Non-profit capitalism

Sep 11th 2008 | NEW YORK
From *The Economist* print edition

An initial public offering with a difference

“WE RUN a business here—but instead of selling cars or candy to kids, we’re selling hope and leadership,” says Nancy Lublin, the chief executive of Do Something, a non-profit group which promotes volunteerism by teenagers. On September 17th she is launching an initial public offering (IPO) to raise the $8m needed to double Do Something’s activities by 2011, by which time it plans to be engaging with around 21m of America’s 32m teenagers.

The IPO prospectus, put together by Do Something’s board of chief executives and technology entrepreneurs, contains the usual market data, a description of the 15-year-old organisation’s activities, an overview of the competitive landscape and bold claims about its qualities (“Do Something is also one of the most efficient organisations in the United States”), all designed to convince investors that it can achieve its ambitious goals. The only thing that stops it from being a typical IPO prospectus is the absence of any pledge to make a profit. On the contrary, the opening boilerplate explains that “units offered in conjunction with this prospectus represent a perpetual interest in Do Something; this interest is strictly philanthropic, with no provision for cash returns at any time.”

This imitation of the for-profit IPO process may seem gimmicky, but in fact it is part of a new trend to improve how non-profits are financed, so that they can escape the obsession with short-term fund-raising that is pervasive in the charitable world. With money in the bank to finance the next three years’ operations, Ms Lublin and her team will be free to focus on reaching Do Something’s goals.