. Czech public sector end users are increasingly concerned about security issues.
- Invest time and resources in presales education. The survey results suggest that, in some cases, end users lack sufficient information to make informed purchasing decisions.

Source: IDC, 2018

May 2018, IDC #CEMA42702118

NEW MARKET DEVELOPMENTS AND DYNAMICS

This IDC Market Perspective presents stakeholder opinions from a survey among participants of the Czech Republic's largest public sector ICT conference, Internet in Federal and Local Government (Internet ve statni sprave a samosprave, ISSS), held April 9–10, 2018, in Hradec Kralove.

IDC has conducted a survey at the conference since 2015. This has provided both an annual market snapshot and visibility of medium-term dynamics. This year's survey included the same questions asked in previous years, such as on public sector ICT priorities and budgetary outlooks. It also sought to gauge the temperature of newer topics, such as citizen payment channels.

ISSS Conference

IDC participates as an analytical partner at ISSS. The 2018 conference focused on trends in egovernment, cybersecurity, Smart Cities, and the financing of public sector IT initiatives.

The 2018 sample (NA = 183) was the biggest since IDC's survey began, in 2015. Its size and distribution across all levels of government makes it a valid insight into the minds of Czech public sector ICT decision makers. However, the survey results represent only the views of ISSS conference attendees and should not be regarded as a comprehensive view of all Czech government stakeholders.

Public Sector ICT Priorities and Budgetary Outlook

Table 1 provides an overview of the IT priorities of survey respondents. The importance of security continues to grow, indicating that decision makers are increasingly worried about the ramifications of data breaches.

The steady year-to-year gain in importance of regulatory compliance is likely linked to the need for public sector organizations to be fully compliant with the EU's General Data Protection Regulation (GDPR), which comes into effect on May 25, 2018. Organizations have also been investing to meet the obligations of the Czech Cyber Security Act.

Citizen services enhancements remain the second most important priority, reflecting continuing decision-maker awareness of this mission. Human resource management, meanwhile, has gained traction in 2018. The Czech Republic has very low unemployment rates, which can make it difficult for public sector organizations to recruit qualified candidates, a task further complicated by cumbersome law-mandated processes. As this issue is unlikely to disappear soon, IDC expects decision makers to realize that IT solutions can help streamline and optimize the task of recruiting qualified personnel.

TABLE 1

IT Priorities

Q. What are the top three IT priorities in your organization for 2018?

Priorities	2015	2016	2017	2018
Internal IT user efficiency	23%	14%	12%	9%
Aligning IT with organizational strategy	24%	17%	18%	21%
Procurement efficiency	15%	12%	10%	8%
Human resource management	9%	5%	8%	13%
IT organization responsiveness	14%	10%	13%	10%
Citizen service enhancements	38%	29%	44%	44%
Internal service productivity/efficiency	19%	18%	14%	12%
Green IT (carbon footprint and recycling)	NA	1%	1%	1%
Reducing costs	27%	18%	18%	17%
Data retention	21%	20%	18%	15%
Regulatory compliance	17%	26%	30%	33%
Collaboration across government institutions	15%	19%	24%	22%
Process automation	17%	18%	20%	17%
Outsourcing IT services	3%	4%	4%	2%
Security of information and systems	42%	54%	55%	70%
Improving quality of skills of internal IT departments	6%	10%	11%	10%
Other (please specify)	3%	2%	1%	2%
Sample size	N = 117	N = 123	N = 114	N = 174

Source: IDC, 2018

The overall investment mood among decision makers makes it clear that the period of austerity is over. Table 1 shows that cost-cutting has continued to decline as a priority. This point is reinforced by data presented in Table 2. The budgetary outlook for most survey participants appears to be better in 2018 than in 2017, with 48% of organizations expecting IT budgets to increase and only 18% expecting them to fall. This marks the third consecutive year of positive change in budgetary expectations, reflecting overall positive business and consumer sentiment in the Czech economy. IT investment sentiment is likely approaching a cyclical peak.

TABLE 2

Budgetary Outlook

Q. In comparison with last year, how has your IT budget changed for this year?

IT Budget Size	2015	2016	2017	2018
Increased considerably (>10%)	3%	7%	6%	13%
Increased slightly (2–10%)	22%	28%	38%	35%
Stayed the same	50%	53%	44%	44%
Decreased slightly (2–10%)	23%	11%	11%	6%
Decreased considerably (>10%)	2%	2%	2%	2%
Count	N = 117	N = 123	N = 114	N = 173

Source: IDC, 2018

Payment Options

IDC has recently examined a citizen-centric topic under discussion worldwide — namely, the payment options citizens have when interacting with all levels of government. For municipalities, card payment enablement is usually part of Smart City initiatives. For national and regional governments, these efforts usually constitute part of an egovernment focus.

TABLE 3

Card Payment Availability — Municipalities

Q. Can citizens to pay by card when interacting with your municipality or its subsidiaries?

Card Payment Option	2018
Yes, we enable them to pay while interacting with city hall, but not its subsidiaries.	51%
Yes, we enable them to pay while interacting with subsidiaries, but not city hall.	1%
Yes, we enable them to pay while interacting with both city hall and subsidiaries.	18%
No	30%
Count	N = 86

Source: IDC, 2018

Table 3 shows that Czech municipalities remain some distance from the universal adoption of card payment models. Most municipalities enable card payment options for dealing with city hall, but subsidiaries like police, museums, and schools usually do not have such capabilities. IDC's conversations with municipal officials across the Czech Republic have revealed that card payment options are quite common in Smart City initiatives.

TABLE 4

Card Payment Capability — National and Regional Governments

Q. Can citizens pay by card when interacting with your organization?

Card Payment Option	2018
Yes, we enable card payments.	20%
No, we do not enable card payments.	37%
Our organization does not process direct payments from citizens.	43%
Count	N = 97

Source: IDC, 2018

National and regional government organizations are often less advanced in terms of offering choice to citizens. National agencies and organizations that collect money from citizens usually do not enable card payments. It can be said that, generally, the higher the level of government is, the lower the likelihood is of card payment being an option. Municipalities are more likely to offer the option than regional governments, but regional governments are more likely to offer it than national agencies and organizations.

TABLE 5

Card Payments — Barriers to Adoption

Q. What are the biggest barriers to offering citizens the possibility of card payments?

Barriers to Adoption	2015
High costs for the organization	44%
Employees have difficulty operating the process	7%
Lack of interest from citizens	15%
Lack of knowledge about available solutions	23%
Difficulty complying with existing processes	19%
Insufficient institutional capacity to implement this solution	15%
Other (please specify)	15%
Count	N = 135

Source: IDC, 2018

Table 5 provides an overview of barriers to card payment adoption. The perceived cost of the move is the biggest inhibitor. The second most-cited obstacle, lack of knowledge about available solutions, suggests room exists for vendors to market solutions more effectively.

IT Security

For the third consecutive year, IDC's survey included questions related to ICT security. Table 6 shows that the threats posed by malware, particularly ransomware, are prominent in the concerns of decision makers. A sharp rise in concern about the threat posed by social networks may be due to international cases that have generated high media interest. The biggest perceived threat, however, has remained unchanged over the years: an unintentional misstep by an employee that results in data loss.

TABLE 6

Main Threats

Q. What are the biggest threats to your organization's network, data, and internet security?

Threat	2016	2017	2018
Unintentional data leakage/loss by employees	53%	55%	55%
Ransomware	24%	26%	32%
Other malware	-	-	13%
External hacking	41%	20%	31%
Employee sabotage	32%	39%	22%
Bring your own device and remote access points	10%	27%	8%
Distributed denial of service attack	19%	13%	14%
Shadow IT systems and solutions	16%	16%	15%
Unwanted reconfiguration	4%	8%	4%
External social networks	23%	6%	27%
Spam	28%	15%	16%
Big data initiatives and management	3%	27%	2%
Cloud security breaches	11%	2%	15%
Enterprise social networks	2%	21%	3%
Other	2%	2%	-
Count	N = 123	N = 114	N = 183

Source: IDC, 2018

Table 7 provides an overview of security spending drivers. The Czech Cyber Security Act, amended in 2017, remains the leading investment motivator. The need for compliance with other regulations has declined as a priority, suggesting that the wave of GDPR-related investment has already peaked, given that this EU regulation is due to come into force at the end of May 2018. Spending linked to security audits and security incidents remained steady, placing third and fourth, respectively. The need for regulatory compliance appears to be a long-term investment driver, with organizations' security practices being of secondary importance.

TABLE 7

Main IT Security Spending Drivers

Q. Which of the following drive security spending the most in your organization?

Concerns	2016	2017	2018
Cyber Security Act	58%	49%	53%
Other regulations	42%	55%	39%
Security audit results	35%	32%	36%
Security incidents	42%	46%	43%
Mobile computing — internally issued devices	16%	25%	18%
Mobile computing — Bring your own device and remote access points	15%	17%	11%
Cloud solutions — private cloud	7%	16%	7%
Cloud solutions — public cloud	14%	11%	13%
Other (please specify)	1%	4%	6%
Count	N = 123	N = 114	N = 183

Source: IDC, 2017

IDC'S POINT OF VIEW

This paper offers several takeaways for vendors seeking new opportunities in, or looking to enhance their relationships with, Czech public sector clients. Vendors should:

- **Redouble Short-Term Efforts:** ICT decision makers are reporting bigger budgets, and Czech investment sentiment is increasingly positive. Opportunities should be seized. This situation is unlikely to last indefinitely.
- **Focus More on Security:** The ever-growing importance of security is the "new normal." Vendors should focus on providing antimalware and access management solutions that counter unintentional data leakages.
- **Do Not Assume End-User Awareness**: Survey responses indicate that end-user decision makers often struggle to stay informed about what products are available. This suggests room exists to improve go-to-market strategies.

LEARN MORE

Related Research

- *Czech Public Sector Survey: Security No. 1 Priority, Cloud Development Stalled* (IDC #CEMA41307716, May 2016)

- *IDC FutureScape: Worldwide Federal and Central Government 2018 Predictions - CEE Implications* (IDC #CEMA42702218, January 2018)
- *Czech Public Sector 2017: Compliance Among Top Priorities, Cloud Slowly Takes Off* (IDC #CEMA42520417, May 2017)

Synopsis

This IDC Market Perspective presents stakeholder opinions from a survey among participants of the Czech Republic's largest public sector ICT conference, Internet in Federal and Local Government (Internet ve statni sprave a samosprave, ISSS), held April 9–10, 2018, in Hradec Kralove. Apart from gauging the temperature of some key topics, such as the new payment channels for citizens, the 2018 survey questions were the same as in previous years. This paper therefore provides not only a one-off snapshot of the market, but also information about the medium-term dynamics from 2015 onwards.

"As is evident from our survey results, investment sentiment is very positive at present, which makes knowing the priorities of decisionmakers in the Czech public sector crucial for all vendors focused on this market. This paper sheds some light on these priorities." – Senior Research Analyst Jan Alexa, IDC Government Insights, EMEA

About IDC

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