

Abstract

In my four dissertation essays I focus on the entrepreneurial motivations to enter the nonprofit sector, the objectives of nonprofit institutions, and the competition between nonprofit and for-profit firms within an industry. The literature review looks at the nonprofit sector in a more general way, touching on its size and importance to society, its focus the characteristics that distinguish it from the for-profit sector. To motivate three theoretical chapters, I survey the literature on managerial motivations to enter the nonprofit sector, objective functions that nonprofits pursue, and mixed competition.

Two theoretical essays explore competition between one nonprofit and one for-profit firm in the market for an excludable public good. The two competing firms follow different objectives and face different constraints and both optimize with respect to quality and price. Consumers are heterogeneous with respect to quality. The firms' behavior in mixed competition is compared to the nonprofit duopoly and for-profit duopoly. Among other results, the model reveals that the nonprofit firm is a natural leader in the market. The for-profit firm prefers a nonprofit competitor to a for-profit one, and it is better off when its nonprofit competitor is efficient and subsidized. The robustness of these results is explored with respect to other two nonprofit objectives and various cost configurations.

In the last essay, coauthored with Andreas Ortmann, we theoretically investigate the effect of weak enforcement of the non-distribution constraint on entrepreneurial choice between nonprofit and for-profit status and on the quality of products delivered by the nonprofit firm. We find that under weak enforcement the nonprofit sector becomes more attractive to entrepreneurs. Results also reveal that the quality provided by the nonprofit firms is lower under weak enforcement than that of the nonprofit firm under strict enforcement, but higher than the quality delivered by a for-profit firm.