

## HabiHut: Improving Shelter for People in Need

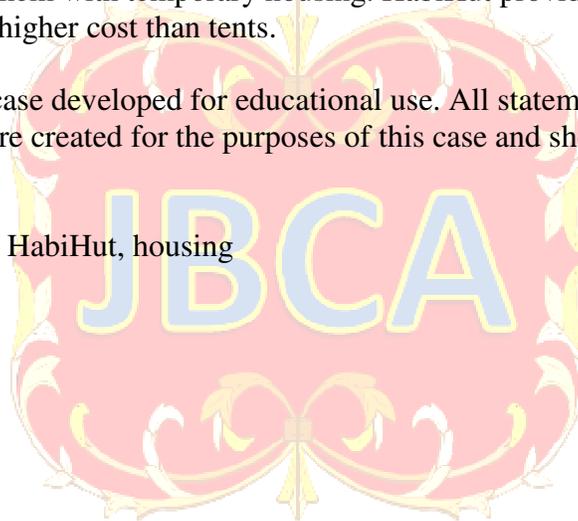
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### Introduction

Michael “Buz” Weas, President of HabiHut, is faced with a daunting challenge: How does he make money selling a much needed but expensive product to the poorest people in the world? Drug companies often sell significantly discounted drugs to poorer countries while making healthy profits in their primary markets. HabiHut doesn’t have this luxury. HabiHut’s portable housing solution is designed solely for the poorest people in the world—in places like earthquake-ravaged Haiti and the Kibera Slum in Nairobi, Kenya. People in these places are living in leaky tents if they are lucky or very likely in shacks made of garbage or old tarps. And they can’t afford to pay for housing. They rely on the generosity of the government and relief organizations to provide them with temporary housing. HabiHut provides a much nicer place to live but at a significantly higher cost than tents.

Note: This is a fictitious case developed for educational use. All statements, names, numbers, dates, etc. used herein were created for the purposes of this case and should not be construed as factual.

Keywords: business case, HabiHut, housing



## Company Background

HabiHut was founded by father and son Eldon Leep and Bruce Leep, Bozeman, Montana home builders. The Leeps founded HabiHut to provide shelter for the poorest people in the world. Bruce Leep was introduced to the idea by his father, Eldon Leep, after reading an interview with Ronald Omyonga, an architect from Nairobi, who was visiting Montana State University. Omyonga talked about the need for clean water and safe housing for the inhabitants of the vast slums in Nairobi. Bruce Leep experienced the need first hand during a shocking trip to Nairobi, Kenya's Kibera slum in which nearly 1 million people live in shacks made of garbage or old plastic tarps. "That was an eye-opener," he said, "to see all the kids and women and men, barely existing." Eldon Leep bumped into a local architect with an idea for energy-efficient housing using an innovative design and decided to contact Omyonga about possibly building one. Omyonga explained that what people in Kibera really needed was a shelter that three women could put up in 30 minutes that weighs less than 300 pounds and costs less than \$700.

"We missed on all of them," Weas said and laughed, "but it's close enough."

Omyonga was still excited about the product and is now one of eight partners in HabiHut. Omyonga meets weekly via Skype with the other partners in Montana.

## HabiHut's Product

HabiHut has devised an ingenious solution to the housing problem that the poor in developing countries often face. Each HabiHut is big enough for a family, strong, durable and relatively inexpensive—certainly by American standards. The HabiHut sports a futuristic look with its geometric design and white plastic walls. The single room is hexagonal and provides 118 square feet of living space with a roof that is 13 feet high. The walls allow sunlight to naturally light the structure while still providing privacy and safety for the occupants. Last summer 14 Kenyans gathered in the HabiHut for a dinner of chicken, rice and potatoes.

HabiHut provides much higher quality housing than tents or shacks hastily constructed out of scraps or garbage. HabiHuts are portable, weighing only 400-450 pounds, and can be assembled in less than an hour by experienced assemblers. HabiHuts are constructed of sturdy, translucent polypropylene panels supported by aluminum "bones". The structure contains three steel supports, which can be anchored into the ground. Multiple HabiHuts can be joined together to form a larger structure for clinics, businesses, temporary schools and other building needs.

The HabiHut is designed to be easily assembled and disassembled and uses recyclable materials. It can be easily taken down and moved to another place where it's needed, avoiding disposal when it's no longer needed. And once the HabiHut has lived out its useful life, its materials can be recycled, eliminating the need to dispose of it in a landfill.

HabiHut provides a clearly superior product to tents and makeshift shelters, but this quality comes at a price. While tents can be purchased for a few hundred dollars, the HabiHut runs \$2500 including shipping. See the table below for a comparison of several forms of shelter. "The reaction of the people in Kenya has been pure ecstasy," Omyonga wrote. "The government would love to use this product. The only challenge is that it is a bit expensive in the short run. We cannot compete with tents on price. We can only compete if people think longer term and think about the dignity of the people. ... (W)e cannot achieve the quality we want and which we think the people deserve ... at the price of a tent."

**Table: Comparison of Forms of Shelter**

Shelter	Cost	Weight	Effectiveness	Usable Life
Garbage/Scraps	Free	<100 lbs	Poor	Months
Shelter Systems Tent	\$300	40 lbs	Moderate	3 months
Shelter Kit	\$300	100 lbs	Good	1-5 Years
Rhino Shelter	\$4000	1000 lbs	Good	1-5 Years
HabiHut	\$2500	400 lbs	Excellent	5-10 Years
House	\$10,000+	Several tons	Excellent	20+ Years

### Social Entrepreneurs

"The idea of doing good while doing well, it may be overused, but this is definitely one of those opportunities," said Weas, 52, who joined the HabiHut board as a major stockholder three months ago and accepted the position of president.

"For me it's an opportunity to give back, to feel we're making a difference, and hopefully, make money," Weas said.

Weas was a successful entrepreneur who started a software company that he sold to GE, allowing him to move to Bozeman, MT and join the upscale Yellowstone Club. He built spec houses there until the market crashed. In an ironic twist, Weas now hopes to build housing for the world's poorest instead of mansions for the ultra wealthy.

"We all think this is an opportunity to provide jobs in Bozeman, Montana, while doing good around the world," Weas said. "The excitement is feeling you're 20 years old again and going to help the world."

Omyonga agrees, "The HabiHut is a great innovation and I feel really privileged to be part of the team promoting it." Their goal is to "revolutionize the way people in need are housed. We are not just in this for profit, we are social entrepreneurs, using a business solution to tackle a serious social problem." "As we embark on this project I am very confident that we shall succeed." Eldon Leep shares this opinion. "Capitalism is powerful," Leep said. "We just have to use it in the right ways.

### Competition

Tarps and tents are the most common form of shelter in disaster and relief situation and they are manufactured by a wide variety of companies in the U.S. and overseas. The UN hands out thousands of tarps each year and each costs only a few dollars. On the low end Shelter Systems Tents manufactures a variety of sizes of relief tents that start at \$300 for a 140 square foot tent that weighs only 40 pounds and can be assembled in 30 minutes. On the high end MDM Products manufactures a Rhino Shelter that costs \$4000, weighs over 1000 pounds and provides 576 square feet of space. These companies and others also provide hard-sided relief shelters at much greater costs. HabiHut hopes to enter the sweet spot between inexpensive low quality tents and very expensive hard-sided structures or houses.

## **Better Long Term Housing Solution?**

HabiHut clearly provides a superior form of shelter to tents. However, for the cost of one HabiHut eight families could receive a tent. Relief organizations have limited funds and need to spend their funds in the most effective and efficient way possible. If the relief organization only has enough funds for tents for all the families, should it buy HabiHuts instead and leave seven out of eight families without shelter?

Another challenge of providing housing to refugees and other endangered people is the need to provide immediate temporary shelter while striving to provide long-term permanent housing. Tents only last a few months and are clearly not an acceptable long-term housing solution. This tends to motivate governments and relief organizations to provide longer term housing. If HabiHuts last 5 years or more, relief providers may view them as a permanent housing solution and not build houses. Would this do more harm than good?

## **Business or Nonprofit?**

HabiHut is a for profit LLC corporation with dreams of making money by doing good.

Weas believes that Americans may be willing to help pay for housing for people in crisis if given the opportunity. So, in addition to selling HabiHuts to NGOs and governments, Weas would like to sell them directly to Americans in “Housing Parties.” The concept is simple. An individual would agree to host a “Housing Party” and invite friends to discuss the desperate need for housing in Haiti or Kenya with the hopes of raising enough support to sponsor a HabiHut for a particular family. This would further blur the line between profit and non-profit since fundraising is typically the domain of non-profits. Most people also don’t donate to for profit businesses, preferring instead to buy their products.

## **Celebrity Endorsement**

HabiHut recently attracted the attention of actor Sean Penn. HabiHut partner Jim Ogburn travelled from Bozeman to Haiti in April to assemble a sample HabiHut near the Petionville camp, which Penn’s nonprofit oversees for the United Nations. “He watched it go up,” Ogburn said. “He really liked the idea. He’s one of our main advocates.” HabiHut continues to receive public attention from celebrities and aid workers alike. HabiHut’s challenge is to leverage the good publicity into sales.

## **The Future**

HabiHut still faces significant hurdles. The founders have yet to make their first sale. Is there a market for their product no matter how good it is? Who will pay for it? Can HabiHut survive long enough to make its first sale? The deeper question is whether the company can actually make money by serving the poor. And if it does make money, is it right to make money off the poorest and most vulnerable people in the world?

## **Discussion Questions**

1. What is a HabiHut and how does it compare to its competitors?

2. Is HabiHut a good housing solution when 8 families could receive a tent for the price of one HabiHut? Use the PEAS framework for your answer.
3. Is it right to make a profit selling a product targeted at the poorest people in the world? Use the PEAS framework for your answer.

### Sources

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## HabiHut Teaching Note

**Topics:** Social Entrepreneurship, For Profit vs. Non-Profit, Startups, Ethics

### Case Summary

Michael “Buz” Weas, President of HabiHut, is faced with a daunting challenge: How does he make money selling a much needed but expensive product to the poorest people in the world? HabiHut’s portable housing solution is designed solely for the poorest people in the world—in places like earthquake-ravaged Haiti and the Kibera Slum in Nairobi, Kenya. People in these places are living in leaky tents if they are lucky or very likely in shacks made of garbage or old tarps. And they can’t afford to pay for housing. They rely on the generosity of the government and relief organizations to provide them with temporary housing. HabiHut has yet to make its first sale and needs to figure out how to sell to government and non-government organizations that provide relief to the needy.

### Discussion Questions

1. *What is a HabiHut and how does it compare to its competitors?*

**Answer:** There are many manufacturers of tents and other relief shelters. The primary relief shelter is the tent. There are several manufacturers described below. HabiHut manufactures a product superior to basic relief tents. However, they are more expensive, take longer to assemble and are heavier than tents. The ideal setting for HabiHuts is a fairly long-term housing need such as in the Kibera slum in Nairobi, Kenya. Temporarily displaced persons due to wars and famines may need lighter, more portable, easier to assemble tents in order to pack up and move quickly.

**Celina Tents:** [celinatent.com](http://celinatent.com) and [hgpts.com](http://hgpts.com). Provide tents of various sizes for relief purposes. Also provide semi-permanent structures. Have a contract with the GSA. A 400 square foot tent costs \$2900.

**Shelter Systems Tents:** [www.shelter-systems.com](http://www.shelter-systems.com). Provides tents for relief agencies. Small tents with 140 square feet of space weigh about 40 pounds and cost \$300. They can be assembled in 30 minutes by one person. Woven ripstop film is designed to be durable and keep out sun, wind and rain. Frame is constructed of PVC pipe so it’s easy to assemble and repair.

**Berg Shelters:** [bergco.com](http://bergco.com). Provides a variety of tents and hard-sided shelters for relief and other needs. Berg provides higher end shelters that could be used for medical or military personnel in relief situations. It appears to target the service providers instead of the displaced people.

**Rhino Shelters:** [mdmshelters.com](http://mdmshelters.com). Provides large, high quality relief tents. Tents cost \$4000, weigh 1000 pounds and provide 576 square feet. Room to fit 40 people. Rhino appears to target the relief personnel as opposed to the people they are serving.

**New Competitors:** <http://www.jetsongreen.com/2010/08/three-tiny-houses-without-borders.html>

2. *Is HabiHut a good housing solution when eight families could receive a tent for the price of one HabiHut?*

**Problem:** Is HabiHut a good housing solution when it's so expensive compared to tents?

### **Evidence and Analysis**

*Option 1: HabiHut is a good housing solution for the poor*

*Rights View:* People have a right to housing with a minimum level of quality. HabiHuts provide a superior and longer-term housing solution to tents. HabiHuts can feel like a home and provide more protection than tents. HabiHuts can be a link to more permanent housing while protecting the dignity of the people living in them. HabiHuts are much less expensive than houses and other hard-sided housing solutions.

*Option 2: HabiHut is not a good housing solution for the poor*

*Utilitarian View:* HabiHuts are heavy, take longer to assemble and are more expensive than tents. Tents can serve eight families for the price of one HabiHut. Tent quality is lower and they won't last very long, but in an emergency they are quicker, lighter and can serve more families. If relief organizations use their limited budgets to buy HabiHuts instead of tents they may not be able to serve enough families. The greater good for the greatest number is to use tents.

*Rights View:* People have a right to permanent housing. By providing a higher quality housing solution than tents, HabiHut may simply delay the construction of permanent housing. Providing trailers after Hurricane Katrina led to people settling into their trailers and making no effort to build permanent housing. Similarly, if the HabiHuts provide an acceptable quality of housing, then there would be little incentive to build permanent housing.

### **Solution**

A case could be made for either option. On balance it seems that it would be better to offer HabiHuts to relief organizations and let them decide whether they are a good housing solution. Perhaps HabiHut fits in the sweet spot of costs between tents and houses and can serve as a transition phase.

HabiHut would not contribute to the crisis or delay a more permanent solution. Ultimately this will be in the hands of the local governments working in concert with the relief organizations. While not a permanent solution, HabiHuts provide a longer-term housing solution for the poor and may provide a higher quality of life for its inhabitants. HabiHuts provide a much higher quality of housing than tents but are still much less expensive than houses. It often takes years before permanent housing is constructed. HabiHuts allow people to live in much better conditions than tents during that construction time.

3. *Is it right to make a profit selling a product targeted at the poorest people in the world?*

**Answer:** It depends.

**PEAS Framework:** Problem, Evidence, Analysis, Solution

**Problem:** Is it right to make a profit selling to the poor?

### **Evidence and Analysis**

*Option 1: Sell to the poor.*

The poor need to be served and need to buy products to meet their basic needs. The majority of their income goes towards shelter, food, water and heat. C.K. Prahalad argued in

an HBR article that the poor represent a huge untapped market. They have many of the same needs as other customers, but need inexpensive or small packages of essentials. There is tremendous potential to make a profit selling products and services to the poor while meeting their needs.

Companies can also involve the poor in the process of selling products and services in order to raise the standard of living of the folks in these poor areas. HabiTut will be selling to relief organizations that need to purchase temporary housing and shelters. These organizations will need to buy their tents or shelters from companies.

*Option 2: Don't sell to the poor or at least target them.*

The challenge is to not abuse the poor in the process of selling to them. They are in a very weak and vulnerable position and exploiting them by charging excessive amounts for financing, food, water and shelter would be wrong. The potential for abuse by powerful companies is just too great to encourage them to target the poor with their products.

### **Solution Recommended**

Either option could be supported. In this case HabiTut seems to provide a valuable product to the poor. This is a nice alignment of making money while doing good. As long as HabiTut makes a quality product that actually meets the needs of the needy people who would use its products, this seems like a valuable service to provide.

Habitut is trying to meet the demands of a triple bottom line: people, planet and profits. It wants to make money while serving the needs of people and the planet.

*Bonus: Who are HabiTut's customers and how should it go about selling to them?*

**Answer:** National and international relief agencies will be the primary customers. Primary customers will be FEMA, USAID, the UN and other government and non-governmental organizations (NGO). HabiTut will need to become an approved provider of disaster relief shelter and form agreements with these organizations. The challenge will be to provide HabiTuts in sufficient quantities for these large relief organizations. HabiTut will have to simultaneously sell its shelters while assuring the relief organizations that it can meet the demand for hundreds or thousands of shelters when they are needed.

Habitut will need to get creative to sell its products. In addition to selling to NGOs HabiTut may be able to use non-profit like tactics to interest Americans in sponsoring a needy family in Kibera, for example, to help pay for a shelter. It may also be able to get Americans interested in making low or no interest micro-loans to help families pay for a HabiTut. Perhaps it can partner with Kiva.com to provide microloans and tap the power of giving over the Internet.



## **PEAS Framework for Ethical Decision-Making\*\***

### **Why Ethical Decision-Making?**

The mission of the College of Business includes encouraging ethical decision-making and social responsibility. Ethical decision-making is characterized by respect for others, an awareness of justice, and sensitivity to the application of rules of conduct. It is an essential skill for all professionals. Accordingly, an objective of the College of Business is that upon graduation, you will appreciate the ethical and social responsibility dimensions of business decision-making.

More specifically, you will be able to:

- a. Recognize the ethical and societal implications of proposed actions;
- b. Demonstrate knowledge of ethical decision-making tools;
- c. Effectively evaluate the ethical and societal effects of a variety of options; and
- d. Make a sound decision in accordance with the analysis and evaluation of options.

### **What is a Framework for Ethical Decision Making?**

In order to help you hone your ethical decision making skills, the College created a tool to guide your ethical decision making process. Based on PEAS, the College's Framework for Critical Thinking, the Framework for Ethical Decision Making offers you a four step process for effective ethical decision making. If you use this framework to solve every ethical problem you encounter, you will become a powerful ethical decision-maker, which in turn will allow you to be an influential and effective professional.

### **How is the PEAS Framework Used?**

PEAS stands for Problem, Evidence, Analysis, and Solution. Each word represents a crucial problem solving step. As you move forward from step to step, you may need to circle back to earlier steps to redefine the problem, gather more evidence or conduct additional assessment. While the Framework for Ethical Decision Making follows the same PEAS steps as the Framework for Critical Thinking, the Framework for Ethical Decision Making asks you to assess problems in terms of ethical guidelines and theories and consider their implications for your decision. For example, the "Analysis" step requires you to identify specific ethical guidelines and theories as well as analyze possible problem solutions in light of those guidelines and theories. Thus, the Framework for Ethical Decision Making is an important variation on the Framework for Critical Thinking.

Keep in mind that there is not necessarily a "right" answer to an ethical dilemma. Ethical decision making is often difficult because you must decide not between "right" and "wrong" but between "right" and "right." Ethical decision making is as much about the process of decision making as it is about your answer to the problem.

### **What Are Ethical Guidelines and Theories?**

Ethical guidelines and theories are tools and principles that can help you determine an appropriate course of action for a particular situation. Each guideline and theory has strengths and weaknesses that should be evaluated in terms of each stakeholder and the context of the problem. Some of the most widely-used ethical guidelines and theories include:\*

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\*With thanks to George A. Steiner & John F. Steiner (2003), *Business, Government and Society: A Managerial Perspective*, McGraw Hill Irwin, 10<sup>th</sup> ed., ch. 8.

\*\* PEAS Framework used with permission from the MSU Assurance of Learning Committee

### Front Page of the Newspaper Test

Would you be comfortable if your actions were revealed on the front page of the newspaper? If so, your conduct is ethical (but may not be the only ethical solution or the best solution).

### End/Means Test

Does an ethical goal (end) justify the way you get to that goal (means)? In other words, does the overall good justify cutting corners to get there?

### The Golden Rule

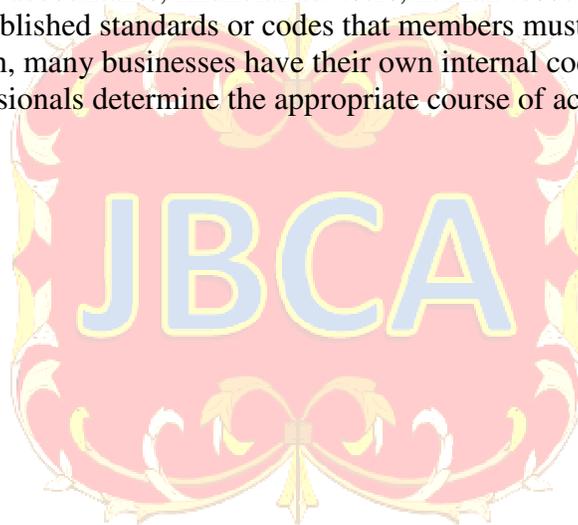
Do unto others as you would have them do unto you. In other words, treat others as you would wish to be treated. This rule can be helpful, but keep in mind that it is possible that another person may not want to be treated as you prefer to be treated.

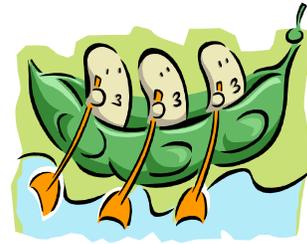
### Utilitarianism

What act or rule results in the greatest good for the greatest number? Do the benefits of the action outweigh the costs/harm to all the stakeholders? Keep in mind that costs and benefits can be hard to identify because they are not only economic, but may also be social, environmental, legal, cultural, etc.

### Professional Standards or Codes of Conduct

Many professions such as accountants, financial advisers, human resource managers, and marketing agents have published standards or codes that members must abide by to remain in good standing. In addition, many businesses have their own internal codes of conduct. Such standards can help professionals determine the appropriate course of action in a given situation.





## The Ethical PEAS Framework for Ethical Decision Making

Answer the following questions in sequence to arrive at an appropriate solution:

### 1. Problem

- What is the ethical problem to be solved?
- What question(s) do I need to answer?

### 2. Evidence

- What relevant facts and figures do I know?
- How do I know these are facts rather than opinions, inferences or assumptions?
- Who are the affected stakeholders? What are their interests?
- What do I not know that is relevant to solving the problem?

### 3. Analysis

- What ethical guidelines and theories will I use to help me decide what to do? Consider at least 3-4 different theories, such as:
  - Front Page of the Newspaper Test
  - End/Means Test
  - The Golden Rule
  - Utilitarianism
  - Professional Standards or Codes of Conduct
- What legal rules are relevant to the problem?
- What 3-4 possible solutions would solve the problem?
- Evaluate each alternative solution in light of each ethical theory and applicable legal rules.
- What are the practical implications, both positive and negative, of each alternative solution? How are the stakeholders affected by each alternative? Use the attached chart to assess the effects of each alternative solution.
- What assumptions and inferences am I making? Are these justified?
- Which solution am I most comfortable with? Why?
- Does my solution solve the problem and answer the questions identified in Step #1?

### 4. Solution

- What is my solution to the problem?
- Understanding the dimensions of the problem, using all relevant evidence, applying a variety of ethical theories, and paying close attention to my analysis, why is mine the best solution?
- How will I explain my solution to all of the stakeholders?

## Chart for Ethical Decision Making

Use this chart to help you organize your evaluation of the relative merits of each alternative solution to an ethical problem.

The Problem [state the ethical problem clearly and succinctly]:		
Possible Solutions	Pros	Cons
Solution 1:		
Solution 2:		
Solution 3:		
Solution 4:		

**Recommendation:**



# PEAS Framework for Critical Thinking

## Montana State University College of Business

