



How do we create inclusive economies that work for all?

Building Markets
Global Strategy 2023 - 2028



Building Markets

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“Addressing inequality will require a new, win-win approach to...mean more for everyone: more peace and stability for people at the top, more economic security and opportunities for those at the bottom, and more climate resilience and sustainable development for all.”

United Nations Sustainable Development Goals Report 2019:
Gathering Storms and Silver Linings



How do we create inclusive economies that work for all?

The Challenge

Globally, small businesses represent nine out of ten businesses and are also the largest employers, providing 70% of jobs in the world.¹ But small businesses, particularly those from communities affected by marginalization, are not achieving their full potential. This stems from three root causes: small businesses don't pursue or win all the economic opportunities for which they are qualified, buyers (public and private sector) favor well-established larger suppliers, and

economic, social, and political conditions disproportionately sideline communities affected by marginalization. Families and communities are left behind when the market excludes small businesses, and we all lose out on their missed potential.



Small businesses represent nine out of ten businesses across the globe and are also the largest employers in the world, providing 70% of jobs globally.

The Opportunity

Building Markets exists to address these problems. **We tackle inequality around the world by advancing inclusive economies that work for all.** We do this by opening pathways for small business owners affected by marginalization, providing the following key services:



Digital, online marketplace, connecting small businesses and buyers.



Bespoke small business data, a high-quality resource for buyers, financial service providers, and research partners.



Market-access training, including effective bid training for small businesses.



Access to working capital.

What do we mean by “small business”?

Our data show that our interventions have the most significant impact on small businesses that have:



Less than 50 employees.



A proven track record of revenue generation.



And are formal or on a path to formality.

Going forward, we will target this business profile focusing on communities affected by marginalization.

Our services are designed to deliver four primary outcomes within our target communities:



Increased revenue for small businesses.



Secured working capital to enable small businesses to engage fully in market opportunities.



Increased buyer confidence in small businesses.



Job creation for economically vulnerable populations.

We focus on these outcomes as we believe that they are essential to achieving our intended impact:

- + Business leaders, their employees, and families have increased agency and opportunity to transform their lives and communities;
- + Buyers are more satisfied and willing to engage with small businesses; and
- + Communities are more cohesive, secure, and sustainable.

Who are “communities affected by marginalization”?

Building Markets uses the terms “affected by marginalization” and “economically vulnerable” synonymously. Specifically, we focus on communities that have experienced crises such as war or forced displacement (due to conflict, environmental, or economic factors) or have been historically excluded from economic opportunity due to race, gender, age, social class, migration status, sexual orientation, or disability.



Our Goal

We aim to facilitate at least \$400 million in revenues for small businesses from marginalized communities by 2028. Our goal doubles the pace at which Building Markets has supported businesses to generate revenues across the last ten years. We aim to do this with an average efficiency ratio of 1:10 - meaning for every dollar Building Markets spends, we deliver ten dollars of revenue to a small business. We also aim to increase our reach by expanding the number of small businesses we have supported by 65%.

Building Markets' Global Impact By 2028

\$400M

In revenues for
small businesses

1:10

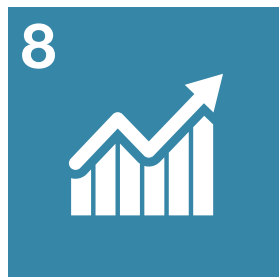
Global average
cost-efficiency ratio

65%

Increase in the
number of small
businesses supported

Building Markets' support to the Sustainable Development Goals (SDGs)

Our work contributes to the UN Sustainable Development Goals: Goal 5 to 'achieve gender equality and empower all women and girls,' Goal 8 to 'promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all,' Goal 10 to 'reduce inequality within and among countries,' Goal 11 to 'make cities and human settlements inclusive, safe, resilient and sustainable,' and Goal 17 to 'strengthen the means of implementation and revitalize the global partnership for sustainable development.'





Why are economies not inclusive of small businesses from marginalized communities?

Understanding the Challenge

Small business leaders from communities affected by marginalization face several obstacles to growth. We have identified three root causes of this challenge, which are set out below.

1 Small business leaders from marginalized communities don't pursue or win all the economic opportunities for which they are qualified.

They lack the knowledge and networks to access new markets, as well as the human, financial, and technological resources to bid on and win new work. When government support services are available, they either don't sufficiently include small business leaders who, for instance, have a language barrier or are of insufficient depth and quality to make an impact. There is also a gap in the financial products market that disproportionately affects populations affected by marginalization. The lack of capital constrains their growth and reduces their ability to bid on larger volumes of work.²

2 Buyers (whether corporate, government, or public and private sector) favor well-established, larger suppliers.

While many corporations and public sector organizations make public commitments to diversifying their supply chains, they often favor larger, more established businesses as they perceive working with small businesses as too costly and risky. This is often a result of their processes not being geared up for efficiently identifying and managing reputable small businesses.

3 Economic, social, and political conditions disproportionately sideline communities affected by marginalization.

Macroeconomic issues such as inflation, currency depreciation, and changes in regulation hit small businesses more acutely due to their limited financial resources and personnel. Entrenched biases in power structures, which result from a legacy of historical injustices and disempowering gender and racial norms, are also a powerful barrier to their success.



Sizing the Problem

41%

of formal micro, small, and medium businesses in developing countries have **unmet financing needs**³

48%

of small and medium-sized enterprises are **concerned about talent acquisition, retention, and development**⁴

Female-Led

small and medium-sized enterprises are **20% less likely to adopt digital solutions to improve productivity**⁵

Only 1 in 20

small and medium-sized enterprises **see a productivity boost after taking part in a government program to help them grow**⁶

A 10% increase

in the frequency of trade regulations or procedures **reduces export value for small businesses** by more than twice as much as it does for large businesses⁷



ROOT CAUSE ANALYSIS

Small businesses from economically vulnerable communities do not achieve their full potential as they are not equally included in markets.



Unfavorable operating conditions disproportionately affect people challenged by marginalization and their businesses

- Weak social fabric and institutions resulting from autocratic regimes
- Legacy of historic injustices leading to disempowering social and cultural norms
- Low government support for small businesses from marginalized communities

EFFECTS

- Lack of incentives to remove entrenched biases in existing power structures
- Public sector institutions are unaware of constraints, and the value small businesses can add

ROOT CAUSES

Small business leaders are not pursuing/winning all the economic opportunities they could

- Unable to meet requirements
- Not aware of or interested in pursuing formal procurement opportunities
- Low confidence in formal procurement processes

- Businesses lack time, talent pool, digital integration efficiencies, and capital to pursue and deliver on complex bids
- Buyers bundle procurement requirements (e.g. categories, geography) or have onerous contracting requirements (references, track records, policies, payment terms)
- Business support services are not tailored to small businesses or cultural norms of diverse business owners

Buyers favor well-established suppliers

- Perceive well-established suppliers as less risky
- Perceive being small business-inclusive as too difficult/costly
- Unaware of the value small businesses can offer (e.g., innovation, tailored support)

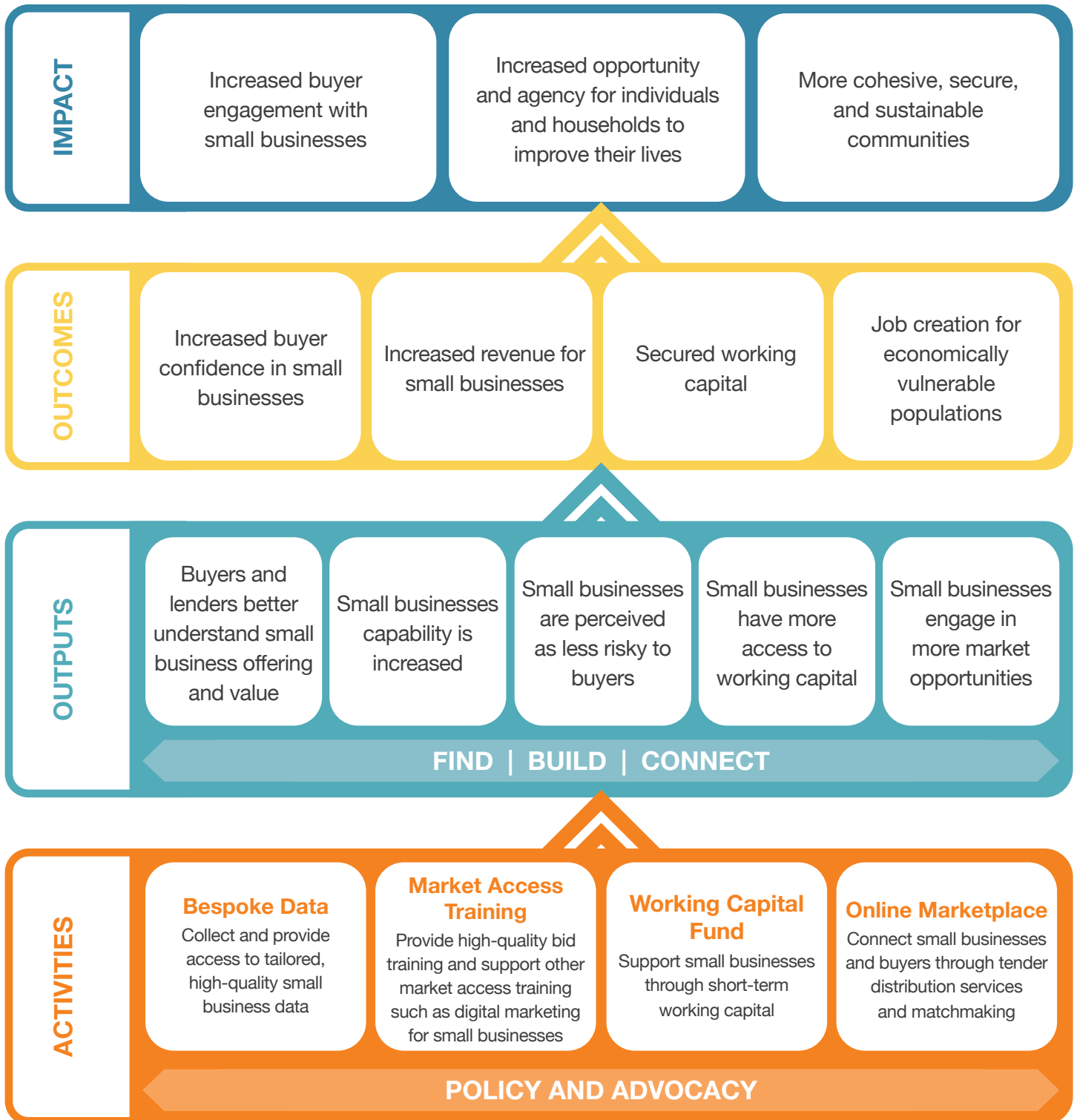
- Lack information regarding small business offerings relevant to their needs
- Lack incentive to make processes more inclusive
- Ineffective or non-existent support services for buyers to be more inclusive



What is Building Markets' approach to creating inclusive economies?

Our Theory of Change

Building Markets' global theory of change sets out to create a long-lasting impact by addressing the root causes of economic exclusion for small businesses from marginalized communities.



Our Delivery Channels

Building Markets uses four primary channels to deliver impact. In addition, we will ramp up our focus on influencing policy and decision-makers (funders, policymakers, and buyers) to advance resources and support for the greater inclusion of small businesses in global supply chains and markets.



1. DIGITAL, ONLINE MARKETPLACE

Building Markets' digital services (business directory, tender directory, and export platform) provide a critical connection point between small businesses and potential buyers. We will enhance the platform's usability and add features such as refined small business and buyer data, referral and recommendation feedback, matchmaking opportunities, and, eventually, contracting and transaction payment services.



2. BESPOKE SMALL BUSINESS DATA

We will build on our current data capture processes and quality controls to continue providing a high-quality resource for buyers, suppliers, and policy developers. We will package this data for various new users, especially financial service providers such as insurers, investors, and lenders.



3. MARKET-ACCESS TRAINING

Building Markets' bid training enables small businesses to win procurement opportunities and become self-reliant in their bidding efforts. We will develop an offering for corporations and governments to increase the pipeline of available businesses that they can integrate into their supply chains. We will also work with small businesses to address concerns that could keep buyers from bringing them into their supply chains, including speed, reliability, product quality, or service. For small firms in the business-to-consumer (B2C) retail market, we will increase our focus on digital marketing training, which has shown excellent results.



4. ACCESS TO WORKING CAPITAL

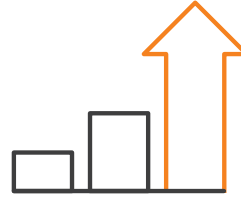
Given the serious constraint to growth that a lack of access to capital poses for small businesses, and the socio-economic barriers which accentuate this issue for marginalized communities, we will prioritize the need for working capital as a core element of our services. We will explore partnerships with niche financial services providers and seek to set up our own fund or seek out blended financing opportunities.

What Sets Building Markets Apart?



We are experts in creating meaningful impact for small businesses.

From our founding in 2004 to the present, we have built local networks of more than **27,500 small businesses**, nearly **20% led by women**. We have helped companies to secure funding (contracts, investments, and loans) valued at **over \$1.4 billion and created more than 74,600 full-time equivalent jobs**.



We are evidence-based and data-driven.

We collect and analyze data to learn about the experiences, capabilities, and prospects for our business networks and the relative effectiveness and efficiency of our programming. **Where necessary evidence is lacking, we prioritize generating it through our activities.**



Our achievements have endured.

A randomized controlled trial of Building Markets' Winning Contracts training program in Liberia from 2017-2019, which taught firms how to bid on contracts, found that firms that participated in the training doubled their percentage of winning bids compared with those that did not complete the training. The advantage of participants over non-participants was even higher for international contracts. **Three years after the businesses completed the training, they still outperformed their peers.**



We combine local expertise with a global mindset.

Without exception, we hire team members from the market in which we operate, many of them from the marginalized populations we serve. Many have worked in the private sector and have lived and worked in several countries. **Our team members have worked in management consulting, export consulting, procurement, start-up accelerators, government, and local economic development.** We combine a breadth of experience across sectors and settings with deep roots in the local community.

Our Strategic Principles

Building Markets is guided by four principles to execute our strategy successfully:



EXPANDING THROUGH LEARNING

We will study the *impact* of Building Markets' programming on factors such as individual and household well-being and agency, community resilience and social cohesion, and improved buyer satisfaction. Through iteration, we will learn how to maximize the uptake of digital services, increase buyer confidence in small businesses, design fee-based models that achieve mission impact *and* financial sustainability, and test which remote delivery models permit our expansion into countries where we have no presence.



INVESTING IN ANCHOR MARKETS

Building Markets will operate through five to six 'anchor' markets in the next five years, including Myanmar, Türkiye, and Colombia. We will choose anchor markets based on the following criteria:

- The country represents a large market of small businesses and is regionally significant in trade, access, and language.
- There is a performance gap between marginalized and mainstream small businesses, as measured by revenue and the scale of public and private procurement wins.
- The government has a positive small business inclusion strategy in place, and/or corporations are actively interested in diversifying their supply chains.
- There is an unmet need for support services for marginalized small businesses.
- Funders are interested in supporting small businesses in this market.



PURSUING A MARKET-ORIENTED PATHWAY TO GROWTH

Building Markets currently relies on grants and other philanthropic funds. We will test the feasibility of charging for some of our services—for example, access to our digital marketplace, our data, and specific types of services, such as training. Fee-for-service activities will ensure our financial viability and provide feedback on our services' value but never compromise our mission.



ENABLING SMALL BUSINESSES TO CONTRIBUTE TO ENVIRONMENTAL SUSTAINABILITY AND GENDER EQUALITY

Through our work in Myanmar, we have learned that small businesses can adopt green business practices and contribute directly to mitigating climate change through sectors such as waste management and sustainable construction. We will apply this learning to support small businesses in multiple markets to engage in climate-beneficial activities that promote circularity and environmental sustainability.

In addition, we will design programs with a complete understanding of the constraints faced by women entrepreneurs and a goal of ensuring that they benefit fully from our offerings. Currently, women face barriers to participation, such as a lack of availability of childcare and social norms that discourage female participation in the labor force. Women's low participation rates and tendency to keep their businesses small and informal represent a vast loss of potential.





How will we make an impact?

What Organizational Investments Will We Make to Achieve Impact?

To achieve this strategy, Building Markets will need to invest in several areas:



Strengthening our team:

As we expand our reach to the broader ecosystem, we will need to develop or hire specialized expertise in areas such as:

- **Sustainability and corporate supply chain development:** to build strong partnerships with corporate buyers at regional and global levels and offer them relevant and effective services which can be integrated into their existing practices;
- **Circular economy development and gender:** to design strategies for small businesses to improve their own practices and position themselves for climate and gender-related market opportunities;
- **Quantitative research and data:** to support our learning agenda and to produce high-quality, customized datasets for our partners;
- **Digital product management:** to guide the build-out of our suite of digital services and ensure product quality and security.



Developing our digital marketplace:

We will build our digital tools to offer a more robust user experience and directly address problems that small businesses and buyers face.



Building a working capital fund:

We will raise funds both to capitalize our working capital fund and to cover its initial setup and operational costs.



Developing flexible resources for new market scoping and entry:

We expect to start programming in new markets with funding in place, but we will need flexible funds to cover additional costs related to country office entry and setup.

Join Us

We can only create inclusive economies for small businesses by partnering with like-minded individuals and organizations. **Reach out to us at partnerships@buildingmarkets.org**

FOR FUNDERS AND PHILANTHROPISTS

To deliver our ambition, we expect that by 2028 we will need to raise \$12 million annually in unrestricted and programmatic funding. Join our diverse group of strategically aligned donors to help build inclusive economies for small businesses so that all people have the opportunity to rise.

FOR BUYERS

Working with small businesses from marginalized communities improves supply chain diversification and resilience and supports achievement of environmental, social, and governance (ESG) goals. Partner with Building Markets to access a network of verified, trained, and capable small businesses.

FOR SMALL BUSINESSES

No matter who you are or where you're from, we all dream of a better future. Join Building Markets to access a wide range of growth and development opportunities and a vibrant support network, from customers to clients and capital.

FOR PROGRAM PARTNERS AND FINANCIAL INSTITUTIONS

If you implement economic development and financial inclusion programs and seek high-quality, specialized expertise in building inclusive opportunities for small business leaders from marginalized communities, we would be delighted to explore a partnership.

FOR RESEARCHERS

Using data and learning to improve our impact is a core value at Building Markets. We work with academic partners and research organizations to generate evidence informing our programmatic decisions and influencing policy- and decision-makers. If you are interested in working together, we would love to hear from you.

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