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IRS Case Analysis

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Introduction

The IRS, or Internal Revenue Service, works for the United States government and collects revenue from working citizens in the form of tax collections. The main goal for the IRS is to collect the proper amount of tax revenues at the least cost to the public, while ensuring integrity, efficiency, and fairness (Cash 212). The IRS relies heavily on the use of information technology to ensure effective automation of tax collection to all taxpayers of the United States. The IRS consisted of a central office in Washington D.C. and had 63 other regional district offices for collection of taxes (Cash 212). Up until 1984, the IRS' collection operation was done using the COF, or collection office function. The IRS decided that there was a need for a change in operations because they had problems keeping ahead of the inventory of work. The IRS looked to implement the ACS, or automated collection system, to create a more efficient and effective collection operation. The ACS was a computerized inventory control system that consisted of three major computer components: the IDRS, the IBM, and the Rockwell ACD. With this system, all operations were done in a system of priority; workload was completed based on the highest priority. The ACS has been overall effective for the IRS, as it has increased efficiency and responsiveness to the taxpayers. While it has proven to be effective for the IRS in many ways, it also poses a problem for the work environment.

Problem

The current problem that the IRS faces is that the COF collection operation did not allow for them to keep ahead of the inventory of work that they were receiving. The COF was a "cumbersome, outmoded, paper-laden system that could no longer handle the work load" (Cash 218). When taxpayers wrote to the IRS, it was often so that they would associate the correspondence with the account only 20% of the time (Cash 218). With the COF system in place, it took nearly up to 3 hours to locate lost cases. It appeared that employees were spending too much time looking for something, as their inventory was always shifting around. Because of the inefficiency of the COF system, the IRS decided to implement the ACS, or automated collection system. With this new system implemented, workflow became a major issue in the company. While most supervisors preferred the ACS over the COF because of it's ease of identifying weak and strong employees within the system, many employees believed that the new system enforced an isolated work environment. Employees often complained that it felt as if they were always being spied on by supervisors, as the supervisors spent most of their time monitoring and reviewing employees. Although the ACS has proven to be more efficient, it poses a problem for the overall work environment for employees and supervisors.

Mission

The mission of the IRS 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 integrity, efficiency, and fairness (Cash 212).

Porter's Five Forces Analysis

Threat of New Entrants: Low

AS the IRS is the only organization that taxpayers are paying taxes to, the threat for new entrants into this business is extremely low, as they run a monopoly on tax collecting. Monopolies have very little to zero competition because they are the only organization with a "unique product" (Porter 11).

Threat of Substitute: Low

The threat of substitutes for the IRS is low because every customer is required to pay their taxes to the IRS, and there is no other organization that collects taxes.

<u>Bargaining Power of Suppliers:</u> Low

The bargaining power of suppliers for the IRS is relatively low because the IRS requires that all citizens are to pay their taxes, and if they don't they will somehow acquire that tax money.

<u>Bargaining Power of Customers:</u> Low

The bargaining power of customers for the IRS is relatively low because the IRS requires that all citizens are to pay their taxes, and if they don't they will in some form acquire that tax money. The customers have little to no choice in how they can pay their taxes.

<u>Competitive Rivalry:</u> Low

The competitive rivalry for the IRS is low because the IRS runs a monopoly all over the United States to collect taxes from working citizens.

Stakeholders

<u>IRS Management:</u>

The IRS management is the driving force for successful implementation of the new system. The management of the IRS manages the employees of the IRS and monitors how well each employee is working with the new system and finds flaws within the system that can be improved on.

<u>IRS Supervisors:</u>

The IRS supervisors determine the effectiveness of each employee and give feedback to employees to promote growth.

IRS Employees:

The employees of the IRS are important stakeholders in the company because they determine how well the new system works for the company. If the employees have an easy time adapting to the new system, it will benefit the company, however if they don't adapt, it may negatively affect the company.

IRS Customers (Taxpayers):

The IRS customers, or taxpayers, of the United States are important stakeholders because they are the driving force for what the IRS dose. The IRS collects tax payments from all working U.S. citizens, so without taxpayers, the IRS would have no customers.

Alternatives

Do Nothing:

With this alternative, the IRS can choose to change nothing with the current implementation of the ACS. While the current system has shown to be effective, it creates an uncomfortable work environment for many of the employees.

Restructure ACS into semi-autonomous teams:

With this alternative, the IRS can break up the organization into semi-autonomous teams. In doing so, employees will be able to work more with other employees, getting rid of the isolation feeling that most employees complained about. Each team would be given a batch of cases to work on, and instead of being constantly watched over by the supervisors, teams would be monitored by how they handled each case (Cash 224). Teams will oversee the overall workflow within the group and will determine performance evaluations of everyone within the group. This alternative would also increase the wage bill. Overall, this alternative would require a great deal of money to implement, as they would have to reorganize the organizational structure to allow work to be done in teams. This could also negatively affect the work environment if employees have a hard time working with other employees, creating a hostile work environment.

Retrain ACS employees:

With this alternative, the IRS can look to retrain the ACS employees to become more versatile and able to handle all aspects o the collective function (Cash 224). Because the system that they implement is relatively new, many employees are struggling to adapt to the change that was required. With proper training, employees will be able to handle all aspects of the new system, increasing employee efficiency and effectiveness. This alternative requires training programs to be implemented, which will cost the company. Employee pay will also increase because with training, some employees will have a higher skillset, requiring higher pay (Cash 224). If employees become more motivated with this alternative, they will be more inclined to achieve business objectives (Barker 7).

Change the way the system is managed:

With this alternative, the IRS can aim to change the way that the system is managed. The ACS can manipulate the system to conform to some of the complaints that the employees made about the system. Employee complained about the feeling that they were always being spied on, so supervisors could spend less time watching over employees, and more time providing instant feedback to their employees. The current system has shown to increase overall efficiency and effectiveness of the IRS, and the main problem in the company stems from the work environment. Improving the work environment by listening to employee feedback could be a possible solution.

Effect of Alternatives on Stakeholders

Do Nothing:

IF the IRS were to do nothing, the management keeping doing that they are doing. Supervisors would continue to spend most of their work hours monitoring and reviewing their employees. The employees will continue to be dissatisfied with the work environment. Taxpayers will likely be affected if the negative work environment ends up negatively affecting the performance of the newly implemented system.

Restructure ACS into semi-autonomous teams:

IF the IRS were to restructure ACS into semi-autonomous teams, the management would have to reorganize the current system to support the implementation of teams and will higher/fire employees depending on how well employees adapt to working in teams. Supervisors will spend less time watching over employees and will spend more time on providing instant feedback. Employees will have to get used to working in teams, and some may be fired if they are unable to meet team requirements. Taxpayers will likely be affected if the restructuring negatively affects the performance of the newly implemented system.

Retrain ACS employees:

If the IRS were to retrain ACS employees, the management would have to implement a training program to train employees to meet certain skillset goals. Supervisors will spend less time watching over employees, as employees will be more experienced and trained for the new system. Employees will have to go through training to improve their skillset, and will likely see an increase in pay, which may motivate them to work harder. Taxpayers will likely be affected if this alternative negatively affects the performance of the newly implemented system.

Change the way the system is managed:

If the IRS were to change the way the system is managed, management would have to monitor the factors of employees' reaction to the new system, and change the system based on feedback. Supervisors will likely spend less time watching over employees, and more time reviewing. Employees will likely be more satisfied with the system, as it will be tailored to the feedback they provide. Taxpayers will likely be affected if this alternative negatively affects the performance of the newly implemented system.

Best Alternative

The best alternative that the IRS can choose is to do nothing. The reasoning for this is that with their current implementation of the ACS, the IRS has shown increases in overall efficiency and effectiveness. The main problem that the company has with this new system is that some employees feel that they are isolated and feel like they are being watched over. Since job satisfaction has zero correlation to the overall productivity of a company, it is fine that the employees feel isolated, as they will still complete the tasks given to them under proper management (Barker 7). This alternative also does not require any extra spending for the company, whereas the other alternatives mentioned do.

Restructuring the company into semi-autonomous teams will require a large amount of funding, as the entire work environment will have to change to conform to a teamwork-based environment. Switching to a teamwork structure may end up negatively affecting the company if the overall productivity of the company decreases or slows down due to poor teamwork.

Retraining the ACS employees is the costliest alternative, as the IRS will have to pay to implement a training program for all their employees. The IRS will also have to increase pay for a large amount of their employees, as they will have a larger skillset and will be more qualified to work with the ACS. While this alternative can be beneficial to improving productivity, it may not be worth the overall costs, as it may cause the IRS to lose profit because of increased wages and training costs.

Changing the way that the system is managed could be a worthy alternative if the implementations and changes that the IRS decides to go with end up increasing productivity.

Work Cited

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