Ryan Smith

IRS

CIS 410-01 Case

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**The Problem**

The IRS wanted to improve their productivity and automate some of their operation. They began by implementing the Automated Control System (ACS). The ACS completely revamped how they did collections. As a result of the change, productivity was higher, dollars collected increased 33% annually, inventory levels declined considerably, and the total number of cases closed had improved 100%. At the same time turnover had reached unprecedented levels, in some offices as high as 100%. The IRS has implemented a system that has increased productivity at the cost of employee job satisfaction, I will give my recommendation on how to proceed.

**Industry Competitive Analysis**

## Mission

The IRS’s mission is 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”. The purpose of a business it to make money now and in the future (Goldratt), but the IRS is not a business. Their purpose is clearly defined to serve as efficiently and fairly as possible.

## Market

The IRS serves tax payers in the United States.

## Strategy

The IRS employs a cost leadership strategy. Their aim is to accomplish their duties “at the least cost to the public”. A cost leadership strategy requires efficiency, the product needs to become standardized (Tanwar). The purpose of the ACS was to standardize the IRS’s collection process and make it more efficient and productive. The IRS has no need to differentiate.

## Structure

The IRS has a functional structure. The functional structure is perfect for the IRS because of its stable environment and need for efficiency and quality. The environment is not going to rapidly change for the IRS. They don’t need to differentiate so they can focus on their efficiency and effectiveness (Cash).

## Porter’s Five Forces

**Inter Industry Competition** is no concern for the IRS. They are the only tax collectors. Usually a business would be concerned about being a monopoly, but the IRS is already regulated by the government (Bristoll & Newton).

**Substitutes** are no concern for the IRS. There is no substitute available.

**New Entrants** are no concern for the IRS. The government does not need to create a similar entity.

**Suppliers Bargaining Power** is high for the IRS’s supplier. If you consider the supplier to be the federal government then the IRS has little power over the government and decisions that it makes.

**Customers Bargaining Power** is extremely low. Taxpayers are the customers and they are legally obligated to obey the IRS, or they could face jail time.

**Identifying Stakeholders**

**IRS Managers** – Some managers have expressed concern about the amount of monitoring required with the new system. Others have expressed approval. This group will strive to get the best performance out of their employees.

**IRS Employees** – The new system has revolutionized the collections process and caused very high turnover in the department. As with the managers, concern has been expressed about the monitoring while others approve. This group will want job satisfaction and security.

**Taxpayers** – This group consists of all the taxpayers who fund and use the IRS. The service they receive will be impacted by changes made. They expect the taxes they pay to be used responsible and effectively.

**Generating Alternatives**

1. **Do nothing** – The first option is to make no changes and continue with the current plan. Currently the IRS is more productive than ever. They have achieved their goal of increasing productivity with the ACS. The issue is both the managers and employees are unhappy with the current state and turnover is extremely high.
2. **Change the way the system is managed** – This means keeping the system the way it is but changing the way the managers behave. Apparently, the way management approached monitoring makes a difference to its effectiveness and employee’s reactions to it.
3. **Restructure to semi-autonomous teams** – Teams would be created and among them they would be assigned a group of cases to work. The team would have all the skills required through its members, not one person. The team would be evaluated on how well they handled the cases they were assigned. Teams would be responsible for managing work flow and monitoring individual performance. This alternative would require an estimated $1 million to change the technology and an increase in the wage bill due to a change of the pay scale.
4. **Retrain ACS employees to handle all aspects of the collection function** – Instead of teams, individuals would attempt to handle cases from start to finish. This would also

require changing the pay scale to account for the increase in required skills. There would also be significant retraining costs.

**Analyzing Impact on Stakeholders**

## Do-nothing

**IRS Managers** – They will continue their current course where many managers are unhappy and required to do a lot of monitoring. Managers feel they have no discretion. This could mean that the high turnover will continue to be an issue.

**IRS Employees** – They will continue to be monitored in the same fashion and they will continue to feel isolated. This will not help the high turnover problem. Eventually, productivity could decline as well.

**Taxpayers** – This is the cheapest option for taxpayers as no additional costs are necessary. The efficiency of collections has been increased so taxpayers will be satisfied with this alternative.

## Change the way the system is managed

**IRS Managers** – This could mean that the managers have more control over the monitoring and feedback that they are required to give. This will result in less monitoring, better feedback, and hopefully less turnover.

**IRS Employees** – This will help the primary issue of employees being unhappy with the monitoring. They will receive clearer guidelines, timelier feedback, and this should result in a more positive experience for employees.

**Taxpayers** – This option will not require the IRS to spend any additional money. It appears that it will result in higher job satisfaction for managers and employees which should lead to better service for taxpayers.

## Restructure to semi-autonomous teams

**IRS Managers** – Will now be managing teams instead of individuals. Will be responsible for managing work flow and still monitoring individual performance. The individual monitoring will likely be greatly reduced.

**IRS Employees** – Will work in a team environment instead of in isolation. Employees will get to work on cases from start to finish and collaborate with others. This will likely result in higher job satisfaction.

**Taxpayers** – Taxes will be used to pay for the software change and additional wage expenses. This could result in better service for taxpayers.

## Retrain ACS employees to handle all aspects of the collection function

**IRS Managers** – Will see little change. Now it will be more difficult to evaluate employees as they need to be evaluated in many more categories than previously.

**IRS Employees** – Will have to be completely retrained to handle cases from start to finish. They will receive a pay increase to compensate for the additional required skills.

**Taxpayers** – Taxes will be used to pay for the training and promotion of employees.

**Solution**

My solution is that the IRS restructure to semi-autonomous teams.

Employees are currently feeling isolated and over monitored. They have low skill variety because they are only doing specific tasks on cases. They have low task identity because they don’t know what happens to a case after they’re done with it. They have low task significance because they rarely even communicate with their peers. They have no autonomy because all their tasks are decided for them. Even though managers spend a large amount of time monitoring employees still receive lackluster feedback. These core characteristics leave IRS employees feeling the job is not meaningful, feeling they have no responsibility for the outcomes, and usually not even knowing the outcomes of cases they work on. This means the motivator that the IRS needs is job enrichment (Barker). Something needs to be done to make the job more meaningful and help employees feel more responsible and involved in the organization. This will fix the turnover problem while keeping the IRS efficient and productive. The best answer to this problem is restructuring into teams. “In a functional structure, common activities are grouped together…Employees within a function adopt similar values, goals, and orientations. This similarly encourages collaboration, efficiency, and quality within the function” (Cash). The IRS is a functional organization and restructuring the collections department to fit into that structure makes perfect sense. This option will also alleviate the issue of managers feeling like they are spending too much time monitoring employees. Now managers will not have to focus on individuals as much and can focus more on the teams and scheduling work flow. The $1 million cost to change the technology is only .02% of the IRS’s yearly budget. This is a necessary cost to combat the extreme turnover rate.

Doing nothing is not the best choice because it doesn’t address the problems that employees and managers are facing. The extreme turnover rate is indicative of a problem that needs to be addressed and doing nothing will result in negative consequences for the IRS.

Changing the way the system is managed is a tempting solution due to its lack of costs. The issue is that this alternative doesn’t really fix the problem. The problem at the IRS is deeper than the way the managers are giving feedback. The problem is in the tasks the employees and managers are doing. The feedback employees get (information) is a hygiene factor and not a motivator (Barker).

Retraining employees to handle all aspects of the collection function does address the problem more, but it’s not the best way. For simplicity let’s say that a case requires three things: contact, investigation, and research. Training an employee to specialize in all three will be costly and not match the structure of the organization. Having individuals specialize in each and collaborate to work on a case is the more efficient and effective answer. Social loaf may be a concern because groups are less efficient than individuals (Fried). However, having employees specialize in functions will combat social loaf because they will be the only individual responsible for that function on a team. Having every employee be an expert in all aspects of the case and attempting to handle cases themselves is certainly inefficient and ineffective. The training required, and increased wages would also be costly.

Restructuring to semi-autonomous teams seems to solve all the problems. Employees will feel an increase in job meaningfulness due to the increase in task identity and task significance that comes with collaborating with your peers to see a case to its end. They will feel greater job responsibility because of the increased autonomy of their teams. They will have better of knowledge of work results because they will see the results and managers will adjust the monitoring to suit the teams needs. All of this can be accomplished with a minor cost and solve the problem of unsatisfied employees and managers.

**Citations**

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