

Doing Good is Good Business

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Introduction

The private sector does participate, in some form or the other, along with Government agencies, when it comes to fulfilling the basic needs of healthcare, education, infrastructure, water & power and housing in urban centres. However, in the semi urban and rural areas, the private sector has had little or no role to play. Why? Is it because they see no business in 'doing good'. Some of them may be under the impression that the numbers are not attractive enough, when in most sectors the numbers are quite attractive, as the pyramid gets wider towards the lower half (Sarma, 2013).

A little above the bottom of the pyramid, social workers are active, trying to address the on-ground needs of the populace. Such workers often work under the banner of NGOs (non-governmental organisations), most of which are not-for-profit organisations. NGOs are, at times, funded by government or by international aid agencies. A not-for-profit organisation's outlook and a for-profit organisation's outlook towards solving problems are different. NGOs seek social transformation and improvements in quality of life whereas for-profit organisations are accused of seeking profits only. This gaping hole in the middle does not allow the two sides to meet often. Organisations like the Ashoka Foundation and others are taking efforts to promote social entrepreneurship by bridging the gap between the two sides. It needs to be understood that maximising profits works well for the overall good of society. Therefore, whilst it is important for business houses to look outside of their

guarded markets, governments need to create a healthy environment for bridging the gap.

According to one of the studies made by global real estate consultancy, Jones Lang Lasalle estimates that there is a shortfall of about 26 million housing units in India, mostly in the semi-urban areas. This amounts to a largely untapped market size of at least \$200 billion and there is hardly anyone from the organised private sector tending to this market. The said amount is equal to about ₹11 trillion or about enough to buy 2272 Airbus A-320 planes, the model commonly used by the commercial airlines in India. Now that is a huge business opportunity waiting to be explored. Instead of concerted efforts by private and public minds towards providing such needs, we as a nation seem to be more concerned about issues concerning the needs of the swish lot in our cities. Open any newspaper today in our big cities and you will observe that the biggest advertisements are from property developers, selling million dollar homes, which are supposedly 'sustainable'.

Social Entrepreneurs

So can entrepreneurs make a difference?

The first thought may be that our social issues are so big that an entrepreneur can do little and this may require active participation of government. A lot is written about how control mechanisms will need to be changed; new policies will have to be made and so on (please refer to Sharma, 2013). Now, control mechanism and regulations are not so much in our control anyway; so why worry about them?

What is in control is the ability to ideate and embark upon technology based solutions. Technology allows one to deliver low cost products at fair prices, at the lower half of the pyramid. Entrepreneurs have the opportunity to

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explore the use of domain technology and information technology to alter and improve the way business is done in the priority and allied sectors. It has been demonstrated on many occasions that ideas which have a social impact and profitability are not mutually exclusive (Sharma, 2013). Once this is achieved, regulations follow the success story.

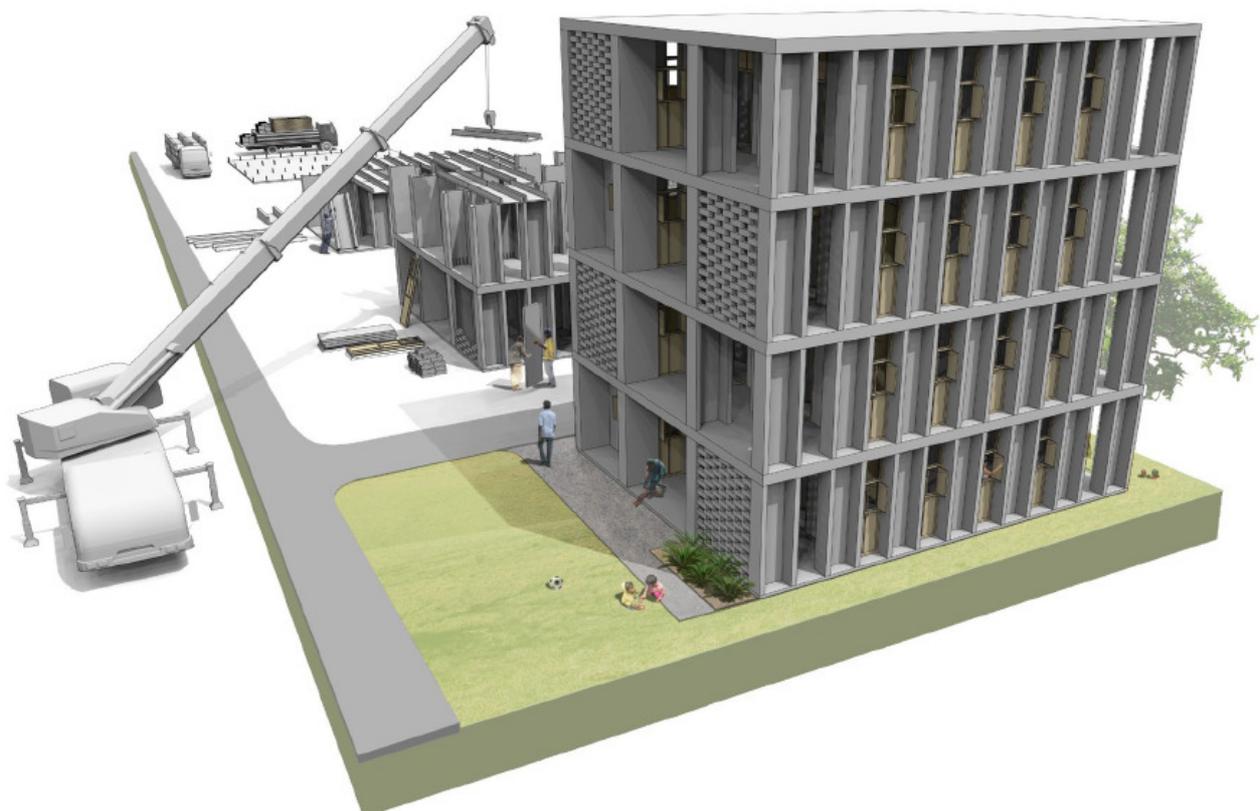
Instead of us getting stuck in regulations governing the areas of concern in India, we need to focus on the application of technology in our areas of expertise. Regulations will follow. When private initiatives are seen to be even mildly successful, governments take notice and make it easy for them. After all, these are social issues that governments are responsible to tackle with. Like healthcare, education, water and power, housing and infrastructure are other challenges that we must overcome in India if we have to be a truly developed nation.

Housing for millions: an example

I have been part of some studies around the housing industry over the years (please refer to Timberlake, 2011). We are now trying to go beyond the studies, apply technology to address some of the shortages in the industry. Where is

the Indian housing industry today? Our firm, Projectwell, joined hands with award winning, research oriented American architectural firm Kieran Timberlake to study the industry. Our mission was to understand as to why the demand-supply gap in housing keeps on increasing; and based on our findings; design a process, which will allow one to slowly reduce the gap.

Reports by the Ministry of Housing and Urban Poverty Alleviation, India and others hint that approximately 25 million housing units need to be built to give every Indian a chance of a dignified life. A majority of this demand is outside of the cities, where compared to the vertical living in cities, land prices do not form a major part of the total price of one's 'home'. What is important though is that this shortage has been increasing day by day. Besides, the demand-supply gap has been increasing every year across most sections of society in India and therefore; a house is becoming more and more unaffordable with time. This can be compared with any other necessities today and one will realise that most other things have become more and more affordable with time.



Therefore, here is the paradox; first, there is an increasing shortage and second, there is an increasing un-affordability, a truly unsustainable scenario. How does one get around this problem?

Alongside, the report produced by the Ministry of Housing and Urban Poverty Alleviation, our firm, Projectwell too studied the housing industry's progress in India from time to time. Besides, many other factors, two things stand out:

1. Generally speaking, the method of constructing a house has virtually remained unchanged in India for the last several decades
2. Unlike other industries, there has been practically no infusion of information technology in the housing industry

So the question is, is it possible to learn from other 'industries', where value re-engineering and continuous research and development have led to efficient, safer, better and cheaper products year after year? Why is it that a car becomes affordable for more and more people every year whereas a house becomes less and less affordable for the same group of people?

Can one look at housing units as a series of standardised products? In our research and development efforts, we realised that tremendous cost and time efficiencies can be built into the erection of a house by engineering the house as a standardised product. Such efficiencies translate to reducing the end user price of owning a housing unit, besides creating employment opportunities and a general sense of wellbeing by way of living in a 'good quality' housing unit with clean water and adequate power.

An analogy may shed some light. A factory made mass customisable car is always cheaper than a custom designed car. Therefore, if every house being built needs the services of consultants like an Architect, Structural Engineer and other consultants, it is but obvious that cost and time

efficiencies will be lacking. Can we think of a new role for such consultants involved in the erection of a house?

In our mission to close in on the demand supply gap, value engineering is being done to reduce the unit cost of a house as well as the time required for erection. However, for houses to be sold as standardised products, merely looking at the construction practices and design alone will not do. One needs to look at the regulatory framework and other crucial factors like access to credit as well. This is what we have been researching as well, collaborating with regulators and financial institutions to evolve a feasible model.

It is our endeavour to develop standardised, pre-engineered housing models, with the capacity for mass customisation. Modern technology is being used to define new innovative methods of off-site construction and erection. Component and material manufacturers are involved at the product development stage and contribute towards the design of the models as well as the design of the process. Each unit will be sustainable and will have access to clean water and power. They will come packaged with easy finance and easy paperwork. The entire supply chain, the customer interaction process and all other variables in the process of owning a house, will be linked together in a harmonious bind by way of a tailor made Enterprise Resource Planning (ERP) package. The ERP will be the backbone of the process, bringing in tremendous time and cost efficiencies, and eventually lead to slowly reducing the demand-supply gap. It is believed that this will spur employment generation and wealth generation at the grassroots. Thereby, the need for support facilities like educational institutions and healthcare facilities for an enriched community will rise, spurring an overall development of the community and the region.

Some of the partners associated with us in this mission have developed futuristic models in

developed countries where one can customise one's own house, over the internet. In a way, you can now order a house the way you can order a customisable Dell laptop over the internet. The ground realities of India are different and the mass market, for which we are trying to evolve a solution, may not have easy access to or understanding of computers yet. However, we are learning and picking up the supply chain integration learning from such models, making sure that international best practices are put to use.

Initial public scepticism for our thoughts has given way to acceptance as we are now receiving support from industry and governments alike, given the holistic nature of our solution, incorporating technology and ground realities of doing this in India.

What we are thus attempting is the application of technology in the housing industry to fulfil a need. By working with industry and regulators, we are relooking at possible ways of improving the business process of delivering a house. By bringing in some of the best brains from a wide spectrum of industry at the research and development stage, we keep the human intellect at centre stage, challenging the very way in which this industry has been functioning. Lastly, we are applying the latest construction technologies as well as using information technology to design a process, which will be seamlessly linked by an ERP.

The housing industry is probably the only large industry in the country, which has failed to benefit from India's prowess as an information technology super power. One can hardly witness any application of information technology in this industry whilst every other industry has brought in tremendous efficiencies by doing so.

Providing housing for 26 million Indians may not sound very glamorous, but the most conservative of estimates will show that the market size is several times the combined size of India's largest business house, Reliance Industries. Therefore, it

does make business sense. Amongst the basic needs requiring fulfilment, this is likely to be the one with the largest 'business potential'. It also has the potential for large-scale skill development and employment generation. It can contribute positively to fulfilling the needs of education and healthcare by creating the base for a vibrant market in the countryside.

About the Author

Parthajeet is an award winning innovator and successful entrepreneur. A fan of free markets and technology, he likes writing and talking about holistic approaches towards addressing 'base of the pyramid' issues.

After a degree in Architecture from Sir J J College of Architecture, an MBA changed Parthajeet's perspective towards the building industry. Today, in addition to running successful businesses in the building industry, Parthajeet devotes ample time towards R&D in the industry. Such research, often done with international knowledge partners, yields award winning products and services.

Well-travelled, Parthajeet often pens down his thoughts, as writing brings clarity to most thoughts. When not travelling, he can be found making attempts helping his wife Sibani manage their two young daughters in Mumbai. His first book, titled *Smart Phones Dumb People?* is soon to be published, details of which can be found on www.spdp.in.

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