



The Perceived Difference: The Sector Stereotype of Social Service Providers

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Abstract

What difference does “nonprofitness” make is a fundamental question for research, practices, and policymaking of the nonprofit sector. Contrary to the arguably unclear boundary between the nonprofit and the for-profit sector suggested by early literature, this study proposed and examined the existence of the perceived difference, the sector stereotype, from a social psychology perspective. We established a framework to map the process of the sector stereotype to theorize how people use the sector label to categorize the focal organization and make judgment loading on warmth and competence. Evidence from two experiments suggested that people perceive nonprofits as being warmer and slightly more competent than for-profits, and such stereotypical understanding mainly results from people’s repugnance against profit-seeking intention instead of preferences toward nonprofits in the social service market. This study further suggested that the sector stereotype might function as an barrier for increasingly blurry boundary between the nonprofit and the for-profit.

Keywords

sector boundary, sector stereotype, nonprofitness, public perception, social enterprise

Introduction

Nonprofit organizations play distinct economic roles in the social service market, such as healthcare and education (Hansmann, 1980). However, boundaries between the nonprofit and for-profit sector in social services have become increasingly blurred. Driven by isomorphic forces and economic considerations, traditional social service providers in the nonprofit sector are borrowing commercial strategies and business practices to increase their organizational capacities for missions (Bromley & Meyer, 2017). However, despite the blurred boundaries that these forces have created, tax policies, research on the nonprofit sector, as well as education and training programs for nonprofit management are still established upon the uniqueness of “nonprofitness”. As such, whether, and the way in which, nonprofit service providers are distinct from their for-profit competitors remains an important question for scholars, service providers, and policymakers (Child, Witesman, & Braudt, 2015; Knox, Blankmeyer, & Stutzman, 2006).

Early evidence suggests that nonprofit organizations behave and perform differently from their for-profit counterparts (e.g., Amirkhanyan, Kim, & Lambright, 2008). However, “nonprofitness” not only diverse organizational behaviors of providers in the social service market; it also evokes ideological reactions and public perceptions that determine the social service provider’s success in an ecological system in which nonprofits, for-profits, and public agencies compete (DiMaggio & Anheier, 1990). Nevertheless, compared to current theories and understanding of nonprofit organizations’ unique management and performance, the way the public perceives the difference between competing sectors in the social service market is limited. Therefore, the purpose of this study was to investigate nonprofit organizations’ perceived uniqueness from the

general public's perspective. Specifically, the study was designed to answer the research question that follows previous debate on what difference the nonprofit sector makes: How, if at all, are nonprofit service providers perceived differently from their for-profit counterparts?

The study first theorizes a psychological mechanism that renders different understandings of nonprofit and for-profit service providers. Under uncertainty, people follow the heuristic judgment model to make judgments and decisions in regard with the social service provider. This study posited and examined a stereotyping process in the heuristic judgment model, through which people perceive the organization stereotypically only by knowing the organization is nonprofit or for-profit. Sector information acts as an important cognitive heuristic for individuals to categorize the organization into a group of organizations with same not-for-profit or for-profit intention. Then, people substitute their judgment based on stereotypical understandings on the group of organizations for the judgment on the specific organization. Further, I also explore whether people will prefer to use information with social influence, such as other people's evaluation, instead of sector information to perceive the organization.

The study used the stereotype content model (SCM) to operationalize the perceptual elements of nonprofit and for-profit status, including perceived warmth and competence. For hypothesis testing, I conducted two online survey experiments that manipulated both the sector and the information of other people's evaluation of a social enterprise in two service areas. Findings from both experiments show that the nonprofit is perceived to be warmer than its for-profit counterparts, while the difference of perceived competence is relatively small. In addition, more importantly, the findings also suggest

that the stereotypical difference between the nonprofit and the for-profit results mainly from people's repugnance against profit-seeking intention in the social service market. The study makes theoretical contributions to the sector boundary literature by confirming the existence of the sector stereotype and exploring its potential mechanism and outcomes. It also provides practical implications for nonprofit managers and social entrepreneurs on marketing and communication strategies.

The remainder of this article begins with an overview of perceptual differences between nonprofit and for-profit organizations, and then posits a link between the public's perceptions of social enterprises and sector information through the model of heuristic judgment upon which the hypotheses were established. Next, the article introduces the experimental design, process, and findings before concluding with a discussion and implications.

Nonprofits and For-profits: Perceptual Differences and Consequences

Public Perception, Resource Generation, and Organizational Legitimacy

Public perceptions are crucial in establishing legitimacy and generating social service organizations' resources. Legitimacy is "...a generalized perception of organizational actions as desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995, p. 574) and it rests "in the eye of the beholder" (Ashforth & Gibbs, 1990, p. 177) or "within the psyches of social actors" (Zimmerman & Zeitz, 2002, p. 418). Legitimacy is a key resource for organizations because it brings important consequences. Legitimacy plays a

critical role in social and economic exchanges, as most stakeholders will interact only with legitimate organizations (Deephouse, Bundy, Tost, & Suchman, 2017).

Recent studies have shown that organizational legitimacy is a perception formed through a multilevel process. At a micro level, an organization's individual evaluators act as the source of legitimacy with respect to perceptions of the organization's macrolevel properties, and consult and communicate opinions within a group, render their judgments, and act based on those judgments (Bitektine, 2011; Suddaby, Bitektine, & Haack, 2017; Tost, 2011). At a macro level, a collection of individuals' judgments represents legitimacy in the form of validity, and validity is an important social cue for individuals when evaluating legitimacy in the future. Therefore, the formation of legitimacy is a cycle of interactions between individual evaluations of the organization and macro-level public perceptions.

Public perceptions are particularly important for social service organizations, because audiences' judgments influence the organization's financial and social support significantly (McDougle & Lam, 2014; Moore, 2000; Schlesinger, Mitchell, & Gray, 2004). Indeed, experimental evidence has shown that people are more likely to purchase products from organizations that they perceive are competent (Aaker, Vohs, & Mogilner, 2010), while they are less likely to purchase products from organizations that they perceive are immoral or greedy (Lee, Bolton, & Winterich, 2017). The behavioral consequences of perception can be understood further through the SCM (Fiske, 2018; Fiske, Cuddy, & Glick, 2007; Fiske, Cuddy, Glick, & Xu, 2002).

Public Perception: The SCM

Perception is a broad concept that covers different psychological concepts. Previous nonprofit studies have used trust (Schlesinger et al., 2004), confidence (McDougle & Lam, 2014), and public attitudes (O' Neill, 2009) to operationalize public perceptions of nonprofit organizations. More recently, a growing literature suggests that people make perceptual judgments based on two basic psychological traits, warmth (e.g., friendliness, trustworthiness, empathy, and kindness) and competence (e.g., intelligence, power, effectiveness, efficacy, and skillfulness), which lead to substantially different behavioral outcomes (Cuddy, Glick, & Beninger, 2011). While perceived warmth and competence have been introduced and proven to play significant roles in judging other people and social groups, recent literature has extended these traits to explain the way people judge organizations (Aaker et al., 2010; Drevs, Tscheulin, & Lindenmeier, 2014). Indeed, the modern institutional order personifies current organizations increasingly, and therefore organizations are perceived as autonomous, coherent, and morally responsible actors (Zucker, 1987).

People's perceived warmth and competence lead them to engage in different behaviors toward both individuals and organizations. For example, Todorv et al. (2005) found that political candidates' facial appearance produces variations in voters' perceptions of their competence, which influences voting outcomes causally. Cuddy et al.'s (2007) Behaviors from Intergroup Affect and Stereotypes (BIAS) Map shows that different levels of a specific social group's perceived warmth and competence form stereotypes, which then lead to relevant behaviors, such as helping and cooperation. People's perceptions of warmth and competence also affect their behaviors with respect to the focal organization. For instance, both Aaker et al. (2010) and Lee et al. (2017)

provided experimental evidence that people are more likely to buy products from suppliers they perceive are more competent and warmer.

In summary, variations in the focal organization's perceived warmth and competence determine largely whether people are willing to interact with it. Therefore, it is worthwhile to pay attention to factors that influence people's perceptions of social service organizations' warmth and competence. In this article, I propose sector information as an important judgment heuristic that affects people's perceptions of organizations' warmth and competence within the social service industry.

The Sector Stereotype: A Theoretical Framework

Sector Information as a Cognitive Heuristic

People select and use heuristics available to make judgments (Kahneman & Frederick, 2005; Tversky & Kahneman, 1974). When certain information is considered a heuristic, people unconsciously use their judgments of the heuristic as a substitute for their judgments of the subject itself. As the nonprofit vs. for-profit label is loaded culturally and evokes ideological reactions often (DiMaggio & Anheier, 1990), sector information can be considered an important cognitive heuristic which signals the intention of the organization and triggers the stereotyping process. Stereotyping is an automatic, effortless categorization process in people's mind (Fiske & Taylor, 2017). When knowing the for-profit or not-for-profit intention of the organization, people automatically categorize the organization into a group of organization with same intentions. That is, being a nonprofit or for-profit represents a prototypical or stereotypical exemplar, the properties of which are used as heuristic attributes to evaluate

an extension of organizations of the same category. Therefore, this study posited that people will judge nonprofit and for-profit organizations differently based on their stereotypical understandings of the nonprofit and for-profit sectors, which loads on warmth and competence traits. Figure 1 illustrates the theoretical framework which combines the heuristic judgment model and SCM.

<Figure 1>

This study used social enterprise to understand the sector difference between nonprofits and for-profits because its innovation causes uncertainty in service recipients' judgments and decision making, which increases their reliance on additional heuristics, such as sector information and other source of information, for example, other people's evaluation. Because they do not fit any established organizational category that provides them an appropriate base for official legal incorporations (Galaskiewicz & Barringer, 2012), social enterprises can be registered as either a nonprofit or for-profit firm, which allows us to observe the way sector information matters to organizations with similar purposes and logics. Scholars also are facing challenges in conceptualizing social enterprise (see Young & Lecy, 2014 for a discussion). Without a consensus in the definition of social enterprise, people may be more like to rely on sector information and other cognitive heuristics to judge the focal organization.

Nonprofit vs. For-profit: Difference in Perceived Warmth

Empirical evidence has shown that people perceive that nonprofit organizations are warm (Aaker et al., 2010; Dreves et al., 2014; Lee et al., 2017), and previous studies have elaborated two mechanisms that explain this perception. First, organizations registered as "nonprofit" are subject to non-distributive constraints, and therefore, they

are less likely to take advantage of information asymmetry to reduce their services' quality. Thus, nonprofit organizations are perceived to be more trustworthy in public service delivery (Handy et al., 2010) and are considered an effective remedy for contractual failure (Hansmann, 1980). The second mechanism of nonprofit organizations' perceived warmth is the extant social cognition of the nonprofit sector. Social conformity theory suggests that people's perceptions of one organization are subject to isomorphic pressures and social consensus (Suddaby et al., 2017). Thus, one of the important factors that grants the nonprofit sector positive perceptions is its reputation for charitable and benevolent missions and behaviors. This is particularly true in the U.S. because of nonprofits' historically long-term efforts and activities in charitable issues and social services. Meanwhile, the government endorses such deeds by providing the sector with policy advantages, most importantly, tax-exempt status (Hansmann, 1981). Nonprofits' reputation for benevolence also is established and disseminated through communications and marketing during fundraising campaigns, which social networks facilitate today. Therefore, although people have limited knowledge about their non-distributive constraints, empirical studies still show that people perceive that nonprofit organizations are warm and trustworthy.

In contrast, people have emotionally negative perceptions of for-profit organizations' warmth because of their profit-making intention. Hansmann (1980) argued that for-profit service providers are more likely to take advantage of information asymmetry to maximize their profits. Indeed, research has shown that people may use intention as a heuristic in judging outcomes (Fiske et al., 2007), and a for-profit intention often results in a zero-sum market exchange, in that the only way sellers can benefit more

is to exploit value from buyers. Because people are sensitive and strongly motivated to avoid exploitation, defensive measures against the for-profit intention will be triggered (Campbell & Kirmani, 2000). Therefore, people hold anti-profit beliefs and perceive that profit-seeking intentions are socially immoral (Bhattacharjee, Dana, & Baron, 2017). In addition, the presence of a for-profit motive increases people's perceived harmfulness of firms. Indeed, for-profit service providers may become involved in cream-skimming behaviors—a form of statistical discrimination that indicates that service providers select perceived “cost-efficient” clients intentionally based on stereotypes of racial or age groups (Jilke, van Dooren, & Rys, 2018). Considerable empirical evidence has confirmed people's negative perceptions of for-profit firms (Aaker et al., 2010; Dreves et al., 2014; Handy et al., 2010; Lee et al., 2017; Schlesinger et al., 2004). Thus, it can be expected that:

H1: People perceive that nonprofit social enterprises are warmer than are for-profit social enterprises.

Nonprofit vs. For-profit: Difference in Perceived Competence

The research on the competence, or the differential performance between the nonprofit and for-profit sector has now developed two competing understandings. On the one hand, nonprofit organizations are perceived to be incompetent. Salamon (1989) suggested that the nonprofit and voluntary sectors exhibit philanthropic amateurism because “...for a considerable period of time, the problems of poverty and want were attributed to the moral turpitude of the poor,” and therefore the beneficiaries require more “...moral suasions and religious instruction but not medical aid or job training” (p. 42). However, this situation has changed because of the increasingly instrumental roles that

nonprofit organizations play in social service delivery, especially as hired agents of the government (Lipsky & Smith, 1993). Other scholars have suggested that nonprofit organizations are incompetent because of their organizational culture—the nonprofit sector is known to be warm and friendly, while its competence and other related performance indicators are not included in the job promotion and evaluation systems (Aaker et al., 2010).

On the other hand, competing empirical findings have suggested that nonprofits sometimes are judged as more competent than are their for-profit counterparts. Two theoretical reasons may be able to reconcile this disparity, both of which relate to the specific service the organization provides. First, people make judgments based on cognitive heuristics that cue their related experiences (Kahneman & Frederick, 2002). A survey of U.S. patients in 14,423 nursing homes suggested that nonprofit organizations perform better than their for-profit counterparts with respect to service quality (Amirkhanyan et al., 2008). Such collective judgments of nonprofit or for-profit providers' performance in a particular industry might create a social consensus, which then provides heuristics based on which people make judgments. Second, competing arguments with respect to nonprofits' competence can be expected because of the anti-profit beliefs aforementioned, which consider profit orientation as greed, and sometimes, immoral intention. Recent evidence has demonstrated that moral judgments are related causally to perceived competence through an evaluation of social intelligence, which is characterized as "...effectively navigating complex social situations" (Stellar & Willer, 2018, p. 197). This indicates that observing (or perceiving) immoral behavior leads to a perceived failure of the agent in understanding another person's thoughts and feelings,

the unwillingness to adapt effectively to changing situations, and a failure to adhere to social norms society holds deeply and values as most important. In turn, organizations with overt prosocial missions will yield to negative moral judgments of their profit-seeking intentions, which ultimately undermine people's perceived competence and intentions to support them financially (Lee et al., 2017). Considering the theories and evidence that support both sides of these competing arguments, I proposed the following hypotheses to explore the complexity of perceived competence:

H2a: People perceive that for-profit social enterprises are more competent than are nonprofit social enterprises.

H2b: People perceive that nonprofit social enterprises are less competent than are for-profit social enterprises.

Others' Judgment as a Moderator

Despite the important heuristic function of sector information, people may place more weight on other information, especially that with social influence, such as other people's judgments. Figure 2 illustrates the theoretical process of moderating effect. Judgment from others is a typical cue of validity that people use to make judgments through a passive evaluation process to conserve cognitive energy (Tost, 2011). It is used because people are likely to control their own opinions and behaviors to maintain congruence between individuals and groups based on social conformity theory. Thus, when information about the collective judgment of the focal social enterprise is available, potential service recipients will tend to rely more on such information than on sector information to make an individual judgment that is highly congruent with the collective judgment. This argument is also in line with social influence theory which suggests that

people tend to conform with the evaluation and judgments from others to have a more accurate interpretation of the reality and then act correctly. Given space limitations, this study focused only on the way positive collective judgment moderates the effect of sector information. In summary, I expected that a positive collective judgment of a social enterprise moderates the perceptual difference attributable to variable sector information.

H3: The availability of others' judgment weakens sector information's effect on people's perception.

<Figure 2>

Methods

This study examined whether and in what way people perceive nonprofit and for-profit social enterprises differently. It also investigated the way collective judgment information interacts with sector information in people's cognitive processes. This study used two online survey experiments to test the hypotheses, each of which had a 3 (no sector information vs. nonprofit vs. for-profit) \times 2 (no collective judgment vs. positive collective judgment) factorial design. Study 1 was set in the daycare industry, and Study 2 was set in the recycling industry with using same design in Study 1.

Study 1: Daycare Industry

Design

Study 1 used a vignette that included information about a hypothetical social enterprise in the daycare industry. The daycare market in the U.S. is an important subarea of social service and consists of a mix of both nonprofit and for-profit providers with no dominant type of firm. Therefore, the sector information on social enterprises in the

industry was considered a cognitive heuristic the public uses to make judgments in a mixed market with uncertainties. The vignette included two factors: information on the sector and collective judgment. Differential sector information was applied in three groups: a control group without any sector information about the social enterprise, a treatment condition that identified the social enterprise as a nonprofit organization (nonprofit group), and a treatment condition that identified the social enterprise as a for-profit business (for-profit group). Including a control group ensured an appropriate baseline was available with which to observe the effect of nonprofit or for-profit status. In addition, comparisons between the treatment and control groups helped explore whether people have only positive perceptions of one type of social enterprise without negative perceptions of the other, or the converse. The sector information was manipulated across these groups in the following ways:

- 1) Different organizational tags were used.
 - a) No sector information tag for the social enterprise in the control group.
 - b) “Nonprofit organization” tag for the social enterprise in the nonprofit group.
 - c) “For-profit business” tag for the social enterprise in the for-profit group.
- 2) The domain name of the contact email address was manipulated as “.net” for the neutral group, “.org” for the nonprofit group, and “.com” for the for-profit group (Aaker et al., 2010; Lee et al., 2017).
- 3) The mission statement of each scenario began with the sector information about the social enterprise and read: “As a [no information]/nonprofit/for-profit social enterprise...”

Collective judgment information was manipulated according to two conditions: one provided 54 evaluators' four-star rating, and the other included no rating information. The 3×2 factorial design ultimately led to six experimental groups (see Appendix Figure 1).

Study 2: Recycling Industry

Design

Study 2 differed from Study 1 only by its service context—recycling industry. Similar to the U.S. daycare industry, the recycling market also is highly competitive and includes both nonprofit and for-profit firms. Study 2 was motivated by theoretical concerns. It examined the ability to generalize Study 1's experimental results to other social service fields. It is possible that people's stereotypical understandings of nonprofit and for-profit organizations differ because of the high heterogeneity across kinds of services (DiMaggio & Anheier, 1990). In addition, it is expected that moral judgments' effect on competence is more pronounced when people judge competence in fields with substantial social aspects (services) than fewer social domains (physical products). Compared to daycare organizations, which provide human services, recycling is a technical service (Walker, Lee, James, & Ho, 2018). Such a difference is associated with variations in moral standards that allowed me to test the complex role of perceived competence H2a and H2b proposed. Thus, Study 2 followed the design of Study 1, kept all manipulations the same, and used only a different logo, name, and mission statement for the hypothetical social enterprise.

Participants

A total of 1,210 participants (43% Female, $M_{age}=36$) were recruited through Amazon Mechanical Turk (MTurk), which is a crowdsourcing web service in which anonymous online workers complete web-based tasks for money, and it has been accepted widely as a legitimate source of participants for experimental research. Participants were compensated US\$ 0.50 after finishing both studies. Two participants were eliminated because their surveys were incomplete.

Procedure

Participants were required to take the survey experiment through the Qualtrics interface. After reading the introductory information, they were assigned randomly to one of the six groups in Study 1 or 2. In both studies, after they read the vignette, participants were asked to report their perceptions of the social enterprise about which they had just read with respect to 12 traits of warmth and competence with response options that ranged from -50 (not at all) to 50 (very much). The traits rated included three high and three low traits from each dimension (high warmth: warm, caring, generous, $\alpha=0.80$; low warmth: mean, unfriendly, selfish, $\alpha=0.89$; high competence: competent, effective, efficient, $\alpha=0.86$, low competence: slow, weak, disorganized, $\alpha=0.90$). All traits appeared randomly in two question blocks to avoid the order effect. In addition, the survey also measured people's donation and purchase intentions, which might be associated with their reported perceptions. After they finished one study, participants were asked to follow the same procedures in the next study. We realized that participants might determine the purpose of the experiment and read the vignette in the second study with specific intentions. Therefore, the order in which the two studies were presented was randomized to statistically minimize biases in the outcome variables. After they

completed all questions in both studies, participants provided basic demographic information, including their gender, age, race, education, income, employment, and political ideology. Questions that assessed attention and a manipulation check also were included in the survey and appeared in random order.

Analysis

The data analysis was conducted with ANOVA and difference-in-means tests. The results reported below derive from the analysis of all respondents (N=1,208). However, the attention check question (“Please move the slide to 20”) did detect 103 problematic responses. I compared the results with and without these problematic responses and found no substantial alternative findings, therefore, results from a full sample are reported here.

<Table 1>

Results

Study 1: Daycare Industry

The experiment was designed to examine: 1) the way people perceive nonprofit and for-profit social enterprises differently; 2) to what extent, if any, collective judgment information affected the outcomes. Table 1 reports the means and standard deviations of each outcome as well as the results of omnibus ANOVA tests. In this vignette, sector information had a significant treatment effect, while collective judgment represented by star ratings, as well as the interaction between sector information and collective judgment were not statistically significant. Figure 3 illustrates the mean differences with 95% confidence interval. The results suggested that people perceive that nonprofit social enterprises are significantly warmer than are for-profits (Cohen’s $d=0.46$ in the high

rating condition, $p < 0.001$; Cohen's $d = 0.48$ in the no rating condition, $p < 0.001$). However, the sector information did not appear to influence perceived competence, although participants perceived that nonprofit social enterprises are slightly more competent than are for-profit enterprises (Cohen's $d = 0.22$, $p = 0.0231$), but only when collective judgment information was available. It also is worth noting that from a perceptual perspective, participants did not judge the nonprofit and the social enterprise without sector information significantly differently. Therefore, rather than indicating that participants perceived nonprofit social enterprises more positively than for-profit social enterprises, they exhibited less preference for for-profit social enterprises compared to both nonprofit social enterprises and those without any sector information. The experiment also measured participants' willingness to purchase and donate under the different conditions. The results showed that those in the nonprofit condition reported a statistically significantly greater willingness to purchase (Cohen's $d = 0.29$ in the high rating condition, $p = 0.0028$; Cohen's $d = 0.33$ in the no rating condition, $p = 0.0014$) and donate (Cohen's $d = 0.46$ in the high rating condition, $p < 0.001$; Cohen's $d = 0.41$ in the no rating condition, $p < 0.001$) than did those either in the for-profit condition or the control condition, except that there was no significant difference between their willingness to purchase in the nonprofit condition and the control condition when there was no collective judgment information. Again, in general, the for-profit social enterprise in the daycare vignette was the one with which participants were least likely to interact.

<Figure 3>

Study 2: Recycling Industry

The results from Study 2 nearly mirrored those from the daycare vignette. The right panel of Table 1 suggests that the sector information, whether for a nonprofit, for-profit, or the group that presented no sector information, was a statistically significant factor that resulted in differences in participants' perceived warmth and competence with respect to the social enterprise, as well as their willingness to purchase and donate. However, neither the collective judgment information nor its interaction with sector information was statistically significant. Figure 4 reports the mean differences with 95% confidence interval in the recycling vignette. People reported a significantly lower level of perceived warmth (Cohen's $d=0.47$ in the high rating condition, $p<0.001$; Cohen's $d=0.48$ in the no rating condition, $p<0.001$) and competence in the for-profit condition than the nonprofit (Cohen's $d=0.19$ in the high rating condition, $p=0.061$; not significant in the no rating condition) and neutral condition (not significant in the high rating condition; Cohen's $d=0.20$ in the no rating condition, $p=0.0721$), while the difference in perceived competence was mixed, and the effect sizes of the significant differences were relatively trivial. Figure 4 also shows that people reported significantly least willingness to purchase and donate in the for-profit condition, while there was no difference in willingness to do so between the nonprofit and control conditions.

<Figure 4>

Discussion

Differences between nonprofit and for-profit providers have important implications for the development of theory in nonprofit organizations. It also is important for policymaking in social service organizations and social entrepreneurs' sector choices,

as well as understanding consumer and donor behaviors. However, increasing studies have suggested that the boundary between the nonprofit and for-profit sector is becoming blurred, especially because nonprofit organizations are relying increasingly on commercial incomes, and are selling social services in the market just as their for-profit counterparts. Based on the SCM, from a perceptual perspective, this study revealed the existence of organizational stereotypes that influence organizations' resource generation and legitimacy. Using social enterprise as a case, this study established a theoretical framework by connecting the model of heuristic judgment and organizational stereotype, and examined experimentally: 1) The way people perceive nonprofit and for-profit social enterprises differently, if at all, and 2) The extent of such perceptual differences, if any.

Findings from the experiment supported the previous argument that there is a stereotypical sector difference from a perceptual perspective, which, however, was not consistent completely with previous evidence of organizational stereotypes. In this experiment, nonprofit social enterprises were perceived to be warmer than were for-profits. In contrast, the experimental results showed that for-profits were perceived to be *less* competent than were nonprofits, although the effect size was relatively small. In addition, by adding a control condition in which no sector information was presented for the social enterprise, the study found that the effect of sector information was *asymmetric*—there was only a minor perceptual difference between a social enterprise without sector information and a nonprofit social enterprise. Therefore, rather than maintaining that sector differences are important, it is reasonable to claim that for-profit itself matters—people downgrade for-profit service providers perceptually compared to other types of service providers. This finding is consistent with previous evidence of

people's repugnance against for-profits, which suggests that profit-seeking is perceived to be immoral (Bhattacharjee et al., 2017). As the profit-seeking intention competes with the moral value required in the social service market, especially when the social mission is salient, for-profit organizations are less likely to be accepted as appropriate social services providers. This finding reaffirms Hansman's claim (1980) that people place more trust in nonprofit than for-profit service providers. On the other hand, the positive factor in profit-seeking, such as market competition, which stimulates innovation, seemed not to influence people's perceived competence of for-profit providers. On the contrary, for-profit social enterprises were perceived to be least competent across the three experimental conditions, although the effect size was relatively small. Two potential mechanisms might explain this finding. First, nonprofits are perceived to be more competent than are for-profits because of the halo effect of the warm trait, which indicates that when people perceive that one organization is warm, they will perceive that it is competent automatically (Nisbett & Wilson, 1977). However, the halo effect cannot explain why people have different perceptions of warmth and competence in different experimental settings (Aaker et al., 2010; Dreves et al., 2014; Lee et al., 2017). Second, the perceived immorality of the profit-seeking intention might indicate that the organization has a lower level of social intelligence, which mediates the relation between profit-seeking intention and perceived incompetence (Stellar & Willer, 2018), for which further investigations are needed.

This finding implies that the sector difference is not defined only by the institutional logic behind the sector tag, but also the social cognition of audiences in different markets (DiMaggio & Anheier, 1990)—people prefer the implicit notion of a

nonprofit, which contains important moral and instrumental values in certain service industries where service quality is difficult to measure and low quality constitutes unacceptable risk (Hansmann, 1980). While institutional isomorphism urges social service organizations to be more commercialized for financial capacity and sustainability, pressure from the audience who maintains stereotypical understanding of nonprofit or for-profit organization requires social service organizations to conceal its profit-seeking intention. Therefore, the sector boundary will still exist until the public abandons its stereotypical understanding of the sector tag, changing the standard of legitimization, which diminish the conflict between profit-seeking intention and social missions; otherwise, nonprofit organizations have to maintain its nonprofit image without showing any behaviors abnormal to a nonprofit stereotype in people's eyes. The significant difference in the warmth trait and limited difference in the competence trait might indicate that people's preference for nonprofits in social service is highly emotional and unstable (Cuddy et al., 2011). The stereotypical cognition of high warmth might lead to a higher expectation of moral standards, and when immoral behaviors are disclosed, such as scandal, fraud, or profit-seeking intentions such as the most recent admission policy reform by Metropolitan Museum of Art in New York City, the loss of legitimacy and reputation might be more serious in the nonprofit than in the private sector. Thus, while high warmth might lead to more resources and legitimacy, it also indicates more resource investment in meeting the moral expectation by increasing financial transparency and accountability management.

The sector stereotype, or people's repugnance against for-profit status in social service market, has important implications for the organizations' resource generation.

Findings from the experiment showed that, regardless of the vignette, people were more likely to interact (purchase and donate) with the nonprofit than the for-profit social enterprise, and the difference in people's willingness between the nonprofit condition and those in the control condition was not significant in the recycling vignette but was in the daycare vignette. Therefore, compared to a nonprofit social enterprise, a social enterprise with profit-seeking intention might have significantly fewer potential customers and generate less financial support from fundraising events. The former is particularly important for service providers that generate major revenue from market transactions with customers. However, the design of this study did not allow us to observe whether the for-profit sector information had a causal effect on the difference in willingness to interact through the perceived immorality reflected in the trait of warmth. Bootstrap mediation tests were conducted following Preacher and Hayes (2008) and Zhao, Lynch, and Chen (2010), and the results reported in Appendix Figure 2 revealed that warmth is a partial mediator through which for-profit status influenced people's willingness to purchase and donate adversely in both the daycare (willingness to purchase: 95% CIs [-4.01, -1.92]; willingness to donate: 95% CIs [-2.81, -0.98]) and recycling vignette (willingness to purchase: 95% CIs [-3.65, -1.73]; willingness to donate: 95% CIs [-3.35, -1.45]); however, more sophisticated research designs are required to test perceived warmth's causal effect in bridging the relation between for-profit status and people's willingness to interact (Imai, Keele, Tingley, & Yamamoto, 2011).

Although previous studies have suggested that people may rely on others' evaluation as a validity cue to make judgments, this study found neither a direct treatment nor interaction effect of the collective judgment information. Thus, the sector information

had a strong effect in this experiment which the collective judgment did not moderate, and thus, the third hypothesis was not supported. However, as collective judgment information can be delivered in multiple ways, the way the information is presented might have a stronger effect than the content itself. For example, specific sources of the information, such as authorized third-party evaluators, might be perceived as a more valid cue than anonymous users' star ratings. Therefore, replications and more in-depth experimental investigations are required.

Lastly, findings from this study also call for more conceptual replications in other service context with different groups of subjects, since the area of service sets the major category for people to make judgment according to the prototypical organization within this category. Findings from two experiments in this study, which are different from previous experimental results, have shown such variation (see Dreves et al., 2014 as an example). For social service recipients, the service context, such as daycare or hospital, acts as the major category for consideration, and their final choice of service provider depends on their judgments on organization candidates through comparisons with the prototype organizations in this category, which can be reflected by stereotypes. Modern organizational category studies define prototype organizations as “the most representative or central member of a category in the eyes of a given audience” (Vergne & Wry, 2014, p. 72). Not only suggesting the fact that features of prototype organizations vary according to the audience in different service areas, this definition implies that a prototype organization in certain service context might be subject to changes of public opinions and individual socialization. Thus, further studies shall not only include conceptual

replications but shall also explore how the prototype organization in people's eyes might change.

Conclusion

The sector difference between nonprofit and for-profit exists in social service market because it requires moral values maintained by the stereotypical understanding of "nonprofitness". Profit-seeking motives, as indicated by the for-profit sector information, evoke a significantly cold and potentially incompetent organizational image, which might affect organizational legitimacy and income adversely. Against the background in which policymakers are promoting marketization in service provision, both types of service providers should consider public perceptions an important factor in resource generation. While it might be better to conceal for-profit status in the case of for-profit providers, nonprofit organizations are not immune in communications with the public, because the theoretical mechanism suggests that the negative bias toward for-profit status results from the immorality such sector information conveys. Therefore, nonprofit organizations also might suffer from perceptual prejudices if particular organizational behaviors are perceived as profit-seeking. Examples might include large amounts of mission-unrelated transactions and collaborations with private companies to generate profit. Thus, social service organizations' managers should pay particular attention to legitimizing or justifying their commercial strategies, or use other strategies to moderate the negative effect of profit-seeking intentions in building organizational capacity. Because this study used social enterprise as a research setting, it also offers implications for social entrepreneurs in the sector choice dilemma.

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Table 1. Descriptive Data and ANOVA Results (n=1,208)

Warmth	Day Care			Recycling		
	Nonprofit	Forprofit	Neutral	Nonprofit	Forprofit	Neutral
With Rating	Mean	37.06	51.26	49.69	33.53	41.58
	SD	34.82	32.10	34.06	34.45	32.34
Without Rating	Mean	35.91	49.61	45.25	29.63	48.20
	SD	34.12	33.69	33.26	32.18	32.41
ANOVA	df	F	Eta-Squared	df	F	Eta-Squared
Sector	2	26.77***	0.0427	2	26.69***	0.0426
Rating	1	0.22	n.s.	1	0.09	n.s.
Sector × Rating	2	0.06	n.s.	2	3.53**	0.0059

Competence	Day Care			Recycling		
	Nonprofit	Forprofit	Neutral	Nonprofit	Forprofit	Neutral
With Rating	Mean	39.43	43.84	50.50	44.00	43.40
	SD	34.13	30.62	36.09	33.51	33.40
Without Rating	Mean	41.75	42.75	45.69	43.83	49.67
	SD	34.46	32.01	34.62	32.85	31.68
ANOVA	df	F	Eta-Squared	df	F	Eta-Squared
Sector	2	2.41*	0.0040	2	1.58	n.s.
Rating	1	0.06	n.s.	1	0.05	n.s.
Sector × Rating	2	0.58	n.s.	2	2.72	n.s.

Note: 1) * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$;

2) n.s. means not statistically significant.

Table 1. Descriptive Data and ANOVA Results Cont. (n=1,208)

	Willingness to Purchase			Day Care			Recycling			
		Nonprofit	Forprofit	Neutral	Nonprofit	Forprofit	Neutral	Nonprofit	Forprofit	Neutral
With Rating	Mean	25.48	19.45	22.07	25.14	18.53	23.58	20.78	24.80	17.76
	SD	19.37	21.76	17.38						
Without Rating	Mean	21.84	14.37	19.69	23.56	18.33	22.63	21.92	20.75	19.96
	SD	21.95	23.91	19.70						
<i>ANOVA</i>		df	F	Eta-Squared	df	F	Eta-Squared	df	F	Eta-Squared
Sector		2	10.76***	0.0177	2	8.87***	0.0146			
Rating		1	9.55**	0.0079	1	0.56	0.0005			
Sector × Rating		2	0.42	n.s.	2	0.11	n.s.			
	Willingness to Donate			Day Care			Recycling			
		Nonprofit	Forprofit	Neutral	Nonprofit	Forprofit	Neutral	Nonprofit	Forprofit	Neutral
With Rating	Mean	19.36	7.18	10.57	16.48	8.07	15.03	25.25	30.25	24.34
	SD	21.97	30.68	26.32						
Without Rating	Mean	16.58	5.10	11.68	14.10	7.53	17.36	28.91	28.40	22.12
	SD	25.10	29.99	26.87						
<i>ANOVA</i>		df	F	Eta-Squared	df	F	Eta-Squared	df	F	Eta-Squared
Sector		2	19.74***	0.0319	2	11.97***	0.0195			
Rating		1	0.65	n.s.	1	0.02	n.s.			
Sector × Rating		2	0.59	n.s.	2	0.79	n.s.			

Note: 1) * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$;

2) n.s. means not statistically significant.

Figure 1. The Sector Stereotype: A Theoretical Framework

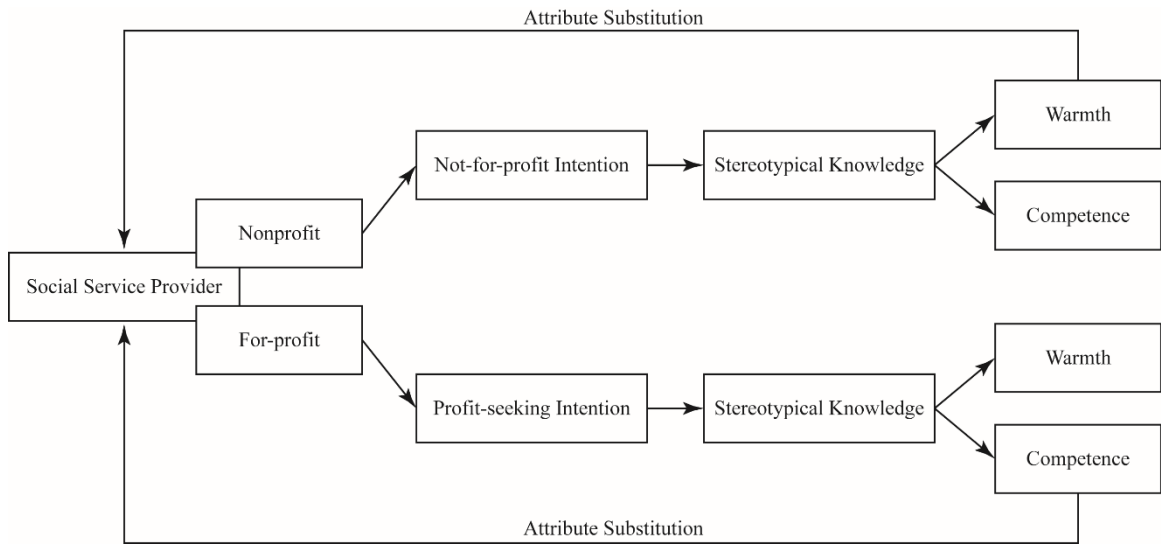


Figure 2. Moderating Effect of Others' Judgment

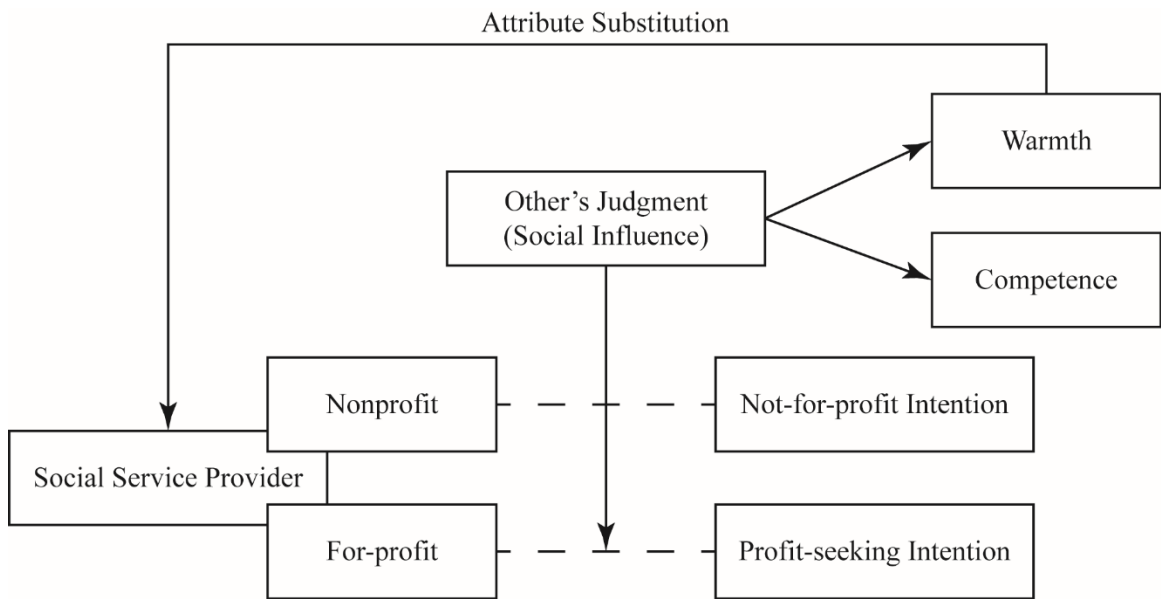
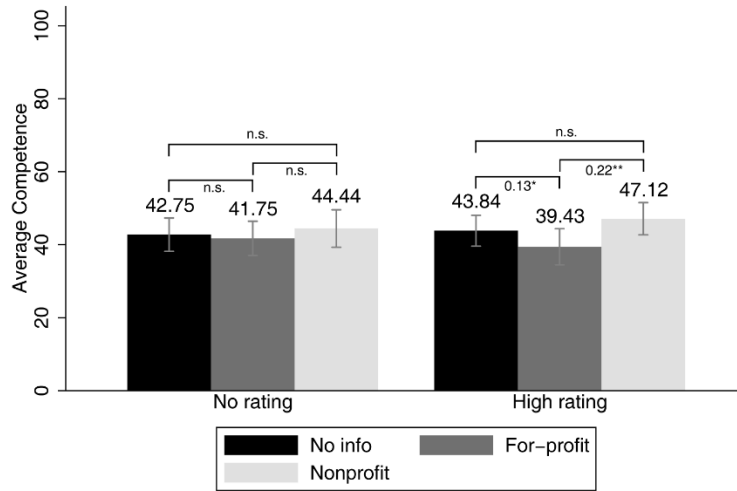
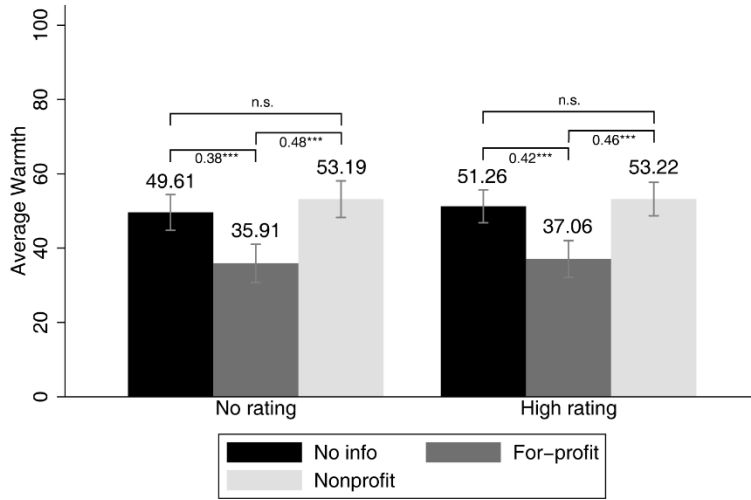
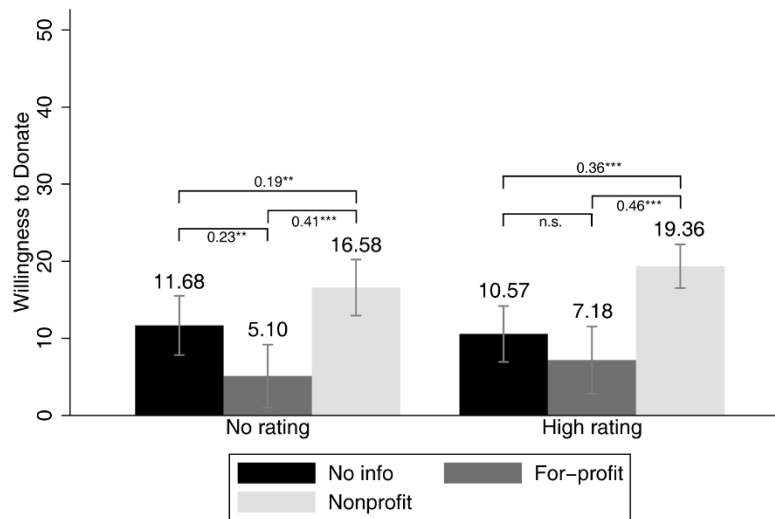
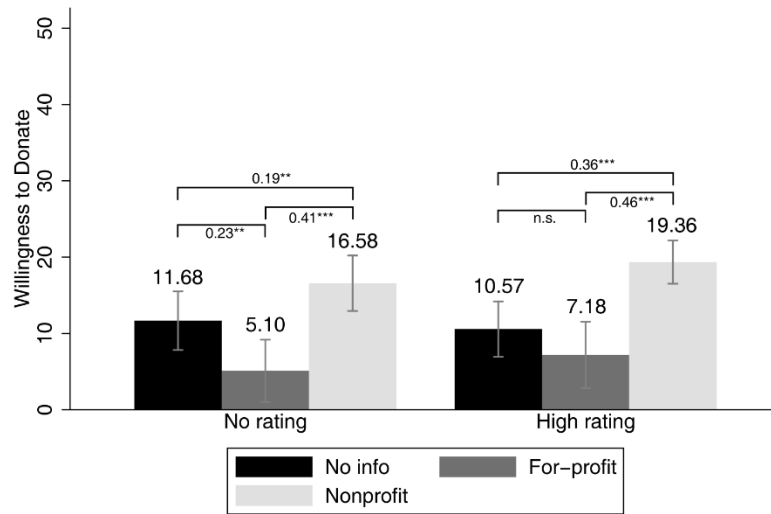


Figure 3. Mean Differences in Day Care Vignette



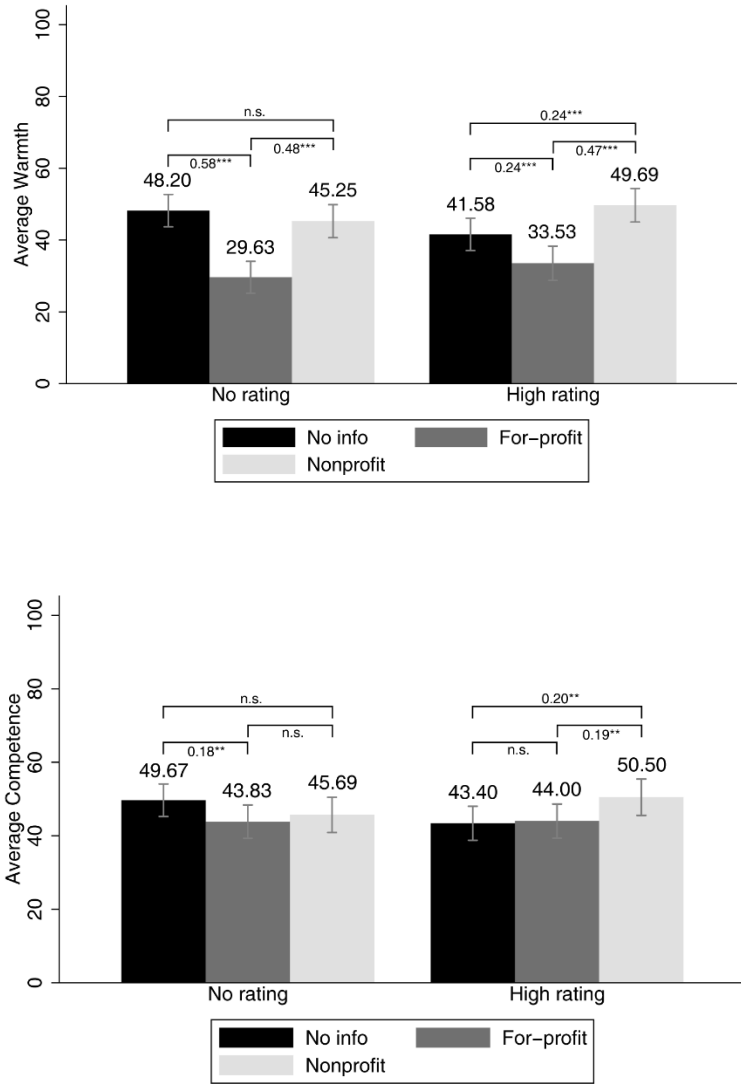


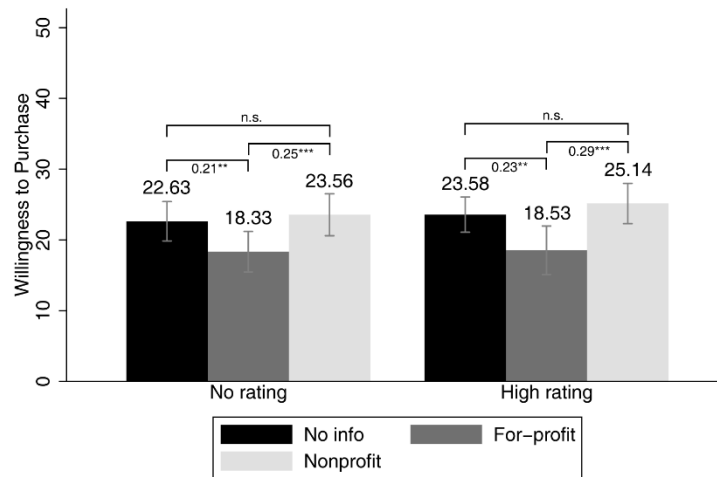
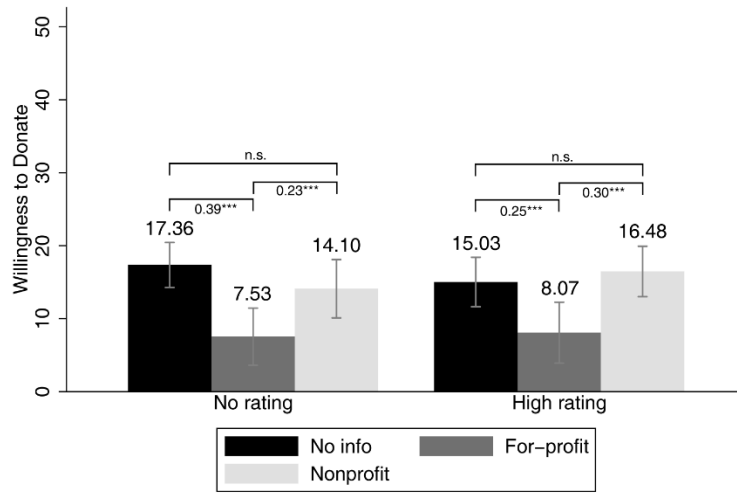
Note: 1) Cohen's *d* for difference-in-mean *t*-test reported.

2) * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

3) *n.s.* means not statistically significant.

Figure 4. Mean Differences in Recycling Vignette





Note: 1) Cohen's d for difference-in-mean t-test reported.


2) * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

3) n.s. means not statistically significant.

Appendix

Figure A1. Experimental Design

Study 1: Day Care Vignette

	Collective judgment	No collective judgment
Nonprofit group	 <p>Hyde Innovation Child Care and Learning Center Non-profit Social enterprise Preschool ★★★★★ (54) Contact: info@hydeinnovation.org</p> <p>About: As a non-profit social enterprise, the mission of Hyde Innovation Child Care and Learning Center is to provide children with the foundation needed for a happy and successful life.</p>	 <p>Hyde Innovation Child Care and Learning Center Non-profit Social enterprise Preschool Contact: info@hydeinnovation.org</p> <p>About: As a non-profit social enterprise, the mission of Hyde Innovation Child Care and Learning Center is to provide children with the foundation needed for a happy and successful life.</p>
Control group	 <p>Hyde Innovation Child Care and Learning Center Social enterprise Preschool ★★★★★ (54) Contact: info@hydeinnovation.net</p> <p>About: As a social enterprise, the mission of Hyde Innovation Child Care and Learning Center is to provide children with the foundation needed for a happy and successful life.</p>	 <p>Hyde Innovation Child Care and Learning Center Social enterprise Preschool Contact: info@hydeinnovation.net</p> <p>About: As a social enterprise, the mission of Hyde Innovation Child Care and Learning Center is to provide children with the foundation needed for a happy and successful life.</p>
For-profit group	 <p>Hyde Innovation Child Care and Learning Center For profit Social enterprise Preschool ★★★★★ (54) Contact: info@hydeinnovation.com</p> <p>About: As a for profit social enterprise, the mission of Hyde Innovation Child Care and Learning Center is to provide children with the foundation needed for a happy and successful life.</p>	 <p>Hyde Innovation Child Care and Learning Center For profit Social enterprise Preschool Contact: info@hydeinnovation.com</p> <p>About: As a for profit social enterprise, the mission of Hyde Innovation Child Care and Learning Center is to provide children with the foundation needed for a happy and successful life.</p>

Study 2: Recycling Vignette







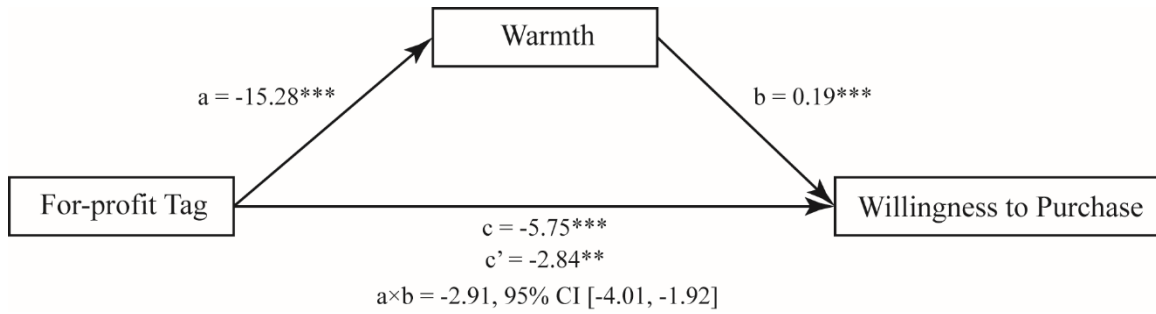
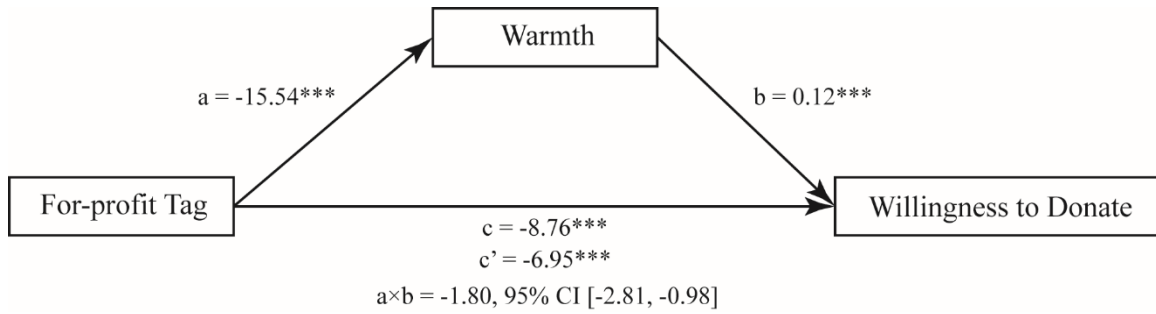
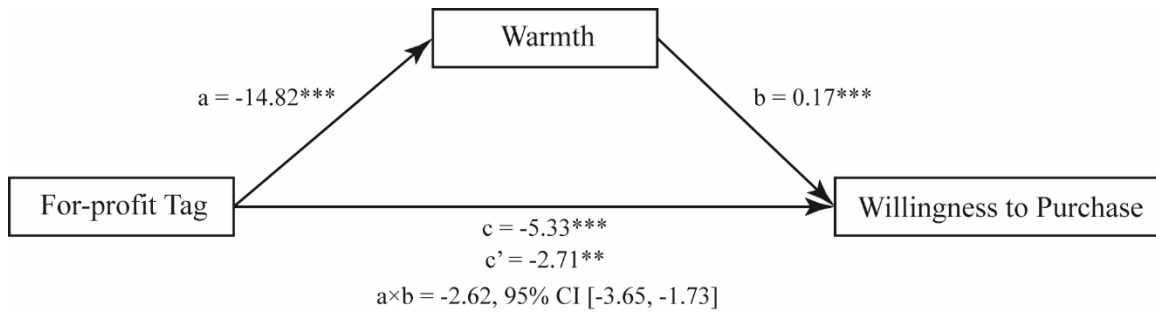
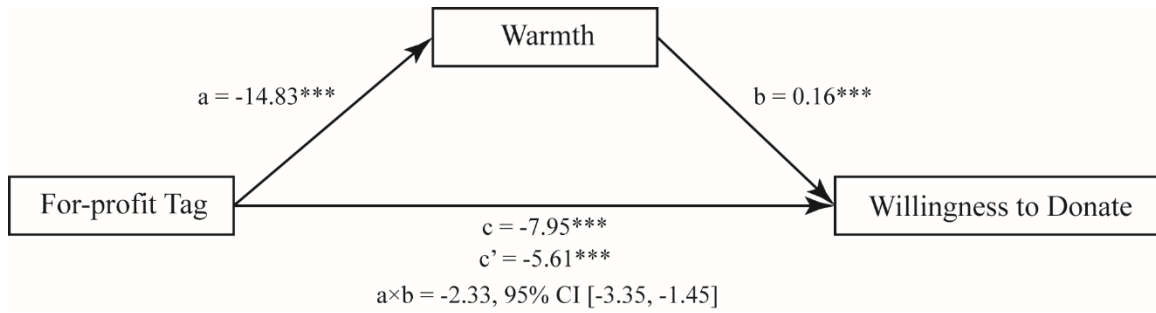
	Collective judgment	No collective judgment
Nonprofit group	 <p>Green Recycling Non-profit Social enterprise Door-to-door service ★★★★★ (54) Contact: info@greenrecycle.org</p> <p>About: As a non-profit social enterprise, Green Recycling recycles cell phones, laptops, and other electronics to reduce and reuse electronic wastes through professional services and strategic initiatives.</p>	 <p>Green Recycling Non-profit Social enterprise Door-to-door service Contact: info@greenrecycle.org</p> <p>About: As a non-profit social enterprise, Green Recycling recycles cell phones, laptops, and other electronics to reduce and reuse electronic wastes through professional services and strategic initiatives.</p>
Control group	 <p>Green Recycling Social enterprise Door-to-door service ★★★★★ (54) Contact: info@greenrecycle.net</p> <p>About: As a social enterprise, Green Recycling recycles cell phones, laptops, and other electronics to reduce and reuse electronic wastes through professional services and strategic initiatives.</p>	 <p>Green Recycling Social enterprise Door-to-door service Contact: info@greenrecycle.net</p> <p>About: As a social enterprise, Green Recycling recycles cell phones, laptops, and other electronics to reduce and reuse electronic wastes through professional services and strategic initiatives.</p>
For-profit group	 <p>Green Recycling For profit Social enterprise Door-to-door service ★★★★★ (54) Contact: info@greenrecycle.com</p> <p>About: As a for-profit social enterprise, Green Recycling recycles cell phones, laptops, and other electronics to reduce and reuse electronic wastes through professional services and strategic initiatives.</p>	 <p>Green Recycling For profit Social enterprise Door-to-door service Contact: info@greenrecycle.com</p> <p>About: As a for-profit social enterprise, Green Recycling recycles cell phones, laptops, and other electronics to reduce and reuse electronic wastes through professional services and strategic initiatives.</p>

Figure A2. Bootstrap Mediation Test

Study 1: Day Care Vignette



Study 2: Recycling Vignette



(* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$)