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How to get more women, minorities to own manufacturing firms



By LISA BERTAGNOLI |



Dan Swinney, executive director of Manufacturing Renaissance, one of four nonprofits leading the Chicago Ownership Conversion Project.

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As many as 2,000 small local manufacturing firms could be up for sale in the next decade. Four local nonprofits want to help minority and female entrepreneurs to buy them.

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^ The Chicago Ownership Conversion Project aims to correct a "demographic crisis" in manufacturing by finding African-American, Hispanic and female buyers, as well as employee-led groups, for manufacturing firms headed by aging owners. The initiative, which is holding an informational breakfast Oct. 4, hopes to be active within six months.

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A representative from one of the nonprofits says that manufacturing in Chicago has two problems: skills, which various **workforce development and training groups** are trying to solve, and succession. "That problem's not been on anybody's radar," says **Dan Swinney**, executive director of Manufacturing Renaissance, which supports manufacturing and jobs in the city and is a partner in the conversion project. The others are Safer Foundation, which helps educate and employ people with criminal records; the Chicago Federation of Labor; and the Local Initiative Support Corp., a national nonprofit that supports community economic development.

The first step is "raising the issue," Swinney says, noting that 99 percent of manufacturing concerns in Illinois are owned by white people. The project presented its plan to the **Cook County Commission on Social Innovation** on July 20. On Oct. 4, the commission will host the public breakfast and forum at BMO Harris Bank's executive dining room.

In 1989, Manufacturing Renaissance research found that 40 percent of 800 local manufacturing firms with fewer than 100 employees and owners age 55 or older lacked an apparent succession plan. That study led Manufacturing Renaissance to arrange employee-led buyouts of several firms, including a now-defunct South Side printing shop and sausage maker Fred Busch Foods. In the coming decade, as many as 1,500 to 2,000 firms could be ripe for similar deals, Swinney says.

Great Cities Institute at University of Illinois at Chicago is updating the 1989 study to confirm those numbers. "This is a problem for our region," Swinney says, noting that the baby boomer generation is aging and retiring. If smaller firms close rather than change hands, owners lose by not getting the full financial value out of their business, employees lose jobs, and the tax base suffers, he says. Finding minority business owners keeps manufacturing alive and also lets disenfranchised groups invest in their communities, he says.

The Chicago Federation of Labor will take the lead in launching Business Prospecting Network, which will identify privately held companies in Chicago that could close within a decade due to succession issues. It will also identify entrepreneurs and/or employee groups interested in buying the companies. The partners will launch a nonprofit, as of now unnamed, that will act as an investment banking company to arrange and help finance the acquisitions with long-term patient loans. The project needs about \$1.8 million to fund the first three years of operations. After that, philanthropy as well as fees generated from the purchases will support its efforts. Swinney says the organization will also seek to partner with banks, private-equity funds, social investors and entrepreneurs to help finance the purchases.

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Firms closing after an owner dies or retires is a big problem in Illinois and nationally, says Jim Nelson, vice president of external affairs for the Illinois Manufacturers' Association, a Springfield-based lobbying group. "An idea like this might have a good chance of succeeding, depending on the expertise the buyer is bringing to the table," he says. The conversion project says it will find qualified buyers and work with them to ensure that the firm lives on as a successful business.

"This is pro-business, pro-labor and pro-community," says Chicago attorney Marc Lane, vice chair of the Cook County Commission on Social Innovation, who is providing some legal support to the effort. "The commission sees this as a very significant initiative." Lane says that the project is pursuing philanthropic and governmental funding, but he did not know if the county would help fund the effort.

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