

IRS Case Write-Up

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Phillip Burress

Tim Brown is the assistant commissioner for collection of the United States Internal Revenue Service (IRS). The IRS' main job is to collect revenue for the United States government. Recently, they have switched from an older system to a new automated system. Under the original system, called the Collection Office Function, it was mainly paper based which meant that a lot of customer information could be easily lost or confused. Because each employee is supposed to give a detailed description of their calls to customers, and several calls to customers can be made before a case was closed, there was an issue with the size of cases for some customers. Added on to that is the fact that there was so much confusion and disorganization that when a taxpayer wrote to them about an issue it could only be connected to the right account about 20% of the time. It was not efficient at following up on cases either, it would often turn a 10-day payment order into months because there was no one there to follow up on if the customer had paid their taxes or not.

The new system has allowed them to be better organized and timely with their cases and collections than they were before. With the new system, called the Automated Collection System, employees had improved customer communication as well as a better understanding of where cases were located. Because the new system allowed accounts to be automated and stored on the pc there was a drastic improvement in the ability for companies to locate and service taxpayers and therefore receive the tax payments in a timely manner. As well, because of the increase in automation, taxpayers who were late in payment can be notified and dealt with sooner because their papers were not lost in the mountains of other papers. The new system has a way to prioritize customer accounts that need to be dealt with in such a way that the first to be serviced are the ones with the furthest out dates and the highest dollar cases.

Our problem arises with the implementation of the new system and the way it has affected the employees of the IRS. The original system as paper based and therefore any questions or information needed was discussed between employees and searched out throughout the main room. This main room was often called “The Zoo” or “The Boiler Room” due to the hectic nature and the fact that most employees often worked cases to completion and so were communicating back and forth about correct procedures with other employees. While this meant that customers got a lot of time spent on their case by one employee it caused a lot of issues with production and the throughput of the system as a whole. With the new system, employees are given the information they need in order to complete the tasks they are given and then they pass it on to the person in charge of the next part of the taxpayer’s case. Because of this one of the biggest complaints with the company are that the employees no longer have as much satisfaction because they do not get to work cases to completion and therefore do not see the fruits of their efforts as often. Other complaints stem from the supervisors and the fact that they are basically glorified watchdogs with the new system. They have been put in charge of monitoring employees and the way in which they communicate over the phone as well as reviewing every fifth case by employees. Because of this increase in monitoring by supervisors and the fact that all information can be accessed at their desks many employees feel as if they are being overly controlled by the company. This leads to them feeling like babies or the high turnover rates that branches are experiencing. So, the problem arises, what can Mr. Brown do to further improve the system and the way it works but also increase employee satisfaction and slow down the turnover that is happening at his branches?

To look at this decision and what needs to be made we it helps to look at Porters Five Forces for guidance in the decision-making process. This is the easiest way to categorize the outside forces affecting any company (and yes, the government is a company): suppliers, customers, new entrants, substitutes, and intra-industry competition. (Team FME, 6) What we talked about in Barkers class was the fact that a company's goal is to survive in their market. (Barker) However, the company we are speaking of now is the United States government and there really isn't any form of a substitute, competition, or fear of new entrants to be found in this scenario so there is really no fear of them not surviving. Because of this it is safe to compare the Internal Revenue Service to a monopoly and only focus on the ways in which the suppliers and consumers of the IRS can affect them.

Starting with suppliers of the IRS, we would consider it basically the government of the United States of America. While the government's main job is to run the country, they are in a basic sense a business organization and as we learned with Goldratt the goal of an organization is to make money (really to survive). (Goldratt) The way they make money is through the IRS and their tax collection system. Basically, if the government isn't making money the IRS will be one of the first places they look towards. So, while the government has allowed the IRS to make such changes as this increase in technology, if they do not see an improvement in the work done it is not out of the question for them to clean house. This means that Tim Brown could lose his job should the IRS stop collecting the proper amount of taxes. Efficiency is key and the US government is funding the IRS, which means that they are extremely concerned with the decisions the IRS makes. According to Porter, a company must learn to innovate in order to remain a strong competitor in the Industry. (Team FME,11) The IRS has no competitors

since they are a government based entity but they still tried to innovate in order to increase their revenue. If they can't produce improvements, or if they can't keep employees to do the tax collecting they will not be able to collect taxes which will lead to cuts in funding from congress.

The second of the two forces that will affect the IRS' decision is the customers or taxpayers themselves. The IRS has pretty much an autonomous system for collecting taxes in which if they call you and discover you are not paying them they claim them however they can. Because of this customers have basically no decision or "buying power" to speak of because they are dealing with a government entity. So, while there are in fact customers and stakeholders for the IRS they are not necessarily given any choice when it comes to dealing with them. That's why it is easier to just compare them to a monopoly organization as there is no choice for consumers on what to do.

There is a total of five stakeholders in the decision process for Mr. Brown. The first being himself, as the assistant commissioner for collection he is the one that has been placed in charge of this transition and is the main person who will be making the decision. The next stakeholder would be the IRS who, like I stated before, will be the first-place congress looks if the taxes aren't being collected properly. This leads us to our next stakeholder, the US government themselves who are the beneficiaries of the work the IRS performs and therefore are the ones who are the most important out of all the stakeholders. The next group of stakeholders are the employees and supervisors inside the IRS as the decision Mr. Brown makes could affect their job satisfaction and therefore the chances of them staying in the job at all.

The last group of stakeholders is the least important but still one of the groups that will be affected by the decision, the taxpayers themselves.

There are four main choices that Mr. Brown has when it comes to the IT in the IRS. The first being the most obvious decision, he does nothing. The second decision he could make would be to restructure the ACS' organization into smaller semi-autonomous teams to give them more satisfaction. The third option would be for the company to retrain all employees so that they could perform all the tasks given and therefore see through a case to the very end. The last decision would be for Mr. Brown to work with the present way the organization is being ran and to instead focus on the ways the employees are doing their jobs in the hopes of improving satisfaction.

If he decides to do nothing he faces the possibility of the employee turnover increasing and the IRS not collecting as much money as they should be with the new system. If this occurs then the US government will not be happy with the way the IRS is being ran and they will come in and probably fire Mr. Brown and several other higher ups in the IRS. The employees would continue to feel less job satisfaction and be faced with the choices of continuing to work for the government (not a very appealing job) or to go search for a new job somewhere else. The taxpayers will not be happy their taxes aren't being put to good enough use but surprisingly the ones who aren't paying will probably be happy because they get more time to run from the IRS.

If he decides to restructure the system into semi-autonomous groups, the groups will be able to work closer together to see the case being solved and therefore gain some form of job satisfaction. This choice however would cost the IRS around \$1 million dollars to restructure the

IT as well as a raise in the pay scale due to the restructuring of the company and the fact that they are getting rid of the separate jobs everyone has to do in favor of them working together. If this worked you could see an decrease in the amount of employee turnover which would mean that the employees and supervisors probably had an increase in job satisfaction. It could also further streamline the way the system works which would mean a higher efficiency and more revenue for the IRS. This would make the government happy so that would mean they would be less likely to be breathing down Mr. Brown and the rest of the IRS' necks. The taxpayers would be forced to continue paying taxes in an improved system that would catch those breaking the law faster.

The third option would be for Mr. Brown to have all of the people working in the centers retrained to do every job so that they can see them through from start to finish. This would cost a lot of money to retrain people and in fact would lead to a huge increase in wages paid because everyone would be just as skilled so would need to be paid just as much. The government isn't likely to be happy with this decision as it basically going to be a newer way for them to operate like they used to. The only real difference with the way they operate now and the way this choice would force them to operate would be that they can now do all the jobs themselves. So, each employee could be given a quota of cases to sift through for the day and it is likely to increase job satisfaction. However, it is also possible this would slow down the system as everyone is forced to do the same job instead of everyone specializing in a certain part of the job and contributing to the whole (there's a reason the assembly line was invented). The US government, Mr. Brown, and the taxpayers would be neutral with this decision because it's possible this could increase the throughput of the organization but it could also slow them

down. However, it would be nearly impossible to slow them down to the extent that they were originally operating under. The IRS would have a negative outlook on this scenario if there aren't enough positive outcomes because they will be faced with an increase in wages and a significant retraining cost.

The last choice Mr. Brown has is for him to do nothing on the way the new system is structured but instead focus on improvements in things such as the monitoring style of supervisors and the speed in which those reports were given back to employees. This would mean that the employees would remain unsatisfied because of a lack of face time with other employees as well as not seeing the case through to the end. However, the system is currently working so focusing on little things would mean that Mr. Brown has ways to incrementally improve the company without too much cost or change. The IRS and the Government would both be fine with the way this decision worked out because it meant not much was changed (so money wasn't being spent) and things were still getting done. The taxpayers would simply continue to pay their taxes or be caught by the IRS.

After considering each option the decision I would make if I were in Brown's shoes would be the final choice of Mr. Brown not making any structure changes but instead focusing on small improvements for morale and education for the supervisors. The main reasons the employees were upset were that they couldn't see a project through to the end and they were being consistently and not efficiently monitored. The new system has streamlined production and made it easier for the IRS to do its job so it shouldn't be messed with so that employees can be slightly happier at getting to see a job completed. However, if the supervisors and employees were better educated on the automated environment as well as the ways in which

they should perform and monitor, Mr. Brown will have dealt with several of their problems already. Doing nothing would not work because turnover rate is so high the cost of training would skyrocket and its possible it could affect the output of cases. If they were to restructure and change the pay wages they would be stuck with the fact that they had to pay millions of dollars to change their million-dollar system more and there is no guarantee that they will improve throughput. This would also change the structure of their organization from functional to divisional which would affect the way in which the chain of command operated since the groups are semi-autonomous. (Morgan) This could lead to miscommunication between groups as well as less throughput as a whole. If they go with the third option they would have to pay to retrain all their employees and the employees would still be unhappy with the way they monitor things. As well, as we talked about in Barkers class, an organization isn't moral or immoral but instead amoral. (Barker) They should not care that employees are unhappy that they cannot see a project through to the end as long as they are making money. Because of this it only makes sense for the IRS to focus instead on the way that works (even though some employees are unhappy) and work to improve the small things that are causing some of the bigger problems.

Sources:

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