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Market systems approach - all about business, really?



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All blogs

If we are to be useful allies to poor people then it is important we understand the difference between businesses and market systems.

We tumble out of bed early in the morning because we want to make a difference in the world - a big difference. This ambition is inspiring; it attracts good people to join the cause, but is rarely achieved. Why is this?

Guides not leaders

We forget that we are merely facilitators, trying to make easy the ambitions of other people who do not work for a development organisation but in a company, on a farm, or in a policy agency. We put our own aims at the front of our minds and on our whiteboards; we know our logframes and intervention guides better than the balance sheets of companies that are in the market; we do not understand the passions of poor people nor their visions, for we are too busy delivering what has been asked of us. We forget our role and may even get in the way of progress.

We mistake system influence for our control, and so promise results that we have little power to deliver. But when the expected results look unlikely to happen, we blame the circumstances or each other, and quickly spend more money so that something will change and we can point at it saying, 'this is progress'. Shame on us. We do not consider what might arouse the market to greater action, or appeal to the spirit in each CEO, nor seek subtle and hidden pathways for our insightful footsteps. Instead we plant a flag, make a point, or contract a partner. And when small results occur, we take the credit, pleased to show our funders what we did. Shame again.

Because we forget that companies are motivated by something that happens to the market system – significant, industry changes that shift incentives – we make the mistake of thinking that companies will just follow the lead adapter. That after a pilot, scale-up will happen ‘by market forces’. But if there has been no market change, there are no market forces. If all we did was incentivise one company, others will not be moved. We fall in love with the partnership part of the work: with grant manuals, MoUs, due diligence, joint monitoring of results, and shared communication of success to funders. And as a result, we have success that is limited to our partners.

So, what are we to do if we wish to climb back into bed weary but satisfied by our day’s work?

- Read and apply the guidance in chapter four of the new **operational guide**: it is excellent
- And do not make the above mistakes as I did
- Remember, we can work on social norms, gender expectations, culture, regulation, public policy, politics, and even citizen opinion. These are all factors that have strong effects on the way market systems work. We are not limited to just working with companies.
- For an easier life, pick a market which has some vitality. Try to avoid systems centred on core markets that are dulled and atrophied by lack of investment or dominance by subsidy. And if you do choose to work in a market like this, be realistic about how much time it will take to get results that last. Be prepared to make extra efforts to understand why investment is low, and what could be done to spur competitive struggle to emerge. For if there is not much competition in the market then the companies are not connected in a system, but are acting independently of each other.
- And finally, be honest; do not fake your progress.

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