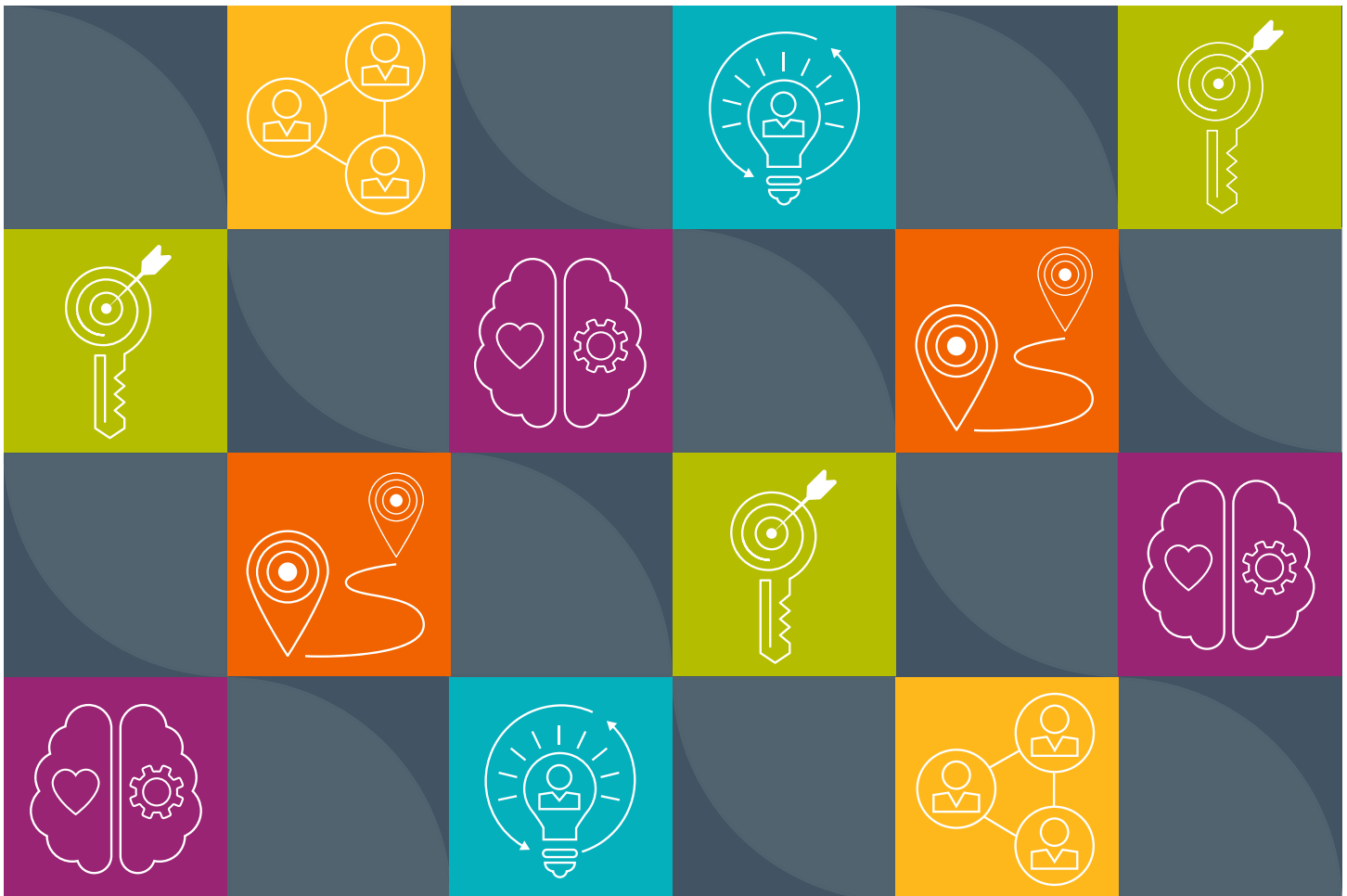


# ▶ A Practical Guide to Employee Engagement and Retention

Unlocking Your Best Workforce



# Better Leaders Are the Key to Your Best Workforce

## The Great Resignation. The Great Retention. “Quiet Quitting.”

By any name, these recent HR trends have all touched on manifestations of the same struggle with low employee engagement.

- 77% of employees are either unengaged or actively disengaged.

(Gallup, *State of the Global Workplace*, 2023)

The buzz around these trends in the media, on LinkedIn, and around your office indicates just how pervasive the problem is. But as the labor market shows signs of cooling off, don't be tempted to place engagement lower on your priority list. When companies fail to engage employees, they are at serious risk for costly turnover, culture problems, and lower overall performance.

**Your company's success in any economy hinges on getting employee engagement right.**

- Estimated costs of turnover range anywhere from 1.5-2x a worker's annual salary.
- 47% of active job seekers cite company culture as their driving reason to look for work.
- Disengaged employees cost the world \$8.8 trillion in lost productivity.

(BuiltIn.com, *The True Costs of Employee Turnover*, 2022)

(Gallup, *State of the Global Workplace*, 2023)

## The Difference

When your employees are engaged, they believe that what they do makes a difference, view your company as a great place to work, and feel that they are appreciated and encouraged to grow. In turn, they are motivated to offer their very best work, drive results that impact your bottom line, and seek internal opportunities for growth and advancement versus looking elsewhere.

- “It's not just their ability to get the job done, but also their engagement in doing interesting work and actually pushing the organization to do better.”

—Cory Kreeck | Vice President | Organizational Development | Beachbody

(DDI, *Beachbody Transforms Hiring and Onboarding*, 2018)

## INTRODUCTION

### The Power to Impact Engagement and Retention

No one has the power to impact engagement and retention more than an employee's immediate leader. And as more companies are focused on employee mental health and wellbeing, new research shows that having a good leader can make a world of difference. Nearly 70% of employees report that their manager has greater impact on their mental health than their therapist or doctor (The Workforce Institute at UKG, *Mental Health at Work: Managers and Money*, 2023).

### The Research

Our research underscores the importance of leadership for engagement and retention. When leaders had effective interpersonal skills, high-potential employees were 3.3X less likely to indicate an intention to leave their company (DDI, *Global Leadership Forecast*, 2023). In any labor market, better leaders are the key to your best workforce. It's critical to invest in your leaders and give them the proper skills to help them lead teams that feel valued, respected, and empowered.

- Business units with engaged employees have a 23% higher profitability. (Gallup, *The World's Workplace Is Broken — Here's How to Fix It*, 2022)



In this practical guide, you'll learn three ways to prepare your leaders to improve employee engagement and retention. With the right training, your leaders will be able to ensure that all your employees can thrive, deliver results, stay with your company—and ultimately propel your organization to new levels of success.

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Prepare Leaders to:

**Section 1** | Provide Pathways for Career Growth

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### Why do traditional approaches to employee engagement fail?

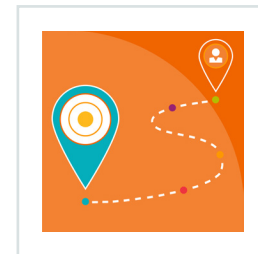
All too often, companies conduct an employee engagement survey with the best intentions, only never to follow up at the individual level.

Traditional approaches to employee engagement fall short when companies focus too much on measurement and don't equip their leaders with the skills to have difficult conversations and implement meaningful change.

Simply measuring the levels of engagement at your company is like purchasing a scale—and making no other changes—when your overall goal is to improve your health and wellness. While data can be powerful, it is meaningless without action.

## SECTION 1 | Provide Pathways for Career Growth

# Prepare Leaders to Provide Pathways for Career Growth



► **Your disengaged employees feel stuck**—as though they aren't learning and growing—and they don't see a clear path forward at your company. While your leaders might be in the best position to intervene, most don't feel prepared to do so.

- Our latest research shows that while most leaders say it's critical to improve in their ability to identify and develop future talent, only 24% report they've received training in this area.

(DDI, *Global Leadership Forecast, 2023*)

**The data is clear:** leaders *want* more training in conventional approaches to career development. They want to learn how to coach, give feedback, and provide stretch assignments to better prepare employees for the next step at your company.

In addition to strengthening your leaders with these more traditional talent development skills, you also need to prepare them to conduct outside-the-box conversations.

**Why?** Because nontraditional growth is a key, and often overlooked, opportunity for engagement and retention.

- A 2022 study by researchers at MIT Sloan, New York University, and Revelio Labs found that lateral career opportunities are more than twice as important as compensation in predicting employee retention.

(MIT Sloan Management Review, *What Outperformers Do Differently to Tap Internal Talent, 2022*)

Are your leaders prepared to help your employees explore motivations and interests that might fall outside of their current career track? Equally important: does your company encourage employees to move between different roles and job functions? Without support from the top, most leaders won't be motivated to export their high performers.

### TIP: DON'T ASSUME HIGH PERFORMERS ARE HIGHLY ENGAGED

- It can be tempting for leaders to focus too much on their lower-performing employees (think: performance improvement plans) and neglect performance reviews for those at the top. But low and high performers alike deserve meaningful feedback, coaching for growth, the opportunity to reflect on their overall performance, and guidance on their career trajectory. Overlooking these discussions—which should ideally happen more than just once a year—can create blind spots for your leaders. More meaningful performance reviews can uncover missing pieces that drive employee engagement and retention and help transform good into *great*. Don't assume that your high performers are also highly engaged, or they may look to grow elsewhere.

**Nontraditional growth opportunities are a competitive advantage.** Imagine you lead a team and you have a couple of rising stars. They consistently perform well and have the potential to help you meet the audacious targets set for your department. You'd much rather grow their talent to meet *your* team's goals versus encouraging and offering opportunities that might advance them out of your team. You might feel motivated to discourage these employees from seeking other internal opportunities—or even block these moves altogether. It's human nature to protect your resources, but this kind of behavior (sometimes called talent hoarding) can be a costly mistake. Those rising stars might become frustrated and leave the company—taking their institutional knowledge and high potential to one of your top competitors.

Since only 17% of employees feel their leader would help facilitate the process of seeking another internal role, most companies are missing out on nontraditional career development as a strategy for engagement and retention (*Gartner, Gartner Recommends Organizations Confront Three Internal Labor Market Inequities to Retain Talent, 2022*).

Seize the opportunity for a competitive advantage and prepare all your leaders to support development for lateral and nontraditional moves, along with traditional career pathways.

Psychological safety, opportunities for learning and development, and networking that goes beyond getting the job done are requisite features of a healthy workplace culture that is open to exploration.

Consider if these elements are serving as roadblocks or on-ramps to alternate career pathways for your employees. If your company culture isn't getting these things right, your employees will be more motivated to pursue internal opportunities in secrecy—or not pursue them at all. Either outcome is stifling for your employees' growth and will thwart your engagement and retention efforts.

Making a companywide shift toward open career exploration and talent sharing across teams might require a seismic shift in your culture, but it will pay dividends. Internal transitions *should* be the easiest career moves employees ever make, with supports in place from the initial exploration phase, to onboarding and skill training in their new role, and every step in between.

#### TIP: REVIEW AND UPDATE YOUR COMPANY'S REWARDS PROGRAM

- ▶ Review your employee bonus structure and ask what your company aims to recognize and reward. Most company programs place value on closing deals and recruiting talent. But are you also effectively recognizing efforts to engage and retain employees? Consider offering formal mechanisms—cash and otherwise—to reward leaders who are good at growing talent and facilitating both traditional and innovative career moves at your company.

# 4 Strategies to Prepare Leaders to Provide Pathways for Career Growth

**Design** clear pathways for career advancement and make them available across your company.



**Train** leaders to conduct meaningful performance management discussions that focus on the unique needs, desires, and career aspirations of the people they lead.



**Equip** leaders with traditional skills for developing others, like coaching for growth and delivering feedback.



**Motivate** leaders to facilitate career progression with rewards and incentives that reinforce both linear and unconventional development.

# Potential

- ▶ *“The best part is helping individuals reach their potential—the potential they may not even know they have. Helping them see what the possibilities are, helping provide them with opportunities for growth, wherever that may take them. And seeing them be excited about coming to work every day, enjoying their job, and really making a difference in the business. It doesn’t get much better than that.”*

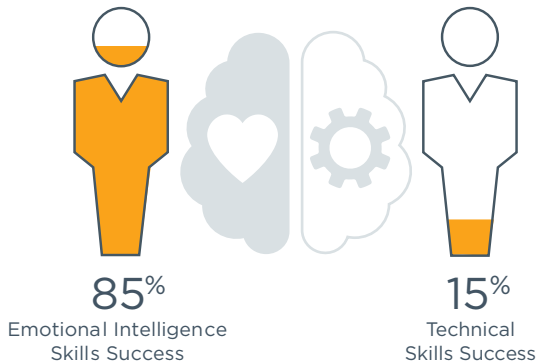
—Lauri Lipka | Vice President | Global Human Resources | AGCO



# Prepare Leaders to Lead with Emotional Intelligence

► **Leaders set the tone of a team.** If your leaders lack emotional intelligence, you're risking lower engagement and higher turnover because people don't leave organizations—they leave leaders.

Emotional intelligence (EQ) is the ability to manage yourself and your relationships with others. Research by Daniel Goleman, whose name became synonymous with the term when he published *Emotional Intelligence: Why It Can Matter More Than IQ*, showed that emotional intelligence was twice as important as technical skills and IQ for jobs at all levels. And EQ is even more important at the leadership level. Goleman found that 85% of a leader's success is based on emotional intelligence, while just 15% is based on technical skills (2006).



Practical Needs include the need to:	Personal Needs include the need to be:
<ul style="list-style-type: none"><li>• Reach a decision</li><li>• Resolve a conflict</li><li>• Develop a solution or solve a problem</li><li>• Plan how to approach a task or project</li><li>• Plan the implementation of a change</li></ul>	<ul style="list-style-type: none"><li>• Heard and understood</li><li>• Respected and valued</li><li>• Trusted (and willing to trust)</li><li>• Meaningfully involved</li><li>• Supported</li></ul>

It's important to remember that most of the time, leaders don't intend to be compassionless. Usually, they end up focusing too much on what practically needs to be done and neglect the personal needs of their direct reports as a result. High-performing employees who push through the challenge of producing for a leader who isn't attuned to their personal needs put themselves at risk for burnout, which can take a serious toll on their physical and mental health.

- More than half (59%) of American workers are experiencing at least moderate levels of burnout. (AFLAC, *Aflac WorkForces Report*, 2023)



**Leverage emotional intelligence.** Other employees may struggle to put in even a bare minimum level of effort or begin looking for a new job when their leader ignores their emotions.

Being a leader means you need to achieve results through others.

If your leaders are missing emotional intelligence in their interactions, they won't drive the results they expected—and you'll be blindsided by engagement problems, high turnover, and underperforming teams.

Fortunately, you can prevent these negative outcomes. By leveraging emotional intelligence, your leaders can drive higher levels of engagement and retention, and better overall business performance.

- 76% of people with empathic senior leaders report being engaged, compared to only 32% of people with less empathic leaders.

*(Catalyst, The Power of Empathy in Times of Crisis and Beyond, 2021)*

- Organizations with high levels of emotional intelligence report more creativity, higher levels of productivity, significantly stronger customer experiences, and higher levels of customer loyalty, advocacy, and profitability.

*(Harvard Business Review, The EI Advantage: Driving Innovation and Business Success through the Power of Emotional Intelligence, 2019)*

Help your leaders improve their emotional intelligence by training them in **DDI's Key Principles** (see page 10), a set of practices and behaviors that address your employees' needs to feel understood, valued, involved, and supported.

Additionally, you can help your leaders improve their EQ by giving them a baseline for their current level of emotional intelligence. Through assessment, leaders can begin analyzing their strengths and development needs related to emotional intelligence and other core leadership skills.

Assessment insights can also help leaders with self-awareness, which is at the heart of emotional intelligence. Once a leader is more self-aware, they can be more in tune to their impact on others and feel more empathy for them. Awareness is the first step in determining whether a leader wants to change behavior and can appropriately modify their actions and words.

# Key Principles



## Maintain or enhance self-**esteem**.

Maintaining or enhancing self-esteem is about acknowledging good thinking and ideas, recognizing accomplishments, expressing confidence, and being specific and sincere. This might look like thanking a team member for figuring out a creative work-around amid challenging constraints.



## Listen and respond with **empathy**.

Empathy is the ability to understand other people's perspectives. As a leader, the key to listening and responding with empathy is showing the other person you were actually listening. The empathy formula can guide these responses.

**Empathy Formula:** *"It sounds like you're (feeling) because/about (fact)."*

**Example:** *"It sounds like you're disappointed (feeling) because the deadline has changed (fact)."*



## Ask for help and encourage **involvement**.

Better ideas often emerge when more people are invited to the table, and people are more likely to commit to solutions they've helped build. Involving others looks like asking for ideas, opinions, or points of view, and encouraging others to contribute.



## **Share** thoughts, feelings, and rationale to build trust.

Leaders can build trust by appropriately sharing their thoughts, feelings, and rationale about different situations their teams are involved in. Here's what it looks like to share:

**Example:** *"I think this new process change we've implemented to improve quality and safety will resolve the issue we discussed yesterday because..."*

**Only 46%** of leaders report that they definitely trust their direct manager to do what is right.

**More troubling, only 32%** say they trust senior leaders at their organization.

(DDI, *Global Leadership Forecast, 2023*)



## Provide **support** without removing responsibility to build a sense of ownership.

Building ownership helps maintain confidence and responsibility. Team members have the best chance to develop ownership when leaders avoid taking over a task or assignment, even with the best intentions. This looks like limiting their role to providing support and staying focused on getting results through others—not doing the work itself.

# Listen

- ▶ *“When leaders better try to understand and listen, they promote engagement. I’ve seen the positive outcomes when they start bringing a more personal approach to their interactions with crew members by being more of a leader, not necessarily the boss.”*

—Jeremiah Lemons | General Manager | Oldcastle Materials

## SECTION 3 | Foster a Culture of Diversity, Equity, and Inclusion

# Prepare Leaders to Foster a Culture of Diversity, Equity, and Inclusion



- ▶ There is a strong connection between inclusion and employee engagement.
  - Nearly 75% of employees who report feeling very included in the workplace also report feeling completely engaged in their organizations.

(McKinsey, *Understanding organizational barriers to a more inclusive workplace*, 2020)

Beyond engagement, the benefits of a diverse, equitable, and inclusive workplace are numerous, from higher retention to better innovation, better decision making, and a better bottom line.

- When employees feel a strong sense of inclusion, they are 5.4X more likely to want to stay at their company.  
(Great Place to Work, *Why Is Diversity & Inclusion in the Workplace Important?*, 2021)
- Inclusive cultures are 6X more likely to be innovative.  
(Deloitte, *The diversity and inclusion revolution*, 2018)
- Organizations with above-average diversity are 2.4X more likely to outperform their peers financially.  
(DDI, *Diversity, Equity, and Inclusion Report*, 2023)

If diversity and inclusion are in question at your company, then your business success is, too.

Damage from a culture that lacks diversity, equity, and inclusion is hard to repair. When the very people who value and model DEI most walk out the door, others are likely to follow. It can result in a dangerous snowball effect of worsening conditions and a full-blown retention crisis related to your company culture.

A diverse, equitable, and inclusive culture is built every day in the decisions and actions of each of your employees. It requires an enduring commitment at every level, and the demand placed on your leaders is even higher. They need to bridge the gap between theory and practice in their own contributions, and they also need to inspire the same commitments and actions across their teams.

Our research reveals three key inclusive leadership practices that can help your leaders have the most impact.



Organizations with above-average diversity are **2.4X more likely** to outperform their peers financially.

# Great Leadership Is Inclusive Leadership.

- ▶ Focus on training your leaders in these areas to foster a culture of inclusion. These leadership practices are a great place to start, and you'll make an even bigger difference in your company culture by infusing inclusive leadership into all of your development efforts.
- When leaders consistently demonstrate these behaviors, employees are 7X more likely to report that inclusion is a strong part of their culture.  
(DDI, *Diversity, Equity, and Inclusion Report, 2023*)

## 3 Leadership Practices That Drive Diversity, Equity, and Inclusion



### TIP: WORKING IN PERSON *DOESN'T* DRIVE INCLUSION

- ▶ When companies debate the merits of in-person, hybrid, and remote options, they're often wondering how workplace setting will impact company culture. It may seem counterintuitive, but our data shows that leaders who work remotely actually feel a much stronger sense of inclusion at work overall, compared to their peers working in person or in a hybrid role. This means you won't create a more inclusive culture by merely requiring the physical presence of your workforce. The common denominator in cultures of high inclusion all comes down to inclusive leadership behavior.  
(DDI, *Diversity, Equity, and Inclusion Report, 2023*)

### **Advancing DEI is in the hands of your leaders.**

One of the most common mistakes companies make is excluding inclusion training from the rest of their leadership development efforts. An inclusive workplace culture can't be built in a one-off course, or even in a series of well-intended trainings. This disconnected approach may mislead your employees into thinking that inclusion isn't their responsibility, or that it's not an important part of their day-to-day work.

Everyone plays a role in fostering inclusion in the everyday micro-moments of work. **The power to jumpstart a culture change to advance DEI at your company is in the hands of your leaders.**

- Organizations that develop more high-potential leaders from diverse backgrounds are also 3.2X more likely to engage and retain top talent.

*(DDI, Global Leadership Forecast, 2023)*

It matters greatly who your leaders are, who you're flagging as high potential, who you're hiring—and also *how* you're developing your employees to prepare them for their next role. It's critical that your company has fair and equitable practices for creating talent pools and for hiring so that your leaders reflect the diversity of your workforce. Identify gaps in your leadership levels and design development programs geared toward closing them.

# Success Story



## Closing the Gender Leadership Gap at Sparrow Health System

When Sparrow Health System in Lansing, Michigan, decided to invest in developing their early-career leaders with the potential to advance at the company, they also wanted to address their gender leadership gap. They launched a leadership development program along with a cohort-based program to support their high-potential women leaders. The differentiated approach paid off. Program participants had a 95% retention rate, well above the company average, 24% of them have been promoted, and they also scored 33 percentile points higher for employee engagement.

### **Results:**

95% Retention rate

24% Promoted

33 Percentile points higher for employee engagement

# Culture

- ▶ *“Culture change is really about behaviors and how people interact with each other. What excites me the most is I believe we’re making a difference in people’s lives. When people come into work and they have skills and they have the energy that they need to work with their colleagues, the bottom line is that helps our patients and their families.”*

—Janine Luz | Vice President | Learning | Gundersen Health System

# Make Leadership Development a Priority

**The ratio of engaged to actively disengaged employees in the United States is at a ten-year low.**

*(Gallup, U.S. Employee Engagement Needs a Rebound in 2023, 2023)*

With your organization potentially at risk for the negative outcomes associated with low employee engagement, like costly turnover, culture problems, and decreased performance, it's critical to intervene now. Fortunately, your leaders are well positioned to help solve your engagement problems and even take your organization to new heights—but they need the right training to do it.

By preparing your leaders to provide pathways for career growth, lead with emotional intelligence, and foster a culture of diversity, equity, and inclusion, you can drive better employee engagement, retention, and overall business success.

**Your leaders are the key to your very best workforce.**

Take the next step toward unlocking your company's potential and make leadership development a priority.





BETTER LEADERS. BETTER FUTURE.

# Who we are

**DDI is a global leadership consulting firm that helps organizations hire, promote, and develop exceptional leaders.**

From first-time managers to C-suite executives, DDI is by leaders' sides, supporting them in every critical moment of leadership.

Built on five decades of research and experience in the science of leadership, DDI's evidence-based assessment and development solutions enable millions of leaders around the world to succeed, propelling their organizations to new heights.



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