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Research on Factors Affecting Work Engagement of Employees in Small and Medium Enterprises in Vietnam

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ABSTRACT

This study aims to investigate the factors affecting work engagement of employee in small and medium enterprises in Vietnam. Through the analysis of previous studies, combined with the actual conditions in Vietnam, the author proposes 6 factors in the research model, including: job satisfaction, satisfaction with relationships in the organization, satisfaction with the working environment, satisfaction with leadership, satisfaction with salary and bonus, and satisfaction with training and advancement opportunities. To achieve the research objectives, the author conducted a survey of 500 employees at small and medium enterprises, resulting in 405 valid responses for analysis. The data were cleaned and analyzed using Smart PLS 4 software. The research results showed that 5 out of 6 factors affecting work engagement, in descending order as follows: Satisfaction with relationships within the organization, Satisfaction, and finally Satisfaction with the working environment. Satisfaction with leadership was not found to have a relationship with employee work engagement. The study proposed solutions to enhance employee engagement in small and medium enterprises in Vietnam.

Keywords: work engagement, satisfaction, SMEs, employees, Vietnam.

I. INTRODUCTION

The Vietnamese labor market is increasingly competitive due to the increase in foreign investment capital thanks to the government's integration efforts. In this context, human resource management has become a key factor for domestic enterprises to maintain and effectively utilize top-notch human resources. To develop in a competitive business environment, enterprises need to build a team of committed and dedicated human resources, working together for a common goal. Human resource management activities not only promote employee engagement and loyalty but also create a foundation for developing a positive organizational culture.

ISSN: 2455-8834

Volume:10, Issue:02 "February 2025"

The level of employee engagement plays a decisive role in the effectiveness and success of an organization. When employees are highly engaged, they often sympathize with the goals, values and mission of the enterprise, thereby having the motivation and energy to improve work performance. According to Ncube and Steven (2012), this engagement is the foundation for creating a competitive advantage for the organization. To achieve this, businesses need to invest in professional development for employees, helping them become more attached to the organization and increase their commitment to contributing to the overall development. High engagement not only improves performance and productivity but also brings economic benefits, while creating a positive working environment. In this context, work engagement (WE) has emerged as an important indicator of organizational health. WE is defined as a positive, satisfying mental state related to work, manifested through vitality, dedication and immersion (Schaufeli & Bakker, 2004). Research has shown that low WE can reduce happiness and job performance (Knight et al., 2017), while high WE is strongly associated with job satisfaction, high performance, and employee retention (Simpson, 2009).

Today, no industry can survive without paying attention to the WE of its employees. Although many studies have confirmed the importance of job satisfaction, work-life balance, and sleep quality to WE, there is still a lack of research that explores the overall relationship between these factors. Therefore, a project to improve WE for SMEs in Vietnam is being implemented, which requires the development of an effective implementation framework (Baquero et al., 2019).

II. LITERATURE REVIEW

2.1 Work engagement

Work engagement is defined as a positive, fulfilling motivational state of work-related wellbeing (Blanch & Aluja, 2009). Engaged employees identify with their work and therefore have high levels of intensity, commitment, and a deep sense of immersion in their work. The absorption dimension of work engagement, which refers to complete concentration and immersion in work, is often characterized by time passing quickly or finding it difficult to detach from work (Wood et al., 2020).

Accordingly, Becker's (1992) study stated: "Job engagement is a psychological state associated with the motivation to complete work and is expressed through three aspects including enthusiasm, dedication and passion". Employee work engagement is the ability to capture the mind, heart and soul of employees to arouse their intrinsic desire and passion for work (Fleming & Asplund, 2007). Biggs et al. (2014) stated: "Engagement is a positive psychological state that includes significant investment of effort as well as psychological attachment to the effectiveness

ISSN: 2455-8834

Volume:10, Issue:02 "February 2025"

of work. Thus, it can be understood that job engagement is a positive mental state expressed by enthusiasm, dedication and passion for work of employees.

2.2 Hypothesis and research model

2. 2.1. Job satisfaction

Alarcon and Lyons (2011) studied the relationship between job satisfaction and work engagement, the results showed that work engagement has a positive relationship with job satisfaction and quality of life. Similarly, Dajani (2015) pointed out that job satisfaction expressed by clear work processes and policies has a strong impact on employee engagement when studying employees working in banks in Egypt. In the context of research in small and medium enterprises in Vietnam, the author hypothesized:

Hypothesis H1: Job satisfaction increases employees' work engagement

2.2.2 Satisfaction with relationships within the organization

Relationships with colleagues and teams have a positive impact on employee engagement (Anitha, 2014). Many empirical studies have shown that commitment and loyalty to supervisors increase the desire to contribute and engage in work (Becker, 1992). At the same time, emotional attachment to coworkers also promotes commitment and the desire to stay with the organization (Pearce & Herbik, 2004).

Relationships with coworkers include interaction, support, and cooperation at work. Positive interpersonal relationships not only enhance individual performance but also increase employee motivation and intention to stay (Ha & Bui, 2016; Teo et al., 2020).

An open and supportive work environment helps employees feel safe, which increases their commitment and meaning in their work (Kahn, 1990; May et al., 2004). Therefore, when employees are satisfied with their relationships within the organization, their work engagement is expected to increase.

Hypothesis H2: Satisfaction with relationships within the organization increases employees' work engagement.

2.2.3. Satisfaction with the work environment

The work environment includes physical conditions (such as space, equipment) and spirit (such as corporate culture, team spirit) that directly affect employee engagement. Anitha (2014) showed that when employees are satisfied with the work environment, they are more focused and their work engagement increases.

ISSN: 2455-8834

Volume:10, Issue:02 "February 2025"

A safe and comfortable work environment helps employees reduce stress, increase productivity and commitment to the organization (Nguyen et al., 2020; Nguyen & Ho, 2021). In addition, a supportive environment that encourages skill development and interpersonal harmony also determines the level of employee engagement (Deci & Ryan, 1987).

Previous research has shown that a positive work environment promotes employee satisfaction, commitment, and performance, which in turn improves organizational development.

Therefore, *Hypothesis H3 is proposed: Employee work environment significantly affects employee work engagement.*

2.2.4 Leadership Satisfaction

Leadership is an important factor influencing employee work engagement, especially in today's businesses. Effective leadership requires not only self-awareness, balanced information processing, but also transparency in relationships and adherence to ethical standards (Walumbwa et al., 2008).

Studies (Wallace & Trinka, 2009) show that when leaders are inspirational and understanding, employee engagement increases. This is especially important when leadership is demonstrated through genuine concern, recognizing employees' contributions and encouraging them to develop. Employees will feel that their work is meaningful, thereby becoming more enthusiastic and committed to the organization.

Genuine and supportive leadership also helps create a positive work environment, increasing employee satisfaction and engagement (Schneider et al., 2009). In particular, empathetic and flexible leadership styles commonly found in most leaders can create deeper connections with employees, promoting work motivation.

Hypothesis H4: Satisfaction with leadership positively affects employee engagement in small and medium-sized enterprises.

2.2.5. Satisfaction with salary and bonuses

Salary and bonuses are important factors affecting employees' work engagement. When meeting material needs, wages motivate, help employees feel secure in their work and promote commitment to the organization (Anitha, 2014). Conversely, dissatisfaction with wages can reduce motivation and commitment to work.

Wages are determined based on an agreement between employees and employers, based on position, scope of responsibility and work performance, ensuring fairness and meeting life needs.

ISSN: 2455-8834

Volume:10, Issue:02 "February 2025"

Bonuses based on business results and work performance help motivate, attract talent and stabilize human resources.

Many studies confirm that wages and bonuses have a positive impact on long-term commitment of employees to the enterprise (Hien, 2023; Cuong et al., 2022)

Hypothesis H5: Salary and bonus have a positive impact on employee job commitment.

2.2.6 Training and advancement opportunities

Training and career development is an important aspect of employee engagement, helping them focus on their work and improve service performance (Paradise, 2008). When participating in training programs, employees not only improve their accuracy in work but also increase their confidence, thereby becoming more committed to their work. According to Alderfer (1972), when organizations create development conditions for employees, this is equivalent to rewarding them, helping them satisfy their need for self-improvement and maximize their potential. Therefore, management needs to focus on developing career paths through training and development to create timely opportunities for employees to grow, thereby improving their level of engagement.

Not only stopping at engagement, training and development also provides businesses with highquality human resources, enhancing competitiveness (D. K. Tran, 2003). Training courses provide new knowledge, while development activities help employees adapt to changes in organizational structure. Many businesses have used training as a tool to improve professional skills, meeting the need for self-improvement as in Maslow's theory (1954). In addition, Ha and Bui (2016) also emphasized that training and development are corporate culture factors that affect employee commitment. Therefore, hypothesis 6 of this study is proposed as follows:

Hypothesis H6: *Training and advancement opportunities have a positive relationship with employee work engagement.*

From the above arguments, combined with the results of qualitative research and expert interviews, the author proposes factors affecting the work engagement of human resources in the human resources sector, including: (i) job satisfaction, (ii) satisfaction with relationships in the organization, (iii) satisfaction with the working environment, (iv) satisfaction with leadership, (v) satisfaction with salary and bonus, (vi) satisfaction with training and advancement opportunities. The research model is shown in Figure 1:

ISSN: 2455-8834

Volume:10, Issue:02 "February 2025"

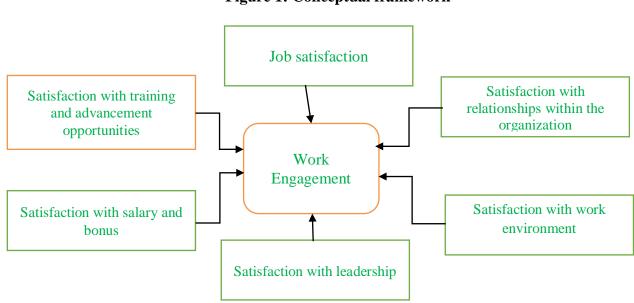


Figure 1: Conceptual framework

III. RESEARCH METHODS AND SCALES

3.1. Research methods

The research was conducted in a two-phase process: preliminary research and formal research. Preliminary research was conducted by reading and analyzing documents, books, newspapers, related research works and interviewing a number of directors and human resource experts. Based on the results of the preliminary research process, the authors adjusted the terminology and built a complete scale for the research model. The formal study was then conducted using an online questionnaire with a sample size of 500 - including employees in small and medium enterprises in Vietnam during the period from August 2024 to October 2024. According to Hair et al. (2014), "As a general rule, the sample size should be greater than or equal to 100 and the smallest sample should have the desired ratio n=5*k, where k is the number of observed variables, so the minimum sample size required is 160. In addition, Hoyle (1995) stated that: "To have reliability in model testing, 100 to 200 observations are required". The survey focused on a sample of 500 employees in small and medium enterprises in Vietnam; The results yielded 405 valid questionnaires for analysis (81%), so the sample used in this study ensures representativeness for the study.

After collecting and cleaning the data, assessing the normal distribution, the authors used Smart PLS software to evaluate the quality of the scale, the suitability of the model, and test the

ISSN: 2455-8834

Volume:10, Issue:02 "February 2025"

hypothesis of the relationship between the independent variables and the dependent variables in the research model.

3.2. Research scale

The research concept scale in the proposed research model has a total of 32 observed variables used to measure 7 concepts, shown in the following table:

No.	Factors	Number of Variables	Sources
1	Job satisfaction (JOB)	5	Dao Duy Huan and Nguyen Van Dinh (2020)
2	Satisfaction with relationships within the organization (RIO)	4	Pearce & Herbik (2004)
3	Satisfaction with work environment (WEN)	5	Zahari et al., (2019)
4	Satisfaction with leadership (LED)	4	Dao Duy Huan and Nguyen Van Dinh (2020)
5	Satisfaction with salary and bonus (SB)	5	Lee et al., (2012)
6	Satisfaction with training and advancement opportunities (TA)	5	Dao Duy Huan and Nguyen Van Dinh (2020)
7	Work engagement (WE)	4	Dao Duy Huan and Nguyen Van Dinh (2020)

A 5-point Likert scale was used to measure the content variables in the research model with levels ranging from 1 - completely disagree to 5 - completely agree.

IV. RESEARCH RESULTS AND DISCUSSION

4.1. Characteristics of the research sample

The study collected information on survey subjects according to demographic factors such as gender, age, place of residence, education, and income as shown in Table 2.

Accordingly, out of a total of 405 people surveyed, the number of female respondents (236 people, accounting for 58.27%). In terms of age, survey participants were concentrated and had a near-normal distribution, mainly in 2 age groups: 30-340 years old, the group over 40-50 years old with frequencies of 46.42% and 33.83%, respectively, and less in the young and older groups. According to the results table, the majority of respondents have a university degree, accounting for more than 3/4 of the survey participants. However, the number of people with high school degrees and lower still accounts for a large proportion (26.91%), which shows that it is necessary to improve the quality of human resources in SMEs in Vietnam. Regarding income,

ISSN: 2455-8834

Volume:10, Issue:02 "February 2025"

the surveyed sample is most distributed to the age group from 5-10 million VND, accounting for 50.86%, followed by the group from 10-15 million VND (accounting for 25.93%), the least is in the income group over 15 million VND and under 5 million VND (both accounting for 11.6%), these are groups of intellectual workers with many years of experience and the group that has just started working.

Demographic criteria	Group Classification	Number	Percentage	
Gender	Male	169	41,73	
Gender	Female	236	58,27	
	Under 30	52	12.84	
A a a	From 30 to 40	188	46.42	
Age	From over 40 to 50	137	33.83	
	Over 50	28	6.91	
	High school and lower	109	26.91	
Education	Intermdeiate/ College	98	24.20	
Education	Bachelor	178	43.95	
	Posgraduate	20	4.94	
	Under 5.million VND	47	11.6	
	From 5 – 10. Million VND	206	50.86	
Monthly income	From over 10 million VND to 15 Million VND	105	25.93	
	Over 15 Million VND	Over 15 Million VND 47		

Table 2: Descriptive statistics of survey group

4.2. Measurement model evaluation results

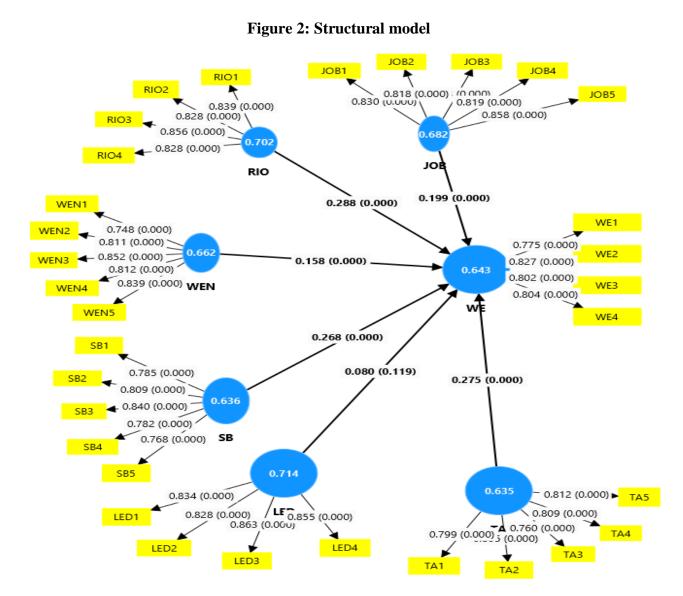
First, the author estimates the convergence through the factor loadings of each factor and the Cronbach's Alpha (CA) coefficient, the composite reliability (CR) and the variance extracted (AVE) of each variable. According to Hair et al. (2019), the external loadings of each indicator should be > 0.70 and the Cronbach's Alpha (CA) coefficient of each scale should be above 0.70, the composite reliability (CR) should also be above 0.70 and the variance extracted (AVE) should be higher than the recommended value of 0.50 (Fornell & Larcker, 1981). Table 3 shows that all the external loadings of each indicator are > 0.70, thus meeting the requirements for analyzing the following indicators.

Reliability Assessment

Reliability indices (through Cronbach's Alpha coefficient, Composite reliability coefficient of latent concepts are all > 0.7). Thus, the measurement model reflecting this study achieved internal consistency reliability.

ISSN: 2455-8834

Volume:10, Issue:02 "February 2025"



Convergence Assessment

To assess the convergence level of the latent variable, the author chooses the variance extracted index (AVE). A variable is considered to have good convergence when the change of the latent variable explains at least 50% of the variation of the observed variable or has a variance extracted coefficient greater than 0.5. The variance extracted results of each variable are shown in Table 3. The convergence value index (represented by the AVE value of the latent concepts all > 0.5) is good. Indeed, the results from Table 3 show that the value of this index ranges from 0.635 to 0.714, all greater than 0.5 and meet the conditions for convergence value. Thus, the scales in the model with the official sample achieve the necessary convergence.

ISSN: 2455-8834

Volume:10, Issue:02 "February 2025"

Dimensions and Related Variables	Load.	α	C.R (rho_a)	C.R (rho_c)	AVE
Job satisfaction (JOB)		0.884	0.889	0.915	0.682
JOB1	0.830				
JOB2	0.818				
JOB3	0.803				
JOB4	0.819				
JOB5	0.858				
Satisfaction with leadership (LED)		0.867	0.872	0.909	0.714
LED1	0.834				
LED2	0.828				
LED3	0.863				
LED4	0.855				
Satisfaction with relationships within		0.859	0.862	0.904	0.702
the organization (RIO)		0.039	0.002	0.904	0.702
RIO1	0.839				
RIO2	0.828				
RIO3	0.856				
RIO4	0.828				
Satisfaction with salary and bonus		0.857	0.862	0.897	0.636
(SB)		0.857	0.802	0.897	0.030
SB1	0.785				
SB2	0.809				
SB3	0.840				
SB4	0.782				
SB5	0.768				
Satisfaction with training and		0.857	0.862	0.897	0.635
advancement opportunities (TA)		0.037	0.802	0.077	0.035
TA1	0.799				
TA2	0.805				
TA3	0.760				
TA4	0.809				
TA5	0.812				
Work engagement (WE)		0.815	0.815	0.878	0.643
WE1	0.775				
WE2	0.827				
WE3	0.802				
WE4	0.804				
Satisfaction with work environment (WEN)		0.872	0.886	0.907	0.662
WEN1	0.748				
WEN2	0.811				
WEN3	0.852			1	
VI LUNJ	0.052			1	

Table 3: Results of some indicators of the measurement model

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ISSN: 2455-8834

Volume:10, Issue:02 "February 2025"

WEN4	0.812		
WEN5	0.839		

Discriminant validity assessment

According to Henseler et al. (2015), the discriminant validity between two related variables is demonstrated when the HTMT coefficient is < 1. In addition, the HTMT must be lower than 0.9 to be at the ideal level. Table 4 shows that the HTMT coefficient of each construct has a value lower than 0.9. Therefore, the criterion of discriminant validity has been established for HTMT.

Table 4: Discriminant validity assessment using HTMT index - matrix form

	JOB	LED	RIO	SB	ТА	WE	WEN
JOB							
LED	0.346						
RIO	0.045	0.073					
SB	0.487	0.664	0.064				
ТА	0.064	0.054	0.456	0.060			
WE	0.461	0.454	0.492	0.582	0.474		
WEN	0.330	0.584	0.073	0.580	0.048	0.474	

From the above results, it can be seen that the scales used in the research model have achieved very good reliability and validity. Therefore, these scales are all used for analysis in the structural model.

4.3. SEM structural model evaluation results

Hypothesis	Relationship	Original sample (O)	Standard deviation (STDEV)	P values	Decision
H1	JOB -> WE	0.199	0.035	0.000	Acceped
H2	RIO -> WE	0.288	0.035	0.000	Acceped
Н3	WEN -> WE	0.158	0.041	0.000	Acceped
H4	LED -> WE	0.080	0.051	0.119	Not Acceped
Н5	SB -> WE	0.268	0.049	0.000	Acceped
H6	TA -> WE	0.275	0.039	0.000	Acceped

Table 5: Structural model estimation results

The results of the relationship testing between latent constructs are shown in Table 5. The structural model was tested using Bootstrap with a resampled sample of N = 5,000 to specifically estimate the relationship between latent variables. The path coefficient value for the endogenous latent variable was used to analyze the model at the 5% significance level. The results of the

ISSN: 2455-8834

Volume:10, Issue:02 "February 2025"

PLS-SEM model testing for all bootstrap samples provide the mean values and standard errors for each path coefficient. The T-test and P-values statistics show the statistical significance of the relationships in the research model. The results of the structural model estimation (Table 5) show that 5 out of 6 direct relationships between variables are statistically significant, so 5 out of 6 research hypotheses are accepted at the 95% confidence level (due to the P-value lower than 0.05), except for LED which shows no relationship with WE (P= 0.119 > 0.05). This proves that 5 out of 6 relationships in the model are confirmed to be statistically significant.

In addition, the sign of the path structure coefficient also reveals that all exogenous factors such as job satisfaction, satisfaction with organizational relationships, satisfaction with the working environment, satisfaction with salary and bonuses, and satisfaction with training and advancement all have the same influence, positively promoting employee engagement at work.

Multicollinearity Testing

The multicollinearity problem of the model needs to be checked through the variance inflation factor (VIF). According to Hair et al. (2019) in the SEM structural model, multicollinearity problems can be serious when the VIF value is higher than 5.

	JOB	LED	RIO	SB	ТА	WE	WEN
JOB						1.242	
LED						1.671	
RIO						1.189	
SB						1.788	
ТА						1.188	
WE							
WEN						1.492	

Table 6: Multicollinearity test results

The results show that the VIF variance inflation factor indicates that the association between the predictors does not violate the multicollinearity assumption, because all coefficients are within the acceptable range of VIF values lower than 5 (Table 6), so the research model does not have multicollinearity.

4.4. Discussion of research results

Regarding to jobsatisfaction

The research results show that job satisfaction has the fifth influence on job commitment ($\beta = 0.119$). This shows that although job satisfaction plays a certain role in promoting commitment, there are many other more important factors that affect the level of employee commitment. This

ISSN: 2455-8834

Volume:10, Issue:02 "February 2025"

result is similar to the research results of Alarcon & Lyons (2011) and Dajani (2015). Leaders assign employees to jobs that are suitable for their abilities, help them understand the work they are doing, make them see the importance of the work they are doing, and allow them to decide on some related issues within the scope of work. In order for employees to do jobs that are suitable for their expertise and abilities, the unit needs to select the right person, the right job, and the right expertise right from the recruitment stage. During the work process, if it is discovered that an employee is not qualified or suitable for the job, they must boldly replace him or her with someone more suitable.

Regarding the factor of satisfaction with relationships in the organization

The research results show that the factor of satisfaction with relationships in the organization has the greatest influence on employee engagement in work ($\beta = 0.288$). This result is completely similar to the research results of Anitha (2014). Good relationships between employees and colleagues, between superiors and employees increase the desire of members to stay in the organization, thereby becoming more dedicated and enthusiastic in their work. Enterprises need to create a working environment where everyone in the organization can help each other. All personal activities during working hours must ensure that they do not affect the work of other members. Strictly implement the coordination regulations to ensure that tasks are completed effectively. Create activities and exchanges between employees in the unit to create friendliness and harmony. In addition, leaders of units need to pay more attention to communication skills within the unit. Because communication skills play a very important role, it will help the unit limit conflicts that occur in the organization and contribute to increasing the spirit of colleagues.

Regarding the factor of satisfaction with the working environment

The factor with the fourth highest impact on employee engagement is the factor of satisfaction with the working environment ($\beta = 0.158$). This result is similar to the research results of Anitha (2014) and Nguyen & Ho (2021). Enterprises need to spend the necessary costs to invest in the infrastructure system to ensure good working conditions for employees. In particular, enterprises need to invest in technology and human resources software to support human resources staff to work effectively (reduce time for attendance, salary calculation, quickly grasp personnel fluctuations, monitor and evaluate human resources objectively, etc.). Enterprises can also consider buying insurance, taking care of the health of employees and their families so that they can feel secure, dedicated to their work, and have a long-term commitment to their profession and company.

Regarding the factor of salary and bonus satisfaction

ISSN: 2455-8834

Volume:10, Issue:02 "February 2025"

From the results of estimating the structural model (Table 5), it is shown that the factor of salary satisfaction has a significant impact on employee work engagement ($\beta = 0.268$). This result is very similar to previous studies showing a positive relationship between salary, bonus and employee work engagement (Ha & Bui, 2016; Ho & Pham, 2012). Companies need to ensure that employees' income levels meet the current average living standards. Salaries and bonuses must be paid based on the actual capacity of employees. Enterprises must publicize salary regulations and salary tables for easy monitoring, from which they can propose salary levels if they feel dissatisfied with their current income. In addition, the company should refer to the salary that other businesses in the same industry are paying to employees to offer a more reasonable salary and create trust for employees by paying salaries fully and on time according to the company's regulations. At the same time, there should be diversification in benefits, with clear salary increase guidelines so that HR professionals can strive in the future, wishing to contribute long-term to the business.

For the factor of satisfaction with training and promotion opportunities

Training and development opportunities are the second level of impact ($\beta = 0.275$). This result is consistent with previous studies that confirm that training and development factors have a positive impact on employee engagement (Ha & Bui, 2016; Nguyen et al., 2020). The research results show that temporary employees are satisfied with the company's training and development opportunities. Training and development provide businesses with high-quality human resources, contributing to improving competitiveness. Training also helps employees to be trained in many skills, avoid stagnation, and adapt quickly to many different jobs. Businesses need to have a training and development policy to improve professional skills and soft skills for employees. In addition, the company needs to support time and part of the learning budget for employees, motivate and encourage employees to study and listen to lectures more focused and effectively. After training, it is necessary to check and evaluate the results to see the effectiveness of the training and the weaknesses that need to be overcome.

For satisfaction with leadership

The results show that satisfaction with leadership has no relationship with job commitment (because P = 0.119 > 0.05). This result is contrary to the research results of (Wallace & Trinka, 2009) and Schneider et al., (2009). This means that employees' positive or negative feelings about leadership do not significantly affect their level of commitment to their jobs. It is possible that employees focus on other factors such as promotion opportunities, work environment or compensation rather than leadership style. This result suggests that to increase job commitment, businesses should consider factors other than satisfaction with leadership.

ISSN: 2455-8834

Volume:10, Issue:02 "February 2025"

V. CONCLUSION

Thus, starting from the initially proposed model with six groups of factors affecting employee engagement in small and medium enterprises in Vietnam, the results show that all five of the six groups of factors have an impact, in which satisfaction with organizational relationships has the strongest impact, followed by satisfaction with training and promotion opportunities, and third is satisfaction with salary and bonus; satisfaction with work and working environment has an impact but little impact on employee engagement; while satisfaction with leadership has no relationship with engagement. This result suggests that businesses should pay attention to specific activities such as: building clear and competitive salary and bonus policies, diversifying benefits, having clear salary increase guidelines, paying attention to attracting and retaining employees with the qualities of working with people, recognizing their contributions, having policies to support and create conditions for employees to complete their work well, so that employees can strive in the future, and contribute long-term to the business. This study would also be more convincing if the number of samples was larger. This study also did not test the differences between other demographic factors (age, marital status, etc.) in the factors affecting employee engagement. Therefore, the next research direction can be expanded to take into account the differences in these demographic factors.

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Volume:10, Issue:02 "February 2025"

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