Case Analysis: IRS

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**IRS Case Overview**

The Internal Revenue Service (IRS) had put in place a new Automated Collection Service (ACS) that is more efficient than the methods they were using before. The implementation of ACS turned out to have a negative impact on the productivity and motivation of employees because parts of the process were now hidden from them, or no longer involved them.

**IRS Mission, Generic Strategy, and Organizational Structure**

The IRS enforces tax laws and processes tax forms/transactions throughout the year, especially during ‘tax season’. Their generic strategy is cost leadership because they are just trying to tax everybody for the amount they owe, and return the excess that was taxed. The IRS has a functional organizational strategy due to their role as a government agency which “works well when the organization’s dominant competitive issues stress functional expertise, efficiency, and quality, and when its environment is relatively stable” (Cash, pg. 35). They must follow and enforce regulations passed down from politicians.

**Porter’s 5 Forces**

The details of this case have a special impact on Porter’s 5 Forces, since the IRS is a government agency that doesn’t face competition for their work. The threat of new entrants or substitutes is very low because it is unlikely that the IRS will be replaced or dissolved. The bargaining power of customers (tax payers) is also very low, because tax payers are required to comply with tax laws as stated, so no negotiations really take place. The bargaining power of suppliers is somewhat low, because lots of business and accounting-related firms would love to provide products or services to the IRS.

**IRS’ Dilemma**

Since ACS discouraged employees regarding their cases and daily work, the turnover rate increased. Employees especially were not satisfied with this new automation technology, and it showed in the numbers. The Assistant Commissioner, Tim Brown, was concerned by the negative outcome of the ACS implementation. He worried that the IRS operations were now worse off than before.

**Stakeholders**

The stakeholders in this case are the IRS employees, the government, and the tax payers. IRS employees are most affected by ACS directly, because it impacts their day-to-day work. The government depends on the IRS as the intermediary for managing taxing between them and the tax payers. The tax payers are somewhat affected by the IT systems used by the IRS, since daily operations can change the follow-up time for processing tax forms and returning refunds.

**Alternative Actions**

**Option 1: Do Nothing**

Even though turnover has increased, this may be temporary as the IRS workforce adapts to the new IT systems. Maybe the employment reduction was related to all the new hires that were appointed just to use and manage operations with ACS. Perhaps a new technology standard at the IRS is developing and shaping the workforce for the future. This could simply mean that IT is weeding out individuals who can’t keep up with the faster pace and newer software. Adapting to new technology is important because moving operations “into the realm of information processing” can “[save] money and time in the process” (Zwass, Electronic Commerce: Structures and Issues, pg. 13-14).

**Stakeholder Impact:** Many current employees will continue to feel discouraged about their work and dissatisfied with the ACS program. They may keep leaving the company, which is concerning at this increasing rate. The government might be fine with this option since they should see the big picture. They needed to automate their previous outdated operations, and ACS was chosen to be implemented. If it causes turnover but operations can still continue, then the government may believe ‘do nothing’ is the least costly option. The tax payers may not know the difference, unless the turnover rate is causing issues with processing during tax season.

**Option 2: Invest in training for employees**

The IRS may choose to provide training for ACS in order to bridge the gap between the long-time process they are used to and this new system. Their everyday work is impacted by this system, and some employees may not be fully aware of the role ACS plays in their work directly. As stated by Zwass, “expansion of commerce and technological innovations are two of the levers of economic growth” (Zwass pg 18).

**Stakeholder Impact:** Employees might be reluctant about this choice, but it might benefit them most in the long run. Employees would be able to keep up with the changes happening around them. The government might see this as an additional cost to ACS, but would realize it could be necessary if employees aren’t catching on or seeing how the system can benefit their work. The tax payers might also benefit from this option because employees would be fully equipped to use an automation system that could increase productivity.

**Option 3: Discontinue use of ACS**

If most employees perform better under the old system, it may be less costly to discontinue the use of ACS to prevent further turnover. This option is unrealistic, since apprehension to new systems should be anticipated and accounted for during implementation. According to Kalakota, “technological advances can rapidly create conditions in which companies that once were king of the mountain can wake up one day to find no mountain at all” (Kalakota pg. 17). If even the younger portion of the IRS employees are used to COF, then the agency leaders may at least temporarily get rid of this automation system.

**Stakeholder Impact:** Employees would likely be excited about this option because they are very comfortable with the old way of operating the IRS. Automation can be a scary concept to people who don’t understand it and can’t adapt quickly to new systems. The government probably wouldn’t prefer this option, because then the investment in ACS would be a sunk cost when it is no longer used. The tax payers wouldn’t be affected much by this option, unless the employees get much faster (or slower) at processing transactions.

**Recommendation - Invest in training for employees**

New systems and processes on a large scale should be supplemented with appropriate training for employees. It’s important to the self-esteem and productivity of employees that they understand the new status quo. With the right training, the new employees especially may fit seamlessly into the way of conducting IRS operations. Automation is becoming more and more integrated into many processes that use or should use technology to operate. According to Mallach, it’s important to teach people “to work and live during technological change” (Computerworld vol. 30 iss. 41 pg. 37). In the end, investing in proper training reduces costs of miscommunication or misunderstanding about systems like ACS. If employees are fleeing the company because they’re not sure they can handle the new system, perhaps offering training would convince them to stay. The employees’ resentment of ACS should be addressed, because “employees are people with complex needs that must be satisfied if they are to lead full and healthy lives and to perform effectively in the workplace” (Morgan).