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[CASE 5-1: THE INTERNAL REVENUE SERVICE (IRS)]

Automated Collection System*

Executive Summary

As we bring our focus to IT and the individual, it is vital to keep in mind that information technologies are rapidly evolving. The Internal Revenue Service (IRS) case describes an application designed to increase productivity through automating a labor-intensive process. Their goal is to implement a new automated collection system as a means of improving the process and customer service.

Problem

The first full-scale automation of a major portion of Tim Brown's operation was encountering difficulties. According to him, they had "completely reorganized the operation, put millions of dollars into new technology, and in some ways appeared worse off than ever before." (Cash) This implementation of the automated collection system caused a high turnover not to mention greater employee dissatisfaction.

Mission Statement

"The IRS's primary function was 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 integrity, efficiency, and fairness for the U.S. government." (Cash) Essentially they needed an better understanding of how to manage an automated environment.

Generic Strategy

The generic strategy of the IRS, like Agrico, focuses on the idea of cost leadership. To clarify once again, a cost leadership strategy is when “a firm finds and exploits all sources of cost advantage and aims at becoming a low cost producer in the industry.” (Tanwar) According to this case, the IRS wants to offer a service to its customers that will aim for the best and lowest cost possible, which will then improve the efficiency of the Automated Collection System (ACS).

Industry Competitive Analysis

Industry Rivalry

In terms of the degree of rivalry, the risk of this occurring is low because the IRS is the ultimate tax revenue collector for the U.S. Government, and because it is a government operated organization, all of the technology is regulated by the government as well.

Threat of Substitutes

If the risk of competition is low, the threat of substitutes will then be rated low because again, IRS really has no one to compete with. Again with it being a government operated organization, one must go through IRS to pay taxes, so they have no worries when it comes to being substituted.

Bargaining Power of Suppliers

When it comes to the bargaining power of suppliers, the threat is high because IRS solely relies on the new ACS to provide the most cost-effective routing when it comes to the basic functions contact, investigation, and research, which are essential for finding cases, following up on cases, and controlling incoming calls.

Bargaining Power of Buyers

The risk of bargaining power of buyers in this case runs low because again there really is no other option customers can switch to. While customers can refuse to pay taxes, the IRS can still recover taxes with their security interest rights.

Barriers to Entry

The threat of new entrants is low because all U.S. citizens must pay their taxes to the IRS and no one else. The IRS was created by the U.S. government and for now this is the only agency that deals with collecting taxes from U.S. citizens.

Stakeholders

In this case, Tim Brown, who was the assistance commissioner for the IRS, and top managers, executives and supervisors have the largest stake in the success of the IRS because they are in charge of monitoring the system and the employees. The U.S. Government also has a large stake because they are the owners of the IRS, and employees and anyone else that works in the office also have a large stake in the organization. Shareholders are also considered stakeholders in this situation because those who put money into a business contribute to the financial success of the company, so they have a right to be informed about what all is going on in the company. The customers also have a large stake in the success of the IRS externally because they are the ones that owe money and ultimately keep the company going or else it would not survive.

Alternatives

1) **Do Nothing:** There appear to be issues with the company's current state, so if the IRS continues on using the automated collection system with no changes made, this will affect their turnover rate, keeping it high. The ACS has proved to be effective when it comes to providing enhancements in productivity and service, but the high turnover rate could lead to the company spending more money improve the motivation of employees.

2) **Restructure ACS's work organization:** Other than choosing a do-nothing alternative, one of the first options that Mr. Brown had in mind was to "restructure ACS's work organization into semi-autonomous teams, and such teams would comprise members who have all the functional expertise necessary to handle cases to completion." (Cash) They would then be given a batch of cases to look over and again their performance will be strictly monitored and the team will be held accountable. This option however will

require an investment of at least $1 million for purposes of redesigning the technology to the best interests of the teams, so it is vital to keep in mind that it will raise the wage bill.

3) **Retrain Employees:** Mr. Brown's second option includes retaining ACS employees "to become more versatile and able to handle all aspects of the collection function." (Cash) Again employees would be in charge of handling cases from start to finish and it would also raise the pay scale for the additional skills required to handle all new functions.

4) **Change current management system:** The final option is to work within the present organization, but to change the way the system is managed. According to a report that Mr. Brown reviewed, essential factors that contribute to effective management include the immediacy of monitoring feedback, the nature of the feedback, the clarity of the criteria use to rate individual performance, the method of monitoring, the supervisor's knowledge of the job, the supervisor's leadership style, and lastly the employee's prior disposition toward computer monitoring. Information generated from these factors will be communicated amongst the employees and therefore make a difference to the effectiveness of the system.

Impact on Stakeholders

When it comes to considering the impacts the alternatives would have on stakeholders, doing nothing would please taxpayers as well as the U.S. government, because productivity and low cost would remain the same. However, motivation and job satisfaction will remain issues causing the employees and supervisors to be unsatisfied. If the IRS decides to restructure the ACS, managers and executives would not be pleased because it would cost more money and time to redesign the technology necessary to improve the system. “Many managers have seen that productivity does not increase in direct proportion to the size of a project team.” (Fried) After a while however, employees could grow to like this option because it would reduce the amount of work that is assigned to them because monitoring employees would no longer be necessary, and therefore the turnover rate would decrease. Customers would not be pleased with this decision because costs would then increase for them too, so essentially no matter who has the largest stake in this situation, it would raise cost. If the IRS decides to retrain its employees, no stakeholder would like this option because again it would cost more money and time, and the predicted ending results would not be guaranteed. The only thing that could benefit from this alternative is employees would most likely be more motivated. If the IRS decides to change the management system, top management would be very pleased with this because the company will save money and not have to monitor employees lower in the work hierarchy as often. Employees will be pleased because they won’t feel as stressed, and customers would like this option as well because service prices will decrease, and the same goes for shareholders as well.

Recommended Course of Action

Based on what I’ve acquired from this case, I would go with changing the management system alternative. All stakeholders seem to benefit the most from it, given the fact that it does not require as much money as the other alternatives did, because the company’s ultimate goal is “to make money now and in the future.” (Goldratt) And because the turnover rate had been reported to be as high as 100% in some offices, no doubt a change needs to be made so doing nothing could hurt the company. Again employees will not have to be monitored as often, which will decrease their stress and anxiety and ultimately put them at ease. “The idea of integrating the needs of individuals and organizations become a powerful force. Particular attention is focused on the idea of making employees feel more useful and important by giving them meaningful jobs and by giving as much autonomy, responsibility, and recognition as possible as a means of getting them involved in their work. Job enrichment, combined with a more participative, democratic, and employee-centered style of leadership will arise as an alternative to an excessively narrow, authoritarian, and dehumanizing work orientation generated by management and classical management theory.” (Morgan) Having these ideas contribute to the development of management will lead to motivation and each stakeholder will strive to do better at their job, as they will have more rights and freedom to make their own decisions.

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