IRS

Case 6

Alex Weber

Introduction

The IRS or Internal Revenue Service is the revenue collection service for the United States of America. In 1988 the IRS processed more than 194 million tax returns and collected roughly $935 billion. In the early 1960's the IRS enabled a manual and computerized system that remained till the late 1980's when the assistant commissioner for collection implemented a new system called ACS that greatly improved collection and closed cases but didn't come without its issues for employees.

Industry / Competitive Analysis

Mission Statement:

The IRS mission is to collect the proper amount of tax revenues at the lowest cost possible to the public, and in a manner that warrants the highest degree of public confidence in its integrity, efficiency, and fairness.

Generic Strategy:

The IRS's budget is $5 billion and as stated in its mission statement their goal is to collect revenues at the lowest possible cost to the public. The IRS every year handles millions upon millions of cases and almost 1 trillion in revenues. This is a large economy of scale, due to these factors the IRS has a Cost-Leadership strategy.

Porter's 5 forces

Rival Competitors: The IRS has no competition due to the fact its parent organization is the United States Government and thus has no competitors in tax collection.

Threat of Substitutes: Currently, there are no substitutions besides jail for people who don't pay taxes. The IRS has no substitutes.

Threat of Buyers: The only threat is if the people of the United States of America start refusing to pay taxes to the United States, something that is low to no chance.

Threat of Suppliers: The IRS could have companies that supply resources for them to operate and overcharge them, but the implications of this are low.

Threat of New Entrants: Currently, the IRS is the only organization legally allowed to collect taxes. The threat of new entrants does not exist.

Organizational Structure

The IRS is divided up into districts to which they operate. Each of these districts govern their region and collect revenues from the area. Each district "call center" is divided up into further divisions to specialize in different tasks such as collection, examination, criminal, etc. This allows the IRS to utilize a Divisional organization.

Business Issue and Key stakeholders

Business Issue

With the implementation of ACS the overall productivity increased drastically. This included a 33% increase in dollars collected, increase in the number of cases closed by 100%, and a reduction in staff by 50%. Not everything was positively impacted as

turnover in some areas were as high as 100%. This is a huge concern as it was not as easy as before to get new employees with the shrinking labor pools and people not wanting to work for the US government. The morale of employees also took a large hit and two main issues were identified. 1. The way the work was organized and 2. The manner in which computer aided monitoring was handled.

Key Stakeholders

United States

- Governing body of the IRS is the beneficiary from the revenue collected

IRS

- The collection service of the United States. Implemented ACS and is having issues with employee satisfaction

American People

- Taxpayers who want the money they give to the United States to be used in the most efficient manner possible

IRS Employees

- Unsatisfied with the way that ACS has changed the current system and work environment they work in

IRS Supervisors

- Feel as if the current monitoring environment they use is bogging down their daily work.

Proposed Solutions and Alternate Courses of Action

Courses of action

1. **Retrain ACS employees to handle all aspects of collection function**

   The first possible course of action would be to retrain the employees to be able to handle all aspects of the collection function and pay more based on additional skills learned. This would allow for employees to be able to finish cases that were started. People inherently don't do well with change; this would require employees to have to learn new skills to be able to effectively do their jobs. (Cash) One study also found that an increase in pay does not transition to increased performance for tasks that require a high level of thinking such as this option but actually need more autonomy, mastery, and purpose. (RSA)

   Stakeholders affected

   United States: Would hopefully see an increase in productivity which would increase revenue

   IRS: Would hopefully see an increase in productivity and employee satisfaction

   American People: Would require more investment of their money for a hopeful high return later

   IRS Employees: Would need to learn more tasks in order to hopefully be able to complete cases all the way through

   IRS Supervisors: Would also need more training on how to fully complete tasks completely through and also how to now supervise these cases.

2. **Work with present organization but change how its managed**

   The next option would be to keep the current organization but change how the system is managed. This would require the way that people are monitored, currently the process takes up too much time and some people feel as if they are always being spied on. This would focus on the process and 5 core characteristics and the management that could be used to empower its employees.(Tutor2u) Specifically the need for autonomy and feedback that need to be addressed.

   Stakeholders affected

   United States: Would hopefully see a rise in productivity for the IRS

   IRS: Would see a rise in productivity and employee satisfaction lowering the number of employee turnover

   American People: This option would require the least amount of investment saving money

   IRS Employees: Would see changes in how feedback and autonomy are addressed.

   IRS Supervisors: Would need to learn new tactics to give feedback and monitor the employees within the IRS

3. **Restructure ACS's work into semi-autonomous teams (Recommended)**

   In Hackman and Oldham's job characteristics model there are 5 requirements for job satisfaction. Skill variety, Task identity, Task significance, autonomy and feedback.(Tutor2u) In this model I believe it would address all of these

requirements because it allows for teams to be completely autonomous and allows for teams to see cases all the way through something that employees were missing. The control that the employees will have and the pleasure they receive will increase satisfaction greatly.(RSA) This also provides task identity and significance because everyone is given a task that specifically caters to their strength as part of the team. From here it will be easy to give feedback as managers will know who specifically is lacking due to a bottleneck in the line. Herzberg's motivation theory states that hygiene factors are needed but motivation factors will increase productivity. (Bill Paxton) Here, some of the factors include achievement, responsibility and the work itself all catering to the employees strengths. The biggest downside to this is the high cost of installation required to change the system.

Stakeholders affected

United States: Would raise the productivity levels for the IRS

IRS: Would hopefully raise productivity levels and employee satisfaction. Would require a wage increase and high cost to install

American People: Would require more money be spent on changing the process.

IRS Employees: Would hopefully see a higher satisfaction rating and improvement in the monitoring process

IRS Supervisors: Would be able to more easily watch over the employees without bogging them down and taking up all of management's time.

References

- Cash, James I. *Building the Information-Age Organization: Structure, Control, and Information Technologies*. Irwin, 1994.
- "Hackman & Oldham's Job Characteristics Model." *Tutor2u* , YouTube, 26 Feb. 2018, https://www.youtube.com/watch?v=tWBLeOD8SN8.
- "Herzberg's Motivation Theory." *Bill Paxton*, YouTube, 1 June 2015, https://www.youtube.com/watch?v=KJ8ap4kWPxo.
- *The Surprising Truth about What Motivates US - RSA*. https://www.youtube.com/watch?v=KgGhSOAtAyQ.