

# Employee Loyalty and Telecommuting

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**Abstract**—Telecommuting has become an increasingly popular work arrangement. However, little research has examined the impact of telecommuting on the relationship between employees and the organization. This study aims to shed light on this aspect by comparing the loyalty of telecommuters and non telecommuters as it can be viewed from three angles: organizational loyalty, peer loyalty, and professional loyalty. Furthermore, this paper will explore the dynamics among employee loyalty, productivity, and job satisfaction. Whereas previous studies had looked on employees that are not fully telecommuting, the current study concentrates on employees that are exclusively working from home.

**Keywords**—loyalty, productivity, satisfaction, telecommuting

## I. INTRODUCTION

WORKING from home is not a new phenomenon. Before industrial revolution, people plowed the fields, attended stores, or followed a master craftsman as apprentices etc, either in, or very close to their homes. The industrial revolution separated residential and working areas made daily commute from home to factories, stores, and offices imperative. In post industrial society, the information technology has made it possible for people to return to homes again. For many employees it is no longer essential to travel to work every day. The image of an archetypal organizational man used to be “the Man in the Gray Flannel Suit”. Nowadays, “The Man in the pajamas” might be another image that reflects a domestic type of work environment.

Telecommuting has become more popular. According to US bureau of Labor Statistics, in May 2004, 20.7 million people do some type of work at home as part of their primary jobs. This number included people who work any number of hours from home during the day. The popularity of telecommuting derives from a combination of needs and demands of individuals, organizations, and society. Society wise, to alleviate the problems of air pollution and traffic jam in areas that suffer the most, government offered favorable policy and implemented the clean air act to encourage telecommuting; for organizations, in the increasingly competitive environment organizations are under constant pressure to cut down the operational cost, improve productivity, widen net of talent pool, and increase attractiveness to employees. Therefore, from an organizational

point of view, telecommuting bears great advantages; for employees, it can offer flexibility in handling work and family responsibilities. Despite these advantages and the increasing popularity of telecommuting, studies on the impact of telecommuting on employees, organizations, and society are scarce, and the few studies that had looked at this phenomenon have various issues such as lack of theoretical support, the results cannot be compared due to lack of agreement on definitions of the concepts etc, etc. Scholars are calling for more research in this area [1]. This paper aims to examine the influence of telecommuting on employee’s sense of loyalty, and their resultant productivity, and job satisfaction.

## II. THEORY AND HYPOTHESES

### *Telecommuting*

The term telecommuting has various definitions. It can be “loosely” defined as working from home in such a way that the employee is linked to his office by a computer and a communications system. The definition is loose since there are disagreements regarding the main characteristics that define this concept. For example, telecommuting can be defined based on the location or the amount of time telecommuting as opposed to working at the organization. Some use the word telecommuting or teleworking to ascribe three types of working arrangements: satellite work centers where employees work in a place close to their home or the customers; neighborhood work center where work is done at a place that is close to most employees’ home; and home-based – employees work from home [3,4]. Some use the phrase *distributed work arrangements* to refer to these three working locations, and reserve telecommuting only to the arrangement where employees working at home with computers and telecommunications [1]. Most studies consider any length of time working from home to be telecommuting, including the US Census Bureau.

In this study, we take more dichotomous approach by defining telecommuting as those who work from home 100% of the time. Our definition is the result of consideration of two reasons: first of all, the previous research have been studying people who telecommute any amount of hours, yet few has focused on the “real telecommuters”, those who are telecommuting 100% of the time are contributing the most to alleviate congestion problem on highways and air pollution. Secondly, according to US census bureau, in 2008, among the 52 million people who hold telecommuting-compatible jobs, 5.9 million called home their principal place of work. Excluding 3.1 million home based businesses, about 2.8

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million employees, just over 2% of the non-self-employed employee population, work at home most of the time. There is a huge potential for growth for these group of people. It would be interesting to find out the impact of this work arrangement on their sense of loyalty, productivity, and job satisfaction. Research model in this study can be found at figure 1.

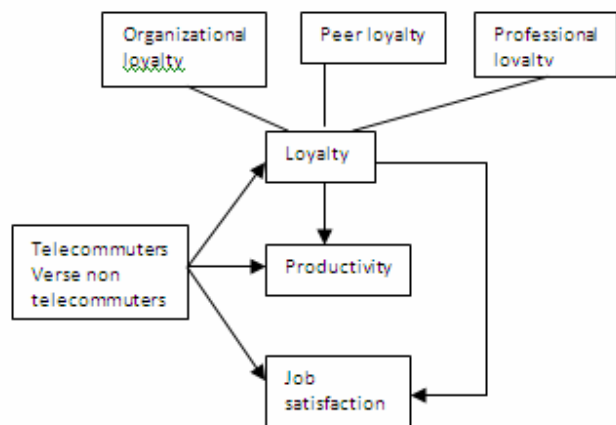


Fig. 1 research model

### Loyalty

Employee loyalty has always been a concern for employers. Loyal employees are employees with high morale and are willing to go extra miles to make the customers happy. Happy customers mean loyal customers and eventually more profit [5]. Some researchers define employee loyalty as organization loyalty. It implies promoting organization to others, protecting and defending it against external threats, and remaining committed to it even under adverse conditions [6]. Some relate the definition of loyalty as subsuming three dimensions: organizational loyalty, peer loyalty, and professional identification [7]. *Organizational loyalty* is characterized as identifying with organizational goals and policies, being a conscientious worker even when no one is watching, and behaving responsibly and predictably in crises and other situations. *Peer loyalty* is described as existing when employees get along, are willing to assist each other, and value and are valued by peers [8]. *Professional loyalty* refers to identify with the vocation, observe the code of conduct of the profession, usually marked by membership granted through licensure offered only to those who meet the admission requirements. Heretofore, most studies did not distinguish between organizational loyalty and peer loyalty [9, 10]. In this study, however, we consider it necessary to examine each of them individually since telecommuters will have less opportunity to have social interactions with peers. Therefore, we will examine loyalty from all three dimensions.

People have been worrying whether the organizational loyalty is becoming obsolete in spite of its importance to organization. Two reasons had led to this concern. First of all, younger generations are found to have the characteristics of “self developers” [11]. Instead of identifying with the objectives of the organizations, self developers are more interested in whether the organizations can provide tasks that can make them marketable, and opportunities that allow them

to network with new contacts; opportunities to challenge themselves; and chances to upgrade their skills. Therefore, they are more committed to their own professional growth as opposed to the organization. Secondly, the economic recession adds to the fear that loyalties in the business world are rapidly becoming obsolete. As the social exchange theory would explain, with the economic recession and layoffs, it is harder for employees to remain loyal to organizations that would let them go at the first sign of trouble. Therefore, we hypothesize that:

H1: There is no difference between telecommuters and non-telecommuters in levels of organizational loyalty.

H2: There is no difference between telecommuters and non-telecommuters in levels of professional loyalty.

Maccoby’s study [11] disclosed eight drives that motivate contemporary employees: survival, relatedness, pleasure, information, mastery, play, dignity and meaning. The value that matters the most among the eight, according to Maccoby’s study [11] is “relatedness.” It is considered to be the value that is “essential to sanity”. Relatedness takes the forms such as “attachment, care, protection, recognition, communication and community”. To prove his point, he mentioned in a recent study, only 7% of a large workforce chose to work from home while given an option because of the potential of losing the sense of connection with coworkers. Employees were concerned about the lack of “face time” with colleagues and missing out the informal meetings, over time, might lead to the loss of sociability [12]. Therefore, we hypothesize that:

H3: Non-telecommuters experience higher level of peer loyalty than telecommuters.

### Productivity

Productivity is often measured by the total input divided by total output at any given time [13]. In telecommuting research literatures, it is very often measured by asking telecommuters about their productivity. Compared to non-telecommuters, telecommuters have more control over their time, also, they could avoid the loss of time spent on solving interpersonal problems which might arise as a result of daily interaction in the office. Therefore, we hypothesize that:

H4: Telecommuters have higher productivity than non telecommuters.

Loyalty is very often positively linked to productivity. Since this study focuses on professionals, the more educated and skilled, long term employees such as programmers, IT managers etc, they have more training. Therefore they are more loyal to their profession [12]. Thus, professional loyalty might have a more positive impact on productivity than organizational loyalty, therefore, we hypothesize that:

H5: There is no relationship between organizational loyalty and productivity.

H6: Professional loyalty has a significant impact on productivity.

Social exchange theory explains that when individuals have strong social network ties with others in their organization, they tend to be more willing to help each other, and as a result, increase their productivity. Therefore, we hypothesis that:

H7: Peer loyalty has a significant impact on productivity.

#### *Job Satisfaction*

Job satisfaction occurs when an employee responds with positive rather than negative feelings to his or her job and job-related experiences [15]. The literatures have many discussions about telecommuters have higher satisfaction level than non telecommuters. We expect it is also true in this study, therefore, we hypothesis that.

H8: Telecommuters have higher job satisfaction than non telecommuters.

Jauch et. al' study [7] examines the relationship between job satisfaction and employee orientations of professionals in hospitals, and found out that organizational loyalty was found to be predominate orientation predicting job satisfaction. They called for replication in other settings to understand its effect on job satisfaction. In this study, we propose that:

H9: Organizational loyalty is positively associated with job Satisfaction.

H10: Peer loyalty is positively associated with job Satisfaction.

H11: professional loyalty is positively associated with job Satisfaction.

### III. METHODOLOGY

#### *Data Collection and analysis*

The telecommuters that this study targets on are more highly trained and educated professionals, not non professionals such as someone work at home as a call center worker. We would like to differentiate this since more highly educated employees have a much higher percentage in telecommuter survey done by statistics bureau, and we believe they are the ones that have the most opportunities to telecommute.

We are planning on reaching our target population by sending out survey and seeking assistance from to a senior executive MBA class in a state university around May or June 2011. Since students in that class are already senior managers in various big organizations, they would be good candidate to reach the subjects of this study in their respective companies.

This study will be using a two-step procedure of structural equation modeling for data analysis. SEM is a multi-variate statistical technique used to confirm the relations among latent constructs. The first step of SEM involves confirmatory factor analysis, while the second step analyzes the structural model. Given the characteristics of this study, we consider SEM appropriate for this work.

### IV. DISCUSSION AND CONTRIBUTION

There are literatures on studying telecommuters, yet few have been exclusively focusing on employees that are telecommuting 100% of the time. We believe this group of individuals merit more attention for the following reasons:

first of all, they are the ones who will contribute more to alleviate the problems of traffic jam, energy crisis, and air pollution etc, This study will shed lights in this area. Secondly, with increasingly global competition, availability and affordability of information technology, the need for telecommuting will be growing. Thirdly, given that currently 50 million people hold jobs that are telecommuting compatible, yet only 2% are actually doing it. Even when companies such as IBM offer telecommute opportunities, most people still prefer to be road warriors. More research needs to be done to understand telecommuting on organizations and individuals. It is impossible to provide all the answers in one study, however, it can still shed lights in this areas. We believe, that is the contribution of this paper.

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