



NATIONAL CENTER FOR
THE MIDDLE MARKET

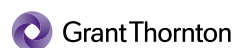


A SPECIAL REPORT BY THE NATIONAL CENTER FOR THE MIDDLE MARKET

CYBERSECURITY & THE MIDDLE MARKET

The Growing Importance of Cybersecurity & How Middle Market Companies Manage Cyber Risks

IN COLLABORATION WITH



Cybersecurity is a growing concern

Since 2016, the percentage of middle market executives who are focused on cybersecurity issues jumped by 15 points. Leaders of upper middle market firms (\$100M-\$1B in annual revenue) and those operating in the financial, retail trade, and healthcare industries are the most likely to view cybersecurity as a highly important issue.

OVERALL IMPORTANCE

2018

COMPARED TO 2016



71%
VIEW CYBERSECURITY
AS EXTREMELY/
VERY IMPORTANT



56%
VIEW CYBERSECURITY
AS EXTREMELY/
VERY IMPORTANT

IMPORTANCE BY INDUSTRY

TOP THREE INDUSTRIES PLACING GREATEST IMPORTANCE ON CYBERSECURITY



FINANCIAL SERVICES
& INSURANCE

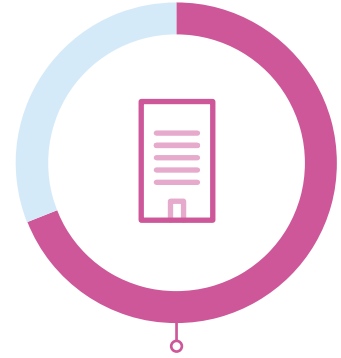


RETAIL TRADE



HEALTHCARE

IMPORTANCE BY COMPANY REVENUE



69%
\$10M-<\$50M



63%
\$50M-<\$100M

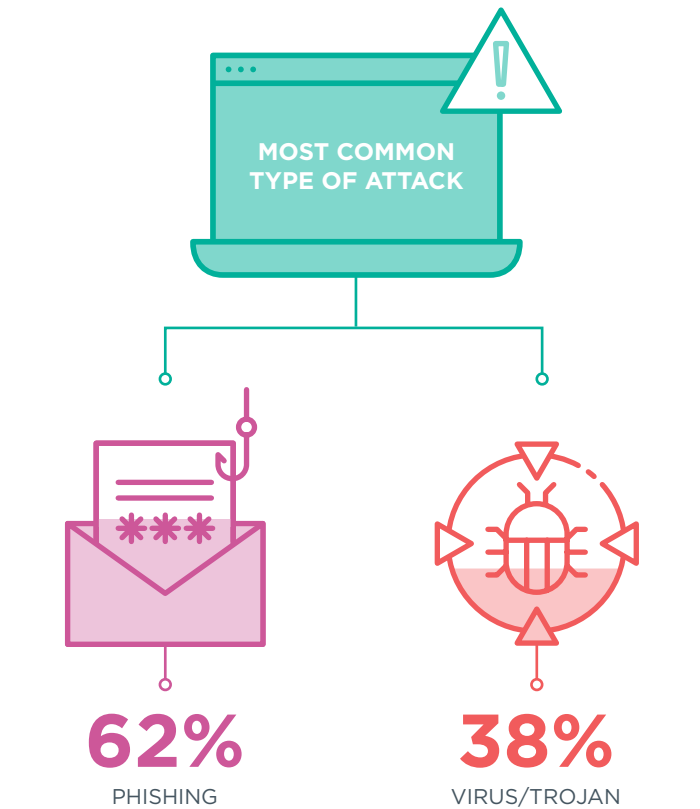
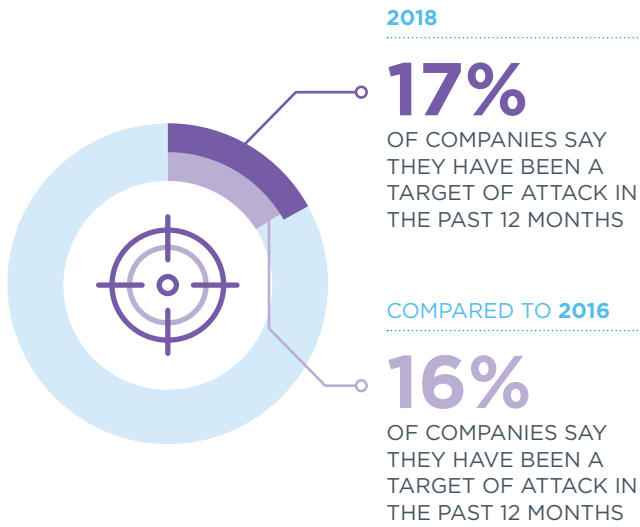


77%
\$100M-<\$1B

Reported attacks are slowly growing

Compared to two years ago, the percentage of middle market firms reporting cybersecurity attacks is up slightly. Estimates say, however, that breaches go undetected for about 200 days on average; many more companies have been attacked, therefore, than realize it at any given time. Phishing is the most commonly reported type of attack, followed by viruses or Trojan horses.

TOP SECURITY PRACTICES (TOTAL MM)



Companies that prioritize cybersecurity report higher growth

Middle market businesses that emphasize the critical nature of cybersecurity grow faster than their peers who view cybersecurity as less important. They experience somewhat higher revenue growth, and they add employees at a much faster rate than their counterparts.

OVERALL GROWTH



The IT department typically leads cybersecurity efforts

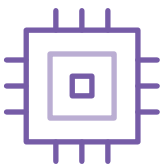
In most middle market businesses, the IT department is responsible for cybersecurity. One out of 10 companies has its own cybersecurity department with a dedicated budget. Lower middle market companies are most likely to outsource cybersecurity, perhaps because they lack the resources or expertise to address it in-house. The lower middle market is also the most likely to leave responsibility for cybersecurity issues unassigned.

HOW CYBERSECURITY IS MANAGED

TOTAL MIDDLE MARKET



PART OF IT



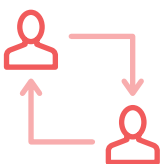
SEPARATELY, WITH OWN BUDGET



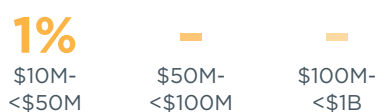
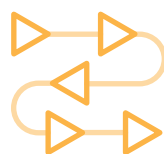
OUTSOURCED



DON'T HAVE ANYONE OVERSEEING



OTHER ARRANGEMENT



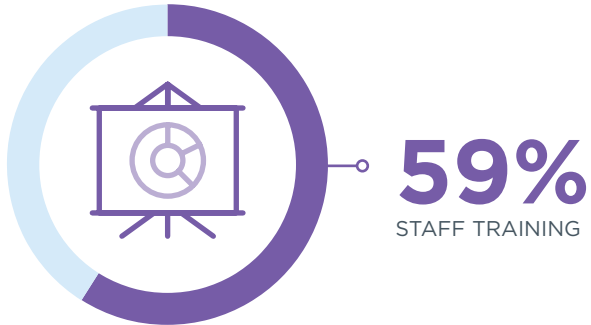
DON'T KNOW



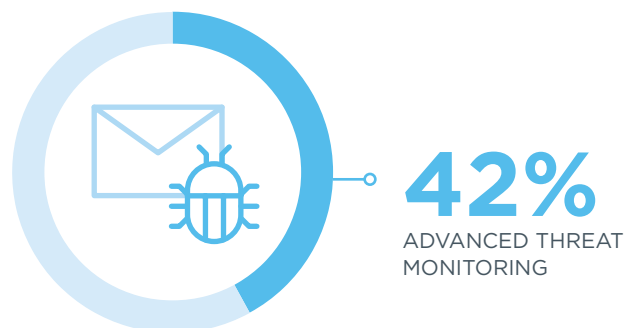
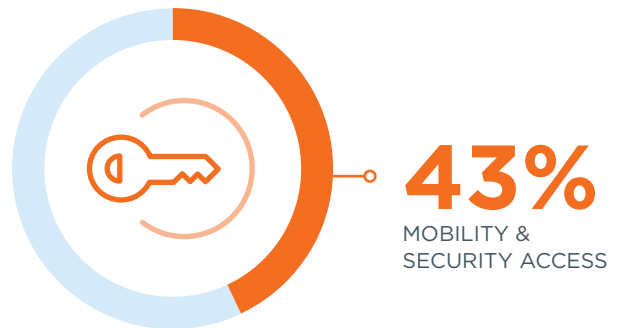
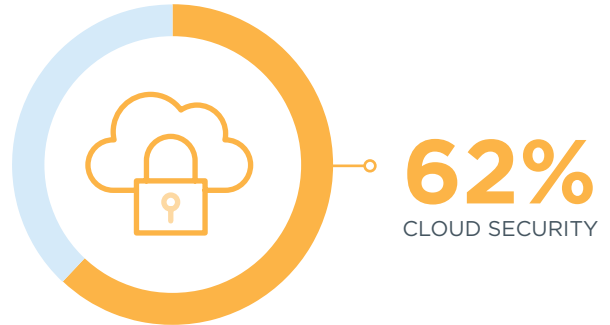
Cloud security and a well-trained staff are critical defenses

When building their defenses against attacks, the most common cybersecurity practice in place at middle market companies is training for the staff. Companies also invest in threat detection, risk management, and cloud security practices. Middle market leaders believe that a cloud security solution is the most critical piece of their defense strategy.

MOST POPULAR SECURITY PRACTICES (TOTAL MM)



MOST IMPORTANT SECURITY PRACTICES (TOTAL MM)



Vigilance is on the rise

Middle market businesses are more prepared for a cybersecurity attack now than they were two years ago. Nearly a third of companies currently align cyber risk management with broader strategic discussions; fewer than half of companies were doing the same in 2016. About four out of five companies have a documented plan in place to respond to threats or attacks. But aside from developing backup capabilities, fewer than half of middle market businesses have invested in other preventative measures.

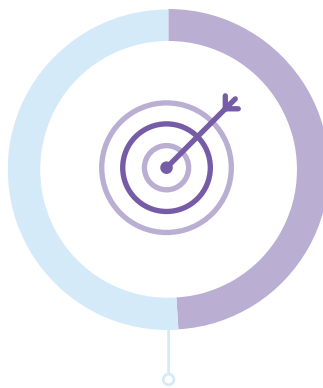
OVERALL IMPORTANCE

2018



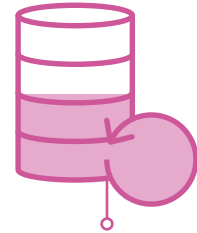
SAY CYBER RISK MANAGEMENT IS ACTIVELY PART OF BROADER STRATEGIC DISCUSSIONS

COMPARED TO 2016



SAY CYBER RISK MANAGEMENT IS ACTIVELY PART OF BROADER STRATEGIC DISCUSSIONS

PREVENTIVE METHODS



57%

BACK-UP CAPACITY



48%

SECURITY TOOLS & BEST PRACTICES



40%

HOSTING & SECURITY SOLUTIONS



36%

CYBER INSURANCE

INCIDENT RESPONSE PLANNING

2018



OF ORGANIZATIONS HAVE A DEFINED INCIDENT RESPONSE PLAN

COMPARED TO 2016

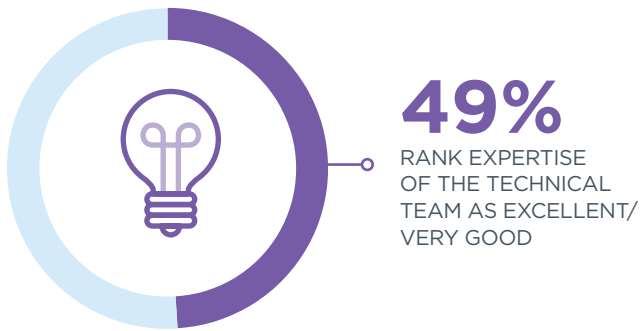


OF ORGANIZATIONS HAVE A DEFINED INCIDENT RESPONSE PLAN

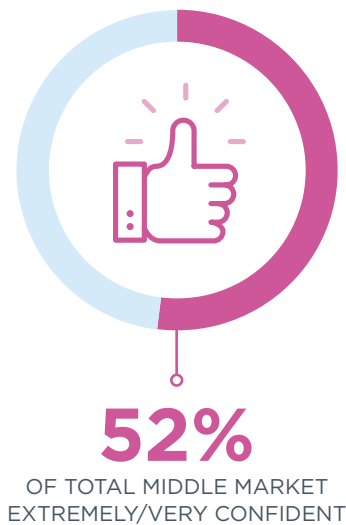
Confidence in knowledge and solutions is ambivalent

Despite the rising importance of cybersecurity and increases in the steps companies are taking to protect themselves, middle market leaders have mixed feelings regarding the cybersecurity capabilities of staff and the effectiveness of their current solutions. Only half of the middle market leaders express high levels of confidence in their technical team, leadership oversight, and overall cybersecurity strategy.

CYBERSECURITY COMPETENCE RATING



CONFIDENCE IN CYBERSECURITY SOLUTIONS



About this report

WHO

Self-administered online survey of 1,000 financial decision-makers at U.S. companies with annual revenues between \$10 million and \$1 billion.

WHEN

September 3, 2018 through September 14, 2018



NATIONAL CENTER FOR
THE MIDDLE MARKET

The National Center for the Middle Market is the leading source of knowledge, leadership, and innovative research focused on the U.S. Middle Market economy. The Center provides critical data, analysis, insights, and perspectives to help accelerate growth, increase competitiveness, and create jobs for companies, policymakers, and other key stakeholders in this sector. Stay connected to the Center by contacting middlemarketcenter@fisher.osu.edu.



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