



## The Deloitte On Cloud Podcast

### David Linthicum, Managing Director, Chief Cloud Strategy Officer, Deloitte Consulting LLP

**Title:** Midmarket companies are making big bets on big tech trends—and winning

**Description:** In this episode, David Linthicum, Deloitte’s Chris Jackson, and Netskope Chief Security Officer Lamont Orange highlight the results of Deloitte’s 2023 Midmarket Technology Trends Report. The group talks about how midmarket companies are betting big on tech trends such as AI, cybersecurity, and innovation. They also discuss how companies are dealing with ongoing issues such as infrastructure modernization in an ever-changing tech environment.

**Duration:** 00:24:10

**David Linthicum:**

Welcome back to the On Cloud podcast. Today on the show I am joined by Lamont Orange, chief information security officer at Netskope, and also Chris Jackson, managing director – technology leader at Deloitte Private. How are you guys doing this morning?

**Chris Jackson:**

Doing great, David.

**Lamont Orange:**

Great, doing great.

**David Linthicum:**

I’ll go to you, Lamont, first. Tell us your story. How did you get to where you are now? What’s your background like? Listeners love those kinds of things.

**Lamont Orange:**

I’d say I have taken a nontraditional path to CISO. I think most folks in our position have not had a traditional path because it takes – you can take many paths to get here. My path started with a company by the name of ServiceMaster, where I was a programmer. That led me over to my consulting experience. From there, I wanted to go into industry, and industry led me to Charter Communications, now Spectrum, where I was the vice president of enterprise security there. From there, since I’d done consulting, I wanted to go into a package security company and work for a security products company. So, I went to Websense, where I was the CISO there. We were acquired by Vista Equity Partners, and I became the CISO for Vista Equity Partners and Vista Consulting Group. Now in my current role, I am the global CISO for Netskope.

**David Linthicum:**

You’ve had quite the career. Chris, give us your background.

**Chris Jackson:**

Sure thing. I’ve been in a variety of places. Ten years Air Force in the Medical Services Corps. I came to Deloitte through an acquisition. I spent time in building up their midmarket and private company business, formerly known as Deloitte Growth Enterprise Services, now known as Deloitte Private. I focus on a number of areas in Deloitte, but my background throughout my career has largely been technology strategy and emerging tech.

**David Linthicum:**

Wow, also an impressive career. You guys recently did a survey, and I love these kinds of podcasts because I get to learn something, and I also get to learn current information. As someone who does a lot of podcasting, a lot of blogging, a lot of public speaking, this is fuel for that, the ability to kind of look at what new information is out there. Chris and Lamont, who would like to describe the genesis of the survey and what it's about? And then we'll talk about the findings.

**Chris Jackson:**

I'll kick it off and give it a little bit of context. This is our ninth survey. I created a midmarket technology survey focused on adoption and use of technology within the midmarket. That's defined as clients with a billion in revenue, type early stage, and early growth clients. It's typically a C-suite survey, so we get good insights on what's happening in the marketplace, and this segment of the market, certainly, as well as things that will come. This year's survey was particularly interesting because there's a lot of things that we did not expect to see that showed up in the survey that showed that not only is the midmarket important and it's growing in a very differentiated manner, it's actually doing some things that, quite frankly, may be slightly ahead, in some cases, of some of our much larger enterprise clients.

**David Linthicum:**

What was the general take and the findings? And we'll talk about things specifically. Who would like to address that, either Chris or Lamont?

**Lamont Orange:**

I'll take a shot at that. After reading the survey, you're really looking at how technology is pacing with the innovations that the companies are going through, whether it's AI, or whether it's modernization on an IT and operations stack, or just how security leaders are leading forward to be able to adapt to the vast, changing landscape of security.

**David Linthicum:**

How is spending going? Since the pandemic, everybody was spending crazily. Then here we are in 2023. People are talking about an economic downturn. What did you find in terms of how people are spending money on IT? Chris, do you want to take that?

**Chris Jackson:**

Yeah. I think it's been very interesting, particularly relative to this survey. We've been seeing a cohort of companies spending upwards of five percent of total revenues for several years, and those are the companies that were early stage along their cloud journeys, along their cyber journeys. But this year's survey, we asked a few questions and we asked some questions kind of differently. We took a look back saying: what did you invest in last year? Did you get a return on that investment? Was it impactful to the organization? What are you investing in this year? What specifically will you invest in in the next 12 to 18 months?

So, we asked a series of questions to kind of give us ROI, true return in value from that investment standpoint. It was there that we saw some very interesting trends in overall investment. So, the folks that were historically spending five percent, slightly above that in terms of total revenue, in some cases were spending up to ten percent and sometimes higher than that, which indicates they are clearly getting demonstrable return on their investment value. So, they're doubling down on tech and getting true value from that. Just keep in mind the size of these companies. They don't have the budgets of our larger enterprise clients. So, in many cases they're placing some pretty critical material bets and they're very comfortable with those bets. And within that context, a cohort of those are clearly progressing forward and are much more mature than we would have thought.

**David Linthicum:**

Lamont, are you seeing the same thing in the company that you're working at and the industry in general?

**Lamont Orange:**

I'd say yes. I think that's a very fair focus. Even with some of my colleagues and peers, we talk a lot about the different areas where we have to place those bets and what we're expecting from a capability component. Again, we're building platforms and foundations that will allow us to scale to what's coming.

**David Linthicum:**

I'll go back to you, Lamont. What about spending on cyber and security? Where is that going? Is it flattening out? Is it increasing? Is it increasing moderately or exponentially?

**Lamont Orange:**

From my view, I'd say it's absolutely increasing. Industry-wide, I would say it's probably increasing at a moderate pace, because we're still in a state of modernizing our technology platforms. We live now in both cloud and hybrid worlds. So, that's an additional investment, because many of the tools won't do both. So, you have to start to look at how do you gain better economies of scale with the tools that you're purchasing and where you're placing those bets, because the goal is to do it with one platform, one tool, to gain some efficiencies. But we're at a point now, as the companies are moving very, very quickly to reinvent themselves, that we have to as technology leaders get out in front of that and become somewhat now the business leader versus the technology leader.

**David Linthicum:**

Chris, how are companies that responded to this survey managing security risk? Is it just through investment? Is it through modernization and technology? Is it training? Is it all of the above?

**Chris Jackson:**

I think they're taking an all of the above approach. The cohorts that were most progressive, their responses were that they were very pleased with their cyber investments, particularly around their operational investments. But what was interesting from the survey, Dave, was when you looked at how pleased

they were and how progressive they were relative to their journey along the curve of adoption and transformation, when you looked at where they put the dollars it became really interesting.

So, a lot of the investment that I would have expected to see, and we have historically seen, typically have gone into cloud, supply chain, customer-facing technologies. The bets that they were placing for this next 12 to 18 months was very interesting. The highest area of investment – and we'll talk about them relative to AI, which I think is the other topic du jour – folks were investing large amounts in AI. That was the highest level of investment by the folks that were surveyed. It was interesting because the investment area in AI was cyber, an area that many of them felt that they were fairly comfortable with. So, it was laying the groundwork for something that we, one, didn't expect to see based on that level of investment.

But when you see it with the second area of greatest investment, which was actually IT operations, and you step back and look at that, that indicates that these folks are along their cloud journey. They're really starting to leverage and capture some of the capabilities that are there within the fabric from the big three cloud players. They are advancing and starting to gear up proactively. Keep in mind that they are saying that they are doing well now, but they're investing heavily. So, they're doing it proactively for what I believe is an incoming flux of AI-bound threats to the environment. So, they are proactively preparing and investing to counter those threats. So, we're reaching a point where we're going to be AI against AI from a defense standpoint, and that's really interesting.

**David Linthicum:**

I'm seeing the same thing out there as well. So, in other words, people are investing hugely into AI, specifically generative AI-based systems, and modernizing existing systems that can benefit from AI, but security becomes even more of an investment you have to make. Number one, you have a multitude of data that has to be leveraged for training and the outcome data of the AI systems. But also, we're finding it started happening in some of the events I've seen over the last six months. Hackers are out there weaponizing AI against these systems. In essence it's kind of spy versus spy scenarios. So, it depends on who's going to have the smartest, most proactive AI system that's going to win the game. Lamont, what are your thoughts on that?

**Lamont Orange:**

I think your view is absolutely spot-on. I would say in the early days of AI, when it first was introduced and we looked at all the benefits and we had all the consumerization going on, from a security leader standpoint, the first thing that we thought of was: How do we block this? How do we save the data and keep it from getting into this model? Now, I'd say many of us are quickly advancing to: How can we use it? We want to understand how to make our teams more efficient. How can we leapfrog where the business is going and be there with the right data, the right systems, the right telemetry, and get them protection while they're innovating on the different platforms that the business wants to do? So, I would say that this is definitely something that we need to embrace.

We need to also look at it as how we move our resources, our team members, up higher in our execution stack, because anything that's repeatable, anything that can be done over and over again, anything that can be applied to multiple platforms and systems, we probably want to use AI to surface the information to the human and let the human make the decision at that point.

**David Linthicum:**

Yeah. It's the downside of the commoditization of this technology. Certainly AI is much cheaper and much better than it was just a few years ago, and we have cloud computing to thank for that. But the reality is, it pops up different threats as well. So, it's really going to be a natural progression of spending on security, whether you're into AI or not, just because of the changing attack vectors that are out there. So, Chris, backing up a bit, what about investment in the latest tools, in the latest technology? Are companies just throwing tools at these issues? Are they thinking strategically about it? What's their take on improving security?

**Chris Jackson:**

I think in this segment, given the size of the companies and many of them are growth-oriented, they don't have the luxury of broad pilots as many of our enterprise clients do. So, they're placing some heavy bets and they are very focused bets on scenarios. So, we're seeing the acceleration within the edge, proactive tools, and things along those lines. But what's interesting when you start to look at that and consider the pace of change relative to AI, and when you can contrast that against the historic things we've seen around cloud transformation, the advent of cyber broadly through an organization, this AI cycle, Dave, as you and I talked about, is going to be much, much quicker, and it's going to require a different set of lenses to make sure that folks are prepared for the investment that's going to occur in that space. When we look at the data, we see folks that fall into a couple distinct groups, those that are clearly proactive in their approach, those that are trying to get there.

Then the thing to take away for the audience, it's very important to understand that to do AI effectively, you've got to have a sound cloud infrastructure in place. You've got to have a good handle on the data and how to really leverage that data before you can even effectively begin to really drill down and get true, demonstrable, broad enterprise value around AI and ML collectively. So, the investment we're seeing is laying the groundwork to support those things and, in some cases, being proactive where they're looking at threats from a different perspective. Let me give you some context around that.

When you think about that, another survey finding we saw was that many of these clients are approaching this where they're looking for growth outside of their industries and/or sectors. So, the lines between industry and sector are blurring, clearly. What's happening, some of these folks are investing because they see growth and opportunity to expand into another industry or sector, which brings along a whole set of challenges when you think about that through a regulatory lens. If I'm a consumer organization getting into the health care space, the reg structure is very different, and how I handle that from a security standpoint it's very different. So, you're seeing that advent.

But you're also seeing, in some cases, organizations where folks are coming in and they're taking market share from other folks. So, think about it in the context of shopping or holiday shopping. Everybody is presented with these kind of bots that come in and say, "Hey, do you want to spread the payment on this thing?" That's typically not a bank. That's oftentimes a TMT tech company that's doing that. So, they're grabbing market share from the financial

services space by solving a tech problem. So, the investment we are seeing is going towards proactive growth, and then much of it is defensive for inbound threats to take market share.

**David Linthicum:**

Yeah, absolutely. This is exactly what I'm seeing in the market, big and small, because the big players are more likely to be disrupted than the smaller players because they can't respond as quickly, they're not as agile, and the midmarket can make more aggressive investments in leveraging AI, has the ability to provide a better customer experience, better revenue opportunities, and the ability to get to an innovative state.

That's where the value is coming from as we're looking at these businesses. It's not how much we produce and how much revenue we get from production, but the ability to have an innovative differentiator that's really going to take us to the next level. So, one of the things, Chris, I'll go back to you, that I saw on the survey that I thought was interesting, midmarket tech survey respondents highlight that they are overwhelmingly confident that they have the tools in place to move into adjacent industries. That's something I'm probably not seeing in the Fortune 100. Is that because it's midmarket?

**Chris Jackson:**

I think it's a couple things. I think, one, you're placing bets that matter more because you have less dollars to kind of play around with. So, they're very strategic and very tactical in terms of how they are spending and investing. There's this cohort that I talked about that really is doubling down on scenarios, where they're spending upwards of 10 to sometimes 15 percent of total revenue on tech, which shows that they are clearly getting some demonstrable value relative to its growth within a sector or not.

So, I think that that's one of the elements. I think the other thing that we're seeing is that they are getting a good handle on the fact that security is pervasive through all things. One of our findings that was really surprising is that seven out of ten of the organizations surveyed stated that they had an asset internally in the organization that they believe they can monetize externally to drive additional revenue growth for the organization. That's a level of maturity that we didn't expect to see based on the number of respondents that came back with that answer.

**David Linthicum:**

Lamont, How is Netskope developing software ultimately to respond to these trends?

**Lamont Orange:**

When you look at what Netskope is doing out here to help the security aspect of this and what we found in the survey, Netskope is focused on being that centralized brain of how you access user-to-app, securely access user-to-app, no matter where you're coming from. We're also dealing with how you operate in the hybrid platforms, as well as just in pure cloud as companies continue to innovate. You talk about monetizing the data and new services and solutions. Well, most of that is going to reside in the cloud, and it's going to have some sort of B2B user-to-app connection. When you use all of your tools, the legacy tools are now being moved to cloud as well, so customers are going, and your workforce users, are going direct to cloud, and you have to secure those transactions.

So, you also need to incorporate some of what's going on in the endpoint, what's going on in your identity-provider space. When you look at what Netskope is providing, we are a leader in that space. We provide the integrations, and we provide the connectivity to access the right asset at the right time, no matter how you're accessing it.

**David Linthicum:**

I love it. This is ultimately something that we need. We need understanding and we need expertise, and also we need the right tools to make it happen. So, I'm going to ask you both the same question. Chris, I'm going to go to you first. What about this survey changed your mind and outlook in terms of where you thought the industry was versus where the industry is actually going? What did you see that was kind of your ah-ha moment?

**Chris Jackson:**

I think there are three things that stood out for me significantly. One was the evolution of industry, and sector convergence is much further ahead than we would have expected within the midmarket space. So, the lines of sector, as I mentioned, and industry are blurring materially, and there are largely four reasons of growth and expansion. So, that was one that we did not expect to see. Two, the other one that surprised me a bit was the sophistication of a segment of these clients that have been investing over ten percent of total revenues, where they were on the maturity curve, and the need – implying that there was a need for a different type of provider.

We asked a few questions around that. So, how folks show up in the traditional sense, the integrator partner, the software partner, these customers need something that's a bit different. They need providers that can work together, that can jointly invest, that can see things on the horizon, that are actually developing tools and deploying things in a real-time manner. The maturity and pace of change in the tools is not necessarily keeping up with the pace of change with technology and AI. So, there are some tools that are actually well there and vendors that are positioning themselves and moving very quickly, and there's some that are slower along the curve.

So, for your audience, it's important that they think about the partners that they're using. Can those partners scale? Particularly when you look across industry and across sector opportunities because that brings along a whole different set of regulatory and technical challenges to consider there, and the tool sets and partners matter, people that can understand the various industries and the regulations within those industries. You need to partner with the tech vendors to make sure that they're thinking about those things and can handle them appropriately. So, there's a broad changing in the landscape of partners that I took away from the finding in the survey.

I think the last thing, Dave, that was interesting for me is the number of folks that were creating an internal asset that they could monetize externally for growth. I did not expect to see that much in this segment of the market. They're thinking about growth. Growth is important. They're doubling down on

their investments. I believe, and what I've taken away from that survey finding, was that a lot of these folks have this cloud foundation in place and there are lots of tools that are woven into the fabric of the major players that allow people to accelerate some of this innovation in cloud

**David Linthicum:**

So, Lamont, the same question. What did you find in the survey that was kind of unexpected and net new information you didn't expect was coming?

**Lamont Orange:**

One thing that really stands out from the survey is that we're still having some conversations around talent, and how we are looking for the right resources, or there's a resource shortage and we need to reskill. So, we're still having those conversations, and some of the comments led me to believe that, "Hey, we're looking at AI maybe to solve some of those challenges." Which I think is a great use case, and I didn't realize how wide of a group would embrace that.

So, I think that's a positive for our industry, again, when we talk about how to make us more efficient. I think the other component was around modernization. So, we went through the digital transformation stages or phases in industry. Now when you look at modernization, modernization means: How do we monetize data? Modernization means: How do we modernize our IT and operations organizations as well? Because if you think of digital transformation, that truly disrupted more of the security side of it. As you move toward more cloud, I'd say, deployment, innovation, modernization aspects of it, now you're getting into disrupting some of the IT and operations organizations. It was really interesting to see how some of the survey respondents are starting to double down in IT operations as a spend as well.

**David Linthicum:**

So, Chris, what about talent when it comes down to this? It seems like a lot of this technology deployment becomes around the skill sets that you can find or are able to develop. How did that affect what you found in this survey?

**Chris Jackson:**

Results came back and it showed they're pulling all the levers relative to talent. We're taking nontraditional talent in different ways than we have. So, the GRE-based versus certification-based, our training becomes valuable to a lot of folks, which opens the market up to a whole host of practitioners that can enter. So, I think we're seeing some very innovative things there in talent.

The other thing I think, when you look at AI specifically, are that there are still some talent concerns or AI-related concerns around talent in terms of employee resistance, the perception of AI, customer perceptions of AI as well that we need to think about in terms of how we drive trust in an organization, how we really leverage AI to augment behaviors. So, I think we're still early on the educational curve, but the data shows that organizations are doing whatever they can to retain employees, to reskill them, to apply different types of employees to the equation for certification, to meet the needs of the business.

**David Linthicum:**

So, Chris, we're going to put the link to the survey in the show notes so people can find it. But what about yourself? Where can we find more information about you on the Web?

**Chris Jackson:**

I can be found at LinkedIn under Christopher Jackson.

**David Linthicum:**

So, Lamont, where can we find out more about yourself and your company?

**Lamont Orange:**

Sure. Please feel free to connect with me on LinkedIn. Also, you can find out more about Netskope on [Netskope.com](https://www.netskope.com).

**David Linthicum:**

Why don't you spell that for us?

**Lamont Orange:**

N-E-T-S-K-O-P-E dot-com.

**David Linthicum:**

All right. Check it out. Check out the survey. Check out Lamont's company. Check out the gist of what this information means because I'm really surprised. Some of the stuff wasn't surprising; some of the stuff was surprising. I think as practitioners in the marketplace, as consultants, people are implementing this stuff. We have to understand what emerging best practices are occurring around this in the industries and in surveys like this, that really help us get to the point in terms of targeting what everybody else is doing, so we do it right ourselves. So, if you enjoyed this podcast, make sure to like us, rate us, and subscribe. You can also check out our past episodes, including those hosted by my good friend, Mike Kavis. Find out more at [DeloitteCloudPodcast.com](https://deloittecloudpodcast.com), all one word. If you'd like to contact me directly, you can e-mail me at [dlinthicum@deloitte.com](mailto:dlinthicum@deloitte.com). So, until next time, best of luck with your cloud journey. You guys stay safe. Cheers.

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