The IRS: Automated Collection System

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The United States Internal Revenue Service, or IRS, is a part of the U.S. federal government which is primarily responsible for the collection of citizens' taxes and the processing of tax returns. In short, it was to collect revenue for the U.S. government. As stated, their mission 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 In this case, the IRS had transitioned from the Collection Office Function (COF), an outdated business process structure built on technology from the 1950's and 1960's, to the more modern Automated Collection System (ACS), which had the ability to automate many of the general functions of the IRS employee. Thus, ACS was more suited to the increasingly high volume of documentation and case files that the IRS had building up in their inventory. In fact, Tim Brown, assistant commissioner for collection, when describing the COF system, stated that "No matter how good our intentions were… the system defeated us", and that in order to deal with the volume of work, the IRS would have to "modernize". So what were the glaring issues with COF that warranted the creation of ACS?

COF had several glaring issues that made employee's jobs more difficult than necessary. First and foremost, casefiles had a tendency to be worked by multiple IRS employees, which meant that paper documentation was constantly on the move from one cubicle to the next, with no real system to track the progression of individual files. This coupled with the high volume of documentation at any given collections office, meant that IRS employees spent significant amounts of time simply searching for the documents they needed just to do their job. In one instance, a case worker noted that he timed himself as searching for nearly 3 hours to find a document that he needed. This was mentioned in the case as not being a minor issue, but rather as a daily struggle for most IRS employees at these collection offices. ACS aimed to mitigate

these major issues, as well as others, by marketing itself as an inventory control system that could deliver relevant case files and documents electronically to a given employee's computer. It also served as an automated call distributor, which allowed employees to make and schedule calls more effectively than before.

At least to key IRS personnel, ACS seemed great on paper, and implementation proceeded as planned. The ACS system proved its mettle from a technical standpoint, and performed as expected. It simplified the COF business process, retaining only three of the six core functions. Cases were rarely lost, and employees no longer had to search for the documents they need. Response time was much faster in ACS, meaning employees could work on more cases in a typical day. However, the social impact of the system was quickly revealed, and it wasn't as positive as expected.

To properly frame the impact of the system on its users, we will analyze the system using the Hackman/Oldham Model of Job Motivation. This model considers five core job characteristics that impact the level of motivation that an employee may have at his/her job: Skill variety, task identity, task significance, autonomy, and feedback. In turn, these core characteristics affect three critical psychological states that employees experience: meaningfulness, responsibility, and knowledge of work results.

In terms of skill variety, employees found themselves more limited than before. Employees were generally disgruntled that they had to "forget" COF and re-learn their job functions to accommodate ACS. Before, employees spent time away from their computers to perform other functions, but now, everything they did was centralized on the computer in their cubicle. Employees were taught only what they needed in order to work in the confines of ACS, and had little or no opportunity to expand their skill set on the job.

In terms of task identity, very little changed. Employees that moved from a COF office to work in ACS likely performed a very similar function to what they did prior, and just like with COF, everyone did the same job as everyone else. There was no real job differentiation when it came to managing case files.

The same can be said of task significance, nothing really changed. IRS employees were still performing essentially the same function, and an employee's views on his/her task significance were likely unchanged by the introduction of ACS.

With ACS, autonomy took a nose dive. Employees were fed information directly from the computer, no longer did they have to find it and manage it themselves. In COF, this was probably the only semblance of real responsibility that an employee felt outside of actually making calls and closing cases, which didn't change with the introduction of ACS.

Lastly, feedback became a clear point of contention with ACS. In COF, supervisors would sometimes monitor calls for quality assurance, or review an employee's casefiles to make sure tasks were done properly. In ACS, quality control was taken to the extreme, and became a core part of the system. Supervisors now spent an overwhelming majority of their time monitoring the performance of individual employees rather than prioritizing the performance of the office as a whole. One supervisor explained that he spent anywhere from 25 to 33 hours in a typical week reviewing employee casework and monitoring calls. Employees reacted mostly negatively, commenting that they understood the importance of review and call monitoring, but felt they were "being spied on", and that reviews served less to give feedback and more for supervisors to catch employees making mistakes. Still others commented that the overwhelming amount of review makes the actual feedback received feel insignificant, and just feel like "negative management".

With these factors in consideration, employees generally seemed to dislike ACS. With the social impact that it created on the job, it can reasonably be concluded that employees likely experienced a loss of meaningfulness and responsibility while on the job. Employees now had a greatly increased knowledge of work results, but it became overwhelming to the point where some felt as if they were constantly being watched. This is further validated by the fact that the constant sense of confinement was the single most disliked factor in the transition to ACS. Employees felt if they weren't at the computer, supervisors would think that they aren't getting anything accomplished.

The numbers showed that ACS created a positive boost in productivity, so the system did have its merit. But it was also clear that something needed to be done to address issues presented by IRS employees. Considering the information and comments he received from employees, Mr. Brown carefully considered his next steps with ACS. Before we dive into these alternatives, we must first perform a Porter Five Forces analysis to understand the impact of these alternatives.

The IRS is an organization within the federal government, so it operates differently than most businesses, and the Five Forces model may not fully apply. For starters, the IRS faces no real inter-industry competition. The government doesn't have another federal collections agency, and even if a private collections agency collects a debt in place of the IRS, the money still goes to the government, so these private agencies aren't competition in the traditional sense. On the same note, there isn't really a threat of substitutes or new entrants because they would have to be created by an act of the Federal government, which is very unlikely. Suppliers, in this case, would be the citizens who file tax returns or have casework open at the IRS. They are "providing" the work that the IRS does. Suppliers have bargaining power over the IRS in only one sense: time. People can neglect to pay their taxes on time, avoid tax collection, etc., but even

then, they likely aren't getting away with it. Lastly, the only "customer" for the IRS would be the government, which is where IRS revenue goes. The government has complete bargaining power over the IRS, because the IRS operates in accordance with government laws and regulations. Not to mention that the government created the IRS in the first place.

Next, we must quickly identify the stakeholders that may be impacted by the action Brown chooses. For the IRS, the main stakeholders are employees, high ranking personnel such as Brown and other supervisory roles, and the Federal Government. The first two will have their jobs changed directly as a result of changes to ACS. The Government will be impacted in that it will have likely have to fund any changes that need to be made.

Finally, we can consider the alternatives that Mr. Brown mentioned at the conclusion of the case. First, we could "restructure AC's work organization into semi-autonomous teams." The second option would be "to retrain ACS employees to become more versatile and able to handle all aspects of the collection function". Lastly, Brown could opt to "work within the present organization but change the way the system was managed." Although the case does not mention it, Brown could also opt to do nothing, leaving ACS as-is.

In the first alternative, job tasks in ACS offices would change to facilitate a team-based environment. Each team member would have functional role within the team, and as a whole, the team would operate to complete batches of case files. Individual performance monitoring and scheduling would be left up to the teams. To adapt ACS to work with a team-based structure, an estimated $1 million would have to be invested for a redesign. Pay scales would also have to change to reflect new team roles. Referring back to the Hackman/Oldham model, this alternative would likely raise task significance, task identity and autonomy, but could potentially lower skill variety and feedback. With specialized roles, individual team members would feel that their

work is more important, given that everyone else is performing a separate function that depends on their work. This helps employees to feel more meaningful within their work environment. In a team structure, each member would feel that their work impacts the performance of the whole, thus raising feelings of autonomy and responsibility. However, in a team role, a given team member may now be responsible for fewer aspects on each case, meaning that the skill variety necessary may drop. Lastly, without constant review and monitoring from supervisors, team members may get less feedback, unless it comes from within the team. Some may feel that this makes the periodic feedback more significant, but those who didn't mind the constant monitoring previously may dislike this model. Overall, the potential feelings of meaningfulness and responsibility are likely to strengthen employee motivations and could make people as a whole think more positively of ACS. Key personnel and employees would likely be more motivated and satisfied, although the grace period of transitioning to a team structure could be difficult. The government would be unhappy with the additional investment that would be necessary.

The second alternative is less radical than the first but would still incur costs in the form of training costs. Training employees to handle all aspects of collection would raise skill variety in that more functions are being performed, it would raise task significance because employees could now work a case from beginning to end (which they couldn't do before), which by extension would strengthen autonomy. Task identity would lower, since each employee would be doing the same job essentially. Lastly, feedback would not change, and the issues with the current feedback system would persist. Key personnel and employees would likely be slightly more motivated and satisfied, although the current feedback system is still a point of contention, and people will dislike being retrained. Again, the government would be unhappy given that funding would be necessary.

The third alternative