



# The Impact of Individual and Organizational Factors on the Engagement of Millennial Employees in Small and Medium Enterprises

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## ABSTRACT

In an era where Millennials increasingly dominate the workforce of small and medium enterprises (SMEs), fostering their engagement has emerged as a critical challenge for business leaders. This study investigates the individual and organizational factors influencing the engagement of Millennial employees in SMEs through a qualitative research approach. Findings reveal that individual factors—such as work motivation, job satisfaction, personality, personal values, and person-organization fit—make a great contribution to employee engagement. In addition, organizational factors—including corporate culture, leadership style, compensation and benefits policies, and opportunities for development and training—play a vital role in retaining employees. Based on these insights, the study proposes several strategies to enhance Millennial employee engagement, thereby contributing to improved operational effectiveness in SMEs.

Keywords: *Employee engagement, Millennials, individual factors, organizational factors, small and medium enterprises*

## 1. Introduction

The Millennial generation, born between 1981 and 1996, is progressively becoming the backbone of the workforce in numerous enterprises, particularly in developing economies. This cohort exhibits distinct characteristics and expectations compared to previous generations, such as a preference for flexible work arrangements, rapid career progression, and a balanced integration of work and personal life. These traits directly influence their workplace behaviors and levels of organizational commitment.

Extensive research highlights that sustaining the engagement and long-term commitment of Millennials poses a significant challenge for human resource managers. SMEs, in particular, struggle to retain this demographic amid a rapidly evolving labor market and dynamic work environment. Factors such as competitive benefits packages, supportive work cultures, opportunities for advancement, and recognition of achievements are widely recognized as critical drivers of Millennial workplace behavior and their decisions to remain with an organization. Understanding these drivers is essential for SMEs to devise effective human resource strategies that align with the needs and aspirations of this generation.

This study is both timely and practically significant for SMEs. It delves deeply into the key factors affecting the behavior and engagement of Millennials in contemporary work settings and offers practical recommendations to optimize HR strategies. By doing so, it aims to enable SMEs to cultivate a workplace environment that not only attracts but also retains Millennial talent, ultimately enhancing overall business performance.

## 2. Theoretical Framework and Research Methodology

### *The Millennial Generation*

Millennials, born between 1981 and 1996, constitute a dominant and influential segment of Vietnam's workforce and that of many SMEs globally. They are characterized by unique work motivations, career expectations, and levels of organizational attachment.

Research indicates that Millennials possess an open-minded outlook, valuing flexibility and opportunities for personal growth (Nguyen & Truong, 2020). They prioritize work-life balance, seek autonomy in their roles, and are willing to switch employers if they are dissatisfied with their work environment (Twenge, Campbell, Hoffman, & Lance, 2010). Studies further suggest that this generation places high importance on organizational culture, recognition of their contributions, and career development opportunities (Nguyen, 2019).

In terms of workplace behavior, Millennials thrive in collaborative settings, excel in teamwork, and leverage technology to boost productivity (Deal, Altman, & Rogelberg, 2010). They favor flexible work environments free from rigid constraints and expect continuous learning and skill development opportunities (Nguyen, 2022). A Gallup study (2016) found that 60% of Millennials are prepared to leave their jobs if they feel disengaged or lack career

growth prospects, underscoring their lower organizational loyalty compared to prior generations. This necessitates tailored Human Resources (HR) strategies to meet their unique needs.

Career development and learning opportunities are paramount for Millennials. They seek regular training, participation in skill-enhancing programs, and clear pathways for advancement. The ability to acquire new skills and tackle challenges significantly influences their job satisfaction and commitment. When their roles fail to offer growth potential, Millennials tend to show their inclination to explore alternative opportunities or frequently change jobs.

#### *Organizational Behavior*

Organizational Behavior (OB) is a multidisciplinary field that examines how individuals, groups, and organizational structures influence human behavior within a business context, aiming to enhance operational efficiency (Robbins & Judge, 2019). OB encompasses elements such as motivation, leadership, communication, decision-making, and corporate culture.

Luthans (2011) describes OB as an applied science that improves employee performance and organizational effectiveness by managing human behavior amid evolving economic and social landscapes. This perspective emphasizes the importance of HR strategies grounded in a deep understanding of human dynamics within organizations.

#### *Employee Engagement*

Employee engagement refers to the degree of dedication, loyalty, and desire employee exhibits toward maintaining their role within an organization. Meyer and Allen (1991) categorize engagement into three aspects: affective commitment (emotional attachment and voluntary long-term dedication to the organization), continuance commitment (staying due to high opportunity costs of leaving), and normative commitment (a sense of moral or ethical obligation to remain).

Mowday, Porter, and Steers (1982) further define engagement as the extent to which an individual embraces organizational goals, exerts effort on its behalf, and seeks to sustain membership. Engaged employees are more likely to contribute positively to business outcomes, making engagement a critical focus for SMEs aiming to retain Millennial talent.

#### **Research Methodology**

This study adopts a qualitative methodology, integrating secondary data analysis with in-depth interviews to explore the factors influencing Millennial employee engagement in SMEs. The qualitative approach facilitates a nuanced understanding of these factors, yielding practical insights for business application.

Data collection occurred through two primary channels: secondary data analysis and in-depth interviews.

##### *(i) Secondary Data Analysis*

The research began with a comprehensive review and synthesis of existing scientific literature relevant to the topic. Sources included academic articles, books on organizational behavior, employee engagement, and HR management; reports from labor organizations, statistical agencies, and prior studies on Millennial work trends; and theses and dissertations from domestic and international scholars. This analysis established a robust theoretical foundation for identifying factors affecting Millennial engagement and selecting appropriate frameworks for empirical investigation.

##### *(ii) In-Depth Interviews*

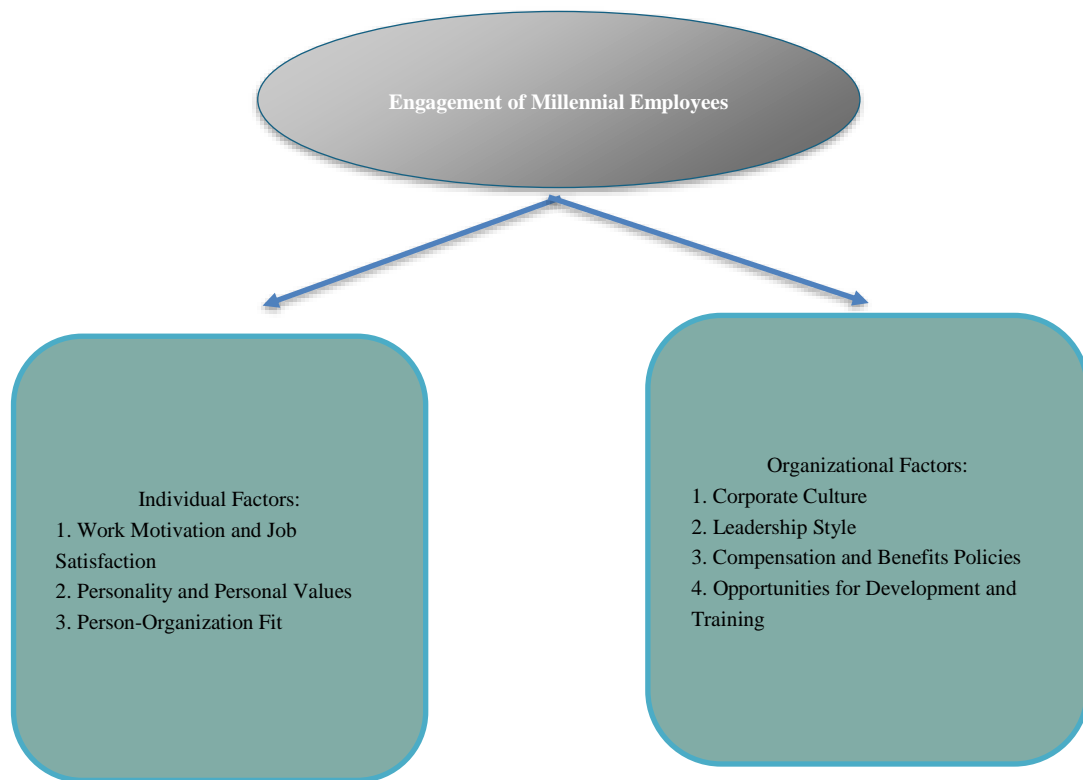
To complement the literature review, the research team conducted in-depth interviews with Millennial employees working in SMEs. These interviews provided real-world insights into their work experiences, motivations, and engagement levels.

Interviewees were selected based on the following criteria: belonging to the Millennial generation (born 1981–1996); employed at SMEs (fewer than 300 employees); having at least one year of experience at their current company; and willing to participate and share information.

The team conducted 12–15 interviews, either online or in person, lasting 45–60 minutes depending on participants' availability. Open-ended questions were designed around three key themes: individual factors, organizational factors, and the interplay between these factors and engagement levels. Participants represented diverse departments, including HR, sales, marketing, and production, ensuring a broad perspective.

Data from the interviews were analyzed using Thematic Analysis to pinpoint the primary factors influencing Millennial engagement. This method enabled the identification of recurring themes and patterns, offering a deeper understanding of the dynamics at play.

Figure 1: Model Depicting Millennial Employee Engagement Through Individual and Organizational Factors in SMEs



Source: Compiled by the Research Team

The qualitative methodology employed in this study provides a comprehensive exploration of Millennial employees' workplace experiences in SMEs. The resulting insights illuminate the factors driving their engagement and offer practical recommendations for talent retention and performance enhancement.

Section headings should be left justified, bold, with the first letter capitalized and numbered consecutively, starting with the Introduction. Sub-section headings should be in capital and lower-case italic letters, numbered 1.1, 1.2, etc, and left justified, with second and subsequent lines indented. All headings should have a minimum of three text lines after them before a page or column break. Ensure the text area is not blank except for the last page

### 3. FACTORS INFLUENCING MILLENNIAL EMPLOYEE ENGAGEMENT

#### *Individual Factors*

Individual factors are foundational to shaping and sustaining employee engagement. There are three key elements:

##### (i) Work Motivation and Job Satisfaction

Herzberg's Two-Factor Theory (1959) distinguishes between motivators (e.g., achievement, personal growth, autonomy) and hygiene factors (e.g., salary, job security). Subsequent studies confirm that intrinsic motivators—such as a sense of accomplishment and self-direction—positively correlate with engagement (Locke, 1976; Judge & Bono, 2001). Nguyen and Le (2020) note, "Employees who find meaning in their work are more likely to exhibit long-term commitment and actively contribute to organizational growth." Deci and Ryan (2000) further highlight that both intrinsic motivation (e.g., job satisfaction, meaningful contributions) and extrinsic motivation (e.g., salary, bonuses, benefits) influence engagement levels.

Millennials, in particular, seek roles that deliver personal value and frequent recognition. They prioritize clear opportunities for growth and advancement, with research by Nguyen and Pham (2021) indicating that employees whose career expectations are met tend to remain loyal longer. Their focus extends beyond financial rewards to encompass learning, skill development, and career fulfillment.

##### (ii) Personality and Personal Values

Alignment between personal values and organizational culture enhances job satisfaction and loyalty (Kristof-Brown et al., 2005). A SHRM survey (2018) found that employees who perceive their personal values as respected and reflected within their organization demonstrate greater dedication.

Personal values significantly influence engagement. Individuals with high responsibility, proactivity, and adaptability tend to exhibit stronger organizational loyalty (Judge, Bono, Erez, & Locke, 1999). Extroverted employees who excel at building workplace relationships also show higher engagement levels (Nguyen, 2022).

### (iii) Person-Organization Fit (P-O Fit)

P-O Fit—the compatibility between an individual's values, beliefs, and goals and those of the organization—is a critical determinant of engagement. When alignment exists, employees feel valued and motivated to contribute long-term (Chatman, 1989). Kristof (1996) argues that P-O Fit reduces recruitment and training costs while fostering a loyal, efficient workforce.

For Millennials, who value flexibility, creativity, and meaningful work, P-O Fit is especially vital (Ng & Feldman, 2010). Misalignment with organizational values can lead to disengagement and turnover. Transparent communication of corporate values during recruitment, robust onboarding programs, and ongoing cultural alignment efforts are essential to sustaining this fit.

### *Organizational Factors*

Organizational factors encompass external elements that directly influence the work environment and employee morale. These include:

#### (i) Corporate Culture

Corporate culture is not merely an external image but also a system of shared values, beliefs, and practices within an organization (Schein, 1985). Cameron & Quinn (2011) stated, "A strong, transparent, and supportive culture creates a working environment where employees feel safe, respected, and, as a result, become more engaged."

For example, Denison (1990) found that corporate culture significantly impacts employee engagement and work performance, especially in small and medium enterprises (SMEs), where flexibility and close relationships among members are emphasized. An open, transparent, and collaborative corporate culture fosters a positive work environment, thereby increasing employee engagement. Organizations whose values align with employees' personal beliefs are more likely to retain talent (Nguyen & Pham, 2021).

#### (ii) Leadership Style

Leadership plays a crucial role in shaping the work environment. Bass (1985) developed the Transformational Leadership Theory, asserting that leaders who inspire and motivate employees help them feel valued, thereby enhancing their engagement. Avolio & Bass (1995) found that transformational leadership not only drives innovation but also improves relationships between leaders and employees, laying the foundation for long-term loyalty. Inspirational leaders who support career development and create a transparent work environment can significantly increase employee commitment (Nguyen, 2022).

#### (iii) Compensation and Benefits Policies

Compensation, rewards, and benefits policies directly influence employee satisfaction and loyalty. Eisenberger et al. (1986), in their study on Social Exchange Theory, emphasized that when businesses invest fairly in compensation policies, employees reciprocate with dedication and engagement. According to a PwC (2013) report, "Companies with competitive compensation programs not only attract talent but also retain high-quality employees, especially Millennials, who highly value fairness and transparency in benefits."

#### (iv) Development and Training Opportunities

Millennials constantly seek opportunities for personal and professional development, making comprehensive training programs and clear career advancement paths critical for maintaining their engagement with an organization. According to Noe (2010), providing learning and development opportunities not only enhances employee expertise but also fosters long-term engagement and motivation.

Cascio (2006) also emphasized that companies investing in training not only improve employee skills but also foster commitment, as employees perceive genuine support from their employers. This is particularly important for Millennials, who prioritize continuous learning and career development not only in their current jobs but also in their long-term careers (Meister & Willyerd, 2010).

Beyond technical training, mentorship and coaching programs from experienced managers or colleagues are effective ways to help Millennials develop skills and gain clear career direction (Kuvaas & Dysvik, 2009). Additionally, soft skills training programs, such as communication, leadership, and time management, are essential for helping them better adapt to the work environment.

Another critical factor is flexibility in training methods. Millennials prefer blended learning formats such as e-learning, online workshops, and short courses that can be easily accessed within their busy work schedules (Johnson et al., 2018). Businesses should leverage technology to personalize learning pathways, enabling employees to acquire knowledge efficiently and apply it directly to their work.

Finally, establishing a clear career advancement pathway is a key factor in retaining Millennial employees. When they see growth potential within an organization, they are more motivated to work hard and stay committed. Park & Gursoy (2012) found that Millennials tend to leave companies if they perceive a lack of career progression or inadequate support for professional development. Thus, businesses should implement transparent performance evaluation systems, regularly discuss career goals with employees, and provide advancement opportunities based on competence rather than tenure.

Overall, investing in development and training not only enhances labor productivity but also fosters a committed, loyal workforce ready to contribute long-term to the organization.

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#### 4. RECOMMENDATIONS AND PROPOSALS

Based on research findings on the factors influencing Millennial employee engagement in small and medium enterprises (SMEs), this study proposes several practical solutions to enhance employee commitment, reduce turnover rates, and create a more attractive work environment. Below are some key recommendations:

##### *Building a Positive and Motivating Work Environment*

Businesses should focus on enhancing employee motivation and job satisfaction. Millennials are a generation that values recognition and highly appreciates their contributions to the organization. Therefore, establishing a transparent, timely, and individualized reward system is crucial in boosting morale. Beyond financial rewards such as salaries and bonuses, companies can implement non-monetary recognition methods such as acknowledging outstanding individuals in meetings, offering opportunities to participate in important projects, or providing specific work privileges. When employees feel their efforts are valued, they are more likely to remain committed to the organization.

Creating a flexible, friendly work environment that supports work-life balance is another key factor in maintaining Millennial engagement. This generation seeks jobs that offer flexibility in work hours, locations, and mental and physical well-being support policies. Companies may consider implementing hybrid work models, allowing employees to work remotely or adjust their schedules to suit personal needs. Additionally, fostering an open workplace culture that encourages employees to express opinions, share perspectives, and contribute creative ideas will help them feel respected and valued within the organization.

Another important factor is encouraging employees to participate in creative initiatives and empowering them to maximize their potential. Millennials not only aim to complete assigned tasks but also wish to be involved in decision-making processes, experiment with new ideas, and have a voice in the organization. Businesses can promote this through innovation programs, open brainstorming sessions, or projects where employees can propose and implement their own ideas. When employees perceive themselves as integral to the organization, they will be more motivated to work hard, thereby increasing their commitment.

##### *Developing an Open and Suitable Corporate Culture*

Corporate culture plays a crucial role in creating an engaging work environment and fostering employee loyalty among Millennials. To retain this workforce, SMEs should develop a corporate culture that is open, transparent, and inclusive, where employees feel heard and recognize the value of their contributions.

A transparent work environment should be built on two-way communication between employees and leadership. Millennials want timely updates on business strategies, career opportunities, and internal policies. Therefore, companies should enhance direct communication channels such as regular meetings between employees and leaders, internal forums, or digital platforms that allow employees to express their opinions quickly. Proactive leadership that listens, provides feedback, and addresses employee concerns not only strengthens trust but also fosters a positive and transparent workplace culture.

Corporate culture should be built upon core values that Millennials prioritize, such as innovation, flexibility, and collaboration. This generation quickly adapts to change and seeks to work in organizations that embrace creativity and continuous improvement. Thus, businesses should encourage employees to participate in innovation activities, experiment with new work methods, and provide opportunities for them to develop creative thinking. A flexible culture free from excessive procedural constraints, combined with strong interdepartmental collaboration, will keep employees more engaged in their work.

More importantly, businesses should create opportunities for Millennials to be involved in decision-making processes, helping them feel that they have an impact on the organization's overall development. This can be achieved through opinion consultation sessions, internal workshops, or innovation suggestion programs, where employees can contribute their ideas to business strategies or operational activities. When employees are empowered and their roles in decision-making are acknowledged, Millennials will not only feel more motivated to work but also develop a stronger sense of responsibility toward the organization's growth, leading to long-term engagement.

##### *Improving Compensation and Benefits Policies*

Compensation and benefits policies are among the most critical factors directly impacting Millennial employee engagement in small and medium enterprises (SMEs). This generation is not only concerned with salary levels but also values fairness, transparency in the compensation system, and benefits programs that provide real value to their personal lives and career development. Therefore, businesses must make appropriate adjustments to meet employee expectations while fostering long-term commitment.

Companies should enhance their salary and reward structures to be competitive, fair, and reflective of employees' competencies and contributions. Millennials highly value transparency in salary calculations, bonuses, and promotion mechanisms. Hence, businesses should develop a transparent performance evaluation system where salaries and bonuses accurately reflect individual and team achievements. Additionally, flexible reward structures such as project-based bonuses, innovation incentives, or profit-sharing schemes can encourage employee dedication and boost motivation. A well-structured compensation policy not only attracts talent but also enhances employee satisfaction and commitment to the company.

Beyond salaries and bonuses, attractive benefits programs also play a crucial role in retaining Millennials. Businesses should expand support policies such as comprehensive health insurance, improved maternity benefits, travel allowances, or financial aid for education and skill development. Millennials have a strong desire for continuous learning and personal growth; thus, companies can offer tuition sponsorship for professional courses, certifications, or financial support for higher education. These investments not only improve employees' professional capabilities but also strengthen long-term employer-employee relationships.

Additionally, mental health has become an increasingly significant concern for Millennials in today's work environment. Heavy workloads, performance pressures, and the challenge of maintaining work-life balance can negatively impact employees' psychological well-being. Companies should implement mental health support programs, including psychological counseling sessions, stress management workshops, or recreational activities such as sports and team-building events to help employees relieve stress. Some businesses have adopted flexible leave policies, remote work options, or regular team-building activities to give employees time to recharge, ultimately improving productivity and engagement.

#### *Transforming Leadership Styles Toward Support and Development*

Millennials not only seek to work in organizations with a clear vision and aligned values but also require guidance and support from management to achieve sustainable career growth. Therefore, businesses need to transform their leadership styles to focus on motivation, inspiration, and employee development, emphasizing leadership training that fosters encouragement rather than mere control and directives.

An effective leader not only provides work direction but also ignites passion and creativity among employees. Leadership training programs should focus on enhancing communication skills, inspirational leadership, and strength-based management for individual employees. When leaders genuinely care about their teams, employees will feel valued and, in turn, be more willing to commit to the organization in the long run.

Enhancing listening skills, providing feedback, and offering support during work processes are key factors in increasing Millennials' satisfaction and commitment. This generation wants their voices to be heard and their opinions to contribute to the organization's development. Therefore, managers should create open spaces for employees to share thoughts and propose ideas without fear of judgment. Regular feedback meetings and direct dialogues between leadership and employees not only improve performance but also foster a workplace culture of openness and mutual respect.

Direct supervisors should act as mentors, guiding Millennials in career planning rather than merely assigning tasks and evaluating results. Millennials value clear opportunities for personal and professional development, so they appreciate leaders who can help them build long-term career pathways. Businesses can establish mentorship programs where managers serve as career coaches, assisting employees in skill development, capability enhancement, and goal setting. When employees feel genuine support from leadership, they are more motivated to contribute and remain committed to the organization over the long term.

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## 5. CONCLUSION

This study has clarified the impact of individual and organizational factors on Millennial employee engagement in SMEs. The findings indicate that work motivation, job satisfaction, personality traits, and personal values are crucial determinants of employee commitment. Additionally, organizational factors, including corporate culture, leadership style, compensation policies, and career development opportunities, play an indispensable role in maintaining a young and dynamic workforce.

These insights emphasize the importance of creating a work environment where employees not only find growth opportunities but also feel connected to the organization. This approach not only enhances business performance but also contributes to building a stable and sustainable workforce in an increasingly competitive landscape.

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