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CIS 410

IRS

Case 6

Background/Mission:

The IRS (Internal Revenue Service) needs no introduction. They are an organization that exists as part of the United States government. Their primary function is to collect revenue for the US government (IRS), and their mission is to “collect the proper amount of tax revenues at the least cost to the public [in] a manner that warrants the highest degree of public confidence in [their] integrity, efficiency, and fairness” (IRS). They’ve been around since the year 1862, and ever since then they have collected the taxes from the American public that allow the US government to run.

Business Strategy:

According to the case, the IRS has a goal to collect an exact amount of tax revenues at the lowest cost to the American public (IRS). Tanwar says that a cost-leadership generic strategy is best for a company that would wish to emphasize efficiency (Tanwar), therefore it seems that’s the generic strategy used by the IRS.

Organizational Structure:

The IRS’s notes on their internal structure make mention of divisions of tax collection, resource management, examination, and other departments. Based on this, the IRS seems to implement a functional organizational structure. According to Cash, a functional organizational structure works well when “the organization’s dominant competitive issues stress functional expertise, efficiency, and quality” (Cash), and this lines up with the IRS. In addition, the grouping together of common activities into departments of the IRS lines up with Cash’s definition of a functional organizational structure.

Porter's Five Forces:

Competitive rivalry is low in this case. The IRS acts alone in collecting taxes from the American people. They have never faced any competition and they are never going to face any competition. "The larger the number of organizations involved in a market the greater the level of rivalry" (FME), and if that is true we can also assume the inverse is true.

Threat of new entrants is low in this case. Barriers to entry in the market of tax collection are immensely high, as it is the job of the IRS and the IRS alone. The end customer is benefited from having one government-regulated body around to do business with, as opposed to having several different providers competing for it (FME).

Threat of substitutes is low in this case. Substitutes can be defined as "products or services that meet a particular consumer need but are available in another market" (FME). As previously stated, the IRS is the sole entity that exists for the purposes of tax revenue collection. There are no substitutes, so switching costs are essentially infinite (or however much it costs to move to another country).

Bargaining power of suppliers is low in this case. The IRS has no raw materials to purchase and no supplier to answer to. The only entity is the United States government, of which the IRS is a part.

Bargaining power of customers is low in this case. As stated prior, switching costs are functionally infinite, since the IRS is the only company who offers the tax collection service in the United States. No other agencies exist to perform this task, so customers have zero bargaining power.

The Problem:

The late 80s have brought innovation in the form of the new ACS system for use in revenue collection. It was poised to improve over the COF system tenfold by eliminating large quantities of paper that caused delays in follow-up cases. Citizens were told that “they had 10 days to pay; however, that was rarely pursued in a timely fashion” (IRS). COF was largely inefficient and led to delays internally, and potential errors in record collection. ACS seemed like a straightforward upgrade that would improve everyone’s daily workflow, however as the IRS reported “the electronic monitoring aspect of ACS has led to greater employee dissatisfaction and turnover” (IRS). The ACS system, with all its improvements, has also led to a decrease in employee morale. The new system reduced employee qualifications and job characteristics (such as task significance, task identity and skill variety) so severely that the careers of many were made much less meaningful and fulfilling. In this sense, employees were feeling extremely unmotivated to perform their new daily tasks, which largely involved sitting in front of computer terminals all day. Not all employees necessarily shared this opinion, but the complaints from those who took issue outweighed anyone who was satisfied with or neutral to the system. The mass monitoring was simply too much for many employees.

Stakeholders:

Stakeholders include anyone who is impacted by the company’s decisions, positively or negatively. In the case of the IRS this includes the US government, management, employees, and the whole of all American taxpayers.

What to Do and Why to Do It:

One alternative action would be to change monitoring requirements and offset employee duties to other areas. Employees by and large were clearly upset by the constant supervision, and the supervision could be slightly unnecessary in the sense that it is happening too often. Orwellian supervision of any employee activity can wear on morale and cause paranoia, where Cash says that "under traditional human supervision, employees usually know when they are being observed, and supervision is intermittent" (Cash). A few employees suggested using the monitoring system strictly for quality-control, but everyone agreed that the way the supervision system was approached made all the difference (IRS). This change would affect management and would cause them to re-evaluate and re-structure the ACS system, and would cost money as well as time. Supervisors would be impacted, as their duties would change along with the supervision requirement changes. No other stakeholders would be affected.

The other option, and the one I recommend, is to do nothing. The system is working as it was intended, and the only issue is that of human opinion. From an ethical point of view, spending more money on an already-working system makes no sense. "The enhancements in productivity and service that the IRS was able to provide with the introduction of ACS were impressive" (IRS). On top of this, electronic monitoring helps improve efficiency, according to Cash (Cash). Employee morale is important, sure, but it has nothing to do with the IRS's end goal of improving efficiency, and therefore they should not spend any time or money improving that aspect of the job. It's too expensive for the IRS to change things. This decision to do nothing benefits upper management by saving money, and taxpayers will appreciate the increase in efficiency and customer service.