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Dynamic duo plans more startups yearly

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Eric Lefkofsky and Brad Keywell, the most prolific and successful Chicago-based technology entrepreneurs over the last decade, are doubling down.

The duo behind companies including Groupon, Echo Global Logistics, Innerworkings and Mediabank -- which combined employ more than 2,500 people and generate in excess of \$1 billion annually -- plan to invest in and mentor as many as 10 new companies a year through a new fund called lightbank.

Additionally, the 40-year-old partners recently started a new business called LightSwitch, which they hope will become a "21st century Yellow Pages." All of their companies are based at the old Montgomery Ward building at 600 W. Chicago, and all new ventures by design will have a Windy City address.

"There is nothing about Chicago that is problematic to building a huge tech company," said Lefkofsky, who is also the author of *Accelerated Disruption* and a professor at Northwestern's Kellogg School of Management. "If Google wanted to launch here, they could have done it."

Proven track record

Since the dot-comedy of the late '90s, many have tried and failed to establish Chicago as a national center of technological development. Most famously is Andrew "Flip" Filipowski's divine interVentures -- which blew through hundreds of millions of dollars during the tech boom, investing in overvalued companies.

University of Michigan buddies Lefkofsky and Keywell emerged from that period with battle scars of their own, selling the online promotional products distributor Starbelly to Halo Industries for \$240 million in January 2000. After the bubble burst, Halo lost its wings in an ugly bankruptcy, while the two entrepreneurs went off to form more "applied technology" companies within other established industries.

In 2001, Lefkofsky formed online print procurement company InnerWorkings, which went public in 2006. Echo, used to book freight transportation services online, was founded in 2005 and went public last year. MediaBank and Groupon combined have raised more than \$75 million in venture capital from elite firms including Washington D.C.-based New Enterprise Associates (run by Chicago native Peter Barris, an investor in all four companies) and Palo Alto-based Accel Partners.

All of these businesses have board representation by established leaders in the industries they aspire to disrupt. Former Transportation Secretary Sam Skinner, for instance, is the chairman of Echo. Jason Fried of 37Signals, whom Lefkofsky describes as having a "cult-like" following among Web entrepreneurs and designers, is a director of deal-of-the-day site Groupon.

'Untapped demand'

With lightbank, Lefkofsky and Keywell plan to invest \$100,000 to \$1 million in new companies. For businesses that show game-changing potential, the pair will invest "millions more if needed," Lefkofsky said.

In addition to capital, lightbank will deploy senior executives from existing companies to "work through all the problems that occur" and find a quick and sustainable path to profitability. Lefkofsky expects to fund the first two companies in the next month.

"The untapped demand around here is nuts," he said. "Even if we don't have success, somebody will. We are going to stay focused on mining the potential of this area. Will it become a Silicon Valley or New York City? Probably not. But there will come a time when people with disruptive ideas will view Chicago as a place to get funding and help."

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