

Case 6: IRS

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# Case background:

The Internal Revenue Service (IRS) works for the government to collect revenue for them. They provide service to taxpayers to efficiently collect tax revenues. In 1988 IRS has collected approximately $935 billion dollars from more than 194 million tax returns. Also worked with over 83 million taxpayers to assist them and provide information for them so they could pay their taxes to the government. For IRS, IT is a major part of the company because of the important impact it makes to improve efficiency and increase benefits for the IRS. Information technology was used to automate redundant processes, such as filing and processing tax returns. One of the largest systems that the IRS had in place to automate operations was the collection office function or COF. At the case time, they have over 120,000 employees and over 700 offices all over the world. The main headquarters is in Washington D.C. and have over 20 regional offices. They keep their taxpayer files, bills for unpaid taxes, and notices in services headquarters.1

The problem:

In order for employees to stay motivated. They need to feel some sense of accomplishment to continue to do a good job, but when employees do not have a clear understanding of their responsibilities they will not motivated to do the work. The IRS wants to implement a new automated collection system (ACS), which can help to improve the productivity and quality of service which will lead to better customer service and meet the business needs. ACS consisted of an integrated data retrieval system, IBM, and Rockwell ACD1. Before using ACS employees felt a sense of accomplishment doing their job because they would have to work together with their colleagues to retrieve all of the information. The introduction of ACS helped address some of the problems that the COF had caused. Overall, the ability to find cases, perform follow-ups and managing phone calls more efficiently were the largest improvements that ACS provided. Especially the operation they used before was the Collection Office Function (COF), this process became challenging for employees to finish cases on time because cases began to build up and they were having a hard time finding missing cases. Employees were always between transitions. If a case were missing using this process, it would take employees an average of three hours to find missing cases. On the other hand with the new system employees became very dissatisfied with the amount of monitoring being done on them and no social interaction occurring during work with other employees. “...Monitoring systems raise concerns about employee privacy, as well as issues of deskilling and potentially unfair work standards” (Cash). Supervisors were having issues because anywhere from 25 to 33 hours a week could be spent on reviews and monitoring. The new system also monitored and tracked everything that each employee doing. Which took away employees autonomy. Autonomy is the responsibilities given to an individual employee to have control over their information processing needs.

Industry Competitive Analysis

1. Mission Statement:

The Internal Revenue Service (IRS) mission statement is “to collect the proper amount of tax revenues at the least cost to the public, and in a manner that warrants the highest degree of public confidence in our integrity, efficiency, and fairness.” 1

1. Stakeholders:

“A stakeholder is anyone who is affected by your business in one way or another.” 5 The main stakeholders on this case are IRS employees, Management and customers.

* 1. IRS employees: The employees rely on their job for stable income. They must be able to work under each system, so they can be as productive as possible. In this case, the employee's satisfaction is really important because the IRS turnover rate is extremely high, it reached the 100 % in some offices1, so the IRS needs a solution that may make the current employees happier with their work environment and motivated to stay and work for the organization.
  2. IRS management: Management must be able to change how the system works so that they can increase efficiency. They should know what is good for the organization and choose the most effective system.
  3. IRS customers: Customers rely on the IRS to process tax returns in a timely manner. They are directly affected by the system been used to process their tax return. They should have access to their application and be able to check the process.

1. Market:

IRS primary function is collecting taxes for the US government and help taxpayers to process their taxes.

1. Generic Strategy

The IRS’s generic strategy is cost-leadership because they want to offer their services to a largest number of people at the best price possible. According to the IRS website, “Efficient operations and modern infrastructure are the foundation of a stable, reliable organization and are essential elements of sustaining excellent service and enforcement capabilities. Strong data systems are critical to safeguarding taxpayer and employee data from threats.”3

1. Organizational sturcture

The IRS’s organizational structure is a functional structure. “In the functional structure, common activities are grouped together”2. Since the IRS is a government-operated, the organization must follow the rules and laws put in place by the government. “Since an organization’s performance is dependent on all functions working together in a coordinated manner, the functional structure requires extensive information exchange among functions”2. To be more efficient IRS separated their offices into regions, so they can cover all over the nation and even overseas. As mentioned earlier on the case they currently have 20 regional offices with the central office being in Washington D.C.

Porter’s 5 Forces

"Understanding the competitive forces, and their underlying causes reveals the roots of an industry's current profitability while providing a framework for anticipating and influencing competition (and profitability) over time" 4. Porter’s five forces is a very important framework in analyzing a company against competition in the industry.

1. Inter-Industry Competition

The threat of inter-industry competition is low in this case. The IRS has no competition because they collect and process tax returns for all over the U.S. “…governments create or permit what are seen as ‘natural’ monopolies, such as utility organizations”5.

1. Threat of New Entrants

The threat of new entrants is low for IRS. The IRS has no competition in the market of collecting taxes because they are government owned and they are a monopoly. IRS controlled the service of working with taxpayers so they receive tax revenue for the government.

1. Customer’s Barging Power

Customer’s bargaining power is very low. The IRS’s customers are all citizens of the United States. Each customer must pay their taxes to the government or they will be imprisoned for tax evasion. And since there are no other companies to switch too customers have no power.

1. Supplier’s Barging Power

The bargaining power of suppliers is high. IRS owned by the U.S government which means there are probably rules regarding what systems the IRS can and cannot use. The main suppliers for the IRS are IBM and Rockwell ACD.IRS relies on the ACS to work properly and without issues.

1. Threat of Substitutes

The threat of substitutes is low. The IRS does not have to compete with anyone else. There are no substitutes for collecting taxes for the government.

alternatives:There are only three alternatives in this case that IRS can choose from. They are; do nothing, Restructure the ACS’s work into semi-autonomous teams and Retrain ACS employees to handle all aspects

1. do nothing:

The first alternative for IRS is to do nothing. Then they will leave the system and the organization structure as is. They are already increasing productivity and service to its customers since the switch from COF to ACS because of the features the system provided. Employees and supervisors will continue to be unhappy and the turnover rate will remain extremely high. Management will not be happy with this decision because although the productivity and quality are better than ever before, their turnover rate is high. A high turnover rate means the company will have to spend more money to train their employees instead of training them once and retaining the employee for a long time. Customers will be happy because of the quick response that they get from the IRS, and they will continue to be happy if the customer service remains the same.

1. Restructure the ACS’s work into semi-autonomous teams:

If the IRS decides to restructure the ACS’s work organization into semi-autonomous teams, then employees would be able to work with each other and see cases from start to finish. This option would require $1 million to restructure the technology to obtain this capability. Also, It will also take the organization time to design the new teams and be able to implement over time. Employees would need to be retrained to learn the new system. They may be happy with less monitoring. They would be able to feel a sense of accomplishment by seeing a case through from start to finish. Management would not like this because it would cost the company more money and would take time to redesign the technology. Customers would be happy because their returns would be filed efficiently.

1. Retrain ACS employees to handle all aspects:

If the IRS decides to retrain ACS employees to be more versatile and able to handle all aspects of the collection, then this alternative requires a large investment back into the system in addition to the pay scale would need to increase in order to compensate the employees for the new skills they have obtained. “While a reduction in task complexity Facilitates job monitoring, it reduces the challenge and growth potential of the job”2. Employees would be happy with this decision because they would be able to learn new skills and improve the amount of money they make. This will give employees more autonomy and keep them motivated by facing new challenges of learning new skills. Management would not be happy with this decision, because it would cost the company money and the end result would not change much from the current end result. This will be against the IRS strategy, which is cost leadership. Customers will not be happy with this decision, because the price that they pay the IRS for their service will increase in order to cover the training cost and the increase in the salary.

Recommendation

After reviewing the alternative that IRS has I believe the best alternative is to do nothing and continue with the current system they are using. This alternative will go along with their strategy and save them the cost of restructuring the ACS’s or retrain the employees and pay them more after that. The ACS system has provided the IRS with increased productivity and service to its customers. The IRS wants to stay as cheap as possible and the best way to do that is by having employees with less skill than the previous employees because their payroll will not be as much. Because the skill set they had is very easy to find they should not worry about the employee's satisfaction. If the employee leaves they can easily be replaced. The reason they should not choose to switch to semi-automated teams is because of the cost that will occur and the time it will take to implement it. It will cost the IRS over a $1 million just redesign the system to be in place for the teams. Also, Retraining ACS employees will not be an innovative idea because of the cost it would take to train those employees.

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