**Case Study Analysis of**

**IRS**

CIS 410-50

Ben Lascurain

3/30/2019

**Executive Summary**

The IRS implemented a new automated system that provides many new benefits, but has also created some new issues. The Automated Collections System (ACS) provides document management and work allocation for processes which used to take hours or even days. Now employees have documents with just some keystrokes. The problem is that this has created a new process to complete work, and in doing so has given managers new metrics to gauge performance. To make matters worse managers are required to monitor nearly everything that the employees do, sowing distrust between managers and employees.

The change over to ACS is a needed one. Paper mountains were becoming unmanageable and work was slow. But when the new ACS system was implemented the change was too much to quickly for many of the older employees. Often such large changes in an organization result in losing employees that cannot cope. Some workers were attached to the efficient process and didn’t welcome the change, as most individuals see change as a threat.

*“While [valued skills and objects] play a crucial role in linking us with our reality, on occasion these objects and experiences may also acquire the status of a fetish or fixation that we are unable to relinquish. In such cases, adult development becomes stuck and distorted, a rigid commitment to a particular aspect of our world making it difficult for us to move on and deal with the changing nature of our surroundings.” -* **Cash, pp. 227**

The issues that need to be addressed at the IRS to increase employee retention, increase productivity, and increase satisfaction are as follows:

1. Give employees ownership of cases from start to completion (update ACS system)
2. Give training to employees so that they can perform a wider variety of tasks
3. Encourage collaboration through cross training, knowledge transfers, and interpersonal troubleshooting
4. Remove management policies that requires phone call monitoring
5. Change criteria for which performance is measured in “Teach Reviews” with management

If these six problem areas are fixed at the IRS, I dare say that the IRS would be an enjoyable place to work.

*“Many IT advances are not linear, continuous, or even predictable. It is difficult to predict the effects of the discontinuous technology on employment prospects, quality of work life, and career paths. For individuals and organizations, survival will be less a matter of predicting changes than of adapting to them by participating in new-skills training and other educational programs.” -* **Cash, pp. 206**

The largest challenge of the IRS in implementing this Automated Collection System will be providing ways for their employees to find meaningful work within the new system. At the current rate of retention of 50% the IRS is losing a valuable knowledge base. They need to reassess the work environment and how to make the work more meaningful to it employees while maintaining efficiency.

**IRS Corporation Mission Statement**

The IRS’ mission statement states:

*“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.”*

**Porter’s Five Forces**

Competition – There is no competition as the IRS is under the Department of the Treasury.

Threat of New Entrants – Only if they fail so badly as an organization that Congress dissolves and reforms a new Federal Tax Revenue body. This is a very, very low threat.

Power of Suppliers – There are no private sector suppliers that the IRS relies on other than the initial purchasing of Computer Systems and software. Future leverage from these companies is low until changes to the software is needed. Changes would increase supplier power (likely if a case is assigned to an individual IRS worker from start to finish).

Threat of Substitute Products – None

Power of Customers – None. The government compels its citizens to pay taxes and has legal authority to collect taxes and take necessary action to recover owed taxes.

**SWOT**

Strengths – the organization has implemented a new Automated Collection System (ACS) which has drastically changed the searching, storing, and retrieval of tax information for the better. The company already has measurable metrics now in place which allows for agent accountability.

Weakness – management oversight is required to a detrimental level. Time could be spent on tasks that add more value to the customer. Employees feel chained to their workstation machines and have little ability to socialize. Employees have little motivation to work harder because their productivity is measured in ways that don’t always translate to the greatest overall productivity and the rewards used is bonuses, raises, and promotions.

Opportunities – opportunity to give employees autonomy of work and enrichment through skill enhancements. Through increasing employee motivation, the IRS can increase efficiency. Through satisfaction, the IRS can increase retention of good employees.

Threats – There are no external threats to the organization.

**Introduction to the Problem at the IRS**

The IRS stinks. Not just does it stink to pay your taxes, it stinks to collect taxes. The issues in working for the IRS stem from the lack of job satisfaction and motivation. The reason that there is a lack of motivation and job satisfaction at the IRS is due to the poor decisions made when implementing a new Account Collection System. The result of the new system was greater efficiency and accountability, but nearly every other aspect of work deteriorated.

The issues that need to be addressed at the IRS to increase employee retention, increase productivity, and increase satisfaction are as follows:

1. Give employees ownership of cases from start to completion (update ACS system)
2. Give training to employees so that they can perform a wider variety of tasks
3. Encourage collaboration through cross training, knowledge transfers, and interpersonal troubleshooting
4. Remove management policies that requires phone call monitoring
5. Change criteria for which performance is measured in “Teach Reviews” with management

If these six problem areas are fixed at the IRS, I dare say that the IRS would be an enjoyable place to work.

**Work Ownership – Start to Finish**

If you feel that your work doesn’t matter it will be half assed. Its that simple. But what isn’t simple is how to increase the perception that an employee’s contribution matters. There are multiple ways that an employee’s work can gain meaningfulness, but the ones most useful for the IRS’ specific case are to give ownership of each case to one employee. In assigning the case to only one employee through the entire process you increase their sense of responsibility, their knowledge of the outcome, and give purpose to their work.

In the current system there is very little to no sense of responsibility between an employee and a specific case. A case could be worked by multiple employees over the course of it opening and closing. This creates the allusion that if they did nothing at all there would be no difference in the outcome because someone else would still finish it eventually. To change this the IRS needs to implement the changes necessary to the ACS system that will cost roughly $1 million so that the cases follow the employee. As Hackman and Oldham explained, giving responsibility of work creates a sense of ownership and pride in work that would have otherwise disappeared with each new day’s case shuffle.

Another important piece to this is what Hackman and Oldham describe as knowledge of outcomes. Many of the phone operators would never follow a difficult case through to completion or actually have any part in the collection process. By giving the employees the ability to see the start and end of a case you give them the satisfaction of closure and resolution. They had a case that was assigned to them, and the employee resolved it. Satisfying, huh?

If you do the two above mentioned suggestions, give responsibility and knowledge of outcomes, you will start to see improved work satisfaction and improved motivation. People enjoy working hard because of the fruit of their labor. Maslow described this as “Esteem Needs”, while Herzberg would say this falls into the category of Motivating factors.

**Work Enrichment**

The work that the new ACS system has imposed on the IRS workers is a narrowing of work scope. They are required to know less, and given less opportunity to learn more on the job. If we give these workers the opportunity to expand their skill sets, they will have the tools to solve a wider range of issues and be more equipped to take a case on start to finish.

In order to do this, you must remove the moderator of Knowledge Skills through training. Training is always viewed as an expense to an organization, but very seldom are the results easily quantifiable. The problems that are solved because of the training are not always captured because the issue was resolved before being recorded. Training makes the workplace more satisfying, but more importantly it provides motivation to work hard.

This is change by **Process Orientation**. Or in other words, by focusing on job enrichment and giving employee autonomy, the IRS can achieve greater employee motivation and job satisfaction simultaneously. In order to enrich their work, you would increase the skill variety they do removing the barriers of functional divisions at each ACS. You also give workers the opportunity to have task identity, where they can follow a case through, start to finish. And with Autonomy you empower your employee to make their own decisions within the bounds of established policy.

Workers who are more capable of solving more complex issues get more satisfaction than those that solve simple issues. The satisfaction you gain by beating a child in tic-tac-toe is nothing compared to the satisfaction in reassembling a car transmission, but why? Because the task is more challenging the sense of accomplishment is greater. In training these employees to be more capable we are opening them up to opportunity of greater satisfaction. And through practice of these new skills they will approach mastery and purpose; which will further motivate these employees.

**Encourage Collaboration**

As of now, conversation between employees is discouraged. There is no time for relationship building because each time spent talking is time not spent making money. In order to allow employees to not feel chained to their desk they need a reason to leave it. To encourage inter office mingling and subsequent teamwork the IRS should encourage communication about cases. This will allow for knowledge transfer, on the job training, and more quickly solving issues as they arise. All of which result in greater productivity.

When the wrong metrics are measured behavior becomes skewed towards meeting the metrics at the detriment to much needed activities such as belonging to an organization and socializing (Maslow’s Hierarchy).

**Phone Conversation Monitoring**

Stop the requirement for management to monitor a specific number of conversations or hours of an employee for the sake of monitoring. This makes the managers feel as though their job is to be the police, and it makes the employees feel as though they are not to be trusted to do their job unless someone making sure they do it.

This issue arose from the ability to listen in on conversations employees have with taxpayers and ensure they are following policies and procedures. What it has turned into is a struggle of control and a game of gotcha. Employees are under constant scrutiny and their success relies on a single conversation their manager listens in on. The review process becomes more a session of micromanagement than it does in best practice enforcement.

The point of monitoring the phone calls was to ensure proper procedures are followed and best practices enforced, but only one of five conversations are monitored. Over 60% of the managers time is spent monitoring phone conversations. At some point you need to trust your employees and simply use the monitoring system for its actual purpose.

*“Formal employee monitoring systems typically do four things:*

*Set standards for the time it should take to produce certain units of work.*

*Monitor the actual time it takes to produce each unit of work.*

*Analyze the variance of actual from standard time.*

*Provide data for use in planning cost estimates, productivity improvement, and sometimes wages (when coupled with a pay-for-performance plan).” -* **Cash, pp. 207**

The system of performance metrics shouldn’t be used to manage every act an employee makes, it should be used to manage by exception. If you see that an employee consistently takes 25% more time on the phone then you can use the system fix any issues they are having. But to monitor a good performing employee for the sake of being required to is waste of time and reduces efficiency.

**Change the Criteria for Teach Reviews**

Perhaps most importantly, management needs to alter how performance is measured. It is well known that the way someone is measured affects their actions. If you measure by numbers, they will perform by the numbers. And when someone performs by the numbers you stifle any creative thought or growth that would deviate from those numbers. It becomes a struggle of control.

*“The establishment of a wage system thus carried with its implications for the organization of the labor process and, as a corollary, institutionalized class divisions in the workplace, particularly between managers involved in the design and control of work and the workforce engaged in productive activity.” -* **Cash, pp. 301**

Currently the areas that are measured in ACS are:

1. Analyzing ACS data correctly
2. Making correct decisions and recommendations
3. Initiating effective follow-up actions
4. Following procedural guidelines
5. Encouraging call backs or correspondence unnecessarily

These criteria begot specific undesirable behavior. As soon as employees acknowledge that their performance ratings are a number game, you lose all opportunity for growth beyond those numbers.

*“Their productivity can be measured and updated every minute of the day. In some offices and manufacturing situations the latest online productivity statistics of individuals or groups may be displayed continuously as a constant reminder of how well or badly one is doing against expectations.” -* **Cash, pp. 312**

If you look closely at the measurement criteria you will find a common theme, “did you do the right thing.” This is more an issue of hiring the right people, and training them effectively, and giving them the autonomy to be effective. Knowing you are being watched like a hawk creates a sense of distrust between manager and employee. Where there should be a building of trust it is instead being destroyed.

Another concern of these performance measures is that the job they do will be purely assessed by the number criteria established. They will not have other, less tangible characteristics, evaluated. This will result in a gradual increase in performance expectations, as managers are pressured to increase profitability and performance stagnation is viewed as inability to lead.

*“Fairness of standards is a major concern, especially when pay-for-performance systems are used. Productivity increases may be gradually ratcheted upward, placing new pressures on employees” -* **Cash, pp. 208**

This pressure for performance placed on employees will might motivate employees to work harder to meet these numbers, but it will ultimately lead to lower job satisfaction and likely explains the 50% turnover rate since implementing ACS. To top all of this off, these reviews are too frequent and a waste of both the managers’ and employees’ time. It would be better to manage by exception and give feedback when something done was exceptionally good or bad.

**Stakeholders and the Impact**

The stakeholders of the IRS are:

1. **U.S. Citizens** – everyone who pays taxes can benefit from an improved tax collection process. Less time is wasted, customer satisfaction is higher (you have to pay your taxes either way, so might as well not have your time wasted too). Also, by the IRS being more efficient less tax dollars are spent on waste and able to be spent in other areas of the government.
2. **IRS employees** – the employees of the IRS can benefit from the recommended changes through improved job satisfaction, increased motivation, and overall a better life through meaningful work.
3. **IRS managers** – the managers will be able to view their work as more meaningful, compared to how they see it now (babysitting and spying). Through increased productivity, these managers can reap the benefits of job satisfaction.
4. **The Department of the Treasury** – this department will benefit from this change because as the IRS improves efficiency it will be able to process more cases. If more cases are processed, more people will be paying their taxes, generating more revenue for the U.S. government.

**Decision**

The decision for the IRS has many aspects to it but all revolve around the same idea. The idea that employees will not only enjoy their work more when they feel it has purpose, but they will be motivated to work harder, increasing productivity. The areas of change I’ve Identified are as follows:

1. Give employees ownership of cases from start to completion (update ACS system)
2. Give training to employees so that they can perform a wider variety of tasks
3. Encourage collaboration through cross training, knowledge transfers, and interpersonal troubleshooting
4. Remove management policies that requires phone call monitoring
5. Change criteria for which performance is measured in “Teach Reviews” with management

**Rejected Alternatives**

1. **To do nothing**
   1. **Keep Phone Monitoring Policy**
      1. This option wasn’t chosen because the phone monitoring policy is viewed as policing of work by employees and as a waste of time (60% of time) by managers. This policy needed to be removed.
   2. **Continue with the same Teach Review metrics**
      1. This option wasn’t chosen because the measurements proved to be at the root of the issue of why employees felt as though they were being micromanaged. Leading to work dissatisfaction and employees leaving the company at a rate of 50%.
2. **Change Metric measurements and leave job responsibility unchanged**
   1. This wasn’t chosen as a viable solution because without increasing responsibility and ability to follow tasks through to completion will continue to leave employees wanting when it comes to their motivation to perform.
3. **Enrich Job Tasks and leave job metrics unchanged**
   1. This wasn’t the chosen solution because if management were to provide more opportunity for training and broadening the number of meaningful tasks available to an employee to perform WITHOUT changing how their performance is measured would continue the distrust between management and the employees. Managers and Employees both feel as though the monitoring is going to far especially when it is the basis of performance reviews. Change in performance measurements are needed in conjunction with job enrichment.