IRS CASE ANALYSIS

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QUEENA LIN
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Background

In 1988, the IRS received and processed more than 194 million tax returns, collected approximately $935 billion, and dealt with 83 million taxpayer request's requests. It operated on a budget of $5 billion with 120,000 employees in more than 700 offices. The main headquarters is in Washington D.C. and has over 20 regional offices. They keep their taxpayer files, bills for unpaid taxes, and notices in services headquarters. Technology is a major part of the company because of the important impact it makes to improve efficiency and increase benefits for the IRS.

Problem

The IRS has been using Information Technology(IT) since the 1960s to help process tax returns and the Collection Office Function (COF) is what they used. However, the COF gradually became inefficient and hard for IRS employees to locate information. It took an average of 3 hours to find a single file. To improve collection productivity, the IRS implemented the automated collection system (ACS). Although productivity increases, the ACS has created greater employee dissatisfaction and turnover rate. By isolating workers and discouraging direct communication with coworkers, the IRS made each individual more productive but only made the transition to the ACS more difficult. In addition, workers could no longer get the satisfaction of seeing a case through to the end, as they only were given parts of the case to complete. "...monitoring systems raise concerns about employee privacy, as well as issues of deskilling and potentially unfair work standards" (Cash). The organization must implement changes to reduce the turnover rate.

Mission Statement

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. Their primary function is to collect revenue for the U.S government.

Generic Strategy

The IRS implemented a cost focus leadership in which they aim to be more cost-effective by completing case efficiencies and lowering labor costs. The ACS was implemented because they wanted to be able to find more cases and finish cases much more efficiently than before.

Organizational Structure

The IRS's Organizational structure follows a divisional structure because each "division being responsible for a different set of products, geographical markets, or clients" (Cash). The organization operated with a central office that serviced out to 63 regional district offices in which each of the regional offices had 6 divisions within them. However, after the information technology revitalization that was incurred at the IRS, the 63 regional district offices were s reduced to 20.

Stakeholder

- Top Management: Responsible for handling the control system within the organization. Under the ACS, managers are required to spend an average of 20 hours conducting performance evaluations or training with their employees.

- Employees: The introduction of the ACS has led to job dissatisfaction and motivational factors for employees

- Taxpayers: concern with IRS efficiency and productivity because it directly impacted the degree of service that the experience.

- Government: Since the IRS represents the primary means of tax revenue collection for the US Government, the government is a major stakeholder, and should expect a level of success in the IRS to carry out its task.

Porter's Five Forces

- Threat of New Entrant: Low because all U.S citizens are required to pay taxes to the IRS so there are no competitors.

- Threat of Substitute: Low because there is no substitution for the IRS and they do not require to compete with anyone

- Buyer's Power: Low because the U.S citizens are required to report to IRS so they do not have any bargaining power

- Supplier's Power: Suppliers of the IRS usually bid on contracts to provide services/supplies to the IRS. Due to the number of bidders, the bargaining power of suppliers is low

- Competition: Low because they have no competitor as they are a government-operated organization. "…governments create or permit what is seen as 'natural' monopolies, such as utility organizations" (Porter)

Alternatives

Do Nothing

The IRS decides to keep the ACS system unchanged which will increase productivity and service to its customers. However, employees will continue to be dissatisfied with the working environment in which they have limited interaction with other employees and are constantly being monitored during work time. Supervisors are expected to spend 20 hours a week to review and provide feedback on employee performances. This data structure increases efficiencies and productivity rate but also increases the turnover rate of the employees. doing nothing and changing the way the system is currently managed. Keeping the current structure are not viable options due to a downward slope of deteriorating service to taxpayers and the employees the IRS employs.

Restructure the ACS's work into semi-autonomous teams

Restructuring the ACS into a semi-autonomous team would give employees and teams specific cases they would need to complete daily and improve employee engagement. Performance measures and evaluation would be based on how each team handled the cases rather than individual performance and the employees would be able to see cases to their completion which increases job satisfaction and reduces job turnover rate. This will also create easier management for the managers and supervisors and improve the interaction between the team members.

However, the IRS must spend extra expenses of $1 million for redesigning the technology to match the new system structure which revolves around teams instead of each employee. The wage bill would increase because the pay scale increases to three instead of one. Time and

resources will also to be put in as the new design teams are created. The taxpayers would not be greatly impacted by this approach unless the IRS's productivity and speed to take care of the tax document shows a huge change.

Retrain ACS employees to handle all aspects

This approach revolves around providing additional training to employees to increase their skill sets to handle different functions of a case. "While the reduction in task complexity facilitates job monitoring, it reduces the challenge and growth potential of the job" (Cash). Having the employees retrained to become more skilled to increase efficiency for the organization and also reduces the labor cost to hire another employee to work on a specific task. This opportunity will increase job enlargement in the company giving employees more responsibilities and tasks to complete cases.

Under that approach, the pay scale would need to increase to compensate the employees for the new skills as they are assigned to more tasks and expectations.

Change the way the system is managed

IRS management will need to lessen the degree of monitoring in its employees. Essential factors that contribute to effective management include the immediacy of monitoring feedback, the nature of the feedback, the clarity of the criteria used 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 (Cash). The information generated from these factors creates a huge impact on the effectiveness of employee's work engagement and productivity.

This approach mainly satisfied the employees because they are under less stress to constantly monitor. Managers will also benefit significantly from this decision because they are currently spending 60% to 75% of their work on monitoring. By changing the severe level of surveillance, they will feel less like a "watchdog".

Recommendation

I recommended the solution to change the management system to have more freedom and less monitoring. Although the IRS is a very tightly run organization that tries to follow all the rules and laws since they are governed by the government, however, the organization must establish a tight control that will also increase job efficiencies and employee motivation (Goldratt). Motivation has a huge impact on the organization's success and if the company does not provide a business culture that provides good motivation, the employees will be less likely to stay productive and loyal.

Changing the current system used will increase employees and decrease employee turnover because employees will be happier as they are less monitored. All stakeholders seem to benefit the most from it since this approach does not require as much money as the other alternatives. A company's ultimate goal is "to make money now and in the future" (Goldratt) so changing the management style can benefit everyone and at the same time is inexpensive.

Citation

- Cash, James. Corporate Information Systems Management. McGraw-Hill Companies Inc., 1999.
- "Porter's Five Forces; Strategy Skills." 2013. free-management-ebooks.com.

- Goldratt, Eliyahu M., and Jeff Cox. The Goal: a Process of Ongoing Improvement. N.p.: Gower, 1989