

TELECOMMUTING FROM THE COMPANY
PERSPECTIVE: EMPLOYER INTENTION TO
IMPLEMENT TELECOMMUTING

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ABSTRACT

The Government of Malaysia is working hard to bring the country into a developed and industrialized country by the year, 2020. To support this development companies in Malaysia have to prepare themselves toward virtual organization by implementing telecommuting as a tool. In other words companies in Malaysia are expected to play a role for this task. The researchers argue that telecommuting offers significant benefits to employers, employees, but there is no such research on employer intention (companies), are they willing to implement telecommuting? This research is very important in predicting employer intention to telecommute. Thus, the purpose of this study was to explore the employer intention to implement telecommuting in companies in Kuantan-Pahang, by looking at the factors that affect the employer intentions to implement telecommuting in their companies. Understanding the nature of these factors may assist companies in Malaysia to promote telecommuting as an alternative work. A survey was conducted using a structured questionnaire which distributed to 60 private companies. The result was indicated that the level of intention to telecommute was relatively high. Moreover the results showed employer attitudes toward telecommuting, pressure to use telecommuting, and perceived behavioural control are important factors in predicting employer intentions to implement telecommuting. The results also found that productivity and operating cost were not influenced the employer intention to implement telecommuting. Furthermore, it was found that attitude; subjective norms and perceived behavioural control were not mediated the relationship between productivity, operating cost and employer intention to implement telecommuting. Theory of planned behaviour (TPB) is the model widely used to discuss the effect of these antecedents in behavioural intention. An extension of employer intention with TPB would be in more comprehensive manner to understand behavioural intention to telecommute.

ABSTRAK

Kerajaan Malaysia bekerja keras untuk membawa negara ke tahap negara maju dan perindustrian menjelang tahun 2020. Untuk menyokong pembangunan syarikat di Malaysia, mereka harus bersedia ke arah organisasi maya dengan melaksanakan *telecommuting* sebagai alat. Dalam kata lain, syarikat di Malaysia dijangka memainkan peranan penting dalam tugas ini. Para pengkaji berhujah bahawa *telecommuting* menawarkan faedah yang signifikan kepada majikan, pekerja, tetapi kurang kajian dilakukan keatas niat majikan (syarikat), adakah mereka sanggup untuk melaksanakan *telecommuting*? Kajian ini adalah penting untuk meramal niat untuk mengguna *telecommuting*. Oleh itu, tujuan kajian ini adalah untuk meneroka niat majikan untuk melaksanakan *telecommuting* di syarikat-syarikat di Kuantan, Pahang. Kajian ini melihat faktor-faktor yang mempengaruhi majikan untuk laksanakan *telecommuting* sebagai alternatif untuk bekerja. Kajian tinjauan dilakukan menggunakan soal selidik yang diedarkan ke 60 syarikat. Keputusan mendapati tahap niat untuk *telecommuting* adalah tinggi. Malahan keputusan menunjukkan sikap majikan menekan terhadap *telecommuting* dan persepsi kawalan perlakuan adalah faktor penting dalam meramal niat majikan melaksanakan *telecommuting*. Seterusnya, didapati sikap, norma subjektif dan persepsi kawalan perlakuan tidak memediasikan hubungan antara produktiviti, kos pengoperasian dan niat majikan untuk melaksanakan *telecommuting*. Teori perlakuan dirancang (TPB) adalah model yang banyak digunakan untuk membincang kesan anteseden ke atas niat perlakuan. Lanjutan kepada niat majikan di dalam TPB aken menjadi lebih kopenhensif untuk difahami niat untuk *telecommuting*.

TABLE OF CONTENTENTS

	Page
SUPERVISOR’S DECLARATION	ii
STUDENT’S DECLARATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
ABSTRAK	vi
TABLE OF CONTENTS	vii
LIST OF TABLES	xi
LIST OF FIGURES	xiii
CHAPTER 1 INTRODUCTION	
1.1 Introduction	1
1.2 Background of the study	5
1.3 Telecommuting in Malaysia	7
1.4 Research Problem	11
1.5 Research Questions	12
1.6 Objectives of the Study	12
1.7 Significance of the Study	13
1.7.1 Theoretical Contribution	14
1.7.2 Practical Contribution	14
1.8 Scope of the Study	15
1.9 Definitions of Terms	16
1.9.1 Telecommuting	16
1.9.2 Intention to implement telecommuting	16
1.9.3 Attitude	17
1.9.4 Subjective Norms	17
1.9.5 Perceived Behavioural Control	17
1.9.6 Productivity	17

1.9.7	Operating cost	18
1.10	Organization of the thesis	18

CHAPTER 2 LTERATURE REVIEW

2.1	Introduction	19
2.2	Reviews of Telecommuting	19
2.3	Perceived benefits of telecommuting	25
2.3.1	Advantages for the Company	25
2.4	Disadvantages of Telecommuting	27
2.4.1	Disadvantages for the company	27
2.5	Theory of Planned Behaviour	28
2.6	Behaviour	31
2.7	Intention	32
2.8	Attitude	34
2.9	Subjective norm	37
2.10	Perceived behavioural control	40
2.11	Productivity	42
2.12	Operating cost	46
2.13	Theoretical Framework	47
2.14	Development of Hypotheses	48
2.15	Summary	52

CHAPTER 3 RESEARCH METHODOLOGY

3.1	Introduction	53
3.2	Research design	53
3.3	Population and Sampling	54
3.4	Measures	56
3.4.1	Variables	56
3.4.2	Productivity	56

3.4.3	Operating cost	57
3.4.4	Employer Attitude	57
3.4.5	Subjective norm	58
3.4.6	Perceived Behavioural Control	58
3.4.7	Employer Intention to implement telecommuting	59
3.5	Data collection method	59
3.5.1	Pilot Study	59
3.6	Statistical Analysis	60
3.6.1	Descriptive analysis	60
3.6.2	Factors analysis	60
3.6.3	Reliability analysis	61
3.6.4	Regression Analysis	61
3.7	Summary	62

CHAPTER 4 RESULT AND ANALYSIS

4.1	Introduction	63
4.2	Sample and respondent`s profiles	63
4.3	Goodness of Measure	67
4.4	Factor analysis	68
4.4.1	Factor Analysis for Productivity and Operating Cost	68
4.4.2	Factors Analysis for Attitude, Subjective Norm, Perceived Behavioural Control and Intention	69
4.5	Reliability analysis	73
4.6	Descriptive analysis for variables	74
4.7	Correlation	75
4.8	Regression Analysis	76
4.9	Summary	79

CHAPTER 5 DISCUSSION AND CONCLUSION

5.1	Introduction	81
5.2	Recapitulation of the study	81
5.3	Discussion of findings	85
5.3.1	The relationship between productivity, operating cost and employer intention to implement telecommuting	85
5.3.2	The relationship between employer attitudes, subjective norm, perceived behavioural control and employer intention to implement telecommuting	87
5.3.3	The relationship between productivity, operating cost and subjective Norm	88
5.3.4	The relationship between productivity, operating cost and perceived behavioural control	88
5.4	Implications of the study	89
5.5	Limitations and future research	90
5.6	Conclusions	91

REFERENCES	93
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APPENDICES

A	Research Questionnaire	109
B	Frequency	117
C	Factor Analysis	123
D	Reliability Analysis	145
E	Descriptive Statistics	152
F	Correlation	153
G	Regression Analysis	154

LIST OF TABLES

Table No.	Title	Page
Table 4.1	Number of Questionnaires	64
Table 4.2	Profile of the Respondents	65
Table 4.3	Profile of Sample Companies	67
Table 4.4	Result of the factor analysis for productivity and operating cost	69
Table 4.5	Result of the factor loading for employer attitude to implement telecommuting	70
Table 4.6	Result of the factor loading for subjective norms to implement telecommuting	71
Table 4.7	Result of the factor loading for perceived behavioural control for telecommuting	72
Table 4.8	Result of the factor loading for employer intention to implement telecommuting	73
Table 4.9	Results of reliability test	74
Table 4.10	Descriptive statistic for variables	75
Table 4.11	Pearson correlation	75
Table 4.12	Results of regression analysis for productivity and operating cost with intention	76
Table 4.13	Results of regression analysis for productivity, operating cost and subjective norm	77
Table 4.14	Results of regression analysis for productivity, operating cost and perceived behavioural control	78

Table 4.15	Results of regression analysis for employer intention to implement telecommuting	78
Table 4.16	Results of the Analyses	80

LIST OF FIGURES

Figure No.	Title	Page
Figure 1.1	Estimated numbers of Malaysian teleworkers	3
Figure 2.1	Theory of Planned Behaviour	29
Figure 2.2	Theoretical Framework	48

CHAPTER 1

INTRODUCTION

1-1 INTRODUCTION

The Malaysian economy remained resilient by registering a growth of 8.9 per cent in the second quarter of the year, 2010. On the supply side, all the sectors maintained their positive growth with Manufacturing and Services sectors continued to be the impetus. Manufacturing sector has shown to be one of the most important backbones of the Malaysia economy, Malaysia Department of Statistics, (2010).

Meanwhile, the Malaysian business community consists mostly of Small and Medium Enterprises where over 99% of business establishments in Malaysia consist of these Small and Medium Enterprises and this sector employs more than 5.6 million workers from the country's total workforce, Malaysia Department of statistics, (2006). The importance of this sector can be reflected through the Malaysian national development agendas incorporated in the Ninth Malaysia Plan (9MP) in which the key growth strategies for small and medium enterprises (SME) development in the country was outlined for a time period between 2006-2010, Malaysia, Small and Medium Enterprise (SME) Annual Report, (2007). However, with regards to its total contribution to the Malaysian economy, this sector is still disproportionately low with contributions of about 32% of gross domestic product and 19% of total export value, Malaysia, Small and Medium Enterprise (SME) Annual Report, (2007).

However, the National Small and Medium Enterprise Development Council (NSDC), direct the SMEs in all sectors towards achieving a high income nation by 2020 in line with the New Economic Model (NEM). The vision is to create globally competitive SMEs that enhance wealth creation and contribute to the social well being of the nation. SME Master plan, (2011-2020).

This plan focuses on comprising a new SME Development Framework as well as broad policies and strategies to achieve the NEM goals. This plan also focuses on creating an enabling ecosystem to accelerate the growth of SMEs through productivity gains and innovation and to bring them to the next level of development.

Achieving the SME development goals will significantly alter the economic structure of the overall Malaysian economy. SME contribution to GDP is expected to increase from 31% in 2010 to 40% by 2020 as value added growth of SMEs continue to outpace the overall economy to expand at an average annual growth rate of 8.7% versus 6% in the overall economy. The quantum leap in growth is highly dependent upon a significant increase of 75% in productivity gains of SMEs. SME Master plan, (2011-2020).

A survey of telework in Malaysia was carried out by Malaysia's United Institute for New Technologies, with funding from the United Nations Development Programme. The study concluded that there were 3.45 teleworkers per 1,000 workers in Malaysia in 1998, which translates to 30,660 for the country as estimated number, Nilles, (1999). The nominal estimate of the forecasting model for 1998 is 79,000 teleworkers if Malaysia were to match its potential regardless to economic issues.

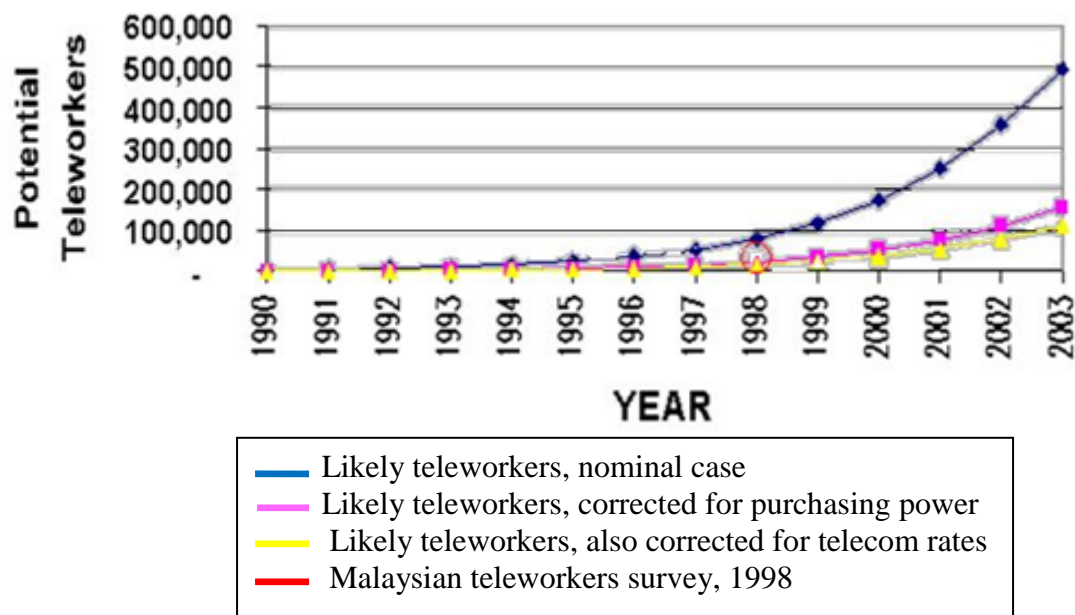


Figure 1.1: Estimated number of Malaysian teleworkers

Source: Jala International, Inc, (1999), P. (2)

This study took place in Kuantan the state capital of Pahang, the largest state in Malaysia. According to the (World Gazetteer, 2011), Kuantan's population is approximately 607,778 and it is the 9th largest city in Malaysia. The population of Kuantan is 57% Malay, 32% Chinese, 4% Indian and 7% other races. The calculation indicates that the annual population growth of Kuantan is the greatest among the East Coast of Peninsular Malaysia, which are 3.88 in general. Recently, the introducing of Malaysia's first Special Economy Zone (SEZ) is located at Kuantan to boost the regional economy, tourism and growth. National Physical Plan, (2005) identified an effort to catalyze the growth of Kuantan Metropolitan Precinct; government has located a petroleum manufacturing area in Pekan, a neighbor town of Kuantan and expected to allocate some funds to enhance the growth across the region.

According to the National Survey, (2008), private sector employers have taken significant steps to expand telecommuting initiatives. More over The Karpin Report

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regarded SMEs as having flexibility, speed, innovation and creativity. SMEs were thus regarded as playing a pivotal role in focusing on the behavioural and interpersonal aspects of leadership and management required by industry to address the challenge of globalization, (Karpin, 1995). However, despite the importance of small business and SMEs to the economy, the study focuses on SMEs in private sector; also the study focuses on all industries in general with more focus on manufacturing and services industry.

Intention is important, but surprisingly rarely explored part of the mind as its significance is only important after you study it. Only once you have spent time observing it can you find just how it fits in day to day living as well as what you can do with it? Intention is a main stepping stone or foundation of the mind that is important to understand so here is how to explore it, George, (2011). However, Saghi, (2009) shows that choosing and buying decision of retail brand is affected by degree of intention`s involvement. For example the intention to purchase is depends on the brand and the price consciousness.

An individual's intention was found to be the strongest predictor of bahviour in past research (Ajzen, 1988). The strong evidence provided in Ajzen, (1988) links intention and bahviour; however Ajzen pointed out that intention alone is not a sufficient guarantee for carrying out the bahviour. Ajzen, (1988) argued that to understand why a bahviour took place other predictors that are linked to intentions must be studied. Theory of Planned Bahviour (TPB) states that intention to perform a bahviour is determined by attitude toward the bahviour, subjective norms and the perceived behavioural control. According to Ajzen, (1991) "The more favorable the attitude and subjective norms with respect to a bahviour, and the greater the perceived behavioural control, the stronger should be an individual's intention to perform the bahviour". Furthermore, bahviour is a direct function of intentions and perceived behavioural control.

Hence, in order to promote telecommuting in Malaysia, it seems important to investigate the factors that affect employers' and owners` intentions to implement such a new concept. In this research the author followed a modified version of the Theory of

Planned Behaviour (TPB), studies of telecommuting, and investigates factors that affect Malaysian employers' and owners' intentions to implement telecommuting.

1.2 BACKGROUND OF THE STUDY

As suggested by Nasurdin, et. al., (2004), Malaysian Small and Medium Enterprise (SMEs) are very much faced by many challenges and problems such as productivity efficiency, high labour turnover, and lack of knowhow, financial constraints, low organizational commitment, low job satisfaction, occupational stress and the various work factors for example operating cost that caused these problems. These problems tend to become a major obstacle for the SMEs in Malaysia to keep their levels of competitiveness and also their ability to grow within their respective industry. The highlighted problems can be divided into two major perspectives which are problems or issues from the organizations' point of view and problems and issues from the employees' point of view. Though both perspectives are equally important, this study looks into the problems and issues from the first perspective which is the organizations' perspective particularly employers (owners) intention to implement telecommuting, and factors that are associated with it whereby there is still lack of research in this area especially in measuring, analyzing and ultimately understanding the productivity and operating cost positive or even negative impacts of employer intention to implement telecommuting. Furthermore, whilst many researchers have done studies with intentions to further understanding employees' well being; there is still lack of structured studies of this kind in Malaysia, Hence, the motivation behind this study.

The word telecommuting was coined in 1973 by Nilles, who managed various spacecraft research and development programmes for the US Space Programme. Telecommuting is the concept of employees performing some portion of their job from a remote location and using basic telecommunications technology to connect the employees to their regular corporate office location. Marketing and sales representatives and customer support people have been doing this, without the tag of telecommuter, for years a list of benefits too good for companies to resist soon appeared. Among the benefits listed were:

savings in real estate costs help in recruiting and holding good workers, reducing sick leave, expanding universe of available workers, and increasing productivity. Employees would benefit by having greater personal freedom and enhanced lifestyles, Hauber, (2010).

Nilles, (1999) stated that Malaysia has also been involved in telework developments since the early to mid 1990s. The earliest known telework research in Malaysia was conducted by the Technical University in Johor Bahru as an implementation pilot project, beginning in 1995. However, during the past few years, a phenomenon called "telecommuting" has been on the rise in many organizations all over the world (Goodrich, 1990). Through the collection of research material, there have found so many definitions of telecommuting. Many of the terms in the research overlapped in meaning and context. In some cases the term "telecommuting" was used to refer to the substitution of computer and telecommunications technologies with the physical travel to work (Yap, 1990). Other terms, such as flexi-place, homework or work-at-home, remote office work, have also been used to refer to Teleworking (Olson, 1983; Cross, 1986).

Definition of telecommuting varies: generally defined as work at a remote location or home office rather than working at a fixed employer provided site or office GAO, (2001). Shelly, (1998) indicated that telecommuting as a capability of individuals to work at home and communicate with their offices by using personal computers and communications equipments and software.

This study focuses on developing high growth SMEs to become homegrown champions that spearhead the economy as well as formalizing and developing microenterprises that make up the bottom 40% to achieve the socio-economic objective of balanced growth. In addition to help the owners of SMEs to enable the growth through creation of effective value chain that links with the global supply network through implementing telecommuting. Also, this study leads SMEs to achieve their development goals which will significantly alter the economic structure of the overall Malaysian economy.

This research tries to predict employer intention to implement telecommuting. The purpose of this study is to explore the employer intention to implement telecommuting in Kuantan's companies, by looking at the factors that affect the employer intention to implement telecommuting in their companies. Understanding the nature of these factors may assist companies in Malaysia to promote telecommuting as an alternative work.

The research also tries to find the relationship between employer intention to implement telecommuting and attitude, subjective norms and perceived behavioural control and consequently to examine the relationship between employer intention and productivity and operating cost. This study based on the Theory of Planned Behavioural (TPB; Ajzen, 1988). In term of TPB, three main factors determine the employer's intention to implement telecommuting, one is attitude toward telecommuting, second is subjective norm that is social's influence on a person, and last one is perceived behavioural control on telecommuting. In this study, the effects of attitude, subjective norms and perceived behavioural control on intention are tested and it is similar with the variables used in TPB model.

1.3 TELECOMMUTING IN MALAYSIA

In Malaysia, new housing areas are relocated away from the city centre, due to the increases in population and cities become increasingly congested, while employment centres concentrate or develop in the suburbia or fringe. This means commuting distance increases in either case resulting in longer journeys to work, associated with stress, longer travel time, higher transportation cost, increased energy consumption, environmental concern, reduction in available workforce especially among those who cannot afford long trips to work, marginalization of the handicapped from the workforce, and pressure on available roads demanding huge investment on road infrastructures. Telecommuting has been referred to as a panacea to these problems (Ndubisi, 2003). However, Malaysian businesses, small and medium-sized enterprises (SMEs) have been relatively slow in telecommuting adoption; therefore, telecommuting needs to be exposed as the nation is going to towards a developed country by the year 2020.

According to Fritz and Manheim, (1998), teleworking and telecommuting are two words commonly used to describe virtual work that occurs when information and communication technologies are applied to enable the work to be done at a distance from the place where the work results are needed or where the work could conventionally have been done. Further, Asaari and Karia, (2001) indicated in telecommuting concept can be said to that of an employee working from any location at any time and communicating to the traditional office with the use of telecommunications and technology, such as telephone, fax machine and internet. Further they concluded telecommuting as a worker who works with the use of technology and telecommunications away from his/her traditional office. In other words, a telecommuter is an employee who works out of a central office but from his or her home, car and other new work sites. Then, the Malaysian authors, Karia and Asaari, (2003, 2004) they defined telecommuting as a new way of doing works from distance or remote office. Also the said telework was known as working away from the traditional office at any time and any place.

However, there are several types of telecommuting arrangements in Malaysia namely, flexible working, home based working, remote working, mobile workforce, and neighborhood work centres. All these types of telecommuting used by Malaysian`s scholarly in their studies on telecommuting concept. However, in Malaysia, no instances of telecentres were found. (UNU/INTECH, 1999) Home- Remote sites -Client`s office - Satellite/branch office evidence of such teleworking has been found in Malaysia, Ng and Jin, (2000) asserted, home based teleworking is accepted in Malaysia.

The earliest known telework research in Malaysia was conducted by the Technical University in Johor Bahru as an implementation pilot project, beginning in 1995. In their study by Karia and Zainuddin, (2003) indicated that Malaysia has also been involved in telework developments since the early to mid 1990s, beside telecommuting concept is new to Malaysian firms, especially for the human resource managers same study.

Results of a study on telecommuting by Abdul Azeez, (1997) involving employers and employees in a major state in southern of Malaysia found that the major concern among employers of allowing their employees to telecommute are supervision, cost and lack of training to use computers and other technical tools.

In their study, Rafidah and Razak, (2005) on telecommuting as an alternative mode of working in Malaysia, they conducted a survey in Kuala Lumpur for Human Resource departments (Managers & non-Managers). In the survey, they found that 0.9% of organizations implement telecommuting, 7% of companies implement other working alternatives (flexible working time to avoid traffic jam), 43% of respondents are willing to telecommute - if they are given the opportunity, 60.5% of the female are willing to telecommute, 55.6% of the married willing to telecommute, 69.9% of respondents believed that their companies are not ready to implement telecommuting, 3.7% of respondents believed that their companies will consider telecommuting as an alternative mode of working. In this study fewer organizations implement telecommuting, while majority of the organizations are willing to telecommute. Thus, very small companies implement telecommuting, whereas very small numbers of companies implement other working alternatives. In order to introduce alternative way through telecommuting, this study seeks encourage companies to implement telecommuting.

A study carried by Rafidah and Razak, (2005), on managers` perceptions of telecommuting in Kuala Lumpur found that most managers favour telecommuting. However, the managers were concerned with work issues such as the quality of work, administrative procedures and work policies.

Moreover, Ndubisi and Kahraman, (2005) compared decision making processes of multinational firms toward adopting telecommuting programs. Ndubisi and Kahraman examined one of the key influences on telecommuting, the attitudes of management. Attitudes toward telecommuting were a determinant of adoption. They indicated that positive attitudes lead to greater adoption likelihood for telecommuting programs in both international and Malaysian firms.

However, Cecilia, (2001) found that the spread of home based telework has been slow in Malaysia. Concerns for the quality of work, delivery time, and privacy have so far inhibited management from initiating this mode of employment, even when it presents the possibility of lowering rental and other overhead costs.

A key study has been conducted in Malaysia, in 1998, the study sought to establish the prevalence and patterns of telework in Malaysia, as well as the factors facilitating and constraining its adoption or use. The finding of that study covered 1,254 establishments with a total employment of 259,517 workers. 98 establishments, or 7.8%, were found to be engaged in some forms of teleworking with an average of 3.45 teleworkers per 1,000 workers. The rate of teleworking was highest in the transport, storage and communications sector and the finance, insurance, and real estate sector. Meanwhile, the results showed multiple location and mobile working were the most common forms of teleworking. These accounted for almost three quarters of the total teleworking incidence. Whereas home, based teleworking accounted for less than 20% and single location teleworking represented fewer than 10% of this total. Also, the study indicated most teleworking was performed in sales and customer services, with call centres playing a major role. Such call centers have a tendency to employ younger women. At the same time only very few establishments reported involvement in offshore teleworking in 1998. At the end of the day the situation is now changing and there is an increasing trend for foreign companies to locate call centres in Malaysia, UNU/INTECH, (1999).

Further, the mobile workforce is relatively new concept towards Malaysian firms Karia and Zainuddin (2003). Many companies were developing telecommuting programmes as a way to draw new employees. With today`s tight labor market, companies that offer flexibility might have an edge over those who require all work to be done on site Meyers, (1998).

Therefore, telecommuting has also been accepted as an integral component in the Malaysian`s Government`s vision to develop a knowledge based society and K-economy in

Malaysia. However, in spite of the benefits telecommuting brings, it remains unpopular in Malaysia, and very little is known about telecommuting implementation and implementation factors in Malaysia. Nevertheless, Shamsul Bahri, (2002) believes that there is a great future for telecommuting in Malaysia.

1.4 RESEARCH PROBLEM

The Government of Malaysia is working hard to bring the country into a developed and industrialized country by the year, 2020. To support this development companies in Malaysia have to prepare themselves toward virtual organization by implementing telecommuting as a tool. In other words companies in Malaysia are expected to play competitive role for this task. One of the tools is to implement telecommuting to improving company productivity. The increase in telecommuting presents opportunities and challenges affecting not only workers, but organizations and society as well (Morgan, 2004). As a result, researchers in recent years have conducted widespread research dedicated to studying the many aspects of telecommuting. However, limited research exists on employer intention to implement telecommuting. Are they willing or interested to implement telecommuting? Also it is unclear whether the employers in private sector have intention to addressing this new approach to conducting business. Moreover, questioning the use of telecommuting by SMEs will make the issue clear for the government guiders to demonstrate its plan. Also investigates on employer intention towards telecommuting.

However, Malaysian telecommuting still lags behind other countries in the area. Implication of this situation has caused Malaysia SMEs still at low level of telecommuting activities due to inability of employers to implement telecommuting.

This study explores the employer intention to implement telecommuting in companies in Kuantan, by looking at the factors that affect the employer intentions to implement telecommuting in their companies. Understanding the nature of these factors may assist companies in Malaysia to promote telecommuting as an alternative work. The results reveal that employer attitudes toward telecommuting, pressure to use

telecommuting, and perceived behavioural control are important factors in predicting employer intentions to implement telecommuting. The results may also reveal that productivity and operating cost are possible reasons for the employer to implement telecommuting.

1.5 RESEARCH QUESTIONS

This study aims to find answers for the following questions:

1. What is the level of intention of telecommuting in this study?
2. How is the relationship between productivity, operating cost and intention to implement telecommuting?
3. How is the relationship between productivity, operating cost and subjective norm?
4. How is the relationship between productivity, operating cost and perceived behaviour control?
5. How is the relationship between employer attitude, subjective norm, perceived behavioural control and intention to implement telecommuting?
6. How is attitude, subjective norms and perceived behaviour control mediates the relationship between productivity and operating cost with intention to implement telecommuting?

1.6 OBJECTIVES OF THE STUDY

This study aims to satisfy the following objectives:

1. To determine the level of intention of telecommuting in this study.
2. To examine the relationship between productivity, operating cost and intention to implement telecommuting
3. To identify the relationship between productivity, operating cost and subjective norm.
4. To identify the relationship between productivity, operating cost and perceived behaviour control.

5. To examine the relationship between employers attitude, subjective norm, perceived behavioural control and intention to implement telecommuting.
6. To identify the mediating role of attitude, subjective norms and perceived bahviour control between productivity and operating cost and intention to implement telecommuting.

1.7 SIGNIFICANCE OF THE STUDY

This study is significant in terms of identifying the employer intention to implement telecommuting in Kuantan companies, and explained the factors that affect the employer intentions to implement telecommuting in their companies. Also understanding the nature of these factors may assist companies in Malaysia to promote telecommuting as an alternative work. The results may reveal that employer`s attitudes towards telecommuting, pressure to use telecommuting, and perceived behavioural control are important factors in predicting employer intentions to implement telecommuting. The results also will reveal that productivity and operating cost are possible reasons for the employer to implement telecommuting. Beside, the mediating affect between employer intention and productivity and operating cost.

Also this study is important for an human beings who seek flexible work as it discusses problems of work and seeks solutions by means of implementing new technology tools to enhance the work environment in general and business at home in specific. The findings of this study are expected to be shared by all human beings to make life easier and enjoyable. The study also highlights the importance of telecommuting as a new context to better work and consequently better life. The study takes place in Kuantan where the majority of workers are acknowledged anecdotally to suffer from working situations beside the lost of many efforts as a result of family affairs and also lack of work.

The results of this study are expected to provide a better understanding to the manufacturing and services industry in terms of variables that influence employer intention to implement telecommuting at work. This information are helped to assist companies in

the manufacturing and services industry to formulate strategies based on the studied variables, such as productivity and operating cost, to maximize the chance to implementing telecommuting.

1.7.1 Theoretical Contribution:

In term of theoretical significance, The Theory of Planned Behaviour (TPB, Ajzen, 1988) is used. . The TPB is a social cognitive theory that allows for indirect and direct variables influencing behaviour to be measured. The TPB acknowledges intention as the strongest predictor of actual behaviour (Ajzen, 1988). The purpose of this research is to predict the employer intention to implement telecommuting, and discover the relationship between employer intentions to implement telecommuting and productivity and operating cost, as motivating factors that can influence employer intention to implement telecommuting, and the relationship that exist between attitude, subjective norm and perceived behavioural control and intention, and finally find out attitude, subjective norm and perceived behavioural control mediates the relationship between employer intention and productivity and operating cost. In this study productivity and operating cost are external variables. Attitude, subjective norms and perceived behavioural are independent variables and intentions to implement telecommuting is dependent variable.

1.7.2 Practical Contribution:

The move towards an industrialized nation by the year, 2020, Malaysian small and medium companies need to provide their workforce with the new alternative work by. In order to achieve this mission employers or owners should take this opportunity to implement telecommuting. At an organizational level, this suggests greater employer participation, especially in strategic planning and goal setting efforts (Kim, 2002).

In addition to the theoretical contributions addressed in the previous section, the findings of this research also impact many managerial applications in small and medium companies. The main practical contributions can be summarized as follows: