

When 2 Charities Share Their Expertise, They Both Grow Stronger

By Michael Anft

As Terri Steingrebe pondered ways to expand More Than Wheels, a group she runs that helps people in New England find low-interest car loans, the idea of asking another charity for help and advice never crossed her mind. She was resigned to discussing her expansion problems during merger talks with another nonprofit. But soon she began to see how her group might survive without the two joining together.

“There are very few groups that do what we do,” says Ms. Steingrebe. “It was great to talk to people who speak the same language and deal with the same problems. It’s amazing what you can learn.”

While mergers help some charities grow or improve their finances, not all mergers result in happy marriages. But taking the best of what each has to offer—without taking on all of the cost and stress of getting hitched—can result in stronger, if separate, organizations.

More Than Wheels and Ways to Work, a much larger car-loan group with headquarters in Milwaukee, successfully mined each other’s data and observations for ideas, and then turned those ideas into substantive changes in their own operations. Their experience, they say, is a testament to the value of taking the unusual step of openly sharing information, something most charities avoid because of concerns about competition.

Their talks, and the potential new approach to managing the organizations they represent, were detailed in a new report prepared for the Robert Wood Johnson Foundation by Root Cause, a consultant organization in Cambridge, Mass.

Growing Pains

The story begins in the summer of 2010, when Wendy Yallowitz, a program officer at the Johnson foundation, offered some advice to Ms. Steingrebe, whose group is based in Manchester, N.H.

Ms. Steingrebe had been trying to expand her organization by opening more offices in New England, where the charity helps people with questionable credit histories or low incomes avoid the subprime lending market and get reduced-interest car loans. More Than Wheels uses fees, foundation grants, and support from banks to put the loans together and to help people improve their credit scores. But the group was finding it difficult to expand beyond the 200 clients a year it was serving.

“We were hearing all these success stories about our program and had come up with the idea of scaling our services up via physical branches,” Ms. Steingrebe says. “We came to the conclusion that it would cost too much.”

Ms. Yallowitz suggested—“very gently,” she says—that More Than Wheels enter into takeover talks with Ways to Work, which would absorb More Than Wheels if merger talks were successful. Ways to Work includes 53 affiliate offices in 23 states and boasts an annual budget of \$4-million, three times that of More Than Wheels.

Ways to Work, Ms. Yallowitz adds, was well known to grant makers, and the 100 or so other groups that share its mission, for its success in managing growth. The Ways to Work business model could be easily copied—and might be used to expand More Than Wheels’ programs.

But Ways to Work had some issues of its own. Its reliance on foundation grants made its growth in certain areas chancy. What’s more, its leaders felt it needed to make bigger car loans, as well as offer stronger programs to help people repair their credit after they’ve taken on those loans.

In short, it needed to be more like More Than Wheels, which was already offering such services to low-income car buyers in New England.

“We felt like our core programs were pretty buttoned-up, pretty mature,” says Jeffrey E. Faulkner, president of Ways to Work. “One of our shortcomings was that we could take our clients only so far.”

Mutual Admiration

With support from SeaChange Capital, a group in New York that [makes grants](#) to facilitate merger and acquisition discussions, the groups got together with Root Cause, which was brought in to make sure both organizations disclosed vital information and kept talking.

Over the next nine months, the charities swapped financial numbers, management theories, and ideas on how to use a hybridized version of their groups to increase the numbers of low-interest car loans and related programs across the country.

Ms. Steingrebe came to appreciate Ways to Work’s loose affiliate model, which encourages the chapters to raise money locally. Her group also liked the fact that the Ways to Work model relied less on creating full-fledged offices than on franchising smaller, less-costly ones.

Meanwhile, Ways to Work admired the ability of More Than Wheels to handle some of its costs by charging for its services—about \$900, rolled into each loan—as well as how it more accurately figured out which borrowers would be more or less likely to pay back loans. This encouraged Ways to Work to make bigger loans.

In the end, More Than Wheels decided that it could make it on its own, and Ways to Work saw problems it would have had with its own growth if the merger had gone through. “If we’d done the merger, we wouldn’t have been able to expand our model as easily as we felt we needed to,” says Mr. Faulkner.

Copying Ideas

But the end wasn’t really the end, as each group decided to adopt parts of the other’s managerial approach. As a result of their talks, More Than Wheels took Ways to Work’s ideas and decided to use the Internet to reach clients—much cheaper than building new offices—while Ways to Work started a new program designed to more aggressively help clients repair their credit. (“It’s like a graduate program for our participants,” Mr. Faulkner says.)

“This was a structured learning situation, which really helped us,” says Mr. Faulkner. “Nonprofits can spend a lot of time and money on merger talks, but not get anything out of it.”

He and Ms. Steingrebe offer the following tips for charities that want to share information:

- Hire a trusted third party to mediate the discussions. “In our postmortem, we realized how the structured nature of these talks was so valuable,” says Mr. Faulkner. “Root Cause provided that structure and worked hard to keep things moving forward.”
- Divulge all available information about a group, including financial numbers. “You really have to be transparent, to drop your pants a bit,” says Mr. Faulkner.
- Thoroughly assess your own charity’s operations. Even if your group is successful and may be viewing a takeover of another organization, take a hard look at the way you run things, Mr. Faulkner advises.

Ms. Yallowitz’s foundation is showcasing the More Than Wheels and Ways to Work approach, but she hopes that it touches off conversation not just among charities that have similar missions but also those that are quite different.

“The question is, what about groups that aren’t as similar?” she asks. “Why can’t they get together and have these kinds of talks and, say, merge their complementary services? There are many incentives to talking. We need to highlight it, to get thought leaders thinking about that.”

Copies of the report on More than Wheels and Ways to Work can be downloaded at the Root Cause Web site. Go to: rootcause.org

How to pick up useful tips from another charity

- Assess each group’s needs, and decide whether collaborating would serve those needs.
- Build trust through conversations, and choose someone to facilitate those talks. Signing a nondisclosure agreement at the outset can help participants open up.
- Share data and knowledge, and go in-depth. The discussions should center on filling each group’s information gaps.
- Apply what each group has learned. Focus on using the new information to increase each organization’s impact.