



Recognition Professionals
International

SCOTIABANK— Realigning Employee Recognition to Business Strategy Reaps Measurable Rewards.

**2007 RPI Best Practice, Best-In-Class
Recipient**

A Recognition Professionals International White
Paper



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2007—A Recognition Professionals International White Paper

Scotiabank received a prestigious award for recognition programs from Recognition Professionals International (formerly The National Association for Employee Recognition). RPI chose Scotiabank as a 2007 Best Practice Award recipient, because its recognition program excels in two key areas:

1. Recognition program measurement
2. Program change and flexibility.

The Bank of Nova Scotia, known as Scotiabank, includes nearly 1,000 branches, over 2,600 automated banking machines, and more than 33,000 employees across Canada. The company also has investment and corporate banking services and extensive international operations.

In the late 1990s, when most banks focused on self-service and technology, Scotiabank chose to focus on personal customer service. They realized that a top-notch employee recognition and incentive program would be a critical component of their customer-centric focus. So they set out to design it and the result is a recognition program that outshines most competitors.

Each year RPI selects award recipients whose recognition programs excel in one or more of Recognition Professionals International 7 Best Practice standards of recognition program excellence, which are:

1. Recognition strategy,
2. Management responsibility,
3. Recognition program measurement,
4. Communication plan,
5. Recognition training,
6. Recognition events and celebrations, and
7. Program change and flexibility.

The strategic focus on recognition has helped Scotiabank to position itself in the market as the leader in customer service. Engaging customers and ensuring their loyalty to the bank has also helped to produce a solid return-on-investment for key stakeholders and shareholders.

Recognition Program Overview

In the past, Scotiabank designed employee incentive programs to operate through different parts of the bank. These programs were promoted to employees by regional administration and functional product areas simultaneously. This confusing mix was compounded by the fact that all of the programs were designed to focus solely on lagging indicators. The program ignored the positive, proactive services and behaviors that create an optimal customer experience.

The earlier programs were also paper-based, manually administered, and created a number of inequities. For example, management earned incentive trips, while non-management did not. More importantly, the bank did not have a universally accepted organizational culture of recognition and celebration. As such, Scotiabank trailed behind other major banks in customer service metrics.



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“Previous employee-incentive programs came in numerous quantities and were managed by different regional groups and business lines,” explained Yvette Bryan, Scotiabank’s Director of Employee Recognition and Motivation. Their designs had solely focused on end results that measured sales, closed referrals, and financial results.

“The drawback of this design is that it ignored the activities and behaviors that are effective in creating the desired customer experience. A cultural mind-shift was required to change focus.”

Company administrators began to look for a consolidated solution that would recognize and reward their best employees, while increasing the strength of the relationships with their customer base. In partnership with Carlson Marketing Group, a leading-edge relationship marketing company, Scotiabank’s marketing department designed and launched the Scotia Applause program, which they initially implemented in their retail branch network – the division with the most customer interaction.

“The new recognition eliminated burdensome administrative paperwork through a web-administered program management platform and established an integrated recognition culture across job levels and channels – i.e. call centers, branch network, management, and non-management.” Bryan said.

The Applause Program

Scotiabank’s Applause program is designed to complement, not duplicate, performance appraisal and bonus compensation programs by providing additional quantitative and qualitative measurements of customer service-related behaviors.

“The Scotia Applause program was designed to support the activities and behaviors that reinforce the successful delivery of a customer-centric experience,” Bryan explained. “The program required a motivational thrust to shift behavior from a singular product volume results focus to rewarding sales and service activities that are relationship driven.”

The initiative, with a multi-million dollar annual budget, is a holistic recognition and reward program that supports the bank’s business objectives, aligns with all internal processes, activities, and behaviors, and reinforces the company’s core values.

The program goals include:

1. Delivering consistent high quality recognition across the bank.
2. Directly supporting *One Team One Goal*, the corporate mantra.
3. Engaging employees in demonstrating the right activities identified under the sales, service, and support platform.
4. Engage employees in demonstrating the right behaviors by using the bank’s core values – integrity, respect, commitment, insight, and spirit – as guiding principles.
5. Increase employee satisfaction and, in turn, customer satisfaction to enhance customer profitability.
6. Deliver a best-in-class measurement program.
7. Recognize the outstanding contributions of top-performing teams and individuals across the organization.
8. Ensure that equity and fairness form the cornerstone of the program.
9. Leverage the brand equity of the Applause program to support other business-building activities.

All employees participate in customized programs, which are all aligned to the overall Applause brand and business strategy. The program rewards a combination of individual and team recognition through a four-tiered program with daily, monthly, quarterly, and annual performance recognitions, goals, and evaluations.



In some programs, recognized employees receive Applause points. They redeem them through the Applause rewards catalogue, which offers a selection of over 400 items. Since the merchandise is grouped into easily identifiable lifestyle sections, employees can find something for every interest.

For non-points programs, employees can redeem through the “Micro Catalogue” of other select items.

Program Measurement

Several key Scotiabank stakeholders engage the Applause team for a variety of data-pull requests. To provide faster turnaround time on these requests, the bank developed an online query tool that allows the Applause team to instantly self-generate a wide range of data-pulls and ad hoc participant data reports.

Scotiabank spends significantly for measurement and analytics of its recognition program. The range of metrics includes: program participation and registration percentages; website traffic, reward ordering, and redemption analysis; and behavioral analysis with respect to engaged and disengaged participants at a specific period of time.

Every quarter, the core Applause team and the recognition provider’s account team hold a performance review meeting to assess the program metrics. The quarterly review meetings are an opportunity to identify performance successes and issues against predetermined benchmarks and develop strategies to evolve the program.

Measuring Return on Investment

The bank also conducts return-on-investment studies to validate the impact of the Applause program on both employee satisfaction and customer satisfaction. The 2005 study confirmed that directionally, there is a correlation among the groups with high participation in Applause, high employee satisfaction scores, and high customer loyalty scores.

Real-time Performance Measurement

To provide key stakeholders with real-time performance measurement of selected employee recognition activities, a suite of 26 online reports was developed. The content of these reports is driven by users’ access levels and programs to ensure that they only view the information that is relevant to their department or team. The online reports are segmented the following key focus areas; participant reports, manager reports, administrative reports, and online game reports.

Monthly/Quarterly Management Tools

A suite of monthly and quarterly tools is also available to better inform management on the health of program engagement. These tools include:

- Dashboard reports to track participant engagement/participation.
- An executive summary for senior management.
- A quarterly program performance review.

Financial Liability Tracking Tools

From a financial perspective, a significant amount of focus is placed on the point and reward liability for each Applause program component. On a quarterly basis, financial liability reports are generated to track point liability, point issuance, and point redemptions.



Program Change and Flexibility

Since the Applause program's inception in 2001, administrators have made a consolidated effort to maintain its dynamic qualities through continuous evolution.

Applause Program Improvements

- They added a *Cash Add Option*, allowing employees to combine cash with points and “buy” items that require more points than they have. To maintain the reward value of the catalogue and merchandise, employees can pay for no more than 10 percent of the value of the item in cash.
- Even with 400 items in the rewards catalogue, employees may not find exactly what they want. The “Special Shopper” service allows employees to request a search for alternate product models from any of the manufacturers represented in the catalogue.
- Limited Time Offers were introduced last year, allowing employees to take advantage of limited availability discounted merchandise on the Applause web page.
- The recently introduced point conversion module employees to exchange Scotia Applause points for credit card loyalty points.
- In 2006, a comprehensive gift certificate strategy was initiated to further broaden the choice of merchandise.

Technology Updates

Scotiabank has leveraged several tools to increase the level of excitement and relevance for program participants. These tools include:

- A complete website redesign that incorporated a number of key features to streamline the nomination process, better highlight best practices in employee recognition, and ensure alignment with corporate branding standards.
- Flash graphics on the program's home page to draw attention to key program features.
- Pop-up windows to notify employees of key program information or changes to the rewards catalogue.
- Real-time issued-certificate counter on the home page to show employees the volume of certificates issued in the current fiscal year.
- A content management system, developed for the company newsroom that allows real-time dissemination of customized messages to employees.
- Personalized user names and dates displayed on the login site.



Key Evaluation Tools

As business and staffing changes arise, the Applause program remains extremely flexible. Changes resulting from feedback and evaluation range from catalogue adjustments to major structural improvements. The four key Applause program evaluation tools are:

Best of the Best Survey: Each year, following the close of the Best of the Best celebrations – which recognize top performers and top teams, Scotiabank evaluates the success of this program element by conducting a formal employee survey.

Employee Panel Surveys: The bank maintains a standing employee panel, comprised of a cross-section of employees that provides feedback on a variety of topics. On a regular basis, the Applause team surveys the panel to gain further insight into the recognition program's effectiveness.

Call Center Feedback: The Applause call center is the primary conduit for employee contact and, as a result, generates a significant amount of feedback. In 2006, the center answered almost 20,000 employee calls (requests, inquiries, comments). The Applause team receives daily feedback on the program's effectiveness from the call center.

Management Meeting Feedback: On a regular basis, district management holds meetings with branch managers to discuss a number of topics, which include business performance and management issues. They discuss branch manager feedback on the effectiveness of the recognition program and communicate issues to the Applause team.

Branding and Creativity Updates

With the inauguration of the "fly guy" logo, the applause program now has its own recognizable brand. The logo is used to identify recognition activities in all employee communications channels.

The website and recognition certificates are regularly redesigned to further build a sense of excitement and freshness for the participant.

Changes to the Applause Program's Scope and Structure

The initial success of the branch program produced a wave of excitement throughout the Scotiabank organization. Other divisional heads approached senior executives requesting to participate in the core Applause program.

The result was nine new programs that were added in the three years following the original program launch. This has produced a customized and highly relevant program for all participating divisions. As many of the bank's business lines undergo divisional restructuring, the Applause program continues to accommodate the impact of the changes.

Conclusion

If customer satisfaction survey results are any indication, Scotiabank's fair, streamlined, and incentive-based recognition program is a resounding success.

In a September 2006 customer service survey of Canadian banks, conducted by the leading market research firm, Synovate, Scotiabank scored first in the following six categories:¹

- Staff service at my branch
- Would recommend Scotiabank to my family and friends



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- Values my business
- Value for money of products and services received
- Financial products and services
- Interest rates and service charges

One of the most outstanding aspects of the Scotiabank program is the administrators' receptivity to feedback. The following Applause program fiscal year 2006 results speak for themselves:

- 94 percent participation in the branch program and 80 percent for all employees;
- 502,189 recognition certificates sent across the bank - a 477 percent increase since the program's launch in 2001;
- 58 million points were redeemed; and
- 22.4 million page views to the Applause website.

In 2005, 2006, and 2007, Scotiabank earned the prestigious *Canada's Top 50 Employers* award. The Scotia Applause program has been noted as one of the reasons that the organization "stands out" in the marketplace.

"In addition to aligning recognition to business strategy and corporate values, an effective program should act as a tool that enables managers to provide frequent, timely, and meaningful recognition of their employees," Bryan concluded. "At Scotiabank we understand the value of being customer focused and recognizing and rewarding our employees who make it their top priority."

Because of its excellent recognition program, which includes thorough measurement methods and criteria, and because the program builds on change and flexibility, Recognition Professionals International is pleased to name Scotiabank a 2007 Best Practice Best in Class Award recipient.

[†] Out of 11 customer service categories.

Recognition Professionals International (RPI)
1000 Westgate Drive, Suite 252
St. Paul, MN 55114
Ph. 651-290-7490
Fax 651-290-2266
RPI@recognition.org
www.recognition.org

About Recognition Professionals International (RPI)

Recognition Professionals International (RPI), formerly known as National Association For Employee Recognition (NAER), is the only non-profit professional association at the forefront of employee recognition through its sole focus on recognition innovations and education as a systematic method for improvements in the workplace. RPI is endorsed by top authorities in the industry, and is the only association offering Certified Recognition Professional (CRP) courses and designation.