Dylan Thomas

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**IRS Case**

**Problem:**

The Internal Revenue Service (IRS) is an organization whose primary function is to collect revenue for the US government. The problem with the Internal Revenue Service is within their automated collection system (ACS). The automated collection system is a computerized inventory control system that notifies taxpayers when they need to pay their taxes and can control incoming calls. This system assigns cases in a first-in, first-out method, according to oldest follow-up date first and then highest dollar value. This causes problems because a large dollar case with today’s follow-up date would not be accessed until all of yesterday’s low dollar cases were completed. Since cases appeared on the employee’s screen randomly, an employee—seeing only pieces of a case—rarely followed through with a case. Another problem is the employees felt they were monitored too closely and received feedback on their performance too often. An employee stated, “for an employee, the feedback after a while becomes the same thing. It has little effect.” Some employees reported thinking it’s like being spied on.

**Competitive Analysis:**

**What:**

The IRS collects 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 their integrity, efficiency, and fairness.

**Who:**

The Internal Revenue Service collects tax revenues from citizens who files taxes in the U.S. In 1988, for instance, the IRS had received and processed more than 194 million tax returns from employees in the U.S.

**How:**

The IRS controls the entire market because they are run by the government and required by law, according to Cornell [2].

**Five Forces:**

**Competition:**

No one else is doing what the IRS is doing, therefore the competition for the IRS is low according to Porter [3]. The IRS has low competition because it is a government regulated organization that has a monopoly over collecting tax returns.

**New entrants:**

This organization has a low threat of new entrants. The IRS is a government organization so its not likely an organization will be able to enter the market. The IRS operated on a budget of $5 billion in fiscal year 1988 and processed more than 194 million tax returns. With such a high budget, and such a huge share of the market, it would be appealing for new entrants in the market, however they would eventually realize they are not going to gain a market share and will not be successful.

**Suppliers:**

The suppliers have low bargaining power. With many industries offering inventory control systems, the International Revenue Service can choose who they want to buy their technology from. With the amount the IRS wants to spend on technology, it would be hard for an organization to turn down their business or try to haggle them too much.

**Customers:**

The customers have low bargaining power. It is required to file your taxes and therefore, you have no control/power over the IRS.

**Substitute Products:**

There are no substitute products for the IRS because you must file your taxes, according to Cornell Law School [2].

**Organizational Structure:**

The organizational structure for the IRS is a functional form. The IRS groups together common activities in 6 divisions, such as collection, criminal investigation, taxpayer services, etc., which makes it functional, according to Cash [1]. These activities are coordinated vertically by means of hierarchical supervision, according to Cash [1]. The IRS organization has a central office in Washington D.C. and 63 regional district offices.

**Stakeholders:**

1. Customers
2. IRS Employees
3. ACS installation employees

**Alternatives:**

1. Do nothing
2. Semi-autonomous teams
3. Retrain employees

**Impact of alternatives on stakeholders:**

1. **Customers**

The customers would possibly continue to get decent response times on their calls and not be affected too much. They might see a drop in customer service if the turnover rate continues to stay at such a high rate.

**IRS Employees**

The employees would continue to feel like they are being watched too closely. The employees are receiving feedback so often it rarely leaves an impact. One employee stated, “monitoring just ends up being negative management.” This negative relationship will continuously impact the turnover rate in a negative way and cause problems amongst the employees.

**ACS installation employees**

The ACS installation employees will not be affected by this choice.

1. **Customers**

This would have a positive impact on the customers. They would see better completion times on their cases with a single team working on each case. This would most likely increase customer service as well.

**IRS Employees**

The employees will get more complete when they get to see the whole case, rather than just seeing a piece. With scheduling work flow and monitoring individual performance in the hands of the teams, they will likely find a way to not “overwhelm” the employees. Giving the employees some space will likely lower the employees turnover rate, while still monitoring the employees will make the supervisors happy.

**ACS installation employees**

The ACS installation employees will be happy with this because they will receive more work. This option requires $1 million to redesign the technology so that the teams can handle the cases from start to finish.

1. **Customers**

Retraining the employees to become more versatile and able to handle all aspects of the collection function is not going to have much of an impact on the customers.

**IRS employees**

The IRS employees will likely be happy about the extra training they receive. However, this will end up leading back to the same problems that were already occurring with the employees feeling they were spied on. According to Morgan, employees are people with complex needs that must be satisfied if they are to perform effective in the workplace [4]. By not satisfying the employees, and making them feel uncomfortable, the turnover rate is likely to increase, and the production rate is likely to decrease.

**ACS installation employees**

The ACS installation employees will not have an impact based on this alternative.

**Best Alternative:**

The best alternative to IRS’s problems is to form semi-autonomous teams. By doing this they can work on the same case and increase the likelihood of finishing the case, therefore satisfying the customers. With monitoring individual performance being in the hands of the team, it will lead to teams agreeing on how they want to be reviewed, and increasing employee satisfaction. This will then lead to a decrease in employee turnover, however it will also cause an increase in production and finished cases.

**Sources**

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