



Lab Habitação

Large companies united to promote social-housing startups

Lab Habitação is a coalition of large construction materials companies that foster social-housing impact businesses. The initiative was envisioned by Gerdau in partnership with Artemisia. In two years, it has already supported 28 businesses.

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LOCATION:

National – Brazil



MAIN PARTNERS:

Co-financers:

- Instituto Vedacit
- Tigre
- Instituto Votorantim
- Eternit

Technical support:

- Caixa Econômica Federal
- Brazilian Council of Architecture and Urbanism

Operator:

- Artemisia



MOTIVATION/PROBLEM TO TACKLE:

Develop and strengthen the pipeline of impact businesses that work to improve low-income housing.



TYPE OF INVESTOR/SILO:

Corporation



FINAL BENEFICIARIES:

Low-income population



DURATION:

2017

–now



NON-FINANCIAL SUPPORT:

- Business model and/or strategy
- Financial management
- Operational (marketing, logistics, IT, sales, purchases, legal)



SECTOR:

- Water, sanitation, and hygiene
- Employability
- Energy
- Housing and community development
- Financial services



TYPE OF FINANCING:

Philanthropy

RESOURCES INVESTED OR DONATED:

USD 260,000

year (approximately)



SDGS ADDRESSED:

IMPACT:

28 businesses

accelerated. 6 of them received seed funding

USD 2535 each





BACKGROUND AND CONTEXT

A large part of the Brazilian population still lacks adequate housing, and the challenges to obtain it are diverse and complex. According to the Tese sobre Impacto Social em Habitação (Thesis on Social Impact on Housing), developed by Artemisia and Gerdau:

- ... 11 million homes already built do not provide the desired habitability conditions.
- ... 9 million homes lack at least one infrastructure service.
- ... 45% of the population lacks adequate sewerage, and 16.5% is connected to the water supply network.

Lab Habitação was created in this context, as a program to accelerate impact businesses by means of solutions that help make homes more habitable and decent. Solutions included access to housing credit, low-income housing, renovations, water and sanitation, energy, employability in civil construction, and land regularization, among other lines.

The program was conceived by Gerdau, a Brazilian steel company with 30,000 collaborators in more than 200 sites in 10 countries. Gerdau-produced steel is supplied to the construction, automotive, energy, infrastructure, shipbuilding, and oil industries. 77% of the steel produced comes from ferrous scrap, which makes Gerdau the largest Latin American recycler in terms of volume.



DESCRIPTION

Lab Habitação emerged in 2017 from a concern in Gerdau's Corporate Social Responsibility unit, which proposed connecting more with the company's main business.

"It was the most acute change in the last fifteen years in the social responsibility strategy. We defined entrepreneurship as the main standard, understanding that it is a major catalyst for the change we need for society." Paulo Boneff, Gerdau Corporate Social Responsibility Manager.

With this new strategy, the company decided to focus on three pillars of action and using entrepreneurship as its guiding principle. The pillars are: i) Entrepreneurial education, ii) Recycling, and iii) Low-income housing.

“There was no other company working on housing in the context of corporate social responsibility. There were only public sector or business actions. In the United States, that standard has been discussed for a long time.” Paulo Boneff.

A close relationship with Artemisia allowed to create Lab Habitação in order to form a social entrepreneurs pipeline in the housing sectors. Artemisia is an organization pioneering impact business promotion in Brazil, which favored an immediate synergy with Gerdau’s strategy.

“Brazil is a continental country. A solution in São Paulo will not serve all of Brazil. The third sector won’t be able to withstand the burden of facing the challenge alone. We need to form the business pipeline. Eventually, in two or three years, those entrepreneurs will gain robustness and access to scale-up programs.” Paulo Boneff.

Artemisia and Gerdau decided to include other partners as well. The first one was Vedacit, then Tigre and Eternit. In 2019, Instituto Votorantim was also included, and Eternit exited due to business reasons.

“On top of being the major players in the Brazilian civil construction materials sector, these are family companies, with strong social responsibility values.” Paulo Boneff.



Lab Habitação is a program to accelerate impact businesses by means of solutions that help make homes more habitable and decent.

Besides co-financing the initiative, this collaboration has two main objectives:

- ... Providing mentorship through executives from participating companies and connecting entrepreneurs to the main business of the companies.
- ... Spurring learnings in the companies on particular aspects of low-income populations, based on the experience with the entrepreneurs.

“Gerdau could finance the Lab alone. The decision to bring partners was not financial but strategic, for the construction of a network of organizations with the knowledge and capacity to boost results exponentially.” Paulo Boneff.

Lab Habitação also made room for non-financial collaborators. Since 2019, Caixa Econômica Federal and the Brazilian Council of Architecture and Urbanism (CAU) participate actively in Lab Habitação. These collaborators contribute knowledge and connections to the program, learn with entrepreneurs, and replicate Lab Habitação initiatives.

“The CAU comprises 150,000 architects. It is a high-potential impact entrepreneur pipeline.”
Paulo Boneff.

The reason to build an acceleration program has strategic and social foundations. From a strategic point of view, it is necessary to identify and scale low-income housing businesses. The company realized that traditional accelerators do not have impact business pipelines focused on this sector. Additionally, many social entrepreneurs either do not identify as entrepreneurs or are part-time entrepreneurs besides having a regular job. In this regard, Lab does not only work to identify and train entrepreneurs, but also to motivate them to continue in the entrepreneurial journey.

From a social point of view, Boneff argues that, evidently, the public and social sectors will not be able to solve all the housing problems on their own, given the magnitude and complexity of these issues in Brazil.

“No one will solve this situation alone. We need innovative and scalable solutions. And these solutions will not come from the settings in which they are now.” Paulo Boneff.

On top of acceleration, the Lab also saw the need to create knowledge. This is why it launched the Tese sobre Impacto Social em Habitação, an unprecedented study that gathers information on housing issues faced by economically vulnerable Brazilians and points to opportunities to develop impact businesses. With the launch of the thesis, which allowed a new line of action–knowledge creation–, the Lab became a Coalition for Housing, consisting of the following committees:

- **Executive Committee:** Made up of ten company executives (all of them women) and the Artemisia operational team. This Committee meets every two months and is responsible for the definition and management of the operational and tactical plan of the coalition.



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- ... **Founders Council:** Comprised of each company's leader and Artemisia's management team. This Council discusses and makes strategic decisions for the coalition, such as the admission of new partners, lines of action, and medium and long-term decisions.

COVID-19 forced the coalition to pause the acceleration program in order to create a new line of action—an emergency fund called “Volta por Cima” (Bounce Back) to support already-accelerated social businesses at this time of crisis.



IMPLEMENTATION

Tailored Finance

The initiative is completely financed by philanthropic resources from the private companies that are part of the coalition. They invest USD 600,000–800,000 a year, which could turn into USD 1–1.3 million with the entry of new co-financers.

“Money is not usually a problem. When we have a good project, we get financial resources. We only have to be aware that the growth needs to be sustainable, with time to absorb pain and learning.” Paulo Boneff.

The execution comprises four stages:



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<p>1. Call for proposals</p>	<p>For each edition, Artemisia and Gerdau launch a public call for housing businesses in the following areas:</p> <ul style="list-style-type: none"> ●... Workforce training in civil construction; ●... Condominium and low-income housing management; ●... Water and sanitation; ●... Access to quality housing; ●... Access to microloans for housing; ●... Home renovations; ●... Energy; ●... Civil construction innovation and efficiency; ●... Urban infrastructure and public space improvement; ●... Land regularization.
<p>2. Selection</p>	<p>15 entrepreneurs are selected by a Committee comprising representatives from both the company and Artemisia.</p>
<p>3. Acceleration</p>	<p>After the selection stage, the entrepreneurs go through a two-month acceleration process, including mentoring by Artemisia and the supporting companies.</p>
<p>4. Final evaluation and seed funding</p>	<p>At the end of the acceleration process, businesses are evaluated by a Board made up of supporting companies’ executives (management and C-level). The three businesses with the best performance during the process are awarded seed funding for BRL 10,000 (USD 2535) and receive specific mentoring and follow-up for three months by the Artemisia team and company mentors.</p>



Non-Financial Support

Non-financial support for businesses includes:

- Training and workshops focusing on business development, solution refining, and support to adjust the business model.
- Connection with social and housing impact business specialists (with the co-financing companies' mentors and leaders).
- Possibility to access products at a social price.



RESULTS

Two Lab editions have taken place, in 2018 and 2019. 375 businesses entered the first edition, and 495 entered the second edition. For each edition, fourteen businesses from nine different states were accelerated. The three businesses with the best performance were awarded non-refundable seed funding for BRL 10,000 (USD 2535) each.

These are businesses like Diosa, a start-up that trains and makes available female labor for general maintenance and renovations of homes by means of a platform. In Brazil, 90% of civil construction professionals are men, and women are still not welcome in this very traditional sector. On the other hand, plenty of women feel uncomfortable seeing all-male teams at their homes for renovations or repairs. Diosa links these two ends and charges a 30% commission for each service. Most clients (80%) are women. The most sought-after services are plumbing repairs, such as leaks and pipe bursting.

93% of businesses have up to five employees. 85% have a turnover of up USD 5070 per month. 40% of the social businesses belong to women, while 30% belong to black people. The program had 51 company executives serving as mentors.



There were also indirect business results, based on a synergy between entrepreneurs and the companies of the coalition.

There were also indirect business results, based on a synergy between entrepreneurs and the companies of the coalition. For example, all of the accelerated businesses gained exclusive access to company products at a social price, below market. Due to the complexity of the companies' commercial policies, that is not a Lab explicit commitment yet. However, the trend is that it will be a decision adopted across the market. Also, members of the families that own the companies joined as angel investors for the accelerated businesses.



LEARNINGS AND PERSPECTIVES

The four principal takeaways derived from this initiative are:

Creation and management of the coalition

Instead of an individual initiative, Gerdau opted for the most complex and challenging path—forming a coalition of companies. Besides being linked to the same market segment, all of them have similar organizational and value cultures, and mainly the conviction of their role in the Brazilian society. This contributes openness and trust for the coalition that allows to make better decisions.

Furthermore, collective learning created for both entrepreneurs—as they are directly in contact with company executives—and companies themselves accelerates the construction of an ecosystem that favors the entrepreneurs' businesses with large corporations.

“The participation of Instituto Vedacit in Lab Habitação has led to major learning for our business, from elements to build our purpose—transforming the lives of millions of people by improving housing conditions, turning their homes into our cause—to the creation of strategies to achieve the goal—contributing to the reduction of inadequate housing in Brazil by 10% by 2025.” Luis Fernando Guggenberger, Vedacit Innovation and Sustainability Manager.

Social price as a strategy

The Lab made companies rethink their pricing policies and supply businesses with their products at a social price—understanding that, without that new pricing policy, businesses would not be able to provide their low-income clients with quality products.

Importance of the accelerator's role (Artemisia)

The accelerator—Artemisia—plays an essential role in the articulation, management, and operation of the coalition.

“Artemisia had the ability and sensitivity to know how to manage and articulate the Lab within the complexity of having diverse collaborators, not only among companies, but also among entrepreneurs. That is our core pillar. The Lab could exist without Gerdau, but not without Artemisia.” Paulo Boneff.