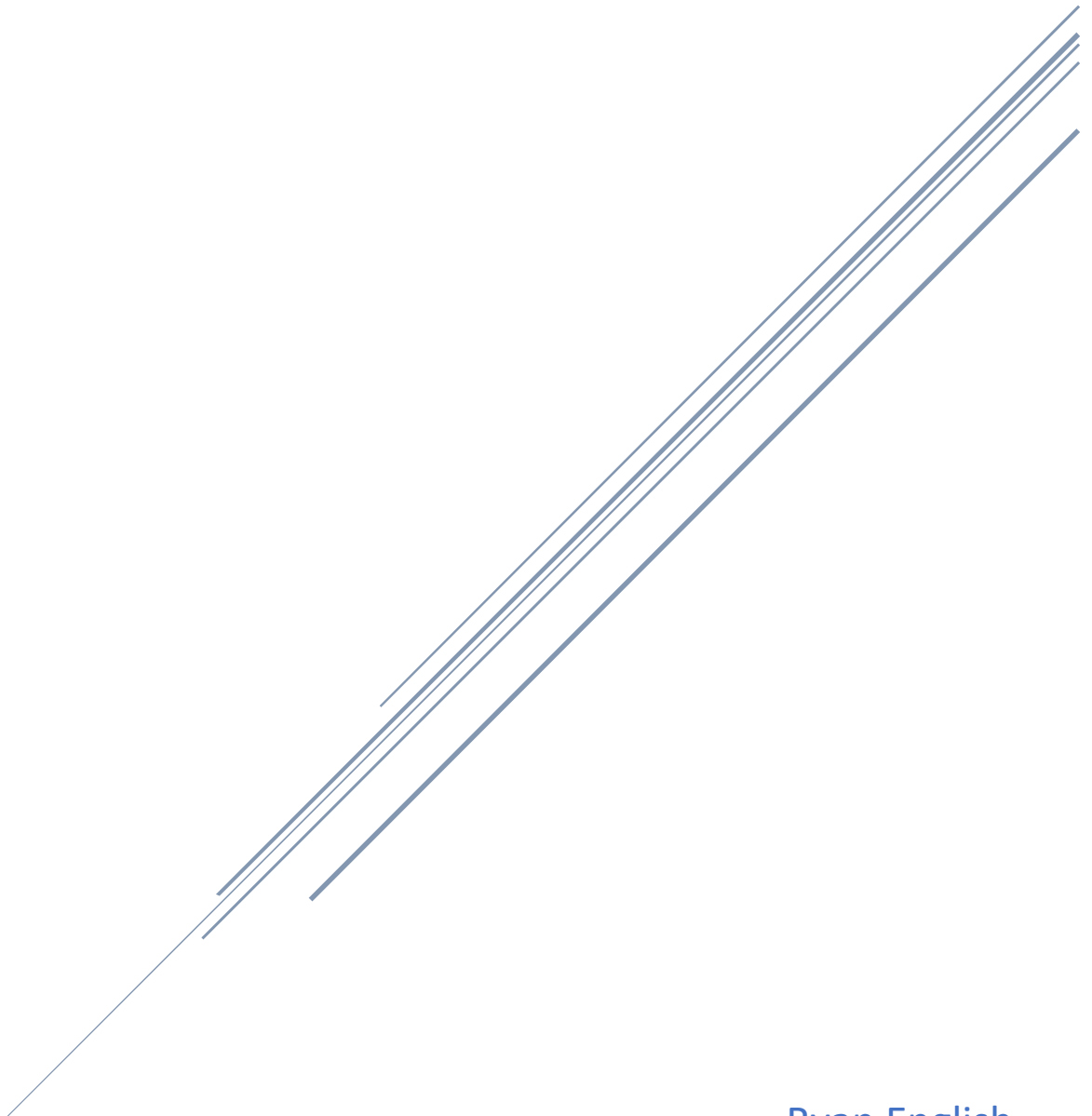


# CASE SEVEN

IRS



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## Executive Summary

The Internal Service Revenue (IRS) implemented a new Automated Collection System (ACS) during the 1980's in order to increase the productivity of employees that spent an absorbent amount of time gathering information in order to complete tax cases. Once implemented the employees went from either having no information when a tax payer contacted them or spending hours gathering information to having all the information available at their finger tips or if the information was not available the ACS was able to search databases for the information.

The ACS also implemented a new supervision aspect for supervisors. Every action employees committed was tracked in order for supervisors to create a "teach review" that might have been a face-to-face discussion or could have just been dropped in their boxes.

The ACS caused the IRS to experience 100% turnover in some departments. According to Herzbergs motivation theory "motivation is negatively correlated with turnover" (*HRM Journal* pg. 27). The IRS has a serious problem and needs to address the issue in order to continue providing "the proper amount of tax revenues at the least cost to the public".

Tim Brow, the assistant commissioner of the IRS, proposed three solutions: restructure the ACS work organization, retrain employees, or change ACS perception. It is recommended that Mr. Brown restructure the ACS work organization.

According to Herzberg, restructuring the ACS work organization not only improves the IRS hygiene by increasing the pay of the employees; but it also increases the motivation factors by increasing the employee's achievement and sense of responsibility. The work groups are now following a case from start to finish and performance monitoring is now a team responsibility. One the other hand, restructuring the ACS also addresses the Hackman and Oldham job characteristic model by increasing each employee's skill set and autonomy. By creating this new

work environment, the employees will now feel more achievement and motivation in the work environment increasing their motivation and lowering the turnover rate.

The other solutions might fix issues with ACS but lack the full rounded solution like restructuring the ACS would. The IRS not only needs to lower the turnover rate, but also needs to motivate its employees to work in tune with the ACS to increase productivity.

## Background

The Internal Service Revenue (IRS) implemented a new Automated Collection System (ACS) in order to increase productivity of its employees; but, ended up moving to a turnover rate of 100% in some departments. Even with the extraordinarily high turnover rate, the IRS was experiencing a 33% increase in dollars collected and a 100% increase in closed case reports; but it seemed as though the employees were not motivated to work in tune with the ACS.

The ACS was composed of three subsystems: integrated data retrieval system (IDRS), IBM, and a Rockwell Automated Call Distributor. All these systems combined to create a computer system that allowed for IRS cases to be accessed easily by entering the taxpayer identification number of pressing next in order to see the case with the highest priority, removing the needed for employees to spend time searching in files for a particular case file.

The ACS also added an *Investigation* and *Research* function. The investigation function allowed for employees to quickly and easily search through a collection of phone directories for tax payers phone information if none was available. The research function, on the other hand, allowed the employee to research information when a case was complex.

The change to ACS saw a change in monitoring. Every action the IRS employee committed was tracked and monitored by their supervisors, actions like talk time, calls attempted, number of completed calls, time spent away from computer, and time between calls. Supervisors were also required to listen to a minimum of one hour per employee per week of telephone conversation.

All the data collected on employees were utilized by managers to create their “teach reviews” for each employee. These “teach reviews” ranked the employees differ skills and either discussed in a face-to-face meeting or were left in their drop box.

The ACS changed productivity for the better by creating functions for the employees to gather the necessary information without having to spend an extraordinary amount of time finding the information, however, these functions moved the case through employees so that a single employee was not able to see a case from start to finish.

## Mission Statement

“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”  
(*Case Report*)

## Forces

Threat of new entrants: NONE

As a government entity there is no threat of new entrants.

Threat of substitutes: NONE

As a government entity there is no threat of substitutes.

Bargaining power of customer: LOW

Customers are required by law to file taxes, therefore, they do not have much bargaining power.

Bargaining power of suppliers: MEDIUM

As a government entity the IRS would have a medium power against their suppliers, since government contracts are always a hefty paycheck.

Competitive rivalry: **NONE**

As a government entity there is no competitive rivalry.

## Stakeholders

### Tax Payers

The IRS has an obligation to tax payers to provide their services with as little cost to them as possible.

### Government

The IRS has an obligation to the Government to collect the tax with as little cost as possible and as quickly as possible.

### IRS Employees

The IRS has an obligation to their employees to provide that standard hygiene factors.  
(*Herzberg*)

## Proposed Solutions

### Restructure ACS work organization

Tim Brown, the assistant commissioner of the IRS, proposed that the ACS reorganize the work structure into semi-autonomous teams that would work the case files from start to finish; performance only monitored at the end on how it was handled and was the team's responsibility. Unfortunately, this would come at a cost. The reorganization would require an estimated \$1 million, and the reskilling of employees would raise the pay scale throughout the organization.

According to Herzbergs' motivation theory this improves hygiene and motivation factors. The increase in pay per employee increases the hygiene factor of the IRS. Hygiene is expected in the work environment and does not motivate employees; but if missing or not meeting expectation causes dissatisfaction amongst employees. Another hygiene factor that is increased in co-worker relationships. Unlike before, these teams will allow the employees to work closely together building relationships as they work. On the other hand, restructure the ACS would increase the motivation of the employees. Achievement, responsibility, sense of importance, are all factors that are increased in the restructuring of the ACS.

According to Hackman and Oldham's job characteristic model, employees will be motivated due to their increased autonomy and skill variety. Employees now in their teams are responsible for cases from start to finish and monitoring their coworker's performance. Unlike before where supervisors were monitoring subordinates heavily, now the teams have more autonomy when completing cases.

The only downside of the restructuring into teams is the investment of \$1 million. This investment will easily be reimbursed with the enhanced motivation of their employees, and their working closely with the ACS in order to increase productivity and throughput.

## Alternate Solutions

### Do Nothing

Doing nothing is not a recommended solutions. The IRS could have the most effective systems; but if there are no employees to operate this system it will not matter. The IRS has a severe issue in employee motivation, and it needs to be addressed, not left to resolve itself.

## Retrain ACS employees

Albeit this will likely lower the turnover rate and increase motivation amongst the employees, it is not a recommended solution. The retraining of the employees increases their skills, since they would now be completely capable of closing a case, therefore increasing their motivation factors of *responsibility* and *sense of importance* (Herzberg). Unfortunately, this would create resource silos and remove the employees from their social belongings (Maslow) since now employees would be working alone from start to finish.

## Change ACS management

The idea of this solution is to alter the perception of the ACS by altering seven key factors. Albeit this is on the right track that employees are not getting satisfaction from the job due to management and other factors; but, this solution lacks the additional motivator factors outlined by Herzberg and the Hackman and Old job characteristics model.

## Citations

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