**IRS Case**

Dustin Hubrich

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Professor Barker

**Mission Statement**

The IRS's principal goal was to collect the right amount of tax income at the lowest possible cost to the public, while maintaining the highest level of public trust in the US government's integrity, efficiency, and justice.

**The Problem**

The Internal Revenue Service (IRS) has deployed a new technology that will automate most of their job. Originally, the collection office function (COF) was mostly done on paper. However, because there was so much paper at the time, it sometimes could take up to three hours for workers to find what they were searching for. Furthermore, the COF was unstructured, and the accuracy of information may be questioned at times. The IRS decided to use the automated collection system (ACS), which essentially put all of the taxpayer data into a database and onto the system. This reduced the need for paper and made it much easier to get taxpayer data when needed. As a result, employees were forced to spend every day in front of a computer, limiting the amount of teamwork that was previously shared.

The biggest problem isn't the ACS; it's how employees react to it and how they're continually watched when making phone calls to taxpayers. The IRS's turnover was at an all-time high once the new system was implemented. It had been at 100 percent in certain offices. Employees were accustomed to having more freedom when working on a case; they were allowed to leave their workstation and consult with coworkers to choose the best course of action. Employees with the ACS are restricted to their computers in their own cubicles, rarely speaking to coworkers. Another issue was the company's new approach to employee monitoring in order to assure quality control. Computer monitoring, telephone monitoring, and teacher reviews were all used to keep an eye on the employees. Supervisors had complete access to an employee's workplace environment and could observe all the work they have done. Monitoring can be good, as Cash said, “Electronic monitoring systems can help improve efficiency and reduce errors by providing workers with timely and accurate performance feedback.” (Cash) Supervisors were expected to listen to at least one hour of telephone conversations between employees and taxpayers. Each week, these types of reviews took up between 25 and 33 hours of a supervisor's time. The IRS would give each employee weekly feedback and tell them how they could do better. In contrast, "monitoring can have the effect of disconnecting the worker from the larger process, which in turn gives workers less opportunity to broaden their skill base and advance in the organization.” (Cash) Employees overall, disliked working under the new structure that had been implemented. They felt as if they had no control over their work and were being overly supervised. "Employee productivity can be measured and updated every minute of the day, and work stress in such situations is at an all-time high." (Morgan) They have no interactions with their coworkers and work alone. Some employees thought their input was beneficial, while others thought their bosses were biased or continually looking for flaws. “If people believe they’re working so that senior management can get a bigger bonus, change will not happen.” (Kalakota) Many people despise the monitoring since they know that if they don't have enough numbers, they will never be promoted. The implantation has led to a lot of motivational issues.

**Stakeholders**

**IRS Employees:** Employees are impacted since they dislike dealing with the new system, and plenty have left the company.

**Supervisors:** Supervisors are responsible of overseeing the staff, and some of them may not appreciate their jobs.

**US Government:** Because the IRS is the primary way of collecting tax income for the United States government, it is a major stakeholder who should expect the IRS to succeed in its mission.

**Taxpayers**: IRS actions have an impact on the efficiency of tax collection. A system that provides effective tax resolution at a cheap cost should be expected.

**Generic Strategy**

The IRS's uses a cost-leadership strategy. According to Tanwar, “A firm finds and exploits all sources of cost advantage and aims at becoming a low-cost producer in the industry." (Tanwar). A generic strategy is suitable for a government agency that does not generate profit but is given a budget to cover operational expenses.

**Organizational Structure**

The IRS uses a functional organizational structure. It consisted of a central office in D.C. and 63 regional district offices.

**Porter’s Five Forces Model**

1. *Threat of Substitutes (Low):* Because IRS there is no one to compete with, the threat of substitutes is low. Because it is a government-run corporation, people must go through the IRS to pay taxes, therefore they are not concerned about being substituted.
2. *Supplier Power (Low):* The government is usually a highly sought-after place do work for; therefore companies will line up and bid on a government contract on anything that needs to be done.
3. *Competitive Rivalry (Low):* Because the IRS is the primary tax revenue collector for the United States government, and because it is a government-run institution, there is little to no competition.
4. *Buyer Power (Low):* Citizens of the US have little choice but to pay their taxes. Even if you move to another nation, you will most likely still have to pay taxes to that country.
5. *Threat of New Entry (Low):* There is one bureau responsible for collecting taxes.

**Alternatives**

**Do Nothing:**

The ACS system has increased productivity; significant turnover may be due to new hires failing to fulfill performance criteria, as roughly half of the employees had to be hired from outside the company and trained from the ground up. With a 33 percent increase in collection, lower inventory levels, and a significant rise in cases closed, the system's implementation may necessitate a bedding-in phase until the necessary personnel are in place. It's also worth noting that several staff praised the new system's monitoring capabilities, claiming improved performance and good feedback. Cash states, “These systems are in widespread use for routinized office work with large volumes of standardized tasks that are performed repeatedly” (Cash), and the adoption of ACS has created such an atmosphere, which people may have to adjust to or leave. However, there are issues with this method. With turnover rates are close to 100% in some cases, motivation must be addressed, as high turnover rates result in the loss of experienced personnel and, as a result, a drop in productivity. Furthermore, while job satisfaction has no connection to productivity or turnover, it should still be a priority for the IRS as it aims to be a place people are happy to be employed by.

**Effect on Stakeholders:** Supervisors at the Internal Revenue Service (IRS) would be expected to continue monitoring and reviewing employee performance, as well as deal with the time constraints that monitoring responsibilities involve. Taxpayers will be pleased with increased productivity and decreased system costs. The US Government will be pleased with 33 percent rise in money collected. While employees reported a desire for monitoring, high turnover suggests that job satisfaction and motivation will continue to be major difficulties, with high turnover rates projected.

**Retrain Employees:**

If the IRS chooses to retrain ACS employees to be more flexible and capable of handling all areas of the collection function, the pay scale will need to rise to pay employees for the additional skills they have acquired, and employees will be able to see cases through from beginning to end.

**Effect on Stakeholders:** The government will see higher training costs, but this may be mitigated by greater productivity and lower turnover. Training a new employee from the ground up would cost substantially more than retraining an existing employee. The Hackman & Oldham's Job Characteristics Model emphasizes skill variety, task Identity, task significance, autonomy, and job feedback as the 5 characteristics that lead to work motivation and job satisfaction. Training IRS employees allows them to focus on cases rather than just taking calls, reducing job monotony, and raising motivation. The Supervisors at the Internal Revenue Service (IRS) will spend less time on reviews every call and instead focus on cases completed, rating employees on their overall ability rather than a particular specialty. The taxpayers will have to be the ones who pay for the training since the IRS is funded by the government.

**Change management of current system:**

Employees would have greater freedom in their job and would not feel as watched as a result. Instead of supervising employees, supervisors would have more time to work on other projects. Employees would be more satisfied with their jobs if they weren't constantly monitored. Changing how performance measurement information is communicated to workers and adopting a standardized approach of feedback procedure provides a way for workers to improve the employee performance and job satisfaction. As Fried points out, "improved communications will enable managers to extend their span of control" (Fried), making it possible for supervisors to strengthen relationships with employees while making control systems better. People generally strive to do a good job, but existing feedback criteria and techniques appear to generate negative feedback rather than positive. Employees are not motivated to be productive unless they are monitored, and while most employees support the monitoring process, employee complaints show that many supervisors use the data as a form of negative reinforcement rather than encouraging what employees do well on the phone. The disadvantage of this method is that focusing on improved information usage simply assures that people are not unhappy but does not improve employee motivation. While job satisfaction is necessary, motivated workers can improve productivity, which is what the IRS hopes to achieve with ACS.

**Effect on Stakeholders:** Government of the United States is effected because this option would require minimal change in funding, but productivity may suffer while managers adjust to new job procedures. IRS employees would be satisfied with their jobs, but this would not necessarily lead to a reduction in turnover because motivation may not be adequately handled. Employee monitoring would continue for supervisors, but the way information was used would need to be adjusted. This choice would have a minor influence on taxpayers.

**Restructure ACS’s work organization:**

ACS will be restructured into semi-autonomous teams as a result of this approach. These teams would be in charge of completing a case from beginning to end and would be made up of employees with the necessary functional skills. They'd be handed a batch of cases to work on, and they'd be closely monitored, just like previously. This approach will necessitate the ACS system being redesigned to work in groups, which is expected to cost at least $1 million. Changes to the wage bill must also be evaluated.

**Effect on Stakeholders:** Managers/Supervisors would be dissatisfied since redesigning the technology required to improve the system would cost more money and time. Employees, on the other hand, workers may come to prefer this alternative over time because it reduces the amount of work they have to do because employee monitoring is no longer required, and so the turnover rate is reduced. Customers would be dissatisfied with this decision because their expenses would rise as well, therefore no matter what costs would increase.

**My Solution**

Motivation is crucial in determining whether or not a company will be successful, because if a person is not motivated to do a good work, they will do the bare minimum to protect their jobs. Employees will believe that their labor is unimportant, resulting in unsatisfactory performance. The company can fix the employee motivation issue if they take look at the Hackman and Oldham’s job characteristic model. If they make changes based on the model, they will find that moral, motivation and job satisfaction will improve. If a company hires people that like there workplace environment, they will be invested in the work they do and will strive to achieve the greatest results possible. Employee autonomy is important for motivating people because if they are free to make their own decisions, they will be able to choose what interests them, therefore leading to productive workdays and high-quality work.

I propose that the IRS alter the way it monitors the ACS, giving employees more autonomy and freedom to make their own decisions and/or choose which cases they want to work on. Changing the present system will boost employee morale and make the workplace a more pleasant place to work for everyone. Employee turnover will be reduced as a result of this decision, since employees will be happier with their job and more encouraged to keep doing a good job. Employees will have more Autonomy because they will have more freedom knowing they don’t have someone always looking over their shoulder and will feel more relaxed at work as a result of this move because their managers will not be watching everything they do at work on a daily basis. Managers would gain from this choice, as they now spend 60 to 75 percent of their work week overseeing all that each employee does during the day. This move will allow management to concentrate their time on more important tasks, which will increase their motivation because they will no longer feel like they are "babysitting" their workers. “An action that moves us toward making money is productive. And an action that takes away from making money is non-productive.” (Goldratt) The choice to alter the way managers manage employees with the ACS will help the company make more money and be more productive.

Motivation and job satisfaction will grow, and turnover will drop, if managers decide to alter the way they oversee their people through ACS. To care enough to produce good work, employees must believe that the task they are doing is meaningful. Managers should provide feedback to employees in a style that focuses on the positive rather than the negative, because when an employee has reason to believe that they are doing a good job, they will be more inspired to keep working hard to perform at a high level. Changing the way managers observe employees with the current system is low-cost and will have a significant impact on the company as a whole.

Work Cited

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