

**Nudging Public Policy to Promote Growth in the Social Enterprise Sector:  
A Manitoba Case Study**

by

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## Abstract

Social enterprises are important for local economic development in Canada and have an impact that goes far beyond their financial contributions to the economy. As a relatively new field though, public policy is needed to help grow the social enterprise sector. The purpose of this thesis is to assess whether nudging, an approach from behavioural economics, could be used as part of public policy aimed at promoting growth in this sector. To answer this question, this thesis engages in a case study of the Manitoba Social Enterprise Strategy (MSES) and its related policy documents (MSES 2017 and MSES 2018). This thesis uses *MSES Pillar 3: Expand Market Opportunities* as a litmus test for whether nudging, vis-à-vis public policy, can promote growth in Manitoba's social enterprise sector. Nudging is defined using the framework of choice architecture, addressing non-financial barriers, and experimentation. The key findings of this research are that nudging is already a part of successful public policy which helps promote growth in Manitoba's social enterprise sector and opportunities exist to use nudging to expand market opportunities for local social enterprises. Both these findings support this thesis' central argument that nudging should be used to promote growth in the social enterprise sector.

## Acknowledgments

As I have been a graduate student for several years and with each passing year have accumulated a growing list of people whom I must acknowledge and thank...this section may be lengthy. It can never be greater, however, than my gratitude for all their help and support.

I want to start by thanking the members of my thesis committee. Thank you to my thesis supervisor Dr. Karine Levasseur who has provided me with invaluable guidance and shown me both patience and grace as I slogged through this thesis. I would have been lost without her encouragement and feedback and owe her an enormous debt of gratitude. Thank you also to Dr. Ryan Godwin who agreed to serve on my committee as an external member and provide a much-needed economics perspective and to Dr. Andrea Charron who kindly agreed to be my thesis defence chair. I also want to thank my internal committee member Dr. Royce Koop. I have known Dr. Koop since my second year of undergraduate studies and have been the grateful recipient of much excellent advice since that time. I cannot describe how much his mentorship and encouragement over the years has meant to me, but I can say that one day I hope to pay it forward.

I have also had the good fortune to have as a mentor Dr. Barry Ferguson. I have many fond memories of sitting in his office to discuss the nuances of Canadian politics and it was as a student in one of his classes that I first had the idea of researching what would eventually become this thesis.

During my time as part of the Political Studies department at the University of Manitoba I have had the chance to learn from amazing professors. I have also had the chance to know the amazing support staff. Thank you to Val Myers, Sheri Miles, and Shauna Kapusta (I have listed you in the order we first met) for their help in navigating the University's bureaucracy and for the lovely chats we shared.

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positions and two teaching assistant positions. This generous financial support has meant so much.

I also want to thank Miriam Unruh from the University's Academic Learning Centre for her help with editing and formatting this thesis and my friends Sarah and Diana for listening to my complaints during the aforementioned process.

Lastly, and I promise this is the last thing, I want to acknowledge the three constants which have sustained me throughout this experience. These are my friends, my family, and my faith. Thank you to my friends for their unfailing support, my parents and grandmother for their unconditional love, and God for blessing me with everything I needed to complete this thesis.

*I have always loved the quote, often attributed to Irish poet William Butler Yeats, that  
“Education is not the filling of a pail, but the lighting of a fire.”*

*With gratitude I am dedicating this thesis to all my teachers – past, present, and future.  
Thank you for sparking in me, and in so many others, a love of learning.*

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## Disclosure

*The purpose of this disclosure is to acknowledge that some of the sources, ideas, and arguments presented in this thesis have also been used/made by me (the author) in other contexts.* The choice of topic, and research, of this thesis was inspired by a graduate studies class paper titled “Encouraging Social Enterprise Growth in Manitoba” that I completed in the Spring of 2018. This class paper would serve as a template for what was to eventually become an unpublished early draft of this MA thesis which I presented at the Atlantic Provinces Political Science Association Conference which took place in St. John’s, NL from October 12-15, 2018. I thank the conference reviewer/s for their feedback on this unpublished draft and for the audience which listened to my short (5-10 minute) PowerPoint presentation which outlined these early findings. There are also two other works which should be mentioned in the context of self-citation in this thesis. I wrote a blog article about fostering sustainable public procurement which was published online by the organization The Decision Lab. This blog article inspired some of the research and discussion around applying a nudging lens to government led social procurement in this thesis. I also wrote a paper titled “A Snapshot of Manitoba’s Social Enterprise Sector: Past, Present, and Future” as part of the requirements of the Manitoba Legislative Internship Program (2019-2020 cohort). This paper discussed Manitoba’s social enterprise sector, the MSES (2015, 2017, and 2018) policy documents, and calls for the Government of Manitoba to take leadership in this policy area.

All of these respective sources are cited when, and where, applicable. As a general disclosure, this thesis relies on some of the same original data/literature as these respective sources and at times discusses the same topics. This means that in certain chapters some of the arguments and research presented are very similar to arguments and research presented in the aforementioned sources. Any close similarity or paraphrasing was not done intentionally, but may result because of my natural speech/writing patterns; particularly when the content is descriptive in nature. To the best of my knowledge, every effort has been made for full disclosure and transparent self-citation. As part of this effort, diligent revision was done including reaching out to the University of Manitoba’s Academic Learning Centre for assistance.

## Chapter 1: Introduction

Social enterprises have become important vehicles for economic development in Canada. The *Canadian National Social Enterprise Sector Survey Report* released in 2016 found that "social enterprises provided paid employment for at least 31,000 workers in Canada...who together earned over \$442 million in wages and salaries."<sup>1</sup> Using data from 2013/2014, the most recently available at the time, the report also estimated that the total revenue of social enterprises "was at least \$1.2 billion...[including] sales of goods and services of at least \$828 million."<sup>2</sup> These figures suggest that the economic impact of the sector is significant enough in Canada to warrant a closer look.

In recent years, governments, and the non-profit and voluntary sector, have shown an increased interest in the social enterprise business model. The economic impact of the sector is undeniably one of strongest motivating factors behind this development. Yet, it is important to distinguish that this interest has grown not solely because of the considerable sums of money generated, but also due to how, and why, the sector generates revenue. Although social enterprises exist on a spectrum they all have some common criteria. Arguably one of the most important being that all social enterprises have a primary mission which goes beyond making a profit.<sup>3</sup> The missions of social enterprises vary widely, but they commonly focus on either social and/or environmental issues. The mission driven ethos that characterizes social enterprises helps explain why both governments and the non-profit and voluntary sector are particularly interested in the social enterprise business model as a means of economic development.

The non-profit and voluntary sector is interested in the social enterprise model as a means to diversify its funding. Government grants and other funding mechanisms often do not provide the stability or continuity of funding that organizations within this sector desire. This has led non-profits and voluntary sector organizations to take steps towards diversifying their funding sources and consider the social enterprise model as an alternative to traditional

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<sup>1</sup> Peter R. Elson, Peter Hall, and Priscilla Wamucii, *Canadian National Social Enterprise Sector Survey Report 2016*, 2016, 9, <https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/final-national-report-may-16-2016.pdf>.

<sup>2</sup> Elson, Hall, and Wamucii, *Canadian National Social Enterprise Sector Survey Report 2016*, 10.

<sup>3</sup> Frumkin, Peter. *On Being Nonprofit: A Conceptual and Policy Primer*. Cambridge: Harvard University Press, 2002, 135.

funding sources. In Manitoba, approximately thirty percent of social enterprises operate for the sole purpose of generating income for their parent non-profit organization.<sup>4</sup> The social enterprise business model appeals because it allows non-profits and voluntary sector organizations to stay true to their social and/or environmental ethos. The great strength of the social enterprise model is that these organizations can avoid the criticism that they are motivated principally by financial gain under this model because all profits generated must be used to support the core mission which is a social and/or environmental cause. This allows them to simultaneously pursue monetary profit while staying true to their ethos.

Governments have shown interest in the sector because they see social enterprises as a potential solution to curbing the rising costs of welfare state provision. Many social enterprises employ individuals who are traditionally marginalized by the mainstream labour market; examples include Indigenous peoples, individuals living with disabilities, recent immigrants, people with criminal records, and lower income individuals. These individuals, due to a variety of factors, often have difficulty finding employment. Social enterprises which focus on providing employment are often the best chance for some of these individuals to find gainful employment. According to the aforementioned *Canadian National Social Enterprise Sector Survey Report 2016*, around seventy-six percent of those working within the social enterprise sector are considered to fit this category.<sup>5</sup> Government benefits from having such individuals employed because if they are gainfully employed then they end up relying less on social supports which presumably lowers the cost of welfare state provision.

Social enterprises are especially attractive because they pack a "two-for-one" punch from a public policy perspective. They contribute to the economy and they aim at resolving a social and/or environmental issue. Examples include enterprises which aim to provide affordable recreation services to those with lower incomes, deliver healthy and affordable food to communities, and encourage environmentally friendly lifestyles. These enterprises fulfill socially useful purposes, which governments support, while simultaneously contributing to local

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<sup>4</sup> Elson, Peter R. et al., *2014 Manitoba Social Enterprise Sector Survey Highlights*, N.p.: SESS, 2014, 2, <https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/report-findings-highlights-manitoba-final.pdf>. This source does not have official page numbers thus all page number citations in footnotes correspond to the pdf document pages.

<sup>5</sup> Elson, Hall, and Wamucii, *Canadian National Social Enterprise Sector Survey Report 2016*, 13.

economic activity within their communities. Social enterprises are a win-win situation for government because they not only generate economic growth and provide employment, but they actively seek to support and build better local communities through their mission.

At both the federal and provincial level, there is an increasing recognition and commitment towards understanding and promoting the social enterprise sector in Canada. The Government of Canada is currently in the process of drafting a *Social Innovation and Social Finance Strategy* as part of Employment and Social Development Canada's commitment to building up community led economic growth.<sup>6</sup> The provincial governments of British Columbia, Ontario, Quebec, Nova Scotia, and Manitoba have all released action plans or strategies meant to provide the necessary support, guidance, and resources needed to promote the growth of the social enterprise sector in their provinces while Newfoundland and Labrador are currently in the process of drafting such a strategy.<sup>7</sup> These strategies represent the first step towards crafting public policy which supports the sector and promotes its growth in Canada.

As with most policy matters, there are numerous possible avenues governments can take when deciding how to structure public policy promoting social enterprise sector growth in Canada. Some of these involve increasing funding to organizations which support the sector such as the Canadian Community Economic Development Network (CCEDNet) while some call on government to engage with the sector by formalizing a legal and regulatory framework for social enterprises. Another approach is to explore how *nudging*, a term which describes the application of behavioural insights,<sup>8</sup> can be used strategically to promote social enterprise growth. This thesis argues that nudging can be used as part of public policy aimed at promoting growth in Manitoba's social enterprise sector.

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<sup>6</sup> Employment and Social Development Canada, "Backgrounder: About the Social Innovation and Social Finance Strategy," Canada.ca, last modified June 8, 2017; accessed April 6, 2018, <https://www.canada.ca/en/employment-social-development/programs/social-innovation-social-finance/strategy.html>.

<sup>7</sup> Canadian CED Network, "A Social Enterprise Strategy to be Developed in Newfoundland and Labrador," The Canadian CED Network, posted December 22, 2015; accessed April 5, 2018, <https://ccednet-rcdec.ca/en/new-in-ced/2015/12/22/social-enterprise-strategy-developed-newfoundland-and>.

<sup>8</sup> OECD, *Behavioural Insights and Public Policy: Lessons from Around the World* (Paris: OECD Publishing, 2017), Glossary, 401, <http://dx.doi.org/10.1787/9789264270480-en>.

Although this last approach may seem unexpected, governments around the world have recently begun to use nudges as part of public policy.<sup>9</sup> Despite these early efforts, little is known about using nudges to craft better public policy which supports the social enterprise sector. In fact, using nudges as part of public policy aimed at supporting growth in this sector is a considerably novel approach. Thus far, there exists only limited literature from economists like Marieke Huysentruyt discussing the possibilities of applying insights from behavioural economics to promote growth in the social enterprise sector.<sup>10</sup> This area of scholarly research remains almost entirely unexplored.

Before going into details of how this thesis represents a step towards addressing this gap in the scholarly literature, it is worthwhile considering why this gap exists. Although there are many factors at play, a major one is the relative novelty of both these fields. The idea of using nudges in public policy is still a recent development considering that this field of study has only just begun to attract mainstream attention from government policy-makers. Likewise, the idea that governments should implement public policy which supports the social enterprise sector is a very recent development; particularly in Canada as evidenced by the almost non-existent legal and regulatory framework for the sector. Given that both these fields are still relatively new areas of interest for governments, including Canadian governments, it is easier to understand why such research is still in its infancy.

Although scholarly research about behavioural economics already existed, governments' interest in using this research to inform public policy was limited until fairly recently. As though to make up for this previous neglect there has been veritable explosion in the last ten years of governments expressing interest in behavioural economics and nudging. According to the OECD, there are currently over 200 institutions applying nudges to public policy around the

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<sup>9</sup> *Recently* being defined as the past decade or so. See David Halpern, *Inside the Nudge Unit: How Small Changes Can Make a Big Difference* (London, UK: WH Allen, 2016), 332; Robert French, and Philip Oreopoulos, "Applying Behavioural Economics to Public Policy in Canada," *The Canadian Journal of Economics* 50, no. 3 (2017): Abstract. This topic is covered and cited more extensively in Chapter 3.

<sup>10</sup> Marieke Huysentruyt, "Taking the Impact of Social Enterprise to Scale," *Stockholm School of Economics*, last modified August 21, 2015; accessed April 3, 2018, <https://www.hhs.se/en/about-us/news/site-publications/2015/taking-the-impact-of-social-entrepreneurs-to-scale/>. Chapter 3 will explain the meaning of behavioural economics (BE), nudging/nudges, and other technical terms used in this thesis.

world and this number continues to grow.<sup>11</sup> This intense interest in the field has meant that research into how public policy can use nudging is flourishing; this thesis being only one such example.

On the social enterprise side of things, the idea of the sector being something that government wants to promote growth in is a recent development in Canadian public policy. It has taken the sector many years of lobbying before federal and provincial governments in Canada mobilized to recognize the importance of the sector and implement strategies on how best to support it. It was already 2012 before a government, at any level, in Canada formally recognized the existence of the social enterprise sector.<sup>12</sup> In this respect, Canada is behind other western nations in terms of the sector's development by about ten years.<sup>13</sup> While Canadian governments are starting to take notice and the relevant body of research is starting to grow, there continues to be a need for more exploration into what kinds of public policies may be used to support social enterprise sector growth the most effectively.

This thesis seeks to engage in such an exploration and build on existing knowledge by looking at whether public policy which relies on nudging can help promote growth in the social enterprise sector. This is obviously not the only possible approach government can, or should, take to build-up the sector, but that does not mean it is not worth of inquiry. It is only by exploring a variety of approaches and weighing the benefits and costs of each that the government can decide how best to proceed to promote growth in the social enterprise sector. Ergo despite this thesis not engaging in either an empirical or normative debate as to whether this particular approach is more, or less, effective than others it is still purposeful. Its purpose is to explore one possible approach governments can take to promote growth in the sector and through this exploration helps lay the groundwork for research which does engage in such kinds of debates.

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<sup>11</sup> "Behavioural Insights - OECD," OECD, accessed October 9, 2018, <http://www.oecd.org/gov/regulatory-policy/behavioural-insights.htm>.

<sup>12</sup> Samantha Scalise, "Social Enterprise in Canada Is Booming, Finally," *THIS: Progressive politics, ideas & culture*, May 2, 2018, <https://this.org/2018/05/02/social-enterprise-in-canada-is-booming-finally/>. That province was British Columbia.

<sup>13</sup> Scalise, "Social Enterprise in Canada Is Booming, Finally."

In order to successfully convince readers that nudging can be used to promote growth in the social enterprise sector this thesis uses public policy which addresses the social enterprise sector in Manitoba as a case study. In 2015, the Government of Manitoba released its *Social Enterprise Strategy: A Strategy for Creating Jobs Through Social Enterprise* (MSES).<sup>14</sup> An update on the strategy was released in 2017 titled *Manitoba Social Enterprise Strategy Update* (MSES 2017)<sup>15</sup> which was followed up by a concluding report in 2018 titled *Connected and Ready: The Impact of the Manitoba Social Enterprise Strategy* (MSES 2018).<sup>16</sup> These policy documents outline areas where public policy is needed to help support social enterprise sector development. These areas are referred to as the MSES pillars. This thesis uses the pillars of the MSES as the framework for exploring whether nudging can be a part of public policy which promotes growth in Manitoba's social enterprise sector. This thesis will focus specifically on *Pillar 3: Expand Market Opportunities*.

## Thesis Organization

**Chapter 1, the introduction**, which you are currently reading, focuses on providing a very brief overview of the purpose and relevance of this thesis. It also provides the roadmap of what to expect in each chapter. This roadmap is handily presented to readers in the short paragraphs below.

**Chapter 2** focuses on the social enterprise sector. Defining social enterprises by exploring the social enterprise spectrum is a focal point as is looking at the size and scope of the sector in Manitoba. The MSES policy documents and the MSES pillars are examined to provide

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<sup>14</sup> Government of Manitoba. *Manitoba Social Enterprise Strategy: A Strategy for Creating Jobs Through Social Enterprise* (Canadian Community Economic Development Network and Government of Manitoba, February 2015), [https://www.gov.mb.ca/housing/pubs/mb\\_social\\_enterprise\\_strategy\\_2015.pdf](https://www.gov.mb.ca/housing/pubs/mb_social_enterprise_strategy_2015.pdf). This document will be cited as "MSES 2015" in subsequent footnotes in this thesis; in the text it will continue to be referred to as the MSES.

<sup>15</sup> Sarah Leeson-Klym, Darcy Penner, Franck Atnikov, and Social Enterprise Manitoba. *Manitoba Social Enterprise Strategy-Progress Report* (Canadian Community Economic Development Network Manitoba, June 2017), [https://socialenterprisemanitoba.ca/wp-content/uploads/2017/10/MSES\\_ProgressReport2017.pdf](https://socialenterprisemanitoba.ca/wp-content/uploads/2017/10/MSES_ProgressReport2017.pdf). This document will be cited as "MSES 2017" in subsequent footnotes in this thesis.

<sup>16</sup> Social Enterprise Manitoba. *Connected and Ready: The Impact of the Manitoba Social Enterprise Strategy* (Canadian Community Economic Development Network Manitoba, May 2018), [https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/ccednet/pdfs/mses\\_impact\\_evaluation\\_online.pdf](https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/ccednet/pdfs/mses_impact_evaluation_online.pdf). This document will be cited as "MSES 2018" in subsequent footnotes in this thesis.



readers with the tools they need to assess the suitability of this thesis' choice of the MSES, and by extension Manitoba, as a case study.

**Chapter 3** explores the use of nudging in public policy. This chapter addresses what it meant by nudging/nudges and provides important context and background information about behavioural economics. The impact of behavioural economics on the public policy literature and government practice is covered from both a global and Canadian perspective. Some of the strengths, limitations, and uncertainties around the use of nudging as a public policy tool are explored.

**Chapter 4** is devoted to explaining and justifying this thesis' methodology. It discusses why the MSES was chosen as a case study, how it will be explored, how nudging will be applied, and what types of data will be collected and analyzed.

**Chapters 5** covers how nudges can be used to craft public policy which promotes the MSES' *Pillar 3: Expand Market Opportunities*. Three central themes are explored. The chapter traces back each theme to the MSES policy documents, applies a nudging lens to each theme, and discusses the implications of applying nudging to these themes. This chapter contains this thesis' main research and findings.

**Chapter 6 is the conclusion.** It summarizes this thesis' main findings, issues public policy recommendations, and discusses the limitations of this thesis' research and methodology. A short discussion of the direction of future research in this, as of yet, largely unexplored policy area concludes both this chapter and the thesis.

While this last chapter marks the end of this thesis, it will hopefully mark just the beginning of further research in this particular area. The ideas and arguments presented within cannot definitively make the argument of exactly how, and why, using nudges in public policy to grow the social enterprise sector can be successful. For that, there needs to be further research. Notwithstanding, if this thesis has provoked discussion and thought about how nudges could be used as part of public policy which promotes growth in the social enterprise sector then it will have succeeded in its aim. On this last point you, as the reader, must be the judge.

## Chapter 2: The Social Enterprise Sector

This chapter provides an introduction to defining the social enterprise in Canada and to public policy which addresses this sector's growth in Manitoba.<sup>17</sup> It begins by looking at the different conceptions of *social enterprise* suggested by two leading academics — Peter Frumkin and Jack Quarter respectively — before settling on an inclusive working definition of the term. This discussion is followed by an exploration of the size and scope of the social enterprise sector in Manitoba and an introduction to Manitoba's Social Enterprise Strategy (MSES)<sup>18</sup> and its key pillars. The MSES' subsequent implementation reports, which were released in in 2017<sup>19</sup> and 2018<sup>20</sup> respectively, will also be introduced further to readers with the aim of providing a short overview of how the Government of Manitoba has approached public policy aimed at promoting social enterprise sector growth. After reading this chapter, readers should have a basic understanding of social enterprise, the social enterprise sector in Manitoba, and public policy in Manitoba aimed at promoting this sector's growth. This chapter's purpose is to lay the foundation for Chapter 4; a chapter which outlines this thesis' methodology and the choices behind it.

### Defining Social Enterprise

What is a social enterprise? This may seem like a simple question, but in practice defining the purpose and structure of social enterprises is surprisingly complex. A possible explanation for why it is so challenging, at least in the Canadian context, is that there is a distinct lack of legal clarity on the matter. This lack of legal clarity exists because what

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<sup>17</sup> Readers should know that this chapter uses many of the same original sources as Maria Gheorghe, *A Snapshot of Public Policy for Manitoba's Social Enterprise Sector: Past, Present, and Future* (Winnipeg: Manitoba Legislative Assembly, 2020). Completed to fulfill the requirements of the Manitoba Legislative Internship Program 2019/2020. These sources, and the description of their content, feature heavily in this chapter particularly on pages 8-9, 12, and 14-20. The corresponding sources and content are found in *Part 1: Background information* and *Part 2: What public policy has looked like in the past* which corresponds to pages 3-10 of the aforementioned research paper. This disclosure is meant to address and acknowledge similarities between the two texts and make readers aware that there is significant overlap between them.

<sup>18</sup> MSES 2015.

<sup>19</sup> MSES 2017.

<sup>20</sup> MSES 2018.

constitutes a social enterprise remains undefined within Canada's *Income Tax Act*.<sup>21</sup> Consequently, there is no formal mechanism by which social enterprises can be officially and specifically defined as such under Canadian law.<sup>22</sup> Under the current legal framework, social enterprises in Canada can operate legally as either charities, non-profits, co-op organizations, or private for-profit businesses, but they cannot incorporate as social enterprises.<sup>23</sup>

The longstanding problem of legally defining social enterprises should not be underestimated. In an OECD report on social enterprises published back in 2000, researchers concluded that the lack of legal clarity over how to define social enterprises acted as a significant barrier and that it was difficult to compile data about social enterprises and hence compare the economic impact of social enterprises within and across jurisdictions.<sup>24</sup> Despite the passage of time since this publication, not much progress has been made as the lack of legal framework for social enterprises remains one of the key barriers hindering social enterprise development internationally.<sup>25</sup> Yet, the problems of measuring quantitative data on the sector across inter and intra-state jurisdictional lines is only one, of several, negative consequences resulting from this lack of legal clarity.

What is equally worrisome is that many social enterprise entrepreneurs are unaware of the consequences of their legal status. A 2011 survey by the Centre for Sustainable Development, based at Simon Fraser University, found that many social enterprise entrepreneurs had little knowledge of the current, or potential, legal dynamics of running social

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<sup>21</sup> "What Is Social Enterprise?" BC Centre for Social Enterprise, accessed April 3, 2018, <https://centreforsocialenterprise.com/what-is-social-enterprise/>.

<sup>22</sup> "What Is Social Enterprise?" BC Centre for Social Enterprise, accessed April 3, 2018, <https://centreforsocialenterprise.com/what-is-social-enterprise/>.

<sup>23</sup> There is some debate as to whether a new legal framework is necessary for social enterprises in Canada or whether they are adequately legally represented under the non-profit structure. See Donald Bourgeois and Bob Wyatt, "Social Enterprise Is A Nice Idea, but It Is Not A Panacea That Justifies Rewriting Charity Law," *Philanthropist* 23, no. 2 (May 18, 2010): 194–199, <https://thephilanthropist.ca/original-pdfs/Philanthropist-23-2-415.pdf> or Keren G. Raz, "Toward an Improved Legal Form for Social Enterprise," *New York University Review of Law & Social Change* 36, no. 2 (May 1, 2012): 286–309. For further examples on how social enterprises are currently incorporated in Canada see Peter R. Elson et al., "Social Enterprises in the Canadian West," *Canadian Journal of Nonprofit and Social Economy Research* 6, no. 1 (June 27, 2015): 83–103, <https://doi.org/10.22230/cjnser.2015v6n1a194>.

<sup>24</sup> OECD, *Social Enterprises* (Paris: OECD Publishing, 1999), 11, Box 1, <https://doi.org/10.1787/9789264182332-en>.

<sup>25</sup> OECD/EU, *Boosting Social Enterprise Development: Good Practice Compendium* (Paris: OECD Publishing, 2017), 23–24, <http://dx.doi.org/10.1787/9789264268500-en>.

enterprises.<sup>26</sup> This finding suggests that many of the individuals running social enterprises are doing so without fully understanding the legal ramifications involved. There is little doubt that having a clear and encompassing legal definition of social enterprise would help ameliorate this gap in understanding and overall be a positive development for the sector in Canada.

In spite of the long-standing difficulties which prevent social enterprises being legally defined as such in Canada, there does exist a reasonably widespread working definition of social enterprises and their purpose. This working definition exists because of the efforts of the sector's supporters, academic and non-academic, who have set out to explore the parameters of social enterprise. This exploration has led to several complementing, and at times competing, frameworks. These frameworks range from the general to the specific, but each has its own unique contribution to make when it comes to shining a spotlight on the nuances of what it means for an entity to be a social enterprise.

Take for instance the framework proposed by expert in philanthropy and social entrepreneurship Dr. Peter Frumkin. His framework presents a narrower perspective on the idea that the social enterprise sector exists as a gray area between the private for-profit sector and the non-profit and voluntary sector. Frumkin's framework is based on the foundational principle that social enterprises encapsulate the commercial activities of the non-profit and voluntary sector.<sup>27</sup> He argues that that social enterprises exist on a spectrum.<sup>28</sup> This spectrum organizes social enterprises based on how closely the scope of their commercial activities relates to their overall mission.<sup>29</sup> Social enterprises shift from the left of the spectrum (where activities are very closely related to the overall mission) to the right side of the spectrum (where they are not closely related). This is illustrated in the figure below.

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<sup>26</sup> Sean Markey, Stacey Corriveau, Michael Cody, and Brendan Bonfield, *Social Enterprise Legal Structure: Options and Prospects for a 'Made in Canada' Solution* (Centre for Sustainable Community Development and Simon Fraser University, June 2011), 4, <https://www.centreforsocialenterprise.com/wp-content/uploads/2015/09/selsreport.pdf>.

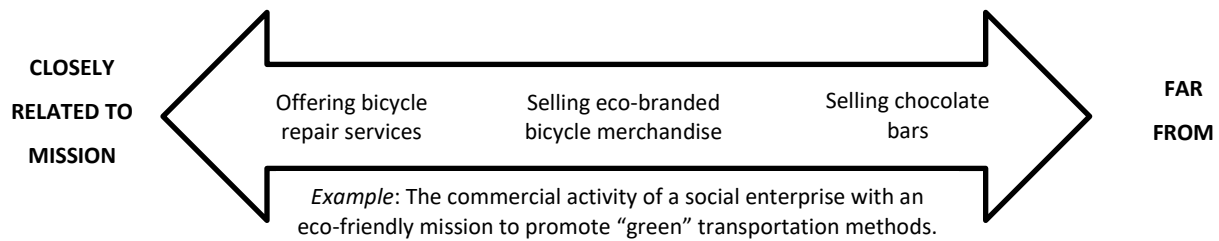
<sup>27</sup> Frumkin, *On Being Nonprofit*, 129-130.

<sup>28</sup> Frumkin, *On Being Nonprofit*, 151. Note: Frumkin uses the term "continuum" rather than spectrum, but these terms' meanings are interchangeable in the context of this thesis.

<sup>29</sup> Frumkin, *On Being Nonprofit*, 151.

Figure 2. 1

*Spectrum of a social enterprise's commercial activity as it relates to their underlying mission*



Source: Adapted from Peter Frumkin, *On Being Nonprofit: A Conceptual and Policy Primer* (Cambridge: Harvard University Press, 2002), 151 who adapted it from James C. Crimmins and Mary Keil, *Enterprise in the Nonprofit Sector* (Washington, D.C.: Partners for Livable Places, 1983).

As the commercial activities of a social enterprise shift to the rightmost part of the spectrum, Frumkin asserts that “difficult questions clearly arise about the costs and benefits of entrepreneurial activity within the nonprofit and voluntary sector.”<sup>30</sup> The million-dollar question being whether such entities are more appropriately classified as private for-profit entities which practice corporate/social responsibility instead of social enterprises. It is difficult to answer this question because it relates to the very foundation of the social enterprise sector as being distinct from both the for-profit and non-profit and voluntary sectors. Frumkin’s framework is based largely on the implicit assumption that social enterprises must be closely tied to the non-profit and voluntary sector because of their core missions. Under such a framework, a social enterprise which focuses solely on creating profit via a commercial means wholly unrelated to its social and/or environmental mission is in danger of straying from its roots and of losing its greater purpose.<sup>31</sup>

Not all interpretations of social enterprise are equally concerned over how closely commercial activities are related to the core mission. The framework presented by Dr. Jack Quarter, who specializes in research on the social economy, is one such example. Under this framework, social enterprises are not classified on a spectrum, but rather are subject to a list of

<sup>30</sup> Frumkin, *On Being Nonprofit*, 151.

<sup>31</sup> The dangers of the non-profit and charitable sector becoming too business-like by becoming profit motivated and tailoring their activity towards a market-based approach is referred to in the literature as “Philanthrocapitalism”. For an in-depth look at philanthrocapitalism see Garry W. Jenkins, “Who’s Afraid of Philanthrocapitalism?” *Case Western Reserve Law Review* 61, no. 3 (March 22, 2011): 753-821.

criteria. Quarter’s criteria for designating social enterprises focuses on three key areas: resources, profit generation and use, and ownership.<sup>32</sup> The criteria related to resources outlines that social enterprises often rely on donations of time or money from either internal or external sources to operate.<sup>33</sup> The criteria of profit generation and use addresses the fact that although the way in which social enterprises generate revenue ranges from membership dues to commercial fees-for-service, the profits generated should be used towards the social enterprise’s core social or environmental mission.<sup>34</sup> The criteria of ownership states that social enterprises are mutually owned by their members and any net assets are passed down generationally as social dividends.<sup>35</sup> These key areas, and the criteria which Quarter highlights, provide an alternative way of defining social enterprises.

Table 2. 1

*Quarter’s key criteria for defining social enterprises*

<b>RESOURCES</b>	<ul style="list-style-type: none"> <li>• Often rely on donations of time and money</li> <li>• Financial support can come from internal (self-generating) or external (government or private donors) sources</li> </ul>
<b>PROFIT GENERATION AND USE</b>	<ul style="list-style-type: none"> <li>• Profit can be generated from a wide variety of commercial activity</li> <li>• Any surplus earnings are reinvested back into the enterprise and is not paid out to shareholders as dividends</li> </ul>
<b>OWNERSHIP</b>	<ul style="list-style-type: none"> <li>• Democratic control by members</li> <li>• Net assets are usually treated as social dividends and passed down generationally</li> </ul>

Source: Adapted from the text of Jack Quarter, *Canada's Social Economy* (Toronto: James Lorimer & Company, 1992), 11-12.

Frumkin’s and Quarter’s frameworks differ in several respects, but they both agree on two essential characteristics of social enterprises. One of these is that unlike private for-profit businesses, social enterprises must have a social and/or environmental mission as their primary

<sup>32</sup> Jack Quarter, *Canada's Social Economy* (Toronto: James Lorimer & Company, 1992), 11-12.

<sup>33</sup> Quarter, *Canada's Social Economy*, 11-12.

<sup>34</sup> Quarter, *Canada's Social Economy*, 11-12.

<sup>35</sup> Quarter, *Canada's Social Economy*, 11-12.

motivation. This is a core characteristic which Frumkin and Quarter agree is absolutely necessary for an entity to be considered a social enterprise. This characteristic means that the primary concern of social enterprises is not the monetary profit that their commercial activities generate, but rather the underlying social and/or environmental mission which fuels their operations and serves as their *raison d'être*. Without this mission they would not be a social enterprise.

The other key characteristic of social enterprises is that they must use the profits they generate, through their commercial activities, to support a core social and/or environmental mission. Thus, a private business which donates a small nominal percentage of its profits to a social cause is not a social enterprise because it devotes only a small part of its revenue to a social cause. Such a business would merely be practicing social/corporate responsibility because the incentive of monetary profit lies as its core motivation and not the social cause itself. This unique characteristic of social enterprises differentiates them from for-profit businesses in the private sector.

Yet, the line between social/corporate responsibility and social enterprise is not always clear cut as some argue that for-profit businesses which generate commercial profits via a business model which is itself a social cause also deserve to be classified as social enterprises.<sup>36</sup> To illustrate this dilemma Prayag Narula, CEO of the private firm LeadGenius, wrote in Forbes magazine that businesses like Change.org (a website devoted to helping non-profits and individuals fundraise for social causes) should be considered social enterprises.<sup>37</sup> Although such examples call into question where the line should be drawn between private for-profit businesses and social enterprise, this does not mean that such a line does not exist. A key part of knowing where to draw that line is whether the profits generated as part of commercial activity are used support a social and/or environmental cause.

If an entity pursuing commercial activities fulfills these two key criteria, then its organizational structure does not matter. Said plainly, how a social enterprise is structured

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<sup>36</sup> Prayag Narula, "The Forprofit Social Enterprise Is the Impact Model of the Future," *Forbes*. Forbes Technology Council, December 22, 2017, <https://www.forbes.com/sites/forbestechcouncil/2017/12/22/the-forprofit-social-enterprise-is-the-impact-model-of-the-future/?sh=3d5f67825571>.

<sup>37</sup> Narula, "The Forprofit Social Enterprise Is the Impact Model of the Future."

cannot determine whether it is a social enterprise. Hence social enterprises can, and do, come in many different shapes and sizes. Social enterprises can be anything from a small non-profit gift shop run by a few volunteers to a large cooperative owned daycare centre chain which employs hundreds. They can be owned/run by non-profits, charities, community groups, or a few individuals. Using the most inclusive working definition of social enterprise, and defining social enterprises as entities which have as their primary motivation a social and/or environmental mission and use the profits they generate through their activities to support this mission, leaves room for many diverse entities to be considered part of the social enterprise sector. This inclusive working definition of social enterprises will be used in this thesis.

## Social Enterprise in Manitoba

Beyond the definition and theories of what social enterprises are, or are not, it is important to look at the sector itself as it exists in all the complexity and messiness of the real world. As this thesis will be using Manitoba as a case study it is particularly worthwhile looking at the sector in Manitoba in greater detail. This inquiry will not only serve as a useful exercise in turning from the theoretical to the practical, but it will lay the necessary groundwork for this thesis' latter exploration of how nudges can be applied to promote growth in Manitoba's social enterprise sector.<sup>38</sup>

Manitoba's social enterprise sector is an important part of Manitoba's economy. According to the *Manitoba Social Enterprise Sector Survey (2014)*, social enterprises "generated at least \$63.6 million in revenues, including at least \$49.3 million in sales...[and] paid at least \$34.4 million in wages and salaries to at least 4,480 fulltime, part-time, seasonal or contract workers. They also trained 8,350 people, provided services to over 730,000, and involved 6,840 volunteers."<sup>39</sup> These figures highlight not only the economic impact of the sector, but the considerable number of local volunteers which the sector relies on. Looking at the above figures it is possible to estimate that there were over 1.5 times as many volunteers in the sector

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<sup>38</sup> This topic will be the focus of chapters 4 to 6 of this thesis.

<sup>39</sup> Peter R. Elson et al., *Manitoba Social Enterprise Sector Survey (2014)*, Winnipeg: Canadian CED Network, 2015, 7, [https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/manitoba\\_social\\_enterprise\\_sector\\_survey\\_report\\_2014.pdf](https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/manitoba_social_enterprise_sector_survey_report_2014.pdf).



as employees. This important feature of the sector further differentiates social enterprises from private sector for-profit businesses.

The impact of social enterprises in Manitoba is far greater than the general revenue, employment, and volunteer figures described above. It is about the individuals and communities which are positively impacted by the sector's work. Social enterprises in the province serve diverse populations such as Indigenous peoples, individuals living with disabilities, recent immigrants, and lower income individuals as part of their mandate.<sup>40</sup> Around 36 percent of social enterprises in Manitoba are multi-purpose which means that they aim to fulfill more than one social or environmental objective with their mandate and often one of these missions is creating employment for individuals marginalized from traditional labour markets.<sup>41</sup> Around 30 percent of social enterprises in Manitoba have as their core mission the objective of providing employment opportunities and workforce integration for these marginalized individuals.<sup>42</sup> Furthermore, almost 60 percent of social enterprises in the province aim through their mandate to address the causes of poverty.<sup>43</sup> These aims speak to the core social missions which give social enterprises in Manitoba their purpose and motivation.

The social missions of providing employment to individuals marginalized from traditional labour markets and addressing poverty are both important and interrelated, but what is especially interesting is how these features of the sector interact with its geographic diversity. Manitoba's social enterprise sector is geographically diverse as only around half of Manitoba's social enterprises are located in its metropolis Winnipeg with the other half being based in more rural communities or on reserves.<sup>44</sup> To put this into perspective, Winnipeg's population is 14 times larger than the next biggest city in the province<sup>45</sup> yet home to only half of the social enterprises in the province. The geographic diversity of the social enterprise sector in Manitoba implies that the sector may be especially important to creating economic growth

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<sup>40</sup> Elson et al., *2014 Manitoba Social Enterprise Sector Survey Highlights*, 2.

<sup>41</sup> Elson et al., *2014 Manitoba Social Enterprise Sector Survey Highlights*, 3.

<sup>42</sup> Elson et al., *2014 Manitoba Social Enterprise Sector Survey Highlights*, 4.

<sup>43</sup> Elson et al., *2014 Manitoba Social Enterprise Sector Survey Highlights*, 3.

<sup>44</sup> Elson et al., *2014 Manitoba Social Enterprise Sector Survey Highlights*, 2.

<sup>45</sup> "Manitoba (Canada): Province, Major Cities, & Cities," City Population, Manitoba (Canada): Province & Major Cities - Population Statistics, Maps, Charts, Weather and Web Information, accessed February 15, 2020, <https://www.citypopulation.de/en/canada/cities/manitoba/>.

and providing employment in smaller communities which often do not enjoy the economic benefits of a big city environment. Consequently, the societal impact of the sector is considerable in the province and impacts a diverse group of individuals and communities.

For this impact to grow, the sector itself must also grow. The sector faces various challenges which must be overcome before that growth can occur. Currently, only around 30 percent of social enterprises in Manitoba manage to break even or make a profit without government grants.<sup>46</sup> When social enterprises receive government grants, either from the provincial or federal level, the number of financially viable social enterprises increases to 80 percent.<sup>47</sup> This underscores the current reality that most social enterprises would not be financially viable and self-sufficient without government support. If social enterprises cannot break even without government support does this mean that they should not exist at all? This question is a difficult one to answer and remains a matter of debate that is beyond the scope of this thesis.

Financial considerations are not the only challenge which must be overcome for the sector to have a bright future. The lack of a clear regulatory framework under which social enterprises can operate is one such challenge. According to the Government of Manitoba website, “a social enterprise is a business driven by a social or environmental purpose.”<sup>48</sup> This definition may be clear and succinct, but neither it nor the few sentences of explanation which follow on the same webpage give a satisfactory account of social enterprises as legal entities which are distinct from both private for-profit businesses and/or non-profits and voluntary sector organizations. Without a clear legal regulatory framework for social enterprises in Manitoba, and Canada more generally, the social enterprise sector faces an unstable legal environment which may deter sector investment and growth.

Despite these challenges, those in the sector in Manitoba are optimistic about its potential growth. When asked, almost 90 percent of social enterprises in the province reported wanted to increase their sales and over 70 percent agreed on the importance of diversifying

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<sup>46</sup> Elson et al., *2014 Manitoba Social Enterprise Sector Survey Highlights*, 4.

<sup>47</sup> Elson et al., *2014 Manitoba Social Enterprise Sector Survey Highlights*, 4.

<sup>48</sup> This definition was originally found on “What Is a Social Enterprise?” Growth, Enterprise and Trade, Government of Manitoba, accessed February 1, 2019, [https://www.gov.mb.ca/jec/busdev/social\\_enterprise/](https://www.gov.mb.ca/jec/busdev/social_enterprise/). The website has since been updated and so this link is no longer active.

their revenue sources.<sup>49</sup> Additionally, almost 40 percent of social enterprises in Manitoba said they "plan to grow by at least 50% over the next three years."<sup>50</sup> These commitments, at least through their rhetoric, show that local social enterprise entrepreneurs are trying to address the issue of achieving financial sustainability and independence and are optimistic about future sector growth. The future growth of the social enterprise sector in Manitoba depends not only on current and future social enterprise entrepreneurs, but on the provincial government's commitment to supporting and fostering an environment where social enterprises can succeed.

## The Manitoba Social Enterprise Strategy (MSES)

The Manitoba government took a step towards creating a supportive environment for social enterprises in 2015 when it released its *Social Enterprise Strategy: A Strategy for Creating Jobs Through Social Enterprise* (MSES). The steering committee for this policy project included representatives from the government departments of Housing & Community Development, Family Services, and Jobs & the Economy<sup>51</sup> as well as several prominent local social enterprise activists in Manitoba.<sup>52</sup> The strategy was purposefully designed to be a collaboration between the Government of Manitoba and the local social enterprise sector which was represented by local social enterprise activists and CCEDNet.<sup>53</sup>

In 2017, a progress report titled *Manitoba Social Enterprise Strategy Update* was released which detailed the MSES' implementation.<sup>54</sup> This report highlighted several examples of successful initiatives which were having a positive impact on the local social enterprise community. Examples included Winnipeg hosting the Canadian Conference for Social Enterprise in 2017 and the creation of collaborative working groups focused on bringing together social enterprise entrepreneurs and other community/government partners on a regular basis to

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<sup>49</sup> Elson et al., *2014 Manitoba Social Enterprise Sector Survey Highlights*, 4.

<sup>50</sup> Elson et al., *2014 Manitoba Social Enterprise Sector Survey Highlights*, 4.

<sup>51</sup> As they were known at the time; these departments have since been renamed and reconfigured. For a list of current departments see "Departments," Government of Manitoba, accessed December 8, 2020, <https://www.gov.mb.ca/government/departments.html>.

<sup>52</sup> Such as Marty Donkervoort, Shaun Loney, and Carina Rosales. *MSES 2015*, 2.

<sup>53</sup> This was explained in Chapter 1, but for readers who may have forgotten CCEDNet refers to the the pan-Canadian non-profit organization Canadian Community Economic Development Network.

<sup>54</sup> *MSES 2017*.

network and share local sector knowledge.<sup>55</sup> This update also outlined the creation and role of Social Enterprise Manitoba as a development hub for the local social enterprise sector and the organization responsible for leading the MSES' implementation.<sup>56</sup> This hub was established by CCEDNet Manitoba<sup>57</sup> and funded by the Manitoba government as part of their commitment to the MSES.<sup>58</sup>

A final report on the MSES' implementation titled *Connected and Ready: The Impact of the Manitoba Social Enterprise Strategy* was released in 2018.<sup>59</sup> This report highlighted the short and long-term impact of the strategy on the local social enterprise sector. It recommended that the sector needed more investment and government led social procurement to reach its full potential.<sup>60</sup> The report also encouraged the provincial government to support a second phase of the MSES which could continue the goals of the MSES with Social Enterprise Manitoba as a sector backbone.<sup>61</sup> This second phase would push for the sector and its government partners to implement initiatives and policy changes which had not happened in the first three years of the MSES and would go a long way to implementing the strategy's aims.<sup>62</sup> It would also present an opportunity to purposefully consider issues not addressed in the original MSES such as the impact of the strategy on economic development in First Nations and rural communities.<sup>63</sup>

## The Strategy's Purpose and Its Pillars

The MSES had a clear focus on how the social enterprise sector could generate employment and local economic growth. The government's position on social enterprises was that:

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<sup>55</sup> *MSES 2017*, 5.

<sup>56</sup> *MSES 2017*, 2.

<sup>57</sup> Manitoba's local chapter of CCEDNet (Canadian Community Economic Development Network); "The Canadian CED Network," Canadian CED Network, accessed December 4, 2020, <https://ccednet-rcdec.ca/en>.

<sup>58</sup> *MSES 2017*, 2.

<sup>59</sup> *MSES 2018*.

<sup>60</sup> *MSES 2018*, 32-34.

<sup>61</sup> *MSES 2018*, 32.

<sup>62</sup> *MSES 2018*, 32-35.

<sup>63</sup> *MSES 2018*, 31-35.

These innovative businesses reduce poverty, reduce crime, grow our labour market, increase our tax base and decrease the costs associated with health care, justice and social services...[and] increasing these positive impacts is dependent upon these enterprises scaling up and expanding in a supportive environment... [which] requires a strategic approach to ensure the necessary, supportive ecosystem is in place.<sup>64</sup>

The process towards creating an environment where social enterprises can flourish requires that the government take an active role in supporting the sector. As depicted below in Table 2.2, the strategy outlined six pillars for the government and the local social enterprise sector to focus their attention on.

Table 2. 2

*The six pillars of the MSES*

<b>THE SIX MSES PILLARS</b>
1. Enhance Enterprise Skills
2. Ensure Access to Capital and Investment
3. Expand Market Opportunities
4. Promote and Demonstrate the Value of Social Enterprise
5. Regulatory Framework
6. Networks and Community Engagement

Sources: Reprinted from Maria Gheorghe, *A Snapshot of Public Policy for Manitoba’s Social Enterprise Sector: Past, Present, and Future* (Winnipeg: Manitoba Legislative Assembly, 2020), 8, Table 1. and Maria Gheorghe, “Using Behavioural Economics to Promote Social Enterprise Growth in Manitoba” (PowerPoint presentation based on an early draft of MA thesis, Atlantic Provinces Political Science Association [APPSA] Annual Conference, St. John’s, NL, October 12-14, 2018), slide 6. Both these sources present the pillars outlined in the MSES in a table format.

This section of the chapter provides a brief overview of each individual pillar and how it has been addressed thus far.<sup>65</sup> Each of these pillars is important to sector development in their

<sup>64</sup> MSES 2015, 6.

<sup>65</sup> Readers should be aware that the structure and the sources and content of this section is similar to what was presented in Maria C. Gheorghe, “Encouraging Social Enterprise Growth in Manitoba” (unpublished essay submitted in POLS 7300 taught by Dr. Barry Ferguson, University of Manitoba, April 9, 2018).

own way and it is worthwhile for readers to have an introduction to each of them. Readers may want to pay special attention to the third pillar (*Pillar 3: Expand Market Opportunities*) as this pillar will later be examined through a nudging approach framework as part of this thesis' exploratory case study of the MSES.

### *Pillar 1: Enhance Enterprise Skills*

This pillar was identified because social enterprise entrepreneurs often have a non-profit background considering that around 30 percent of social enterprises in the province raise revenue for a parent non-profit organization as their core mission.<sup>66</sup> Social enterprises are created with a social and/or environmental mission as their *raison d'être*. By extension, this means that the social enterprise sector attracts individuals, and communities, who are interested in starting a social enterprise in support of a core social or environmental mission, but may not have the entrepreneurial skills needed to run a business. The MSES identified the need to help build-up businesses management skills among local social enterprise entrepreneurs.<sup>67</sup> Local resources were identified which could support this objective. These included SEED Winnipeg (which provides consultation and training services to social enterprise entrepreneurs) and the Communities Economic Development Fund (a Manitoba crown corporation which provides business training and supports for Aboriginal clients).<sup>68</sup> The policy recommendations for this pillar are for more funding support to be given to community non-profit organizations which provide business development workshops to local social enterprise entrepreneurs, partnering with business networks such as the Manitoba Chamber of Commerce, and trying to interest more business students in social enterprise.<sup>69</sup>

### *Pillar 2: Ensure Access to Capital and Investment*

Raising capital and investment are significant challenges in the sector in part because the purpose of social enterprises is first, and foremost, to fulfill a social and/or environmental

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<sup>66</sup> Elson et al., *2014 Manitoba Social Enterprise Sector Survey Highlights*, 2. This was previously referenced in Chapter 1.

<sup>67</sup> *MSES 2015*, 8.

<sup>68</sup> *MSES 2015*, 9.

<sup>69</sup> *MSES 2015*, 9-10.

mission and not to make a profit. Social enterprises still want to make a profit, but it is not their primary concern. This means that social enterprises have to compete with private sector firms, which put making profit first, for investment dollars. Investors would therefore have to invest in social enterprises on the basis of what these businesses can do for community and individuals' well-being rather than what financial dividends they can offer. As many investors, especially from the private sector, are looking to maximize their financial gain from an investment the proposition of investing in a social enterprise may not be as attractive. The MSES emphasizes that the local social enterprise sector needs access to "start-up grants, ongoing grants, loan financing, equity investments, [and] better terms and conditions for loan financing."<sup>70</sup> Policy recommendations for this pillar include raising awareness about the Neighbourhoods Alive Tax credit<sup>71</sup> (a tax credit for corporations which donate to registered non-profits) and supporting credit unions and community organizations which provide loans to social enterprises in Manitoba.<sup>72</sup>

### *Pillar 3: Expand Market Opportunities*

Readers may remember that many of the social enterprises surveyed as part of the *Manitoba Social Enterprise Sector Survey (2014)* expressed interest in increasing their sales of goods/services. They indicated that they planned to expand their social enterprise's operation by at least 50 percent within the next three years.<sup>73</sup> Whether such growth is possible depends on if local social enterprises can expand to new markets including in the area of public sector procurement. The MSES calls on the provincial government to develop procurement relationships with the social enterprise sector.<sup>74</sup> There is a precedent for this type of procurement relationship in the province as the Government of Manitoba has in the past successfully engaged in procurement contracts with local social enterprises such as AKI Energy;

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<sup>70</sup> MSES 2015, 11.

<sup>71</sup> MSES 2015, 11. This tax credit was discontinued in 2019 and replaced with Building Sustainable Communities Grants. Shauna MacKinnon, "Neighbourhoods Alive! Demise Was Inevitable," *Winnipeg Free Press*, May 8, 2019, <https://www.winnipegfreepress.com/opinion/analysis/neighbourhoods-alive-demise-was-inevitable-509625972.html>.

<sup>72</sup> MSES 2015, 13.

<sup>73</sup> This figure was referenced earlier in this chapter, but in case readers have forgotten: Elson et al., *2014 Manitoba Social Enterprise Sector Survey Highlights*, 4.

<sup>74</sup> MSES 2015, 16.

which is a social enterprise that worked with the crown corporation Manitoba Hydro and its Pay-As-You-Save (PAYS) program to install geothermal systems (mostly in northern First Nations communities).<sup>75</sup> The strategy recommends that the provincial crown corporation — Manitoba Housing — also continue to build a working relationship with local social enterprises and that other provincial crown corporations look into building partnerships with social enterprises.<sup>76</sup> This pillar calls for the provincial government to actively engage in supporting and implementing initiatives to help expand market opportunities for local social enterprises.

#### *Pillar 4: Promote and Demonstrate the Value of Social Enterprise*

This pillar focuses on the need for the government to help build up the public profile of the social enterprise sector and highlight its importance to the economy. As explored earlier, the social enterprise sector has a significant social and economic impact in Manitoba. This MSES pillar highlights the impact of raising awareness by having awards, such as the *Spirit Award* given by the Manitoba Chamber of Commerce, which publicly recognize excellence in the sector. Policy recommendations include having Winnipeg host a Canadian Social Enterprise Council conference and supporting initiatives which bring social enterprises together with community researchers so that the social and financial return on investments of social enterprise activity can be better understood.<sup>77</sup>

#### *Pillar 5: Regulatory Framework*

The MSES' discussion of this pillar does not mention the lack of legal framework for what qualifies as a social enterprise, but rather focuses on the need for the province to develop strategies for social enterprise sector growth in the province. Policy recommendations focus on developing a Community Benefit Act which would encourage or mandate that the government

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<sup>75</sup> Shaun Loney and Will Braun, *An Army of Problem Solvers: Reconciliation and the Solutions Economy* (Canada: Friesens, 2016), 119; Shaun Loney and Will Braun, *The Beautiful Bailout: How a Social Innovation Scale-up Will Solve Government's Priciest Problems* (Canada: Friesens, 2018), 53-54. The social procurement relationship between the Government of Manitoba and the local social enterprise sector will be explored further in chapters 5-6 of this thesis.

<sup>76</sup> MSES 2015, 17.

<sup>77</sup> MSES 2015, 19.



give preference to social enterprises when it comes public sector procurement and supporting research which quantifies the social return on investment of social enterprises' activities.<sup>78</sup>

### *Pillar 6: Networks and Community Engagement*

This pillar focuses on how building support networks to connect local social enterprise entrepreneurs and fostering community engagement are essential to fostering a healthy and vibrant social enterprise sector eco-system.<sup>79</sup> Community strength is a significant resource and strength for the social enterprise sector so it makes sense why this pillar is a key part of the MSES. Social enterprises are part of the social economy which implies that there are often significant social and community ties within their operations. The MSES outlines the need for a strong sector hub to help promote networking and community engagement for the social enterprise sector. As part of the discussion surrounding this pillar, the leadership and work of CCEDNet in social enterprise sector development is profiled.<sup>80</sup> The policy recommendations for this pillar centre around the implementation of the MSES.<sup>81</sup>

## Conclusion

These six pillars of development are not unique to the MSES. In 2008, the Social Enterprise Council of Canada<sup>82</sup> included these pillars as part of its development strategy for the social enterprise sector in Canada. The council's strategy outlined these six pillars as being crucial for sector development and emphasized the need for governments to use public policy tools to help develop a social enterprise eco-system in Canada.<sup>83</sup> In the spirit of this endeavour, this thesis presents an exploratory case study of how behavioural insights, or nudges, can be applied to the MSES' third pillar; which addresses the need to expand market opportunities for social enterprises.

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<sup>78</sup> MSES 2015, 21.

<sup>79</sup> MSES 2015, 22.

<sup>80</sup> MSES 2015, 22.

<sup>81</sup> MSES 2015, 23

<sup>82</sup> At the time it was an informal group of social entrepreneurs, but it is now a registered non-profit. "Working Together to Advance and Support Social Enterprise in Canada," Social Enterprise Council of Canada, accessed December 5, 2020, <https://secouncil.ca/>.

<sup>83</sup> MSES 2015, 7.

The purpose of this chapter was to introduce readers to social enterprises, the size and scope of Manitoba's local social enterprise sector, and to the MSES and its pillars. This chapter did not delve into the specifics behind the choice of the MSES and its third pillar as an exploratory case study as these topics will be covered in chapter four. Rather, it focused on providing a general introduction to several important topics, such as the MSES policy documents and the MSES pillars, as a means of setting the stage for later chapters. As this thesis progresses, readers should be able to rely on the background knowledge provided in both this and the next chapter to thoughtfully assess this thesis' methodological design and its key findings.

## Chapter 3: Nudging

This chapter is a systematic overview of the use of nudges in public policy. It begins by looking at the field of behavioural economics in order to explore the origins of nudging. It then looks at the literature which popularized nudging and at the strengths, limitations, and uncertainties around the use of nudging as a public policy tool. The chapter ends by looking at the impact and use of nudging from both a global and Canadian perspective. The chapter's goal is to provide readers with the information and context they need in order to begin thinking about why, and how, the nudging approach can be used to promote growth in Manitoba's social enterprise sector.

### Before There Was Nudging, There Was Behavioural Economics

The origins of nudging lie in the sub-field of economics known as behavioural economics. Behavioural economics combines economics with insights from psychology to provide a nuanced account of how human behaviour manifests itself in economic decision-making.<sup>84</sup> More precisely, it looks at the "cognitive, emotional, social, and psychological factors [which influence] ...economic decision making and [the] activity of individuals and institutions."<sup>85</sup> This approach is a departure from mainstream neoclassical economics where the influence of these factors has largely been ignored or deemed simply irrelevant.<sup>86</sup>

Mainstream neoclassical economics has built its foundations and mathematical models on assumptions of perfect rationality.<sup>87</sup> In layman's terms, this means that mainstream economics operates on the assumption that people engage in a mathematical style calculation of costs versus benefits each time they make a decision.<sup>88</sup> In the behavioural economics

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<sup>84</sup> Behavioural economics is even memorably referred to as the *love-child* of economics and psychology in Andrew Leigh, "How Behavioural Economics Does and Can Shape Public Policy," *The Economic and Labour Relations Review* 26, no. 2 (2015): 340.

<sup>85</sup> OECD, *Behavioural Insights and Public Policy: Lessons*, Glossary, 401.

<sup>86</sup> See Richard Thaler, *Misbehaving: The Making of Behavioral Economics* (New York: W.W. Norton & Company, 2015). If you want to learn more about simply irrelevant factors (SIFs) the first and third chapters of this book are particularly pertinent.

<sup>87</sup> Rationality as defined by the axioms of rational choice theory (such as completeness, transitivity, substitution, continuity, and monotonicity).

<sup>88</sup> Michelle Baddeley, *Behavioural Economics: A Very Short Introduction* (New York: Oxford University Publishing, 2017), 2.

literature this type of characterization of human beings leads economists to think of them as *homo economicus*<sup>89</sup> (Econs for short) instead of actual human beings.<sup>90</sup> The real-world, however, is made-up of human beings. Human beings who are swayed by their feelings, their environment, and what they see other people doing. *In other words*, cognitive, emotional, social, and psychological factors influence people’s decision-making.<sup>91</sup> This insight is fundamental to the way behavioural economics is challenging mainstream neoclassical economics to re-evaluate its understanding of how people engage in decision-making.<sup>92</sup>

This challenge has already met with some response as mainstream economists are beginning to update their models by taking into account insights from behavioural economics.<sup>93</sup> In this way, mainstream economics is returning to its roots. Influential economists of the past such as Adam Smith (considered the father of modern economics), Vilfredo Pareto, and Maurice Allais<sup>94</sup> all acknowledged the impact of psychological factors on economic decision-making and tried to incorporate it into their work.<sup>95</sup> Similarly, attempts to find alternatives to assumptions of perfect rationality are not new. One of the most well-known<sup>96</sup> probably being the concept of *bounded rationality*. Coined by Nobel Laureate economist Herbert Simon, this concept proposed that people consistently choose the option that is “good enough”<sup>97</sup> because

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<sup>89</sup> A detailed explanation of the characteristics of *homo economicus* can be found in Morris Altman, “Implications of Behavioural Economics for Financial Literacy and Public Policy,” *The Journal of Socio-Economics* 41, no. 5 (2012): 678.

<sup>90</sup> Thaler, *Misbehaving: The Making of Behavioral Economics*, 4-6.

<sup>91</sup> OECD, *Behavioural Insights and Public Policy: Lessons*, Glossary, 401. This refers to the already cited definition of *behavioural economics* provided by this source.

<sup>92</sup> Alina Maria Neațu, “The Use of Behavioral Economics in Promoting Public Policy,” *Theoretical and Applied Economics* XXII, no. 2 (2015): 257; French and Oreopoulos, “Applying Behavioural Economics to Public Policy in Canada,” 600-601.

<sup>93</sup> Baddeley, *Behavioural Economics: A Very Short Introduction*, 1.

<sup>94</sup> The eponymous Allais paradox serves as an example of the behavioural principle of framing and loss aversion. For more information see Philippe Mongin, “The Allais Paradox: What It Became, What It Really Was, What It Now Suggests to Us,” *Economics and Philosophy* 35, no. 3 (2019): 423–459.

<sup>95</sup> Adam Oliver, “Nudging, Shoving, and Budging: Behavioural Economic-Informed Policy,” *Public Administration* 93, no. 3 (2015): 700; Christopher Villegas-Cho et al., *Behavioural Insight Brief: Applying Behavioural Insights to Government Organizations*, Ottawa: Policy Horizons Canada/Horizons de politiques Canada, 2017, Influencers, <https://horizons.gc.ca/en/2017/07/03/behavioural-insight-brief-applying-behavioural-insights-to-government-organizations/>.

<sup>96</sup> Other well-known concepts being *ecological rationality* coined by Nobel Laureate Vernon L. Smith and *selective rationality* developed by economist Harvey Leibenstein. See Baddeley, *Behavioural Economics: A Very Short Introduction*, 3.

<sup>97</sup> In economics terminology this is referred to as *satisficing* their preferences.

their cognitive limits do not allow them to envisage and comprehend all the possible options available to them.<sup>98</sup> Yet, despite these earnest attempts to make economics more about how humans actually behave it has only been in recent years that those crafting economic policies have taken these claims more seriously.<sup>99</sup>

At this point in the discussion, it is necessary to mention that behavioural economics is not a unified theory that can serve as a replacement to mainstream neoclassical economics.<sup>100</sup> It is instead a collection of themes and insights which help explain the common patterns of human irrationality when it comes to making decisions (economic and otherwise).<sup>101</sup> It is also “a commitment to empirical testing of the neoclassical assumptions of human behaviour and to modifying economic theory on the basis of what is found in the testing process.”<sup>102</sup> What this means in practical, if inelegant, terms is that behavioural economics is a collection of sometimes very different ideas about how, and why, people make the decisions they do and that the only way to actually understand any of this is to engage in experimentation (preferably in the real-world with all its messiness). When understood in this way, it is no wonder that mainstream economics has not engaged with the insights of behavioural economics sooner. After all, the general impression can be that it is chaotic and disorganized as a theory.

There is, however, method to this madness as behavioural economics relies heavily on the well-respected foundational work of Israeli psychologists Amos Tversky and Daniel Kahneman in order to understand how humans make decisions. Tversky and Kahneman pioneered a new way of thinking about what influences and affects people when they make

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<sup>98</sup>Christopher Villegas-Cho et al., *Behavioural Insight Brief*, 3; Baddeley, *Behavioural Economics: A Very Short Introduction*, 2-3; “Herbert Simon,” *The Economist*, March 20, 2009, <https://www.economist.com/news/2009/03/20/herbert-simon>.

<sup>99</sup> Niels Geiger, “Behavioural Economics and Economic Policy: A Comparative Study of Recent Trends,” *Oeconomia* 6, no. 6-1 (2016): paragraphs 1-2.

<sup>100</sup> Florian Bauer and Manuel Wätjen, “A Positive Typology of Irrational Decision Strategies,” in *The Behavioural Economics Guide 2018*, ed. Alain Samson (N.p.: Behavioral Science Solutions Ltd, 2018), 111. [http://www.irisnetwork.org/BEGuide2018\\_Vocatus.pdf](http://www.irisnetwork.org/BEGuide2018_Vocatus.pdf).

<sup>101</sup> Bauer and Wätjen, “A Positive Typology of Irrational Decision Strategies,” 111; Leigh, “How Behavioural Economics Does and Can Shape Public Policy,” 340.

<sup>102</sup> Herbert A. Simon, “Behavioural Economics,” in *The New Palgrave Dictionary of Economics* (London: Palgrave Macmillan, 2018), 846-847.

decisions.<sup>103</sup> Kahneman popularized for behavioural economics a well-known theory from psychology which asserts that humans process and make decisions using two cognitive systems: Automatic (also called System 1) and Reflective (also called System 2).<sup>104</sup> The Automatic system is unconscious, effortless, and fast while the Reflective is controlled, deliberative, and slow.<sup>105</sup> Since making decisions is cognitively demanding our brains often seek shortcuts which leads us to engage the Automatic system. These mental shortcuts, known as *heuristics*, lead to systemic biases which subconsciously influence our decision-making so that even when we engage our Reflective system we are already biased when it comes to choosing our preferred course of action. The table below illustrates the differences between these systems.

Table 3. 1

*Two cognitive systems*

<i>Automatic System</i>	<i>Reflective System</i>
Uncontrolled	Controlled
Effortless	Effortful
Associative	Deductive
Fast	Slow
Unconscious	Self-aware
Skilled	Rule-following

Source: Reprinted from Richard H. Thaler and Cass R. Sunstein, *Nudge: Improving Decisions about Health, Wealth, and Happiness* (New York: Penguin Books, 2009), 20, Table 1.1.

<sup>103</sup> Thaler, *Misbehaving: The Making of Behavioral Economics*, 21-30; Adam C. Smith, “Utilizing Behavioral Insights (Without Romance): An Inquiry into the Choice Architecture of Public Decision-Making,” *Missouri Law Review* 82, no. 3 (2017): 738.

<sup>104</sup> Floris Heukelom, “Building and Defining Behavioral Economics,” in *Behavioral Economics: A History*, ed. Craufurd D. Goodwin (Cambridge: Cambridge University Press, 2014), 178.

<sup>105</sup> Richard H. Thaler and Cass R. Sunstein, *Nudge: Improving Decisions about Health, Wealth, and Happiness* (New York: Penguin Books, 2009), 20, Table 1.1; Kahneman’s book *Thinking Fast and Slow* introduced this to a wider (non-academic) audience. Daniel Kahneman, *Thinking, Fast and Slow*, Anchor Canada edition (Toronto: Anchor Canada, 2013), 20-22.

Behavioural biases can be extremely influential in guiding the decision-making process and producing certain outcomes over others.<sup>106</sup> Kahneman and Tversky's research highlighted three of these: availability, representativeness, and anchoring/adjustment,<sup>107</sup> but there are dozens of recognized biases and principles which help behavioural economics explain decision-making. Among them are the power of the status quo/defaults, loss aversion, mental accounting, information overload, social proof/norms, and overconfidence. These biases affect us all because we are not Econs, but human beings which have to make decisions under time constraints with limited cognitive resources. Acknowledging and accounting for the impact of these biases on our decision-making processes is a defining feature of behavioural economics.

### Nudging: A Very Short Introduction

Much has been said in the previous section about behavioural economics, but readers who are new to this subject of inquiry must be asking themselves: *What does behavioural economics have to do with nudging?* It's a valid question and luckily one that can be easily answered. Simply put: *nudging* (also known in the literature as the application of *behavioural insights*<sup>108</sup>) is the application of behavioural economics theory.<sup>109</sup> This application extends beyond economic decision-making into fields such as health, education, voting, energy efficiency, and regulation to name a few.<sup>110</sup> Given this wide scope, nudging has become the

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<sup>106</sup> Craig R. Fox and Sim B. Sitkin, "Bridging the Divide Between Behavioral Science and Policy," *Behavioral Science & Policy* 1, no. 1 (2015): 4, <https://behavioralpolicy.org/wp-content/uploads/2017/02/bridging.pdf>; Amos Tversky and Daniel Kahneman, "Judgment under Uncertainty: Heuristics and Biases," *Science (American Association for the Advancement of Science)* 185, no. 4157 (1974): 1124-1131.

<sup>107</sup> Kahneman and Tversky, "Judgment under Uncertainty: Heuristics and Biases", 1124-1131; Baddeley, *Behavioural Economics: A Very Short Introduction*, 38.

<sup>108</sup> A term which is perhaps more technically elegant than *nudging*, but likewise a good deal less catchy.

<sup>109</sup> OECD, *Behavioural Insights and Public Policy: Lessons*, Glossary, 401.

<sup>110</sup> OECD, *Behavioural Insights and Public Policy: Lessons*, Case Studies, chapters 4-14, 59-399; Rosanna Tamburri, "Program aims to send more high school students to college or university: Non-Profit organization undertakes pilot study in Ontario and B.C.," *University Affairs*, October 17, 2012, <https://www.universityaffairs.ca/news/news-article/program-aims-to-send-more-high-school-students-to-college-or-university/>; Andreas Souvaliotis, "Nudging Canadians Towards a Healthier, Happier Lifestyle," *The Blog (blog)*, *Huffington Post*, last updated November 2, 2016, [https://www.huffingtonpost.ca/andreas-souvaliotis/nudging-canadians\\_b\\_8443030.html](https://www.huffingtonpost.ca/andreas-souvaliotis/nudging-canadians_b_8443030.html).

next big thing<sup>111</sup> which helps explain why governments around the world have begun to invest resources into how nudging might be used to inform public policy.<sup>112</sup>

Arguably, the spark which lit this firestorm of interest was the non-fiction book *Nudge: Improving Decisions about Health, Wealth, and Happiness* by authors Cass R. Sunstein and Richard H. Thaler.<sup>113</sup> This *New York Times Bestseller* non-fiction book, first published in 2009, inspired policy-makers to start thinking about interventions that could change people's behaviour to better align with set policy objectives.<sup>114</sup> Sunstein and Thaler accomplished this by looking at case studies and experiments which demonstrated that certain biases significantly influenced how people make decisions and then explored how this knowledge could be used to achieve certain public policy objectives.<sup>115</sup> They found that policy-makers could change people's behaviours if they made small changes to the choice architecture, defined as the "environment within which decisions are made on choices,"<sup>116</sup> which people face each time they make a decision. Sunstein and Thaler refer to these small changes<sup>117</sup> as *nudges*; a term which has since been widely adopted in behavioural economics literature.<sup>118</sup>

Thaler and Sunstein formally defined nudges as "any aspect of the choice architecture that alters people's behavior in a predictable way without forbidding any options or significantly changing their economic incentives."<sup>119</sup> This means that nudges are not bans or regulations or other measures which compel people to prefer or choose a certain outcome over all others. The purpose of nudges is to persuade rather than to forcibly compel changes in people's behaviour. The process by which nudges are implemented is called nudging. Nudging changes people's behaviour by influencing the context (ie. the choice architecture) wherein people decide what to do given the resources available to them.

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<sup>111</sup> Baddeley, *Behavioural Economics: A Very Short Introduction*, 1.

<sup>112</sup> David Halpern, *Inside the Nudge Unit: How Small Changes Can Make a Big Difference* (London, UK: WH Allen, 2016), 13; French Oreopoulos, "Applying Behavioural Economics to Public Policy in Canada," Abstract, 599.

<sup>113</sup> Thaler won a Nobel Prize in Economics (2017) for his foundational contributions to BE.

<sup>114</sup> Fox and Sitkin, "Bridging the Divide between Behavioral Science and Policy," 4.

<sup>115</sup> Smith, "Utilizing Behavioral Insights (Without Romance)," 738.

<sup>116</sup> OECD, *Behavioural Insights and Public Policy: Lessons*, Glossary, 401.

<sup>117</sup> The belief that such small changes can eventually bring about large changes is known as *radical incrementalism*. See Halpern, *Inside the Nudge Unit*, 291.

<sup>118</sup> Fox and Sitkin, "Bridging the Divide between Behavioral Science and Policy," 4-5.

<sup>119</sup> Thaler and Sunstein, *Nudge*, 6.



## Nudging as a Public Policy Tool

Prior to exploring the strengths and limitations of using nudging as a public policy tool, it's important to define for readers how nudging qualifies as a policy tool. Distinguished public policy and public administration researcher Dr. Leslie A. Pal writes that “policy instruments usually refer to the technical means of achieving a goal.”<sup>120</sup> In this context, the terms *instruments* and *tools* are used interchangeably and *goals* refers to public policy outcomes. Nudging can be understood as being the technical means through which governments can achieve public policy outcomes. This fits in well with Pal's argument that public policy tools are “really about the resources and techniques that governments have at their disposal to achieve certain outcomes through affecting human behaviour.”<sup>121</sup> As readers will know from earlier discussions in this chapter, the purpose of nudging is to affect human behaviour when it comes to individuals' decision-making processes. Thus, nudging seems to be fit for purpose as a public policy tool.

The following subsections will provide readers with a brief overview of some of the inherent strengths, limitations, and uncertainties surrounding the use of nudges for the purpose of achieving public policy outcomes. Each will introduce ideas which contribute valuable context and insight into topics explored in the last three chapters of this thesis. The first discussion, on the strengths of using nudging as a public policy tool, will introduce how nudging does not require legislation and can increase government's effectiveness. As part of this discussion, choice architecture, addressing non-financial barriers, and experimentation, will be mentioned as key features of nudging. The second discussion, about the limitations of nudging as a policy tool, will focus on how nudging cannot unilaterally solve big policy issues and may be considered too intrusive. The third discussion, on uncertainties surrounding the use of nudging as a policy tool, will cover the topics of the ethics and effectiveness of nudging in the context of public policy making. The general purpose of these discussions is to provide a

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<sup>120</sup> Leslie A. Pal, “Chapter 4: Policy Instruments and Design,” in *Beyond Policy Analysis: Public Issue Management in Turbulent Times*, 3<sup>rd</sup> edition (Canada: Nelson, 2005), 138.

<sup>121</sup> Pal, “Chapter 4: Policy Instruments and Design,” 144.

preview of latter chapters which will specifically focus on the strengths and limitations of using nudging to promote growth in Manitoba's social enterprise sector.

### *Strengths*

All governments face the question of how to design the choice architecture that citizens face as part of daily life in society. Governments make decisions about what types of behaviour should be encouraged or compelled among citizens (ie. economic participation, respect for the law, etc.) and what types of behaviour should not (ie. crime, anarchy, etc.). Even when governments decide not to weigh in on a certain issue, the lack of government policy can impact how citizens view or express their preferences about an issue.<sup>122</sup> *Nudge* authors Thaler and Sunstein point to the inevitability of government policy-makers having to make decisions which impact the choice architecture that citizens face when interacting with the government and each other. They believe that "in many cases, some kind of nudge is inevitable, and so it is pointless to ask government to simply stand aside. Choice architects, whether private or public, must do *something*."<sup>123</sup> For policy-makers this *something* involves deliberately using nudging as a policy tool to achieve specific public policy outcomes. Making changes to the choice architecture citizens face in order to encourage or discourage citizens from making certain choices is a key aspect of the nudging approach.

A side-effect of this key aspect is that nudges can often be integrated into pre-existing routine government processes and do not need to be legislated. Nudging often requires only small changes to the way public policy is delivered and implemented to achieve improvements. Something as easy as changing the wording on a notification letter can have a significant impact.<sup>124</sup> This means that nudging can be incorporated into existing policy processes. It also means that nudging does not usually need to be legislated which makes it a particularly

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<sup>122</sup> Take for example organized religion. If the government does not weigh in on citizens' preferences for organized religion, this sends a signal that the government will not dictate or compel citizens adherence to specific organized faith which creates an environment where citizens feel free to choose to participate, or not, in organized religion without fear of government interference or reprisal.

<sup>123</sup> Thaler and Sunstein, *Nudge*, 240.

<sup>124</sup> For one such example see R. B. Cialdini, S.J. Martin, and N.J. Goldstein, "Small Behavioral Science-Informed Changes Can Produce Large Policy-Relevant Effects," *Behavioral Science & Policy* 1, no. 1 (2015):27, [https://behavioralpolicy.org/wp-content/uploads/2017/05/BSP\\_vol1is1\\_Cialdini.pdf](https://behavioralpolicy.org/wp-content/uploads/2017/05/BSP_vol1is1_Cialdini.pdf).

attractive policy tool.<sup>125</sup> This is because democratic governments prefer to use the least coercive policy instruments available to them before moving on to more coercive instruments.<sup>126</sup> By this assumption, governments would prefer to use a non-coercive policy tool like nudging over binding legislation to accomplish public policy outcomes.

Nudging is also attractive because it may increase governments' effectiveness in terms of crafting more impactful public policy implementation. This is due to the fact that a key goal of nudging practitioners is to build experimentation into the public policy process.<sup>127</sup> The status quo is that most public policy has not been effectively tested through experimentation which means that policy-makers are continually making policy decisions without empirically knowing or even measuring the most effective ways of accomplishing public policy outcomes.<sup>128</sup> A key aspect of the nudging approach is a focus on the experimentation process to determine what changes should be made to the choice architecture citizens face in order to maximize the impact of public policy and achieve public policy outcomes. Experimentation in public policy also supports accountability because it requires gathering of data and evidence to justify how public policy objectives are met. This makes nudging attractive as public policy tool which supports impactful public policy implementation. It also makes nudging a tool that fits with the recent trend of governments being increasingly interested in pursuing policy tools which support evidence-based governance.<sup>129</sup>

Governments also have reason to be interested in nudging as a public policy tool because of its cost effectiveness. There is a growing body of research which demonstrates that

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<sup>125</sup> Blog Admin, "Think Before You Nudge: The Benefits and Pitfalls of Behavioural Public Policy," *British Politics and Policy at LSE* (blog), *The London School of Economics and Political Science*, March 17, 2011, <https://blogs.lse.ac.uk/politicsandpolicy/nudge-designing-behavioural-public-policy/>. This blog posting references Theresa M. Marteau et al., "Judging Nudging: Can Nudging Improve Population Health?" *BMJ* 342, no. 7791 (2011): 263.

<sup>126</sup> This argument is made by Distinguished Research Professor of Public Policy and Administration, Bruce Doern and associates in several articles. As referenced by Michael Howlett and M Ramesh, "Patterns of Policy Instrument Choice: Policy Styles, Policy Learning and the Privatization Experience," *The Review of Policy Research* 12, no. 1-2 (1993): 7-8.

<sup>127</sup> Halpern, *Inside the Nudge Unit*, 280.

<sup>128</sup> Halpern, *Inside the Nudge Unit*, 273.

<sup>129</sup> Justin Parkhurst, "Introduction," in *The Politics of Evidence: From Evidence-Based Policy to the Good Governance of Evidence* (Abingdon, Oxon, UK: Routledge, 2016), 4, [http://eprints.lse.ac.uk/68604/1/Parkhurst\\_The%20Politics%20of%20Evidence.pdf](http://eprints.lse.ac.uk/68604/1/Parkhurst_The%20Politics%20of%20Evidence.pdf).

nudging is more cost-effective than traditional policy tools.<sup>130</sup> Nudging is fundamentally about how small nudges may have a disproportionately large impact on changing people's behaviour in order to achieve a desired outcome.<sup>131</sup> These small changes address some type of underlying behavioral bias which may be preventing individuals from responding to public policy. In this way, nudging is focused on identifying non-financial barriers to behaviour change and addressing them as a means of promoting public policy outcomes. This focus on behavioural biases rather than material resources is a key aspect of nudging and may help explain why it is such a cost-effective policy tool.

The allure of saving resources is certainly strong for many policy-makers and is thought to be a powerful reason why governments worldwide are interested in the possibilities of nudging.<sup>132</sup> In the United Kingdom, where nudging has been deliberately used as a public policy tool, the government has saved over 300 million pounds through targeted nudge interventions.<sup>133</sup> The cost-effectiveness and cost-savings of the nudging approach means that governments can save money and taxpayers can get proverbially more bang-for-their-buck. These impacts help explain why nudging is an attractive public policy tool.

### *Limitations*

Despite the popularity surrounding this policy tool, nudging also has limitations. A major limitation is that nudging cannot unilaterally solve big public policy challenges because, by its very nature, it focuses on small changes. Big public policy challenges like poverty, racism, and climate change cannot be solved through nudging alone.<sup>134</sup> Resolving these types of challenges

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<sup>130</sup> Commonwealth of Australia, Australian Public Service Commission. *Contemporary Government Challenges – Changing Behaviour: A Public Policy Perspective*, Canberra, 2007, section (ii) Improving cost-effectiveness, <https://legacy.apsc.gov.au/changing-behaviour-public-policy-perspective>.

<sup>131</sup> Cialdini, Martin, and Goldstein, "Small Behavioral Science-Informed Changes Can Produce Large Policy-Relevant Effects," Abstract, 25-26.

<sup>132</sup> "Explainer: What Is a Behavioural 'Nudge'?" Bloomberg Cities, Bloomberg Philanthropies, published April 3, 2019, <https://bloombergcities.medium.com/explainer-what-is-a-behavioral-nudge-f32150149deb>.

<sup>133</sup> Kim Ly, and Dilip Soman, *Nudging Around the World (Research Report Series, Behavioural Economics in Action)*, retrieved from the Rotman School of Management, University of Toronto, 2013, 13, [https://inside.rotman.utoronto.ca/behaviouraleconomicsinaction/files/2013/12/Nudging-Around-The-World\\_Sep2013.pdf](https://inside.rotman.utoronto.ca/behaviouraleconomicsinaction/files/2013/12/Nudging-Around-The-World_Sep2013.pdf).

<sup>134</sup> Halpern, *Inside the Nudge Unit*, 317; George Loewenstein and Nick Chater, "Putting Nudges in Perspective," *Behavioural Public Policy* 1, no. 1 (2017): 34.

requires the application of policy tools like taxation, regulation, and bans.<sup>135</sup> Critics of nudging argue that amidst the current hype surrounding nudging, governments are using this approach as a band-aid solution to big public policy issues instead of addressing such challenges by more appropriate means.<sup>136</sup> This criticism accuses governments of using nudging at the expense of other more robust policy tools to the ultimate detriment of public policy outcomes. The nudging approach itself is not inherently at fault in this scenario, but this fact does not negate that it can be inappropriate and harmful when (or if) governments rely on it to unilaterally solve big public policy issues.<sup>137</sup>

Additionally, critics argue that nudging can be misused by governments who want to play too big of a role in citizens' lives. The argument is that governments' use of nudging in citizens' private lives is paternalistic at best and manipulative at worst. It is paternalistic because governments are taking it upon themselves to decide that citizens need to be nudged into certain types of behaviour.<sup>138</sup> Governments are trying to nudge citizens into virtuous lifestyle changes/decisions which will in turn lead to reduced welfare costs and improve public policy outcomes.<sup>139</sup> Paternalism can be considered condescending since it assumes that governments know better than citizens what is in their individual best interest. It can also become problematic when aimed at certain marginalized groups within a population if government's paternalism is motivated by racist or colonial attitudes.<sup>140</sup> Paternalism can either be beneficial or harmful depending on the context and the same can be said for the use of nudging motivated by paternalism.

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<sup>135</sup> Loewenstein and Chater, "Putting Nudges in Perspective," 34.

<sup>136</sup> Loewenstein and Chater, "Putting Nudges in Perspective," 33-34; Halpern, *Inside the Nudge Unit*, 317.

<sup>137</sup> George Loewenstein and Peter Ubel, "Economics Behaving Badly," *The New York Times*, July 14, 2010, <https://www.nytimes.com/2010/07/15/opinion/15loewenstein.html>.

<sup>138</sup> Oliver, "Nudging, Shoving, and Budging: Behavioural Economic-Informed Policy," 713.

<sup>139</sup> Bill Curry, "Canada Studies Britain's 'Nudge Unit' for Ways to Give the Public a Push," *The Globe and Mail*, August 1, 2013, <https://www.theglobeandmail.com/news/politics/canada-studies-britains-nudge-unit-for-lessons-in-public-persuasion/article13541716/>.

<sup>140</sup> There are many examples of paternalistic government policies which fit such criteria. Canadian readers may be already familiar with the Residential Schools which were established to educate and assimilate Indigenous children into a Euro-centric culture. See J.R. Miller, "Residential Schools in Canada," in *The Canadian Encyclopedia*, Historical Canada, article published October 10, 2012; last edited September 02, 2020, <https://www.thecanadianencyclopedia.ca/en/article/residential-schools>. Thank you to my thesis advisor Dr. Levasseur for raising this concern in an earlier draft of this chapter.

Some critics accuse nudging of serving as a front for governments' desire to manipulate their citizens into doing the government's will. The establishment and activities of nudge units has been likened to the work of the fictional Ministry of Truth portrayed in George Orwell's famous dystopian novel *1984*.<sup>141</sup> This comparison reinforcing that the line between nudging and manipulation is thin and that governments setting up bureaucratic units for the purposes of using insights from psychology to influence citizens' behaviour can be seen as blatant manipulation.<sup>142</sup> Nudging in this context is framed as psychological trickery which allows governments to manipulate citizens into behaving how government wants them to behave.<sup>143</sup>

The implications of such a statement are serious and if accurate represent a major weakness in the nudging approach. Advocates of nudging propose two main counter-arguments to address this concern. First, that the private sector's use of psychological insights is already manipulative and requires governments to step in with counter-nudges.<sup>144</sup> In *Nudge*, Thaler and Sunstein argue "that for all their virtues, markets often give companies a strong incentive to cater to (and profit from) human frailties, rather than to try and eradicate them or minimize their effects."<sup>145</sup> Governments often have a sworn duty and interest in promoting the public good. Viewed from this perspective, governments are merely trying to reverse the psychological effects of marketing campaigns which promote unhealthy lifestyles and unwise financial decisions. While this line of thinking makes sense, it is a bit like saying: government nudging is not as bad as private sector nudging. Such a response may not be entirely satisfactory nor may it relieve concerns about whether governments could use nudging manipulatively.

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<sup>141</sup> Ironically enough, the real-life building (London's Senate House which once served as the headquarters of the UK's Ministry of Information) upon which Orwell based his Ministry of Truth is currently part of the University of London and holds classes which trains students to become behavioural economists (ie. future nudgers). This observation was made in Halpern, *Inside the Nudge Unit*, 311, Figure 46.

<sup>142</sup> David V. Johnson. "Twilight of the Nudges: The Quest to Keep Behavioral Economics in Policy after Obama's Presidency," *The New Republic*, October 27, 2016, <https://newrepublic.com/article/138175/twilight-nudges>; Certain kinds of nudges may be particularly vulnerable to accusations of manipulation, see Pelle Guldborg Hansen and Andreas Maaløe Jespersen, "Nudge and the Manipulation of Choice: A Framework for the Responsible Use of the Nudge Approach to Behaviour Change in Public Policy," *European Journal of Risk Regulation* 4, no. 1 (2013): 5, 26-27.

<sup>143</sup> Curry, "Canada Studies Britain's 'Nudge Unit' for Ways to Give the Public a Push."

<sup>144</sup> Andreas T. Schmidt, "The Power to Nudge," *The American Political Science Review* 111, no. 2 (2017): 413-414.

<sup>145</sup> Thaler and Sunstein, *Nudge*, 74.

The second argument, and one which more strongly addresses this concern, is that if nudging is done transparently by governments that are democratically held to account then the approach can no longer be accused of being manipulative. Transparency and democratic accountability in nudging are two crucial elements which ensure nudging is being used appropriately.<sup>146</sup> In this way, nudging is no different than any other government practice. The only way to justify and defend using it as a public policy tool is to ensure it is done in the open and citizens have the ability to hold their governments to account through democratic elections<sup>147</sup> or the judiciary. After all, governments (hopefully) tend to avoid being perceived as manipulative when they have to account for and justify their activities publicly and face electoral and legal consequences if citizens feel they have overstepped their authority.

#### *Uncertainties Around Using Nudging in This Way*

Readers should already be familiar, from the previous section, with some of the ethical concerns surrounding the use of nudging by governments. In the context of this thesis, ethical concerns around nudging are particularly of concern because many of the employees and users of social enterprises are vulnerable populations. As discussed in chapter two, many social enterprises employ individuals who are marginalized from the labour market<sup>148</sup> and/or offer affordable services and products to individuals with limited means. It is necessary for government to take extra care when using nudging as a public policy tool in this type of setting in order to ensure that the rights and autonomy of vulnerable populations are being respected.<sup>149</sup>

Presently, how governments determine whether or not nudging is appropriate for helping achieve a particular policy issue is still a wild west type of inquiry. There is no widely adopted ethical framework or guidelines that governments can use to decide when, and when not, to use nudging as a policy tool.<sup>150</sup> For the purposes of remedying this gap the OECD

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<sup>146</sup> Halpern, *Inside the Nudge Unit*, Chapter 11, 301-335.

<sup>147</sup> Halpern, *Inside the Nudge Unit*, 327-332.

<sup>148</sup> This was mentioned in Chapter 2 of this thesis.

<sup>149</sup> Schmidt, "The Power to Nudge," 416.

<sup>150</sup> OECD, *Behavioural Insights in Public Policy: Key Messages and Summary from OECD International Events, May 2017* (Paris: OECD Publishing, 2017), 7, [www.oecd.org/gov/regulatory-policy/OECD-events-behavioural-insights-summary-may-2017.pdf](http://www.oecd.org/gov/regulatory-policy/OECD-events-behavioural-insights-summary-may-2017.pdf); Policy Horizons Canada, *Behavioural Insight Brief: Ethics of Applying Behavioural Sciences*

released in 2019 a toolkit to help provide governments with some of this information.<sup>151</sup> It is too soon to tell if this toolkit of advice is making an impact and as of yet most governments using nudging continue to make-up the rules surrounding their use of nudging as a policy tool as they go along. Canada's government is one such example despite voicing official concerns about the ethics of nudging being used as a public policy tool since 2017.<sup>152</sup>

Beyond ethical concerns, there are questions over whether nudging is always effective or if it can only be used successfully under a certain set of circumstances. Concerns over the longevity of nudging's effects,<sup>153</sup> the possibility of nudges backfiring,<sup>154</sup> whether nudges have a different impact depending on who is being nudged,<sup>155</sup> and if nudges only work when people do not know they are being nudged<sup>156</sup> are raised in the behavioural economics literature. While there is some evidence to help answer these concerns, such as research that shows disclosure of nudging does not seem to have a negative impact on a nudge's effect,<sup>157</sup> there is still much that we do not know about why certain nudges work and others fail. Only through rigorous experimentation and careful inquiry can researchers determine why certain nudges work better than others depending on the context. Seeing that the application of nudging is a relatively new phenomenon in the public policy world, the necessary experimentation is only at the very beginning stages and as such can be very hit or miss.

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to Policy (Ottawa: Policy Horizons Canada/Horizons de politiques Canada, 2017), 2, [https://horizons.gc.ca/wp-content/uploads/2018/11/bi\\_ethics\\_summary\\_2\\_0.pdf](https://horizons.gc.ca/wp-content/uploads/2018/11/bi_ethics_summary_2_0.pdf).

<sup>151</sup> OECD, *Tools and Ethics for Applied Behavioural Insights: The BASIC Toolkit* (Paris: OECD Publishing, 2019), <https://doi.org/10.1787/9ea76a8f-en>.

<sup>152</sup> To this author's knowledge, there is no publicly available evidence or policy to suggest that the Government of Canada is using the OECD's or indeed any systematic ethical framework to evaluate nudging interventions. The Government of Canada has signaled the need for the ethical use of nudging in Policy Horizons Canada, *Behavioural Insight Brief: Ethics of Applying Behavioural Sciences to Policy*, 4-5.

<sup>153</sup> Halpern, *Inside the Nudge Unit*, 319; Leigh Caldwell, "Public and Private Sector Nudgers Can Learn from Each Other," *Behavioural Public Policy* 2, no. 2 (November 2018): 236-237.

<sup>154</sup> For an example of this in the private sector see Utpal M. Dholakia, "Why Nudging Your Customers Can Backfire," *Harvard Business Review*, April 15, 2016, <https://hbr.org/2016/04/why-nudging-your-customers-can-backfire>.

<sup>155</sup> Linda Thunström, "Good for Some, Bad for Others: The Welfare Effects of Nudges," BehavioralEconomics.com, February 19, 2019, <https://www.behavioraleconomics.com/good-for-some-bad-for-others-the-welfare-effects-of-nudges/>; Ivo Vlaev et al., "The Theory and Practice of 'Nudging': Changing Health Behaviors," *Public Administration Review* 76, no. 4 (2016): 557.

<sup>156</sup> George Loewenstein et al., "Warning: You Are About to Be Nudged," *Behavioral Science & Policy* 1, no. 1 (2015): 50-53, <https://behavioralpolicy.org/articles/warning-you-are-about-to-be-nudged/>.

<sup>157</sup> Schmidt, "The Power to Nudge," 408-409.



Nudges may need to be tailored in order for them to be successful. People may respond differently to the same nudges depending on characteristics like nationality, education, or socio-economic status.<sup>158</sup> With regards to socio-economic status, one study found that people who had lower incomes were actually more influenced by defaults for pension enrollment than those with higher incomes.<sup>159</sup> The study hypothesized that it is more difficult for low-income earners to switch from the default because switching requires resources like time and cognitive effort that such individuals cannot easily spare.<sup>160</sup> Such subtle insights about how nudging affects people differently is important information for anyone or any organization seeking to change behaviour through nudging.

Although people have been nudging since time immemorial (think about children waiting for their parents to be in a good mood before asking for something), the practical application of nudging to public policy is still in its infancy. While the long-term effects associated with nudging are in the embryonic stage, many questions remain about the ethics of nudging and about its effectiveness as a policy tool.<sup>161</sup> Right now, the field is in a constant flux of expansion and experimentation which has resulted in at least as many failures as successes.<sup>162</sup> Yet, because of the high-level of interest in nudging by governments around the world there is a lot to be optimistic about when it comes to eventually having the data and best practice guidelines needed to make nudging a reliably successful policy tool in all contexts and for all policy-makers.

## Nudging: At Home and Abroad

In the past decade interest in nudging has grown by such a degree that the approach has become a global trend in the field of public policy.<sup>163</sup> Inspired by the success of nudging in

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<sup>158</sup> Thunström, “Good for Some, Bad for Others: The Welfare Effects of Nudges”; Caldwell, “Public and Private Sector Nudgers Can Learn from Each Other,” 238.

<sup>159</sup> John Beshears et al., “The Limitations of Defaults,” (paper prepared for the 12<sup>th</sup> Annual Joint Conference of Retirement Research Consortium, Washington, DC, August 5-6, 2010), Abstract, <https://www.nber.org/sites/default/files/2020-08/orrc10-02.pdf>.

<sup>160</sup> Beshears et al., “The Limitations of Defaults,” 1-3.

<sup>161</sup> OECD, *Behavioural Insights in Public Policy: Key Messages*, 19-21, 28.

<sup>162</sup> OECD, *Behavioural Insights in Public Policy: Key Messages*, 23.

<sup>163</sup> This was cited in Chapter 1, but for readers who have forgotten see French and Oreopoulos, “Applying Behavioural Economics to Public Policy in Canada,” Abstract, 599; Halpern, *Inside the Nudge Unit*, 332.

the UK and US,<sup>164</sup> many governments have begun building up their capacity to apply nudging in a public policy context.<sup>165</sup> According to a 2017 OECD report “behavioural science has gone beyond the “disruption” phase in public bodies with over 130 government units, initiatives, capacities and partnerships established globally in every continent.”<sup>166</sup> Some estimates put that number even higher and report that there are currently almost 200 recorded initiatives/government units focused on the application of nudging.<sup>167</sup> Whatever the actual number, there is obviously a high-level of interest in nudging being applied to public policy.

Governments are not the only ones interested in using nudging (ie. applying behavioural insights). Organizations such as the OECD, World Bank, and EU have shown significant interest in the possibilities of nudging more generally.<sup>168</sup> Private sector firms such as Google, Microsoft, and others have even created their own versions of behavioural insight units<sup>169</sup> and a myriad of private and quasi-public firms have begun to offer their services as nudging and behavioural economics experts.<sup>170</sup> Academia has also adopted this trend as several peer-reviewed academic journals have appeared in the last few years which focus exclusively on this area of study.<sup>171</sup> This myriad of different actors being interested and pursuing different applications of nudging is a testament to the burgeoning diversity of the field.

Nudging is currently being applied to everything from tax compliance to public safety in fields as diverse as health, justice, the environment, energy, public transportations, and

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<sup>164</sup> Zeina Afif, “‘Nudge Units’ – Where They Come From and What They Can Do,” *Let’s Talk Development* (blog), *World Bank Blogs*, October 25, 2017, <https://blogs.worldbank.org/developmenttalk/nudge-units-where-they-came-and-what-they-can-do>; OECD, *Behavioural Insights and Public Policy: Lessons*, 17, Box.1.1. Both countries are pioneers in using nudging as a public policy tool; Halpern, *Inside the Nudge Unit*, 332.

<sup>165</sup> Afif, “‘Nudge Units’ – Where They Come From and What They Can Do.”

<sup>166</sup> OECD, *Behavioural Insights in Public Policy: Key Messages*, 6.

<sup>167</sup> Faisal Naru (@faisal\_naru), “Now! 200 Plus on the BI World Map!” Twitter, August 8, 2018, 7:01 a.m., [https://twitter.com/faisal\\_naru/status/1027162896340578304](https://twitter.com/faisal_naru/status/1027162896340578304).

<sup>168</sup> OECD, *Behavioural Insights and Public Policy: Lessons*, 17, Box 1.1.; Katie Chen, Neil Bendle, and Dilip Soman, *Policy by Design: The Dawn of Behaviourally-Informed Government (Research Report Series, Behavioural Economics in Action)* Rotman School of Management, University of Toronto, 2017, 12-13, <https://www.rotman.utoronto.ca/-/media/Files/Programs-and-Areas/BEAR/White-Papers/PolicyByDesign-BEAR.pdf?la=en>.

<sup>169</sup> Fox and Sitkin, “Bridging the Divide between Behavioral Science and Policy,” 7-9.

<sup>170</sup> Such as *The Decision Lab*, *Ideas42*, *Irrational Labs*, etc.

<sup>171</sup> Robert Metcalfe, “Behavioral Economics: Under the Microscope,” in *The Behavioral Economics Guide 2018*, ed. Alain Samson (with an Introduction by Robert Cialdini) (Behavioral Science Solutions Ltd, 2018), 2-22, archived at <https://www.peterfisk.com/wp-content/uploads/2019/04/BEGuide2018.pdf>.

This article references the *Journal of Behavioral Public Administration*, *Behavioral Science & Policy* and *Behavioral Public Policy*.

education.<sup>172</sup> This thesis focuses on the application of nudging in the field of public policy which addresses the social enterprise sector. Although there is limited evidence of nudging being applied in this area, due to factors which were touched on in the second chapter of this thesis, there is one example which can be drawn to illustrate this approach. This example is taken from a report titled *Behavioural Economics: Seven Principles for Policy-Makers* produced by the British think-tank the New Economics Foundation. This report is authored by Emma Dawnay and Hetan Shah and provides a case study from Australia which shows how understanding behavioural insights can improve outcomes.<sup>173</sup>

In Australia, in a bid to encourage interest among government employees in social entrepreneurship, a free course on the subject was offered specifically to this group.<sup>174</sup> Social entrepreneurship is a type of entrepreneurship that seeks to create either for-profit or non-profit businesses that solve an existing social or environmental problem.<sup>175</sup> Not all social entrepreneurs start social enterprises, but some do.<sup>176</sup> The need for this training likely came about from a recognition that more business training is required for individuals interested in learning how to use a business model to address social problems and for those interested in promoting this type of model more generally.<sup>177</sup>

Dawnay and Shah reported that when this “course on social entrepreneurship was offered [for] free...no one signed-up. When it was re-advertised three months later for AUD\$2,500, however, more than 20 people enrolled.”<sup>178</sup> Why did this happen? The explanation given by these authors is that behavioural economics tells us that people often rely on heuristics when making decisions and since price often signals value in the marketplace people

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<sup>172</sup> OECD, *Behavioural Insights and Public Policy: Lessons*, 13.

<sup>173</sup> Emma Dawnay and Hetan Shah, *Behavioural Economics: Seven Principles for Policy-Makers* (London: New Economics Foundation, 2005), 11, [https://neweconomics.org/uploads/files/cd98c5923342487571\\_v8m6b3g15.pdf](https://neweconomics.org/uploads/files/cd98c5923342487571_v8m6b3g15.pdf).

<sup>174</sup> Dawnay and Shah, *Behavioural Economics: Seven Principles for Policy-Makers*, 11.

<sup>175</sup> “What Is a Social Entrepreneur?,” Canadian Social Entrepreneurship Foundation, last accessed March 7, 2021, [https://www.csef.ca/what\\_is\\_a\\_social\\_entrepreneur.php](https://www.csef.ca/what_is_a_social_entrepreneur.php).

<sup>176</sup> “What Is a Social Entrepreneur?” Canadian Social Entrepreneurship Foundation, accessed March 7, 2021, [https://www.csef.ca/what\\_is\\_a\\_social\\_entrepreneur.php](https://www.csef.ca/what_is_a_social_entrepreneur.php).

<sup>177</sup> This is this author’s own interpretation. Also note that this need for more training for individuals wanting to start businesses to was also identified in Manitoba as part of the MSES. See *MSES 2015*, 8-10.

<sup>178</sup> Dawnay and Shah, *Behavioural Economics: Seven Principles for Policy-Makers*, 11.

may assume that if something costs more it must be of higher value.<sup>179</sup> When government employees in Australia were offered the course for free they may have dismissed it as being low-value and so decided not to sign-up. When they had to pay a considerable sum of money in order to attend they viewed it as high-value and were comparatively eager to enroll. This example shows that human nature can be somewhat counterintuitive given that most people would assume that people are more likely to sign-up for something free. The effect of price as value is context dependent, but in this case, organizers realized that they needed to try another approach and with a deliberate nudge had success in convincing government employees to enroll in a social entrepreneurship class.

Australia is not the only commonwealth country employing nudging. The Government of Canada has a specialized Impact and Innovation Unit (IIU)<sup>180</sup> with a dedicated behavioural insights (BI) team/nudge unit.<sup>181</sup> This team operates under the Privy Council Office and does nudging work at both the federal and provincial levels of government.<sup>182</sup> The Canada Revenue Agency and Employment and Social Development Canada are among the federal departments and agencies applying nudging to public policy in Canada.<sup>183</sup> In 2016, the federal government also launched the “Behavioural Insights Community of Practice (BI CoP), [which operates as] a network of employees, practitioners, and researchers across various government agencies.”<sup>184</sup> This network expanded the reach of nudging across government and illustrates the Canadian government’s desire to spread the influence of nudging across many areas of public policy.

Provincial governments in Canada have also shown interest in nudging. The Ontario government has actually been at the forefront of nudging in Canadian public policy. Its Behavioural Insights Unit, established in 2015, was the first such unit in Canada at any level of government.<sup>185</sup> Since its inception it has run numerous nudging pilot studies in the province

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<sup>179</sup> Dawney and Shah, *Behavioural Economics: Seven Principles for Policy-Makers*, 11. Note that this insight is not exclusive to behavioural economics as there are other fields of academia which reach a similar conclusion.

<sup>180</sup> Formerly known as the Innovation Hub. See “Impact and Innovation Unit,” Canada.ca, Government of Canada, last modified October 14, 2020, <https://www.canada.ca/en/innovation-hub.htm>.

<sup>181</sup> OECD, *Behavioural Insights and Public Policy: Lessons*, 35.

<sup>182</sup> OECD, *Behavioural Insights and Public Policy: Lessons*, 35.

<sup>183</sup> Chen, Bendle, and Soman, *Policy by Design*, 14-15.

<sup>184</sup> Chen, Bendle, and Soman, *Policy by Design*, 14.

<sup>185</sup> Ontario, Behavioural Insights Unit, *Behavioural Insights in Ontario: Update Report 2018* (Ontario: Queen’s Printer for Ontario, 2018), 5, [https://files.ontario.ca/biu\\_progress\\_report\\_2018.pdf](https://files.ontario.ca/biu_progress_report_2018.pdf).

ranging from organ donation consent rates to tax collection.<sup>186</sup> Several of these interventions were done in partnership with the organization Behavioural Economics in Action at Rotman (BEAR);<sup>187</sup> this organization is a research centre at the University of Toronto's Rotman School of business and provides expert advice on designing and implementing nudging interventions.<sup>188</sup> The Ontario government's partnership with this non-governmental body has been very successful and highlights the ongoing collaboration between governmental and non-governmental actors in Canada when it comes to nudging.

Canada's approach to nudging in public policy has been described as diffuse and ad-hoc,<sup>189</sup> but there is a lot of potential for nudging to become a standard part of the public policy tool kit. The Governments of Canada and Ontario are arguably leading the way in using nudging as a public policy tool. They are setting a standard for how nudging can be used successfully in Canada. Their example may inspire other provinces, such as Manitoba, to follow suit. Additionally, as more research is done looking at how nudging can be applied in a Canadian context there are more opportunities for governments to learn and gain confidence about using nudging in this way. Readers will hopefully find that this thesis provides one such opportunity.

## Conclusion

This chapter has covered a lot of ground and taken readers on veritable tour-de-force of nudging and its use as a public policy tool. All of the topics discussed have tried to provide readers who are unfamiliar with behavioural economics the background knowledge they need in order to start to think about how nudging works and how it can be used as a part of public policy. The discussion about the strengths, limitations, and uncertainties of using nudging as a policy tool was meant to encourage readers to start thinking about why nudging was chosen as a focus of this thesis; a topic which will be explored further in the next chapter.

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<sup>186</sup> Ontario, Behavioural Insights Unit, *Behavioural Insights in Ontario: Update Report 2018*, 10-33.

<sup>187</sup> To learn more about this organization see "BEAR - About Us," Rotman School of Management, University of Toronto, accessed March 7, 2021, <https://www.rotman.utoronto.ca/FacultyAndResearch/ResearchCentres/BEAR/About-Us>.

<sup>188</sup> "Behavioural Science Insights Pilot Projects," Government of Ontario, Ontario, updated March 25, 2019, <https://www.ontario.ca/page/behavioural-science-insights-pilot-projects>.

<sup>189</sup> OECD, *Behavioural Insights and Public Policy: Lessons*, 35.

## Chapter 4: Methodology

This thesis uses the theoretical framework of the nudging approach to explore whether nudging can be used to promote growth in the social enterprise sector. In order to accomplish this aim, it embarks on a case study of the Manitoba Social Enterprise Strategy (MSES).<sup>190</sup> This chapter's role is to explain and justify this chosen methodology. It begins by defining the case study approach to research and examining the strengths and limitations of this approach. It goes on to look at why the MSES policy documents, and by extension Manitoba, were chosen as the focus of a case study and how exactly they will be explored. It concludes by looking at how, and what, types of data were collected and analyzed for the purpose of answering the central research question of whether nudging can be used to promote growth in Manitoba's social enterprise sector.

### Methodological Approach: A Case Study

The case study approach to research has long been used in the social sciences as a means of exploring important research questions and phenomena. It can provide description and generate or test theory.<sup>191</sup> A case study can use qualitative and/or quantitative data to generate deep insights<sup>192</sup> and usually focuses on causal mechanisms rather than causal effects.<sup>193</sup> The Oxford Handbook of Qualitative Research describes the case study as an approach that "documents a particular situation or event in detail in a specific socio-political context. The particular can be a person, a classroom, an institution, a program, or a policy."<sup>194</sup> In the context of this thesis, the particular case study is the MSES.

This case study focusing on the MSES can be classified as an instrumental case study. Instrumental case studies involve the researcher choosing "a case to gain insight into a

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<sup>190</sup> Readers are encouraged to read the general disclosure provided at the beginning of this thesis.

<sup>191</sup> Kathleen M. Eisenhardt, "Building Theories from Case Study Research," in *The Qualitative Researcher's Companion*, eds. A. Michael Huberman and Matthew B. Miles (Thousand Oaks, CA: SAGE Publications, 2002), 9. <http://dx.doi.org/10.4135/9781412986274>.

<sup>192</sup> Eisenhardt, "Building Theories from Case Study Research," 9.

<sup>193</sup> John Gerring, "What Is a Case Study and What Is It Good For?" *The American Political Science Review* 98, no. 2 (2004): 346, Table 2.

<sup>194</sup> Helen Simons, "Case Study Research: In-Depth Understanding in Context," in *The Oxford Handbook of Qualitative Research*, ed. Patricia Leavy (Oxford: Oxford University Press, 2014), 455.

particular issue (ie. the case study is instrumental to understanding something else).”<sup>195</sup> This thesis’ research represents this type of case study because it studies the MSES to gain insight into the particular issue of how nudging might eventually be used to promote growth in social enterprise sectors beyond Manitoba. This allows readers to not only discover if nudging could be used to promote the policy goals of the MSES, but also to start imagining how nudging might be used more broadly in the area of social enterprise sector development.

The choice to use the case study approach to explore the topic was deliberate not only because of this reason, but because this approach has key strengths which make it a particularly suitable methodology for exploring this question. Some of the key strengths of case studies are their exploratory nature<sup>196</sup> and the fact that they are not method dependent.<sup>197</sup> These strengths help justify why this approach was chosen and each will be individually discussed below.

A key strength of cases studies is their exploratory nature. This strength makes the case study approach particularly suitable for studying nudging and the social enterprise sector. As alluded to in the introductory chapter of this thesis, research into both nudging and the social enterprise sector is still in its infancy. Consequently, research which combines the two must necessarily be exploratory given the large gaps in the existing literature. Using a case study approach is a strong methodological choice because of the exploratory nature of academic inquiry into such a novel policy area.

The other key strength of case studies worth mentioning in the context of this thesis is that case studies are not method dependent. Case studies, unlike several other research approaches, are not required to limit their exploration of their given subject in order to fit a particular framework. Instead, there is an implicit encouragement in this form of research to collect data from a variety of sources and incorporate both quantitative and qualitative research. This allows not only for the triangulation of the findings, but for a richness and depth

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<sup>195</sup> Robert Stake, *The Art of Case Study Research* (Thousand Oaks, CA: SAGE Publications, 1995), 3, paraphrased in Simons, “Case Study Research: In-Depth Understanding in Context,” 459.

<sup>196</sup> Gerring, “What Is a Case Study and What Is It Good For?” 346, Table 2; Jennifer Rowley, “Using Case Studies in Research,” *Management Research News* 25, no. 1 (2002): 16, <https://doi-org.uml.idm.oclc.org/10.1108/01409170210782990>.

<sup>197</sup> Simons, “Case Study Research: In-Depth Understanding in Context,” 458.

which characterizes the case study approach.<sup>198</sup> It permits creativity throughout the research process as researchers are free to explore different avenues and subtle nuances without compromising methodological integrity. Using a case study approach to explore how a nudging approach framework applies to the MSES allows this thesis to use a wide range of data sources to explore this novel research area without being methodologically disorganized.

While the paragraphs above have highlighted a few of the key strengths of the case study approach, it would be remiss to ignore that this approach also has significant limitations. Two of these limitations are that the findings of case studies are difficult to generalize<sup>199</sup> and that this kind of research lends itself to confirmation/verification bias.<sup>200</sup> The first of these is the result of the very nature of a case study as being an intense study of a particular unit or case. In research you have the dilemma of “*knowing more about less...[or] knowing less about more.*”<sup>201</sup> Case studies, by their nature, focus on knowing more about less since they explore one particular case in great detail at the expense of a broader, but more superficial perspective on the subject.

Given the particularization of case studies, it can be challenging to draw insights that are applicable across cases and in different contexts. This problem can be partially addressed through careful case selection so that the case in question has certain theoretical attributes that make it more likely to replicate or extend emergent theory.<sup>202</sup> The MSES was selected because the main pillars of the strategy are echoed in other pan-Canadian social enterprise sector strategies as well as this strategy being the result of social enterprise sector-government collaboration.<sup>203</sup> These attributes make it more likely that at least some of the findings of this

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<sup>198</sup> Rowley, “Using Case Studies in Research,” 23.

<sup>199</sup> Bent Flyvbjerg, “Five Misunderstandings About Case-Study Research,” *Qualitative Inquiry* 12, no. 2 (April 2006): 221, <https://doi.org/10.1177/1077800405284363>; Simons, “Case Study Research: In-Depth Understanding in Context,” 465. Note that both Flyvbjerg and Simons actually defend case study research from the popular claim that such research cannot be generalized. These sources were chosen to illustrate that there is a widespread belief that case studies cannot be generalized.

<sup>200</sup> Flyvbjerg, “Five Misunderstandings About Case-Study Research,” 221; Simons, “Case Study Research: In-Depth Understanding in Context,” 461. Note that both Flyvbjerg and Simons actually defend case study research from the popular claim that such research automatically lends itself to verification/confirmation bias. These sources were chosen to illustrate that there is a widespread belief that case studies are prone to such bias.

<sup>201</sup> Gerring, “What Is a Case Study and What Is It Good For?” 348.

<sup>202</sup> Eisenhardt, “Building Theories from Case Study Research,” 12-13.

<sup>203</sup> These topics were raised in Chapter 2.



thesis can be generalized. Thus, this limitation of case studies is partially mitigated through the selection of the MSES as a case.

The second limitation of using case study methodology is that this type of research can lend itself to confirmation or verification bias. This means that researchers exclusively focus on evidence and data which supports their preconceived hypothesis and exclude any evidence which contradicts this perspective. If this situation materializes then the research itself loses its scientific validity which renders it fruitless with respect to advancing scientific knowledge. Case studies are more vulnerable to such bias because their methodological framework does not dictate what type of data may, or may not, be collected nor does this approach give specific instruction as to how data needs to be interpreted. This feature of case studies can be seen as a legitimate cause for concern.

In response to this consideration, proponents of cases studies offer two distinct arguments. The first is that case study researchers often find evidence which challenges their preconceived notions and engage in multiple revisions of theory and content before deciding on a particular case study narrative.<sup>204</sup> Readers have to trust that researchers are presenting all the relevant evidence and not only evidence which perfectly supports the researcher's hypothesis. For this thesis, this means that readers are made aware of evidence which suggests that the nudging approach may not work or be relevant to the policy goals of the MSES. The second mitigating argument is that all research is subjective and as such it is unfair to single out the case study approach as particularly lending itself towards confirmation/verification bias.<sup>205</sup> Both these arguments address some of the major limitations associated with the case study approach.

### Specific Case Study: The MSES

The MSES represents Manitoba's provincial government's public policy intentions towards the social enterprise sector. It was released in 2015 under the auspicious title of the *Manitoba Social Enterprise Strategy: A Strategy for Creating Jobs Through Social Enterprise*. It

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<sup>204</sup> Flyvbjerg, "Five Misunderstandings About Case-Study Research," 235.

<sup>205</sup> Flyvbjerg, "Five Misunderstandings About Case-Study Research," 235.

was followed up by an update on its progress in 2017 titled *Manitoba Social Enterprise Strategy Update* and with a final report in 2018 titled *Connected and Ready: The Impact of the Manitoba Social Enterprise Strategy* which measured the strategy's impact.<sup>206</sup> Readers are reminded that these documents are referred to as the MSES, MSES 2017, and MSES 2018 respectively throughout this thesis. While this thesis will draw from all these policy documents, its central focus will be on the actual strategy itself (MSES). As a strategic policy document, the MSES focused on the potential for growth of the social enterprise sector and the role the sector could play in generating employment and local economic growth. Its intention was to identify policy areas where the provincial government could intervene in order to help promote growth in the social enterprise sector.

## Why the MSES Was Chosen

The MSES was chosen as a case study for several reasons. The most relevant of these are that there is considerable potential for social enterprise sector growth in the province, that Manitoba's provincial government is interested in supporting alternatives to traditional methods of non-profit financing, and that the MSES was the result of co-creation between the sector and the provincial government. These reasons, which will be explored in the section below, provide strong justification for the choice of the MSES as the case study choice for this thesis.

There is a tremendous amount of potential for social enterprise sector growth in Canada and in Manitoba. Data shows that Canada currently has over 170,000 registered charities and non-profits<sup>207</sup> and the non-profit sector makes-up approximately 8.5 % of GDP (in dollar terms that equals 169.2 billion dollars).<sup>208</sup> Manitoba has a particularly large non-profit sector for a province of its size<sup>209</sup> and the economic impact of this sector surpasses the national average as

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<sup>206</sup> See footnotes 14-16 in Chapter 1 for the original citations. Readers are reminded that these documents are cited as the *MSES 2015*, *MSES 2017*, and *MSES 2018* in footnotes.

<sup>207</sup> "Canada's Charities & Nonprofits," Infographic, Imagine Canada, accessed June 12, 2021, <https://www.imaginecanada.ca/sites/default/files/Infographic-sector-stat-2021.pdf>.

<sup>208</sup> Imagine Canada, "Non-Profit Sector Continues to Grow," Press release, March 5, 2019, <https://www.imaginecanada.ca/en/360/non-profit-sector-continues-grow>.

<sup>209</sup> Karine Levasseur and Sid Frankel, "Situating a Public Funding Experiment within the Landscape of Political Ideas about the Non-Profit Sector," *Voluntary Sector Review* 8, no. 1 (March 2017): 68.

a percentage of nominal provincial GDP.<sup>210</sup> If even a small fraction of these non-profits and charities pursued the social enterprise model as a way to diversify mission funding there would be an explosion of growth within the sector. Readers may remember from previous chapters that 30% of existing social enterprises in Manitoba already generate profits for a parent non-profit<sup>211</sup> which lends support to the idea that non-profits in the province are already going this route. This potential for growth in the social enterprise sector in Manitoba supports the argument that the MSES is a good choice for a case study on promoting social enterprise growth.

Another supporting argument is that for the past five years Manitoba's government has shown significant interest in alternative financing for the non-profit sector.<sup>212</sup> To that effect, the province released a short discussion focused report as part of a 2019 consultation process for a new non-profit strategy for the province.<sup>213</sup> This report expressed views that the non-profit sector needed to "increase philanthropy and charitable giving and reduce the overreliance of non-profit organizations on public grants and transfers"<sup>214</sup> and that key values for a non-profit strategy would be "sustainability, fiscal responsibility and value for taxpayers' dollars."<sup>215</sup> The provincial government has shown its interest in alternative financing for the non-profit sector through its actions as well. The province has expressed strong interest in funding models such as Social Impact Bonds (SIBs).

A SIB falls under the pay-for-success financing model and is funded by the public sector in the expectation that the services provided by a participating non-profit organization will result in direct savings for government because of reduced use of social services by the clientele

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<sup>210</sup> Statistics Canada, "Chart 5: Non-Profit Sector Share of Gross Domestic Product (GDP) by Province and Territory, 2017," Non-Profit Institutions and Volunteering: Economic Contribution, 2007 to 2017, modified March 5, 2019, <https://www150.statcan.gc.ca/n1/daily-quotidien/190305/cg-a005-eng.htm>.

<sup>211</sup> Elson et al., *2014 Manitoba Social Enterprise Sector Survey Highlights*, 2.

<sup>212</sup> Alternative referring to methods other than government grants or direct government funding supports.

<sup>213</sup> "Add Your Voice to Manitoba's New Non-Profit Strategy Consultation," What's New in CED, Canadian CED Network, posted May 16, 2019, accessed March 1, 2021, <https://ccednet-rcdec.ca/en/new-in-ced/2019/05/16/add-your-voice-manitobas-new-non-profit-strategy>; Government of Manitoba, "Building Capacity and Promoting Sustainability in Manitoba's Non-Profit Sector: Manitoba Government Discussion Paper," accessed March 12, 2021, [https://www.gov.mb.ca/mr/bldgcomm/pubs/building\\_capacity\\_non\\_profits\\_web.pdf](https://www.gov.mb.ca/mr/bldgcomm/pubs/building_capacity_non_profits_web.pdf).

<sup>214</sup> Government of Manitoba, "Building Capacity and Promoting Sustainability in Manitoba's Non-Profit Sector," 2.

<sup>215</sup> Government of Manitoba, "Building Capacity and Promoting Sustainability in Manitoba's Non-Profit Sector," 3.

of the non-profit.<sup>216</sup> The Government of Manitoba has already launched SIBs and although it is too soon to assess their ultimate impact, it is already inviting proposals for additional SIBs.<sup>217</sup> SIBs are not the only alternative financing model for the non-profit sector, the argument made in the preceding paragraph is that the social enterprise sector also represents an alternative way for some non-profits to diversify their funding away from the traditional model of government grants and funding supports. To the extent that the social enterprise sector represents an alternative way to finance the activities of non-profits in Manitoba, the provincial government of Manitoba should be interested in seeing the sector grow and hence interested in supporting social enterprise sector growth through the use of public policy. This argument gives a strong practical justification for the MSES as a case study choice.

It is important to note that this thesis does not intentionally engage in normative judgments about the feasibility or desirability of the Government of Manitoba moving away from traditional funding models for the non-profit sector or of the non-profit sector engaging in SIBs or starting social enterprises. This response may not satisfy some readers who may consider the research presented as part of this thesis as supporting a narrative that encourages non-profits to become social enterprises and governments to push non-profits to be self-supporting. These concerns are indeed legitimate considering the content of the previous paragraphs, but engaging at length in this type of discussion is simply beyond the scope of this thesis. This thesis takes both the provincial government's position and the non-profit sector's interest in the social enterprise sector as a priori. It assumes that both the provincial government and the local non-profit sector are already interested in the social enterprise sector at least in some way; whether that be to reduce government welfare costs, to diversify funding sources, or for another reason.<sup>218</sup> This presumed interest helps justify why the MSES is a good choice as a case study because this thesis' research is then relevant to both the local non-profit and voluntary sector and Manitoba's provincial government.

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<sup>216</sup> "What Is a Social Impact Bond?" Government of Manitoba, accessed March 12, 2021, <https://www.gov.mb.ca/sib/whatis.html>.

<sup>217</sup> "Invitation for Social Impact Bond Ideas," Government of Manitoba, accessed March 12, 2021, <https://www.gov.mb.ca/sib/invitation.html>.

<sup>218</sup> Chapter 2 supports this argument.

The third supporting argument which helps justify the choice of the MSES as a case study is that this public policy strategy was the direct result of collaboration between the local social enterprise sector and the provincial government. When crafting the MSES the provincial government not only consulted with the social enterprise sector, but actually partnered with the sector in order to draft the strategy. The non-profit organization Canadian Community Economic Development Network (CCEDNet) acted as an equal partner in the drafting of this policy document and local social enterprise activists were part of steering committee.<sup>219</sup> The MSES, as a public policy document, thus reflects shared priorities and shared vision for what types of public policies are required for social enterprise sector development in Manitoba. This collaboration also shows that there was buy-in from both the sector and the provincial government for implementing the strategy as part of public policy. The strength of this buy-in and the shared vision for what is needed to promote social enterprise sector development in Manitoba makes the MSES a prime case study to explore whether the nudging approach can be successfully applied to public policy intended to promote social enterprise growth.

### How the MSES Will Be Explored

The MSES is the central focus of the case study explored in this thesis. However, given the breadth and scope of the strategy itself, its update in 2017, and final report published in 2018, it is not feasible for this research to cover all six of the pillars identified in the strategy as key areas in need of support. Instead, this thesis will focus only on one key pillar of the strategy. This pillar is *Pillar 3: Expand Market Opportunities*.

*Pillar 3: Expand Market Opportunities* was chosen because it represents a clear pathway to sector growth, can also be done independently by the sector itself, and there is ample behavioural economics literature on using nudging in a market environment. The first of these reasons is fairly self-explanatory. If there are more market opportunities for social enterprises it will help existing social enterprises increase their economic impact and spur the creation of new social enterprises. Both these effects would contribute positively to sectoral growth. This

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<sup>219</sup> MSES 2015.

also makes this pillar a key target area for a nudging approach to be applied in order to have a strong impact on promoting social enterprise sector growth.

The second reason for why this third pillar was chosen is that expanding market opportunities can be done independently by the sector itself. This point implies that the insights of this thesis will be useful not only for governments, but for entrepreneurs in the social enterprise sector interested in using the nudging approach to grow their business. Likewise, it speaks to potential applications of this case study's insights to other contexts.

Finally, the third reason why this pillar was chosen was that there exists ample evidence in the behavioural economics literature to support the claim that nudges can be used to increase the sale of goods and services.<sup>220</sup> An increase in the sale of goods and services provided by social enterprises means potential growth in the social enterprise sector. This line of reasoning lends itself to the critique of confirmation/verification bias discussed towards the start of this chapter. A response to this concern is that as the field of research into nudging in public policy is still novel it is difficult to build upon research which has not yet been done. Deliberately choosing a topic where there is some indication of available research therefore seems reasonable. The existence of research on nudging being used to increase the sale of goods and services provides a strong reason in favour of exploring this particular MSES pillar as it allows this thesis to build on a pre-existing body of knowledge.

## How Nudging Will Be Applied

For the purposes of definitional clarity, it is important to explain what exactly a nudging approach looks like. Readers may remember from chapter three that behavioural economics is not a coherent unified theory, but rather a collection of biases and heuristics borrowed from psychology and a commitment to experimentation. Nonetheless, the nudging approach must be theoretically defined for the purpose of this research. While the following definition is a subjective approach to defining the nudging approach, it is no more subjective

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<sup>220</sup> Jodi N. Beggs, "Private-Sector Nudging: The Good, the Bad, and the Uncertain," in *Nudge Theory in Action: Behavioral Design in Policy and Markets*, ed. Sherzod Abdukadirov (Cham: Springer International Publishing, 2016), 125-126; Chapter 5, section *The Private Sector: Ahead of the Game*, subsection *Applying a Nudging Lens* of this thesis explores this research in greater detail.

than any other attempt in the social sciences to find and represent shared meaning through language.

This thesis will define the nudging approach as: the choice architecture faced by individuals and organizations, the influence of non-financial barriers in decision-making, and a commitment to scientifically rigorous experimentation. These three elements are arguably at the core of the nudging approach and provide a general theoretical framework simultaneously broad and narrow enough in scope to be used as a meaningful framework for this thesis' proposed case study of the MSES. Each of these definitional elements will now be explored by way of justifying their inclusion as part of the theoretical framework of the nudging approach employed in this thesis.

Choice architecture is a foundational element of the nudging approach. It is important because it acknowledges that both people and organizations are highly influenced by how decisions are framed. The nudging approach recognizes this and makes the argument that significant behavioural changes can be achieved through small changes to the choice architecture facing decision-makers (ie. individuals or organizations making decisions). Take for example the choice architecture faced by an individual when they are affected by the behavioural bias of loss aversion. Research suggests that people feel the psychological effects of losses twice as much as that of gains.<sup>221</sup> This means we are loss averse and will usually expend more effort to avoid a potential loss than to achieve a potential gain.<sup>222</sup> This bias will be discussed again in later chapters, but for now readers should know that it is only one such bias which can be used in order to change the choice architecture which people face when making decisions about the environment, their health, their children's education, and many other areas of public policy. Choice architecture is a fundamental theoretical element to any nudging approach and is one of the key elements which will be used as part of this thesis' nudging approach framework.

The influence of non-financial barriers on decision-making is another key element of the nudging approach. While traditional neo-classical economics highlight the use of financial

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<sup>221</sup> "Loss Aversion," Behavioral Science Concepts, Behavioraleconomics.com, accessed March 5, 2021, <https://www.behavioraleconomics.com/resources/mini-encyclopedia-of-be/loss-aversion/>.

<sup>222</sup> "Loss Aversion," Behavioraleconomics.com.

incentives (ex. rebates) and disincentives (ex. taxes) as a means of changing behaviour, behavioural economics points out that non-financial barriers are sometimes equally as, or more, influential than financial ones.<sup>223</sup> This insight has enormous potential to change how governments implement public policy because it increases the variety of tools at governments' disposal. Simply addressing non-financial barriers which affect individuals' decision-making processes is not a panacea for solving every policy challenge, but it can be a part of innovative solutions for some of them. Since the nudging approach supports the use of this insight for public policy it is included as a key part of the theoretical framework used in this thesis.

Lastly, the nudging approach champions experimentation as part of public policy. Readers will remember from chapter three that much of public policy is guesswork about what is the most effective way to accomplish a given outcome.<sup>224</sup> Scientifically rigorous experimentation in government policy can help take the guesswork out of what policy tools work best, how programs should be structured to have maximum effect, and how services can be most effectively provided. It also fits in with the evidence-based governance style that is increasingly attractive to governments.<sup>225</sup> Furthermore, despite a plurality of views as to what nudging is, or is not, there is a consensus among nudging theorists that experimentation and the experimental method is a key part of the approach.<sup>226</sup> Some in the field even claim that it is the most important contribution nudging has made to public policy.<sup>227</sup> Given the consensus on the importance of experimentation to the nudging approach, it makes sense for this key element to also be included as part of this thesis' nudging approach framework.

## Data Collection & Analysis

The data collected as part this thesis is largely qualitative in nature. It is qualitative because it involves an in-depth literature review of the relevant behavioural economics and

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<sup>223</sup> Halpern, *Inside the Nudge Unit*, 97.

<sup>224</sup> Halpern, *Inside the Nudge Unit*, 273.

<sup>225</sup> Halpern, *Inside the Nudge Unit*, 295-298.

<sup>226</sup> Baddeley, *Behavioural Economics: A Very Short Introduction*, 4-5; Cass R. Sunstein, "Nudging: A Very Short Guide," *Journal of Consumer Policy* 37, no. 4 (2014): 585; Heukelom, "Building and Defining Behavioral Economics," 188.

<sup>227</sup> Halpern, *Inside the Nudge Unit*, 296-298.



social enterprise literature, various public policy documents, non-governmental reports, newspaper articles, visual forms of media, and government statistics. All the collected data plays a role in constructing an exploratory narrative of how the theoretical framework of a nudging approach applies to the MSES and to future public policy which addresses the social enterprise sector in Manitoba. Although it would have been valuable to also include quantitative data as part of this thesis, due to certain limitations which will be explained in the concluding chapter of this thesis this was not feasible. The qualitative data collected will provide ample scope for exploring the potential of using nudging to promote growth in Manitoba's social enterprise sector and beyond.

## Conclusion

This chapter outlined the choice of an instrumental case study of the MSES, MSES 2017, and MSES 2018 policy documents as the methodological framework of this thesis. The strengths and weaknesses of this approach, the rationale of why the MSES (and by extension Manitoba's social enterprise sector) were selected, and the means of data collection and analysis were also outlined. Additionally, a nudging approach framework characterized by the key elements of choice architecture, addressing non-financial barriers, and experimentation was defined and provides the lens this thesis uses to explore the MSES. Readers should come away from this chapter prepared for chapter five which explores if nudging, thusly defined using these key elements, can be applied strategically to promote growth in Manitoba's social enterprise sector.

## Chapter 5: Nudging to Expand Market Opportunities for Social Enterprises

This chapter explores how a nudging approach framework can be applied to the MSES. Readers will recall from the last chapter, that this thesis focuses on the third pillar of the MSES strategy which centres on how to expand market opportunities for social enterprises. After a thorough examination of the relevant literature, three central themes emerge from this case study. The first theme is that the private sector, which is already in an advantageous position compared to the social enterprise sector in terms of being able to expand market opportunities, is using nudging. The second theme is that Manitoba's social enterprise sector wants government led social procurement. The third, and last, theme is that Social Enterprise Manitoba has become a development hub for the sector. Each of these themes will have an entire section devoted to them which will trace the theme in the MSES policy documents,<sup>228</sup> explore how a nudging lens can be applied, and assess the implications of applying nudging in this way. The ultimate goal is for readers to come away from the chapter with an understanding of how nudging fits into the MSES' pillar of expanding market opportunities for Manitoba's local social enterprise sector.

### The Private Sector: Ahead of the Game

#### *Tracing This Theme*

The MSES acknowledges that the private sector business community is in a position of strength compared to the local social enterprise sector when it comes to several of the pillars outlined in the strategy; including *Pillar 3: Expanding Market Opportunities*. Within the MSES policy documents, the private sector business community is referenced several times as being a source of potential financial support and mentoring opportunities for local social enterprises. Specifically, the private sector comes-up in several different contexts ranging from potential private sector investments in social enterprises via SIBS<sup>229</sup> to the possibility of transitioning

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<sup>228</sup> MSES 2015, MSES 2017, and MSES 2018.

<sup>229</sup> MSES 2015, 14.

employees from WISE<sup>230</sup> to private sector employment.<sup>231</sup> Both the MSES 2017 and the MSES 2018 also mention the private sector in the context of a networking ‘idea jam’ event which was held in 2016 for the express purposes of bringing together the social enterprise community, the environmental activism community, and the private business community in Manitoba for an evening of networking and mentoring.<sup>232</sup> Additionally, the MSES 2018 recommended that “**Social enterprises** themselves should continue to network and advocate within and outside the social enterprise sector, including establishing business-to-business relationships with private sector stakeholders.”<sup>233</sup> All these references to the private sector funding social enterprise activity and mentoring social enterprises points to the relative position of strength the private sector business community has when compared to the social enterprise sector in Manitoba.

In general, there are clear signs that the private sector is in a position of strength with regards to expanding market opportunities when compared to the social enterprise sector. There are many possible explanations for this, but a fundamental one is that social enterprises face challenges which private sector businesses do not when it comes to selling goods and services. It’s fair to note that not all social enterprises will face the same challenges. Readers will remember from chapter two, that social enterprises exist on a spectrum ranging from more to less commercially/social mission motivated. Thus, it is important to acknowledge that well resourced and/or more commercially developed social enterprises may themselves be in a position strength when compared to under-resourced non-profit and voluntary sector based social enterprises which have only a minimal focus on commercial activity.<sup>234</sup>

Despite this difference in opportunity and resources within the social enterprise sector itself, there are still foundational challenges which affect all social enterprises. All social enterprises, regardless of their level of commercial activity and entrepreneurial know-how,

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<sup>230</sup> WISE stands for work integration social enterprises. See MSES 2018, 5.

<sup>231</sup> *MSES 2015*, 22.

<sup>232</sup> *MSES 2017*, 6; *MSES 2018*, 24.

<sup>233</sup> *MSES 2018*, 34. Emphasis is from the text.

<sup>234</sup> In Manitoba, going by the latest available data (2012), more than half of social enterprises in Manitoba are registered charities. Ryan O’Connor et al., *Measuring the Size, Scope and Scale of the Social Enterprise Sector in Manitoba*, Canadian Community Economic Development Network Manitoba, 2012, 38, [https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/ccednet/\\_Scale\\_of\\_the\\_Social\\_Enterprise\\_Sector\\_in\\_MB\\_2.pdf](https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/ccednet/_Scale_of_the_Social_Enterprise_Sector_in_MB_2.pdf).

have to balance a double bottom line.<sup>235</sup> They have to make sure their activities are commercially profitable while also fulfilling a social and/or environmental mission. This can be especially difficult when they compete with private sector businesses which only have to worry about making a profit. Social and/or environmental missions often require financial and human resources on the social enterprise's part and may even put certain restraints on their ability to be commercially competitive. This is due to the fact that such missions may impact social enterprises' ability to price competitively while covering their base operating costs. All of this suggests that, at least in general terms when looking at the sector as a whole, social enterprises may already be coming from behind when it comes to being able to compete with private sector businesses for market share.<sup>236</sup>

### *Applying a Nudging Lens*

Behavioural insights have been used for a long time in the pursuit of expanding market opportunities and profitability in the private sector.<sup>237</sup> Some of these insights have been used deliberately by marketers who have drawn on human psychology to tailor their commercial practices to make products/services appealing while some have been the unintentional result of intuition or good luck.<sup>238</sup> As behavioural economics has become more mainstream and popular, the private sector has become increasingly interested in the former.<sup>239</sup> The rise of online shopping and the availability of software which can analyze consumer behaviour online has also given many firms the ability to better understand their customers' purchasing

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<sup>235</sup> Raymond Dart, "The Legitimacy of Social Enterprise," *Nonprofit Management & Leadership* 14, no. 4 (2004): 415. This source discusses some of the research/perspectives of social enterprises being describe in such a way.

<sup>236</sup> Sidney Leung et al., "Enhancing the Competitiveness and Sustainability of Social Enterprises in Hong Kong: A Three-Dimensional Analysis." *China Journal of Accounting Research* 12, no. 2 (2019): Abstract, 157-159; Eve Pytel, "Key Strategies for Viable Non-Profit led Social Enterprise," *Social Innovation Journal* 33, (April 24, 2017), paragraph 4-6, <https://socialinnovationsjournal.org/editions/issue-33-chicago/74-what-works-what-doesn-t/2404-key-strategies-for-viable-nonprofit-led-social-enterprise>.

<sup>237</sup> Beggs, "Private-Sector Nudging: The Good, the Bad, and the Uncertain," 125-150.

<sup>238</sup> Beggs, "Private-Sector Nudging: The Good, the Bad, and the Uncertain," 125; For an account of how the private sector has historically used behavioural insights/nudges see Philip Corr, and Anke Plagnol, "Chapter 7: Sell! Behavioral Science of the Commercial (and Political) World of Persuasion," in *Behavioral Economics: The Basics* (Abingdon, Oxon; New York, NY: Routledge, 2018), 179-212.

<sup>239</sup> Beggs, "Private-Sector Nudging: The Good, the Bad, and the Uncertain," 125-150; Caldwell, "Public and Private Sector Nudgers Can Learn from Each Other," 235.

behaviour.<sup>240</sup> This concurrence has led to a dazzling number of developments including, but not limited to, the development of corporate nudge units,<sup>241</sup> nudging consulting companies,<sup>242</sup> and products and services which help firms use behavioural insights for commercial purposes.<sup>243</sup> Concepts such as *nudge marketing*, *digital nudging*, and *corporate nudging* have become part of the private sector's lexicon and there seems to be an overall feeling in the literature that the private sector has embraced nudging and its insights.<sup>244</sup>

The intersection between nudging and the private sector's quest to expand market opportunities could be a thesis in and of itself,<sup>245</sup> but for the purpose of this thesis such a discussion will be narrower in scope. Before this discussion takes place, it is important to note that it relies heavily on sources from the private sector rather than academic sources. This is the result of businesses in the private sector not actively publishing results from nudging interventions or the impact of nudging products in order to maintain a competitive edge.<sup>246</sup> This gap in the academic literature on private sector nudging should be acknowledged, but it should not hinder this thesis' exploration of how the nudging approach framework of choice architecture, addressing non-financial barriers, and experimentation is being used by private sector for-profit businesses to expand market opportunities.

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<sup>240</sup> Anna Güntner, Konstantin Lucks, and Julia Sperling-Magro, "Lessons from the Front Line of Corporate Nudging," *The McKinsey Quarterly* (January 24, 2019), <https://www.mckinsey.com/business-functions/organization/our-insights/lessons-from-the-front-line-of-corporate-nudging>.

<sup>241</sup> Some large multi-national corporations certainly think that nudging can help them get an edge on their competitors. Firms like Google, Walmart, AIG, McDonalds and Amazon all have the equivalent of a behavioural insight team.

<sup>242</sup> Firms like Affective Advisory, BEworks, The Behavioural Architects, Irrational Labs and The Decision Lab offer behavioural science-based strategic consulting to for-profit businesses looking to expand their market opportunities.

<sup>243</sup> Products such as Predictiv, Vocatus' GRIPS typology which helps retailers target consumers based on their spending style, and Nudgify all help retailers use behavioural insights as part of their merchandising processes.

<sup>244</sup> Steve Wendel, "Behavioral Nudges and Consumer Technology," in *Nudge Theory in Action: Behavioral Design in Policy and Markets*, ed. Sherzod Abdukadirov (Cham: Springer International Publishing, 2016), 95-123; There is a strong incentive for private sector firms and entrepreneurs to get into the business of selling nudges and nudge products. See Beggs, "Private-Sector Nudging: The Good, the Bad, and the Uncertain," 126.

<sup>245</sup> Indeed, an earlier draft of this section was considerably longer.

<sup>246</sup> Caldwell, "Public and Private Sector Nudgers Can Learn from Each Other," 238-239; Wendel, "Behavioral Nudges and Consumer Technology," 98.

The private sector has adopted nudge marketing in its pursuit of increasing profitability.<sup>247</sup> Nudge marketing is different from traditional marketing as it relies on a deeper psychological understanding of what drives individual decision-making and involves a commitment to scientifically rigorous experimentation to drive its activity. This type of marketing has no formally recognized definition, but there is a general consensus that it involves using choice architecture to subtly influence consumers to make particular outcomes more likely (and is often related to the sale of goods/services).<sup>248</sup>

There are two main approaches nudge marketing takes to influence consumer behaviour. The first involves a targeted appeal to a specific individual's psychology and is done by highlighting features of a product or service that they would find particularly attractive.<sup>249</sup> The second employs a more general strategy which relies not on targeting individuals, but on applying behavioural insights in a way which makes it easier for consumers to follow through on their desire to purchase a good or service.<sup>250</sup> Depending on the context, both of these approaches may rely on specific choice architecture, addressing non-financial barriers, and experimentation.

Take for example, a private sector firm trying to sell a particular product through e-commerce to increase their sales and thus expand their market opportunities through an economy of scale. The firm's website, which consumers use to browse and eventually purchase products from, can be digitally tailored to individual consumers' tastes by recommending products based on their browsing history. The website can also have features such as an automatic notification which reminds online shoppers before they close their browsing window that they still have items in their "basket/cart" that they have not yet checked out. Additionally, it may allow consumers to save their payment details and automatically records what they browsed, bought,

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<sup>247</sup> The private sector is not alone in this endeavour. The UK's Behavioural Insights Team began as a public sector entity, but in 2014 it became a part of the non-profit organization Nesta in part because of the business experience and focus that they offer. See Geoff Mulgan, "Behavioural Insights Team: Our New Partnership," *Nesta blog* (blog), *Nesta*, February 5, 2014, <https://www.nesta.org.uk/blog/behavioural-insights-team-our-new-partnership/>.

<sup>248</sup> Stephen Courtney, "What is Nudge Marketing?" *Convertize: Smart Persuasion*, *Convertize*, January 3, 2020, <https://www.convertize.com/what-is-nudge-marketing/>; Dholakia, "Why Nudging Your Customers Can Backfire."

<sup>249</sup> Janelle de Weerd, "Nudge Marketing Examples: How to Drive Online Purchase Behavior," *Crobox* (blog), *Crobox*, April 16, 2019, <https://blog.crobox.com/article/nudge-marketing>.

<sup>250</sup> Anne Stephenson, "Nudging: How Behavioral Economics Applies to Marketing," *Explorer Research*, May 5, 2017, <https://explorerresearch.com/how-behavioral-economics-applies-marketing/>.

and how long they spent looking at reviews. This is a hypothetical example, but to the modern e-commerce customer these tactics will likely seem familiar.<sup>251</sup>

These tactics illustrate nudge marketing. When a consumer interacts with content specifically tailored to their preferences it's likely they will find a product that they will like and want to purchase. Likewise, a consumer being notified that they have not purchased the items in their basket/cart will signal that they have left a task unfinished and prompt them to follow through on their intention. Both these examples highlight that the choice architecture of an e-commerce website can influence consumers' decisions of whether or not to purchase a good or service.<sup>252</sup> Having online shoppers' financial information automatically stored so purchasing a product is simply a click away means customers don't have to worry about getting their wallet out and is a great example of a retailer addressing non-financial barriers. Making it easy (ie. only a click) to buy goods and services removes the hassle factor associated with finding and filling out financial details when purchasing the good or service which may prevent some on-the-fence purchasers from committing to a purchase. Additionally, every *click* and *like* that consumers make while browsing websites is recorded which makes it a lot easier for firms to experiment with what design and which prompts work best at engaging customers and influencing them to spend their money.<sup>253</sup> This example demonstrates how the nudging approach framework of choice architecture, addressing non-financial barriers, and experimentation can influence consumer behaviour with the aim of expanding market opportunities.

As previously mentioned, many firms have begun deliberately using nudging in such a way. What is particularly interesting in terms of the private sector's use of nudging is the development of specific products designed to help firms nudge. Probably the most well known

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<sup>251</sup> Amazon, Ebay, Etsy, Travel websites like Expedia and Booking.com, and many more e-commerce retailers use this type of marketing.

<sup>252</sup> Guiding online users through interface design is referred to as digital nudging. See Markus Weinmann, Christoph Schneider, and Jan vom Brocke, "Digital Nudging," *Business & Information Systems Engineering* 58, no. 6 (2016): 433.

<sup>253</sup> This is frequently done with A/B testing as random website users are assigned different webpage formats/prompts in order to determine the combination which has the best conversion rate of engagement to sales. To read about this in more depth, see Corr and Plagnol, "Chapter 7: Sell! Behavioral Science of the Commercial (and Political) World of Persuasion," 192-193.

'nudge unit' of all, the UK's Behavioural Insights Team, has decided to use its considerable expertise to develop such tools. Through its product development arm called BITx, the organization has created several tools and products for the wider commercial market. BITx markets itself as using "behavioural science to design and build scalable products and services with social impact."<sup>254</sup> As part of this work they have released Predictiv; an online research platform which can be used to help private sector firms expand market opportunities.<sup>255</sup> Private sector firms like Vocatus have also developed tools that third-party firms can use to expand their customer base and tailor their selling strategy more effectively to target certain groups of consumers by way of nudging.<sup>256</sup> These are just two examples from the growing landscape of products and services which have been developed to help businesses use nudging to expand their market opportunities.

The private sector is interested in using behavioural insights to expand market opportunities and has already engaged in research and product development to reflect this interest. The implications of this finding on the potential for nudging to be used in Manitoba's social enterprise sector will be discussed at length in the paragraphs which follow. Before that discussion takes place, it is valuable to summarize the key information which readers should take away from the above paragraphs. First, that the nudging approach features of choice architecture, addressing non-financial barriers, and experimentation are important when nudging is used to by businesses trying to sell more goods and services. Second, that there are existing nudging strategies and tools which are available to private sector businesses looking to increase their profitability. Third, private sector businesses are already using nudging to expand their market opportunities. These key points are important for readers to keep in mind as they provide valuable background knowledge about how nudging is currently being used by the private sector to expand market opportunities.

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<sup>254</sup> "BITx," The Behavioural Insights Team, accessed September 29, 2020, <https://www.bi.team/what-we-do/our-services/bi-ventures/>. Readers should know that this link now redirects towards another web page on the same website.

<sup>255</sup> "What is Predictiv?" The Behavioural Insights Team, accessed March 26, 2021, <https://www.bi.team/bi-ventures/predictiv/>.

<sup>256</sup> "About Us," Vocatus AG, accessed March 24, 2021, <https://www.vocatus.de/en/about-us/>.



### *Implications*

What are the implications of the private sector business community having an advantage in terms of its development, and the nudging strategies/tools it has at its disposal, when compared to Manitoba's social enterprise sector? The section will try to answer this question. It will do so by exploring the positive aspects and challenges which this theme presents to Manitoba's social enterprise sector and the potential for the sector to adopt some private sector nudging tools and strategies for the purpose of expanding market opportunities.

In terms of positive implications, there is potential for social enterprises to use nudging technology from the private sector in order to expand their market opportunities. Manitoba's social enterprise sector could follow in the private sector business community's footsteps by co-opting existing nudging tools and strategies being used by the private sector. A number of these tools can be applied by anyone as they do not require significant expertise in behavioural economics/insights in order to be used. In this way any firm, or social enterprise, can begin using behavioural insights to increase market opportunities provided they are able to interpret the data these tools provide. Nudging strategies and tools are becoming more widely accessible to firms of all sizes.

A great example of this being the creation of downloadable business apps which provide built in nudging capabilities and data analytics for their customers.<sup>257</sup> Using nudges to expand market opportunities could be just a download away for Manitoban social enterprises which have an e-commerce presence. The text box below describes one such downloadable app that local social enterprises could use to expand their e-commerce market opportunities and sales.

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<sup>257</sup> Such as the Nudgify app which is conveniently explored in the text box below this paragraph.

## Box 5. 1

### *Downloadable e-commerce nudging app*

 The logo for Nudgify, featuring a stylized 'n' composed of four colored squares (blue, cyan, yellow, pink) to the left of the word 'nudgify' in a dark blue, lowercase, sans-serif font.	<p>Nudgify is a nudging tool app marketed towards online retailers.<sup>258</sup> It offers retailers the ability to use nudging strategies to increase both sales and customer satisfaction. Basic nudging insights related to social proofing, FOMO (Fear of Missing Out), and cart abandonment are standard. The app also offers customized nudges and data tracking tools which measure customer interaction and conversion rates (interest into purchase). In this way the app provides not just nudging strategies that online retailers can use, but allows them to measure their online engagement and sales data so that they can make decisions based on what strategies work most effectively for their business and customer demographics.</p>
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*Image Source: Nudgify Logo 2021, screenshot image taken March 20, 2021, <https://www.nudgify.com/>.*

An additional benefit of Manitoba's social enterprise sector employing tools and strategies which facilitate nudging in a commercial setting is that doing so does not necessarily require government involvement. Ideally, some type of public policy would help the sector engage with these tools and strategies, but it is not an absolute requirement. The sector can hypothetically take advantage of the nudging resources that exist to help increase their sales of goods and/or services without requiring a change in government policy. This allows the social enterprise sector to act unilaterally to use nudge marketing to expand market opportunities. It is a considerable advantage as the sector would not have to wait for government policy or support in order to pursue this as a strategy for market growth.

This assumes that social enterprises' commercial activities and their growth through expanded market opportunities is analogous to growth in the private sector. There is some debate in the literature as to whether this is true. Some of the literature suggests that social enterprises are inherently different because their core social mission drives their activity and

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<sup>258</sup> Box 5.1 summarizes information found on "Nudgify: Social Proof App for Shopify Stores," Nudgify, accessed March 25, 2021, <https://www.nudgify.com/shopify-social-proof-app/>.

imposes certain restrictions on how they pursue their commercial activities.<sup>259</sup> Social enterprises may not view market competition in the way private sector businesses do.<sup>260</sup> This means that the tools used by the private sector to get market share would be inappropriate for social enterprises looking to expand their market opportunities. There is also a longstanding fear that social enterprises whose activities become too commercialized may experience mission drift if their focus on building a commercially profitable enterprise comes at the expense of all other concerns.<sup>261</sup>

On the other side of this debate, there is literature which suggests that social enterprises must engage with traditional commercial growth strategies used in the private sector if they want to ensure sustainability and growth.<sup>262</sup> The idea behind this is that the social enterprise sector needs to reflect and implement a commercial pragmatism when it comes to its activities. Those who subscribe to this perspective may see nudging tools and strategies from the private sector as a viable way for their social enterprise to achieve much needed commercial growth. Both sides of the debate present some legitimate ground for discussion.<sup>263</sup>

Another related area of discussion is whether there are more important factors which influence expanding market opportunities for social enterprises which need to be addressed before the sector can employ nudge marketing. Longstanding issues such as the lack of a legal framework for social enterprises in Canada,<sup>264</sup> chronic gaps in investment/capital funding,<sup>265</sup> and the need for more business training for many existing, or would be, social enterprise

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<sup>259</sup> Tony Chapman, Deborah Forbes, and Judith Brown, "'They Have God on Their Side': The Impact of Public Sector Attitudes on the Development of Social Enterprise," *Social Enterprise Journal* 3, no. 1 (March 30, 2007): 83.

<sup>260</sup> Misagh Tasavori, Caleb Kwong, and Sarika Pruthi, "Resource Bricolage and Growth of Product and Market Scope in Social Enterprises," *Entrepreneurship & Regional Development* 30, no. 3-4 (March 15, 2018): 338. Social enterprises may emphasize collaboration instead of competition with their marketplace competitors.

<sup>261</sup> Tasavori, Kwong, and Pruthi, "Resource Bricolage and Growth of Product and Market Scope in Social Enterprises," 339.

<sup>262</sup> Peter Jenner, "Social Enterprise Sustainability Revisited: An International Perspective," *Social Enterprise Journal* 12, no. 1 (May 3, 2016): 50; Briga Hynes, "Growing the Social Enterprise – Issues and Challenges," *Social Enterprise Journal* 5, no. 2 (2009): 122; Leung et al., "Enhancing the Competitiveness and Sustainability of Social Enterprises in Hong Kong: A Three-Dimensional Analysis," 159.

<sup>263</sup> This discussion will resume in the conclusion of this thesis with broader focus on whether or not nudging is an appropriate tool to use to expand market opportunities for Manitoba's social enterprise sector.

<sup>264</sup> Robert B. Hayhoe and Andrew Valentine. "Structural Challenges for Social Enterprise in Canada." *Trusts & Trustees* 19, no. 6 (July, 2013): 520.

<sup>265</sup> Hynes, "Growing the Social Enterprise – Issues and Challenges," 121.

entrepreneurs<sup>266</sup> may very well present a challenge to any type of sector development. The significance of these issues cannot be downplayed or ignored as they lend themselves to the bigger question of whether or not promoting public policy which supports nudging is the way forward for sector development. This broader question will be addressed in some form in the concluding chapter of this thesis.

## Growth through Government: Government Led Social Procurement

### *Tracing This Theme*

For readers unfamiliar with the term, social procurement “can be understood as the use of purchasing power to create social value...[and in] the case of public sector purchasing, social procurement involves the utilization of procurement strategies to support social policy objectives.”<sup>267</sup> This type of procurement requires government to award procurement contracts to organizations that not only deliver the requested good/service, but which contribute towards a social/environmental public policy objective. An example of social procurement would be the government contracting out cleaning services at government owned buildings to a company which employs individuals who are traditionally marginalized from the labour market.

Manitoba’s social enterprise sector has adopted the strategy that government led social procurement will expand market opportunities for social enterprises in the province. This approach is clearly seen in the MSES, MSES 2017, and MSES 2018. These policy documents all recommend social procurement as a means for promoting growth via generating demand for the goods and/or services of social enterprises.

The MSES recommends that the province of Manitoba “work[] directly with social enterprises to partner on new and emerging procurement opportunities.”<sup>268</sup> As part of this recommendation, it is suggested that the government consider “mandating departments and

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<sup>266</sup> Chapman, Forbes, and Brown, “‘They Have God on Their Side’: The Impact of Public Sector Attitudes on the Development of Social Enterprise,” 83-84.

<sup>267</sup> Jo Barraket and Janelle Weissman, “Social Procurement and its Implications for Social Enterprise: A Literature Review.” (Working paper no. CPNS 48, The Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology, Brisbane, Australia, 2009), iii.

<sup>268</sup> MSES 2015, 16.

Crown corporations to partner with social enterprises to create business plans for...targeted opportunities.”<sup>269</sup> This language signals that the MSES sees government led social procurement as a key strategy to expanding market opportunities for the sector. Likewise, there is a strong focus in the MSES on showcasing existing procurement partnerships between Manitoba Housing and Manitoba Hydro and the social enterprise sector as a model to build on.

There are two additional points worth noting. The first is that private sector led social procurement is also covered in the MSES, but that the recommendations and content pertaining to this type of procurement are scaled-down and more general by comparison.<sup>270</sup> The second is that the possibility of implementing actual social procurement legislation similar to what they have in Scotland/the UK is discussed.<sup>271</sup> Both these points add to the argument that government led social procurement is an area of significant interest to Manitoba’s social enterprise sector.

Expanding market opportunities through social procurement is also one of the themes explored in the MSES 2017.<sup>272</sup> Within this strategy update, the idea of having a social purchasing intermediary coordinate purchases between the public and/or private sector and social enterprises in the province is proposed. According to this policy document, “with more time, this approach [of having an intermediary] promises to scale up social procurement across Manitoba.”<sup>273</sup> Whether the purchasers of the goods/services of social enterprises are from the private or public sector is not differentiated in any significant way. The policy document remains committed to the idea that social procurement remains integral to the MSES’ strategy of expanding market opportunities for social enterprises in Manitoba.

In the MSES 2018, social procurement features even more prominently than in the MSES 2017. In this policy document, one of the key recommendations for a second phase of the MSES is for the province of Manitoba to “develop and implement a **social procurement strategy** using co-creation [ie. in collaboration with the social enterprise community]

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<sup>269</sup> *MSES 2015*, 17.

<sup>270</sup> *MSES 2015*, 17-18.

<sup>271</sup> *MSES 2015*, 20-21.

<sup>272</sup> *MSES 2017*, 7.

<sup>273</sup> *MSES 2017*, 7.

principles.”<sup>274</sup> This implies that there is a continued need for the government to develop and implement social procurement practices. The other key recommendation under this section is for Social Enterprise Manitoba, a sector hub which will be explored at length as part of this chapter’s third theme, to continue to look at developing a social procurement/purchasing intermediary while supporting the Buy Social Prairies Model.<sup>275</sup> For readers unfamiliar with the work and purpose of Buy Social Prairies see the text box below.

#### Box 5. 2

##### *Buy Social Prairies*



*Buy Social Prairies* is a purchasing intermediary which advocates for, and supports, social procurement in Manitoba by connecting social enterprises with each and with potential purchasers of their goods and services.<sup>276</sup> On their website they feature both a suppliers and purchasers directory which list the numerous local Manitoba businesses which practice social procurement and the social enterprises which have provided goods/services as part of these partnerships.<sup>277</sup> Buy Social Prairies’ work is supported through provincial government funding, Buy Social Canada, lite (Local Investment Towards Employment – a non-profit organizations which advocates for social enterprises), and the membership fees of certified members. These funders recognize that social procurement is important to social enterprise sector growth in Manitoba.

*Image Source: Buying Social Prairies Logo 2021, screenshot image taken March 28, 2021, <https://buysocialprairies.com/>.*

The MSES 2018 indicated that many local social enterprises see social procurement as a means of expanding their market opportunities. Sector feedback was that this type of market

<sup>274</sup> *MSES 2018*, 9. Emphasis is from the text.

<sup>275</sup> *MSES 2018*, 9.

<sup>276</sup> “About,” Buy Social Prairies, accessed October 10, 2020, <https://buysocialprairies.com/about/>.

<sup>277</sup> “Purchasers Directory,” Buy Social Prairies, accessed October 10, 2020, <http://buysocialprairies.com/directory/purchasers-directory/>.

development was one of the most valued parts of the MSES.<sup>278</sup> This is despite the considerable work that is left to do before social procurement becomes common practice in the public and/or private sector.<sup>279</sup> The conclusion of the MSES 2018 was that social procurement is a key strategy for sectoral growth and that there remains significant work to be done in this area.

All the MSES policy documents emphasized the role social procurement plays in expanding market opportunities for social enterprises in Manitoba. These documents are not the only sign which point to government social procurement being important to social enterprise sector development in Manitoba. The relationship between Manitoba Housing<sup>280</sup> and local social enterprises,<sup>281</sup> the social purchasing intermediary *Buy Social Prairies*,<sup>282</sup> and the support of other community groups such as the Canadian Centre for Policy Alternatives<sup>283</sup> and the Winnipeg Chamber of Commerce for social procurement<sup>284</sup> suggest social procurement is important for the sector. Each of these factors contributes towards the prevailing attitude in Manitoba's social enterprise sector community that social procurement should be an ongoing, and future, focus of government resources and energy.

### *Applying a Nudging Lens*

Academic research into public sector procurement has come a long way. Twenty years ago, there was little scholarly research written on government procurement in general.<sup>285</sup> Now, research into the behavioural influences and factors which impact public sector procurement is

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<sup>278</sup> MSES 2018, 18-19.

<sup>279</sup> MSES 2018, 18-19.

<sup>280</sup> Crown corporation of the Government of Manitoba.

<sup>281</sup> In an independent third-party report commissioned by the government of Manitoba in 2016, the social-return-on—investment was for “every dollar invested [by government in social procurement contracts] 2.23 [dollars worth] of social and economic value was created”. This report focused on contracted work with Manitoban social enterprises which employ individuals traditionally marginalized from the labour force (low- income, limited education, criminal records, etc.) to do suite renovation, clean-up, and environmental retrofitting in publicly funded housing. *The Social Return on Investment of Four Social Enterprises in Manitoba*, Simpart Strategy Group, 2016, 4, [https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/mbh\\_final\\_report\\_draft\\_jan\\_19v2.pdf](https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/mbh_final_report_draft_jan_19v2.pdf).

<sup>282</sup> See Box 5.2 a few paragraphs above.

<sup>283</sup> Lynne Fernandez, *Imagine a Winnipeg...: Alternative Municipal Budget 2018*, Canadian Centre for Policy Alternatives Manitoba Office, June 19, 2018, 34-36, <https://www.policyalternatives.ca/sites/default/files/uploads/publications/Manitoba%20Office/2018/06/Alt%20Municipal%20Budget%202018.pdf>.

<sup>284</sup> Fernandez, *Imagine a Winnipeg...: Alternative Municipal Budget 2018*, 35.

<sup>285</sup> Khi V. Thai, “Public Procurement Re-Examined,” *Journal of Public Procurement* 1, no. 1 (2001): 10.

being published by academic journals ranging from a disciplinary focus of public administration<sup>286</sup> to economics and law.<sup>287</sup> There is even some recent evidence of behavioural insights and nudging being implemented in a practical way by governments interested in improving their procurement processes.<sup>288</sup> This next section will evaluate how, or if, nudging is relevant to government-led social procurement in Manitoba's social enterprise sector. As part of this exploration, it will explore the existing, and potential, practices which show the role of choice architecture, non-financial barriers, and experimentation in government led social procurement in Manitoba.

Choice architecture is already being used in efforts to expand market opportunities in Manitoba's social enterprise sector. A prime example of this is Manitoba Hydro's Pay-As-You-Save (PAYS) program.<sup>289</sup> PAYS is an on-bill financing program designed to encourage consumers to make energy efficiency upgrades to their homes.<sup>290</sup> On-bill financing programs like PAYS simultaneously address some of the behavioural biases as well as the financial barriers which may be preventing people from making energy efficiency upgrades.<sup>291</sup> As part of the program, all qualifying Manitoba Hydro users<sup>292</sup> are offered the option to pay for their energy efficiency upgrades by having their estimated annual savings (as a result of the upgrades) spread across

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<sup>286</sup> For an example see R. Paul Battaglio et al., "Behavioral Public Administration Ad Fontes: A Synthesis of Research on Bounded Rationality, Cognitive Biases, and Nudging in Public Organizations," *Public Administration Review* 79, no. 3 (2018): 304–320.

<sup>287</sup> For an example see Omer Dekel and Amos Schurr, "Cognitive Biases in Government Procurement – An Experimental Study," *Review of Law & Economics* 10, no. 2 (July 1, 2014): 169–200.

<sup>288</sup> A good example being the work of the UK's BIT (Behavioural Insights Team), which in collaboration with King's College Policy Institute, is evaluating and testing nudges in the procurement processes of the UK's National Health Service (NHS). See The Behavioural Insights Team, "Lifting the Lid on a Live Project: Bringing Behavioural Insights into NHS Procurement," *BIT* (blog), *BIT in collaboration with the Policy Institute at King's College London*, June 14, 2017, <https://www.bi.team/blogs/lifting-the-lid-on-a-live-project-bringing-behavioural-insights-into-nhs-procurement/>.

<sup>289</sup> Readers should know that the PAYS program was recently discontinued after responsibility for administering it was transferred from the crown corporation Manitoba Hydro to the newly created government entity called Efficiency Manitoba. See "Loans & Financing," Manitoba Hydro, accessed December 2020, [https://www.hydro.mb.ca/your\\_home/loans\\_financing/](https://www.hydro.mb.ca/your_home/loans_financing/). When drafting this chapter, the program was still running.

<sup>290</sup> "PAYS Financing," Manitoba Hydro, accessed May 2020, [https://www.hydro.mb.ca/your\\_home/pays/](https://www.hydro.mb.ca/your_home/pays/). See footnote above (289).

<sup>291</sup> Luis Mundaca, and Sarah Kloke, "On-Bill Financing Programs to Support Low-Carbon Energy Technologies: An Agent-Oriented Assessment," *Review of Policy Research* 35, no. 4 (July 2018): 520-522. These authors also argue that how on-bill financing programs are structured can have an impact on their success.

<sup>292</sup> Manitoba Hydro users are almost all households in the province since it is the public water and waste utility.



12 payments which are added to their monthly energy bills. Consumers who are part of the program see comparable (to before the upgrades) monthly hydro bill payments until they pay off the cost of the upgrades.

Through its design, PAYS helps consumers avoid thinking negatively about the upfront cost of energy efficiency upgrades (ie. loss aversion<sup>293</sup>). As the payments to fund their upgrades are cancelled out by their estimated projected savings in the monthly water bill, consumers are psychologically and financially spared the immediate up-front costs of implementing energy efficiency upgrades. Research suggests that loss aversion is a significant barrier among energy bill payers when it comes to the adoption of new energy saving technology.<sup>294</sup> This means that it is reasonable to believe that the decision-making context in which hydro users decide whether or not to pursue upgrades is more favourable to them agreeing to upgrades under the PAYS program.

What does the PAYS program have to do with social procurement and expanding market opportunities for social enterprises in Manitoba? The simple answer is that the PAYS program has been successful in Manitoba at expanding market opportunities for local social enterprises.<sup>295</sup> Manitoba Hydro, which is a provincial crown corporation, partnered with the Manitoban social enterprise AKI Energy<sup>296</sup> to use the PAYS program to increase the number of households undertaking energy efficiency upgrades in the province. This partnership could be viewed as a type of social procurement and resulted in AKI Energy installing millions of dollars worth of energy efficiency upgrades. According to AKI Energy co-founder Shaun Loney, the social enterprise and its partners “install[ed] \$6 million worth of geothermal systems on First

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<sup>293</sup> Readers may remember the passing mention of loss aversion in Chapter 3 or the more detailed mention of this bias in Chapter 4 when discussing how behavioural biases can be extremely influential in guiding the decision-making process of individuals.

<sup>294</sup> Research suggests that loss aversion is a significant barrier among energy bill payers when it comes to the adoption of new energy saving technology. See Moira Nicolson, Gesche Huebner, and David Shipworth, “Are Consumers Willing to Switch to Smart Time of Use Electricity Tariffs? The Importance of Loss-Aversion and Electric Vehicle Ownership,” *Energy Research & Social Science* 23 (2017): 94.

<sup>295</sup> Loney and Braun, *An Army of Problem Solvers*, 119; Shaun Loney and Will Braun, *The Beautiful Bailout: How a Social Innovation Scale-up Will Solve Government’s Priciest Problems* (Canada: Friesens, 2018), 53-54. This information was also cited in a previous footnote when discussing Pillar 3: Expanding Market Opportunities.

<sup>296</sup> AKI Energy is a social enterprise which works with First Nations communities to make environmentally friendly energy investments including the installation of geothermal energy units. See “About AKI Energy,” AKI Energy, accessed February 1, 2021, <http://www.akienergy.com/about-aki-energy>.

Nations in just three years...[with] \$100 million worth that we expect to do in the next decade” as the direct result of this partnership and program.<sup>297</sup> Loney highlights the PAYS program as being key to convincing households, and sometimes entire communities, to undertake energy efficiency upgrades.<sup>298</sup> The premise being that without AKI Energy’s partnership with Manitoba Hydro and the PAYS program, many consumers and communities would have been unable and/or unwilling to undertake energy efficiency upgrades. This procurement relationship is a great example of how employing strategic choice architecture as part of public policy programs can expand market opportunities for social enterprises in Manitoba.

Not all local social enterprises, however, enjoy this type of procurement relationship with the provincial government. There are many possible explanations for why this is the case; including explanations which highlight the role non-financial barriers play in deterring procurement relationships. Although there is no research available to attest to which specific non-financial barriers are at play in Manitoba, there is evidence from research into public sector procurement which suggests ways in which non-financial barriers influence procurement.<sup>299</sup>

For example, a peer-reviewed study from the UK on public sector attitudes towards government led social procurement found that public sector staff viewed social enterprises as a more expensive option for potential procurement contracts when compared to private sector companies.<sup>300</sup> Public sector staff presumptively viewed social enterprises vying for procurement contracts as the pricier option before knowing the specifics of whether or not they did indeed submit higher bid prices. As this same study reported that public sector staff in charge of procurement felt that they had to select the cheapest offer<sup>301</sup> it becomes clear that social enterprises would probably not be their first choice to win the contract unless they presented the lowest possible bid in terms of price.

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<sup>297</sup> Loney and Braun, *An Army of Problem Solvers*, 119.

<sup>298</sup> Loney and Braun, *An Army of Problem Solvers*, 119.

<sup>299</sup> For a look at some of the behavioural factors influencing sustainable public procurement, which is very similar to social procurement, see Maria Gheorghe, “Fostering Sustainable Public Procurement,” *The Decision Lab, Insights, Policy & Society*, accessed April 2, 2021, <https://thedecisionlab.com/insights/policy/fostering-sustainable-public-procurement/>. This blog article/post uses a few of the same sources as this chapter. See general disclosure.

<sup>300</sup> Sarah-Anne Muñoz, “Social Enterprise and Public Sector Voices on Procurement,” *Social Enterprise Journal* 5, no. 1 (2009): 76.

<sup>301</sup> Muñoz, “Social Enterprise and Public Sector Voices on Procurement,” 76.

There is actually a phenomenon called “lower-bid bias” which describes how public sector procurement staff evaluate the qualitative suitability of competing bids differently depending on whether or not they see the bid prices.<sup>302</sup> This is particularly salient since many government procurement contracts are awarded based on weighted criteria which include factors other than project cost.<sup>303</sup> If social enterprises are viewed as the expensive option and public sector staff are evaluating contract bids without correcting for an underlying bias towards low-cost projects then it should not be surprising that social enterprises may be unable to develop procurement relationships with government. This could, at least hypothetically, be a factor which explains why there are not more government led social procurement relationships in Manitoba with local social enterprises.

The impact of the attitudinal factors of public sector staff involved in procurement decisions also should not be underestimated. Research from the field of sustainable public procurement (SPP)<sup>304</sup> suggests that “individual sustainable procurement behaviour indeed influences the application of compulsory and especially voluntary SPP at the project level.”<sup>305</sup> How individual public sector staff felt about their ability to promote SPP and the benefits of doing so had an indirect impact on the procurement decisions they eventually made as researchers found that staff who felt positive on both these measures were more likely to implement SPP.<sup>306</sup> Similar findings have also been found as part of research into green public procurement (GPP).<sup>307</sup> The recommendation from this latter research being that if green public procurement (GPP) is to be successful then it is important to “strengthen the personal,

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<sup>302</sup> Dekel and Schurr, “Cognitive Biases in Government Procurement – An Experimental Study,” Abstract.

<sup>303</sup> Dekel and Schurr, “Cognitive Biases in Government Procurement – An Experimental Study,” 169-171.

<sup>304</sup> The United Nations Development Programme (UNDP) defines sustainable procurement as “making sure that the products and services we buy are as sustainable as possible, with the lowest environmental impact and most positive social results.” Source:

“Sustainable Procurement,” United Nations Development Programme (UNDP), accessed February 1, 2021, <https://www.undp.org/content/undp/en/home/procurement/sustainable-procurement.html>.

<sup>305</sup> Jolien Grandia, “Finding the Missing Link: Examining the Mediating Role of Sustainable Public Procurement Behaviour,” *Journal of Cleaner Production* 124 (2016): 188.

<sup>306</sup> Grandia, “Finding the Missing Link,” 188.

<sup>307</sup> Mieko Igarashi, Luitzen de Boer, and Gerit Pfuhl, “Analyzing Buyer Behavior when Selecting Green Criteria in Public Procurement,” *Journal of Public Procurement* 17, no. 2 (2017): Abstract.

Green procurement is procurement which is more environmentally friendly and sustainable than traditional procurement. See “What is GPP,” Environment, European Commission, accessed January 2021, [https://ec.europa.eu/environment/gpp/what\\_en.htm](https://ec.europa.eu/environment/gpp/what_en.htm).

individual motivation of public buyers to contribute to GPP.”<sup>308</sup> Both SPP and GGP are types of procurement which prioritize non-financial criteria, ie. social and/or environmental criteria, as part of the procurement process. This means they are similar to social procurement which also prioritizes the social impact of procurement practices. Given these research findings, it is not unreasonable to suggest that the non-financial barrier of public sector staff attitude could have an impact on whether social procurement relationships are forged between governments and social enterprises. This could potentially be impacting government led social procurement in Manitoba.

The nudging approach framework principle of experimentation, similar to that of addressing non-financial barriers, falls in the category of there not being specific sources available which address how it applies directly to Manitoba’s social enterprise sector’s procurement relationships with the provincial government. However, there are some signs that data collection and analysis could eventually become a part of government led social procurement in Manitoba. Social enterprises already, or looking to become, involved in social procurement relationships with the government may soon need to engage in experimentation and data-driven approaches as part of the competitive bidding process for contracts. Eventually this emphasis on data collection and evaluation in the area of social procurement could lead to rigorous and scientific experimentation being an integral a part of all of government’s procurement processes.

It’s true that this sequence of thinking may not flow as easily in practice as suggested by the previous paragraph, but data collection and analysis is a first step towards scientifically rigorous experimentation and Manitoba’s government could already be taking this first step in the area of social procurement. The Manitoba government has recently established a Social Innovation Office (SIO). This government unit has been designated as the reference point for government departments interested in the areas of social financing, social enterprise, and social procurement.<sup>309</sup> So far, this office seems have focused on overseeing the implementation

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<sup>308</sup> Igarashi, de Boer, and Pfuhl, "Analyzing Buyer Behavior when Selecting Green Criteria in Public Procurement," 173.

<sup>309</sup> "Social Innovation Office," Government of Manitoba, accessed May 2020, <https://www.gov.mb.ca/fs/sio/>. This link no longer works as the government of Manitoba website has recently been updated.

of Manitoba’s first social impact bonds (SIBs). The province’s first SIB was announced in 2019 and it involves funding a program run by the non-profit Southern First Nations Network of Care (SFNNC) to provide approximately 200 vulnerable expectant mothers with Indigenous doulas in order to reduce the number of children that end-up being taken into state care.<sup>310</sup> As part of this SIB, extensive data collection is being done in order to evaluate whether or not this SIB has been successful. The textbox below explains how SIBs work and what they are for readers unfamiliar with this funding tool.

Box 5. 3

*Social Impact Bonds Explained*

*Social Impact Bonds (SIBs)* are “are a form of public–private partnership for the delivery of social services, in which private investors provide upfront funding for third sector organizations to deliver services, and receive performance-based repayments on their investment from government.”<sup>311</sup>

They are almost always used in the context of “publicly funded social service delivery”<sup>312</sup> and are often described as a Pay-for-Success or Pay-by-Results model<sup>313</sup> since government will (at least hypothetically) only pay investors a return on their investment if the funded programming is successful (when measured against some predetermined

The diagram, titled 'SIBS STRUCTURE', illustrates the relationships between three main entities: Government, Service Provider, and Funders. The Government (green circle) aims to 'ACHIEVE BUDGET SAVINGS & POLICY OBJECTIVES'. The Service Provider (teal circle) 'DELIVERS INTERVENTION'. Funders (blue circle) 'PROVIDE WORKING CAPITAL' and 'RECEIVE PERFORMANCE-BASED PAYMENTS'. Intermediaries (grey lines) connect these entities: 'INTERMEDIARY (IF NEEDED)' between Government and Service Provider, 'INTERMEDIARY (IF NEEDED)' between Service Provider and Funders, and 'INTERMEDIARY (IF NEEDED)' between Government and Funders. A central text reads 'WORKING TOGETHER TO CREATE SOCIAL IMPACT'. A separate grey circle represents a 'TECHNICAL CONSULTANT (AS NEEDED)' who provides 'EVALUATION FINANCIAL, LEGAL, ETC.' services.

<sup>310</sup> “Manitoba Announces First Social Impact Bond,” Government of Manitoba, News release, January 7, 2019, <https://news.gov.mb.ca/news/index.html?item=44895&posted=2019-01-07>.

<sup>311</sup> Ali Mollinger-Sahba et al., “New Development: Complexity and Rhetoric in Social Impact Investment,” *Public Money & Management* 40, no. 3 (2020): 251.

<sup>312</sup> Jesse Hajer, “The National Governance and Policy Context of Social Impact Bond Emergence: A Comparative Analysis of Leaders and Skeptics,” *Journal of Comparative Policy Analysis: Research and Practice: Special Issue: Comparing the Development of Social Impact Bonds across Different Countries and Policy Sectors* 22, no. 2 (March 3, 2020): 116.

<sup>313</sup> Hajer, “The National Governance and Policy Context of Social Impact Bond Emergence,” 116.

benchmarks).<sup>314</sup> The popularity of SIBs continues to increase worldwide,<sup>315</sup> but opinion remains divided as to whether this tool of social innovation is a positive development in the area of public sector social service delivery.<sup>316</sup>

*Image source:* Reprint of graphic image from Andrew Galley, Elizabeth Sweitzer, and Jamie Van Ymeren, “What Do We Really Know About Social Impact Bonds?” Mowat Centre: Ontario’s Voice on Public Policy, published November 4, 2014, accessed April 2, 2021, <https://munkschool.utoronto.ca/mowatcentre/what-do-we-really-know-about-social-impact-bonds/>.

*Note:* Box 5.3 is similar to Maria Gheorghe, *A Snapshot of Public Policy for Manitoba’s Social Enterprise Sector: Past, Present, and Future* (Winnipeg: Manitoba Legislative Assembly, 2020), 16, Table 2. Completed to fulfill the requirements of the Manitoba Legislative Internship Program 2019/2020. See the general disclosure.

SIBs are similar in many ways, including the need to collect data to demonstrate outcomes, to other models which would facilitate government led social procurement between the Government of Manitoba and local social enterprises.<sup>317</sup> The SIO’s experience with the data collection and analysis part of the SIB process may eventually lead the way for data collection and analysis being integrated into social procurement more generally in the province. Should this turn out to be the case, then the local social enterprise sector could be required to engage in some type of data collection and analysis as part of the social procurement process with government. Collecting data and using it to evaluate the social outcomes resulting from the provision of a certain good and/or service being provided by a social enterprise could eventually pave the way to the type of scientifically rigorous experimentation that is an integral part of nudging.

### *Implications*

As far as paving the way for the use of nudging in government led social procurement in Manitoba, the foundation has already been laid. The aforementioned PAYS model for on-bill

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<sup>314</sup> Kenneth J. Saltman, “The Promise and Realities of Pay for Success/ Social Impact Bonds,” *Education Policy Analysis Archives* 25, no. 59 (June 5, 2017): 5.

<sup>315</sup> Debra Hevenstone and Matthias von Bergen, “Public-Private Partnerships in Social Impact Bonds: Facilitating Competition or Hindering Transparency?” *Public Money & Management: Theme: Futures in social investment? Learning from the emerging policy and practice of Social Impact Bonds (SIBs)* 40, no. 3 (April 2, 2020): 205.

<sup>316</sup> Alec Fraser et al., “Narratives of Promise, Narratives of Caution: A Review of the Literature on Social Impact Bonds,” *Social Policy & Administration* 52, no. 1 (2018): 5; Florentine Maier, Gian Paolo Barbetta, and Franka Godina, “Paradoxes of Social Impact Bonds,” *Social Policy & Administration* 52, no. 7 (December 2018): 1334.

<sup>317</sup> To see a comparison between the SIB model and the Community Driven Outcomes Procurement (CDOP) model see Loney and Braun, *The Beautiful Bailout: How a Social Innovation Scale-up Will Solve Government’s Priciest Problems*, 66.

financing, which inherently demonstrates the power of choice architecture, is a prime example. Considering the PAYS model's success in expanding market opportunities for local social enterprises involved in the trades/construction industry, there have been calls to expand this model to other areas.<sup>318</sup> Already having a successful precedent of using choice architecture as part of government led social procurement in Manitoba may give confidence to politicians and civil servants that nudging can and does work in this context. Likewise, those in the social enterprise sector may gain confidence that nudging works to promote market opportunities for social enterprises. What this means is that both the government and social enterprise sector in Manitoba have an incentive to pursue nudging as part of future social procurement relationships.

This incentive may exist, but incentives do not necessarily translate into actions. Nudging can only do so much. Without action and commitment on the part of the Manitoba government to engage in social procurement relationships, the use of choice architecture in PAYS type models remains irrelevant in the context of social enterprise sector growth. Readers may remember from the discussion about non-financial barriers in the public sector procurement process that the attitude of public sector staff involved in procurement decisions can make a difference in whether or not non-traditional types of procurement occur (ie. green and/or sustainable). Public sector staff attitude and biases likely have an impact on the procurement process, but the biggest non-financial barrier at play is does the government (as a whole) believe social procurement aligns with its policy goals. Research has long suggested that "public procurement is directly linked to government policy aims"<sup>319</sup> and history abounds with examples of governments undertaking huge social procurement projects when politically motivated to do so. An illustrative example of this being the huge public works programs implemented by governments trying to create employment during times of economic

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<sup>318</sup> Loney and Braun, *An Army of Problem Solvers*, Chapter 11, Reinventing Government: A Word to Bureaucrats and Politicians, 118-122.

<sup>319</sup> Serena Brianzoni, Raffaella Coppier, and Elisabetta Michetti, "Evolutionary Effects of Non-Compliant Behavior in Public Procurement," *Structural Change and Economic Dynamics* 51 (December 2019): 106.

depression.<sup>320</sup> Simply having a government publicly commit to social procurement can have an impact.

Take for example, the UK's Social Value Act. This legislation encourages, but does not enforce, the UK's public sector procurement system to think about social criteria when considering public service contracts. Even without the power of enforcement the Act has had success in promoting market opportunities for UK social enterprises.<sup>321</sup> There is no equivalent legislation in Manitoba. Furthermore, there are no signs that such legislation or indeed a government-wide commitment to social procurement will happen in the near future.<sup>322</sup> If social procurement is not a policy priority or does not align with government's agenda then government led social procurement may not even take place which means that incorporating nudging in this process becomes a moot point. Expanding market opportunities for the local social enterprise sector in Manitoba through government led social procurement depends on the provincial government itself being 'nudged' to support social procurement.

It's also important to emphasize that implementing government led social procurement relationships between governments and local social enterprises comes with many unique challenges and nudging, no matter how cleverly implemented, cannot overcome them all. In the sustainable public procurement literature,<sup>323</sup> a wide range of barriers including "financial or policy related barriers...[and] the capabilities of the bidding parties" are identified as potentially having an impact.<sup>324</sup> Even factors "such as the visibility of tender opportunities and levels and types of paperwork required in order to respond to tender"<sup>325</sup> can act as barriers to social

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<sup>320</sup> Craig Furneaux and Jo Barraket, "Purchasing Social Good(s): A Definition and Typology of Social Procurement," *Public Money & Management* 34, no. 4 (July 4, 2014): 266.

<sup>321</sup> NCVO, *NCVO Response to the Review of the Social Value Act*, 2014, 5-8, <https://blogs.ncvo.org.uk/wp-content/uploads/paul-winyard/NCVO-response-to-the-Social-Value-Act-review.pdf>; Cabinet Office UK, *Social Value Act Review* (London: Cabinet Office, February 13, 2015), [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/403748/Social\\_Value\\_Act\\_review\\_report\\_150212.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/403748/Social_Value_Act_review_report_150212.pdf).

<sup>322</sup> See Maria Gheorghe, *A Snapshot of Public Policy for Manitoba's Social Enterprise Sector: Past, Present, and Future* (Winnipeg: Manitoba Legislative Assembly, 2020), 22-24. Completed to fulfill the requirements of the Manitoba Legislative Internship Program 2019/2020.

<sup>323</sup> Which can be considered equivocal in many important ways to social procurement. This was discussed earlier as part of the discussion in the subsection *Applying a Nudging Lens* in the theme of *Growth through Government: Government Led Social Procurement*.

<sup>324</sup> Grandia, "Finding the Missing Link," 190.

<sup>325</sup> Muñoz, "Social Enterprise and Public Sector Voices on Procurement," 70



enterprises being able to participate in public sector procurement processes. All of these barriers cannot be overcome by a simple nudge or two. They pose a strong limitation, but not necessarily a complete moratorium, on the usefulness of nudging in the context of government led social procurement in Manitoba. These limitations will be revisited in the last chapter of this thesis.

## A Place to Call Home: A Development Hub for Manitoba's Social Enterprise Sector

### *Tracing This Theme*

The third theme which characterizes the social enterprise sector in Manitoba is the leadership role that Social Enterprise Manitoba has taken with regards to nurturing, branding, marketing, advocacy, and lobbying on the sector's behalf. Social Enterprise Manitoba is a brand and, what can be described as, a sub-unit of the Manitoba chapter of CCEDNet.<sup>326</sup> It was created to oversee and facilitate the implementation of the MSES<sup>327</sup> and was the recipient of provincial government funding intended for this purpose.<sup>328</sup> As part of its work over the 2015-2018 period, it acted as a development hub for the local social enterprise sector. The following section explores its role in the sector while also touching on its contribution towards expanding market opportunities.

The MSES does not directly mention Social Enterprise Manitoba because the MSES seemingly preceded the hub's creation. The MSES does provide an inventory of existing

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<sup>326</sup> CCEDNet Manitoba is the local chapter of pan-Canadian non-profit organization which advocates for community economic development. It has been mentioned several times in this thesis because it co-created the MSES 2015 with the Government of Manitoba. To learn more about CCEDNet's mandate and work see "The Canadian CED Network," Canadian CED Network, accessed December 18, 2020, <https://ccednet-rcdec.ca/en>.

<sup>327</sup> "About Us: Who We Are," Social Enterprise Manitoba, accessed October, 2018, <https://socialenterprisemanitoba.ca/about-us/who-we-are/>. This link no longer works as the website has recently been updated.

<sup>328</sup> *MSES 2017*, 2. From this public policy document readers are given to understand that Social Enterprise Manitoba (which was administratively housed by CCEDNet Manitoba) was supposed to be the recipient of \$750,000 of funding spread over three years from 2015-2018. The actual amount Social Enterprise Manitoba received was smaller. This topic will be discussed in the next chapter.

organizations such as *SEED Winnipeg*<sup>329</sup> and *Futurpreneur Canada*<sup>330</sup> and initiatives like *Enterprising Non-Profits – Manitoba (ENP-MB)*<sup>331</sup> which offer opportunities for social enterprise development. It notes that the “level of assistance required by individuals and organizations starting social enterprises is often greater than existing program offerings targeted specifically for social enterprise permit.”<sup>332</sup> Although never directly mentioned by name, the idea for creating Social Enterprise Manitoba likely came about as a means of addressing this gap.

In terms of how a development hub/organization could specifically help expand market opportunities for the local social enterprise sector, the MSES made two important recommendations. The first is that the MSES should lead to the creation of a contract broker or another similar resource which could help social enterprises bid on public and private procurement opportunities and promote social procurement.<sup>333</sup> The second is that the MSES should create an innovation forum to bring together local social entrepreneurs, government officials, and the business community to discuss potential market opportunities for the sector. What both these recommendations have in common is the need to create a sector resource, or at the very least co-opt an existing resource, to address these important gaps in the existing support infrastructure for local social enterprises.

The MSES 2017 begins by reporting that CCEDNet Manitoba has established Social Enterprise Manitoba. The mission behind establishing “Social Enterprise Manitoba as a hub for information, development services, sector development, and outreach to new partners, purchasers, and consumers... [is so it will hopefully] be one of the lasting outcomes of this important community —government collaboration [referring to the MSES].”<sup>334</sup> As this mission statement commits to outreach for the purposes of finding new partners, purchasers, and

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<sup>329</sup> Supporting Employment & Economic Development (SEED) is a Winnipeg based non-profit organization focused on supporting employment and economic development as a means of addressing poverty. “About Us,” SEED Winnipeg, accessed April 8, 2021, <http://seedwinnipeg.ca/>.

<sup>330</sup> Canadian non-profit focused on helping young entrepreneurs start successful businesses. “About,” Futurpreneur Canada, accessed April 8, 2021, <https://www.futurpreneur.ca/en/>.

<sup>331</sup> This is program run by CCEDNet Manitoba and is focused on “on providing resources, training, and small grants to develop social enterprise in Manitoba”; from “Manitoba Learns,” Canadian CED Network, accessed April 4, 2021, <https://ccednet-rcdec.ca/en/page/manitoba-learns>.

<sup>332</sup> *MSES 2015*, 8.

<sup>333</sup> *MSES 2015*, 18.

<sup>334</sup> *MSES 2017*, 2.

consumers, Social Enterprise Manitoba is naturally involved and concerned with expanding market opportunities for local social enterprises. The mission statement also advances the idea that even after the initial MSES is concluded, the need and usefulness of Social Enterprise Manitoba as a development hub for the local social enterprise sector will remain.<sup>335</sup>

The MSES 2018 spends considerable time talking about the role and impact of Social Enterprise Manitoba; which is described several times as a sector backbone and credited with being the reason why the MSES had a positive impact on Manitoba's social enterprise sector.<sup>336</sup> Based on feedback solicited as part of evaluating the MSES' impact, stakeholders felt that Social Enterprise Manitoba acted as a neutral organization which supported sector growth, fairly represented the whole sector, and advocated on the sector's behalf.<sup>337</sup> The lobbying and networking role played this hub allowed local social enterprises "to use their own resources for internal purposes and to make scarce resources stretch farther."<sup>338</sup> They were able to do this because Social Enterprise Manitoba took on a leadership role for the sector and championed sector wide goals which allowed individual social enterprises to focus on their internal issues.

In terms of expanding market opportunities for social enterprises, Social Enterprise Manitoba was described by a local social entrepreneur as "working on helping us build the demand and they're helping us build the capacity to meet the demand...it's a critical role. I don't know what we would do without them."<sup>339</sup> Social Enterprise Manitoba is an important sector support/resource for building up both demand for the goods and services provided by social enterprises and the capacity for local social enterprises to meet market demand. Additionally, even after the MSES concluded it has continued to champion for both private and government led social procurement.<sup>340</sup>

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<sup>335</sup> *MSES 2017*, 2; as part of the discussion on the history and raison d'être of Social Enterprise Manitoba.

<sup>336</sup> *MSES 2018*, 16.

<sup>337</sup> *MSES 2018*, 16-17.

<sup>338</sup> *MSES 2018*, 17.

<sup>339</sup> *MSES 2018*, 17; this is a direct quote of Kate Taylor from the Manitoban social enterprise AKI Energy/Manitoba Green Retrofit.

<sup>340</sup> "Social Enterprise Manitoba," Social Enterprise Manitoba, Home, accessed April 8, 2021, <https://www.socialenterprisemanitoba.ca/>.

### *Applying a Nudging Lens*

After surveying the past and present activities of Social Enterprise Manitoba it becomes clear that there is a lack of evidence about the use of nudging in this context.<sup>341</sup> This finding is not wholly unsurprising given that the idea of deliberately using nudging to accomplish public policy outcomes is still fairly new in many jurisdictions, including Canadian ones.<sup>342</sup> At this point, any attempt to discuss or evaluate how choice architecture, addressing non-financial barriers, and experimentation (ie. the nudging approach framework used in this thesis) impact how Social Enterprise Manitoba expands market opportunities for the local social enterprise sector would lack a solid basis in research. Thus, while such a discussion might be interesting it actually obscures the fact that applying a nudging approach framework in this context may not be feasible or appropriate at this time. This thesis has not shied away from discussing potential/hypothetical applications when appropriate, but these discussions have been based on a strong foundation from the literature. At most, what can be argued based on existing research is that Social Enterprise Manitoba could, provided certain conditions are met, become a valuable resource on nudging for the local social enterprise sector.

Social enterprise and innovation have long been linked in the literature<sup>343</sup> and nudging is described as an innovative tool.<sup>344</sup> Development hubs can provide opportunities for social enterprises to learn about nudging in the same way they provide support and resources to fill other needs. Small businesses can struggle to engage in innovation because of scarce resources and competencies.<sup>345</sup> According to the MSES 2018, social enterprises in Manitoba face this

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<sup>341</sup> *MSES 2018*, 6, 24-25. Social Enterprise Manitoba's activities have largely comprised of hosting and facilitating educational social enterprise workshops, providing funding and support for third party organizations/other non-profits which focus on sector development, and creating networking opportunities for local social enterprise entrepreneurs.

<sup>342</sup> This was discussed in Chapter 3.

<sup>343</sup> Thema Monroe-White and Sandy Zook, "Social Enterprise Innovation: A Quantitative Analysis of Global Patterns," *Voluntas* 29, no. 3 (2018): 498.

<sup>344</sup> V.J.J.M. Bekker, Lars Tummers, and Maurits Van Leeuwen, "Nudge' as an Innovative Policy Instrument: A Public Administration Perspective," (paper presented at the Social Innovation Research Conference, Fudan University, Shanghai, China, May 2015), 8, [https://www.researchgate.net/publication/282808146\\_'Nudge'\\_as\\_an\\_innovative\\_policy\\_instrument\\_a\\_public\\_administration\\_perspective](https://www.researchgate.net/publication/282808146_'Nudge'_as_an_innovative_policy_instrument_a_public_administration_perspective).

<sup>345</sup> Elodie Gardet and Shady Fraiha, "Coordination Modes Established by the Hub Firm of an Innovation Network: The Case of an SME Bearer," *Journal of Small Business Management* 50, no. 2 (April 1, 2012): 216.

same scarcity of resources and competencies<sup>346</sup> which makes it likely they face the same barriers to engaging in innovation. Hubs which provide development guidance and resources to small and medium sized businesses and create collaborative networks can help bridge the innovation gap.<sup>347</sup> Social Enterprise Manitoba seems to be exactly such a hub based on the services they offered as part of the implementation of the MSES and the services they continue to offer the local social enterprise sector community.<sup>348</sup> Thus, there is certainly a potential opportunity for Social Enterprise Manitoba to provides nudging resources to the local social enterprise sector as a means of fostering innovation in the sector.

### *Implications*

Such an opportunity, however, can only materialize if certain conditions are met. This section will look at a few of these key conditions as well as the broader implications resulting from this discussion. As part of this discussion, nudging's potential to be an effective low-cost policy tool and how it can contribute to sector development beyond expanding market opportunities will be contrasted with the challenge of this approach requiring trained nudging practitioners and stable continuous funding/resources. This discussion will give readers a better understanding of what would need to happen for Social Enterprise Manitoba, or indeed any similarly structured development hub, to be able to serve as a nudging resource for Manitoba's social enterprise sector.

In chapter three, which focused on behavioural economics and public policy, nudging was referenced as a cost-effective policy tool. This cost-effectiveness presumably makes it appealing to governments, among others, who see it as way to affect change without spending too much money. This last assumption of nudging not costing a lot of money is echoed in the literature; the *Oxford Handbook of Behavioural Economics and the Law* asserts that “the

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<sup>346</sup> *MSES 2018*, 17. This was also highlighted in this *Tracing This Theme* subsection of this chapter.

<sup>347</sup> Elodie Gardet and Caroline Mothe, “SME Dependence and Coordination in Innovation Networks,” *Journal of Small Business and Enterprise Development* 19, no. 2 (2012): 265; Katerina Nicolopoulou et al., “An Incubation Perspective on Social Innovation: The London Hub – a Social Incubator,” *R & D Management* 47, no. 3 (June 2017): Abstract, 380-381.

<sup>348</sup> *MSES 2017*; *MSES 2018*; “Social Enterprise Manitoba,” Social Enterprise Manitoba, Home, accessed April 8, 2021, <https://www.socialenterprisemanitoba.ca/>.

appropriate design of “nudges” – [requires that they be] low-cost.”<sup>349</sup> Nudges are also depicted as small changes, which affect the context in which people make decisions, that can have a big impact.<sup>350</sup> Both the characteristics of being low-cost and a small change which can have a big impact should make nudging intuitively appealing to social enterprise entrepreneurs and to development hubs like Social Enterprise Manitoba. Given this appeal it makes sense for the local social enterprise sector to be interested in learning more about nudging and how it can be applied to their activities and for Social Enterprise Manitoba to play a role in facilitating that learning.

The benefits and applications of having Social Enterprise Manitoba as a resource on nudging for the local social enterprise sector go beyond the third pillar of the MSES. Nudging can be applied to the other MSES pillars to help spur sector development. Consider *Pillar 6: Networks and Community Engagement*. Social Enterprise Manitoba has already helped facilitate networking and community engagement amongst local social enterprise entrepreneurs and could use nudging to further these efforts. They could use the power of social norms to encourage more social entrepreneurs to actively engage with each other and connect through the hub. Social norms describe the very human tendency to want to copy others and make sure that our behaviour fits in.<sup>351</sup> In the nudging approach framework used in this thesis, this well studied tendency<sup>352</sup> can be considered a non-financial barrier as it illustrates the influence of peer pressure rather than financial incentive. Hypothetically, Social Enterprise Manitoba could address the influence of social norms on building networks of social enterprise entrepreneurs by deliberately implementing initiatives which take the impact of social norms into account. An example of such an initiative could be to publicize networking groups by listing the social

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<sup>349</sup> Cass R. Sunstein, “Nudges.gov: Behaviorally Informed Regulation,” in *The Oxford Handbook of Behavioral Economics and the Law*, eds. Eyal Zamir and Doron Teichman (New York: Oxford University Press, 2014), 719. For a convincing argument of the cost-effectiveness of nudging as a policy tool see Shlomo Benartzi et al., “Should Governments Invest More in Nudging?” *Psychological Science* 28, no. 8 (2017): 1041–1055.

<sup>350</sup> Thaler and Sunstein, *Nudge*, 6.

<sup>351</sup> Dawney and Shah, *Behavioural Economics: Seven Principles for Policy-Makers*, 3-4.

<sup>352</sup> See Cristina Bicchieri, Ryan Muldoon, and Alessandro Sontuoso, “Social Norms,” in *The Stanford Encyclopedia of Philosophy*, ed. Edward N. Zalta (Stanford: Metaphysics Research Lab, Stanford University, Winter 2018), online entry, <https://plato.stanford.edu/archives/win2018/entries/social-norms/>.

enterprises which are already part of the group in order to make it clear to other social enterprises/entrepreneurs that others in their sector have joined. An example of an initiative could be developing some kind of identifying branding that social enterprises which are connected with Social Enterprise Manitoba can display at their business or on their website to indicate they are part of a networking hub for social enterprise sector development. These are only hypothetical ideas, but there is a real possibility that nudging can be used by Social Enterprise Manitoba to promote MSES pillars beyond the third pillar of expanding market opportunities for the sector.

A necessary condition which must be fulfilled, if this is to happen, is for Social Enterprise Manitoba to have practitioners familiar with nudging and behavioural insights. Without in-house knowledge about nudging or at least a basic familiarity with what a nudging approach framework or lens looks like it is difficult to believe that Social Enterprise Manitoba could become a resource for local social enterprises looking to implement, or learn about, nudging. Currently, nudging activity and expertise is concentrated in government or private sector “nudge” units.<sup>353</sup> In contrast, there seems to be only limited applications of nudging and expertise in the non-profit and voluntary sector or social enterprise sector; which incidentally gives value and relevance to the work and ideas presented as part of this thesis. There are certainly reputable practitioners’ guides available on the topic of nudging and how to use it effectively as a policy tool,<sup>354</sup> but for Social Enterprise Manitoba (which is a non-profit organization) to be able to act as nudging resource it must have access to information and expertise on what nudging means and how it can be used responsibly and effectively. This could mean having trained practitioners in behavioural insights or having the ability to guide local social enterprise entrepreneurs to appropriate nudging resources, but it does require some knowledge of nudging and behavioural economics more generally.

For Social Enterprise Manitoba to be a valuable nudging resource and hub for the local social enterprise sector requires for it to have stable continuous funding. Initially, it received

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<sup>353</sup> This was indirectly touched on in both Chapter 3 and the first theme *The Private Sector: Ahead of the Game* of this chapter.

<sup>354</sup> Such as Kim Ly et al., *A Practitioner’s Guide to Nudging*, Filene Research Institute, Report no. 303, June 13, 2013, <https://filene.org/learn-something/reports/a-practitioners-guide-to-nudging-1>.

funding as part of the provincial government's commitment to implementing the MSES. According to the MSES 2018, the provincial government provided a total of \$250,000 for each of the first two years of the MSES' implementation and \$175,000 dollars for the third and final year of the strategy's implementation.<sup>355</sup> As Social Enterprise Manitoba is part of the non-profit CCEDNet Manitoba, this funding was no doubt important for the hub's stability. The issue of non-profits not receiving "predictable, multi-year funding which recognizes core operating costs"<sup>356</sup> is well studied in the literature.<sup>357</sup> According to documents on Social Enterprise Manitoba's website, the fact that provincial funding was reduced two years into the MSES' implementation and no further funding commitment was made has hampered its effectiveness and will continue to hamper it unless funding is restored.<sup>358</sup> The next chapter will further explore the question of the Government of Manitoba funding Social Enterprise Manitoba.

## How These Themes Relate to This Thesis' Central Argument

While each theme presented unique possibilities and challenges, their impact on the central argument that nudging can be used as part of public policy which promotes social enterprise sector growth in Manitoba is different. These impacts will be discussed below. This discussion will be succinct, but will help readers understand the role that each of these themes plays.

The first theme, that the private sector is in an advantageous position compared to the social enterprise sector in terms of using nudging, helps make the case for why and how nudging can be used to expand market opportunities in terms of increasing sales of goods and services. The discussion about nudging strategies and tools, such as the Nudgify app, show that resources already exist to give social enterprise entrepreneurs in Manitoba the ability to use nudging to expand market opportunities for their enterprises. Admittedly, this theme does not

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<sup>355</sup> *MSES 2018*, 2.

<sup>356</sup> Peter R. Elson, "A Short History of Voluntary Sector-Government Relations in Canada," *Philanthropist* 21, no. 1 (2007): 58.

<sup>357</sup> Elson, "A Short History of Voluntary Sector-Government Relations in Canada," 58.

<sup>358</sup> Canadian CED Network Manitoba, *2020 Policy Resolutions: Renewing the Manitoba Social Enterprise Strategy*, RES 2020-5 (2020), [https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/ccednet/pdfs/2020-5\\_renewing\\_the\\_manitoba\\_social\\_enterprise\\_strategy.pdf](https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/ccednet/pdfs/2020-5_renewing_the_manitoba_social_enterprise_strategy.pdf).



relate as closely to public policy as the other themes, but it does act as a crucial starting point for both public policy-makers and social entrepreneurs in Manitoba to think about how nudging may be able to expand market opportunities for local social enterprises. It does this because it provides a wealth of examples and research from the private sector where nudging has already been used with great success to expand market opportunities.

The second theme, that Manitoba's social enterprise sector wants government led social procurement, is more relevant in terms of its connection to public policy than the first theme. Social procurement is a viable way to expand market opportunities for the local social enterprise sector in Manitoba. The examples of social procurement relationships between provincial crown corporations and local social enterprises such as AKI Energy highlight how social procurement can expand market opportunities for local social enterprises. In the *Applying a Nudging Lens* subsection of this theme, readers are introduced to how using nudging during the social procurement process can have a positive impact on this process. This theme clearly highlights that nudging can potentially be used as part of public policy, relating to public procurement, which aims to promote growth in Manitoba's social enterprise sector.

The third theme, that Social Enterprise Manitoba has become a development hub for the local social enterprise sector, is also directly related to public policy. If the Government of Manitoba wanted to introduce nudging to the local social enterprise sector community and encourage the adoption of some of the strategies and tools outlined in this chapter's first theme, but did not want to act as the point-of-information itself then supporting Social Enterprise Manitoba to take on this role is an ideal solution. This theme suggests that the government does not have to be the one necessarily helping social enterprises use nudging to expand their market opportunities, as it can outsource that work, as long as public policy involves providing direct support and direction to a community organization/sector hub to take on that role. Public policy recommendations related to this theme, and to the other themes discussed, are explored in greater detail in the next chapter.

## Conclusion

This chapter focused on how a nudging approach framework fits into the central themes which arise out of the MSES, MSES 2017, and MSES 2018 policy documents. Although each theme relates to the argument that nudging can be a part of public policy which aims at promoting growth in Manitoba's social enterprise sector, they each do so differently. Examining them has given readers a glimpse of how nudging, as defined by choice architecture, addressing non-financial barriers, and experimentation, fits into the MSES *Pillar 3: Expanding Market Opportunities* for social enterprises. The chapter has laid the foundation for the next, and final, chapter which discusses further what this means for provincial public policy which promotes growth in the social enterprise sector in Manitoba.

## Chapter 6: Conclusion

This chapter begins with a general summary of chapters one to five and outlines this thesis' most significant findings and their impact. As a continuation of this discussion, several public policy recommendations on how a nudging approach framework could be applied to expand market opportunities for Manitoba's social enterprise sector, for the purpose of promoting sector growth, are explained. This chapter also explores the methodological and general limitations of this thesis and suggests future areas of research. Final reflections on the research presented complete the chapter.

### Research Findings

This thesis set out to answer the research question of whether nudging, vis-à-vis public policy, can be used to promote growth in Manitoba's social enterprise sector. In order to accomplish this aim, a case study of the MSES public policy documents (MSES, MSES 2017, and MSES 2018) was done. The MSES pillar focused on expanding market opportunities was selected to test if public policy which relies on a nudging approach could potentially be used to promote growth in the local social enterprise sector. If the research showed that nudging played, or could play, a positive role in expanding market opportunities for local social enterprises in Manitoba then that would lay the groundwork for it to be used as part of public policy which addresses the sector in the province. It would also act as an impetus for future research to be done into nudging and public policy in this policy area. If the research did not support the claim that public policy which uses nudging can help grow the sector, then that would suggest that the Government of Manitoba (and perhaps even other jurisdictions) should be hesitant to pursue this type of public policy.

Thus far, this thesis focused on determining exactly which of these scenarios rings true. Chapter one was an introduction to this thesis' research question and provided a preview into what type of research would be required to answer it. Chapters two and three were detailed literature reviews of the social enterprise sector and nudging in public policy. Considering that both the social enterprise sector and nudging are still relatively novel areas in public policy making, these respective literature reviews were particularly required. Chapter four explained

the methodological framework used in this thesis' research. Justification was given for the choice of the MSES public policy documents, and by extension Manitoba, as a case study. An important part of this fourth chapter was the discussion of how the pillar of expanding market opportunities for social enterprises would act as a litmus test for determining if public policy which relies on nudging can promote growth in Manitoba's social enterprise sector. Importantly, this chapter also outlined a nudging approach framework of choice architecture, the power of non-financial barriers, and experimentation. Chapter five took this nudging approach framework and applied it to the MSES policy documents. In doing so, the literature revealed three distinct themes. These were that the private sector is more advanced when it comes to nudging, the local social enterprise sector is focusing on growth through government-led social procurement, and Social Enterprise Manitoba is acting as development hub for the sector. Following a careful exploration of these themes, it became possible to draw out this thesis' most significant findings.

There are two significant findings which help answer the research question of whether public policy which relies on nudging can promote growth in Manitoba's social enterprise sector. First, is that nudging is already a part of successful public policy which supports and promotes growth in Manitoba's social enterprise sector. A good example being the provincial crown corporation Manitoba Hydro's PAYS program.<sup>359</sup> The program relies on the Pay-As-You-Save model for on-bill financing of energy efficiency investments. This allows hydro users to make energy efficiency investments without having to pay upfront costs as the cost of their investments are balanced out by the energy savings achieved and spread across their monthly bill payments. The program's choice architecture is designed to remove some of the psychological and financial barriers which might be preventing hydro users from pursuing energy efficiency upgrades for their homes. Choice architecture is a key part of nudging and the PAYS program, in so far as its design, is an example of how nudging is already a part of public policy in Manitoba.

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<sup>359</sup> The PAYS program was explored in Chapter 5 as part of the theme of *Government led social procurement* in the *Applying a nudging lens* subsection.

The PAYS program accomplishes several policy goals. It increases the energy efficiency of Manitoban households while also promoting growth in Manitoba's social enterprise sector by expanding market opportunities for local social enterprises. Social enterprises such as AKI Energy have worked with Manitoba Hydro and used the PAYS program to install geothermal energy units in First Nations communities in Manitoba. The PAYS program has allowed AKI Energy and other local social enterprises involved in the construction/trades industry to increase their market opportunities and is a testament that nudging is already making a difference in public policy which supports the local social enterprise sector in Manitoba. The program's success sets a positive precedent for other types of public policies which rely on nudging and are targeted at promoting growth in the sector.

This leads to the second significant finding that there is ample opportunity for nudging to be used to expand market opportunities for Manitoba's social enterprise sector. User friendly nudging tools that increase online purchases exist and could be used to enhance local social enterprises' e-commerce presence. The sector hub of Social Enterprise Manitoba could share nudging resources as part of their mission to help social enterprises expand their market share and there are opportunities to address non-financial barriers which may be preventing government-led social procurement. Chapter five presents several examples of how nudging can be used to expand market opportunities for Manitoba's social enterprise sector. These examples remind readers of the salient possibilities of using nudging for this purpose.

## Public Policy Recommendations

This thesis' findings suggest that there are both existing and future opportunities for public policy in Manitoba which uses nudging to promote growth in the local social enterprise sector. For those opportunities to be realized, however, certain actions need to happen. This section explores four important calls to action to employ nudging successfully as part of public policy aimed at promoting social enterprise sector growth in Manitoba. These are 1) The provincial government should take a leadership role; 2) A sector hub, like Social Enterprise Manitoba, is needed and should be financially supported; 3) Addressing choice architecture and non-financial barriers is more promising than pursuing experimentation at this time; and 4)

Nudging should not be the only policy tool used to grow the social enterprise sector. Each of these calls to action is individually explored and consideration is given to what these calls to action mean in terms of public policy recommendations for the Government of Manitoba.

The first recommendation is that the Government of Manitoba should take a leadership role in promoting growth in Manitoba's social enterprise sector. The MSES policy documents all call on the provincial government of Manitoba to use public policy in order to create a supportive ecosystem for local social enterprises and promote overall sector growth.<sup>360</sup> This call for the provincial government to take leadership is echoed in CCEDNet's *Public Policy Roadmap for Manitoba's Social, Economic, and Environmental Future: 2019-2020* which asks for the provincial government to play a strong role in supporting, collaborating with, and funding initiatives in this policy area.<sup>361</sup> There is Manitoba specific literature on community economic development and the social economy<sup>362</sup> which suggests that without supportive public policy the full potential of initiatives/developments in this area cannot be realized.<sup>363</sup> Leadership by the provincial government in the area of implementing public policy which relies on nudging to promote local social enterprise sector growth becomes essential in this context. Without such support and leadership, the desired positive impact of using nudging to promote sector growth is hindered.

In order for this to happen, the Government of Manitoba needs to commit to long-term political and financial support for the local social enterprise sector and initiatives such as the MSES which promote sector growth. This requires, at minimum, that financial supports and public policies are not discontinued or dramatically altered based on the political party forming government. Research suggests the strong supportive policy regime for community economic

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<sup>360</sup> *MSES 2015, MSES 2017, and MSES 2018.*

<sup>361</sup> Canadian CED Network Manitoba, *Public Policy Road Map for Manitoba's Social, Economic, and Environmental Future: 2019-2020 CCEDNet Manitoba Solutions Package* (Manitoba: CEDNet Manitoba, n.d.), 14-18, [https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/ccednet/documents/2019-2020\\_ccednet\\_manitoba\\_solutions\\_package\\_2.pdf](https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/ccednet/documents/2019-2020_ccednet_manitoba_solutions_package_2.pdf).

<sup>362</sup> Social enterprises are a part of community economic development.

<sup>363</sup> Brendan Reimer, Kirsten Bernas, and Monica Adeler, "Chapter 10: Mainstreaming Community Economic Development in Manitoba," in *Funding Policies and the Nonprofit Sector in Western Canada: Evolving Relationships in a Changing Environment*, ed. Peter R. Elson (Toronto, ON: University of Toronto Press, 2016), 234; Sarah Amyot, Rupert Downing, and Crystal Tremblay, "Public Policy for the Social Economy: Building a People-Centred Economy in Canada," *Canadian Social Economy Research Partnerships - Public Policy Paper Series*, no. 3 (Victoria: Canadian Social Economy Research Hub, University of Victoria, June 2010): 35.

development in Manitoba was, at least in part, possible because of the New Democratic Party (NDP) coming to power provincially in 1999 and governing for many years without multiple changes in government.<sup>364</sup> This information is relevant in light of the fact that, as discussed in chapter five, the MSES received reduced funding for its third and final year of implementation and was not renewed after its initial three years.<sup>365</sup> Further inquiry would have to be done to determine whether this decrease in funding and policy change was related to the change from an NDP to a Progressive Conservative (PC) government which occurred in 2016.<sup>366</sup> Regardless of the findings of such research, this circumstance does raise the importance of having government commit to long-term support, including financial support, which survives political change. Having consistent long-term support and resources cannot be underestimated as they are a crucial part of any public policy's success.<sup>367</sup> Leadership from the Government of Manitoba in the policy area of social enterprise is essential if nudging, or indeed any other type of public policy tool, is to be successfully used to promote growth in the social enterprise sector.

Another key to local sector development and growth is for the creation and/or maintenance of a sector hub which can act as a resource for local social enterprises. This is the second recommendation which comes as the result of this thesis' research. Sector hubs can provide a wide range of services such as informational resources, advocacy, sector/brand marketing, guidance on development and innovation, and other necessary support for individuals/businesses in the sector. Critically, sector hubs can act as "intermediaries [which] create an enabling ecosystem in which frontline organizations have the capacity they need to achieve their mission."<sup>368</sup> Consequently, creating and maintaining a sector hub which can act as

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<sup>364</sup> Reimer, Bernas, and Adeler, "Chapter 10: Mainstreaming Community Economic Development in Manitoba," 250.

<sup>365</sup> *MSES 2018*, Acknowledgements, 2.

<sup>366</sup> For a closer look at this question see Maria Gheorghe, *A Snapshot of Public Policy for Manitoba's Social Enterprise Sector: Past, Present, and Future* (Winnipeg: Manitoba Legislative Assembly, 2020), 11-13. Completed to fulfill the requirements of the Manitoba Legislative Internship Program 2019/2020.

<sup>367</sup> Manitoba based research suggests that long term consistent support from government is key to successful policy program implementation. Laura K. Brown and Elizabeth Troutt. "Funding Relations Between Nonprofits and Government: A Positive Example." *Nonprofit and Voluntary Sector Quarterly* 33, no. 1 (March 2004): Abstract, 5-7, 24-25.

<sup>368</sup> Reimer, Bernas, and Adeler, "Chapter 10: Mainstreaming Community Economic Development in Manitoba," 244.

a central resource for local social enterprises is essential. It is essential for not only using nudging to successfully expand market opportunities for social enterprises in Manitoba, but for creating a supportive environment in which local social enterprises can flourish.

Readers will know from chapter five that Social Enterprise Manitoba is already taking on this role. Social Enterprise Manitoba is the non-profit organizational hub originally created for the purpose of implementing the MSES and continues to focus on development supports for local social enterprises and policy advocacy for the sector.<sup>369</sup> It is resourced by CCEDNet Manitoba which through its parent organization CCEDNet has a history of working in Manitoba's social economy; including its social enterprise sector.<sup>370</sup> The hub is a tenant of the Social Enterprise Centre in Winnipeg which houses several local social enterprises.<sup>371</sup> This proximity presumably makes it easier for the staff at Social Enterprise Manitoba to collaborate and connect with the local social enterprise community. All the signs point to Social Enterprise Manitoba being primed and ready to continue and expand their role as a resource hub for the social enterprise sector in Manitoba.

The question remains of how this hub will be financially supported. CCEDNet Manitoba believes that the Government of Manitoba should support Social Enterprise Manitoba and provide at least five additional years of funding for the implementation of the MSES.<sup>372</sup> This request was echoed in the MSES' final 2018 report which recommended that the provincial government "co-create with Social Enterprise Manitoba as a Sector Backbone" in order to promote growth in Manitoba's social enterprise sector.<sup>373</sup> This requires not only financial commitment, it requires political will. In other jurisdictions, such as Scotland where the social

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<sup>369</sup> "Social Enterprise Manitoba," Social Enterprise Manitoba, Home, accessed October, 2020, <https://www.socialenterprisemanitoba.ca/>. This webpage has been updated since 2020, it now looks consistent with the version cited as accessed April 8, 2021. The updated version is cited in the bibliography.

<sup>370</sup> Sara Wray Enns, *Community Economic Development in Manitoba* (Canadian Centre for Policy Alternatives, 2018), [https://www.policyalternatives.ca/sites/default/files/uploads/publications/Manitoba%20Office/2018/01/CED\\_in\\_MB\\_Theory\\_History\\_Policy\\_Practice.pdf](https://www.policyalternatives.ca/sites/default/files/uploads/publications/Manitoba%20Office/2018/01/CED_in_MB_Theory_History_Policy_Practice.pdf).

<sup>371</sup> "Tenants," Social Enterprise Centre, accessed November 1, 2020, <https://www.secwpg.com/tenants>. SEC provides a collaborative workplace for social enterprises, non-profits, co-ops, and training programs

<sup>372</sup> Canadian CED Network Manitoba, *2020 Policy Resolutions: Renewing the Manitoba Social Enterprise Strategy*, RES 2020-5 (2020), [https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/ccednet/pdfs/2020-5\\_renewing\\_the\\_manitoba\\_social\\_enterprise\\_strategy.pdf](https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/ccednet/pdfs/2020-5_renewing_the_manitoba_social_enterprise_strategy.pdf).

<sup>373</sup> *MSES 2018*, 32.



enterprise sector is flourishing, the government supports and funds “sector bodies that facilitate help and support for social enterprises.”<sup>374</sup> This government support allows for social enterprises to focus on internal matters and seek guidance/support from sector hubs when necessary. In the context of nudging, Social Enterprise Manitoba could provide nudging resources for local social enterprises interested in learning more about this tool.<sup>375</sup> The government of Manitoba has already provided support for Social Enterprise Manitoba as a sector resource through MSES funding in the past and it can, and should, do so again as a sector hub is crucial for building a strong future for Manitoba’s social enterprise sector.

The third recommendation is that addressing the choice architecture and non-financial barriers the local social enterprise sector faces is a more promising use of public resources at this time than engaging in scientifically rigorous experimentation as part of public policy. In this context, scientifically rigorous experimentation refers to the comparative analysis of different policy approaches in order to determine which approach is most effective. This approach uses quantitative methods, such as Randomized Controlled Trials (RCTs) and was popularized by nudge units like the UK’s Behavioural Insights Team<sup>376</sup> in the pursuit of making public policy more evidence based.<sup>377</sup> There are serious challenges to using such methods to evaluate the effectiveness or suitability of public policy.<sup>378</sup> Not least of these is actually having policy-makers take such evaluations seriously and using them to inform their decision-making rather than having such reports, as one public policy expert put it, “simply end up on shelves – unread or ignored.”<sup>379</sup> Additionally, such methods require rigorous data collection in order to measure small changes in the impact of public policies, but data collection involving public policy aimed

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<sup>374</sup> Micaela Mazzei and Michael J. Roy, “From Policy to Practice: Exploring Practitioners’ Perspectives on Social Enterprise Policy Claims,” *Voluntas* 28, no. 6 (March 17, 2017): 2455.

<sup>375</sup> This was examined in greater depth in Chapter 5 as part of the theme *A Place to Call Home: A Development Hub for Manitoba’s Social Enterprise Sector* in the *Implications* subsection.

<sup>376</sup> For readers who have forgotten, BIT stands for Behavioural Insights Team. These types of teams are also sometimes referred to as “nudge units”.

<sup>377</sup> Warren Pearce and Sujatha Raman, “The New Randomised Controlled Trials (RCT) Movement in Public Policy: Challenges of Epistemic Governance,” *Policy Sciences* 47, no. 4 (2014): 388.

<sup>378</sup> Dan Bristow, Lauren Carter, and Steve Martin, “Using Evidence to Improve Policy and Practice: The UK What Works Centres,” *Contemporary Social Science* 10, no. 2 (2015): Abstract, 127-129.

<sup>379</sup> Eric Oldsman, “Making Evaluations Count: Toward More Informed Policy,” in *Making Innovation Policy Work: Learning from Experimentation*, eds. by Mark A. Dutz et al. (Paris: OECD Publishing, 2014), 233. It is hoped that this thesis will not suffer a similar fate.

at social enterprises is still in its infancy in Manitoba. Without such data it would be difficult to engage in the kind of scientifically rigorous experimentation suggested by the nudging approach framework used in this thesis. Considering this existing lack of data, addressing choice architecture and non-financial barriers which affect market opportunities for the social enterprise sector and its growth is a better use of government resources at this time in Manitoba. The following paragraphs will go into further details about why this is the case.

Addressing choice architecture is a better use of resources considering the existing and potential opportunities for this nudging approach principle to be used in Manitoba because it does not require major policy changes or resources. An example which was already discussed a few paragraphs above, but bears repeating, is Manitoba's Hydro's PAYS program which relies on choice architecture, at least partially, to attract customers for local social enterprises. If this program were to be continued or expanded then local social enterprises would potentially benefit from this public policy decision.<sup>380</sup> It is presumably easier for government to continue a policy they are already familiar with, than it is to suggest a new policy which may require additional resources.

Focusing government resources on addressing non-financial barriers, which may be preventing social procurement, also presents several opportunities for impactful change to be made. This can happen without requiring the systematic collection of detailed data from Manitoba's social enterprise sector and the impact of public policies on its growth. One such opportunity is for public policy-makers to start using strategic nudging frameworks like the EAST<sup>381</sup> framework when formulating public policy for the sector. This framework advocates that policy-makers consider how to frame public policy in such a way to make it **easy, attractive, social, and timely**; hence the EAST acronym. Public policies which follow these tenets are

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<sup>380</sup> This was also mentioned in a footnote in Chapter 5, but readers should be reminded that in 2020 the PAYS program was discontinued after responsibility for administering it was transferred from the provincial crown corporation Manitoba Hydro to the newly created government entity called Efficiency Manitoba. See Darcy Wood, "How First Nations Communities Are Driving Savings," *Efficiency Manitoba - Campaign Magazine*, 2020, 15 and "Loans & financing," Manitoba Hydro, accessed December 2020, [https://www.hydro.mb.ca/your\\_home/loans\\_financing/](https://www.hydro.mb.ca/your_home/loans_financing/). When drafting this chapter, the program was still running.

<sup>381</sup> Owain Service et al., *EAST: Four Simple Ways of Applying Behavioural Insights* (The Behavioural Insights Team, 2014), [https://www.behaviouralinsights.co.uk/wp-content/uploads/2015/07/BIT-Publication-EAST\\_FA\\_WEB.pdf](https://www.behaviouralinsights.co.uk/wp-content/uploads/2015/07/BIT-Publication-EAST_FA_WEB.pdf).

arguably more likely to achieve their aims and/or compliance among their intended audience than policies which do not.<sup>382</sup> This finding could be applied in the context of public policy for Manitoba's social enterprise sector by having policy-makers look at potential public policies which affect social enterprises through an EAST lens before implementing them. Having the Manitoba government focus resources on these areas of a nudging approach instead of focusing on experimentation seems a better use of resources at this time.

No matter how many resources are focused on using nudging in public policy to expand market opportunities for local social enterprises, and promote growth in sector more generally, it will not be enough to address all the challenges the sector faces in Manitoba. As discussed in chapter three of this thesis, nudging alone cannot unilaterally resolve any public policy issue. As leading Canadian behavioural economics expert Dr. Dilip Soman<sup>383</sup> says: "nudge is not a panacea for all the problems that confront us."<sup>384</sup> Nudging is not a magical tool which can unilaterally expand market opportunities for local social enterprises to the extent that no other policy tools are necessary. If the provincial government of Manitoba is committed to promoting growth in the social enterprise sector, as outlined by the MSES, then it must be committed to using a wide array of policy tools in order to accomplish this objective.

Take for example the topic of social procurement which was discussed in chapter five. This discussion highlighted the influence of non-financial barriers (ie. the attitude of public sector procurement staff) while also raising awareness about the impact of social procurement legislation.<sup>385</sup> As a policy tool, nudging does not replace legislation or regulatory guidelines in terms of achieving changes in how governments procure goods and services. Without such

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<sup>382</sup> Service et al., *EAST: Four Simple Ways of Applying Behavioural Insights EAST*; Halpern, *Inside the Nudge Unit*, 60-149, Figure 25.

<sup>383</sup> Dr. Soman is a Canada Research Chair in Behavioural Science and Economics and the Director of BEAR (Behavioural Economics in Action at Rotman) affiliated with the University of Toronto. He has provided consultation services for both the Canadian federal government and the Ontario provincial government in the area of nudging. University of Toronto, "Behavioural Economics Expert at the UofT's Rotman School of Management Receives a Canada Research Chair," News release, May 3, 2018, <https://www.rotman.utoronto.ca/Connect/MediaCentre/NewsReleases/20180503>.

<sup>384</sup> Dilip Soman, "Making Policy through a Behavioural Lens." *Policy Options* 34, no. 5 (June 2013): 13.

<sup>385</sup> There are some signs that the Government of Manitoba is currently hesitant or even antagonistic to implementing social procurement policies. See Maria Gheorghe, *A Snapshot of Public Policy for Manitoba's Social Enterprise Sector: Past, Present, and Future* (Winnipeg: Manitoba Legislative Assembly, 2020), 22-25. Completed to fulfill the requirements of the Manitoba Legislative Internship Program 2019/2020.

legislative and/or regulatory changes, there is no evidence that a few simple nudges can make governments systematically pursue social procurement. In Manitoba this means that for government led social procurement to be systemically pursued, a change in legislation/regulation/departmental guidelines is needed. The MSES policy documents also distinctly recommend the provincial government work on developing and implementing a social procurement strategy.<sup>386</sup> Nudging should not be the only public policy tool used to promote government led social procurement to help expand market opportunities for the local social enterprise sector.

Additionally, an argument can be made that expanding market opportunities for local social enterprises requires more than support for this MSES pillar. As was discussed in chapter two, the other pillars outlined in the MSES are also essential to creating a supportive ecosystem for Manitoba's social enterprise sector. Expanding market opportunities for local social enterprises depends not only on growing the customer base, or increasing the sales of goods and services, of social enterprises, it depends on how many social enterprises exist and in what areas of commerce. The supply side of expanding market opportunities for the sector requires investment and capital (MSES pillar 2) and enhancing the enterprise skills of those running social enterprises (MSES pillar 1). Without start-up capital and entrepreneurial skills, it would presumably be difficult to start a social enterprise in Manitoba.<sup>387</sup> Expanding market opportunities for local social enterprises simultaneously depends on the success of public policies which address other MSES pillars as well. Considering that this thesis only focused on how nudging could help expand market opportunities for social enterprises, and not the other MSES pillars, it would be preposterous to claim that nudging can unilaterally accomplish everything that public policy needs to do in order to make the social enterprise sector flourish in Manitoba. Nudging is a public policy tool which can help promote growth in the sector, but it should not be the only tool and/or strategy being pursued.

Readers may be asking themselves, given that government has limited time and resources, if one of the public policy recommendations outlined in this chapter should be

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<sup>386</sup> *MSES 2018*, 9.

<sup>387</sup> *MSES 2015*, 8-15; *MSES 2017*, 5, 10-12; *MSES 2018*, 20, 24-25.

pursued before the others. Answering this question is tricky because all of the calls to action and the policy recommendations which result from these calls are important for promoting social enterprise sector growth in Manitoba. If pressed for an answer, however, this author would say that the policy recommendations which result from the third call to action are probably the easiest way at this time to incorporate nudging as part of public policy which promotes growth in Manitoba's social enterprise sector. This is because these changes do not necessarily demand big changes to existing policy processes or significant additional expenditure. Expanding the PAYS model and incorporating an EAST framework for public policy is a relatively, when compared to the other policy recommendations covered in this section, easy way for nudging to have a significant impact on public policy for Manitoba's social enterprise sector. This approach fits in well with the understanding that nudging is at its core about how small changes can have a disproportionately large impact in making public policy more effective. This author argues that this approach could serve as a first step on the path of using nudging as part of public policy which promotes growth in Manitoba's social enterprise sector. Obviously, this step should not be the only one. Without responding to the other calls to action the impact of public policy which promotes growth in the social enterprise sector by way of nudging would be limited which is why it is important to reiterate to readers that all four of the calls to action and their policy recommendations are important.

## Limitations

This thesis has several significant limitations which should be acknowledged.<sup>388</sup> Some of these limitations are methodologically related and some are not, but regardless of their origin they must be addressed before readers can pass judgment on the merits of this research. As part of this discussion the following areas will be covered: the lack of previous research in this area, methodological framework limitations, ethical considerations of using nudging, and the general applicability of this research. These limitations and their impact on this thesis' central

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<sup>388</sup> Many of the limitations outlined within this subsection were also presented as part of Maria Gheorghe, "Using Behavioural Economics to Promote Social Enterprise Growth in Manitoba" (PowerPoint presentation based on an early draft of MA thesis, Atlantic Provinces Political Science Association [APPSA] Annual Conference, St. John's, NL, October 12-14, 2018), slide 8. See general disclosure.

argument that public policy which relies on a nudging approach framework can promote growth in Manitoba's social enterprise sector are an important part of this overall discussion. This section will end with suggestions about future areas of academic inquiry.

Throughout this thesis, readers have been confronted by the idea that there is a scarcity of previous research on the topic of using nudging as part of public policy which addresses the social enterprise sector. This makes it difficult at times to determine whether or not public policy which relies on nudging and is aimed at the social enterprise sector has even occurred in Manitoba or beyond. It also calls into question the suitability of using nudging as a policy tool to promote growth in Manitoba's social enterprise sector. After having read this thesis, readers may ask themselves whether the use of numerous hypothetical/potential scenarios for the application of nudging to social enterprise sector growth has strayed too far into the imaginary rather than staying grounded in the reality of what Manitoba's social enterprise sector looks like and what policies are likely to impact its future.

It is nevertheless essential to remember that by its very nature the research of this thesis is exploratory. Exploratory studies are designed to be an inquiry into a topic about which not much is known.<sup>389</sup> This is due to the fact that "when you analyze an urgent social problem...you cannot always wait till all the information on the topic is available."<sup>390</sup> Readers will remember from chapters two and three that academic inquiry into nudging being used as a public policy tool and the social enterprise sector being an area of interest for public policy are both still relatively new. In the Manitoba context, the novelty of both these areas of research is clear. While this lack of previous research is a limitation that must be acknowledged, it also must be recognized that this limitation is not wholly unexpected given the novelty of this research area.

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<sup>389</sup> Richard Swedberg, "On the Uses of Exploratory Research and Exploratory Studies in Social Sciences," in *The Production of Knowledge: Enhancing Progress in Social Science*, eds. Colin Elman, John Gerring, and James Mahoney (UK: Cambridge University Press, 2020), 24.

<sup>390</sup> John Dollard, *Caste and Class in a Southern Town* (New York: Harper and Brothers, 1949), xiv, paraphrased in Richard Swedberg, "On the Uses of Exploratory Research and Exploratory Studies in Social Sciences," in *The Production of Knowledge: Enhancing Progress in Social Science*, eds. Colin Elman, John Gerring, and James Mahoney (UK: Cambridge University Press, 2020), 20.

This is not the only limitation which impacts this thesis. It can be argued that the lack of quantitative data and/or interview data represents a significant methodological limitation. This argument was first raised in chapter four as part of the discussion on data collection and analysis. This thesis has only presented qualitative data to bolster its claims that nudging can be used as a public policy tool to promote growth in Manitoba's social enterprise sector vis-à-vis expanding market opportunities for social enterprises. The choice to focus on qualitative data is deliberate because this type of data is well suited to the exploratory aspect of the case study approach used as this thesis' methodology. It is also worth remembering that social sciences research aimed at policy-makers must be cognizant that difficult to understand mathematical/statistical models being used to present arguments for policy change can produce "findings that are not intelligible, not accessible, and thus not relevant to a broader audience."<sup>391</sup> The intention of this thesis and its methodology is to make the subject areas of nudging, public policies which use nudging, and how public policy which relies on nudging can promote growth in Manitoba's social enterprise sector, accessible to a broad audience. Focusing on qualitative data arguably contributes towards greater accessibility of this research's findings.

The methodological choice not to use interviews or do a field study as part of the qualitative research of this thesis was also a deliberate choice. Interviews with Manitoban policy-makers and sector stakeholders or a field study of the local social enterprise community in action might have added further depth to the findings of this thesis. This is why, in future, this type of research should be encouraged. The exploratory nature of this case study, however, lends itself to recommending this thesis and its methodological choices on the basis that there is much research which remains to be done in this policy area. As it stands, research is only just beginning and the scope of this thesis is a narrow look at the potential of using nudging in this novel way. This thesis' findings leave plenty of space for further exploratory work, including research which relies on interviews, on the subject of public policy which involves nudging and the social enterprise sector.

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<sup>391</sup> Bernd Reiter, "Theory and Methodology of Exploratory Social Science Research," *Government and International Affairs Faculty Publications*, (2017): 135, [https://scholarcommons.usf.edu/cgi/viewcontent.cgi?article=1134&context=gia\\_facpub](https://scholarcommons.usf.edu/cgi/viewcontent.cgi?article=1134&context=gia_facpub).

There are also legitimate concerns about using nudging in the ways envisioned and described in chapter five. Ethical concerns around nudging are particularly of concern because many of the employees and users of social enterprises are vulnerable populations. As discussed in chapter two, many social enterprises employ individuals who are marginalized from the labour market<sup>392</sup> or offer affordable services/products to such individuals. It is necessary for government to take extra care when using nudging as a public policy tool in this type of setting in order to ensure that the rights and autonomy of vulnerable populations are respected.<sup>393</sup> This is especially important given the concern about manipulation and nudging which was raised in chapter three. Ensuring that public policy which addresses the local social enterprise sector does not raise serious ethical concerns is crucial if such policies are to be viewed as legitimate and appropriate.

Addressing the ethics of what is, and is not, appropriate in terms of this type of public policy is not without its challenges. As was also mentioned in chapter three, the status quo of how government decides when nudging is legitimate and appropriate is currently still a wild west type of inquiry. In Manitoba, there is no publicly available ethical framework or guide which outlines when and how nudging can, or should, be applied to public policy.<sup>394</sup> Ethical guidance about how to use nudging should be provided to policy-makers if nudging is going to be systematically used as part of public policy which addresses the sector. Moreover, this guidance should be made public as one of the key features of ensuring nudging is ethical in public policy is for there to be maximum transparency around the nudging process and nudges.<sup>395</sup> Both a transparent process and an ethical framework for the use of nudging are needed before the Government of Manitoba considers systematically applying nudging as a part of public policy aimed at the social enterprise sector or indeed any other policy area.

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<sup>392</sup> Chapter 2, section *Social Enterprise in Manitoba* for more information.

<sup>393</sup> Respecting the rights of and autonomy of vulnerable individuals when employing nudging is essential and requires that nudging be transparent and democratically controlled. See Schmidt, "The Power to Nudge," 416.

<sup>394</sup> To this author's knowledge. There are certain acts/guides which outline ethical frameworks for behaviour by civil servants the values of the civil service such as *The Civil Service Act (CCSM c. C110)* and the *Manitoba Government Code of Conduct*, but these do not outline specifically what types of public policy interventions are appropriate/permissible in terms of nudging etc.

<sup>395</sup> Halpern, *Inside the Nudge Unit*, 304-305; Cass R. Sunstein, *The Ethics of Influence: Government in the Age of Behavioral Science* (New York, NY: Cambridge University Press, 2016), 74; Thaler and Sunstein, *Nudge*, 243, 247-248.



The applicability of this thesis' research to Manitoba's social enterprise sector, and beyond, presents readers with two remaining questions. The first question is: Can the findings of this exploratory case study of the MSES be generalized beyond the original methodological framework? The short answer is *maybe*. The long answer is that exploratory studies "seldom provide satisfactory answers to research questions, though they can hint at the answers and can suggest which research methods could provide definitive ones."<sup>396</sup> It is difficult to draw out the most significant findings of this thesis and make the assumption that they can be uniformly applied to different situations and jurisdictions. The findings of this thesis are relevant to Manitoba's social enterprise sector and policy-making in Manitoba as it relates to the goals outlined in the MSES. They are contingent on the province of Manitoba supporting policy pillars such as expanding market opportunities for social enterprises as a way to promote growth in the local social enterprise sector. There may be some opportunity for generalizing these findings if other jurisdictions share the policy goal of expanding market opportunities for social enterprises. These findings also might apply if governments are interested in using nudging, more generally, as part of public policy which addresses local community economic development. Thus, while it is likely for the findings of this thesis to be more widely applicable to some degree, it is by no means certain.

What is certain is the need for further research to be done which focuses on how public policy can promote growth in the social enterprise sector. There is currently a research gap for "explanations for when, why and how policy interventions in support of social enterprise have been adopted."<sup>397</sup> Filling this gap with quality research would provide policy-makers with much needed evidence-based guidance about how to design and implement public policy for the sector. In the spirit of nudging and evidence-based governance, addressing this research gap also requires comparative research on different types of public policies aimed at growing the social enterprise sector and their respective cost-effectiveness and success. This thesis did not

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<sup>396</sup> Earl R. Babbie, *The Practice of Social Research* 11th ed. (Belmont, CA: Thomson Wadsworth, 2007), 89.

<sup>397</sup> Michael J. Roy et al., "'The Most Supportive Environment in the World'? Tracing the Development of an Institutional 'Ecosystem' for Social Enterprise," *Voluntas* 26, no. 3 (2015): 779.

not seek to definitively show that public policy which relies on a nudging approach framework is the best way for the Manitoban government to promote growth in the local social enterprise sector. Such a task goes far beyond the scope of its framework and findings. Rather, it has tried to demonstrate that nudging is one possible approach/tool which governments, such as Manitoba's, may find useful in their pursuit of promoting growth in the social enterprise sector. Until more research is done, many of the questions about the comparative effectiveness or feasibility of using nudging in this novel way remain the subject of debate

## Conclusion

The debate over how governments, both in Manitoba and beyond, can best support and promote growth in the social enterprise sector is arguably still in its early days. In Manitoba, this sector is an important part of both the economy and the community which makes research into what types of public policy tools/approaches can be used to promote sector growth particularly important. This thesis' exploration of how nudging can be used as part of public policy aimed at expanding market opportunities for local social enterprises represents only a small contribution to this larger research effort. Assessing the merits of this contribution remains the reader's prerogative, but this thesis has hopefully planted a seed of inspiration for thinking about using nudging in this way.

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