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IRS Case Analysis

Executive Summary

The Internal Revenue Service (IRS) is the revenue collection service of the United States government. Their primary function is to collect tax revenues as they are part of the Department of Treasury. According to the case, its mission 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 our integrity, efficiency and fairness". Their organization consisted of a central office in Washington, D.C., and 63 regional district offices, with one of the main divisions being collection. Their collection operation was called the *collection office function (COF)* where some of their problems arose with paper. They also struggled with inventory, employees not being able to handle the calls due to taxpayers' accounts, and a lack of production of employees.

Overview

To reiterate, the IRS's mission is to provide American taxpayers top quality service by helping them understand and meet their responsibilities as well as enforce the law with integrity and fairness. They focused a lot on Cost Leadership because they focus on a narrow market segment which is a collection of taxes for the US Government. They try to increase productivity and do so by implementing a new system called ACS that does help increase productivity as well as hire lower wage employees and reduce the number of employees needed to handle a task. These goals

focus on their generic strategy, and while these are very important, they also have an organizational structure.

Their organizational structure is divisional because of how they have their offices located all over the US. The IRS can stay on top of each region so that everything isn't coming into one location which would be impossible to manage. Some states may have higher tax rates than others and tax rules may be different as well, and with that, each office takes care of multiple districts making it more manageable. Each location reports to the main headquarters, but it makes the process easier for taxpayers in those regions.

Problem

The main problem of the IRS is the production of their employees. They used outdated systems which made it challenging for employees to be efficient and stay organized. They were usually not able to finish cases on time because of the old, slow system due to the organization issues and cases began to pile up. This overwhelmed the employees, especially because they were having a difficult time finding cases they were working on and would spend a long period of time trying to complete them on time.

Another issue is their Automated Collection System which was a computerized inventory control system consisting of IDRS, IBM, and Rockwell ACD. Each ACS call site was organized along three basic functions – contact, investigation, and research. By implementing this system, older, more experienced employees resisted the new change in technology. It created a lot of uncertainty and anxiety which caused these employees to transfer to different departments. Additionally, employees began to feel isolated as they no longer had to get up from their desk to find case information. ACS employees were also given parts of a case which meant they never

saw an end result. Finally, there was a lot of negative feedback with the monitoring capabilities. This led to a high turnover rate at the IRS, and in some cases was as high as 100%. The ACS operated much like an assembly line which removed layers of Maslow's model for self-actualization (Mcleod).

From these the IRS had some internal challenges that they needed to face and combat to make the experience better for the employees and the public. With that, there are some solutions that can be brought up.

Alternative Solutions

Some solutions include:

1. Do nothing - This will leave the IRS in its current state. The turnover rate will lead to higher costs over time and there will still be some issues with employees. Employees may remain to feel isolated as they are away from others, as well as be confused as to what cases to do and how to use the ACS system. This solution may work for some time, but not indefinitely.

2. Change the management system – This would keep the structure of the system but not the way the ACS is managed. Feedback would improve and employees would have better knowledge of the job and the leadership style. Additionally, leaders would be able to keep their employees in order and understand their strengths and weaknesses and plan accordingly. This would be done by improving the nature and clarity of the criteria. Leaders could use a training tool to teach employees about ACS and keep them up to date with any changes. Finally, employees could be separated into different focus groups. For

example, if an individual is stronger in data retrieval, they can work more with IDRS, and the same goes for IBM and Rockwell ACD.

3. Restructure ACS's work organization – This is similar to the previous solution; however, the teams would be created for cases instead of the focus groups. The teams would be responsible for completing a case from start to finish, and in these teams the employees with expertise would handle completing the case. The employees would be monitored as before and could even have mandatory meetings that allows them to share their progress and any concerns they may have. This would require changing the structure of ACS and would cost around $1 million. This would obviously be a setback for them as they must reorganize the structure, as well as invest a large amount of money.

4. Retrain employees – The IRS could invest in retraining remaining employees and give them different tasks and roles to motivate them. By retaining existing employees, management can recognize which employees would be better suited for specific positions, leading to increased motivation as it gives them a sense of purpose. Managers would also need to monitor employees less and trust will increase since they will become more equipped. With the change of the system, it creates confusion and fear as employees feel they may be replaced by technology. By giving them a certain task or role, they will begin to find their place and succeed as their confidence improves. Overall, this is something management can do with little costs and big effects.

Solution

The solution I would recommend is Solution 4 – Retrain Employees. Like mentioned in the description, this will allow them to have specific roles and duties, which allows them to become motivated and increase productivity. Motivating the employees will keep them coming to work

and lower the turnover rate. Management can also discover talents of each employee and assign them roles they think would suit them best based on their skills and personality. A good example of this would be identifying an employee who loves talking to people and is welcoming and personable. This employee would work with customers, whereas an introverted individual would be given a different role where they don't need to have great communication skills.

Incentives could be offered for those who reach their goals or those who act and think outside the box. These incentives could be in the form of a prize, a bonus, recognition, additional vacation time, etc. This would help motivate employees even more as they feel accomplished and noticed, versus being micromanaged and only told when they are doing something wrong. All in all, between understanding each employee's skills, needs, wants and personalities, as well as offering incentives, they will be able to perform to their highest abilities. This, of course, will help the company get back on track and increase productivity.

Conclusion

The IRS collects taxes and enforces tax laws and has been business in 1862. They have been trying to find ways to improve the speed of cases being handled as their internal structure has struggled. One of the main struggles is their employees as they began to lose motivation due to confusion with the new technology, isolation from their co-workers, and feeling unrecognized since they do not have specific roles. There are a number of solutions that the IRS could try to get their system back on track including retraining employees, restructuring ACS's organization, changing the management system, or doing nothing. They all have their pros and cons, but for where the organization is at, retraining the employees is the most cost-effective and overall effective solution.

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