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**CIS 410:  November 11, 2018**

**Case #6: IRS**

**Mission Statement:**

The mission of the Internal Revenue Service 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 own integrity, efficiency, and fairness. (Barker, 2018)

**Introduction:**

The Internal Revenue Service (IRS) has a central office located in Washington D.C. and has 63 different regional district offices in six different divisions (Internal Revenue Service, 2018). The IRS has tried to make updates with their systems with new equipment and new additions. In the early 1960’s, the IT department became a central role in the IRS when the agency went from manually entered processing to computerized processing (BeBusinessed, 2018). The basic computer processing kept the same design until 1989.

The IRS’s collection operation was called the *collection office function (COF),* organized among the 63 district offices. The *Collection Office Function* was organized into six basic function groups that consisted of processing review units, outgoing call units, office field units, incoming call units, a walk-in unit, and a research unit. When they decided to automate and reorganize the COF the problem was keeping up with the workload. The call sites were cutting down on the total amount of employees from 5,000 to 2,500 because of new operational change. This has caused some issues to surface within the organization.

**Current Situation:**

The IRS planned on a new operation that intended to create a more efficient an effective collection than the *collection office function*. This new operation, called the *automated collection system (ACS)* was intended to streamline the collection operation over the traditional *collection office function (COF)* by decreasing the amount of paper load and closing cases quicker.(Barker, 2018)There have been many different reactions to the change to the new system from the old system.

**Porter’s Five Forces:**

1. **Threat of New Entrants:**

The threat of new entrants is very low. There wouldn’t be any new entrants to impose on the IRS since they are funded by the national government to do this specific job.

1. **Threat of Substitutes:**

The threat of substitutes is quite low. The reason why the threat is very low is because there are no substitutes to the IRS. Everyone must go through IRS regardless of whether it is voluntary or involuntary. We all pay taxes that are redistributed into infrastructure projects.

1. **Supplier Power:**

The supplier power is low for the IRS since they do not have suppliers for their organization. The IRS provides a service to the American people by collecting taxes, making sure people pay their them, and use them to revamp roads and bridges. They don’t have to worry about the suppliers influencing their business strategy or business policy.

1. **Power of Customers:**

The power of the customers is very low since there are not any alternatives to the IRS. The IRS could be considered a monopoly because there isn’t another company that people can go through to file their taxes or keep track of their revenue. So, the customers can’t leave the IRS because there is no other option for them to turn to when they decide to file their taxes. Furthermore, if people decided not to pay taxes, they can be held liable to fines and jail time.

1. **Degree of Rivalry:**

The degree of rivalry for the IRS is very low. The government controls the IRS to make sure there are no rivals for this company or services provided by the government. Although the government has the options to open rivals to compete with the IRS, they choose not to open any rivals.

**Stakeholders:**

A stakeholder is “a person, group or organization that has interest or concern in an organization” (Business Dictionary 2018). The IRS has a couple of stakeholders when it comes to their company and below are a few of their stakeholders and why they are categorized as one.

The first stakeholder in this case is the United States government. The IRS is owned and operated by the government. The government makes or is included in every decision that pertains to the IRS because they want to make sure everything runs smoothly without as well as be made aware of any changes.

The next stakeholder in this case is the employees of the IRS. Employees should always be considered as stakeholders because they invest their time and labor into the company as well as any interests or concerns that may arise within the company that could have a profound effect (Chron 2018). The employees before the *automated collection system (ACS)* were divided up into the six basic functions of processing review units, outgoing call units, office field units, incoming call units, a walk-in unit, and a research unit. The amount of functions was cut down to three which lead to cutting employees when the IRS decided to go to the *automated collection systems*. The letting go of employees affected morale, productivity, and other important items to employees. Employees are very vital to the success and downfall of a specific company just like their customers.

The customers of the IRS would be the next stakeholder, and this would be taxpayers. Sam Walton, who is a part of the Walton family that owns Walmart and Sam’s Club said, *“There is only one boss. The customer. and he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.”* (Dizon 2018). Taxpayers will always be around due to the government regulating taxes and other services that will keep the IRS in business since it is an integral part of our society from roads and bridges to public services. There is no competition to take the customers away from the IRS.

The last stakeholder in this case is Tim Brown, who is the assistant commissioner for the collection of the IRS, and the management team of the IRS. They play a major role in the company because they make decisions for employees that work in the different collection offices. They also help tell the upper management within the IRS if something is working properly or not working well in the offices. Tim Brown believed they needed to make this change to help their employees and their customers that’s why he implemented the ACS.

**Possible Solutions:**

The first possible solution for this case is do nothing to the *automated collection systems (ACS).* This system was implemented to better help employees do their jobs more efficiently, in less time, and with less resources. The previous *collection office function* system that cost more time, more resources, and was less efficient according to upper management. This ACS system is still in the beginning stages of being implemented and can help everyone in the long run. Doing nothing will give the IRS reassurance that their new system is working better than the COF system that was outdated.

The second possible solution is fixing the two issues that Tim Brown determined needed a closer examination. The two problems that needed to be fixed were the way work was organized and the way the computer-aided monitoring of employee performance was handled. These problems were never problems when the old *collection office function (COF)* system was in place. Every employee knew how the work was organized and what their job responsibilities were.

The older system had employees not worry about computers tracking their performance. In the *collection office function (COF)* system, their performance was based on different measures that didn’t deal with computers. Now, employee’s performance is based on different key measures along with computer programming that is designed to keep performance high and eliminate the ones that are not performing well. This is causing the employees to become disgruntled because they believe that they shouldn’t be judged on their performance through this method.

**Impact on Stakeholders:**

**Option #1: Do-Nothing**

**United States Government:** The United States Government would be affected with the do-nothing approach because it would continue to have disgruntled employees and supervisors in the IRS. The government doesn’t want to have negative publicity that comes from the IRS any more than people not wanting to pay taxes. They will want to make a change before something negative gets released.

**IRS Employees:** The employees will continue to uproar about this new system till they get something resolved. Employees don’t want this system to continue without some change made to be like the old system that they were used to before. Employees will start to leave if these changes don’t get corrected This can prompt the government to look elsewhere for employees if current employees decide to leave. Employees want change, so the do-nothing approach will hurt the employees more than they are hurting now.

**Customers of IRS:** Tax Payers are the customers of the IRS. The IRS will stay in business even with a do-nothing approach. The government will still find a way for the IRS to continue to get people to pay their taxes. The do-nothing approach will not affect the customers of the IRS.

**Management of IRS:** Management of the IRS will be affected by the do-nothing approach. They still have deal with the disgruntled employees that want change. Management of the IRS will have to work with the government and the employees to make changes to keep the employees morale positive. The do-nothing approach will affect the management of the IRS.

**Option #2: Fix the issues that Tim Brown determined**

**United States Government:** The United States’ government has made the change of the systems to increase the productivity. Tim Brown has changed it because he believes it will increase company morale. The United States’ government has already invested a lot of money into this automated system change that they may not want to invest into another change. The government may just want to work with the IRS’s management team to see what they can fix that will not cost them a lot of money.

**IRS Employees:** The employees could benefit from the changes that Tim Brown has suggested but they could also continue to uproar about this situation. The employees may have different problems that Tim Brown doesn’t recognize or foresee. These changes may make employees happy in the short term but not in the long term. Management will need to meet with the employees and supervisors to see if these changes would benefit the employees or not.

**Customers of IRS:** These changes will not affect the customers of IRS because they will always continue to go through the IRS for their taxes and different items. The only time it will affect the customers is if the IRS decides to close or the government doesn’t decide to collect taxes which is extremely unlikely.

**Management of IRS:** The management of IRS will be affected with the changes that Tim Brown has pointed out to the government and the higher management of the IRS. The IRS will decide whether to accept these changes to help their employees or whether to make changes on their own that doesn’t positively affect their employees. These changes can make or break the employee’s morale. The management team will need to get involved with Tim Brown, the supervisors in the offices, and the employees to decide what is the best course of action.

**Recommendation:**

As Goldratt states in The Goal*, “So this is the goal: To make money by increasing net profit, while simultaneously increasing return on investment, and simultaneously increasing cash flow.”* (Goldratt 1984). There are many different recommendations that could be made that could help change the employee’s morale with moving forward with this new system. I would make the recommendation to fix the issues that Tim Brown has pointed out. The reason I chose this recommendation is because you don’t want the employees to stay disgruntled and make news stories about their unfair employment in the IRS. The government doesn’t want to have negative publicity. I believe they can make these changes to better improve the work conditions and streamline operations. They implemented the new system to increase employee productivity so why can’t they fix the issues that will improve the morale of the employees? This my recommendation for the IRS to make for the current situation they are in.

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