Small Business Strategy Scorecard

Refine your approach for a profitable SMB portfolio

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SMBs Are a Goldmine for Growth

At a time when financial institutions are searching for new and better ways to attract deposits and drive more profitability from their customer or member relationships, the small to medium-sized business (SMB) segment has gotten more strategic focus, and for good reason.

Even though the SMB market is large—accounting for more than 99% of U.S. businesses[1]—the top four U.S. banks claim 55% of those primary business banking relationships. However, research shows that those SMBs using community banks express greater satisfaction with their banking relationships than those associated with larger institutions.[2]

The time is ripe for community banks and credit unions to make the most of the SMB segment—whether that means delving into an SMB offering for the first time or strengthening the product set to attract and keep more SMB accounts.

This scorecard is a tool your financial institution (FI) can use to build your SMB strategy through strategic analysis, segmentation, and program planning, with questions and considerations to help you gauge readiness for entering or expanding in the SMB market.

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A Framework for Success

Using Q2 Advisory Services' model, FIs can create executable programs focused on their identified end user needs. Whether your FI is just beginning the thought process around offering SMB capabilities or is looking to build a stronger portfolio, there are four areas of consideration on two axes: Outside/Inside and Planning/Execution. Those axes create four quadrants:
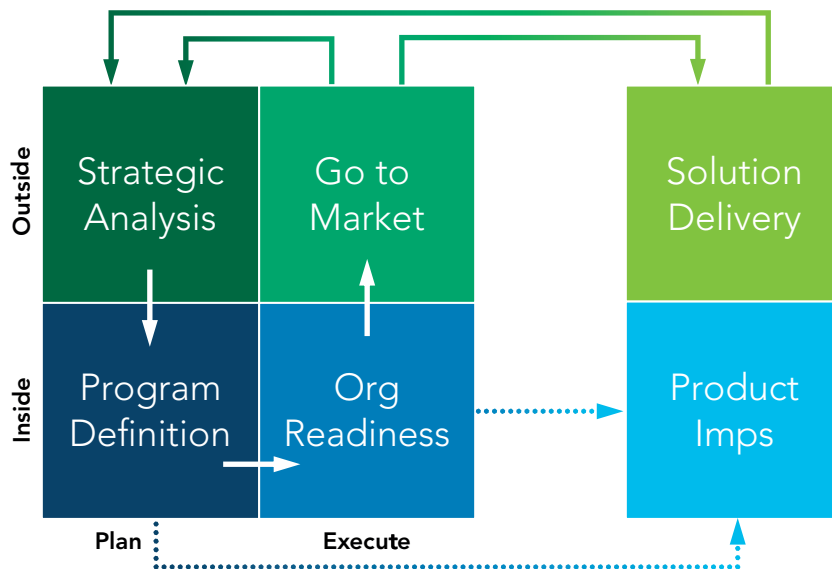
Strategic Analysis (Outside/Planning)
Reviewing the market, the competition, your target segments, and what your current customers or members say to help you understand what your next phase (or first phase) needs to offer.

Organization Readiness (Inside/Execution)
Doing the hard work to ensure all teams can present, explain, and support the new features and benefits.

Program Definition (Inside/Planning)
Understanding the detailed use cases and requirements from all stakeholders to create a detailed program plan that everyone involved understands, approves, and supports.

Go to Market (Outside/Execution)
Engaging with customers/members and prospects in the market to ensure they are ready to take advantage of what you now have to offer.

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Strategic Analysis
(Outside/Planning)

This phase is about understanding the broader landscape before taking any action. It's a survey of the business environment with the purpose of gathering intelligence. Consider everything and dismiss nothing in this segment, analyzing market trends, understanding competitors, and identifying opportunities that align with your FI's strengths. This stage includes:

Market Research
Investigate current trends and competitor strategies. Using the politics, economics, society, and technology (PEST)[3] approach might help you.

Competitive Analysis
These are the details of your current offering that need extended review, either because they represent a gap to be closed with the competition or a gap that you hope the competition cannot close.

Account Holder Satisfaction
Determine recent changes in your business customer or member satisfaction ratings and how these ratings compare to the industry overall. If they are changing, then find out why. Also provide details of requirements or product enhancement requests raised by account holders.

Brand Excellence
Provide some case studies on brands that excel in providing exceptional user experiences. These may not come from within the financial services industry. Innovators in completely different industries affect you because they change the expectations for the end user (who is also you). You need to keep up with society as well as the financial services industry.

Three Horizons Roadmap
The three horizons are: What do we need to do now? What do we need to do next? and What do we need to do in the future? The first two horizons are obvious. You need to describe what you need to do and for what reason, usually revenue, cost savings, or risk reduction. The third horizon is the most interesting. There may be an event or trigger that is years away, but you need to expend resources now to be prepared, such as a core banking contract coming to an end in a couple of years. There may also be a slow movement toward a new approach, where it is obvious you will have to change eventually but not obvious as to when, such as instant payments and ISO 20022.

Strategic Analysis Scorecard		Your Score
Market Research	Score 1 point for each element of the PEST model that you can explain your thoughts to your program stakeholders.	/ 4
Competitive Analysis	Score 2 points each if you have: • Developed the list of features you need to close with the competition and why • Developed the list of features the competition cannot meet and why	/ 4
Account Holder Satisfaction	Score 2 points for knowing the satisfaction ratings for your current customers/members and why they changed or remained stable recently. Score 1 point each for: • Knowing the list of their requirements • Understanding the value they put on this list.	/ 4
Brand Excellence	Score 2 points each for: • Identifying two brands in other industries you should learn from • Explaining the difference that would make to your program	/ 4
Three Horizons Roadmap	Score 1 point each for: • Being able to thoroughly describe your Now roadmap • Being able to thoroughly describe your Next roadmap • Knowing what to include in the Future roadmap from a project perspective • Knowing what to include in the Future roadmap from an industry change perspective	/ 4
		/ 20

If you scored 0-14, you have some more work to do before moving on to the next step. Take a closer look at the areas where your score was the lowest and think about what's holding your FI back in that area. Perhaps you need to do more research or you need to engage different people in your organization who have helpful knowledge.

If you scored 15 or more, you're ready to begin considering the Program Definition stage.

Program Definition

(Inside/Planning)

With the strategic groundwork laid, the focus shifts to developing detailed plans that will bring your strategy to life. This is the blueprint stage, where every detail is mapped out, ensuring that your FI is prepared for execution. This stage includes:

Value Statements

This is the description of the value to be measured in this program. Think about what you want an account holder to say when they have seen or used the product. Examples might be, "That is exactly what I need!" or "Wow, that was quick!" or "They really understand my needs!"

Value Statements in this format bridge the gap between senior executives or board members who think about very different things than software developers and network engineers. "Wow, that was quick" is a measure of customer service for one audience and an efficiency goal for a different audience.

Don't forget there are internal users, as well. Value statements for internal users might be, "I have the tools I need to do my job," or "I have the tools I need to delight the account holders."

Resource Allocation

Determine the human, financial, and technological resources required.

Team Structuring

Organize teams and assign roles and responsibilities for effective execution. Be explicit on the dependencies between teams because that fosters the spirit to work together to achieve the combined goal.

Risk Management Planning

Identify potential risks based on likelihood and severity axes. You need to develop mitigation strategies for those risks with high likelihood or high severity.

Program Roadmap

This is the description of the entire program, including all planning, development, implementation, readiness, and delivery projects required, with dates and dependencies, plus potential risks and mitigation exercises.

Program Definition Scorecard		Your Score
Value Statements	• Score 2 points for understanding the Value Statements • Score 1 point for explaining them to the business executive stakeholders • Score 2 points for explaining them to the operations and technology executive stakeholders	/ 5
Resource Allocation	Score 1 point each for describing and identifying the correct team members from three areas: operations, relationship management, and technology.	/ 3
Team Structuring	• Score 1 point when team members can identify what they need to deliver • Score 1 point when they can identify who they rely on • Score 1 point when they can identify who relies on their deliverables *Scores should be across operations, relationship management, and technology, for a total of 9.	/ 9
Risk Management Planning	Score 1 point for identifying your list of risks, and another point for understanding the required mitigation strategy.	/ 2
Program Roadmap	Score a point for a GANTT or PERT style chart for the program.	/ 1
		/ 20

If you scored 0-14, you have some more work to do before moving on to the next stage. Do you need to further develop and communicate your Value Statements? Also, consider whether team members have been properly selected and whether the criticality of their participation has been clearly communicated.

If you scored 15 or more, you're ready to start thinking about the Organization Readiness stage.

Organization Readiness

(Inside/Execution)

This phase ensures that your FI is fully prepared to execute the plan. It's about making sure that everything is in place and functioning correctly, from the readiness of the staff to the reliability of the processes and systems. This stage includes:

Communication Strategy

Produce an awareness calendar so that internal staff and external partners and account holders know when to expect changes. The most important element is the key messages. These are the three-to-five consistent messages to be used repeatedly throughput the program. Think about when these messages are going to be communicated, to whom, through which medium, and what response you expect.

Operations Team Preparation

Produce a plan, schedule, and content to prepare the operations team (the main support team). Think of your support teams as users, as well. Does the solution require them to update policies and procedures? A set of test cases will establish whether it does.

Relationship Team Preparation

Produce a plan, schedule, and content to prepare the relationship team (those with face-to-face account holder contact). Create a script to follow, with timings, to highlight the areas of greatest value and of greatest improvement.

Technical Team Preparation

Produce a plan, schedule, and content to prepare the technical team (developers and IT infrastructure). Make sure the developers understand the value statements and have all the information they need to extend the experience you want to provide your account holders.

Account Holder Preparation

Produce a plan, schedule, and content to prepare the account holders. This starts with a frequently asked questions (FAQ) page, which extends and develops as the program moves ahead. Offer learning opportunities for your account holders, with multiple options, including 1) in-context assistance such as information next to or in line with the actions the account holder takes when using the system, 2) How To guides and videos, making sure the time to review is no more than 1 to 2 minutes, and 3) prerecorded or in-person demonstrations available on demand or at set times.

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Organization Readiness Scorecard		Your Score
Communication Strategy	Score 1 point for understanding the key messages about the program to communicate, and 1 point for describing how to communicate them.	/ 2
Operations Team Preparation	Score 2 points when the operations team has identified the knowledge they need to develop and how that will be done. Score an additional 2 points when they have some examples and can explain those in a public forum. Score an additional point when this work is complete.	/ 5
Relationship Team Preparation	Use the same scoring system for the operations team	/ 5
Technical Team Preparation	Use a similar scoring system as above, but instead measure the software to be developed or integrated.	/ 5
Account Holder Preparation	• Score 1 point for being able to explain a communications strategy to your key account holders or segments • Score 1 point for being able to explain what should be available as self-service • Score 1 point when that self-service content is available.	/ 3
		/ 20

If you scored 0-14, you have some more work to do before you go to market. Which teams are struggling and why? Is the overall communication strategy clear? Dig deeper into the areas where your score is lagging to ensure all parts of the organization are on the same page.

If you scored 15 or more, you're ready to start focusing on the Go to Market stage.

Go to Market

(Outside/Execution)

This is the execution phase where the plan is put into action. The focus here is on successfully launching the product or service and reaching the target market. It's about turning the strategic plan into reality and ensuring that the market receives it well. This stage includes:

Marketing and Promotion

Implement campaigns to create awareness and generate interest. When developing your marketing assets and communications, be sure to lead from your customer or member's perspective. You've done the hard work to create an offering that's specialized for your audience. Now is the time to let them know you understand their needs and can address them. "You will achieve this" is better than "Our product offers that."

Sales Strategy Execution

Deploy sales teams to engage with customers/members and close deals. Review the tracking mechanism and reporting processes that tie back to the measures of success outlined in the Program Definition. Remember that the measures of success were aligned around a team model, and this is where those metrics are determined.

Account Holder Agreements

Determine if updates or additional acceptance forms are needed. Don't forget additional disclaimer or T&C forms may be required.

Lead Generation Execution

Take a good look at what you're doing to attract new customers or members. Are the marketing tactics you have planned the right ways to get your audience's attention? Are there places—either physical or virtual—where your targeted audience congregates? You'll want to be sure you show up where they can easily find you.

Feedback Collection

Finally, make sure you are collecting and analyzing customer/member feedback for real-time adjustments if possible, and to provide information for the next time you go around the cycle.

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Organization Readiness Scorecard		Your Score
Marketing and Promotion	• Score 1 point for describing the campaigns you need • Score 1 point for knowing the metrics to achieve • Score 1 point for starting and adjusting as you see the results • Score 1 point for achieving your first conversion	/ 4
Sales Strategy Execution	• Score 2 points when your sales teams can identify the Value Statements and can explain them in terms suitable for your account holders • Score 1 point when they are engaging with potential customers/members • Score 1 point when they have their first sale	/ 4
Account Holder Agreements	• Score 2 points for identifying the agreements you will need and the changes required • Score 1 point when the changes have been made • Score 1 point when they are available for account holders	/ 4
Lead Generation Execution	• Score 1 point for identifying the locations (physical or virtual) where your target account holders can be found • Score 1 point for having conversations in those locations • Score 1 point for gaining feedback • Score 1 point for accommodating that feedback immediately	/ 4
Feedback Collection	Score 1 point for providing feedback in each part of the PEST model to begin the next cycle of the framework	/ 4
		/ 20

How did your Go to Market phase go? Use the scoring method to help you identify issues in your execution and make improvements in the next cycle.

A crucial part of the framework is to continually review and adjust your offering to ensure it is effective. Markets change, your financial institution's goals change, and technology is forever changing. By consistently revisiting the various aspects of the framework and making the necessary updates and changes, you can keep your SMB program the best it can be.

You Don't Have to Go It Alone

Q2 Strategic Advisory Services provides the industry expertise to enable your organization to bring to market a compelling offering that is profitable, creates differentiation, and is easy to sell and support. We help you:

Define
Collectively define the terms to be used, the strategic goals, the market segments to approach, and the personas to use.

Align
All stakeholders from all departments have a chance to have input on program vision, program milestones, measures of success, business case, risk management, and voice of the customer as we build the first pass at the required roadmap of program of work. We finish with a list of projects to satisfy everyone's needs.

Coordinate
We arrange the projects in the program into the best order to meet strategic goals, near-term resource availability, and expected financial returns and costs, with consideration of existing work effort.

Measure
Quantify the value returned for each project and, therefore, the overall program and how it will be achieved.

Estimate and Plan
Use PMO methods to align projects against dates and resource calendars.

Sources

[1] "The State of Small Business Now," U.S. Chamber of Commerce, April 2023 www.uschamber.com/small-business/state-of-small-business-now#:~:text=Key%20Takeaways%20 1%20 There%20are%2033.2%20 million%20small,new%20business%20 applications%20were%20filed%20in%20 the%20U.S.

[2] "Want to Boost the Value of Your SMB Portfolio? Make It Personal," Q2 and Javelin Research, August 2023

[3] "What Is PEST Analysis? Its Applications and Uses in Business," investopedia.com, www.investopedia. com/terms/p/pest-analysis.asp

For more information or to get started with a Strategic Advisory Services engagement, contact us at (833) 444-3469.

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