Will Brown

IRS Case

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# Summary

The Internal Revenue Service purchased a new technology system called ACS in order to provide a more efficient and effective method of processing taxes than had previously before. With this new system, they would be able to access the main terminal from their own workstations, track employee phone calls and monitor them for performance measures, and allow for a faster more efficient process. After purchasing and implementing the system, they noticed a rise in productivity from the ACS group using the newly implemented technology. However, despite the rise in productivity and efficiency, the turnover rate was at about 100% making the IRS continually must find new people to fill specific positions. Tim Brown, the assistant commissioner for the collections department, decided that there were two aspects to examine; the way work was organized and the manner in which computer-aided monitoring of employee performance was handled.

# Problem

The problem that the IRS is facing is the difficult work environment that the new technology has introduced into the ACS test group. In COF, employees took cases and worked them to completion. They also had to get up and check the main information terminal to retrieve data based on the case that they were working. Talking amongst themselves, most employees knew at least vaguely what the others were working on.

When looking at ACS, the autonomy of employee’s is all but non-existent. First, employees have a workstation terminal connection with the main information hub, so they never had to leave their desks and were expected not to leave. Employees generally spent their entire working day at their terminal, within their particular function. “This can have the effect of disconnecting the worker from the larger process, which in turn gives workers less opportunity to broaden their skill base and advance in the organization (Cash).” This is known as deskilling. Employee’s also no longer worked a case to completion, instead doing a portion of a case and then passing it along. This affects the employee’s feedback, with an employee never really being sure that the work that they did impacted anything in the long term because there wasn’t a good reason to check up on a case after it had already been passed on. Employee’s also were now subject to phone monitoring, which entails the supervisor listening in to the call that an employee was on, making a review to determine the effectiveness of the employee.

The supervisors within the newly formed ACS group were also having trouble adjusting to the new system. ACS helped to rationalize supervisor jobs, meaning their work was much less fragmented. However, supervisors began to question how they viewed themselves and the amount of discretion they felt they had. As a supervisor, they felt belittled by senior-level management and weren’t specifically sure of what direction that they needed to be leading their team or going themselves. While employees were the ones making calls and retrieving customer data, supervisors were given little to do besides monitor the employees. Some of the supervisors felt that the requirements for the telephone monitoring dictated that they give feedback to their employees. Some employees said that these reviews were mostly helpful and positive, while others described their supervisors using the performance monitoring as a ‘Gotcha’ tactic in the workplace.

Through the changing environment inside the ACS group, employee motivation had decreased drastically due to the work environment that they had been placed into. With the decrease of employee autonomy and the increase in employee monitoring, the employee’s job satisfaction also decreased leading to the high turnover rates within the ACS group and disgruntled and confused employees within the organization.

# Organization Structure and Strategy

The IRS is a functional organization, which “creates an initial division of labor in terms of the main functions, such as engineering, production, sales, and finance (Cash).” This can be seen through the 63 functional groups that are spread across the country, with the main headquarters located in Washington D.C. The IRS also adheres to a cost-leadership strategy. “The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base (Tanwar).”

# Porter’s Five Forces

Competitive Rivalry: Low

* In the tax market, there is a private financial sector that runs tax returns and deals with taxes, but all that information must come back through the IRS. There are not any other firms that deal with taxes in the same capacity as the IRS, with impossible barriers to entry because the tax industry is a government regulated monopoly.

Threat of New Entrants: Low

* The threat of new entrants is low because the IRS is a monopoly. “Sometimes governments create or permit what are seen as ‘natural’ monopolies. (Porter)” This causes the barriers to entry to be impossible, so the IRS does not have to worry about new entrants.

Threat of Substitutes: Low

* The threat of substitutes is low when “no substitute product is available (Porter)”. Because the IRS handles all the taxes of every American and is government regulated, there are not any available substitutes to use other than the IRS.

Bargaining Power of Suppliers: Low

* The only supplier that the IRS has are American job holders who supply them with their tax returns and their tax information for their information to be processed. The consumer has no option but to supply their federal tax information, and not to do so is punishable by law. This makes the bargaining power of suppliers non-existent.

Bargaining Power of Buyers: Low

* The bargaining power of buyers is also low. Because the service that the IRS supplies is mandatory and there are not any substitutes to switch over to, the bargaining power of consumers is very low.

# Stakeholders

IRS Employees:

* Employees must be trained on the new technology, and must deal with it on an everyday basis. They have a stake in whether it succeeds or not based on their involvement in the usage of the product.

Tim Brown, Assistant Commissioner for collection of the IRS

* The collection division was committed to making the new technology initiative work and to learn from the experience to automate other operations. If Brown fails to find the correct strategy to tackle the problem and get ACS running smoothly, he could be replaced on the project or his job.

Taxpayers

* The new system will allow the IRS to process requests and tax information much faster than before, so taxpayers will get their returns and be able to pay taxes more efficiently.

# Alternative Options

1. Do Nothing
   1. This option involves leaving the ACS system running at the same pace and procedures that it is currently running. This would enable the continuing trend of turnover due to the working environment of the ACS group. Even though productivity was higher than the COF group, a 100% turnover rate is not sustainable and will eventually cause productivity to slip as well. Doing nothing would cause the system to inherently fail, which would lead to a waste of investment for the IRS.
2. Invest more and set up semi-autonomous teams
   1. This option involves restructuring the ACS department into semi-autonomous teams that would have all the functional expertise to complete a case. The teams would then be given a set of cases to work on and their performance would be monitored based on how the cases were handled. The teams would have to schedule their own work flow and figure out how to monitor individual performance. This option would cost the IRS another $1 million dollars to implement because the technology would have to be redesigned to allow for the teams to complete cases from start to finish. These changes were certain to increase employee pay.
3. Change the way the system is managed
   1. This option involves changing the way in which supervisor’s review individual performance. Brown thought that by changing the management of individual performance for employees, he could solve the issue residing in the ACS. This would mean restructuring the information that is collected during an employee’s performance review and how that data was shown back to the employee.

# Recommended Option

I would recommend the IRS invest more into their employees and create the semi-autonomous teams. This would allow employees to pick up more responsibility in the workplace, and have a greater ability to make their own decisions. In turn, this would allow employees to get to know other parts of the job because each team would work cases to completion. This would help eliminate the deskilling that was beginning to take effect due to the single role that each employee was playing to get a case completed. Once autonomy and responsibility had been reestablished, the supervisors could lead the teams. This would lead to higher job satisfaction because supervisors would again have a more important purpose, and time spent wouldn’t be wasted on telephone monitoring constantly for everyone in the department. Job satisfaction would help decrease the turnover rate, and productivity would remain at an increased rate due to the new system.

# Works Cited

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