

# COST SAVINGS SPECTRUM AND TELEWORK: THE FUTURE PHENOMENON IN MALAYSIA<sup>1</sup>

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## Abstract

Mobile telework has been a new phenomenon in Malaysia. This phenomenon needs to be taken in-depth consideration in promoting virtual organization. Telecommuter is an employee who works not in a central office but from their homes, cars, and other new work sites. In the increasing trend of rental and leasing costs of office space, telework should be the choice for organizations to save their expenses in the long term. Meanwhile in the perspective of the teleworkers, they are able to reduce their daily travel costs to the corporate office. Therefore, teleworkers give up costly office space and communicate with the company and their customers remotely by telephone, computer or other technological tools. This paper will unveil the relationship between cost savings spectrum and telework in realizing virtual organization concept in this millennium.

## Introduction

In this competitive business environment, organizations are looking for ways of improving their products' quality and at the same time reducing costs of productions and overhead. Current trend of leasing and rental costs has gone up from time to time. The rise of the overhead costs definitely will cause the cost of goods to go up subsequently. Therefore, the telework trend is being bolstered by growing corporate acceptance of the work style and recognition by employers that it is mutually beneficial for employers [them] and their employees (TA, 1997). Telework reduces operating costs, particularly in facilities (Nilles, 1997).

Organizations, especially in Malaysia, need to look up and find ways to reduce its overhead costs in order to be competitive. One of the ways to do is to encourage telework for their workers. A survey discovered worker practices and determined 70% of desks, offices and workstations are unoccupied during a typical workday (Langhoff, 2000). This scenario of office environment needs to be tackled and subsequently the costs of overhead can be reduced.

On the other hand, the employees also are coping with the high cost of living, especially those who are in the major cities in Malaysia such as Kuala Lumpur, Penang and Johor Bahru. Further, the involving costs of getting to work such as gas, car maintenance, car's wear and tear, toll charges, and parking fees will increase. The cost of living and cost of getting to the office in the city are on the rise from time to time.

This paper will focus on the reductions and savings that can be enjoyed by the organizations and employees in the perspective of telework concept. Further, this paper will discuss in promoting telework concept in Malaysia as how it can reduce and save the organizations and employees costs. Both parties – organizations and employees – can save on costs in the long run. So, how does telework concept benefit the organizations and employees in the long run?

## Definition

The American Heritage Dictionary (1983) defines "tele-" as distance and "work" as employment, the activity by which one makes a living. Therefore, "telework" means distance employment. Further various literature reviews define their telework as the capability of individuals to work at home and communicate with their offices by using personal computers and communications equipment and software (Noorliza and M.Hasmi, 2000; Shelly et. al., 1998). Moreover, Williams et. al. (1999) stated that computers and communications tools have led to telework and telework centers, the virtual office and "hotelling," and the mobile work place. As long as telecommuter convince the boss that phone conferences will work just fine, email, and newsgroup will become the primary form of communication today (Johnson, 1999).

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Kurland and Bailey (1999) mentioned that home-based telecommuting refers to employees who work at home on a regular basis, though not necessarily every day. They indicated a person can be said to be a telecommuter if the telecommunications link to the office is as simple as a telephone. Meanwhile, Fortier (1998) indicated that “telework” occurs when an employees carry out all, or part of, their job at remote locations, usually from home by computer. Further, Robertson (1998) stated that teleworkers are employees who are working anytime, anywhere using portable technology which allow them to perform their jobs from customer locations, their vehicle, their home, etc.

Knight and Westbrook (1999) supported and referred telework as to employees who work predominantly outside of their home offices, but are associated with a traditional office and may be used a traditional office for some administrative support and to hold physical meeting.

Lovelace (1995) mentioned that manager is part of the new mobile workforce: people who regularly work from locations outside of the office, “telework” to the office by phone, fax, and modem.

In this millennium, the word “telework” will become much more than a perk (Kunde, 1999). Further, telework will be synonymous with savings and benefits that will be enjoyed by most organizations and employees.

## Equipments

In order to telework, the organizations and employees need to equip themselves with equipments and technology. Telephone, computer and technology are the major equipments or accessories needed in order to telework from anywhere and anytime to the central office. With the vast technology advancement, workers can fit themselves easily into the telework concept, especially for the workers who are on the move and mobile in meeting their customers at their premises.

Mobile phone contributes substantially in supporting the idea of telework concept (Noorliza and M.Hasmi, 2000). With the latest mobile phone’s technology, WAP (wireless application protocol) phone can be used to gather information while on the move by the teleworkers. Telework as defined is the way of working at home with telecommunications – phone, fax, and computer – between office and home (Williams et. al., 1999). Williams et. al. (1999) indicated the ability to connect computers to one another by modem or network and communications lines to provide online information access, such as the use of pocket pagers, portable computers, fax machines, and various phone and network services to conduct business.

Teleworkers often use other communications media such as electronic mail, personal computer links to office servers and fax machines (Noorliza and M.Hasmi, 2000; Kurland and Bailey, 1999). Meanwhile, Finley (1999) indicated that teleworkers need to have a main computer, a second computer, a phone, a network and a printer to help them in their telework. Schilling

(1999a) added that employee gave up costly office space and communicate with the company and their customers remotely by telephone, computer or other technological tools. Lovelace (1995) mentioned that people who regularly work from locations outside the office, telework to office by phone, fax and modem.

Therefore, in order to fulfill the equipment requirement for telework, then a worker need to have home a computer or a portable computer, telephone or mobile phone, and software or technology to support the telework concept.

## Cost Savings Spectrums

The spectrum of cost savings can be seen in the context of the organizations and employees. Further, a conventional office requires an average size of an office space or cubicle for management office space average about 200 square feet, and administrative cubicle average of 80 square feet per employee (Langhoff, 2000). In Malaysia, rental of an office can be as low as RM1,000 per month and as high as RM10,000 per month for a space ranges from 1,074 to 11,000 square feet. Further, the rental cost is also depending on the facilities, sizes and locations. Moreover, the cost for parking space can cost at RM1,800/year per car; based on average of RM150/month per car.

The organization can save on expenses; cut down by 10% on the need for offices, desks and chairs, bathrooms, copy machines, parking spaces, heating and lighting, and all the rest (ATA, 1999). Langhoff (2000) stated that Dr. Franklin Becker’s study indicated 70% of desks, offices and workstations are unoccupied during a typical workday. Meanwhile, Fortier (1998) indicated telework can help alleviate the office space crunch and are a great alternative to expensive new buildings. Office (and parking) space is saved in proportion to the level of teleworking used (Nilles, 1997; Worklife Report, 1996). Telework saves companies money, and they should save as they implement telework (Schilling, 1996b; Girard, 1997).

Employees who are concern about cost savings towards the organizations are encouraged to telework (Noorliza and M.Hasmi, 2000). Employers initiate a telework program to save the organization on leasing costs (Gage, 1998). Robertson (1998) indicated that mobile teleworkers are able to help the organization improve their level of customer service by reducing cost associated with office space and daily travel to the corporate office. Therefore, employees give up costly office space and communicate with the company and their customers remotely by telephone, computer or other technological tools (Robertson, 1998). Moreover, traffic congestion declines and urban air becomes more breathable (Nilles, 1997). Lovelace (1995) added that teleworking can avoid long commutes on congested highways or city streets, and to

adjust their work day according to their needs, unbounded by traditional office hours. Thus, telework will help the employees to save on their expenses.

Reduction of overhead costs is obvious. Further, billion of dollars are poured into creating corporate quarters. Therefore, if a company could cut its office space requirements by sending employees home to work, it could reap huge savings (Bjerklie, 1995). Martin (1994) supported this, as expense reduction for the corporation has been a major impetus for this large increase in the virtual office.

## Conclusions

A study need to be carried out in substantiating the evidence as proposed by researchers from Western. As for Malaysians, both the organizations and employees, they need to be receptive towards the benefits and savings that they can be benefited. Moreover in order to be competitive, organizations need to consider telework concept as the tool for the prospect employee. Further the government's effort in promoting and making the Nation competitive with its mega project of Multimedia Super Corridor (MSC) shown that the government also preparing the Nation towards the information age. Therefore, telework will be the way that Malaysians work in this information age.

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