

Factors Affecting Employee Engagement among Generation Z in Small and Medium-Sized Enterprises in Hanoi

Nguyen Thi Tuyet*

Faculty of Management, School of Economics, Hanoi University of Industry

*Corresponding Author

DOI: <https://doi.org/10.51244/IJRSI.2026.130200199>

Received: 16 February 2026; Accepted: 22 February 2026; Published: 23 March 2026

ABSTRACT

In the context of Generation Z is increasingly accounting for a larger proportion of the workforce in small and medium-sized enterprises (SMEs) in Hanoi, enhancing employee engagement has become a critical concern for managers. This study aims to examine the factors influencing employee engagement among Generation Z employees within SME settings. Data were collected from 259 valid survey responses and analyzed using Ordinary Least Squares (OLS) linear regression. The findings indicate that six factors—supportive leadership, career development opportunities, a positive working environment, recognition and rewards, person–organization value fit, and work–life balance—have significant positive effects on employee engagement. Based on these results, several managerial implications are proposed to enhance engagement levels and retain young talent in small and medium-sized enterprises.

Keywords: Employee engagement, Generation Z, small and medium-sized enterprises, Hanoi.

INTRODUCTION

In the context of Vietnam's economy undergoing rapid transformation toward integration and digitalization, human resources have increasingly become a decisive factor in determining firms' competitiveness (Akhtar, Hussain, Li, Cuong, et al., 2024; Chinh & Cuong, 2023; Chinh et al., 2021; Cuong et al., 2019; Dang et al., 2021; Nguyen et al., 2023). In Hanoi, small and medium-sized enterprises (SMEs) account for a substantial proportion of operating businesses and play a crucial role in job creation, economic growth, and innovation. However, SMEs often face significant constraints in terms of financial resources, managerial systems, and human resource policies, which create challenges in attracting and retaining talented employees.

At the same time, Generation Z is gradually becoming a dominant segment of the labor force. Unlike previous generations, Gen Z individuals were born and raised in a digital environment, possess open mindsets and strong adaptability, value individuality, seek flexibility at work, and emphasize meaningful work over purely financial rewards. They tend to look for transparent working environments, opportunities for self-development, recognition, and work–life balance. These distinctive characteristics make managing and maintaining Gen Z employee engagement a complex issue for organizations, particularly SMEs with limited resources.

Recent evidence indicates that job-hopping rates among young employees, especially those belonging to Gen Z, remain relatively high (Akhtar, Hussain, Li, Cheng, et al., 2024; Chinh et al., 2020; Cuong et al., 2024; Dang et al., 2024; District & Province, 2024; Khoa et al., 2023). Low levels of engagement not only increase recruitment and training costs but also negatively affect work performance, team morale, and organizational stability. For SMEs, where organizational structures are often lean and heavily dependent on individual contributions, workforce instability can directly impact business performance and long-term sustainability. Therefore, examining the factors influencing Gen Z employee engagement is not only academically meaningful but also practically significant (Cuong et al., 2025; Minh & Cuong, 2026; Minh & Huong, 2025; Minh & Phuong, 2025).

Although numerous studies have examined employee engagement, most have focused on the general workforce or large enterprises. Empirical research specifically addressing Gen Z within the context of SMEs in Vietnam—particularly in Hanoi—remains limited. Meanwhile, organizational culture, leadership style, compensation policies, and development opportunities in SMEs may generate different impacts compared to large corporations. Thus, conducting this study helps fill the existing research gap and provides a scientific basis for SMEs to design human resource policies aligned with the characteristics of the emerging workforce generation.

From the above discussion, it is evident that amid intensifying competition for talent and rapid generational shifts in the labor market, investigating the factors affecting Generation Z employee engagement in SMEs in Hanoi is both necessary and significant. This study contributes to both theoretical development and practical human resource management, ultimately supporting sustainable business growth.

LITERATURE REVIEW AND THEORETICAL BACKGROUND

Literature Review

In a study conducted across various small and medium-sized enterprises (SMEs) in Vietnam, Pham Dinh Dzu (2024) examined the factors influencing work motivation and employee engagement among Generation Z employees. The findings indicate that working environment, compensation policies, career development opportunities, and leadership- and job-related factors significantly affect the level of engagement among Gen Z employees in the SME context. The author further suggests that, to enhance engagement, small enterprises should adjust their human resource management strategies to align with the characteristics of Generation Z, particularly by implementing flexible policies and emphasizing individual development (Dzu., 2024). This study contributes empirical evidence within the Vietnamese labor market, where Gen Z is becoming a dominant workforce segment.

Binh Ngo Phan Vu Gia (2025) surveyed 400 Gen Z employees working in SMEs in Ho Chi Minh City to identify key determinants of their engagement. Using a quantitative approach and SPSS analysis, the study found eight significant factors influencing engagement: career advancement pathways; transparency and fairness at work; salary and benefits; respect for individual opinions; working environment and organizational culture; professional competence of middle managers; leadership style; and work–life balance (Binh., 2025). The author emphasized that Gen Z engagement depends not only on financial compensation but also on a supportive work environment and opportunities for professional growth. These findings align with contemporary human resource trends, particularly for SMEs seeking to optimize young talent management.

Using data collected from 888 Gen Z employees across 22 enterprises nationwide, Van Huynh Ai and Ha Tang My (2024) investigated factors influencing job satisfaction and organizational engagement. The results show that relationships with colleagues, salary and benefits, job characteristics, training opportunities, and work–life balance positively affect job satisfaction, which in turn enhances organizational engagement (Vân & Hà, 2023). The study employed Structural Equation Modeling (SEM) to quantify these relationships and provided strong empirical evidence regarding the mediating role of job satisfaction in fostering Gen Z engagement. This represents one of the most comprehensive studies in Vietnam on this topic.

Zahra et al. (2025) conducted a systematic review of international studies concerning Generation Z in the workplace to synthesize existing knowledge about this generation's characteristics and expectations. The review highlights that Gen Z employees value workplace flexibility, rapid career advancement, frequent recognition, and strong ethical commitments. The synthesized findings suggest that understanding these distinctive traits is essential for designing effective engagement strategies, ranging from mentoring programs to culturally aligned organizational practices. This review provides an important theoretical foundation for research on Gen Z engagement.

Surugiu et al. (2025) examined the career motivations of Generation Z using logistic regression analysis to identify determinants of work performance. Conducted in a European context, the study found that salary is a primary motivational factor for Gen Z employees. Additionally, Gen Z respondents demonstrated a preference

for independent work and a lower tendency toward long-term organizational commitment if their personal values were not aligned with corporate strategies. This study offers valuable insights into psychological and motivational drivers, helping to explain why organizational engagement may remain low without appropriate HR policies.

Vieira et al. (2024) conducted a scholarly review on talent management and employer branding related to Generation Z, emphasizing that this generation holds distinct expectations toward employers compared to previous cohorts. The review indicates that employer branding strategies play a critical role in attracting and retaining Gen Z employees, as they value corporate reputation, personal development opportunities, and transparency in HR policies (Vieira et al., 2024). This study enriches the theoretical perspective on how organizational and managerial factors may either promote or hinder Gen Z employee engagement.

Research Gap

Recent domestic studies have clarified several determinants of Generation Z employee engagement in the Vietnamese business context, particularly factors such as working environment, compensation policies, promotion opportunities, leadership style, and work–life balance. However, most of these studies have been conducted at a broad scale or within medium-sized and large enterprises, foreign-invested firms, or across mixed types of organizations, without clearly distinguishing the specific characteristics of SMEs. Furthermore, many studies focus on Ho Chi Minh City or nationwide samples, while limited research has been dedicated specifically to Hanoi—a region with distinct economic, cultural, and organizational features. Consequently, empirical research addressing Gen Z engagement in SMEs in Hanoi remains insufficient.

International research has provided a solid theoretical foundation regarding the characteristics of Generation Z and the determinants of engagement in modern workplaces. Numerous studies have highlighted the roles of organizational support, meaningful work, leadership style, employer branding, and person–organization value fit. Nevertheless, most of these studies have been conducted in developed economies in Europe, the United States, or certain Asian countries with business environments and labor cultures that differ substantially from Vietnam. Moreover, many contributions are theoretical reviews or focus primarily on large corporations and multinational enterprises, rather than SMEs. Therefore, empirical validation of international theoretical models within the context of Vietnamese SMEs remains limited.

Overall, although considerable research has examined Generation Z employee engagement both domestically and internationally, a significant gap persists regarding the specific context of SMEs in Hanoi. Domestic studies have not sufficiently concentrated on this geographic area, while international research lacks empirical validation in developing economies such as Vietnam. Additionally, differences in organizational culture, management characteristics, and resource constraints within SMEs may generate distinct impacts on Gen Z engagement. Therefore, conducting the study titled “Factors Affecting Employee Engagement of Generation Z in Small and Medium-Sized Enterprises in Hanoi” is necessary to address these theoretical and empirical gaps and to provide evidence-based implications for human resource management in the current context.

Theoretical Background

Generation Z

Generation Z refers to individuals born between 1997 and 2012, who have grown up in a period characterized by rapid technological advancement and significant social transformation (Seemiller & Grace, 2016). Unlike previous workforce generations, Gen Z has had early exposure to the Internet, social media, and digital platforms, which has shaped an open mindset, strong adaptability, and a tendency to value individuality in the workplace (Schroth, 2019). In organizational settings, Gen Z employees are not solely concerned with financial compensation; they also place strong emphasis on meaningful work, learning opportunities, recognition, and work–life balance.

Several studies indicate that Gen Z employees are more likely to change jobs if organizations fail to meet their expectations regarding career development and a supportive working environment (Chillakuri, 2020). This

generation particularly values transparency in management practices, frequent feedback from supervisors, and an open organizational culture that respects diversity (Zahra et al., 2025). In the context of small and medium-sized enterprises (SMEs), where human resource policies are often less formalized, understanding the characteristics and expectations of Gen Z becomes crucial for attracting, retaining, and developing young talent.

Generation Z Employee Engagement

Employee engagement is defined as a positive psychological state that reflects the level of emotional, cognitive, and behavioral investment employees devote to their work and organization (Kahn, 1990). It comprises three core dimensions: vigor, dedication, and absorption (Schaufeli et al., 2002). Highly engaged employees typically demonstrate strong responsibility, high performance, and a willingness to remain committed to their organization over the long term.

For Generation Z, engagement presents distinctive characteristics shaped by contemporary social contexts and generational values. Recent studies suggest that Gen Z engagement is strongly influenced by perceived meaningfulness of work, organizational support, opportunities for personal development, and the alignment between personal and organizational values (Lee et al., 2021; Surugiu et al., 2025). When these expectations are not fulfilled, Gen Z employees are more likely to reduce their organizational commitment and actively seek alternative opportunities. Therefore, examining Gen Z employee engagement is essential for designing appropriate human resource management strategies, particularly within SMEs.

Social Exchange Theory (SET)

Social Exchange Theory (SET), originally developed by Blau (2017), explains social relationships based on reciprocal exchanges of benefits and mutual obligations. Within an organizational context, the relationship between employees and employers can be viewed as a social exchange process in which employees reciprocate the benefits they receive from the organization with positive attitudes, commitment, and higher levels of engagement (Blau, 2017). When employees perceive fairness, support, and recognition from the organization, they are more likely to increase their emotional and behavioral investment in their work.

Several studies on Generation Z have applied SET to explain how supportive leadership, career development opportunities, positive working environments, and fair compensation policies function as “exchange benefits” that foster engagement among young employees (Zahra et al., 2025). Conversely, when organizational expectations are not met, the exchange relationship weakens, leading to lower engagement and higher turnover intentions. Therefore, SET provides an essential theoretical foundation for explaining the relationship between human resource management practices and Gen Z employee engagement.

Job Demands–Resources (JD–R) Model

The Job Demands–Resources (JD–R) model, proposed by Bakker and Demerouti (2007), posits that employee engagement depends on the balance between job demands and the job resources provided by the organization. Job resources—such as supervisory support, opportunities for development, autonomy, constructive feedback, and a supportive work environment—play a crucial role in enhancing intrinsic motivation and promoting engagement (Bakker & Demerouti, 2007).

Recent research suggests that the JD–R model is particularly relevant for examining Gen Z engagement, as this generation is highly sensitive to the level of support and resources offered by the organization (Surugiu et al., 2025). When Gen Z employees are provided with adequate resources aligned with their generational characteristics—such as technological support, flexibility, and rapid learning opportunities—they are more likely to perceive their work as meaningful and demonstrate stronger engagement. In SMEs, although financial resources may be limited, intangible resources such as organizational culture, leadership style, and recognition can serve as critical drivers of engagement. Accordingly, the JD–R model offers an appropriate theoretical framework for developing a research model on Generation Z employee engagement in SMEs.

Hypothesis Development

Supportive Leadership and Employee Engagement

According to Social Exchange Theory (Blau, 2017), employees tend to reciprocate organizational support with positive attitudes and behaviors, including higher engagement. Supportive leadership provides emotional support, feedback, and guidance, which strengthens employees' sense of trust and belonging. From the perspective of the Job Demands–Resources (JD–R) model, leadership support functions as an important job resource that enhances motivation and engagement (Bakker & Demerouti, 2007). Previous studies have confirmed that supportive leadership significantly improves employee engagement, particularly among Generation Z employees who value feedback and mentoring (Schroth, 2019; Zahra et al., 2025). Therefore, the following hypothesis is proposed:

H1: Supportive leadership has a positive effect on Generation Z employee engagement.

Career Development Opportunities and Employee Engagement

Career development opportunities represent an important organizational resource that enhances employees' motivation and long-term commitment. Based on the JD–R model, opportunities for learning and career advancement increase employees' psychological investment and engagement (Bakker & Demerouti, 2007). Generation Z employees, in particular, place strong emphasis on continuous learning and career growth (Chillakuri, 2020). When organizations provide clear career paths and development opportunities, employees are more likely to reciprocate with higher engagement, consistent with Social Exchange Theory. Therefore, the following hypothesis is proposed:

H2: Career development opportunities have a positive effect on Generation Z employee engagement.

Positive Working Environment and Employee Engagement

A positive working environment provides essential job resources such as psychological safety, organizational support, and effective communication. According to the JD–R model, such resources enhance intrinsic motivation and promote engagement (Bakker & Demerouti, 2007). For Generation Z employees, who value open communication and supportive organizational culture, a positive work environment plays a crucial role in fostering engagement (Schroth, 2019). Empirical studies have shown that favorable working conditions significantly enhance employee engagement levels. Therefore, the following hypothesis is proposed:

H3: A positive working environment has a positive effect on Generation Z employee engagement.

Recognition and Rewards and Employee Engagement

Recognition and rewards represent important exchange benefits within the framework of Social Exchange Theory. When employees perceive that their contributions are recognized and fairly rewarded, they are more likely to respond with increased engagement and commitment (Blau, 2017). Recognition also functions as a motivational resource in the JD–R model, reinforcing employees' sense of value and achievement. Generation Z employees, in particular, expect frequent feedback and recognition from their organizations (Chillakuri, 2020). Therefore, the following hypothesis is proposed:

H4: Recognition and rewards have a positive effect on Generation Z employee engagement.

Person–Organization Fit and Employee Engagement

Person–organization fit refers to the alignment between employees' personal values and organizational values. According to Social Exchange Theory, value congruence strengthens the exchange relationship and fosters emotional attachment to the organization (Blau, 2017). Generation Z employees place strong emphasis on value alignment and organizational purpose (Schroth, 2019). When employees perceive a strong fit with their

organization, they are more likely to experience higher engagement and commitment. Therefore, the following hypothesis is proposed:

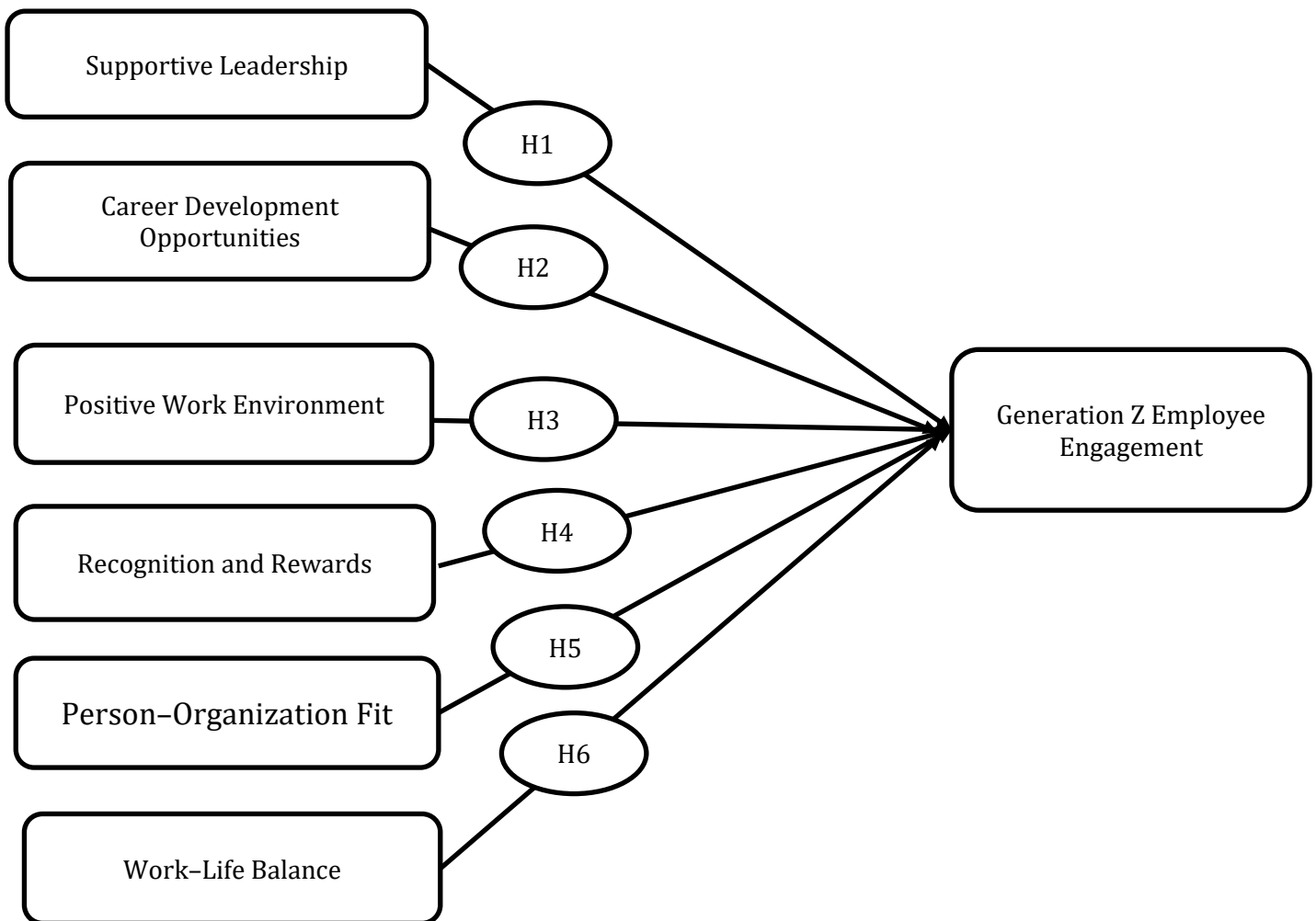
H5: Person–organization value fit has a positive effect on Generation Z employee engagement.

Work–Life Balance and Employee Engagement

Work–life balance represents an important job resource that supports employees’ well-being and reduces work-related stress. According to the JD–R model, such resources enhance motivation and engagement (Bakker & Demerouti, 2007). Generation Z employees highly value flexibility and balance between work and personal life (Chillakuri, 2020). When organizations support work–life balance, employees are more likely to reciprocate with higher engagement, consistent with Social Exchange Theory. Therefore, the following hypothesis is proposed:

H6: Work–life balance has a positive effect on Generation Z employee engagement.

The research model is presented below:



RESEARCH METHODOLOGY

This study employed a quantitative research approach to test the model of factors affecting Generation Z employee engagement in small and medium-sized enterprises (SMEs) in Hanoi. Data were collected through a structured questionnaire developed based on validated measurement scales from prior studies and adjusted to fit the research context.

The target respondents were Generation Z employees (born from 1997 onward, according to Pew Research Center, 2019) who were working full-time in SMEs in Hanoi and had at least six months of tenure at their current organization. A convenience sampling method was employed due to accessibility and availability of

respondents. Data were collected between September and November 2025 through both online (Google Forms) and offline questionnaires.

A total of 300 questionnaires were distributed, and 259 valid responses were retained, resulting in a response rate of 86.3%. According to (Hair, 2009), the sample size should exceed 200 to ensure reliability in factor analysis and Structural Equation Modeling (SEM). Therefore, the sample size of 259 is considered sufficient.

RESEARCH RESULTS

Demographic profiles of respondents

Table 1 Detailed demographic profile of respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	111	42.9
	Female	148	57.1
Age	18–22 years	92	35.5
	23–27 years	167	64.5
Education	College	63	24.3
	Bachelor’s degree	183	70.7
	Postgraduate	13	5.0
Work experience	Less than 1 year	56	21.6
	1–3 years	155	59.8
	More than 3 years	48	18.5

Source: Author’s survey data

Table 1 presents the demographic profile of the respondents (N = 259). Female respondents account for 57.1% of the sample, while males represent 42.9%. Most respondents are aged 23–27 (64.5%), reflecting the typical working-age segment of Generation Z in Hanoi. Regarding education, the majority hold a bachelor’s degree (70.7%), followed by college-level qualifications (24.3%), while a smaller proportion have postgraduate education (5.0%). In terms of work experience, most respondents report 1–3 years of experience (59.8%), suggesting that the sample largely consists of early-career employees, which is consistent with the characteristics of Generation Z in SMEs.

Reliability Testing with Cronbach’s Alpha

The reliability analysis results indicate that all measurement scales in the research model achieved satisfactory internal consistency. The Cronbach’s Alpha coefficients of all construct groups exceeded the threshold of 0.7, demonstrating strong internal reliability among the observed variables within each scale. In addition, the Corrected Item–Total Correlation coefficients for all observed variables were greater than 0.3, indicating that each item was closely correlated with the overall scale. Therefore, the measurement scales used in this study are considered reliable and appropriate for subsequent Exploratory Factor Analysis (EFA).

Exploratory Factor Analysis (EFA)

The results of the KMO and Bartlett’s tests confirm the suitability of the data for factor analysis. The KMO value reached 0.793, exceeding the minimum threshold of 0.5, indicating that the correlations among observed variables were sufficient for conducting EFA. According to Kaiser’s criteria, a KMO value between 0.7 and 0.8 is considered acceptable to good, suggesting that the sample was adequate for factor analysis.

Bartlett’s Test of Sphericity yielded a Chi-Square value of 4020.848 with a significance level of 0.000 ($p < 0.05$), rejecting the null hypothesis that the variables are uncorrelated in the population. This result confirms that the correlation matrix is not an identity matrix and that the observed variables are sufficiently interrelated to form representative factors.

Based on the Eigenvalue > 1 criterion, six factors were extracted, consistent with the initially proposed research model. The total variance explained exceeded 50%, indicating that the extracted factors accounted for a substantial proportion of the variance in the observed variables. Consequently, the post-EFA measurement structure retained six independent factor groups, demonstrating both convergent and discriminant validity, and was deemed suitable for subsequent regression analysis to test the research hypotheses.

Table 2. EFA Results for Independent Variables

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.793
Bartlett's Test of Sphericity	Approx. Chi-Square	4020.848
	Df	276
	Sig.	.000

(Source: Author’s analysis from SPSS)

The results of the rotated component matrix using the Varimax method indicate that the measurement structure is clearly grouped and consistent with the proposed research model. All observed variables exhibit factor loadings greater than 0.8, which is substantially higher than the minimum threshold of 0.5. This demonstrates a strong level of convergent validity among the variables within each factor.

Table 3. Results of Rotated Factor Loadings for Independent Variables

Factor	1	2	3	4	5	6
PWE4	.920					
PWE1	.908					
PWE3	.899					
PWE2	.857					
POF3		.892				
POF4		.886				
POF1		.885				
POF2		.850				
CDO4			.883			
CDO3			.882			
CDO1			.877			
CDO2			.846			
WLB4				.879		
WLB3				.876		
WLB1				.875		
WLB2				.857		
RR4					.870	
RR3					.863	
RR1					.859	
RR2					.822	
SL1						.864
SL4						.847
SL3						.816
SL2						.816

(Source: Author’s analysis from SPSS)

The results of the exploratory factor analysis (EFA) for the dependent variable indicate that the KMO value is 0.721, exceeding the minimum threshold of 0.5, which confirms the adequacy of the sample for factor analysis. In addition, Bartlett’s Test of Sphericity yields a significance level of 0.000 (< 0.05), indicating that the observed variables are sufficiently correlated and suitable for factor extraction.

Based on the criterion of Eigenvalue greater than 1, only one factor is extracted, representing the three observed variables of employee engagement. This factor explains 75.385% of the total variance, which is substantially higher than the acceptable threshold of 50%, demonstrating strong explanatory power. Furthermore, all factor loadings are above 0.5, confirming satisfactory convergent validity. Therefore, the measurement scale of the dependent variable is considered reliable and appropriate for subsequent regression analysis.

Pearson Correlation Analysis

The Pearson correlation analysis indicates that all independent variables are significantly associated with the dependent variable, as the significance values (Sig.) for all relationships are below 0.05. Moreover, the correlation coefficients are positive, suggesting that the independent variables are positively related to employee engagement.

These findings imply that increases in the independent variables are accompanied by corresponding increases in the level of employee engagement. Therefore, there is preliminary evidence that the independent variables are capable of explaining variations in the dependent variable and are appropriate for inclusion in the subsequent multiple regression analysis.

OLS Linear Regression Analysis

The regression analysis results indicate that the coefficient of determination (R Square) is 0.567, suggesting that the model explains 56.7% of the variance in Gen Z employee engagement. After adjusting for the number of variables included in the model, the Adjusted R Square is 0.556, meaning that approximately 55.6% of the variation in the dependent variable is accounted for by the six independent variables. In addition, the Durbin-Watson statistic is 1.417, which falls within the acceptable range (approximately 1.0 to 3.0), indicating no serious evidence of autocorrelation in the residuals. Therefore, the regression model is considered appropriate and can be used to test the proposed research hypotheses in the subsequent analysis.

Table 4. Model Summary b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.761 ^a	.567	.556	.43397	1.417
a. Predictors: (Constant), F_WLB, F_RR, F_SL, F_POF, F_CDO, F_PWE					
b. Dependent Variable: F_EE					

(Source: Author’s analysis from SPSS)

The results indicate that the Variance Inflation Factor (VIF) values for all independent variables are below 2, confirming that multicollinearity is not a serious concern in the model. Furthermore, all independent variables have significance levels (Sig.) lower than 0.05, demonstrating that they exert statistically significant effects on the dependent variable, F_EE. In addition, the estimated regression coefficients are positive, indicating positive relationships between the independent variables and Gen Z employee engagement.

Conclusion of Hypotheses Testing:

H1: Supportive leadership has a positive impact on the engagement of Generation Z employees in small and medium-sized enterprises in Hanoi. (Accepted)

H2: Career development opportunities positively influence the engagement of Generation Z employees. (Accepted)

H3: A positive work environment has a positive effect on the engagement of Generation Z employees. (Accepted)

H4: Recognition and rewards positively affect the engagement of Generation Z employees. (Accepted)

H5: Person–organization value fit has a positive impact on the engagement of Generation Z employees. (Accepted)

H6: Work–life balance positively influences the engagement of Generation Z employees. (Accepted)

CONCLUSION, MANAGERIAL IMPLICATIONS AND LIMITATIONS OF THE RESEARCH

Conclusion

This study was conducted to identify the factors influencing employee engagement among Generation Z employees in small and medium-sized enterprises (SMEs) in Hanoi. The quantitative analysis results indicate that the research model demonstrates a good level of fit, with an adjusted R^2 of 0.556, suggesting that the six independent variables explain more than half of the variance in employee engagement. This finding reflects the substantial impact of human resource management factors on Gen Z employee engagement within the SME context.

Hypothesis testing results reveal that all six factors—supportive leadership, career development opportunities, a positive working environment, recognition and rewards, person–organization value fit, and work–life balance—have significant positive effects on Generation Z employee engagement. These findings are consistent with Social Exchange Theory (Blau, 2017), which posits that when employees perceive organizational support, recognition, and investment, they reciprocate with higher levels of commitment and engagement. The results also align with the Job Demands–Resources (JD–R) model (Bakker & Demerouti, 2007), whereby organizational resources such as leadership support, development opportunities, and a positive work environment stimulate intrinsic motivation and enhance engagement.

In particular, given that Generation Z places strong emphasis on meaningful work, continuous feedback, and personal development (Schroth, 2019; Zahra et al., 2025), support- and development-oriented factors demonstrate especially prominent roles. This confirms that Gen Z engagement is not driven solely by financial incentives but is strongly influenced by overall work experience and value alignment.

From a practical perspective, this study provides empirical evidence within the context of SMEs in Hanoi and offers a scientific foundation for managers to develop human resource policies aligned with the characteristics of the Generation Z workforce. These insights contribute to enhancing managerial effectiveness and promoting sustainable organizational development.

Managerial implications are proposed:

First, enterprises should promote a leadership style characterized by guidance, support, and developmental orientation. Generation Z values transparency, continuous feedback, and clear direction in the workplace (Chillakuri, 2020). Managers should therefore maintain two-way communication mechanisms, organize regular coaching sessions, and provide timely recognition of employee efforts. Such practices can strengthen trust and foster long-term engagement.

Second, given the positive effect of career development opportunities on engagement, SMEs should design transparent career pathways and integrate both technical and soft-skill training programs. Internal mentoring initiatives and flexible online training programs may be particularly suitable for Gen Z employees, who are fast learners and technologically adept (Schroth, 2019). When employees perceive long-term growth opportunities, they are more likely to invest effort and commitment in the organization.

Third, building a friendly, open, and innovation-oriented working environment plays a critical role in sustaining motivation. Zahra et al. (2025) note that Generation Z seeks to be heard and to express their perspectives. Therefore, organizations should foster a culture grounded in respect, diversity, and collaboration, while leveraging digital technologies to enhance flexibility in communication and teamwork.

Fourth, beyond financial compensation, non-monetary recognition—such as public acknowledgment, opportunities to participate in significant projects, and increased autonomy can positively influence intrinsic

motivation. From the perspective of the JD–R model, recognition functions as a psychological resource that enhances vigor and dedication (Bakker & Demerouti, 2007). SMEs can implement flexible reward systems that align with financial capacity while ensuring fairness and transparency.

Fifth, organizations should clearly communicate their mission, vision, and core values, and ensure consistency between managerial actions and stated principles. When employees perceive alignment between their personal values and organizational direction, their commitment and engagement are strengthened (Lee et al., 2021). This is particularly important for Generation Z, a cohort that highly values integrity and social responsibility.

Finally, flexible work policies, mental health support, and reasonable leave arrangements can help reduce job-related stress and enhance satisfaction. Generation Z tends to prioritize quality of life and flexibility more than previous generations (Surugiu et al., 2025). Therefore, adopting hybrid work models or performance evaluations based on outcomes rather than physical presence may represent appropriate solutions for SMEs.

Limitations and Future Research:

This study has several limitations. First, the sample was limited to Generation Z employees in SMEs in Hanoi, which may limit the generalizability of the findings to other regions or organizational contexts. Second, the cross-sectional design prevents causal inference. Future studies may use longitudinal data and include larger samples across different industries and regions.

Although this study employed established statistical techniques including EFA and multiple regression analysis, future research may benefit from using Structural Equation Modeling (SEM) to further validate measurement models and examine complex relationships among constructs. SEM would provide additional robustness in assessing both measurement and structural models simultaneously.

REFERENCES

1. Akhtar, R., Hussain, J., Li, L., Cheng, B., Cuong, T., Haider, S., Razaq, A., Ali, I., & Tao, C. (2024). Unlocking Emerging Economies: Exploring the Influence of International Trade on Strategic Options Through Logistic Regression Approach. *Journal of the Knowledge Economy*, 1-29.
2. Akhtar, R., Hussain, J., Li, L., Cuong, T., & Tao, C. (2024). Unlocking Sustainable Futures: Exploring Multidimensional Poverty in Belt & Road Initiative Countries Through Forest Plantation Perspectives. *Journal of Poverty*, 1-27.
3. Bakker, A. B., & Demerouti, E. (2007). The job demands-resources model: State of the art. *Journal of managerial psychology*, 22(3), 309-328.
4. Bình., N. P. V. G. (2025). CÁC YẾU TỐ ẢNH HƯỞNG ĐẾN SỰ GẮN KẾT CỦA GEN Z TRONG CÁC DOANH NGHIỆP NHỎ VÀ VỪA.
5. Blau, P. (2017). *Exchange and power in social life*. Routledge.
6. Chillakuri, B. (2020). Understanding Generation Z expectations for effective onboarding. *Journal of Organizational Change Management*, 33(7), 1277-1296.
7. Chinh, T. T. Q., & Cuong, T. (2023). Factor effects to farm household's income in nari district, bac kan province. *Open Access Library Journal*, 10(4), 1-12.
8. Chinh, T. T. Q., Cuong, T., Bac, C. N., & Chen, J. (2021). Value-Added Distribution among Stakeholders Tea Value Chain: A Case Study in Thai Nguyen Province, Viet Nam. *Open Access Library Journal*, 8(6), 1-18.
9. Chinh, T. T. Q., Cuong, T., & Chen, J. (2020). Factors Affecting to Tea-Growing Household's Financial Efficiency: A Case Study from Thai Nguyen Province. *Open Access Library Journal*, 7(12), 1-12.
10. Creswell, J. W., & Creswell, J. D. (2017). *Research design: Qualitative, quantitative, and mixed methods approaches*. Sage publications.
11. Cuong, T., Akhtar, R., Hussain, J., & Chinh, T. T. Q. (2024). Analyzing the Influence of International Remittances on Multidimensional Poverty: Insights from BRI Countries. *Journal of Poverty*, 1-22.
12. Cuong, T., Minh, D. H., & Chinh, T. T. Q. (2025). Does Stakeholder Pressure Enhance Sustainable Performance? Mediating Role of Corporate Social Responsibility, Circular Economy Practices, and Sustainable Supply Chain Management. *WSEAS Transactions on Business and Economics*, 22, 962-978. <https://doi.org/http://dx.doi.org/10.37394/23207.2025.22.80>

13. Cuong, T., Nguyen, T., & Linh, C. (2019). The impacts of forest plantation on household's income. *Open Access Library Journal*, 6(07), 1.
14. Dang, T., Caihong, Z., Nguyen, T., Nguyen, N., & Tran, C. (2021). The volatility characteristics of Vietnamese coffee export price and transmission mechanism of influencing factors: a Markov switching approach. *Journal of Asia Business Studies*, 15(5), 784-803.
15. Dang, T. T., Nguyen, H. T., Nguyen, S. T. M., Tran, C., Nguyen, T. N., & Nguyen, C. H. (2024). The Volatility of the Global Food Price Index and Influencing Factors. *International Conference on Research in Management & Technovation*,
16. District, V. Y., & Province, B. G. (2024). Factors Affecting the Decision to Choose an Industrial Park: Case Study Industrial Parks of. *Open Access Library Journal*, 11, e11442.
17. Dzu., T. P. Đ. (2024). Động lực làm việc và sự gắn kết của nhân viên Gen Z trong các doanh nghiệp nhỏ và vừa tại Việt Nam. *Kinh tế và Dự báo*.
18. Hair, J. F. (2009). *Multivariate data analysis*.
19. Kahn, W. A. (1990). Psychological conditions of personal engagement and disengagement at work. *Academy of management journal*, 33(4), 692-724.
20. Khoa, V. D., Anh, N. T. M., Cuong, T., & Chinh, T. T. Q. (2023). Organizational Democracy and Employee Retention: An Empirical Study in Vietnamese Universities. *International Conference on Research in Management & Technovation*,
21. Lee, C. C., Aravamudhan, V., Roback, T., Lim, H. S., & Ruane, S. G. (2021). Factors impacting work engagement of Gen Z employees: A regression analysis. *Journal of Leadership, Accountability and Ethics*, 18(3), 147-159.
22. Minh, D. H., & Cuong, T. (2026). The link between sustainable entrepreneurial attitude, intention, and behavior: moderating role of circular economy entrepreneurship. *Strategy & Leadership*. <https://doi.org/https://doi.org/10.1108/SL-05-2025-0114>
23. Minh, D. H., & Huong, H. T. (2025). Research on Factors Impact on Circular Economy Application and Sustainable Performance: Manufacturing Enterprises in Industrial Zones. *Planning*, 20(2), 901-912.
24. Minh, D. H., & Phuong, P. T. T. (2025). The relationship between organizational culture and lean manufacturing in manufacturing SMEs in Vietnam: Exploring the moderating role of sustainable leadership. *Journal of the International Council for Small Business*, 1-20.
25. Nguyen, T., Tuyen, D. T., Trung, N. N., & Cuong, T. (2023). Analysing costs and margins of smallholder farmers in the coffee value chain: M4P approach. *International Journal of Economics and Business Research*, 26(3), 325-353.
26. Schaufeli, W. B., Salanova, M., González-Romá, V., & Bakker, A. B. (2002). The measurement of engagement and burnout: A two sample confirmatory factor analytic approach. *Journal of Happiness studies*, 3(1), 71-92.
27. Schroth, H. (2019). Are you ready for Gen Z in the workplace? *California management review*, 61(3), 5-18.
28. Seemiller, C., & Grace, M. (2016). *Generation Z goes to college*. John Wiley & Sons.
29. Surugiu, C., Surugiu, M.-R., Grădinaru, C., & Grigore, A.-M. (2025). Factors motivating generation Z in the workplace: managerial challenges and insights. *Administrative Sciences*, 15(1), 29.
30. Vân, H. Á., & Hà, T. M. (2023). Giữ chân nhân viên thế hệ Z tại VN. *Tạp chí Phát Triển và Hội Nhập*(69), 89-99.
31. Vieira, J., Gomes da Costa, C., & Santos, V. (2024). Talent management and generation Z: A systematic literature review through the lens of employer branding. *Administrative Sciences*, 14(3), 49.
32. Zahra, Y., Handoyo, S., & Fajrianthi, F. (2025). A comprehensive overview of Generation Z in the workplace: Insights from a scoping review. *SA Journal of Industrial Psychology*, 51, 2263.