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Social Innovation: The Y-Foundation Case

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Abstract

The starting point of this paper is that advancing social inclusion – making all groups of people feel important and valued – is crucial to consider since it advances the quality of life and development of humans, organizations, and societies. The objective of this paper is to introduce the case of a social innovation called the Y-Foundation. The Y-Foundation is a social enterprise operating in Finland and aiming to promote opportunities for homeless people. Having a home can make solving health and social problems much easier. In addition, a linkage between ethics and innovation in the Y-Foundation’s operations is discussed.

Keywords: case study, ethics, Finland, social business, social enterprise, social inclusion, social innovation
Social systems in many countries are currently facing significant challenges that call into question their social services and structures. Many societies are experiencing increasing inequalities and major demographic transformations, such as an aging population and growing immigration (Groot & Dankbaar, 2014). From the viewpoint of responsibility for producing social services and support, the challenges stretch the societal systems to their limits and push to develop innovations and novel ways of acting (Eurich & Langer, 2015).

The starting point of this paper is that advancing social inclusion—making all groups of people feel important and valued in the society—is crucial to consider in developing social innovations to respond to challenges, as social inclusion advances quality of life, human development, and the prosperity of organizations and societies (Robeyns, 2005). It is argued that social innovations are a critical factor for future success (Rodgers & Söderbom, 2013).

Innovation capability can be found in many arenas, including in companies, which can produce creative solutions alone and in cooperation with other actors (Baregheh et al., 2009). Social enterprises represent a rising trend in the world that seeks to advance social innovations with the objective of solving social problems (Smith et al., 2013). Such enterprises aim to combine the innovation, effectiveness, and resources of a traditional for-profit firm with the values and mission of a not-for-profit organization (Battilana et al., 2012). In this respect, they exemplify the potential benefits that can emerge from juxtaposing seemingly contradictory demands (Smith & Lewis, 2011). According to Smith et al. (2013), the interest in social enterprises has recently increased; thus, knowledge concerning the nature of their activities is needed, and social enterprises’ role in producing social innovations is an especially topical issue.

Objectives
In this paper, we explore the case of the Y-Foundation, which is a social enterprise in Finland. Specifically, we discuss a social innovation that has been developed to provide housing for homeless people with a view to enhancing their quality of life and supporting their inclusion in the society. The objectives of this paper are as follows:

1. To introduce the Y-Foundation case, and specifically, a social innovation called Housing First that promotes providing homes for homeless people and enhancing their quality of life; and

2. To discuss a linkage between ethics and the Y-Foundation’s operations. Here, we limit our discussion to the relationship between the Y-Foundation and its customers. The customers are the homeless people whom the organization supports by providing opportunities to live in their own home.

The Y-Foundation is an exemplary but exceptional case (Eisenhardt & Graebner, 2007). Business is done in its operations, but it is carried out in an atypical way. While traditional businesses aim to create social value as a by-product of economic value, the reverse is true of the case organization (Diochon & Anderson, 2011). Such a case can provide interesting, valuable information on the activities and principles of social enterprises in terms of how they promote their social mission while doing business. The Y-Foundation case represents a responsible business with an innovative and ethical aim.

**Key Concepts**

In this paper, we adopt the definition of “social enterprise” developed by the Social Business Initiative, which was launched by the European Commission:

A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is
managed in an open and responsible manner and, in particular, involves employees, consumers, and stakeholders affected by its commercial activities. (Social Business Initiative, 2011).

Following the suggestion of the European Commission, we use the concepts “social business” and “social enterprise” as synonyms.

Depending on its business branch, a social enterprise can promote various objectives, including social, wellbeing, employment, and cultural goals. The activities of a social enterprise like the Y-Foundation are independent of the public sector. Many social enterprises use their profits primarily to promote social objectives and further develop the activities of the enterprise. Their business model typically emphasizes values and principles, such as openness, customer orientation, community spirit, and transparency (Lundgaard Andersen et al., 2016). Ethics is an essential requirement and expectation that is placed on social businesses.

In this paper, we follow the European Commission’s definition of the concept of social innovation, which is as follows:

Social innovation can be defined as the development and implementation of new ideas (products, services, and models) to meet social needs and create new social relationships or collaborations. It represents new responses to pressing social demands, which affect the process of social interactions. It is aimed at improving human well-being. Social innovations are innovations that are social in both their ends and their means. They are innovations that are not only good for society but also enhance individuals’ capacity to act. (Guide to Social Innovation, 2013)

Nicholls & Murdorck (2012) note that growing interest in the growth of social fragmentation, growing multiculturalism, and increasing inequality augment the importance of social innovation. Social innovation is often generated by contradictions, tensions, and
dissatisfaction with current circumstances. However, according to Mulgan (2012), the dynamics of social innovation are not completely known, and a targeted social innovation theory has not yet been developed.

Social innovation is not a subtype of technological or commercial innovation; rather, it is equal to and intertwines with them (Nicholls & Murdock, 2012). It has been argued that ethics and social innovation are inextricably linked (Riivari & Lämsä, 2014, 2017). Factors that can form an ethical background for social innovation are cooperation, trust in and commitment to equality, and an idea that it is only possible to observe humanity through interaction. In their study of Finnish organizations, Riivari & Lämsä (2017) found that the ethical virtues of feasibility, discussability, supportability, and congruency of management form a fruitful platform for innovativeness. According to them, such organizational practices as human resource development, organizing communication and feedback channels, as well as providing discussion forums, accommodating organizational learning and building trust in the organization, are important for establishing the ethical virtues that can support organizational innovativeness.

<H1>Methods</H1>

This case organization, the Y-Foundation, aims to end homelessness in Finland. According to its mission, it supports health and social welfare by providing affordable, good-quality rental housing to people who have difficulties in finding accommodation in general housing market, thereby serving to uphold their human dignity. The foundation was established in 1985. The letter “Y” in Y-Foundation comes from the first letter of the Finnish word yksinäinen (lonely), representing the organization’s original idea to provide small rental apartments for single homeless people. Income from rents and other assets are used to increase the Y-Foundation’ housing stock. The organization has been recognized for its business performance. It received the World Habitat Award in 2014 and the European Civil
Society Prize in 2015 for its achievements. The foundation operates nationwide, and it employs 116 staff members.

Several types of data were gathered to conduct the analysis. Five open-ended interviews were conducted with employees and managers in the Y-Foundation. Two of the interviewees had previously been tenants in Y-Foundation housing, but they were now working as employees of the organization. Consequently, they could discuss the topic from both an employee’s and customer’s viewpoint. The interviews were tape-recorded and transcribed word-by-word. In addition, documentary data of the topic was used, consulting the Finnish Homelessness Strategy (Pleace et al., 2015), the Report on the Extent and Profile of Homelessness in the European Member States (Busch-Geertsema et al., 2014) and the contributions to a conference titled What Do We Mean By Housing First? (Pleace & Bretherton, 2012). Texts from six websites that dealt with the case were also used (Sillanpää, 2013; Pleace et al., 2015; ARA The Housing Finance and Development Centre of Finland, 2017; Homelessness in Finland, 2017; Networking for Development Project is continuing the development work in the Finnish National Program to Reduce Homelessness, 2017; Welcome to M2, 2017). Additionally, the strategy document of the Y-foundation was applied (Y-Säätiön strategia, 2020). They are referred to in the text and listed in the reference list. The data were organized into themes based on their content (Krippendorff, 2013).

Analysis: The Y-Foundation and Housing First

At the end of 2016, there were 6,785 single homeless people and 424 homeless families in Finland (ARA The Housing Finance and Development Centre of Finland, 2017). An important issue to understand is that over 80% of these homeless people are living with relatives or friends temporarily; thus, they are not rough sleepers or people in overnight shelters. Today, Finland has virtually no homeless people living on the street. About 10 years back, the situation was much worse. The number of homeless people was significantly
greater; many people were living in hostels, dormitories or overnight shelters because of a lack of suitable housing. Homeless people also often occupied substandard housing that other people had abandoned.

Reducing homelessness has been a component of the Finnish government’s programs for a long time. Measures have varied over the past years, and progress has been made. However, governmental actions have not resulted in all people finding a permanent solution matching their housing and support needs, and despite these government efforts, many people have ended up homeless repeatedly or stayed in hostels for long periods. Thus, a new approach to this social problem was necessary. Its development started in 2008, when, as a social innovation, the Housing First policy was presented to provide housing and services for homeless people. Since then, activities following the policy have been developed (Homelessness in Finland, 2017). The Y-Foundation has had a catalytic role in the Housing First process, which has also led to a paradigmatic change in national policy concerning reducing homeless.

### Extensive Experience and Networking

An important issue in the strategy and operations of the Y-Foundation is networking. The foundation has extensive, long experience in providing housing for homeless people and developing facilities for supported housing in Finland. Due to its long history, the foundation has a wide network of partners among businesses, nongovernmental organizations (NGOs), cities, and other service providers. For example, the founding members of the foundation represent a broad range of nonprofit organizations. Another example of networking is that the foundation takes care of property management in housing. Local partners arrange the necessary support services, while cooperation is based on a contract, which defines roles and responsibilities of each party involved. As an independent social business, the foundation has been able to build win-win partnerships with church social work organizations and several
NGOs that are developing support for their target groups. The opportunity to arrange housing via the Y-Foundation has enabled these organizations to develop services matching the special needs of their clients.

Today, the foundation cooperates with over 100 partner organizations all over the country. This means that there is a lot of networking to do. Yet, it can be said that the networking has proven to be worth the effort; it has been observed that in tackling homelessness, joint forces are more effective than separate projects. The wide network has also benefited the foundation’s own development work. It has been easy to find partners for new projects, and disseminating the results has also been efficient. The extensive and continuous networking drawing on a win-win idea can be considered a crucial advantage that provides valuable resources to the Y-Foundation in its mission.

**<H2>Changing Social Challenges Require New Solutions**

For a long time, the Y-Foundation considered buying housing from the private market to be the quickest way of obtaining more housing for the homeless, and buying housing was its main business model for many years. A crucial problem, however, was that there was a great shortage of small rental apartments suitable for single homeless people. Consequently, finding an appropriate apartment to rent was not easy. In addition, over the years, people’s housing needs have changed, and new groups needing housing have emerged. For instance, in the early 1990s, the foundation started to buy housing for refugees coming to Finland.

To meet changing social challenges from 2008 onward, the foundation has provided more alternatives in the types of housing for the national program to reduce long-term homelessness in Finland. The program applies the Housing First policy, and as mentioned earlier, the Y-Foundation has had a central role in this initiative. The Y-Foundation’s development team has been leading a national development project supporting the
implementation of a national program (the Networking for Development Project is continuing the development work of the Finnish National Program to Reduce Homelessness, 2017).

Housing First in the Y-Foundation is, in fact, a chain of social innovations. The original policy in the Y-Foundation was renting apartments as secondary leasing in cooperation with local authorities, parishes or NGOs. The foundation arranged housing; local partners selected tenants and arranged support services when necessary. Now, according to the Housing First policy, the foundation also rents apartments more directly to homeless people (scattered housing in flats from the private market, scattered housing from social housing, and supported housing units with intensive support). Tenants are selected with various organizations offering support to their clients with special needs. Today, the foundation also offers normal social rental housing via its daughter company, for which anyone can apply (Welcome to M2, 2017). Housing First has meant that finding a home is quicker, easier, and more flexible for a customer than it was previously. In addition, the target housing groups are more diverse than they used to be, including people who are in a need of normal social rental housing and people with special needs. The types of housing available include homes for long-term homeless people, service housing for elderly people, and supported housing for people recovering from psychiatric problems.

The Y-Foundation has also taken part in the process of converting former dormitories, hostels, and shelters into supported housing units. These units have the on-site personnel to support tenants. Services are provided by NGOs and municipalities in the network. The need for supported housing units became evident some years ago when the renovation of shelters and hostels was planned and a paradigm shift toward the Housing First policy was targeted. As a result, the role of hostels as housing units had to be reconsidered. In fact, hostels as a temporary solution were maintaining the culture of homelessness instead of providing opportunities for homeless people to manage and find security in their lives. For
example, the hostels did not provide any privacy, and opportunities for recovery and support were very limited. When the support needs of long-term homeless people living in hostels were assessed, it became obvious that there was a group of homeless people who required more intensive support, for example, because of somatic ailments, than was possible to provide in so-called scattered housing. Most homeless people prefer independent scattered housing, but there is a group of long-term homeless people for whom scattered housing brings with it the risks of loneliness and social isolation. Supported housing units represent an alternative for those who prefer more communal housing and need more services but also provide privacy in residents’ independent apartments.

**Guiding Principles**

Housing First in Finland is a social innovation of its own. It has been developed in the Finnish context based on Finnish expertise. Although the general philosophy behind the Finnish Housing First is comparable to US Housing First (Pathways to Housing New York), it exhibits significant differences, and it is not an implementation of the US model. The main difference relates to the manner of implementation. In the United States, the model has been gradually scaled up city-by-city, project-by-project. In Finland, Housing First was originally launched on a national scale, using a wide partnership network. Thus, the idea was to bring about a paradigmatic change in thinking and action that would enable better housing and quality of life for a large group of homeless people.

Availability of affordable rental housing is crucial when it comes to tackling and preventing homelessness. Finland is currently the only country in the European Union in which homelessness is decreasing, and the Housing First policy has contributed to this. Homelessness figures have decreased for several years already. Key principles in the housing for the homeless in the Y-Foundation are as follows:

- Good quality;
- Needs-based solutions;
- Affordability;
- Safe tenure;
- A central location; and
- Supportive networks.

The crucial factor in organizing housing is good quality. The foundation provides normal housing rather than shelters or temporary solutions. Whether the apartment is in scattered or congregate housing, the quality is the same, and the apartment enables independent living for a good life and takes into consideration the tenant’s needs in terms of the form of housing. Affordability means that rents are significantly lower than market rents. Safe tenure means that rental contracts are normally permanent. In congregate housing, communities are always supported by building premises for shared activities (a living room, kitchen, and room for group work), although the tenants also have fully equipped homes of their own. The living is based on a normal lease. One key feature is the central location of the housing. Tenants with special needs especially benefit from a local community, and it is important that services are easy to reach. It can be said that this empowers people to take responsibility and makes support work more effective. Scattered apartments offered by private housing companies help tackle segregation and increase inclusion in the community. Providing social housing in owner-occupied housing stock gives former homeless people the option of living in a good-quality home in a quiet neighborhood.

**Discussion: Ethical Considerations**

The case of the Y-Foundation and its role in the Housing First policy shows that having a permanent home and safe tenure in housing represent crucial opportunities for people to function in their lives successfully and achieve a better quality of life (Robeyns, 2005). Yet, the case implies that a realistic perspective also needs to be maintained. Not all
people can live in their own home independently; some need regular support. In other words, individuals experience varying levels of and complex relationships between interdependence and dependence in their lives, which needs to be considered in working to solve their problems (Gilligan, 1982).

This case implies that the social innovations of social businesses need to follow an ethical principle stressing that individuals’ needs must be known and addressed. From the viewpoint of housing for homeless people, this means that there is not a single right housing model; the solution must be based on people’s needs—knowing them, caring for them, and respecting them. We suggest that, specifically, the ethics of care (Gilligan, 1982) and Levinas’ ethics (Levinas, 1985) may offer some valuable insights into actors in social enterprises when they design and develop social innovations with their customers. Both approaches are committed to the nourishing and development of participants—in this case, both tenants and actors in and around social enterprises. This underlines the significance of mutual learning between participants when innovation and ethics are combined (Riivari & Lämsä, 2014, 2017). Moreover, both approaches highlight that ethics emerges in the interaction between people, the needs of others are crucial and responsibility for another person does not require reciprocity (Gilligan, 1982; Levinas, 1985). These ideas seem to be specifically important when it is a question of people in a vulnerable situation, as homeless people often are.

The Y-Foundation’s work is occasionally challenged by the attitudes and fears of the surrounding community. For example, some of its building projects have been delayed because of complaints from the neighborhood. Specifically, prejudices against homeless people with mental health problems can emerge. A crucial guideline for tackling the prejudices and overcoming fear is that the social enterprise exercises open communication and follows the ethical principle of discussability with the neighborhood during a whole
housing process (cf. Riivari & Lämsä, 2017). Yet, it is important to be aware of the risks when people with a troubled past are housed and not remain silent about these risks in communication with the community. We think that sufficient support and response to feedback coming from the neighborhood is of significance for social businesses to achieve constructive coexistence and success within the environment.

It is suggested that the social inclusion of people who have experienced homelessness is best promoted if they are treated like everybody else, in a normal way, with normal civil rights and obligations. Since normality is a complex phenomenon (Bear & Knobe, 2016), the social enterprise should define the construct in its operating context in a concrete way. For example, in the housing for the homeless, this can mean that housing should be provided in central places where other people live and that tenants should have normal rental contracts. It can also mean that all tenants pay their own rent, either with their own income or with general societal benefits they are entitled to, like everybody else. Moreover, the role of the employee in a social enterprise in relation to a customer should be more like that of a personal supporter, co-traveler, and mentor than an authority figure.

From the studied societal viewpoint, we can say that good housing benefits the welfare system. Rehabilitation, employment, well-being, and quality of life are easier to achieve in proper living conditions (Robeyns, 2005). A safe home gives an opportunity to focus on positive things in life, and membership in a community is an effective way to promote welfare. Investment in supported housing is also cost-effective. For example, the evaluations of the Housing First facilities and services, in this case, have proved that adequate housing and support decrease the use of expensive emergency services (Sillanpää, 2013).

**Theoretical Contributions and Managerial Implications**

Seen from a theoretical viewpoint, this case study implies that Levinas’ (1985) ethics and the ethics of care (Gilligan, 1982) can form a useful framework for studying relationships...
between customers of and actors in social businesses. Theoretically, it would be important to analyze the approaches in detail, compare them, and propose a synthesis of them. Despite their similarities, the approaches also have differences. The ethics of care emphasizes a political aim in trying to make visible the experiences of certain oppressed groups (women who have experienced oppression (Gilligan, 1982). Levinas does not emphasize this specific group, but rather acknowledges that care is part of all people’s acting (Levinas, 1985). In the context of social businesses, their ideas could be combined and further developed in the direction of diverse, vulnerable groups. However, these ethics may not be so helpful when investigating social businesses and their innovations in relation to institutional arrangements. In this respect, it is suggested that a capabilities approach that stresses developing and supporting people’s opportunities at various levels (such as the institutional level) to attain well-being and a high quality of life (Robeyns, 2005) could be an appropriate theoretical lens.

In this study, the principle of normality was identified as an important element of social inclusion that can empower customers of social businesses and make them less dependent on helping organizations. However, it is challenging to judge normality, which often, but not always, refers to an intermediate between an average and an ideal (Bear & Knobe, 2016). Therefore, it is suggested that, theoretically and empirically, the conceptualization and interpretation of normality in social innovations of social enterprises would merit research and discussion in the future.

From the viewpoint of managerial implications, it can be said that this case study revealed a common dilemma between social businesses and their customers: Customers need the involvement of others, but similarly, they need to remain the animator of their activities (Diochon & Anderson, 2011). This requires an ability to balance the different claims on the part of the management and employees of social enterprises. It is suggested that in this respect, customers’ individual needs deserve specific consideration to be understood and
evaluated according to their vulnerability. In addition, it is important to pay attention to the contextual and multiple characteristics of people’s situations and needs; all people cannot be treated in the same way, and different approaches are required to advance their needs and interests.

**<H1>Conclusions**

In this paper, knowledge concerning a social business was produced, namely, the Y-Foundation, and highlighted its operations in producing social innovations for homeless people in the Finnish societal context. In addition, the link between ethics and the operations of the Y-Foundation was discussed from a customer perspective. In line with Smith et al. (2013), it may be concluded that despite various contradictions and dilemmas that characterize social businesses, they have the potential to solve social problems innovatively, offer pathways to hope and advance social inclusion.

**<ref>References**


