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Private

2023 Mid-market technology trends report

Convergence topples industry walls and powers growth ambitions for midsize private companies

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In Washington state, orchardists are testing a 14-foot-tall robot with mechanical arms that's capable of picking the ripest apples from the tree. The robotic picker might one day help alleviate human labor shortages for the painstaking agricultural work. Through this mode of automation, researchers see ways to create more sustainable systems in farming, to feed livestock, milk cows, or navigate greenhouses under human supervision.[1] This type of precision farming is possible because of the convergence between the high-tech industry and agriculture using technologies such as the Internet of Things, artificial intelligence (AI), robotics, and big data—allowing workers to optimize the growth, harvesting, and distribution of agricultural products.[2]

The rise of industry convergence—as well as the blurring of boundaries within sectors—is one of the key trends uncovered in this year's survey of private and family-owned companies. An analysis of this year's survey, our ninth assessment of the technology priorities, investments, and challenges facing America's middle market, offers a strong assessment that these companies are not only prioritizing technology investments that reduce time to value but also seeing value and innovating at a pace we haven't historically seen in prior surveys.

The leaders who participated in our survey represent predominantly privately held companies with annual revenue between $250 million and $1 billion. Many of these enterprises are seeking greater returns on their technology investments and appear to be stretching their innovation muscles: Seven out of ten respondents (70%) report that they have or are in the process of developing assets that can be leveraged and monetized outside of their own business for additional growth or expansion. Many of these companies appear to be seeking growth outside of their traditional sector boundaries or investing to help defend against other organizations encroaching into their sectors.

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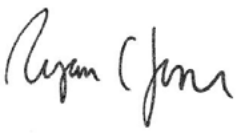

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Deloitte Consulting Private Equity leader, and Former Technology Sector leader

About the survey

Balancing act: Emerging opportunities and familiar challenges

Enterprises across this slice of the commercial landscape are seizing on the potential of AI to transform network operations, increase efficiencies, and improve customer service.

In addition to navigating increasingly blurred sector boundaries, mid-market companies are confronting headwinds affecting a broad swath of businesses, including evolving cyberthreats, changing talent configurations, and the impact of generative AI. Unlike prior surveys, this year's results suggest mid-market companies are doubling down on their technology investments—and proactively investing to stay ahead of these challenges. Many of their investment priorities over time appear to be paying off, with three in four respondents reporting they have high or very high confidence in their cybersecurity capabilities, for instance. From a human capital perspective, respondents indicated that they are prioritizing hiring based on skills versus degrees. Furthermore, company leaders say they are leveraging talent from their ecosystem partners and/or service providers.

To better understand what drives success more fully for these companies—and, in turn, their appetite for technology investments—we reviewed the survey results for companies that believe they have been most successful in achieving their tech objectives. Then, we tracked the respondents who anticipated achieving the highest return on investment (ROI) on their recent technology investments.

In these pages, we explore how private and family-owned companies continue to unleash their full potential for growth in an era where disruption happens in real time.

Survey methodology

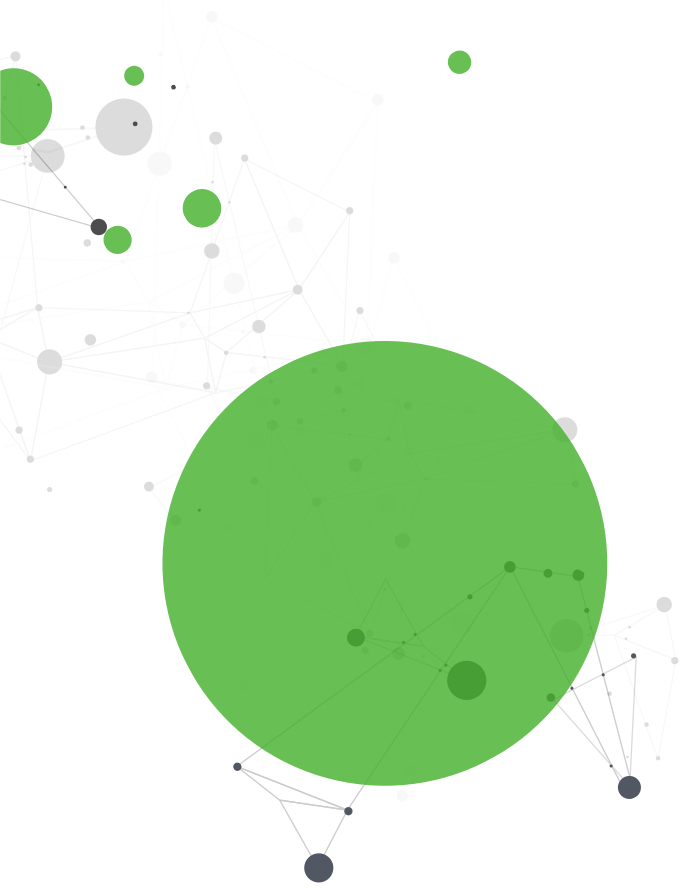
From May 4–24, 2023, a Deloitte survey of private and mid-market companies was conducted by a market research firm. The survey examined technology trends taking place in this market segment to determine the role that technology plays and how it influences business decisions. The 500 survey respondents represented companies with annual revenues ranging from $250 million to a little more than $1 billion. Firms with revenue between $250 million and $499.9 million in annual revenue comprised 10% of the sample; firms with at least $500 million to $749.9 million in annual revenue comprised 30% of the sample; firms between $750 and $1 billion in annual revenue comprised 30% of the sample; and firms more than $1 billion in annual revenue comprised 30% of the sample this year. Half of the respondents were C-suite executives, while the remainder were non-C-suite decision-makers. Eighty percent of the respondents represented companies that are privately held, while the rest were publicly traded firms. Among industries, 39% were from technology, media, and telecommunications companies; 22% were from financial services companies; 21% represented consumer and industrial products companies; and the remaining respondents were divided among energy and resources companies, and life sciences and health care (LSHC) companies. Some percentages in the charts throughout this report may not add up to 100% due to rounding or for questions where survey participants had the option to choose multiple responses.

Section 1: A foundation for growth

Investment, spending, and new opportunities

If budgets are reflections of a company's ambitions, private enterprises surveyed are conveying a strong desire to innovate at the edges. **This year's survey reveals that overall technology spending is at its highest level since 2019**, perhaps making up for lost ground during the pandemic. Further, of those businesses that reported spending more than 5% of their revenue on technology, 90% also reported an increase in their technology spending compared to last year.

The leading areas of technology investment span a range of business needs as companies adapt to new innovations. In our prior survey in 2021, just 12% of respondents predicted AI would have a significant impact on their business within a year. In the current survey, AI has leaped ahead of other technologies as 40% of respondents call it the top tech investment priority. For many of these organizations, AI can provide value in the automation of repetitive processes, working to create demonstrable value and savings for organizations.



Spotlight: How companies and industries are investing

In the health care industry, AI could streamline and automate the often costly and time-consuming process of appealing denied insurance claims. In 2021, more than 48 million claims were denied, representing about 17% of all claims. AI's ability to automate this resource-intensive process could potentially yield significant savings for hospitals and other health care providers while freeing workers to focus on higher-value tasks.[3]

Security, risk, and threat monitoring come in at a close second among the top targets for tech investment. Cloud infrastructure and customer resource management (CRM) investments round out the top four areas of investment over the past year.

This year's results also suggest how company ownership and industry can influence technology investment decisions. For instance, while just over a quarter of family-owned businesses (27%) say they invested in AI over the past year, around half of private equity-owned businesses (49%) say they have pursued the technology.

More than any other sector, respondents in the energy, resources, and industrial (ER&I) industry report a focus on metaverse technology. As a practical application, ER&I companies can tap the metaverse for virtual reality and augmented reality-enabled immersive employee training, and externally, for virtual storefronts to promote sustainable efforts.[4]

Calculating technology ROI

This year, we measured a range of factors to quantify more precisely how technology investments are translating into the ability to successfully achieve technology objectives. Several factors inform our analysis, including whether the quality of data is sufficient for the application of AI to the business; talent capabilities; the respondents' vendor and partner networks; and the ability to expand outside of the company's industry and sector. We used these inputs to assess ROI on tech investments as measured by revenue increases for these companies.

The businesses reporting the highest ROI on their tech objectives report being more than twice as likely to strongly agree that their data was sufficient for the application of AI. Respondents at the upper end of revenue growth report they are more likely to increase their technology spending by more than 20% compared to the previous year. Correspondingly, businesses at this end of the spectrum are almost one-and-a-half times more likely to have seen an increase in revenue of 20% or more.

Our assessment also reveals that a mature cyber posture can be a critical investment. Security, risk, and threat monitoring software—such as risk quantification tools that compare the costs, benefits, and ROI of cyber investments[5]—are the technology investments respondents ranked as most likely to have a high or very high return on investment. Meanwhile, AI was the technology investment that was most likely to have a very high ROI.

Evolving posture toward cyber risk

The leaders we surveyed this year appear to be seeing the results of a sustained and maturing focus on data security. Three in four respondents indicate high or very high confidence in their business's cybersecurity capabilities. Consider that in our 2018 survey, fewer than half of respondents (48%) said they had governance structures in place concerning information security threats.[6]

"Especially for companies with active AI initiatives, there's a growing level of confidence in these investments as the businesses harness, monetize, and generate revenue from selling data and tech-enabled services."

Khalid Kark, CIO research director, Deloitte LLP

Notably, respondents with active AI solutions are about two-and-a-half times as likely to have very high confidence in their cybersecurity capabilities compared to businesses not using or exploring AI at all (32% vs. 11%).

Still, relatively few C-suite executives appear to be comfortable with the state of their cybersecurity efforts (12% report very high confidence) compared to leaders outside of the C-suite (22%). This could suggest that technology leaders have been actively pushing for investments to meet the array of emerging threats because of their familiarity with the domain—and they are putting these solutions into action.

"Companies have matured across their cyber capabilities as they've outsourced the most complex parts of their cyber functions, added additional protections, and leveraged investments in cloud and other digital infrastructure," says Criss Bradbury, Markets, Offerings, and Alliances leader, Deloitte LLP. "As more organizations embrace AI, I expect even more urgency to embrace security, ensure compliance, and enable customer trust."

Talent strategy: A tech workforce revolution

Addressing the workforce crunch for jobs that require skills such as engineering and data science is another evergreen topic among private company technology executives. Compared to the prior 12 months, almost half of the respondents surveyed (49%) indicate no change in their ability to retain their top technology talent. Over a quarter of respondents report that it has been easier to retain key technology talent compared to the past 12 months.

Nonetheless, one-third of businesses at the lower range of our ROI measurement for tech investments say they are facing more difficulties in retaining their top tech talent compared to 12 months ago.

There is additional evidence that the nature of jobs is changing. Deloitte's *2023 Global Human Capital Trends* report describes an increase in the share of workers who say they already have switched, or are likely to switch, employment models throughout their careers—from full-time jobs to opportunities like freelancing and gig work.

The report also highlights a shift to skills-based organizations, with forward-thinking organizations altering their focus from jobs and job titles to acquiring specific skills.[7]

In our technology survey, almost a quarter of the respondents report the use of skill-based hiring versus degree-based hiring. Roughly the same share says they are using talent and skills from ecosystem partners and/or service providers as their approach to develop tech talent.

"It's critical for leaders to convene a broad ecosystem of partners who can help navigate the speed of change and the complexity that comes with converging technologies and industries," says Ryan Jones, Deloitte Consulting Private Equity leader, and Former Technology Sector leader.

While respondents in our survey express an interest in acquiring skills through external means, they appear to be pulling back dramatically in their own efforts to impart these skills to their teams. In our 2018 survey, 61% of respondents said that reskilling employees to realize the greatest benefit from technology was the top focus area for maintaining their workforce through technology. This year, just 19% say upskilling or retraining existing talent is their primary method to developing technology talent.

According to Jones: "Rapidly emerging technology and changing job roles have created a reliance on tech providers that have deep engineering skills."

Section 2: Industry convergence: Opportunities for growth and transformation

Crossing traditional business boundaries

With new technologies disrupting business models at every turn, convergence across industries seems inevitable. Whether it's investing in current capabilities, acquiring a leading-edge startup, or finding new uses for existing assets, private and family-owned companies have an array of approaches at their disposal to seek new opportunities as industry and sector lines converge.[8]

Perceptions about the competition make up just one part of the convergence story: In our survey, half of the total respondents (51%) see a high or very high threat to their current position in the marketplace from businesses outside of their sector.

The reality may be slightly different in practice, however. An industry-by-industry view shows that as companies simultaneously defend their turf, they see companies within the same sectors as the toughest threats. When asked which industries outside of their industry would pose a threat to their current position in the marketplace in the near future, respondents across most industries said those threats would arise from companies within their own sectors.

For instance, among respondents from consumer products companies, financial services firms, and TMT companies, respondents reported that adjacent businesses within those industries pose the biggest threats in the near future.

Nonetheless, respondents are overwhelmingly confident that they have the tools in place to move into adjacent industries. More than two-thirds of respondents (70%) believe their business has an asset that could potentially be monetized outside of their sector. Among respondents reporting the highest ROI on their tech investments, the share jumps to 81% with an asset ready for an adjacent market.

Manifesting ambitions

As we noted in our analysis of tech investment priorities, technology spending often telegraphs strategic plans and how companies intend to sustain their growth ambitions: Almost a third of respondents (32%) report their companies are spending more than 5% of their revenue on growth outside of their industry or sector. To put that into perspective, companies with $1 billion in annual revenue report spending a minimum of $50 million to pursue growth plans outside of their existing area of business.

As companies focus on ethical and regulatory considerations of rapidly evolving technologies, this year's responses suggest where boards should be prioritizing their energy and time: More than half of respondents (55%) say boards should focus on cybersecurity and regulatory matters, while 44% of respondents say they want their board members to concentrate on industry convergence.[9]

"Tech is the unifying thread as the lines between humans and machines, traditional industries and their competitors, and customers and their suppliers continue to converge," says Brett Davis, principal, Deloitte Consulting LLP and Global Assets leader and general manager of Converge by Deloitte. "That a significant share of companies are devoting resources to exploring growth in industries beyond their own tells us that employees, leaders, and boards see opportunity and value through convergence."

Where do sectors perceive the biggest threat to their current position in the marketplace?

Boundaries between sectors are increasingly diminishing, with a majority of mid-market businesses having their footprints in a different sector within their industry.

These blurred boundaries have led mid-market companies to perceive notable threats from sectors within the same industry. This speaks to a rise in sector convergence. The exception is industrial products and construction, which sees the biggest threat from outside its industry—from technology.

	Sector		Sector perceived as the highest threat
1	Automotive	71%	Consumer Products
2	Banking & Capital Markets	48%	Insurance
3	Consumer Products	60%	Retail, Wholesale & Distribution
4	Energy & Chemicals	57%	Power, Utilities & Renewables
5	Health Care	55%	Life Sciences
6	Industrial Products & Construction	40%	**Technology**
7	Insurance	56%	Banking & Capital Markets
8	Life Sciences	38%	Health Care
9	Mining & Metals	100%	Power, Utilities & Renewables
10	Retail, Wholesale & Distribution	33%	Consumer Products
11	Technology	75%	Telecommunications, Media & Entertainment
12	Telecommunications, Media & Entertainment	24%	Technology
13	Transportation, Hospitality & Services	43%	Retail, Wholesale & Distribution

A special message

Industry convergence: Practical outcomes and responsible growth

By Brett Davis, US Consulting Chief Innovation Officer and General Manager of Converge by Deloitte

The world is being reshaped and redefined by convergence. The lines between traditional industries, competitors and collaborators, and customers and suppliers are becoming increasingly blurred. Platforms, partnerships, and products are no longer the domain of single industries or adjacent industries. All of these elements are converging—creating a profound transformation that's creating new efficiencies, streamlined processes, and novel opportunities for companies to grow.

This year's mid-market technology survey highlights how industry convergence is accelerating—as companies activate cloud, AI, 5G, mobile, and other technologies that enable movement into adjacent sectors or transform existing services in new ways. In fact, more than two-thirds of respondents see a high or very high threat to their position in the marketplace from outside of their sector. And nearly a third of businesses are spending more than 5% of their revenue on growth outside of their industry/sector.

These trends are emerging in multiple industries.

For instance, tech and consumer companies are offering health care services through new digital experiences. Conversely, health care organizations are using consumer technologies to reach and support patients in new ways. In one example, we helped a medical school engage potential clinical trial participants directly via a digital platform, allowing patients to participate remotely, and helping investigators and other stakeholders collaborate more easily in the research process. Prior to these types of innovations, a study participant would have had to be identified and engaged at a medical center.

There is also a shift in technology buying behavior among customers who want to enter into new industries—they increasingly expect pre-built tech solutions and a trusted partner to help them enter these markets and industries.

This trend is evident in banking, where nontraditional financial services providers are increasingly offering digital banking services to their existing set of customers and bundling these products with nonfinancial service offerings. A recent example of this is Deloitte's engagement with a multinational consumer client that wanted to offer services in multiple global markets. We helped the company build and launch a digital platform, and even in a highly regulated industry covering multiple jurisdictions and regulations, Deloitte was able to help the client launch the platform across select markets in just 11 months.

We have also seen an emerging trend in which data assets have value across different use cases in adjacent sectors or markets. In the mid-market technology survey, 70% of respondents report having an asset that can be leveraged for value outside of their organizations. That's a remarkable data point, owing to the rapidly eroding boundaries and barriers for creating cross-industry solutions. Conversely, the motivations for creating them have increased—as companies realize how the data they produce can be repackaged, used to create new value in other markets, transformed and aggregated to deliver goods and services in personalized ways across their supply chains, or even used by other industries for additional insights.

In the consumer industry, companies can use third-party and primary data to create more personalized experiences for consumers. With this enhanced capability comes additional responsibility in managing that data. Think of a retailer entering the health care space by tapping into consumer information through its network of physical stores and digital platforms. There's an incredible opportunity to personalize care, create brand loyalty, and deliver outcomes for someone on a wellness journey.

Notwithstanding, there are important ethical, regulatory, and security implications to be considered when entering new adjacent industries.

The lines between traditional industries and their competitors will continue to converge—enabled and accelerated by technology. It will be an exciting decade ahead as industries are reinvented because of this convergence.

Section 3: AI adoption and implementation

For private companies trying to determine how to turn the hype around AI into a business differentiator, one place to look for perspective is the financial services industry. For transactions such as billing, payments, or collections, the opportunities include generative AI-powered "agents" that could deliver tailored content to customers, as well as conversational Q&A using models trained on enterprise data to support new employees through the procedures.[10]

There are also risks when it comes to exposure of sensitive financial data using AI tools. A report by the World Economic Forum and Deloitte argues that by being an AI early adopter, AI could expose the financial system to new hazards by triggering failures that damage brand equity and customer trust, trigger additional regulatory scrutiny, and alienate employees.

Companies in other industries may not be far behind in having to consider such issues—if they aren't already doing so. Nearly all respondents in our survey report they are on the AI adoption curve, with 41% of respondents saying they were exploring AI, 30% saying they were piloting AI solutions, and one-quarter of respondents saying they have active AI applications.

Among industries, technology, media, and telecommunications (TMT) and life sciences and health care (LSHC) are the most likely businesses to have active AI solutions, while companies in financial services and insurance (FSI) are the least likely to be active in this area.

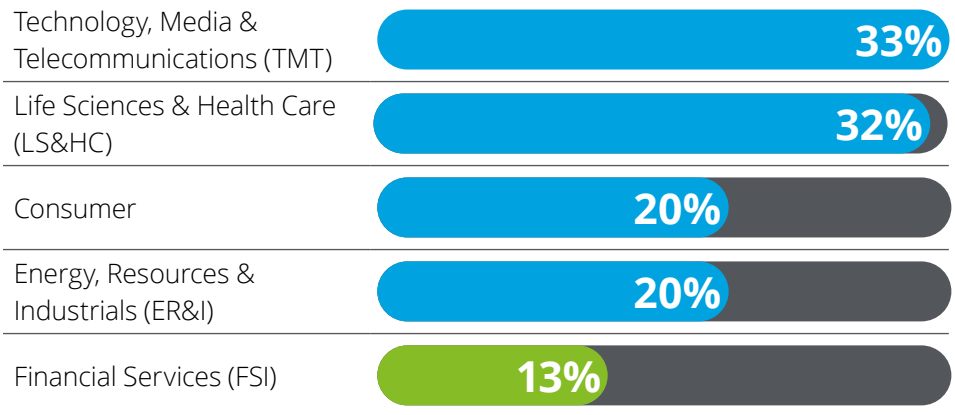
Where are mid-market companies on the AI adoption curve?

41% report exploring AI

30% report piloting AI solutions

25% report having active AI applications

% of business with active AI solutions by industry



"There's an infinite number of AI use cases that can provide value to an organization; however, to truly scale, companies should start their journey by focusing on a single use case that's promoted all the way to production. This can provide the foundation for future AI-led innovation throughout the organization."

Deborshi Dutt, AI Strategic Growth offering leader, Deloitte Consulting LLP

As viewed through our ROI measurement, it appears that businesses that have achieved the highest success in their tech objectives and tech ROI are more likely to have active AI solutions in a business area. And it turns out, AI appears to be helping these businesses achieve an array of benefits.

About nine out of ten respondents (87%) who state their companies have active AI solutions report that those solutions are currently generating both revenue and saving costs.

In the past year, respondents with active AI solutions say they've focused their efforts on harnessing data, modernizing legacy systems, and improving cybersecurity. What's more, respondents from companies with active AI solutions are more likely to be very confident in their companies' cybersecurity capabilities.

AI and talent

While there's been no measurable change in businesses' overall ability to hire technology talent, respondents are finding it difficult to build a workforce with AI expertise.

Nearly one-third from financial services companies report that AI ethics officers are in short supply, which tracks with an overall labor-market squeeze and evolving regulatory pressures that are driving demand for compliance officers.

40%
report difficulty attracting AI strategists

37%
report difficulty attracting engineering talent

35%
report difficulty finding data and deep-learning scientists

What did respondents say are the top worker challenges?

40%
report employee perception of AI

37%
report ethical use of AI

Challenges to AI adoption

We asked respondents to identify the challenges their companies are facing related to AI. Leaders who responded to our survey report different concerns depending on their industry—which may reflect how companies are struggling to align culture, ethics, and strategy in their AI adoption journey.

AI concerns related to talent

Employee perception of AI	**ER&I**	**56%**
Internal employee resistance to advanced AI	**ER&I**	**38%**
Lack of available talent	**Consumer/ LSHC**	**33%**

AI concerns related to trust

Ethical use of AI	**ER&I**	**42%**
Customer concerns or perceptions of AI	**TMT**	**38%**

AI concerns related to business strategy

Lack of business engagement	**LSHC**	**36%**
Lack of an innovative culture to take chances	**ER&I/LSHC**	**30%**
Lack of enterprise strategy around AI focus	**TMT**	**29%**
No real business and tech alignment around AI	**FSI**	**29%**

Key: ER&I—Energy, Resources & Industrials **FSI**—Financial Services **LSHC**—Life Sciences & Health Care **TMT**—Technology, Media & Telecommunications

Note: These industries represent the top responses for each of the options for this question.

Section 4: Executable strategies for consideration

A look ahead

The top three overall technology objectives from the past year (improving cybersecurity, enabling business growth, and optimizing business operations) remain the top three technology goals in the coming year as well. Companies in life sciences and health care represent an outlier on this question, however. They report that recruiting, retaining, and developing diverse technology talent is their top tech objective in the coming year. Deloitte's research on health care executives' views on health equity highlights how diversity, equity, and inclusion are being considered in the product and service development lifecycle during research and development, manufacturing, and commercial efforts to meet the needs of diverse patient populations.[11]

Regarding cybersecurity efforts in the coming year, respondents from the C-suite appear more motivated by the need to build cyber resilience than their non-executive colleagues. Nearly a quarter (23%) of executives view it as a top concern, versus 15% of leaders outside the C-suite.

But a clear technology leader among companies that intend to spend more than 5% on technology next year is AI. It's worth noting that businesses in the highly regulated financial services industry report being less likely than all other industries in our survey to invest in AI.

Governance aspirations

Respondents want their boards focused on cybersecurity and regulatory compliance more than any other topic over the next year. Respondents also want their boards to focus on growth-oriented areas: For both industry convergence and the potential risk and opportunity with AI, 44% of respondents say boards should prioritize these topics.

Board priorities by industry

What will rise to the top of industry board agendas in the coming year? Respondents said:

A special message

CISO perspective: Adapting cyber priorities to evolving threats, new risks, and organizational changes

Editor's note: This is a follow-up to a conversation from our 2019 mid-market technology report to examine the key challenges facing cybersecurity leaders.

Lamont Orange
CISO, Netskope

Cybersecurity veteran Lamont Orange believes it's more critical than ever that information security leaders and business executives operate in lockstep. Orange is the chief information security officer at Santa Clara, California-based Netskope. In its recent cloud and threat report, the company **reported** that more than 400 distinct cloud applications had delivered malware in 2022—nearly triple the amount from the previous year.[12] These and a vast array of other **new security threats**[13] are arising as organizations emerge from a dramatic reconfiguration of the modern workforce.

"Technology is moving so quickly, there is no time to rest on what we thought we knew," says Orange.

In our **2019 report**, Orange discussed how cyber leaders were positioning themselves to play more active roles across different organizational functions.[14] Since then, the talent picture has shifted dramatically. Executives are **struggling to fill** technical roles such as cybersecurity specialists, and the talent drought likely has larger implications for the threat environment.[15]

"Security organizations are experiencing a talent exodus, and now we have to understand how to rebuild those practices," Orange says. "That directly affects an organization's security posture."

One way Orange believes companies can replenish these ranks is by examining the job description itself. Instead of looking for the "unicorn" candidate, he suggests companies adjust their expectations and consider nontraditional candidates. Organizations are starting to look at ways to grow more talent internally, even if candidates don't have a traditional security background. Many other departments, such as finance, marketing, or technical training, include skill sets that are transferable or can be developed for security expertise. Orange also recommends partnering with schools on internships and even helping academia develop curriculum and considering product certifications versus traditional degree programs.

"Not every company can go through the path of reskilling as quickly as technology is changing," Orange says. "What we can do is inform the programs that are producing the next generation."

Securing assets and access

As indicated in this year's mid-market tech survey, many companies have developed assets they can monetize outside their organizations. Industry convergence is a hot trend, but Orange says cyber business leaders should think about the right way to proceed. They should identify which assets will be monetized and ensure proper protocols for handling data. Orange says a "zero-trust" posture—in which no level of access to data is inherently trusted and context governs access decisions—is key in these circumstances. "Many companies haven't modernized their technology stacks, and they don't know generally what assets their workforce and team members need to access," Orange says. "But not everything related to access is a binary 'allow or block' decision. A zero-trust posture means that access adapts on an ongoing basis based on a number of factors, including the users themselves, the devices they're operating, the apps they're accessing, the threats that are present, and the context with which they're attempting to access data."

For instance, in our survey, 97% of respondents report they are exploring, piloting, or actively using AI. Yet a quarter of respondents say the lack of an enterprise-wide strategy is their biggest impediment to AI adoption.

With so many new potential threats, Orange says he worries that security teams simply aren't nimble enough. "We get into analysis paralysis, looking for perfect, and this is another disruption for our posture and profession, so we need to become more efficient and nimble within our operations," Orange says.

A bright spot, and a challenge, according to Orange: More cyber security leaders have influence within the C-suite. "We are gaining a lot more responsibility," he says. "Many of us are speaking to the board more often than we were before. We have the proverbial seat at the table."

Conclusion: Private companies embrace hyper-innovation

It's been exactly 25 years since the title "chief innovation officer" emerged in a landmark book on innovation practices. In this year's report on private and family-owned companies, the chief innovation officer is the most surveyed member of the C-suite. True to the title, today's innovation chiefs are working with organizations that are capturing new value in a rapidly changing marketplace. These companies are developing assets meant to help them create new opportunities beyond their walls. They are capitalizing on the excitement—while acknowledging some of the unknown territory—of AI capabilities.[16]

What else is critical for expansion? Trust, for one:

Almost half of the respondents in our survey say **'improved customer trust and confidence' is something they need to improve upon within their cyber defense efforts**.

Talent is also prominent: This year's respondents tell us they plan to tap into their ecosystem partners as needed to build their skills bench. And the fact that a majority of respondents say they are engaging with hyperscale tech companies to achieve their technology objectives suggests that the middle market sees value in strong external partnerships.

Convergence could offer a significant growth opportunity for private and midsize companies. But there's complexity that comes with that. As CIOs, CFOs, and other executives who are driving technology priorities for their organizations prepare for this next chapter, they should consider the following items:

1. Ensuring their organizations have a solid digital foundation with data quality that's sufficient to enable technologies such as AI
2. Developing plans to manage the internal ethical challenges as they relate to technologies such as AI, as well as the external ethical complexities that arise as they pursue growth in sectors within and beyond their industries
3. Increasing their ability to have regulatory compliance at the top of the board and leadership agenda, especially as industry lines continue to blur

As private and family-owned firms continue to make technology investments in an era of hyper-innovation, we will continue to share insights about their progress.

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We would like to extend a special thank you to Chris Jackson, retiring Deloitte Private Technology leader, who established the Mid-Market Technology Trends Report in 2011—and has subsequently led the report each year—to provide executives with insights and trends for the middle market. With nearly 30 years of experience in strategy and emerging technology, Chris' depth of knowledge has helped drive value for mid-sized and growth-oriented companies. We sincerely appreciate Chris' contributions, and we wish him all the best in retirement.

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