IRS Case Study

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CIS 410-01

11/8/18

Table of Contents

Mission Statement

The mission of the IRS is to collect the proper amount of tax revenues at the minimum cost to the public and in a manner that warrants the highest degree of public confidence in their integrity, efficiency, and fairness.

Generic Strategy

The generic strategy for the IRS is based on cost leadership because of their desire to bring in the most amount of tax revenue at the least cost to the public. They are government owned and provide a service to a large group of people. According to Porter, the cost leadership strategy emphasizes efficiency which was outlined in the organizations mission statement (Tanwar).

Organizational Structure

The IRS operates with a functional organizational structure. It is reasonable to state this as they follow a cost-leadership generic strategy and the services that they offer must be done efficiently to keep costs at a minimum. They are able to create an initial division of labor, focused around business functions, based on the diverse operations they have (Barker). They are a government operated organization resulting in regulations and rules set in place that they must follow. According to Cash, an organization’s performance is dependent on all functions working together resulting in a constant exchange of information within the functions (Barker).

The IRS has rigid organizational boundaries as the employees focused solely on their work and did not bother themselves with the responsibilities of others.

Porter's Five Forces Analysis

Porter's Five Forces Analysis identifies potential opportunities and risks for an organization, while keeping their competitors' activities in mind. The forces IRS's environment can exert on the market and how they can affect the long-term success of the organization are measured with this analysis (Porter).

1. <u>Competition – Low Threat:</u> The threat of competition is low. There is no other entity that collects taxes for the United States government and no other branch provides the same services as the IRS.
2. <u>New Entrants – Low Threat:</u> The threat of new entrants is low. It is extremely unlikely that there is another entity that could enter this service market. The United States government would not outsource their operations as that would result in high costs and loss of control.
3. <u>Substitutes – Low Threat:</u> The threat of substitutes is low. All information still flows through the IRS and there is no entity that could replace it. Even with the inception of new software to handle tasks, the information necessary would still be possessed by the IRS.
4. <u>Suppliers – High Threat:</u> The suppliers possess high bargaining power. Rockwell and IBM are the only organizations working with the IRS and are able to set a reasonable price and manipulate it. They handle various parts of the IRS's IT and have contracts in place.

5. Customers – Low Threat: The customers possess low bargaining power. They are taxpayers and don’t have alternatives to use. They have the option to move to a different country, but aside from that they will still be paying money to the United States government through the IRS when taxes are filed.

The Problem

The IRS is receiving negative feedback from supervisors and employees regarding the automated collection system (ACS) that was newly implemented. Previously to it’s implementation, supervisors were spending a large chunk of their time computer monitoring, telephone monitoring, and teach reviews with their employees. According to the union contract that is in place, direct computer statistics from an employee’s terminal could not be utilized during formal reviews with the employee. With telephone monitoring, supervisors were allowed to listen directly to calls between employees and customers as they were occurring. The supervisor was then able to provide the employee with a report after the call and the results of the reports were used in determining promotions. Lastly, on a weekly basis employees were able to show all the cases worked on during a specified time period.
The organization and implementation of these controls resulted in employees and supervisors feeling scrutinized and micromanaged. The jobs of supervisors shifted focus to employee monitoring, with employees being more restricted. Employees were expected to start a case as soon as they finished a previous one. The reported turnover rate at some locations was as high as 100%.

The Stakeholders

1. United States Government: The IRS represents the government as it's subsidiary to collect tax revenue. They are reliant on the IRS completing their duties.
2. IRS Employees: The implementation of ACS has resulted in job dissatisfaction and a decrease in motivation for employees. They are directly affected by the new system and any new processes that may get introduced.
3. Taxpayers: The decisions made by the IRS have a direct impact on taxpayers. They expect a certain level of customer service.

Alternative Solutions

1. <u>Do Nothing:</u> The IRS can choose to do nothing and allow the turnover rate to remain high. Supervisors and employees will still have poor reviews. The IRS will continue to see a high turnover rate due to the choice to not take any action. With such a high turnover rate, they will be tasked with constantly training new employees which can be very costly, especially because customer service representatives need to know everything about the IRS as they regularly interact with taxpayers. However, the ACS system has increased productivity with more cases getting completed. According to Cash, electronic monitoring are in place for routinized office work that contain a large amount of standardized tasks that are repeatedly performed which has been provided through ACS (Barker). While productivity has been increased, motivation is still low and must be

addressed. Constant turnover will continue to decrease motivation and eventually lead to a decrease in productivity due to constant training being necessary.

Impact on Stakeholders:

1. United States Government: As long as the IRS is fulfilling it's obligations, there would not be an affect on the government. They are still seeing an increase in productivity allowing more cases to be processed.
2. IRS Employees: Employees expressed that monitoring was needed, however, there is a high turnover rate that indicates job dissatisfaction. These trends would likely continue if nothing is done to address this.
3. Taxpayers: As long as the IRS is fulfilling it's obligations and remains productive, taxpayers will be satisfied. They are looking for quality customer service, which as long as it is provided to them, they will be happy.

2. Retrain Employees: The previous collection office function (COF) system was replaced with ACS to increase productivity, however the employees that were used to this system found that their jobs shifted to operating in one online terminal. While employees seek enriching job opportunities and enlargement, the opposite occurred. When the IRS was operating with COF, the cases assigned to employees seemed like projects that would be done until a satisfactory result was achieved. The COF system was not well understood if you didn't use it regularly, but those who did found it provided them with adequate freedom and knowledge for their cases. Once ACS was implemented, employees felt reduced freedom and a narrower division of labor. This appears to have reduced the skills necessary to complete the cases, which can make employees feel

disconnected from the larger process according to Cash (Barker). As mentioned earlier, employees experienced less freedom by feeling attached to the terminal because with the previous COF system they were frequently moving to different stations to complete a case. This makes the transition between the COF system to ACS slightly more difficult.

Employees previously functioned with autonomy and are now being micromanaged, which has been driven by the software. According to Cash, software has the opportunity to constrain the user or empower them, and the IRS is experiencing the effects of this with both systems. The IRS could offer additional training to employees as there is a drastic difference in the systems and the way employees interact with it. They could also ease back on the monitoring to reinstate the feeling of autonomy and purpose.

<u>Impact on Stakeholders:</u>

1. United States Government: The government will incur an increase cost due to training the employees, but this can be justified through an eventual increase in productivity and reduced turnover. Retraining existing employees is more cost effective than starting with a blank slate with new employees.
2. IRS Employees: If employees received increased training, they would feel as if they have a better understanding of how to complete their job effectively.
3. Taxpayers: As long as the IRS is fulfilling it's obligations and remains productive, taxpayers will be satisfied. They are looking for quality customer service, which as long as it is provided to them, they will be happy.

3. Change System Management: Feedback is crucial to a job and allows employees to improve their performance, which in turn increases their satisfaction with the job. According to Fried, improving communications with employees enables managers to extend their span of control, allowing relations to be built between supervisor and employee (Fried). The feedback systems and criteria in place at the IRS act as a form of negative reinforcement rather than positive. The employees do not have an incentive to remain productive outside of their constant monitoring. Rather than empowering employees and rewarding them for their successes, they feel as if the feedback is used negatively instead of reinforcing the positive. However, increased information is not always a good thing. While increasing the way information is utilized in the organization can increase employee satisfaction, their motivation may not necessarily increase. If employees are motivated, they are able to be more productive which is what the IRS is seeking to do with ACS.

   Impact on Stakeholders:

   1. United States Government: There would not be significant funding necessary for this and supervisor job productivity may see a slight decline as they adapt to the procedural changes in their positions.
   2. IRS Employees: Employees may experience increased job satisfaction, but if that is not converted to an increase in motivation as well the IRS may still see increased turnover rates.

3. Taxpayers: As long as the IRS is fulfilling it's obligations and remains productive, taxpayers will be satisfied. They are looking for quality customer service, which as long as it is provided to them, they will be happy.

Recommendation

I would recommend that the IRS change how employees are currently being managed and monitored by their supervisors. There should be a decrease in the number of hours spent a week conducting performance reviews and monitoring, allowing employees to focus on their jobs. The decrease in autonomy has had a significant impact on the motivation and job satisfaction at the IRS. When every decision you make is being micromanaged, it can result in unsatisfactory results, decreased customer satisfaction, and higher turnover. The IRS is experiencing these things. According to Hackman and Oldham, there are five core job characteristics that can be used to enrich jobs and increase motivation within an organization (Hackman/Oldham). Some of these characteristics, such as skill variety, task identity, autonomy, and feedback, should be implemented within the IRS. This creates job enrichment for employees, a decrease in absenteeism and turnover, which is what the IRS should strive for.

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