

THE HONG KONG POLYTECHNIC UNIVERSITY DEPARTMENT OF MANAGEMENT AND MARKETING

Departmental Research Seminar



Risky Business: The Risk-reward Tradeoff is Different for Nonprofit and For-profit Firms

By

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Date : 18 Aug 2021 (WED)
Time : 9:30 am – 11:00 am
Venue : Online via Zoom

Abstract

Experts generally agree that risk-taking is necessary for progress and innovation, however, the current research finds that consumers penalize nonprofit organizations for taking risks. Five studies document that people judge nonprofit organizations, relative to for-profit organizations, more negatively for choosing high-risk ventures even when the risks are linked to high expected returns. Process evidence shows that these patterns occur because nonprofit organizations are viewed as existing in a moral domain, rendering their decision to take risks as morally questionable; by contrast, risk-taking by for-profit companies is not similarly viewed as morally problematic. Follow-up studies demonstrate important implications for these findings, including that when for-profit companies operate in a moral domain, they too are penalized for risk-taking. In addition, individuals are less likely to financially support nonprofits, but not for-profits, after they choose risky ventures. These findings demonstrate that people exhibit different risk tolerances for nonprofit versus for-profit companies in ways that can limit innovation and growth in charitable and other morally-relevant domains.

Dr Cynthia Cryder is an Associate Professor of Marketing in the Olin Business School at Washington University in St. Louis. She earned her PhD in Behavioral Decision Research and Psychology from Carnegie Mellon University. Her research focuses on two main questions. The first question is about charitable giving and asks: how do consumers find joy from giving? The second question is about financial decision making and asks: how do consumers trade off spending money, saving money, and paying down debt? Her work has been published in journals including *The Journal of Consumer Research*, *The Journal of Marketing Research*, *Organizational Behavior and Human Decision Processes*, and *Psychological Science*, and has been covered in media outlets such as *The New York Times*, BBC Radio, and NPR radio.

All interested are welcome.



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