

Nonprofit or For-Profit? Perceptions, Attitudes and Decision Making in Mixed Markets

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During the last decade we find more and more for-profit organizations in markets that used to be traditionally non-profit. Markets in the sphere of health services, education and the arts, which, in the past, have had a non-profit and governmental dominance, currently contain more and more business organizations (Pires, 1985; Young and Weinberg, 2004).

The theory of mixed markets in which nonprofit and for-profit providers compete, argues that in the purchase of services characterized by information asymmetry customers will prefer nonprofit providers (Weisbrod, 1989; Rose-Ackerman, 1990, 1996). However, the underlying assumption hidden in this theory is that customers in these markets can distinguish between nonprofit and for-profit providers - an assumption that has not been tested thus far.

In order to define whether or not customers can distinguish between for-profit and nonprofit organization there is a need to examine their decision making process.

The study presented examines this process among customers in the mixed market of nursing-home services in Israel. The study focuses on the subjective experiences of a sample of 13 interviewees (guardians, mostly family-members) that reported on 14 elderly service recipients. The interviews focus on an attempt to elucidate the process by which customers choose between providers in this market and the factors that impact their decision making.

The findings show that regarding perceptions and attitudes, although all interviewees had knowledge about non-profit organizations, none of them knew if their provider was nonprofit or for-profit. Furthermore, the study found that interviewees were divided regarding the type of organization which they thought is more suitable to provide home care services. Some of them expressed distrust in nonprofit organizations and a few even perceived for-profit organizations to be more efficient and professional. As well, reported attitudes towards nonprofit and for-profit organizations notwithstanding, the decision which provider to choose was based primarily on their social networks and prior acquaintance with a specific provider.

Another surprising finding was that half of the interviewees expressed preferences towards for-profit organizations – a finding inconsistent with the argument that customers of services in mixed markets prefer nonprofit providers due to the trust conferred on them by virtue of their nonprofit status.

The implications of this study indicate that the awareness about choice between for-profit and nonprofit service providers, which current literature is taking for granted, is not an obvious factor: All of the interviewees did not know whether the organization that was providing services to the elderly under their custody, was for-profit or a nonprofit – therefore their

decision was not influenced by this factor and they have not chosen one organization over the other due to this factor – a finding that contradicts the current literature.

Future research will have to confirm these findings and test them in different services and different countries.

References

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