

Can one of these tech firms finally put Chicago on the map?

By Joe Cahill | July 14, 2017 07:00AM

A new crop of prospects is raising hopes that Chicago might finally break into the big leagues of technology. Hometown tech companies Uptake, Outcome Health, SMS Assist and others have strong positions in hot sectors. They're growing fast, making money and generating buzz well beyond Chicago.

They're also approaching the point where earlier local tech stars sold out to industry giants. For years, Chicago's burgeoning tech community has served as a [farm system](#) for the likes of Google, Oracle and IBM. "Chicago has a history of companies selling out," says Fred Hoch, executive chairman of the Illinois Technology Association.

Buyouts have benefits, of course. Selling a hot startup for a high price enriches company founders and financial backers, many of whom are local. Some of the sale proceeds are reinvested in other fledgling Chicago tech firms, and some of the [acquirees continue to grow](#) as stand-alone subsidiaries.

On the other hand, acquirers just as often absorb their targets, cutting local jobs and confirming Chicago's minor league status in technology. If Chicago's top tech firms keep selling, the city will never get what it needs: a flagship company that dominates an important technology market.

Despite years of effort, Chicago has yet to develop a household tech name like Apple or Facebook. Such "platform companies" generate billions in revenues, employ thousands and spawn ecosystems of innovation. Equally important, a platform company would signal Chicago's arrival as a major league technology hub, helping the city attract talent and investment dollars from around the world.

Previous attempts to build platform companies in Chicago have flopped. Groupon famously rejected a \$6 billion buyout offer from Google, opting to chase grander visions that haven't panned out.

I hope Groupon's fate doesn't deter others from pursuing their full potential as independent companies. Some of our privately owned tech firms may have what it takes to become Chicago's flagship. [Uptake](#), for example, specializes in predictive analytics and the internet of things, markets already worth hundreds of billions. Led by Groupon co-founder Brad Keywell, three-year-old Uptake employs more than 700 and has an estimated value of \$2 billion.

Outcome Health, [valued at \\$5.5 billion](#), dominates digital video networks in health care. Sales doubled to more than \$130 million last year, and the company now also has about 700 employees.

Another local “unicorn” with a private market value of \$1 billion is SMS Assist, which provides a web-based platform for managing a range of business services. Headcount has climbed to more than 750, and sales jumped 43 percent to \$500 million in 2016.

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Before too long, these companies will face pressure to cash out their private investors, which usually requires selling out or going public. None of the three companies were willing to comment on their plans.

Sometimes, venture investors prefer the certainty of an outright sale over an IPO that ties their fortunes to the company’s longer-term performance. And buyout offers can be hard to refuse. Local technology companies Cleversafe, Merge Healthcare, Coyote Logistics and Fieldglass all fetched \$1 billion or more.

There also may be business reasons to sell. A deep-pocketed acquirer can provide capital, marketing capabilities and complementary products to help a smaller company expand and compete with global heavyweights offering customers one-stop technology shopping.

Going it alone is riskier. Groupon’s battered stock shows what public markets do to underperforming companies. But markets reward companies that live up to their billing. Chicago-based online restaurant ordering service Grubhub and cloud-computing specialist Paylocity of Arlington Heights have seen their shares soar since going public in 2014.

Chicago’s digital darlings have choices. Those that choose independence over acquisition will give Chicago a shot at tech stardom.