

RESEARCH ARTICLE

Layoffs during a pandemic: Results from an experiment on the management practices of nonprofit organizations and business firms

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Abstract

Given the challenges of the COVID-19 pandemic, both business and nonprofit organizations were forced to respond quickly with regard to organizational operations, resources, and workplace safety. The pandemic offers a unique context through which to examine how the public perceives organizational responses to unexpected crisis situations and whether they view them as socially responsible. Using a mixed experimental design, this study investigates the influence of organizational decision-making during COVID-19 on the public's perceptions of the organization. It also examines whether the type of organization—nonprofit or for-profit—influences these perceptions and the willingness of participants to support the organization either by purchasing the product or donating to the organization.

KEYWORDS

corporate social responsibility, crisis management, human resources management, nonprofit management

1 | INTRODUCTION

Organizations rely on their reputations to generate and maintain public support. Periods of crisis and change, such as the COVID-19 pandemic, increase pressures on organizations to make difficult decisions quickly without compromising their reputation, mission, or bottom line (Coombs, 2007; Hale et al., 2006; Wenzel et al., 2020). Often, these decisions affect multiple stakeholders, who may have different goals, perspectives, and concerns. Balancing the

expectations and needs of stakeholders can be challenging, especially when extenuating circumstances make resources scarce and business-as-usual impossible (Christensen & Kohls, 2003).

Both business and nonprofit organizations must consider the ways in which policies and decisions affecting their workers influence the perceptions of external stakeholders (Sarstedt & Schloderer, 2010). Given their status as tax-exempt and charitable entities, nonprofit organizations must pay particular attention to the community's attitudes and reactions to their internal decision-making to ensure a high degree of support, represented by the public's willingness to donate money, volunteer time, and engage as clients of the organization (Frumkin, 2002). For instance, decisions about finances, media and communications, and accreditation, among other factors, have all been shown to contribute to a nonprofit organizations' reputation and to influence donor behaviors (Peng et al., 2019).

As corporate social responsibility (CSR) has become a regular fixture within firms of all sizes around the world, for-profit organizations have also, increasingly, had to take into account and manage their reputation. Businesses today consider not only the perceived quality of their goods and services but also the perceived level of social responsibility represented by their brand (Haski-Leventhal et al., 2017). Research has shown that a track record of positive performance in CSR activities contributes to public perceptions of organizational morality and reputation (Rothenhoefer, 2019). Perceptions about a firm's reputation, including trustworthiness, quality, and efficiency, influence consumers' decisions about whether or not to patronize the business (Tian et al., 2020a). Thus, while the ways in which organizational decisions and policies influence public support may differ between these two sectors, both nonprofit and for-profit organizations routinely consider the implications of internal decisions and actions on external perceptions.

Past research has shown that a number of different factors influence these perceptions and, subsequently, willingness to patronize and support both for-profit and nonprofit organizations. Sector (e.g., nonprofit, for-profit, or government) is one such factor that may shape the public's perceptions of an organization and their willingness to support or patronize the organization (Handy et al., 2010; Hirth, 1999; Schlesinger et al., 2004). Importantly, the public's beliefs about an organization's form and sector may not align with reality yet may still influence their perceptions of its effectiveness and quality (e.g., Anderssen & Self, 2015; Mauser, 1998). Thus, managing these perceptions to preserve and enhance reputation has become a key strategic aim of both nonprofit and for-profit firms.

From the perspective of business management and communications, researchers have also examined the importance of crisis management for preserving or preventing the erosion of a firm's reputation. While crisis management may pertain to the mitigation of negative effects of corporate scandals, it also encompasses a firm's response to external crises beyond their control, such as natural disasters (Ferguson et al., 2012). Organizational decision-making during times of social and economic crisis may have long-reaching consequences for public perceptions and willingness to patronize and support a firm (Sarkar & Osiyevskyy, 2018).

The COVID-19 pandemic offers a unique context in which to examine whether and how organizational decisions about internal human resource policies influence external stakeholders' perceptions and willingness to support. This study builds on previous research on the relationships between organizational decision-making and individual behaviors (e.g., Tian et al., 2020a, 2020b) to examine whether and how organizations' decisions toward paid employees during the pandemic influence public perceptions of the organization as socially responsible and trustworthy and their willingness to ultimately patronize or support the

organization. In seeking to capture the perceptions of participants from around the country, we define “the public” in this study as a general or “far-away” public and utilize fictional scenarios to gauge their responses to hypothetical organizational decisions based on real-life conditions involving staffing and employment conditions brought on by the COVID-19 pandemic. Given previous findings that public perceptions differ depending on perceived organizational type and sector, this study utilizes a mixed experimental design to investigate whether sector type matters in the context of the COVID-19 pandemic by randomly assigning participants to answer questions about either a hypothetical for-profit organization or a hypothetical nonprofit organization in a comparable field (education/youth services).

The following four main research questions guide this study:

1. Does organizational response to COVID-19 influence individuals' perception of the organization as socially responsible?
2. Does organizational response to COVID-19 influence individuals' willingness to support the organization?
3. Does organizational response to COVID-19 influence individuals' trust in the organization?
4. Do individuals' perceptions and willingness to support differ by organizational type (for-profit vs. nonprofit)?

Christensen and Kohls (2003) predicted that the characteristics of modern organizations would “make crisis events more and more likely as organizations seem less able to understand and meet the demands of multiple stakeholders within ever more complex and turbulent environments” (p. 328). Thus, this study offers an opportunity to examine increasingly pressing questions about how organizational decision-making during a crisis influences the various stakeholders on whom it relies. Given previous empirical evidence suggesting a critical link between an organization's crisis response and its reputation (e.g., Coombs, 2007), we anticipate that both public perceptions and willingness to support will be shaped by how the organization chooses to act amidst the COVID-19 context. We expect that public perceptions about the organization's social responsibility, trust in the organization, and willingness to support will shift depending on the actions taken. Additionally, given the differences, both actual and perceived, in structure, form, and logic between for-profit and nonprofit organizations, we anticipate that the sector will act as a moderating factor in determining how these outcomes are affected by organizational decisions during COVID-19.

Recognizing the environment of increased complexity in which contemporary organizations operate, this study contributes to the literature on how organizational decisions during periods of crisis and change influence stakeholder perceptions and support and presents implications for practice. Because organizations across sectors rely on a favorable reputation to generate and maintain support, and therefore sustain themselves, understanding how the public views and responds to alternative courses of action is a critical input in the decision-making process. The COVID-19 pandemic represents an important opportunity to examine these relationships and yields insights for organizations looking to develop proactive crisis management strategies. While the pandemic is a unique context, we argue that these implications for management extend to other periods of crisis, such as natural disasters and economic downturns, in which decisions must be made quickly when information is limited, and when neither alternative is completely satisfactory. Thus, the findings from this study will assist organizations in developing proactive strategies to adapt to changing environments while keeping stakeholder perceptions—and, therefore, support—at the center.

2 | LITERATURE REVIEW

2.1 | Organizational legitimacy, stakeholder support, and public perceptions

Organizations continuously interact with a wide variety of stakeholder groups, both internally (e.g., employees and board members) and externally (e.g., customers, clients, donors, and the general public) positioned with regard to their activities. Every organization, whether nonprofit, for-profit, or public, relies on their stakeholders' support to be able to operate successfully. Importantly, each stakeholder group plays a role in granting organizational legitimacy. Organizational legitimacy is defined as “a generalized perception or assumption that the actions of an entity are desirable, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Massey, 2001, p. 153). Maintaining organizational legitimacy is the key to safeguarding the organization's reputation in its community and among its stakeholders. On an existential level, just as stakeholders authorize the organization to continue its operations by granting it legitimacy, they can also diminish organizational legitimacy by withdrawing their support if their positive perceptions of the organization are challenged. As such, the roles of organizational legitimacy and stakeholder support are critical considerations for strategic management (Massey, 2001).

The general public is an important stakeholder for both nonprofit and for-profit organizations. For nonprofit organizations, the general public represents potential donors, volunteers, clients, and members (Bekkers et al., 2016). Moreover, the general public is a stakeholder in nonprofits (particularly public charities or 501(c)3s) by virtue of their tax-exempt status, with the expectation that the exemption is justified through the creation of community benefit and collective goods to be enjoyed by a wider public (Frumkin & Galaskiewicz, 2004; Herring et al., 2018). On the for-profit side, shifting attitudes about the role of businesses in society and the growing prevalence of “the stakeholder view” in business management (Magill et al., 2015) have made consideration of this general public as a key stakeholder more of a priority to the organization's survival than ever before (Poppo & Schepker, 2010). Given the increasing ease with which individuals access and share information online, and increased competition for financial and non-financial support among nonprofits and customers among for-profits, organizations in both sectors must seek to maintain the public's favor and positive perceptions, through which legitimacy and support are granted.

Public perception is a broad and multifaceted concept that has been studied across social science disciplines, including in the context of crisis management and response (e.g., Malecki et al., 2021). In the present study, we conceptualize it along three dimensions: trust in the organization, view of the organization as socially responsible, and willingness to support the organization. We view these dimensions as distinct but related aspects of public perceptions that, taken together, provide a snapshot of how favorably the public views an organization and its actions, with implications for the organization's ability to sustain itself through financial and non-financial support and maintain its reputation and legitimacy.

Our conceptualization of trust adopts an individual- or consumer-level view in line with the business and marketing literature. Sirdeshmukh et al. (2002) define this type of trust as “the expectations held by the consumer that the service provider is dependable and can be relied on to deliver its promise” (p. 17). Thus, trust in the organization simply refers to an individual's confidence that the organization will do what it says it will do, such as upholding its stated mission or providing a quality service. Trust in organizations has been found to mutually and

positively reinforce organizational legitimacy (Moreno-Luzon et al., 2018). Social responsibility has been defined as “the set of obligations an organization has to protect and enhance the society in which it functions” (Davidson & Griffin, 2000, p. 127). Thus, the degree to which individuals view organizations as socially responsible captures their belief that the organization is not only providing some benefit to shareholders or clients but also generating a broader collective or public good for society as a whole.

Finally, we define willingness to support the organization as either an individual's willingness to patronize or spend money at the organization in the case of a business or their willingness to donate money in the case of a nonprofit. Conceptually and practically, forms of monetary support often differ between nonprofits and for-profits. While many nonprofits collect fees-for-service, membership fees, and other payments in exchange for goods and services, we define willingness to support the nonprofit in terms of willingness to donate, as the general public may be inclined to support regardless of whether they feel that they could “patronize” the nonprofit as a client or service recipient.

2.2 | Organizational decision-making during crisis

All organizations must be concerned with maintaining high levels of stakeholder support and, consequently, organizational legitimacy, at all times (Deephouse et al., 2017). This public support may take the form of customers' willingness to buy goods and services, in the case of for-profit organizations, or it may take the form of donations of time and money, in the case of nonprofit organizations (Frumkin, 2002; Sarstedt & Schloderer, 2010). In both cases, public support, and therefore organizational legitimacy by extension, is necessary to ensure the organization's long-term success and survival.

During a crisis, however, organizations' ability to maintain legitimacy and public support takes on a new level of urgency within the firm (Fowler et al., 2007). According to Coombs (2007), a crisis is defined as “a sudden and unexpected event that threatens to disrupt an organization's operations and poses both a financial and a reputational threat” (p. 164). Because public perceptions of organizations' behaviors during a crisis carry enormous weight for safeguarding their future reputation and legitimacy, organizations must be concerned with how their actions are judged by stakeholders as part of their overall approach to crisis management (Coombs, 2007). Indeed, Christensen and Kohls (2003) recognize that meeting the demands and expectations of a complex and diverse network of stakeholders is an essential component of effective crisis management.

In moments of organizational crisis, human resource management (HRM) emerges as one of the most urgent aspects of organizational decision-making, especially when the crisis is economic or social in origin (Sarkar & Osiyevskyy, 2018). Moreover, a change in HR practices and policies has the power to propel and guide long-term organizational change (Akingbola et al., 2019). In the context of the COVID-19 pandemic, both for-profit and nonprofit organizations have had to take stock of their HRM strategies. From a basic cost-benefit and risk analysis standpoint, the costs of doing business have risen during the pandemic, while the public's ability to access goods and services has simultaneously declined (Erederi et al., 2021) due to government regulations, decreased mobility, decreased household income, and other individual concerns. According to Dirani et al. (2020), “Just like their communities, organizations are in crisis mode. They struggle to meet the basic requirements of their customers while ensuring the well-being of their staff” (p. 382).

Because crises can dramatically affect employee motivation and morale, HRM must be at the center of crisis management (Vardarlier, 2016). During the COVID-19 pandemic, decisions around whether to retain, furlough, or permanently lay off employees, as well as whether to continue in-person work or transition to remote operations, have had huge implications for both organizations and their employees (Kniffin et al., 2021). According to Akingbola (2020), the pandemic has highlighted serious gaps in organizations' ability to prioritize employees' health and safety, particularly on the nonprofit side. Similarly, Kuenzi et al. (2021) point to the importance of COVID-19 as a "critical incident" (n.p.) with the potential to reshape the nonprofit sector and its workforce on a broad scale. Thus, HRM decisions made during COVID-19 will likely influence organizational competencies, legitimacy, and long-term survival for years to come (Akingbola, 2020; Caligiuri et al., 2020; Kuenzi et al., 2021).

2.3 | The role of organizational type: Nonprofit versus for-profit

Although organizational legitimacy and stakeholder support matter for all organizations, regardless of sector, organizational type may still play a role in shaping public perceptions of an organization. Past research has shown that individuals' attitudes toward and support for firms may vary depending on whether it is a for-profit or a nonprofit. For example, Handy et al. (2010) found that individuals were more likely to trust and support (through volunteering and donations) organizations that they perceived as nonprofits versus organizations perceived as for-profits or government. In the context of hospitals, research has shown that consumers' perceptions differ depending on whether the hospital is a non-profit or a for-profit entity, with higher trustworthiness but lower quality expected among nonprofit hospitals as compared with for-profit hospitals (Schlesinger et al., 2004). By contrast, Hirth (1999) found that being a nonprofit acted as a signal of higher quality among consumers choosing among different nursing home options. While results differ according to the subsector and type of goods and services offered, these findings nevertheless point to the need for a consideration of organizational type as a possible moderating factor in the relationship between organizational decision-making and public perceptions and willingness to support. In the next section, we examine some characteristics and expectations of nonprofit and for-profit organizations that may contribute to these differences.

2.3.1 | Nonprofit organizations

Among nonprofit organizations, two features may play a role in shaping public expectations and perceptions of decision-making during crisis situations like COVID-19: administrative overhead and the non-distribution constraint. Past research suggests that both individual and institutional donors are concerned with the overhead ratio of administrative costs to total expenses in nonprofit organizations, such that organizations boasting a smaller overhead ratio will be perceived as more efficient than organizations boasting a larger overhead ratio (Frumkin & Kim, 2001; Gneezy et al., 2014; Lecy & Searing, 2015). This perception is driven by the assumption that less spending on administrative and fundraising costs leaves more financial resources to invest in programmatic activities that directly advance the organization's mission (Coupet & Berrett, 2018). Donors want to know how their dollars are being spent, and their perceptions of nonprofits' overhead ratios may influence their willingness to donate if they believe their

money will be spent directly on supplying goods and services to beneficiaries, versus covering fundraising and administrative costs (Bowman, 2006). Public support for nonprofits during crises, as well as their perceptions of the organization as socially responsible and trustworthy, may be influenced by their opinions of overhead ratios in organizational spending, particularly if they view the organization's decisions as motivated to conserve scarce resources for programs and direct services. As such, we hypothesize that:

H1A. *Nonprofits that furlough employees and conserve resources during a pandemic will be perceived positively by the public.*

In addition to administrative overhead, the non-distribution constraint may also implicitly shape the public's perceptions of nonprofit organizations and what constitutes acceptable actions. The non-distribution constraint is a characteristic of nonprofit organizations that prevents them from redistributing profits or excess year-end revenue to stakeholders such as shareholders or employees (Hansmann, 1980; Steinberg, 1997). Unlike for-profit organizations, nonprofits may not use their profits for any purpose other than reinvestment in the pursuit of the organization's stated mission. Scholars have argued that the non-distribution constraint gives nonprofits a competitive advantage by contributing to the public's sense of trust in the sector, particularly in situations where information asymmetry is high, and to their belief that the sector exists to produce a collective good (Frumkin, 2002; Hansmann, 1980). Thus, a violation of this constraint not only jeopardizes their legal status as a nonprofit and, therefore, their ability to enjoy tax exemption but also threatens the confidence of supporters (Farwell et al., 2019; Frumkin & Keating, 2010).

Based on this constraint, the public may perceive any spending on the part of the nonprofit that does not directly advance the mission of the organization as inefficient, unethical, or even illegal. Decisions that prioritize internal stakeholders, such as employees, over external stakeholders, such as clients and community members, may be viewed as irresponsible and in violation of the non-distribution constraint if they divert scarce funding and other resources away from activities that directly advance the mission. In the context of COVID-19 in particular, these negative perceptions may be further exacerbated by the combination of decreasing financial resources and increasing community need (Johnson et al., 2020; Maher et al., 2020).

Overhead aversion is also related to the non-distribution constraint. Even for those that do not understand the fine details of the concepts of non-distribution and have no real understanding of the ownerless character of nonprofit organizations, the idea of efficiency is ever present and understandable to the casual observer and supporter of nonprofit organizations (Bowman, 2006; Gregory & Howard, 2009; Tinkelman & Mankaney, 2007). Stakeholders want to see nonprofits spend the resources entrusted to them in ways that make a real social impact. Spending on staff who are not working will be seen as inefficient in terms of mission accomplishment (Portillo & Stinn, 2018). Many supporters of nonprofits do not understand the need for core operation expenses and want to believe that all their donations are going directly to an organization's beneficiaries. While this may reflect an inadequate understanding of the realities and necessities of nonprofit finance and management, it is nevertheless prevalent and reflected in the oft-touted promise of "every one of your dollars reaches those in need." This focus on efficiency is real and is reflected in the race to the bottom in terms of overhead rates reported on sites such as Charity Navigator (Gneezy et al., 2014).

Therefore, we hypothesize that:

H1B. *Nonprofits that close but continue to pay employees during a pandemic will be perceived negatively by the public.*

The nonprofit sector as a whole is typically viewed as benevolent and good for society. There is a general expectation that individuals who work for nonprofit organizations are willing to do more with less, including by taking less pay than workers in other sectors (the “donative labor effect,” e.g., Ciu, 2020), and to make sacrifices for the good of their organization's mission or cause, an idea that has been conceptualized as nonprofit service motivation (e.g., Word & Carpenter, 2013). Thus, nonprofit organizations that find ways to remain operational during a crisis may be seen as living up to these expectations and also performing a public good. We therefore hypothesize that:

H1C. *Nonprofits that remain open while implementing regulated safety protocols during a pandemic will be perceived positively by the public.*

2.3.2 | For-profit organizations

In the context of for-profit organizations, reputation, and public support during and after a crisis may be influenced by their perceptions of the organization as socially responsible (Hegner et al., 2016; Schnietz & Epstein, 2005). Although the notion of CSR is not new, its meaning has changed quite dramatically since the 1950s as both social norms and public attitudes toward businesses have shifted (Latapi Agudelo et al., 2019). As CSR has evolved over the past several decades, so, too, have the public's expectations for businesses and their roles and responsibilities to society at large. Contemporary CSR implies a degree of concern for stakeholders both internal and external to the organization; an attention to social good over and above what is mandated by government regulations; and a level of commitment to uphold not only what is legal but also what is ethical in order to contribute broadly to societal welfare (Janssen et al., 2015). In that sense, the public's expectations for businesses have expanded to encompass more than just the lawful pursuit of profits (Caroll, 2015). This reality has clear implications for for-profit organizations' decision-making, and subsequently their reputation and legitimacy, especially during moments of crisis and change (Massey, 2001).

Individuals will form opinions about an organization's decisions during a crisis according to not only the information available about that particular context but also their beliefs about the role and obligations of businesses in general. If individuals view an organization's decisions as contradicting their expectations about how businesses should respond to such situations, they may be more likely to express negative perceptions and less likely to support the organization in question. Moreover, past research has suggested that stakeholders with less or no personal connection to a for-profit organization will judge its actions even more harshly than a connected or familiar stakeholder (Janssen et al., 2015; Wagner et al., 2020). When a crisis response is viewed as contrary to the firm's obligation to maintain a high degree of social responsibility, the short- and long-term damage to reputation and legitimacy can therefore be profound. Given these considerations, we hypothesize that:

H2A. *Businesses that furlough employees to save money during a pandemic will be perceived negatively by the public.*

By contrast, organizations that behave in alignment with public expectations will be rewarded with continued support. Given evolving expectations for businesses' role in society, namely, that they create shared value for stakeholders rather than unilaterally pursuing profits, combined with changes in both firm and stakeholder understandings of CSR as a concept and a practice (Caroll, 2015; Latapi Agudelo et al., 2019; Matten & Moon, 2020), we hypothesize the following:

H2B. *Businesses that keep employees on the payroll even if they close during a pandemic will be perceived positively by the public.*

H2C. *Businesses that choose to remain open while implementing regulated safety protocols during a pandemic will be perceived positively by the public.*

3 | METHODOLOGY

3.1 | Participants and recruitment

We recruited 200 participants via a Human Intelligence Task (HIT) posted on MTurk. Participants had to be at least 18 years of age and located in the United States to be eligible for participation. The study followed a mixed experimental design to allow for both within-subjects and between-subjects comparisons. Figure 1 illustrates the experimental design.

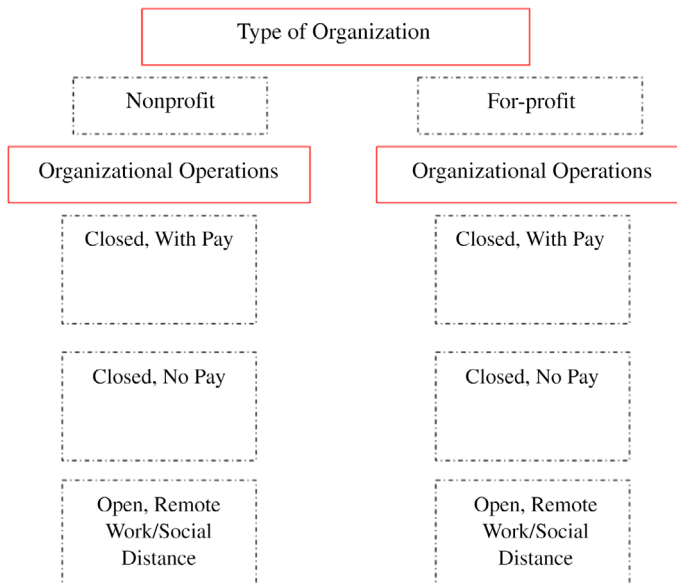


FIGURE 1 Study design.

Past research has shown that MTurk samples are more representative of the general population than other internet sampling techniques (Buhrmester et al., 2011), and that differences between MTurk samples and the general population are measurable and therefore can be taken into account during data analysis (Levay et al., 2016; Stritch et al., 2017). Thus, while MTurk samples are considered to be convenience samples, they are more statistically representative of the national population than convenience sampling techniques typically yield.

3.2 | Power analysis

Using G*Power software, we conducted a power analysis to determine the sample size for this research ($\alpha = 0.05$). Given a medium effect size ($f = 0.25$) and a power of 0.8, the minimum sample size was calculated as 128 subjects. To account for potential incomplete or unusable responses (e.g., due to bots or other issues), we collected a sample of 200 responses.

3.3 | Study procedures and instrument

The study was conducted fully online. Interested participants were redirected from MTurk to an external site to review study information and provide informed consent. After reviewing all background information and consenting to participate, participants were randomly assigned to either a hypothetical nonprofit organization or a hypothetical for-profit organization. Participants read a description of the organization, reviewed three scenarios pertaining to the organization's decisions during the COVID-19 pandemic, and then answered questions about their perceptions toward the organization, given each scenario. This approach allowed for both within-subject comparisons pertaining to organizational perceptions and willingness to support and between-subject comparisons of the for-profit and nonprofit groups.

3.4 | Measures

3.4.1 | Dependent variables

The study examined the effects of organizational decision-making during COVID-19 on willingness to provide direct support to the organization and public perceptions of the organization as both trustworthy and socially responsible. Willingness to support was measured using two different questions depending on whether the participant was assigned to the nonprofit or the for-profit scenario. For the nonprofit group, participants were asked, "Based on the decisions undertaken by the organization during the COVID-19 pandemic, would you be willing to give \$1 of your MTurk payment to this nonprofit organization?" (1 = Yes; 0 = No). For the for-profit group, they were asked, "Based on the decisions undertaken by the organization during the COVID-19 pandemic, would you be willing to patronize this business?" (1 = Yes; 0 = No). Public perceptions of the organization as socially responsible were measured by the question, "Please rate your agreement with the following statement: This organization is socially responsible" (Likert scale, 1–7). Public trust in the organization's ability to deliver a high-quality

product (for-profit scenario group) and to uphold its mission (nonprofit scenario group) were measured by the following two questions, respectively: “Do you trust the business to provide a quality service?” (1 = Yes; 0 = No) and “Do you trust the nonprofit to uphold its stated mission?” (1 = Yes; 0 = No).

3.4.2 | Independent variables

There were three experimental conditions for both the for-profit and nonprofit groups, respectively. These conditions pertained to different organizational decisions about how to handle operations during the COVID-19 pandemic. Given the importance of HRM in crisis management (e.g., Akingbola, 2020; Kniffin et al., 2021; Sarkar & Osiyevskyy, 2018; Vardarlier, 2016), the focus of this study was on staffing and personnel decisions, which are reflected in the experimental conditions presented to participants. The first scenario involved closing the organization but continuing to pay employees; the second scenario involved closing the organization and furloughing all employees; and the third scenario involved remaining open and implementing safety procedures such as wearing masks and social distancing. (See Appendix A for a list of study scenarios.) The order in which the three scenarios were presented was randomized for each participant.

3.4.3 | General perceptions of nonprofits and businesses

We asked a series of questions to gauge participants' baseline perceptions of nonprofits and businesses. Participants randomized into the nonprofit scenario group were asked, “Do you believe nonprofits are a source of good in the world?” (1 = Yes; 0 = No). They were also asked, “Have you ever donated to a nonprofit or charitable organization?” (1 = Yes; 0 = No), and, “Which would you be more likely to support by volunteering or donating: (1) A nonprofit that publicized its lay off to preserve charitable resources for clients in the future, or (2) A nonprofit that did not communicate its decision to lay off staff but one you read about in the news.” Participants were then able to pick which scenario they were more likely to support.

Participants randomized into the for-profit scenario group were asked, “Do you believe business is a force for good in the world?” (1 = Yes; 0 = No). They were also asked, “Have you ever participated in a product boycott because of a company's conduct?” (1 = Yes; 0 = No), and, “Which would you be more likely to buy a product from: (1) A business that publicized its decision to keep staff on the payroll, or (2) A business that did not communicate its decision to keep its workers on the payroll but one that you read about in the news.” Participants were then able to pick which scenario they were more likely to support.

3.4.4 | Demographic variables

The study also included a series of demographic questions pertaining to age, race, ethnicity, gender, income, education, political views, and geographic region. These variables were collected to describe the study sample and to compare the for-profit and nonprofit groups to ensure proper randomization had occurred.

3.5 | Analytic strategy

We utilized Chi-square tests, Wilcoxon Rank sum tests, and independent sample *t*-tests to compare the two groups (nonprofit and for-profit scenarios) and ensure that randomization procedures had produced statistically equivalent groups. For our analyses of the effects of different organizational decisions on public perceptions across all outcomes (willingness to support, trust in the organization, and social responsibility), we utilized mixed-effects models. Mixed-effects models were necessary to employ because participants responded to all three scenarios within their group (nonprofit or for-profit). Therefore, responses are not independent of each other for each scenario. Because fixed effects models cannot account for this violation of the assumption of independence, we utilize mixed-effects models to account for this.

4 | RESULTS

4.1 | Demographic characteristics

Table 1 summarizes the demographic characteristics of the study sample, broken down by those randomized into the for-profit scenario group and those randomized into the nonprofit scenario group. Demographic data include participant gender, age, geographic region, race and ethnicity, income, educational attainment, and political views. In terms of representativeness, as shown in Table 1, our participants were more likely to be male, have some college or a bachelor's degree, and identify as liberal in their political views than the general U.S. population.

Inferential testing between the nonprofit group and for-profit group was conducted on the various demographic indicators collected to ensure that the randomization procedures did create statistically equivalent groups. Demographics including participants' sex ($\chi^2 = 0.02$, $df = 2$), region ($\chi^2 = 3.79$, $df = 3$), race ($\chi^2 = 2.21$, $df = 4$), and ethnicity ($\chi^2 = 0.04$, $df = 1$) were compared between groups using Chi-Square analyses. Participants' income, political views, and education were organized on ordinal scales and examined using Wilcoxon Rank sum tests. Age ($t = 0.048$, $df = 192$) was compared between both groups using an independent samples *t*-test. Among all demographics collected, no significant difference was found between both groups.

4.2 | Initial perceptions of nonprofits and businesses

In general, participants in both groups expressed largely favorable attitudes toward nonprofits and businesses, respectively. Overall, 96% of the participants randomized into the nonprofit scenario group reported that they believed nonprofits were a source of good in the world (93 participants). Further, 88% reported that they had at some point donated to a nonprofit (85 participants). Participants reported they would be more likely to support a nonprofit that publicized staff layoffs to preserve charitable resources compared to not communicating this decision (79% vs. 21%, respectively). Among participants randomized into the for-profit scenario group, 70% reported that businesses were a force for good in the world (68 participants). Just over half (55%) reported that they have boycotted a product because of a company's conduct, while 42% stated that they would be more likely to buy a product from a company that communicated its decision to keep staff on payroll than a company that did not communicate this decision.

TABLE 1 Demographic information among for-profit scenario and nonprofit scenario groups.

	For-profit scenario group (n = 97) n (%)	Nonprofit scenario group (n = 97) n (%)	Total (n = 194) n (%)
Sex			
Female	41 (42%)	40 (41%)	81 (42%)
Male	55 (57%)	56 (57%)	111 (57%)
Other/nonbinary	1 (1%)	1 (1%)	2 (1%)
Region			
Midwest	22 (23%)	15 (15%)	37 (19%)
Northeast	22 (23%)	16 (16%)	38 (20%)
South	32 (33%)	38 (39%)	70 (36%)
West	21 (22%)	28 (29%)	49 (25%)
Race			
White/Caucasian	68 (70%)	62 (64%)	130 (67%)
African American	15 (15%)	17 (18%)	32 (16%)
Asian	10 (10%)	14 (14%)	24 (12%)
Native American, Native Hawaiian, Native Alaskan	0 (0%)	1 (1%)	1 (1%)
Other	4 (4%)	3 (3%)	7 (4%)
Ethnicity			
Hispanic	13 (13%)	15 (15%)	28 (14%)
Non-Hispanic	84 (87%)	82 (85%)	166 (86%)
Income			
Less than \$10,000	10 (10%)	6 (6%)	16 (8%)
\$10,000–\$25,000	22 (23%)	23 (24%)	45 (23%)
\$25,000–\$50,000	26 (27%)	28 (29%)	54 (28%)
\$50,000–\$75,000	22 (23%)	28 (29%)	50 (26%)
\$75,000–\$100,000	9 (9%)	5 (5%)	14 (7%)
\$100,000–\$150,000	6 (6%)	6 (6%)	12 (6%)
More than \$150,000	2 (2%)	1 (1%)	3 (2%)
Education			
HS diploma/equivalent	14 (14%)	14 (14%)	28 (14%)
Some college	31 (32%)	36 (37%)	67 (35%)
Bachelor's degree	45 (46%)	40 (41%)	85 (44%)
Advanced degree	7 (7%)	7 (7%)	14 (7%)
Political views			
Very conservative	7 (7%)	4 (4%)	11 (6%)
Conservative	8 (8%)	11 (11%)	19 (10%)
Moderate	12 (12%)	22 (23%)	34 (18%)

(Continues)

TABLE 1 (Continued)

	For-profit scenario group (n = 97) n (%)	Nonprofit scenario group (n = 97) n (%)	Total (n = 194) n (%)
Liberal	46 (47%)	40 (41%)	86 (44%)
Very liberal	24 (25%)	20 (21%)	44 (23%)
Age (in years)			
Mean	40.51	40.43	40.47
Standard deviation	10.92	10.22	10.55

TABLE 2 Mixed-effect logistic regression of participants' willingness to donate \$1 to nonprofit organization (n = 97).

Variables	Beta	Odds ratio	SE	95% confidence interval
Intercept	-4.028	0.018	1.062	-6.109, -1.947
Organization closed with pay (compared to furloughed)	2.807	16.554	0.716	1.402, 4.211
Organization open (compared to furloughed)	3.300	27.106	0.756	1.818, 4.781

4.3 | Effects of conditions on willingness to provide direct support to organizations

4.3.1 | Nonprofit scenario group

When asked about their willingness to donate \$1 of their MTurk payment to the nonprofit, the majority of participants in this group stated that they would not be willing to donate. However, responses differed across the three different experimental conditions, with 44% of participants willing to donate to the organization if it closed but continued to pay employees; 48% willing to donate to the organization if it remained open; and 24% willing to donate if the organization furloughed its employees.

A mixed-effect logistic regression was conducted in order to test for the statistical significance of these differences. As shown in Table 2, there was a significant relationship between the nonprofits' response to the COVID-19 pandemic (experimental condition) and participants' willingness to donate. Participants are several times more likely to be willing to donate to the organization if it closed but continued to pay employees ($p < 0.001$) or if it remained open ($p < 0.001$), as compared to the scenario when organizations furloughed employees. The odds of being willing to donate a dollar to an organization that closed but continued to pay its employees were more than 16 times greater than if the organization furloughed employees without pay (95% CI [4.1, 67.4]). Further, the odds were 27 times greater that the participant would donate a dollar to an organization that remained open compared if the organization furloughed employees without pay (95% CI [6.2, 119.2]).

Among study participants, it was very rare to express a willingness to donate a dollar to an organization that furloughed employees without pay while also being unwilling to donate to

the organization based on the other scenarios. For example, only two participants were willing to donate a dollar to the organization if it furloughed employees without pay but were not willing to donate a dollar to the organization if it closed but continued to pay its employees, compared to 21 participants who were willing to donate to the organization that closed but continued to pay employees and unwilling to donate to the organization if it furloughed employees without pay. Similarly, only one participant was willing to donate a dollar to the organization if it furloughed without pay and was also unwilling to donate a dollar to the organization if it remained open. In contrast, 24 participants were willing to donate to the organization if it remained open but were unwilling to donate when it furloughed employees without pay. The fact that support for the furlough option over the other options is almost nonexistent is likely driving the odds ratios to be very high with very large confidence intervals as described above. Overall, the finding that participants were so rarely willing to support the furlough scenario without also supporting the other options suggests strong evidence that participants were more supportive of the non-furlough scenarios.

A secondary sample was collected in which this question was re-written to emphasize that the decision to furlough employees was out of necessity to preserve funding for client services, but even with this stronger wording, the overall pattern of responses remained consistent.

4.3.2 | For-profit scenario group

When asked about their willingness to patronize the business based on its HRM response to the COVID-19 crisis, participants overwhelmingly affirmed that they would be willing to patronize the business that remained open and practiced proper pandemic procedures (91%). Similarly, the majority of participants also indicated that they would patronize the organization if it closed but continued to pay its employees (92%). In severe contrast, only 51% of participants stated they would patronize the business if it furloughed its employees. As shown in Table 3, a mixed-effects logistic regression confirmed that these differences were statistically significant. Participants were far more likely to patronize the business if it closed but continued to pay employees ($p < 0.001$) or if it remained open ($p < 0.001$), compared to the scenario in which the business furloughed its employees.

The odds of participants being willing to patronize the organization if it closed but continued to pay its employees were 11 times greater than if the organization furloughed employees (95% CI [4.4, 27.1]). The odds of participants being willing to patronize the organization that remained open were nine times greater than if the organization furloughed employees (95% CI [4.0, 23.1]). As with the nonprofit sample, these large odds ratios are likely due to how rare it

TABLE 3 Mixed-effect logistic regression of participants' willingness to patronize for-profit organization ($n = 97$).

Variables	Beta	Odds ratio	SE	95% confidence interval
Intercept	0.109	1.115	0.215	-0.312, 0.531
Organization closed with pay (compared to furloughed)	2.393	10.950	0.464	1.484, 3.302
Organization open (compared to furloughed)	2.262	9.604	0.447	1.385, 3.139

was for participants to be willing to patronize an organization that furloughed employees and simultaneously be unwilling to patronize at the organization based on the other scenarios. Only one participant was willing to patronize the organization if it furloughed employees without pay and also unwilling to patronize the organization if it closed but continued to pay its employees, compared to 39 participants who were willing to patronize the organization that closed but continued to pay employees and unwilling to patronize the organization if it furloughed employees without pay. Similarly, seven participants were willing to patronize the organization if it furloughed and were unwilling to patronize the organization if it remained open, compared to 44 who were willing to patronize the organization if it remained open but were unwilling to patronize if it furloughed. As with the nonprofit organization sample, while the 95% confidence intervals are large, we believe this sample provides evidence that participants were more willing to patronize an organization that closes but continues to support its staff or remains open, compared to an organization that furloughs its employees. Thus, these results were consistent across both the nonprofit and for-profit groups.

4.4 | Effects of conditions on trust in organizations

4.4.1 | Nonprofit scenario group

To examine participants' level of trust in the organization, those in the nonprofit scenario group were asked whether they felt that the nonprofit could uphold its stated mission, given its decisions about personnel and staffing. For the scenario in which the organization furloughed its employees, 37% of participants did not think the organization could uphold its mission. In contrast, 11% of participants did not trust the organization to uphold its mission if the organization closed but continued to pay employees. Further, only 5% of participants felt the organization could not uphold its mission if it remained open.

4.4.2 | For-profit scenario group

The responses were similar among the for-profit group. Thirty-two percent did not think the organization could provide a quality service if employees were furloughed. Interestingly, this number was much lower in the scenario in which employees were sent home with pay (6%), even though employees were sent home in both scenarios. It seems that participants were less likely to believe the quality of service would be compromised if employees were sent home but still supported with pay. Further, only 6% of participants did not trust the for-profit organization could provide a quality service if the organization stayed open.

4.4.3 | Comparison between nonprofit and for-profit groups

To examine whether or not there was a significant relationship between trust in the organization and organizational decision-making about staffing and personnel during the pandemic, we utilized a mixed-effect logistic model. The outcome variable is trust in the organization. The predictor variables are if the organization closed but continued to pay their employees (compared to if the organization furloughed its employees as the referent group), if the organization

remained open (compared to if the organization furloughed its employees as the referent group), and if the organization is a nonprofit (compared to if the organization is for-profit as the referent group). Table 4 presents these results.

Interestingly, participants were more likely to trust the organization if it remained open or closed but continued to pay employees compared to if it furloughed employees with no pay ($p < 0.001$). The odds of trusting in the organization were over six times (95% CI [3.5, 12.7]) more likely in the case that the organization closed but continued to pay its employees and 10 times (95% CI [5.1, 22.8]) more likely if the organization remained open compared to furloughing its employees without pay. Six participants trusted the organization if it furloughed their employees and did not trust the organization if they closed but continued to pay its employees, whereas 56 were willing to trust the organization if it closed but continued to pay its employees but did not trust the organization if it furloughed its employees. Similarly, eight participants were willing to trust the organization if employees were furloughed but did not trust the organization if it remained open. In contrast, 64 participants trusted the organization if it remained open but did not trust the organization if it furloughed employees. These findings were consistent between both the nonprofit and for-profit groups, with no difference in trust based on sector.

4.5 | Effects of conditions on perceptions of the organizations as socially responsible

Participants in both the nonprofit and for-profit scenario groups were asked about their perception of the organization as socially responsible. Responses in both groups tended to be highly left-skewed across all three experimental scenarios (see Figure 2). Due to this, the normality assumptions of mixed-effect linear models could not be met. Therefore, the scale was split into three categories. These categories included a Low to Mid Social Responsibility category, encompassing scores from 0 to 6; a High Social Responsibility category, encompassing scores from 7 to 9; and a Very High Social Responsibility category, representing a score of 10. These thresholds were chosen because the distributions of participants' ratings tended to fluctuate the most at these cutoff points.

4.5.1 | Nonprofit scenario group

For the nonprofit scenario group, 61% of participants scored the nonprofit organization at 6 or below in social responsibility if they furloughed employees, 24% scored them between 7 and

TABLE 4 Mixed-effect logistic regression of participants' trust in organizations ability produce a high-quality product ($n = 194$).

Variables	Beta	Odds ratio	SE	Confidence interval
Intercept	0.906	2.474	0.245	0.426, 1.386
Organization closed with pay (compared to furloughed)	1.891	6.626	0.330	1.244, 2.538
Organization open (compared to furloughed)	2.380	10.808	0.380	1.635, 3.125
Nonprofit org (compared to for profit)	-0.290	0.748	0.287	-0.853, 0.273

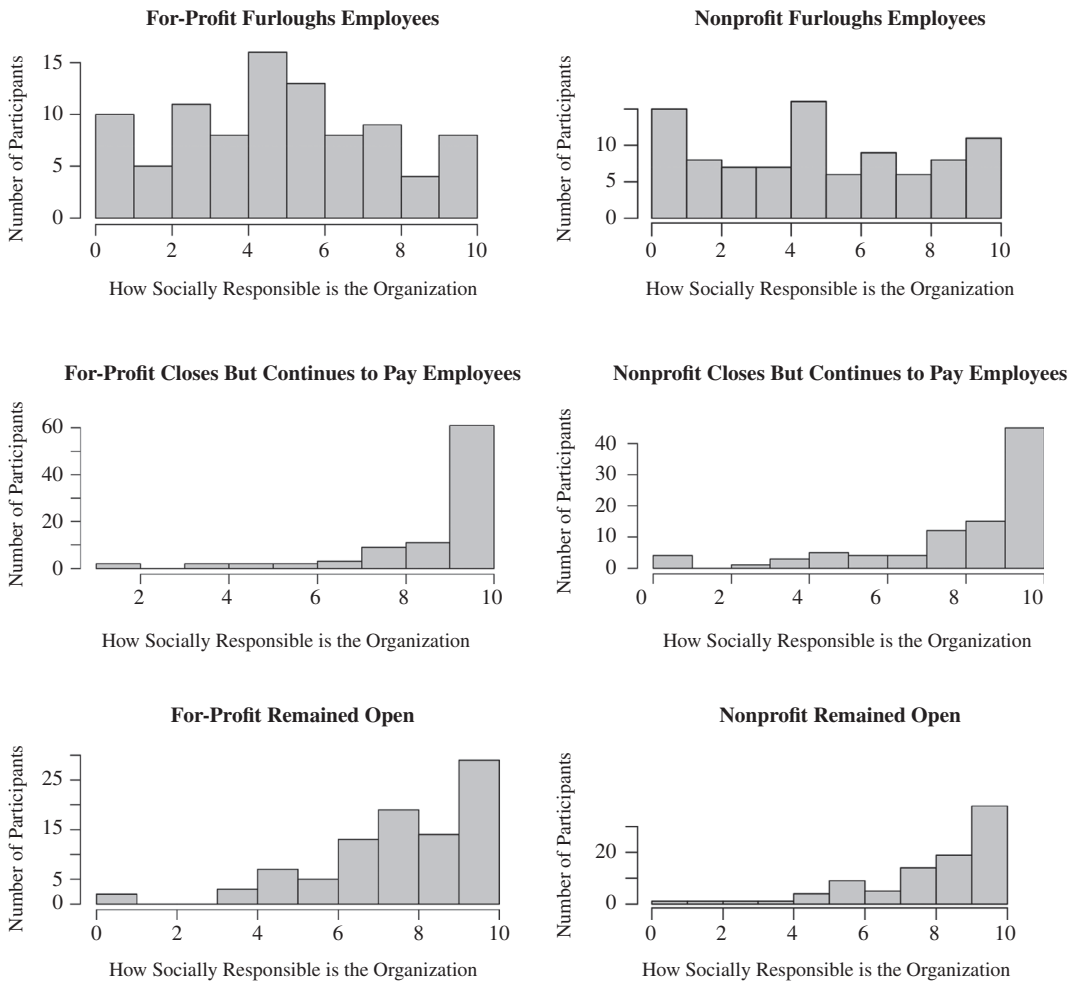


FIGURE 2 Histograms of responses on the degree to which organizations are being socially responsible.

9, and 11% scored the organization as a 10. The scale is nearly flipped for the other two scenarios, as summarized in Table 5.

4.5.2 | For-profit scenario group

Results were similar in the for-profit group. Nearly two-thirds (63%) of participants scored the organization at 6 or below when the organization furloughed their employees, 22% rated them between 7 and 9, and 8% rated them as a perfect 10 in social responsibility. This pattern was nearly flipped for the scenario where employees were sent home with pay, as seen in Table 5. For the scenario in which the business remained open, 18% of participants rated the organization 6 or below on the social responsibility scale, 47% rated the organization between 7 and 9, and 30% rated them at a score of 10. Overall, participants felt that furloughing employees was not socially responsible, sending them home with pay was very socially responsible, and remaining open was generally socially responsible.

TABLE 5 Survey responses to the question “Please rate the organization based on how socially responsible you believe they are being.”

	Low to Mid social responsibility (0–6)	High social responsibility (7–9)	Very High social responsibility (10)
For-profit organization scenario			
Organization furloughed employees	63	21	8
Organization closed but continued to pay employees	8	25	59
Organization remained opened	17	46	29
Nonprofit organization scenario			
Organization furloughed employees	59	23	11
Organization closed but continued to pay employees	17	31	45
Organization remained opened	17	38	38

4.5.3 | Comparison between nonprofit and for-profit groups

In order to compare the two groups, we utilized two mixed-effects logistic models. As shown in Table 6, the first model compares Low to Mid scores to High and Very High scores. The second model compares Low to Mid and High scores with Very High scores. When comparing Low to Mid scores to High and Very High scores, we found a significant relationship between the likelihood of a participant rating an organization in a particular category and how that organization responded to pandemic, such that organizations that remained open or closed but continued to pay employees had much lower odds of being scored in the Low to Mid section of the social responsibility scale compared to the scenario in which employees were furloughed ($p < 0.001$).

The odds of scoring an organization as High or Very High were 91% greater if it closed but continued to pay its employees compared to if it furloughed employees without pay. The 95% confidence interval for these odds is between 84% and 95%. Only six participants rated furloughing employees without pay as being High or Very High in social responsibility, while rating the organization as Mid or Low if it closed and continued paying employees. In contrast, 90 participants rated furloughing employees as being Low to Mid in social responsibility, but rated closing and continuing to pay employees as High or Very High. Further, the odds of scoring an organization as High or Very High was 90.4% greater if the organization remained open compared to if it furloughed employees (95% CI [83, 94]). In total, 13 participants scored furloughing employees as High or Very High in social responsibility, while scoring the organization as Low or Mid in social responsibility if it remained open. However, a total of 96 rated the organization as Low or Mid if it furloughed its employees and High or Very High in social responsibility if it remained open. There was no significant difference between responses based on the organization's sector.

Similar results were found when comparing Low to Mid and High scores with Very High scores. Participants were much less likely to score an organization as being Very Highly (a perfect score of 10) socially responsible if they furloughed their employees, compared to the scenarios where employees were sent home but continued to receive pay or the organization

TABLE 6 Mixed-effect logistic regression of participants' perception of which organizational decision was most socially responsible.

Variables	Beta	Odds ratio	SE	Confidence interval
Comparing Low to Mid scores with High and Very High scores				
Intercept	0.162	1.175	0.185	−0.201, 0.525
Organization closed with pay (compared to furloughed)	−2.403	0.090	0.284	−2.960, −1.847
Organization open (compared to furloughed)	−2.340	0.096	0.279	−2.888, −1.793
Nonprofit org (compared to for profit)	0.133	1.142	0.223	−0.305, 0.570
Comparing Low to Mid scores and High scores with Very High scores				
Intercept	2.496	12.137	0.326	1.856, 3.136
Organization closed with pay (compared to furloughed)	−2.820	0.060	0.347	−3.501, −2.139
Organization open (compared to furloughed)	−1.829	0.161	0.318	−2.453, −1.206
Nonprofit org (compared to for profit)	0.055	1.057	0.257	−0.448, 0.559

remained open ($p < 0.001$). The odds of scoring an organization as Very High were 94% greater if it closed but continued to pay employees compared to if it furloughed employees without pay (95% CI [88, 97]). Only three participants scored the organization as Very High in social responsibility if it furloughed employees and did not score the organization Very High if it closed but continued to pay employees. In strong contrast, a total of 89 participants did not rate an organization furloughing its employees as Very High but did rate closing and continuing to pay employees as Very High.

Further, the odds of scoring an organization as Very High were about 84% more likely if the organization remained open compared to furloughing employees (95% CI [70, 91]). A total of eight participants rated furloughing employees as being Very High in social responsibility while not rating remaining open as being Very High. In contrast, 56 rated remaining open as being Very High in social responsibility but did not rate furloughing employees as being very high. Again, there was no significant difference found based on sector. Interaction effects and covariates were tested; however, none were found to be significant.

4.6 | Summary of findings

We hypothesized that public perceptions of organizations (willingness to support, perception of the organization as socially responsible, and trust in the organization to either uphold its stated mission or provide a quality service) would differ according to sector. Our findings suggest, however, that participants' perceptions of organizations did not differ significantly based on whether the organization was a nonprofit or a business. While our hypotheses about public perceptions of for-profit firms were supported (H2A, H2B, and H2C), only one of our hypotheses about public perceptions of nonprofit organizations was supported (H1C). Contrary to H1A, participants overwhelmingly viewed nonprofits that chose to furlough employees in a negative light across all three measures of public perception. Likewise, and contrary to H1B, participants viewed nonprofits that closed but continued to pay employees in a positive light, which was in

TABLE 7 Summary of findings.

Hypothesis	Supported?
Nonprofit scenarios	
H1A: Nonprofits that furlough employees and conserve resources during a pandemic will be perceived positively by the public	No
H1B: Nonprofits that close down but continue to pay employees during a pandemic will be perceived negatively by the public	No
H1C: Nonprofits that remain open while implementing regulated safety protocols during a pandemic will be perceived positively by the public	Yes
For-profit scenarios	
H2A: Businesses that furlough employees to save money during a pandemic will be perceived negatively by the public	Yes
H2B: Businesses that keep employees on the payroll even if they close during a pandemic will be perceived positively by the public	Yes
H2C: Businesses that choose to remain open while implementing regulated safety protocols during a pandemic will be perceived positively by the public	Yes

line with the findings on public perceptions of for-profit organizations that closed but continued to pay employees (H2B). Thus, the results for the nonprofit group consistently mirrored the results for the for-profit group. Table 7 summarizes these findings. We further elaborate on these results in the next section.

5 | DISCUSSION

Based on the foundational notion that nonprofit organizations are bound by the non-distribution constraint and are adverse to excess spending on administrative expenses, we hypothesized that participants would respond positively to nonprofits that laid off employees during a pandemic to preserve assets for charitable purposes that aid clients. Because participants reacted positively to information about nonprofit workers getting paid when not delivering services even after being reminded of the non-distribution constraint, we conclude that expectations about nonprofit management are focused on doing the right thing just as much or more than they are on the issue of operational efficiency. The longstanding concern about overhead and efficiency in nonprofits appears to have been tempered by the serious public health challenge. This point is clearly illustrated by our finding that participants viewed sending employees home with pay as the most socially responsible staffing decision for nonprofits during the pandemic, even more socially responsible than remaining open and continuing to pay employees. As such, we found that public expectations of nonprofits mirror the established concept of CSR, which includes a responsibility to implement progressive and humane management practices that take care of employees' safety and welfare. Mission success is important but so too is treating workers with compassion while pursuing social impact, even if it means tradeoffs with operational efficiency in the short-term.

Even when the notion of a mission-based organization was explained and when the notion of non-distribution was set out for participants, participants still opted to prioritize worker treatment over resource conservation. Nonprofit mission was thus seen as inseparable from

employee treatment. Our finding that participants trusted a nonprofit more to uphold its mission when it kept its employees on the payroll versus laying them off during a pandemic illustrates how tightly bound employee treatment is to the social commitment of nonprofits. While prior research and theory may have focused on the non-distribution constraint as the central touchstone of nonprofit identity (Hansmann, 1980), and other research has focused on how nonprofit manage their finances to look as efficient as possible (Gneezy et al., 2014), we found that participants just did not find this compelling enough to override the need for compassionate support for workers during troubled times. Thus, at least in terms of employee treatment, our findings indicate that the public's perceptions of organizations' decisions about how to respond in a time of crisis were not significantly shaped by perceived or actual differences in organizational sector. This finding challenges us to rethink some of the assumptions about what really makes a nonprofit different from business firms in the minds of stakeholders.

The factors leading an individual to donate to a nonprofit has been the subject of extensive research. While identification with the mission, the presence of a clear ask, the overhead rate charged by the nonprofit, and a dozen other factors have been studied in the past, our findings suggest a possible new direction for future study: the level of social responsibility embedded in the nonprofit's own HRM practices. Respondents in this experiment clearly expressed their belief that nonprofits and businesses share a common responsibility to care for workers, especially during times of crisis.

Ultimately, despite previous evidence suggesting that public perceptions and expectations of organizations differ across sectors (e.g., Handy et al., 2010; Hirth, 1999; Schlesinger et al., 2004), we found no significant differences in participants' perceptions of organizational decisions about staffing during COVID-19, regardless of whether the organization was a nonprofit or a business. While public perceptions do not necessarily reflect the reality of differences between the two sectors in terms of their legal structures and other constraints, the fact that these perceptions have real and material implications for an organization's ability to remain open and operating cannot be ignored. Instead, such findings beg the question: are we seeing the emergence of a greater level of sectoral convergence in which the public has equal expectations for nonprofits and businesses? If so, what does this mean for the future of organizational management research, theory, and practice across both nonprofit and business fields? Increased expectations that business will have social impact and purpose, a greater public focus on CSR, and an awareness of progressive human resources policies have sharpened expectations for companies to operate in ways that were previously with nonprofit organizations. The blurring of sector boundaries in the public perceptions is captured in this study.

5.1 | Limitations

There are limitations to these findings. This study was conducted at the height of the COVID-19 pandemic. Layoffs were widespread and unemployment was high. Under these conditions, the participants likely had a heightened awareness and sensitivity related to the human costs of an economy in freefall. Under such conditions, it is also possible that some participants may have been impacted personally by a layoff, which in turn may have led some to seek work on MTurk. Because we did not ask study participants about their current employment status or whether they had experienced pandemic-related layoffs, we were unable to examine these factors in our analysis. Further, sampling from MTurk does not provide a fully representative sample of the US population. There is also the concern of potential non-responses bias. We do not have information on MTurk workers who were presented with our task and opted to not participate.

In addition, we focused on participants in the U.S. and did not attempt to test perceptions across different cultural contexts. It is likely that perceptions of the social responsibilities of nonprofit and business will be different outside the U.S. While the timing of this study allowed us to examine how a unique social crisis influenced public perceptions as it unfolded, future studies could replicate this research both in “normal” times and during other types of crises, such as natural disasters, to investigate whether the results differ across contexts.

Another limitation of this study is the way in which sectoral differences lead us to conceptualize, and therefore operationalize, willingness to support the organization differently whether it is a for-profit or a nonprofit. While many nonprofit organizations collect fees for service, similar to fees paid for services in for-profit organizations, we chose to operationalize willingness to provide financial support for the nonprofit scenarios as a willingness to donate, as the general public perceives nonprofits as “charities” to which gifts and donations are directed. Moreover, nonprofit fees may be subsidized and therefore still not truly equivalent to purchases made in for-profits. As such, we chose to operationalize these variables differently to reflect prevailing public perceptions (the topic of interest) and retain conceptual clarity; however, as a result, we were not able to provide a statistical comparison for willingness to support across sectors. Future studies should consider these challenges and explore other possibilities for reconciling conceptual realities with methodological limitations.

Additionally, this study did not consider the final sector—government—or test participants' perceptions of public agencies' decision-making during the pandemic. In considering the implications of our findings for the broader fields of organizational management and public administration, future studies examining public perceptions across all three sectors could help to illuminate further the degree to which boundaries are blurring, and in what ways, in the mind of the public. For instance, future studies might examine the extent to which blurring between nonprofit and business further distances both of these sectors from the public sector, and whether or not public perceptions reflect wider trends in perceptions about government and its role in society.

6 | CONCLUSION

At the outset of this experiment, we hypothesized a differential impact of layoffs on organizational support of nonprofit and business firms. We found that the pandemic leveled sectoral differences and that HRM decisions must reflect a sensitivity to the needs of workers—regardless of sector—if stakeholder support is to be maintained.

Given the importance of crisis management and HRM for the long-term strategic success and survival of both businesses and nonprofits, the examination of public perceptions during the COVID-19 pandemic yields important insights for management practice. First, nonprofits and businesses must carefully consider the implications of staffing decisions on stakeholder support in the short-, medium-, and long-term. While certain decisions, such as a decision to temporarily close the organization, might delay some of the effects of staffing decisions on stakeholder support, strategies for managing the organization's reputation and mitigating any long-term fallout should be considered and implemented as soon as possible. Such strategies might include proactively disclosing the organization's decisions about staffing and their rationale for making difficult decisions, such as furloughing employees. This particular recommendation is supported by our findings, in which some participants stated that they would be more likely to trust an organization that disclosed its decisions publicly, even if they generally viewed

those decisions negatively, than to trust an organization that did not disclose these decisions. This finding lends further support to previous research (e.g., Coombs, 2007) emphasizing the importance of a sound communication strategy as a critical component of overall crisis response and management.

Second, nonprofits may need to reconsider past assumptions about public perceptions of administrative overhead and spending decisions during times of crisis. While previous research pointed to the need for nonprofits to be aware of administrative overhead as potentially detrimental to their overall ability to obtain and maintain support due to public perceptions of tradeoffs between administrative and programmatic spending (e.g., Bowman, 2006; Coupet & Berrett, 2018), such patterns were not borne out in the present study. Contrary to our expectations, participants in this study did not view decisions to retain staff on the payroll, in spite of resource constraints, as irresponsible on the part of nonprofits. Instead, they viewed them in the opposite light. Given the extreme and far-reaching economic and social conditions caused by COVID-19, the pandemic offers a unique yet critical context for examining whether previous recommendations for management hold during times of crisis.

In the context of administrative overhead, nonprofits should consider whether minimizing administrative costs as a means to attract greater public support is a “best practice” that holds during a crisis situation, or whether such situations justify either a reallocation or the continued use of programmatic funding toward staffing costs. We found that stakeholders are prepared to reward, not punish, nonprofits that look after the needs of their staff, especially during difficult times—all of which means that nonprofit managers need once again to reconsider their longstanding and strong instinct to enter into a race to the bottom when it comes to operational costs. Importantly, as in the case of closing the organization but continuing to pay program staff, we are dealing with costs that are somewhere between overhead and programmatic expenses. Thus, future studies could also ask participants more directly about their perceptions of nonprofits’ funding allocation decisions with regard to covering staffing costs during crises and, subsequently, their willingness to support the organization. For example, future studies could ask participants directly whether they are willing to donate \$1 to cover staff salaries under each of the three scenarios outlined. This question could reveal more insights into how the public views funding decisions with regard to overhead, staffing, and programmatic expenses.

Finally, it is obvious that the decision to furlough employees is never easy and is not taken lightly by any organization, be it for-profit or nonprofit. These decisions are often made as a last resort, in times of enormous internal stress and external pressures from government regulators and other forces. As Akingbola (2020) and others have pointed out, HRM is critical for crisis management and has far-reaching implications for organizational management and strategy. These implications include the potential effects on employees themselves (e.g., Kuenzi et al., 2021), who often bear the brunt of the economic, social, and psychological costs of any organizational crisis, be it a corporate scandal caused by CEO misconduct, an environmental catastrophe, or a public-health crisis like COVID-19. As such, it is imperative for any organization to consider not only public reputation but also employee welfare as part of a long-term risk analysis and crisis management plan. The perspectives and demands of different stakeholders, particularly internal and external groups, are often characterized in the literature as potentially competing. Yet, our findings suggest that these two sets of expectations may actually become quite closely aligned during times of crisis, especially given evolving public perceptions of both corporate and nonprofit social responsibility. Adequately and realistically accounting for the perspectives of all stakeholder groups, and prioritizing them strategically, should be done proactively before the next crisis occurs.

CONFLICT OF INTEREST STATEMENT

The authors of this article certify that they have no affiliations with or involvement in any organization or entity with any financial interest or non-financial interest in the subject matter or materials discussed in this manuscript.

DATA AVAILABILITY STATEMENT

Data are not published at this time due to participant confidentiality but may be made available upon request.

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APPENDIX A: Study Scenarios

A.1 | Nonprofit group

Organization profile: The Learning Project (LP) is a nonprofit organization operating in a large US city that provides tutoring for children from low-income families. They believe that affordable educational programs should be attainable for all families, regardless of their ability to pay. Their program is state-certified and focuses on helping children succeed in public school by helping them improve their reading and math ability. Focused on children aged 6–12, the tutoring program operates during the school year, and academic enrichment programs are offered over the summer. All these services are offered to parents at all income levels on a sliding scale based exclusively on what parents are able to pay, with free services offered to those struggling with poverty.

A.1.1. | Manipulation check: What is the mission of this nonprofit?

Scenario 1: During the coronavirus outbreak, LP decided to close to comply with safety guidelines. Employees were instructed not to report to work. In spite of this decision, the nonprofit organization continued to pay its employees.

Scenario 2: During the coronavirus outbreak, LP decided to close to comply with safety guidelines. Employees were furloughed and received no compensation or benefits during the

furlough in order to preserve charitable resources to help needy clients when the organization reopens.

Scenario 3: During the coronavirus outbreak, LP decided to remain open. To comply with safety guidelines, they provided employees with N95 masks and adjusted office space to allow for social distancing. Employees were asked to run classes and one-on-one tutoring online using video conferencing when possible. All employees continued to receive full pay.

A.2 | For-profit group

Organization profile: The Learning Center (LC) is a business operating in a large US city that provides tutoring for children seeking to improve their standardized test scores. Their program helps children improve their reading and math ability. The business has a sound record of raising test scores for students who finish their exam preparation program. Focused on high school students, the tutoring program operates during the school year, and intensive programs are offered over the summer. The fees charged by LC are in line with those of the many other competitors working in the field of test preparation.

A.2.1. | Manipulation check: What is the product or service provided by this business?

Scenario 1: During the coronavirus outbreak, LC decided to close to comply with safety guidelines. Employees were instructed not to report to work. In spite of this decision, the organization continued to pay its employees.

Scenario 2: During the coronavirus outbreak, LC decided to close to comply with safety guidelines. Employees were furloughed and received no compensation or benefits during the furlough.

Scenario 3: During the coronavirus outbreak, LC decided to remain open. To comply with safety guidelines, they provided employees with N95 masks and adjusted office space to allow for social distancing. Employees were asked to run all classes and activities online using video conferencing. All employees continued to receive full pay.