The Leadership Practice That Dramatically Improves Employee Retention and Performance

Opinions expressed by Entrepreneur contributors are their own.

Key Takeaways

- Leaders who treat gratitude as a daily practice and recognize excellence see sharper rises in employee engagement and retention.
- Annual bonuses and one-size-fits-all recognition can backfire. Leaders must create custom recognition that aligns with what motivates each person.
- Gratitude must be continually exercised. When it’s embedded into culture, results follow, including better retention, greater engagement and more transformative business outcomes.

Retention is a leadership headache. Losing great people costs real money and undermines every operational plan. Nearly every exit interview circles the same truth: People walk away when they feel undervalued. Authentic appreciation cannot be a footnote to compensation or performance reviews.

Today’s best-performing organizations, and the executives who run them, are the ones who treat gratitude as a daily practice, not an afterthought. Are you genuinely rewarding the right things, or just assuming good work will continue without acknowledgment? Gratitude woven into how a company operates is

the thread that keeps its top talent from unraveling.

Related: **Why Gratitude Makes Leaders More Effective**

Gratitude has real business impact

Gratitude is more than morale boosting, and leaders who make it part of their compensation strategy see sharper rises in engagement and fewer preventable resignations. When teams feel seen, they do not just stick around. They push forward with new ideas, collaborate more deeply and support colleagues through adversity.

Gratitude is also the change-maker, especially as competition for skilled professionals heats up. Innovation and resilience spike in appreciative environments, even when the market is tough or deadlines loom.

Pain points leaders face

So why do so many companies get this wrong? Many recognition programs fail not because gratitude is ignored, but because it feels transactional. An annual bonus, a generic “good job” or even a team award often misses the mark. Staff crave acknowledgment for their specific contributions and want to feel noticed regularly. When these needs go unmet, valued employees quietly explore other options. Senior leaders often see promising people walk out the door, only to discover during exit interviews that everyday appreciation had gone missing.

There is also risk in one-size-fits-all recognition, which includes schemes that reward only the same top 10%, overlook steady contributors or miss hybrid schedules and remote wins. Transactional rewards can actually backfire and alienate those who need targeted gratitude most.

10 ways leaders embed gratitude into culture

1. Make a habit of sharing real-time feedback with team members after high-stakes meetings, noting valuable contributions or strategic thinking that moved projects forward.

2. Encourage everyone on the team to nominate a colleague for recognition once a month based on observed impact or help.

3. Invest in professional development as a reward for a job well done; this signals genuine commitment to growth rather than short-term token gestures.

4. Create custom recognition that aligns with what motivates each person, such as flexible project choices, mentorship opportunities or dedicated days to pursue passion projects within business goals.

5. Revisit failed projects as a leadership group and highlight lessons learned, acknowledging those who took risks and drove innovation through setbacks.

6. Set aside moments in each quarterly all-hands to spotlight new skills developed, certifications earned,or behind-the-scenes support that would otherwise go unnoticed.

7. Offer gratitude in ways that show listening: If someone values privacy, send a personal message; if they enjoy public kudos, share appreciation at a team event.

8. Support volunteer initiatives and social impact efforts, showing that work contributions and community involvement go hand-in-hand in the company’s core values.

9. Create executive roundtables where employees can present their achievements and insights directly to senior leaders and receive recognition firsthand.
10. Monitor for moments when staff go above and beyond, such as helping a colleague in crisis or stepping up unexpectedly, and respond with timely, authentic appreciation.

Related: Are You Recognizing Your Employees? If Not, They're Twice as Likely to Quit

Connecting gratitude to retention

Recognizing excellence before talent walks away makes appreciation proactive, not reactive.

In resilient organizations, positive word-of-mouth grows. Gratitude spreads across teams, pulling in referrals, forming partnerships and boosting reputation well beyond what an incentive program alone can achieve.

Structured recognition tied to coaching also helps solve hidden retention risks. It nurtures team cohesion and incentivizes leaders to notice and reward meaningful behavior in everyday moments, not just during reviews.

Gratitude delivers tangible results

For executives asking if gratitude really matters, a study conducted by the John Templeton Foundation found that 70% of employees would feel better about their work if their boss were more grateful, and 81% would work harder.

Organizations with embedded gratitude strategies experience a direct increase in retention rates, absenteeism drops and discretionary effort becomes a norm. Gratitude is a multiplier; when teams recognize each other, group cohesion

doubles and emotional resilience spikes during stressful market cycles.

Leadership literature also finds that gratitude strengthens the social fabric of a workplace. Appreciation builds trust, openness and the willingness to bring forward tough problems early. C-level leaders celebrating effort and progress, not solely perfect outcomes, see more honest communication and faster adaptation during change.

Addressing real-world leadership challenges

Leaders face substantial risk in assuming gratitude happens naturally. Passive recognition lets high performers tune out while less vocal employees find their contributions overlooked. The organizations most at risk from “quiet quitting” are those leaving appreciation to chance or boxing it into limited formats that do not reflect the diverse ways teams now work.

Gratitude must be intentional. Your approach should include live feedback, candid check-ins and ongoing tracking of individual and team milestones. When leaders make gratitude a management habit, not just an HR initiative, they see engagement and retention numbers improve quarter over quarter.

Expanding gratitude beyond the workplace

Gratitude affects recruiting, client loyalty and partnership building. External stakeholders respond favorably to cultures where appreciation is visible and genuine. Organizations with real gratitude attract stronger candidates, earn referrals and become preferred partners in strategic alliances.

Gratitude also works best when it moves outside the office walls. Encouraging employees to thank vendors, collaborators and even competitors creates respect and innovation across the industry.

Related: The Psychological Impact of Recognition on Employee Motivation and Engagement – 3 Key Insights for Leaders

Recognition makes the difference

Gratitude is a leadership muscle that must be continually exercised. When recognition is woven into every layer of your organization, results follow, including better retention, greater engagement and more transformative business outcomes.

For executives who see themselves in these stories and strategies, recognition is the difference between teams that fizzle and those that become magnets for the talent you want to keep. Invest in genuine, personalized gratitude now and watch as your organization becomes the place top performers aspire to stay.

Key Takeaways

- Leaders who treat gratitude as a daily practice and recognize excellence see sharper rises in employee engagement and retention.
- Annual bonuses and one-size-fits-all recognition can backfire. Leaders must create custom recognition that aligns with what motivates each person.
- Gratitude must be continually exercised. When it’s embedded into culture, results follow, including better retention, greater engagement and more transformative business outcomes.

Retention is a leadership headache. Losing great people costs real money and undermines every operational plan. Nearly every

exit interview circles the same truth: People walk away when they feel undervalued. Authentic appreciation cannot be a footnote to compensation or performance reviews.

Today’s best-performing organizations, and the executives who run them, are the ones who treat gratitude as a daily practice, not an afterthought. Are you genuinely rewarding the right things, or just assuming good work will continue without acknowledgment? Gratitude woven into how a company operates is the thread that keeps its top talent from unraveling.

Related: **Why Gratitude Makes Leaders More Effective**

https://www.entrepreneur.com/leadership/the-leadership-practice-that-dramatically-improves-retention/496824