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IRS Case

CIS 410

2/12/2020

**Executive Summary**

The International Revenue Service (IRS) works for the United States government as a tax collection service. The IRS has collected over $900 billion from more that 190 million tax returns. As of writing this case they have over 120,000 employees in over 700 offices around the world. Their main headquarters is in Washington D.C. All of the IRS’ files are kept in sever different services headquarters. IRS’ processes have changed over time as technology has changed. The IRS has been having trouble maximizing the efficiency of the employees that they have hired. These issues have risen from the implementation of their new Automation Collection System (ACS). The following analysis will give an organizational overview of the IRS and offer potential courses of action regarding their current operation and offer a recommendation of the best option for them.

**Mission**

According to the case the IRS wants to make their tax system as easy as possible for both the employees and citizens. The IRS wants to run as efficiently as that can for as little money as they can.

**Five Force Analysis**

Threat of New Entrants: Low

The IRS was created by the United States government as a monopoly so no other competitor will be able to enter the market. Governments create what are known as natural monopolies such as utility organizations (Porter).

Threat of Substitutes: Low

Since the IRS is a government office there is no alternate way to pay for your taxes. Every American citizen has no choice but to pay their taxes.

Supplier Power: Low

Since the IRS is a natural monopoly, suppliers will be willing to pay whatever amount is needed. The IRS has a budget over $5 billion and will pay very little to their suppliers. Therefore, suppliers are not going to have any price related decisions.

Buyer Power: Low

Customers in the market have no bargaining power with the IRS since each American citizen and firm must pay their taxes or they will get either imprisoned or fined for tax evasion.

Degree of Rivalry: Low

The IRS doesn’t have any competition in the market for the same reason above, they are a government regulated natural monopoly. They control the services that work with taxpayers so that they receive tax revenue for the government, all citizens only have one place to go to pay their taxes.

**Organizational Structure**

The IRS’ process structure is like a holographic structure and all decisional power resides in a functional structure. Each office works somewhat autonomously and holds responsibility for a specific geographical region (Morgan). Despite the distances between offices, each office has an identical business process and if one gets upgraded then they all do.

**Stakeholders**

The first stakeholder is the IRS management. These people are responsible for the control systems in the organization and keep everything working. They also watch over the monitoring systems and view how each employee is doing and gives them feedback accordingly. They may also need to be able to change how the organization is run so that they can be more efficient.

The second stakeholder are the United States citizens and firms. They must pay their taxes, or the IRS will receive a notice and will have to act. If this group of stakeholders decides to stop paying taxes, then the government will run out of money.

Another stakeholder are the IRS employees. The employees must be wiling to work under each system and know how to use the systems. The employees need to be able to complete cases quickly to make it easier for everybody.

**Problem Areas**

The IRS’ problems are arising from their employee’s reluctance of change, there is a lack of motivation because of this. The newer ACS process is more efficient tat solving cases than the old COF process. It also makes cases easier to navigate and follow up. Managers can also review and monitor an employee’s performance whenever they like, before they could only do this every four months. Motivation has also increased since specific tasks now have more relevance. On the other hand, the employees have begun to feel like they have become over monitored and have less freedom in the new system, this has decreased their motivation. While monitoring may increase productivity, employees need to be motivated in order to decrease turnover and increase productivity in the long run (Hackman and Oldham).

**Options**

*Option 1:* Do Nothing

If the IRS decides to do nothing, then they will decide to leave the system and structure the way it is. Productivity has already increased, and service has been enhanced since the switch from COF to ACS. Employees will still be dissatisfied with how they are working; employees will still feel blocked off from other employees and must continue to work due to being monitored so much. The IRS will continue to save money under the new system, but employee moral won’t really change that much.

*Option 2:* Change Employee Roles

In the case there are two options discussed when it comes to altering employee roles, both work with task enlargement that makes an employees’ training better. This will make the employees more versatile overall. This option will cost around $1 million due to the training and changes in salary. Therefore, this option isn’t feasible. Giving employees more tasks while still reviewing they the same won’t make them more productive, it will make them less productive.

*Option 3:* Fewer Reviews

The best option for the IRS would be to schedule fewer reviews. This will increase both supervisor and employee motivation and in turn will increase productivity. The reviews are still needed to keep employees on track and managers working, but there doesn’t need to be an abundance of reviews like there is in the current system. Giving the employees additional autonomy will improve their motivation and make the received feedback that much more valuable.

**Conclusion**

Employees need to be motivated to work hard. The IRS may be a natural monopoly, but they still need to function properly in order to operate as smooth as possible. The cheapest and easiest way to do this is to follow option 3.