

The \$300 House: A Hands-On Approach to a Wicked Problem

by Vijay Govindarajan

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Editor's note: This post was co-written with Christian Sarkar.

When the New York Times printed “Hands Off Our Houses,” an op-ed about our idea for a \$300 House for the poor, we were both delighted and dismayed – delighted because the \$300 House was being discussed, and dismayed because authors Matias Echanove and Rahul Srivastava, co-founders of the Institute of Urbanology, didn't seem to have read the series of blog posts about our idea.

Nearly every criticism the authors levy in their op-ed is answered in 12 blog posts, a magazine article from January/February 2011, a video interview, and a slideshow that integrated community and commentary, which were published between last October and this May.

In critiquing our vision, the authors cite Micro Homes Solutions as “a better approach.” In fact, the leaders of that venture were invited several months ago to contribute a blog post to our series as a way of joining the discussion and helping us understand what they've seen on the ground there. They declined to be part of the conversation.

The authors also write that students who tried to write a business plan to serve the poor and who visited poor urban areas of India found “the reality here is far more complex than their business plan suggested.”

Yet a fundamental tenet of our project and the blog series about it is that slums present complex challenges that can’t be fixed with a clever shack alone. Rather than creating an echo chamber of rah-rah rhetoric, we told blog authors to focus on one of the many knotty issues that Echanove and Srivastava cite in their critique. From the start we asked: What are the complexities of financing these homes? How do you get energy and infrastructure into such dwellings? How do you get corporations to invest in a significant way? We acknowledged that we didn’t have the answers. “Just because it is going to take longer than it should doesn’t mean we should walk away,” wrote Seth Godin in one of the posts. “It’s going to take some time, but it’s worth it.”

The op-ed suggests that the \$300 House doesn’t acknowledge that “space is scarce” in urban poor areas. Yet, Sunil Suri wrote in a post on the urban challenge that “slums by their nature are located where land and space are limited.” Suri proposed potential solutions, including innovative materials, new ways of thinking of the construction process, and building up.

The authors also say that “one expert has been left out of the challenge...the person who is supposed to live in it.” But a post in the series on the co-creation challenge from Gaurav Bhalla addressed this squarely. “It will be unfortunate if the house were to be designed by those who will never live in it,” wrote Bhalla. “Investments need to be made understanding the daily habits and practices of people for whom the house is being designed.” Bhalla used the case study of the chulha stove, co-created by businesses, NGOs, and slum dwellers, to make his point. We are also bringing students to India and Haiti to do ethnographic research that will inform development of a \$300 House, and when prototypes are developed, they will be deployed and tested with those who will live in them.

Echanove and Srivastava also state that a \$300 House “would have to be as standardized as possible to keep costs low. No number of add-ons would be able to match the flexibility of need-based construction.” While we agree that a one-size-fits-all approach will not work, we disagree that a \$300 House would be inflexible. Core tenets from a blog post about the overall design challenge of creating a \$300 House by Bill Gross include “give your customers options” and “make it aspirational.” And David Smith’s entry on the financial challenge shows that flexibility can be born out of financing options as well. A need-based approach alone also ignores the scale of the problem we are facing. “Triple the U.S. population by three. That’s how many people around the world live on about a dollar a day,” Godin writes. “Triple it again and now you have the number that lives on \$2. About 40% of the world lives on \$2 or less a day.” In any situation where scale is required, so is some level of standardization.

The most puzzling critique in the op-ed was that “construction is an important industry in neighborhoods like Dharavi. Much of the economy consists of hardware shops, carpenters, plumbers, concrete makers, masons, even real-estate agents. Importing pre-fabricated homes would put many people out of business, undercutting the very population the \$300 house is intended to help.”

In fact, our contest’s design briefing said these dwellings should be “self built and/or self-improvable.” It also stated that the design should rely as much as possible on local materials, which of course would be harvested and crafted by local workers. Our goal is to increase demand for local trades, not drive them away. And the idea that jobs would disappear belies the fact that with progress comes new jobs & teachers for the kids who can now go to school; health care professionals for the families that can now afford check-ups; technology professionals who could service solar panels or internet access devices; farmers who could manage shared crop spaces in the neighborhoods. The \$300 House project is a housing ecosystem project.

Finally, Echanove and Srivastava state that “The \$300 house could potentially be a success story, if it was understood as a straightforward business proposal instead of a social solution.”

We disagree completely. We do support other applications for low-cost housing – bringing these dwellings back to the industrialized world for hurricane relief, for example, would be a reverse innovation success story. However, trying to pigeonhole ideas as either “for good” or “for profit” is an outmoded way of thinking.

The authors have an implicit negative view on business. For them, profit seems to be a dirty word. For us, good business and social innovation are one and the same. The rising tide of New Capitalism, what Michael Porter calls “shared value” and what Umair Haque calls “thick value,” is perhaps the most important reaction to the corruption and greed that spurred the most recent global economic crisis. The Economist was right when they suggest that this is a “can do” moment in history.

Our goal is neither to start yet another charity – one of our advisers, Paul Polak, tells us that “you can’t donate your way out of poverty” – nor to start just another business. Rather we must encourage existing businesses to find ways to create new, scalable markets; to get NGOs to share their on-the-ground expertise; and to force governments to make it as simple as possible to work across the hybrid value chain in order to make such a project a reality and begin the process of instilling dignity in and creating options for individuals who now don’t have either.

We are happy that Echanove and Srivastava share our passion for the problem of affordable housing, which is a wicked problem. We simply disagree with the idea that if it’s a market, it can’t also be a socially progressive solution. Trying to categorize the regeneration of slums as either a business problem or social problem is like trying to categorize a flame as either heat or light. It is both, always.

The authors acknowledge the support, encouragement, and critical advice of Harvard Business Review senior associate editor Scott Berinato on this blog and during our \$300 house journey.



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Matias Echanove 4 months ago

Dear Prof Govindarajan and Prof Sarkar,

We are deeply sympathetic to the efforts of designers, businessmen and academicians throughout the world who feel concerned by the living conditions of the millions of people who live in substandard housing in India and elsewhere. We too believe that there is a lot creative thinking and co-creation can do to improve living conditions in many parts of the world, including richer countries. As the ongoing financial crisis reminds us, we are all connected in hitherto inconceivable ways. When the real estate market plunges in New York and Dubai, it surges to the point of becoming surreal in Mumbai and Shanghai. When the demand for high-end housing gets saturated in upscale Mumbai, investment shifts to affordable housing and the pressure for redevelopment increases in neighbourhoods denominated as slums. In other ways too, parts of the world that we thought belonged to radically different realities, seem astonishingly connected. Many neighbourhoods of Tokyo and Mumbai share a common history of incremental development. The homeless of Los Angeles may not be much better off than the shack dwellers of Kolkata. Notions of poverty have become more layered and intricate. It is necessary to challenge our preconceptions and look at the world we live in a fresh way –one that our earlier neat ‘development’ categories never allowed us. It is equally pressing to understand and engage with contexts that are often diverse, even within the same city, before attempting templates for common solutions.

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