IRS

CIS 410-50 Case 6

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**The Problem**

The U.S Internal Revenue Service (IRS) converted from the Collection Office Fuction (COF) to a new system Automated Collection System (ACF) in an effort to modernize and automate their current processes. This was the IRS’s first full-scale automation. Millions of dollars were invested into the ACF, but the company experienced high turnover rates. Employees who were used to the freedom to move around and talk to co-workers about cases and the ability to follow cases from start to completion was taken away with the implementation of ACF. Employees were now tied down to their desks, the work environment changed, and they were now being constantly and closely monitored by managers and supervisors. Both employees and supervisors saw the major downsides to these changes. While much of the technical issues the COF could not handle were fixed by ACF, such as dealing with incoming calls, tracking cases, and creating easy and organized access to information, the work environment seemed to be neglected. Tim Brown, the assistant commissioner for the IRS, saw that the transition to the ACF caused more harm than anticipated. He saw two issues: the way work was organized and the monitoring of employees. Tim is now tasked with altering the new system in a way to increase employee motivation and decrease turnover rates.

**Industry Competitive**

**Mission Statement**

The 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” in the U.S.

**Core Competency**

The IRS is a major revenue service for the U.S government and has received more than 194 million tax returns in 1988. With a large workforce and with 700 offices, they are able to deal with millions of taxpayer requests.

**Primary Markets**

The IRS’s primary market are taxpayers in the United States and the government.

**Generic Strategy**

The IRS uses a cost leadership strategy. The IRS mission statement states that the IRS “collects the proper amount of tax revenues at the least cost to the public” meaning that one of their main focuses are low costs. “This strategy emphasizes efficiency” (Tanwar) and the implementation of the ACS was to increase efficiency through automation and organization of work.

**Porter’s Five Forces**

**Supplier Bargaining Power**

Supplier bargaining power is medium for the IRS. The main suppliers for the IRS are the ACS system and the employees. With a high turnover rate over the new system, they can challenge the IRS to change the way of the system in order to keep employees in the company.

**Buyer Bargaining Power**

Buyer bargaining power is low. All citizens must pay their taxes because it’s the law. Buyers do not really have a choice in this.

**Threat of New Entrants**

Threat of new entrants is low for the IRS. The IRS collects for money for the federal government. All citizens must pay income taxes and must work with the IRS, so there is already a big legal barrier for new entrants.

**Threat of Substitutes**

Threat of substitutes is low for the IRS. They are the sole tax collecting origination for the federal government.

**Threat of Infra-Industry Competition**

Threat of Infra-industry competition is low for the IRS. They do not have competition since it is mainly for the government.

**Stakeholders**

**IRS Employees**

Employees are unhappy with the strict and constricting environment of supervisor monitoring and inability to socialize with other co-workers. Employees are important stakeholders as the turnover rates were very high and the IRS must make the right decision in order to keep employees and increase motivation.

**IRS Supervisors**

Supervisors have been given hours of computer monitoring, telephone monitoring, and teach review work. They are now in charge of monitoring employees more tightly and are required to speak to employees on their performance. This affects the feedback loop as well. The loop has become more defined and shorter through ACS.

**Taxpayers**

Before the ACF was implemented, taxpayers knew that the time frame of getting on their cases were slow. If they were given 10 days to pay, taxpayers knew that this was not the case and did not pay for months. With the new system, taxpayers must now stay diligent and follow up with their taxes. They are no longer able to take advantage of the time frame but will receive more service from the IRS as incoming and outgoing calls have become more efficient.

**Alternatives**

**Do nothing**

This alternative would mean that the IRS does nothing and continue operations with the ACS. This will cause a lot of dissatisfaction and increase in turnover rates. The ACS will continue to increase efficiency of the case and call handling but can suffer with more employees quitting.

1. **Impact on stakeholder: IRS Employees**

The IRS employees will continue to be unmotivated and more will quit. This was a major concern for the IRS as the job pool was very limited. The installation of the IRS takes away a lot of Hackman and Oldham’s job characteristics. Skill variety has shrunk as the six divisions has shrunk down to three. Task identity has disappeared as employees no longer follow the case from start to finish. Autonomy has lessened as employees no longer have the freedom to walk around. They are stuck in front of their terminals with specific set of tasks to do. Job feedback has improved, but in some way has been corrupted due to some supervisor bias or possible abuse of power. Task significance depends on the employee, but as more automation is introduced, they may start feeling like a button pushing monkey.

1. **Impact on stakeholder: IRS Supervisors**

Supervisors will continue spending approximately 25 to 30 hours per week on reviews. There has been more negative feedback on the monitoring role such as the amount of reviews they do become redundant as more reviews start looking the same. Some have also said that monitoring becomes a negative management.

1. **Impact on stakeholder: Taxpayers**

Taxpayers will see a more responsive IRS. The queue that has been forming over the past years will decrease and they will have more access to services the IRS has to offer. There may be more inconsistency with the cases as they are no longer being followed from start to finish.

**Restructure ACS into semi-autonomous teams**

This alternative would mean setting up employees into teams who all have functional expertise, employees will follow cases to completion, monitoring would be less invasive, and employees will get to schedule their work flow. This will turn the unsocial aspect of ACS into a more open-office concept. This would add more cost as teams would need to have a uniform pay scale and a $1 million investment must be made to redesign the technology so that it can accommodate to the team environment change.

1. **Impact on stakeholder: IRS Employees**

This will have a positive effect on the employees as the 5 job characteristics from the Hackman and Oldham model will be back in the company. Employees will have more skill variety as they become functional experts for their given team. Cases will be followed from start to finish which will bring back task identity as well as task significance. Autonomy will be achieved as teams will get to schedule their work flow. Job feedbacks will also still occur, and they will only be monitored only as to how they handle the cases. Wages would also increase which will make them happy.

1. **Impact on stakeholder: IRS Supervisors**

The supervisors will have less work on reviewing and more time managing employees. Many employees have complained about the amount of review work they do per week. While they still must do review work, it will be less and will feel more significant and less repetitive.

1. **Impact on stakeholder: Taxpayers**

Taxpayers will not see an immediate change. Efficiency will not be an immediate change.

**Retrain ACS employees to become more versatile**

This would be retraining all employees to become more versatile and be able to handle different tasks. All employees would follow cases from start to finish. The wage bill would increase to accommodate for the additional skills the employees have to offer.

1. **Impact on stakeholder: IRS Employees**

Employees will be trained to handle all aspects of the functions. Pay will increase as well. Employees will be able to achieve mastery therefore skill variety and task identity with being able to follow the cases. Feedback not be a big factor in this alternative. The combination of wage and training costs would be costly for the IRS.

1. **Impact on stakeholder: IRS Supervisors**

Supervisors would not do as much review and monitoring work. They will have more time managing employees and will be trained as well.

1. **Impact on stakeholder: Taxpayers**

Taxpayers will not see any immediate impact. They may have to pay in order for the IRS to pay for wage and training costs.

**Recommended Solution**

I recommend that the IRS restructure ACS into semi-autonomous teams. The ACS took away the five chore characteristics of Hackman and Oldham’s model. By going this route, not only will it bring the characteristics back, but increase them as well. According to Hackman and Oldham, f you increase the content of the five core characteristics, you positively impact psychological states, it leads to higher motivation, more effectiveness and higher job satisfaction, and all of these are related to lower turnover, less absenteeism and more productivity (Barker). Businesses care about motivation. Motivation is the desire to work well (Barker) and the IRS can influence this through this choice. Hackman and Oldham’s job characteristics include skill variety, task identity, task significance, autonomy, and job feedback. Skill variety will increase as the functional expertise needed in the teams will require different skills and talents. Task identity and task significance will increase as employees will go back to following cases from start to finish and having expertise as a contribution to the case will make employees feel significant on each finished case. Job feedback will continue to be there, but less invasive as it will only focus on case evaluations. The three factors that lead to better performance and personal satisfaction are autonomy, mastery and purpose (Barker) and all of these will be acquired. This alternative also satisfies Herzberg’s Motivation Theory. The motivator factors include achievement, recognition, the work itself, responsibility, and advancement. Achievement and the work itself will be achieved by being able to follow the cases form start to finish. Responsibility and advancement will be achieved through the expertise employees will gain. And the recognition will be more positive as the reviews will be focused on the cases. One of the main issues with the ACS was the review process. It created a stressful work environment for both the employees and the supervisors. “Their productivity can be measured and updated every minute of the day… the latest on-line productivity statistics of individuals or groups may be displayed continuously as a constant reminder of how well or badly one is doing against expectations” (Morgan). This effects the hygiene factor of Herzberg’s two factor theory. While increasing hygiene factors does not affect motivation, it is a moderator. A moderator prevents motivation. A stressful workplace affects the context satisfaction. Overall, this alternative will increase employee motivation. This in turn will decrease turnover rates and increase productivity.

**Rejected Alternatives**

Do nothing is rejected because it will only increase turnover rate and decrease employee motivation. While it is the cheapest choice of the three, they will spend more money and waste productive time in hiring and training new employees. Time spent on efficiency will also be invested on new employees as well. Doing nothing takes away the five core characteristics in Hackman and Oldham’s model and decreases the hygiene factors of the work environment by creating a stressful work place through the continuous and invasive feedback loop.

Retraining employees is another good option, but if everyone does the same thing and has the same expertise as everyone else, task significance will decrease. Everyone still has to work in a specific function for the ACS to work . Employees will still be separated in either contact information, investigation, or research so the knowledge gained from training may eventually disappear as they settle into their functions. “The best way to motivate people is to match people to jobs that matches their skills and talent” (Paxton). It is also the most expensive of the three as training and wage costs will be very costly.

**Citations**

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