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## The ingredients execs say Maryland's cyber industry is missing

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Maryland has the chance to become the commercial cyber capital of America. It's home to a wealth of skilled talent and is raking in more venture capital money than ever. But the state may still lose its chance to be a true cyber hub.

The Beltway area is seeing more, and larger, investments in cybersecurity startups. According to market research firm PitchBook Data Inc., 145 cyber startups in Washington, D.C., Maryland and Virginia were financed in 2017. That represents an increase of 15 percent from 2016, and an increase of 53 percent from 2013. The average investment per deal was \$2.13 million, up from \$1.5 million in 2016 and about \$1 million in 2013.

This growth comes as Maryland has been working in recent years to shift away from government services and contracting-focused cyber companies, to build more commercial and product firms. Of nearly 150 registered cyber firms located in the beltway area, about 21 are commercial.

Bob Ackerman, founder of cybersecurity investment firm AllegisCyber, said Maryland needs more commercial companies that bring attention, product revenue and focused capital to the area, to bolster its cyber ecosystem. Ackerman recently opened a local office for Allegis, which was launched in Silicon Valley, to be



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Maryland needs more operating talent and venture capital to build its cyber ecosystem.

closer to the action in Maryland. He hopes to see more cyber-oriented firms coming into the region as well. Investors are constantly looking for markets with great value potential, he said. And Maryland has an "embarrassment of riches," especially when it comes to talent.

The Maryland area boasts over three times more cyber-related engineers than rest of country combined, according to the U.S. Bureau of Labor Statistics. Many of these come from the government sector, working for entities such as U.S. Cyber Command, the National Security Agency and the Department of Defense.

"There has been this slow, but growing realization that there is deep engineering expertise in the local economy," Ackerman said. "We have one of the largest and richest deposits of cyber talent in the world, but the challenge is we don't have an ecosystem to extract it, refine it and produce companies from it."

Ingredients still missing from Maryland's cyber ecosystem include operating and executive talent, and what Ackerman calls "relevant capital." Operating talent includes entrepreneurs who have demonstrated expertise and leadership skills in the industry, who understand how to build successful startups, exit them and build more. And relevant capital, Ackerman explained, refers to investors and VC firms with experience in cyber company building, that have the resources and the discipline required to take great ideas and talent and manifest them into something that can be commercialized.

Meanwhile, places like New York City are working to build government-sponsored cyber hubs of their own. Mike Janke, founder of Fulton cyber startup studio DataTribe, said Maryland — including its cyber industry players, government officials and economic development leaders — needs to make a concerted effort to construct a thriving cyber ecosystem.

"We don't want anyone else to build the ecosystem before we do and lose out on that opportunity," Janke said. "We have to leverage what we have and really focus in, and build on the momentum."

DataTribe is working to fix Maryland's commercial cyber void by taking cyber engineers coming out of government intelligence jobs, and shaping their ideas and technologies into startup companies. DataTribe supports about four startups per year, providing incubation guidance and up to \$1.5 million in seed funding. Janke said Maryland has the potential to build about 25 commercial startups per year, with the right support in place.

Success begets success in the startup space, Janke said. So if more commercial companies are built and start seeing success in Maryland, more of the state's missing ingredients may be attracted to the area.

"With more state and commercial initiatives, like more cyber training centers, more incubators, more research and development labs, we can create an environment that makes Maryland more competitive and attractive for cyber business activity," Ackerman said. "And then the capital is the glue that will catalyze it all."

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