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IRS Case Analysis

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## Overview

The Internal Revenue Service handles the services for collecting money for the United States government. Their responsibility is to collect taxes from the American people, to use it in coordination with the government for public services. In the 1980s, the IRS changed from a Collection Office Function (COF) to a different Automated Collection System (ACS). This was aimed at improving the productivity and efficiency of the IRS internal operations to help improve their services to the American people.

## Problem

The problem came to light not too long after the ACS was implemented. ACS turned jobs that would have normally required its employees to walk and converse with various people, to sitting at a desk all day and doing it for the duration of the shift. The number that layoffs had on the employees was about half of what the IRS needed for the original COF. For the remaining staff there were a lot of employees who did not like the change in systems to ACS so they quit as well. The turnover rates were incredibly high which consequently caused higher training costs. The time that it took to train all of these people was very significant to the overall productivity. The assistant commissioner for the collection of the IRS, Tim Brown, had his own reservations to the high training cost and the dwindling labor pool would inevitably result in a loss of efficiency. He knew that ACS would have to improve their efficiency and that the “introduction of new technology will change the way that employees perform their tasks”, but he did not predict how the employees would respond to that change.

## Industry Competitive Analysis

The mission is to assist in collection the correct amount of tax revenue while maintaining a small cost to the American people, which would incorporate integrity, efficiency, and fairness

into its decisions and operations. The IRS has a generic strategy of cost leadership, with being efficient with doing the most amount of work but with the least amount of resources at any given time. The IRS used a value shop approach because of the services that they were able to provide to Americans for tax payment.

## Porter's Five Forces

### Competition

The threat of competition for the IRS is very low. This is a government organization that is designed solely for dealing with taxes. The government would have no reason to create another organization to collect taxes as well as the IRS, therefore this could be considered a monopoly.

### Threat of New Entrants

The threat of new entrants is low and basically nonexistent because the government would not create another organization to compete with the IRS. No one could start a privately owned business that would be able to complete the same actions as the IRS because it is a government created function.

### Threat of Substitutions

The threat of substitutions is low because there is not substitute for the IRS. You have a choice to either pay what you owe or suffer the consequences that come from it.

### Bargaining Power of Suppliers

The bargaining power of suppliers is low. Suppliers will typically bid on contracts with the IRS. This usually includes a lot of choices in suppliers, so that the IRS will get the best prices available.

## Bargaining Power of Customers

The bargaining power of customers is low too. The customers of the IRS is the American people. It is possible for a citizen to challenge the amount of taxes that they owe, but in most cases there will always be something to be paid to the IRS. The majority of people pay what they are told but there are a handful of people who keep their own accounts to ensure correctness in their tax statements. The only choice that Americans have is to pay their taxes or go to jail, so the bargaining power for customers is fairly low.

## Stakeholders

### IRS Management

Management is satisfied with the productivity and efficiency that has come with the shift to ACS, yet they are concerned with the high turnover rate that has gone with the change. Management's goal is to try and figure out how to keep employees around so they can cut down on the training costs for all of the new employees. With this change, the IRS also was able to develop a new monitoring policy. The computer system would help monitor each employee's performance. Each employee would be monitored while they were connected to a call with the respected supervisor for that department for at least one hour a week maybe even more in some instances, then the supervisor would have to evaluate the performance and provide feedback to the employee on ways for improvement.

### IRS Employees

Most of the employees at the IRS are newly hired workers. There are many reasons as to why older employees at the IRS are quitting and turnover rates are high. Employees did not like the shift to sitting at a desk or the terminal all day and not have any interaction. The job used to

have the employees to talk and discuss with coworkers to complete tasks and daily operations and this did not seem to be a problem or a distraction for that matter. Secondly, the employees were not comfortable with how closely monitored they were. They felt like their privacy was being invaded on the clock by how the supervisors wanted to know every little detail of their day at work. And the supervisors did not like it as well because though they only had to do an hour a week for each employee, those hours add up for the supervisor and it turned out to be half a week, sometimes even more for them. Lastly, the work that each employee would have for a certain case, would not be from start to finish. They would work diligently on only a portion of it and hand the rest off to someone else to finish it, this tanked the satisfaction that employees would receive from completing a case from start to finish.

## American Citizens

The American citizens use the IRS, and have to deal with the ACS as well to help pay their taxes. This new system modernizes the process for the employees, so coinciding with the modernized value of it, the American citizens should be receiving better services all around the board. Quicker resolutions with smoother processes should skyrocket the satisfaction of each and every customer. The turnover rate does not particularly affect the American citizens, yet it could if there is a new and inexperienced employee who messed up an operation that could start a snowball effect into other things.

## Possible Solutions

### Do Nothing

The IRS and Tim Brown could do nothing. They are already making vast improvements over COF. It is very possible that both of them could eventually find people who want to stick around, and their turnover issues would work themselves out. Even if they were to continue to

have the same turnover problem, the productivity should not decrease lower than it already is because some areas already have a 100% turnover rate. Supervisors would have to continue to spend half of each week monitoring employees. Morals for employees would be incredibly low for most of the people, and Americans would still not notice any type of difference or change and would still receive the same quality service they have been receiving.

### Restructure into Semi-Autonomous Teams

With this solution, the employees would need to be trained to handle the functions of the ACS, contact research and investigation. The teams here would have to work cases from start to finish, which would help give that satisfaction to each of the employees working on it, which has been absent since the implementation of ACS. It was estimated that it would take over \$1 million to change the system overall to help support the team structure. Also, everyone would have to get paid the same rate, which would increase the cost of wages. Management would like how the turnover rates would be significantly reduced but the change would not prove to be cost effective because training the new employees would take a lot of resources to complete adequately. The satisfaction of the employees would increase and therefore it could consequently increase how the service and experience is for the customer.

### Increase Human Interactions and Monitor Less

Some of the biggest complaints from the employees was about how the monitoring was too much and an invasion of their privacy, as well as sitting at the same terminal all day long. Currently, each employee has to have an hour of their worktime being monitored for at least an hour a week. This ends up taking a majority of their supervisor's time and energy and makes the employees feel as if they are not being treated with respect and as adults. Employees want to be able to talk and converse with the people around them without the fear of being watched for

every move they do. The monitoring also prevents healthy and helpful conversation because if you are talking to someone then you are not working on your cases. The first step that management would have to take would be to reduce the amount of required monitoring for each employee from an hour a week to maybe an hour every month. Supervisors said that the feedback that they give a lot of the time is very general because there was not anything that drastically changed within the previous week. Being monitored less would allow for employees to feel freer at work and won't be worried about being watched. Management could also provide an area where employees could talk about cases or strategies while on lunch or on a break. This could help improve employee morals as it would be an attempt to help bring back the human interaction in the workplace. Management would most likely see a decrease in employee turnover, and the supervisors would have more time in the week to do other things rather than just monitoring and critiquing phone calls. Employees would feel happier when going to work for the IRS which could cause them to stay longer, and the American citizens would be able to receive friendlier services from happier employees.

## Accepted Solution

### Increase Human Interactions and Monitor Less

This solution is a lot cheaper than fully restricting the organization into teams. It also has the change to improve employee satisfaction, whereas the do-nothing approach does not. Pulling back on the amount of monitoring is as simple as changing the company policy. The IRS basically has to overhaul this new system to monitor its employees. Management has gone overboard with this after the fact that they realized how east it was to monitor its employees with ACS. The lack of growth potential is another reason why employees are leaving and aren't satisfied with the job. After reducing the monitoring amount, employees may feel more

comfortable conversating with coworker and bringing back the absent human interaction that most of them lost. Management would need to understand that the employees would need to work in a place that supports their needs as well. If employees are not happy, the results that they produce will not be their best work. Conversating with employees should be encouraged, but if it becomes a problem for specific employees, then they should be monitored a little more and should receive come constructive criticism about their work ethic. However, it is still important not to abandon all of the monitoring because it does provide some useful information for the organization to know and project future things from. This solution should provide a nice balance of freedom for the employees, while keeping productivity high while keeping the cost low to the IRS.