

Leadership that drives retention, engagement & performance

A practical guide for HR and business leaders to strengthen leadership at every level of the organization



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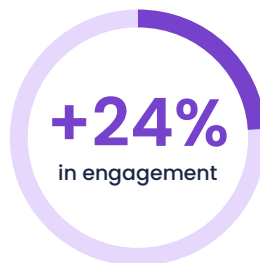
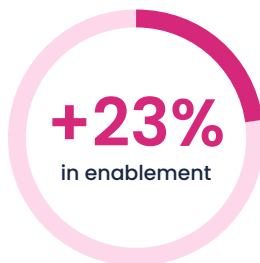
Before you begin: The case for better leadership



**People don't leave jobs;
they leave managers.**

Poor leadership is one of the top reasons
employees quit.

Strong leadership pays off



**Leadership is
under pressure.**

Artificial Intelligence,
talent shortages, ESG
goals, inflation, hybrid
work — today's leaders
in Europe face more
complexity than ever.



**The good news?
It's measurable.**

With the right tools
and strategies, you
can assess and
improve leadership
at every level of your
organization.

1 Why leadership is the foundation of business success

Leadership drives business performance, influences how employees experience their work, and determines how well an organization adapts to change. Strong leadership—both at the executive level and among senior and middle managers—is essential for engagement, productivity, retention, and overall business success. It ensures employees feel supported and connected to the organization’s vision.

Leaders set direction, build trust, and create an environment where employees can do their best work. At the organizational level, leadership shapes strategy and culture, aligning teams around shared goals.

At the team level, leadership influences daily operations and communication. How managers lead directly impacts whether employees stay, develop, and contribute meaningfully to the organization.

What this guide covers

This guide explores the leadership trends and challenges shaping 2025 — from talent shortages and hybrid work to ESG pressures and digital disruption. It shows how leadership directly affects employee engagement, retention, and business performance and why many traditional leadership models no longer fit today’s reality.

You’ll also find practical, data-backed ways to measure leadership across your organization, support managers in their development, and build a culture of leadership that drives results.



2 Leadership in 2025: Key trends & challenges

In 2025, leadership across Europe is being tested by rapid shifts in the labor market, workforce expectations, regulatory complexity, and technological disruption. The environment is more demanding than ever — and yet, the opportunity for impactful leadership has never been greater.

To succeed, organizations need leaders who can adapt quickly, align teams around clear goals, and lead with empathy and agility. Several forces are shaping the leadership landscape this year:

1

Talent shortages

The demand for skilled professionals continues to remain high across Europe. With unemployment at record lows and skill gaps widening, leaders face intense competition when hiring. This is broadly felt across Europe, affecting virtually all EU countries and sectors from IT and engineering to healthcare, construction, and transportation. Retention is just as challenging, as employees have more leverage and options than ever before. Organizations must go beyond recruitment by investing in career development, upskilling, and engagement initiatives.

2

Shifting employee expectations

Today's employees expect more than just a paycheck. Purpose, flexibility, and wellbeing have become non-negotiables, especially among younger generations. Many want hybrid work options, meaningful work aligned with their values, and mental health support. At the same time, persistent inflation has raised expectations around compensation. For leaders, this means rethinking both culture and rewards to attract and retain skilled and motivated talent.

3

Cross-border complexity

Businesses operating across European markets need to navigate a web of differing labor laws, tax systems, data regulations, and cultural norms. Despite the EU's common market, regulatory fragmentation remains a challenge. Cultural expectations around leadership, communication, and work-life balance also vary widely between countries. Effective leaders must combine consistency with local sensitivity, adapting to context without losing strategic clarity.





Sustainability pressures

Environmental, Social, and Governance (ESG) concerns are now central to business strategy, and they're heavily regulated. EU directives are making sustainability reporting and responsible supply chain management mandatory. Investors, consumers, and employees expect action and transparency. Leaders need to ensure ESG goals are embedded into the business — and be ready to demonstrate progress, not just promises.



Digital transformation & AI adoption

The acceleration of AI and automation is reshaping how businesses operate. Leaders need to make sure their people are equipped to work with new technologies, closing digital skill gaps through targeted upskilling. Just as important: they must set clear, ethical guidelines for the use of AI in decision-making. Those who embrace tech without losing the human touch will be best positioned for success.

Reflection: Questions worth asking

People are often an organization's biggest investment. And leadership is what turns that investment into results. If an organization can't answer the questions below, or answers "no" to most of them, it's a warning sign that leadership, direction, or support structures may need rethinking. This kind of reflection helps identify where misalignment or missed opportunities could be holding the business back.



Strategic direction

- Do our employees and leaders understand the strategy?
- Are there any blind spots between what leaders believe is happening and how employees experience it?
- Is there alignment between strategy and execution?

Productivity & performance

- Where are inefficiencies slowing us down?
- Are we enabling people to perform at their best?
- How do we keep our workforce engaged and healthy through constant change?
- Are we making the right investments to ensure a sustainable and affordable workforce?

Talent & retention

- Do we have the right talent in place?
- Can we retain our key people?
- Are we developing employees for the future?

Rethinking leadership for a changing world

These trends aren't just operational issues. They reshape what leadership means. Leaders today are expected to stay aligned with strategy while guiding teams through uncertainty and change. They must manage complexity, maintain productivity, and create the conditions where people can do their best work.

But traditional leadership development models and programs don't always support this.





3 Why traditional leadership models no longer work

For years, leadership development has been based on a fixed idea of what makes a great leader. Many organizations still rely on standardized models that assume all leaders should fit a specific mold, following the same set of competencies and behaviors. This traditional approach suggests that leadership is universal—one set of skills applies to all leaders, regardless of their teams, industries, or challenges.

The problem is that leadership is not one-size-fits-all. A rigid model ignores two key factors:

1

Leaders are individuals

Personality, strengths, and abilities vary widely.

2

Context matters

What works in one team, industry, organization, or specific situation may not work in another.

Traditional models often fall short because they treat leadership as something fixed, overlooking how much it depends on the environment, the team's needs, and the unique challenges each leader faces.

A new approach to leadership development

In contrast, effective leadership development needs to be more personalized, giving leaders the opportunity to define how they can be a great leader based on their strengths, context, and everyday experiences.

Rather than following a single definition of 'good leadership,' leaders are encouraged to take ownership of their development by:

- Reflecting on their unique leadership context
- Defining their own 'idea of leadership' and communicating it to those they lead
- Addressing any gaps between how they see their role and how others experience it
- Using the insights gathered to lead more intentionally

This approach—what we call **intentional leadership**—shifts the focus from trying to meet generic leadership criteria to leading with authenticity and purpose. Leaders are encouraged to reflect on their actions, understand their impact, and continuously improve. After all, leadership is not just about the leader; it's about the relationship between them and those they lead.

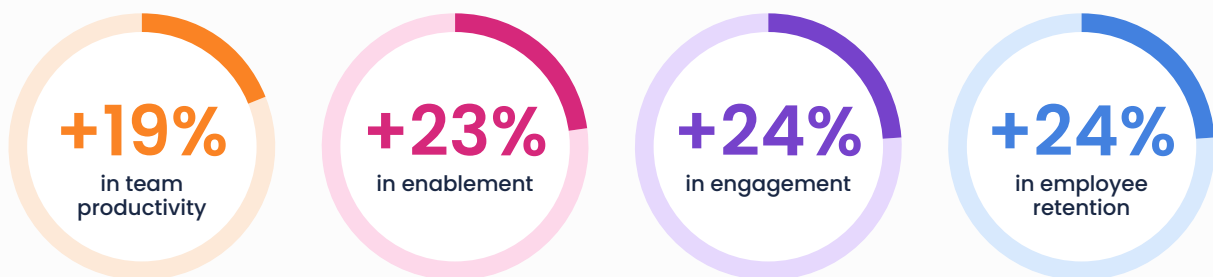
When organizations embrace this shift, leadership development becomes more impactful. They build a culture where leadership is diverse, adaptable, and aligned with real-world challenges. This not only improves leadership effectiveness but also strengthens engagement and inclusivity across the workforce.





4 The impact of leadership on business outcomes

Leadership directly affects how people work, how they feel, and whether they stay. And while its impact may seem hard to quantify, Effectory data tells a clear story: organizations that score high on leadership see measurable gains across several business outcomes. According to the latest Global Employee Engagement Index™, scoring high on leadership correlates with:



This gives HR and business leaders a strong case for investing in leadership—not just as a people initiative, but as a driver of business performance.

Leadership also plays an important role in how well an organization navigates change. Leaders are responsible for driving both short-term transformation and organizational readiness, ensuring the business remains competitive in a fast-changing landscape.



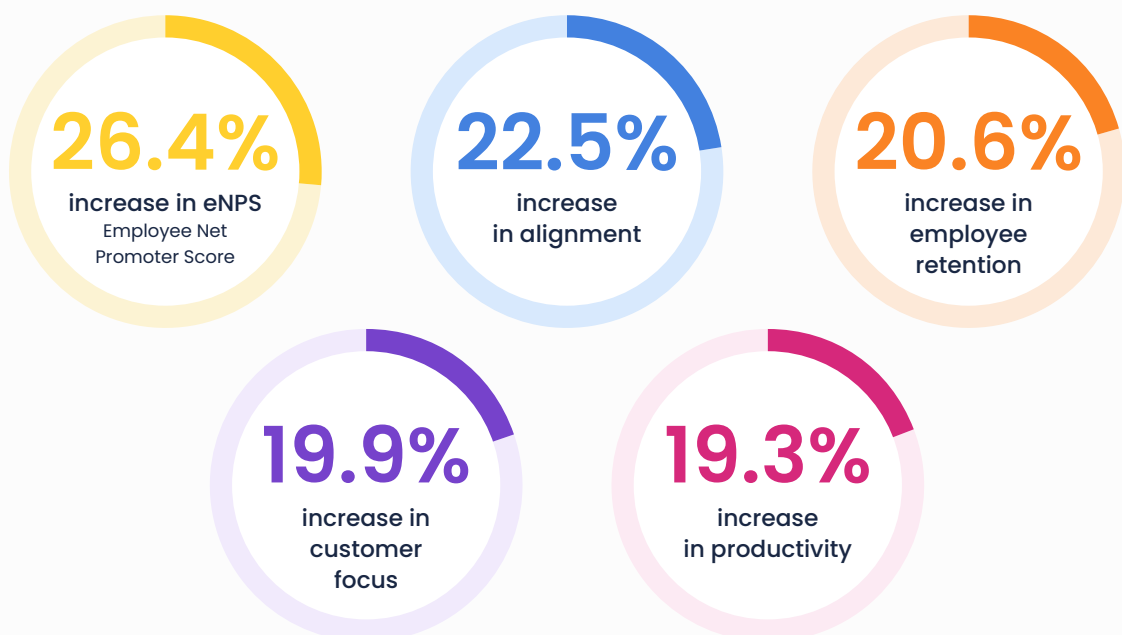
How do your engagement scores compare across industries, countries & company sizes?

The impact of leadership on engagement, retention & productivity

Engaged employees feel connected to their work and motivated to contribute. They tend to report higher job satisfaction, show greater loyalty to their organization, and be more willing to go the extra mile when needed.

Leaders shape this experience every day. When they **motivate** their employees, provide **support**, and **enable** them to do their work, employees are more likely to be engaged.

High employee engagement, in turn, has a wide-reaching impact across the organization. Our data shows organizations with high engagement experience:



(Global Employee Engagement Index™, 2024-2025)

Leadership plays a key role in driving these outcomes, but only when it's informed by what employees are actually experiencing. Regular feedback helps leaders spot risks and opportunities early, make better decisions, and respond to what people actually need. It turns assumptions into insight and insight into action.

In short, stronger leadership drives engagement, and engagement drives better results.



Top talent is hard to find—and easy to lose.

Get the insights and strategies to keep your people on board.

Leadership's role in agility, change, & organizational readiness

→ Leading changes effectively

Change is inevitable, but how it's led makes all the difference. Whether it's a shift in strategy, a digital transformation, or an organizational restructuring, success depends largely on how well leaders guide their people through uncertainty.

Here's where listening comes in: when leaders understand what kind of leadership their employees need during times of change, uncertainty, or growth, they can better support their teams, adapt to change, and grow in the process.

Successful change, according to **Effectory's Strategic Fitness Model (SF Model)** doesn't rely on agility alone. It requires a balance between **Agility** (the ability to adapt to change) and **Stability** (a reliable internal structure).

An organization that is too agile risks losing structure, while one that is too rigid struggles to evolve.

Leaders sit at the crossroads of these two forces. In the SF Model, leadership is critical to three agility-driving components:

- **Providing direction**

Inspiring employees with a clear vision, communicating strategic goals, and building trust in the organization's future.

- **Leading change**

Involving employees in the change process, modeling adaptability, and fostering a culture that embraces innovation and growth.

- **Managing people**

Setting clear goals, providing feedback, recognizing contributions, and making sure people understand their roles and responsibilities.

For leaders, this means focusing on:

- **Clarity and alignment**

Explain why change is needed, what it means for employees, and how it fits into the organization's strategy. Trust in leadership starts with transparency and consistency.

- **Involvement and empowerment**

Include employees in shaping the change. People are more likely to support what they've helped build.

- **Support and structure**

Ensure teams have the tools, guidance, and stable systems they need to adapt effectively.

Change is not just about strategy; it's about people. Many transformation efforts fail because the human side of change is underestimated. Without clarity, trust, and involvement, even well-planned initiatives can stall due to resistance or disengagement.

One practical way for leaders to guide change effectively is by using structured employee feedback—starting with the **Strategic Fitness Model**. This science-backed survey built around 22 targeted questions acts as **both a diagnostic tool and a guide for organizational development**. It helps leaders assess how well their organization is positioned to adapt and perform by measuring two key aspects: employee engagement and the quality of the performance environment. The insights provide a clear baseline for making informed decisions and managing change more effectively.

Many organizations choose to implement a follow-up rhythm using **Pulse Surveys**, which are short check-ins that track progress and early signs of resistance or confusion and help leaders adjust their approach as needed. In departments or teams that are more affected, targeted follow-up surveys can help identify the specific challenges they're facing.

This structured feedback loop helps leaders drive change in a way that's data-informed, people-centered, and responsive—increasing alignment, maintaining momentum, and reducing the risk of disengagement.

→ **Building a future-ready organization**

While leading short-term change is essential, leaders must also build organizations that are continuously prepared for the next disruption. This is what the SF Model refers to as 'Strategic Fitness': an organization's ability to remain agile without compromising its internal stability.

The SF Model highlights two core conditions for organizational resilience:

- **High employee engagement**

A workforce that is energized, proud of their work, and aligned with the organization's purpose.

- **A high-quality performance environment**

Systems, processes, leadership, and tools that enable people to do their best work—individually and collectively.



Leaders influence both. To build long-term resilience, leaders need to:

- **Nurture engagement**

Align teams with the organization's mission, recognize contributions, and foster a sense of belonging.

- **Strengthen the performance environment**

Ensure workflows, systems, and collaboration tools enable high performance, even under pressure.

- **Promote both Agility and Stability**

Encourage flexibility and innovation, while preserving structures that offer predictability and support.

Regularly measuring an organization's strategic fitness through structured feedback and leadership diagnostics not only supports agile responses to change but helps build a culture of continuous improvement and readiness.



Is your organization ready for change?

Many change efforts fail. Not because of strategy, but because people feel unsupported. Learn how to fix that.



5 How to measure and improve leadership impact at every level

Leadership decisions shape how people work, but without clear and data-driven insights, HR is working in the dark. Many organizations assume their leaders are aligned, that employees feel supported, or that development programs are effective. But without clear, data-driven insights, these assumptions can lead to blind spots.

If HR truly wants to drive change, it starts with understanding: Where does leadership stand? What do employees need? And what strategies will have real impact? The right foundation isn't guesswork; it's informed action.

To better understand leadership's impact, it helps to look at two levels: **how leadership functions across the organization**, and **how individual leaders grow in their role**. Both matter, and both benefit from structured insight.

→ At the organizational level: Connecting leadership to strategy and culture

Leadership shows up in the everyday: in how teams are guided, how strategy is communicated, and how decisions are made. To understand its broader impact, organizations can use employee feedback to explore questions like:

- Are leaders translating strategy into clear direction?
- Do employees trust their leaders and feel supported?
- Are there any gaps that could affect engagement and/or retention?

Tools like organization-wide Employee [Engagement Surveys](#), [Pulse Surveys](#), and [Strategic Fitness Surveys](#) offer a way to surface these insights and track how leadership is experienced across the business.



→ At the individual level: Helping leaders reflect and grow

In fast-paced environments, leadership can become reactive, and self-awareness often takes a back seat. That's why even experienced leaders need structured moments to pause, reflect, and reconnect with how they lead and what their team really needs.

Tools like the [Leadership Role Compass](#) support this process by encouraging managers to take ownership of their own development by:

- **Reflecting on their leadership context and vision**

Exploring the context in which they lead, defining their 'idea of leadership' and role (Boss, Coach, Enabler, or Partner), and reflecting on their relationships with the people they lead.

- **Creating shared understanding**

Communicating their 'idea of leadership' to their team and addressing any gaps between how they see their role and how others experience it—through honest feedback and conversation.

- **Putting leadership into practice**

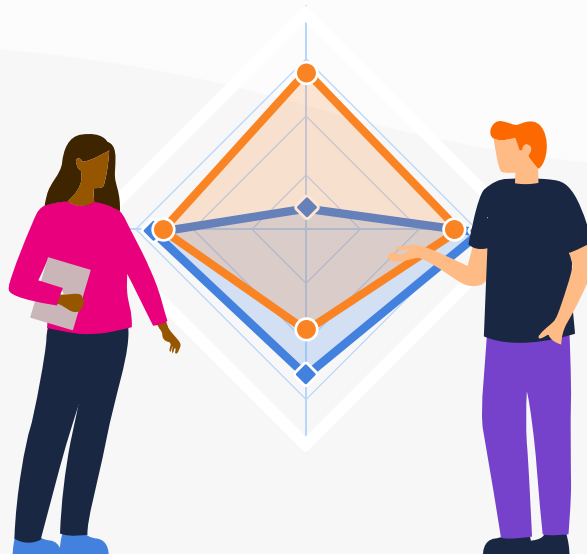
Using these insights to lead more intentionally and consistently, in line with the kind of leader they want to be.

This kind of reflection helps leaders make conscious choices about how they show up, rather than relying on default habits or assumptions.

In many organizations, leadership development happens in isolation, focusing on individual managers without looking at how leadership is experienced across the business. In others, engagement is measured organization-wide, but leaders don't get the direct feedback they need to grow in their day-to-day role.

The most valuable insight comes when **both** levels are connected.

By combining organization-wide assessments with individual reflection, leadership development becomes more personal, more practical, and more relevant to real-world challenges.



Why Effectory: Your partner for leadership success

Effectory is Europe's leading employee feedback platform, trusted by over 1,200 organizations in 110 countries. With nearly 30 years of experience, our mission remains the same: to improve the working world by giving employees a voice and helping organizations act on what they hear.

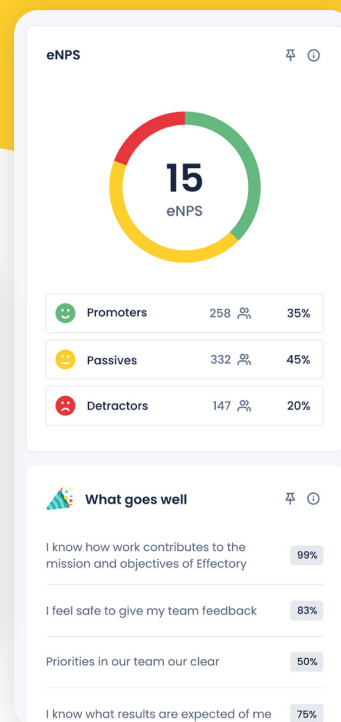
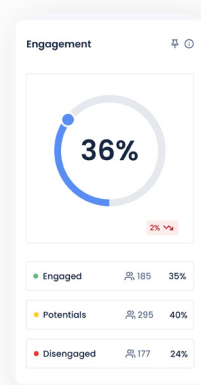
We provide the tools HR and leadership teams need to measure leadership effectiveness, gather insights, and turn feedback into action. Whether you're looking to assess how leadership is experienced across the business, or support individual leaders in developing their role, our platform is built to make leadership clearer, more intentional, and easier to improve.

With surveys available in 60 languages, easy integration with 30+ HR systems, and **strict data privacy standards**, our platform makes it easy to collect honest, high-quality feedback at scale. And behind the platform, you'll find over 200 specialists based in Amsterdam and Munich, ready to support you with the expertise, benchmarking, and practical guidance to make real progress.

HR is more strategic than ever. That's why our feedback solutions are tailor-made for organizations that want to understand leadership, improve it, and connect it directly to performance, engagement, and retention.

Ready to make leadership a real driver of business success?

Get tailored advice on building a feedback strategy that fits your organization.



+11%
Employee wellbeing

+25%
Employee satisfaction

+40%
Employee engagement

