

# Bank on it: Employee recognition, rewards Can reap benefits for financial services industry

An executive briefing produced by The Forum for People Performance Management and Measurement

This briefing is based on the study: “The Role of Rewards and Recognition in Customer-oriented Citizenship Behaviors” by Scott A. Jeffrey of Monmouth University, West Long Beach, N.J., and Guillermo Wilches-Alzate of the University of Waterloo, Waterloo, Ontario. The empirical study was comprised of personal interviews and a survey of more than 3,500 branch level employees of a Canadian charter bank.

**B**ecause of its uniqueness among service enterprises, the banking industry, in order to compete and attract and retain customers, requires a very high and flexible level of customer service from front-line tellers and other customer support staff. Therefore, managers in the banking industry need to find innovative ways to motivate, recognize, and reward employees who demonstrate high levels of customer service.

One of the unique challenges in a bank branch – apart from the traditional retail service model - is that customer service requests and interactions vary greatly, and unexpected and challenging situations frequently arise, such as checks and deposits not clearing properly or on time, or questions or disputes over service fees.

Since all of these situations cannot be foreseen nor all required behavior specified in advance, a traditional incentive program may be limited in its ability to create positive service interactions.

Given these limitations of a traditional incentive system, banking branch managers must determine other ways to encourage positive service behaviors. One way to encourage this type of behavior is by demonstrating that employees are valued when they address these issues and satisfy their customers. When employees feel valued by their employer and by their manager, they are more likely to act in the best interest of the firm and the customer.

In order to promote this feeling of value, managers are encouraged to design, introduce, and administer rewards and recognition programs at their branch locations. Recognition programs which work the best in the banking industry are those which recognize employees for spontaneous behaviors that go above and beyond their normal roles on the job.

Authors Jeffrey and Wilches-Alzate conducted a series of one-on-one interviews with branch personnel, and based on the feedback, developed a set of 14 questions that reflect reward and recognition behavior at the various branches. Most of the questions pertained to recognition by the bank or the branch manager. The questions about rewards pertained to specific reward programs in which the employee accumulates points toward obtaining a reward. The questions fell under three distinct categories:

**Manager recognition** – questions relating directly to recognition and rewards that come directly from branch management. The questions rated employee perceptions of the fairness and consistency of managers, as well as the type of recognition and rewards provided by managers.

**Non-manager recognition** – These questions directly related to recognition from customers and peers, including questions regarding the type and frequency of direct and indirect recognition.

**Understanding of the system** – This consisted of questions regarding whether or not employees understood the types of behaviors that led to the receipt of rewards and recognition.

**Since service - beyond the banking industry - is becoming a much larger part of the economy, it is critical that managers understand how to drive positive service behaviors. The study clearly shows that managers must be trained to be fair, consistent, and timely with their recognition of employees.**

In addition, the researchers identified and integrated into their study three types of employee “citizenship behaviors,” which are:

**Service behaviors** – related to the level of conscientiousness of bank employees in performing their roles, attending to customer needs, and displaying reliable and courteous behaviors.

**Loyalty behaviors** – in which “boundary-spanning” employees promote the bank and its products to people outside of the organization.

**Participation behaviors** – in which employees take initiative in an attempt to improve organizational effectiveness.

with potential and existing customers. Ensuring responsive and efficient customer service – through engaged and enthusiastic employees – is the key to maintaining a positive reputation and continued success.

To read the full text of the study, please visit [www.performanceforum.org](http://www.performanceforum.org)

### Key findings from the study:

- Of the three question categories, the “manager recognition” questions recorded the strongest impact among those employees surveyed. Employees gave overwhelming high marks to managers who are fair, consistent and timely in their reward and recognition activities. These results strongly reinforce the importance of a local manager in motivating employees to deliver prompt and personalized service. In addition, this reinforces the importance of selecting and promoting branch managers who are good at employee recognition. It also reinforces the importance of continually training managers on how to recognize and reward employees.
- The study also found that non-manager recognition from customers and peers had a very small effect on employee service behaviors, and did not influence how employees felt about their manager or their company. However, recognition from peers did have a positive impact on “participation behaviors.”
- The more that employees “understand the system” of the link between proactive and personal customer service, and how it leads to rewards and recognition, the more likely they will continue to provide excellent service. In addition, they will feel more supported by the organization, and therefore display more loyalty in the form of promoting the bank outside of the branch office walls; among family, friends, and other community contacts.

### Implications for Banking and Other Sectors

Since service – beyond the banking industry – is becoming a much larger part of the economy, it is critical that managers understand how to drive positive service behaviors. The study clearly shows that managers must be trained to be fair, consistent, and timely with their recognition of employees. It is also necessary that thoughtful internal communications practices be established and implemented to assure that employees have a clear understanding of the types of behaviors that are rewarded and recognized. And while this study centered on the banking industry, the nature of the findings implies their applicability to other service-intensive industries such as retailing and healthcare.

Competition and consolidation in the consumer banking industry over the years has resulted in a heavy reliance on the performance of bank branches as the first and most visible point of contact

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