

# **Case 6 IRS**

## **Mission Statement**

IRS was designate to use as least as possible public cost to collect tax revenues for the government of United States, aiming at providing the best services for the taxpayers and good work conditions for the employees, with its central office located in Washington, D.C. The employee number drop from 120 thousand in 1988 to 75 thousand in 2019 and annual budget grew from 5 billion in 1988 to 11.3 billion in 2019.

## **Generic Strategy**

The Focus strategy may be the best to describe IRS's generic strategy. Its services have been focused on the same group of people and the group is very well defined. Given the nature of IRS, its services are a niche, and they are the only organization that can do what they do.

## **Organizational structure**

IRS functioned using the Divisional Organizational Structure. They had six divisions, such as Resources management division, Examination Division and Collection Division. Within the focused Collection, functional structure was setup for COF and ACS operations. Functions were defined and set up for different purposes within COF and ACS.

## **Porter's Five Forces**

**Competitive Rivalry:** No threat.

**Threats of New Entrants:** No threat.

**Threat of Substitutes:** No threat.

**Bargaining Power of Suppliers:** The suppliers of the new system had low power. The new systems were not special enough to be the only provider IRS could find. IRS had high budget and could afford switching to new systems more easily.

**Bargaining power of Customers:** If we take taxpayers as customers of IRS, they have very little power. Taxpayers have to pay the proper amount of tax to IRS within the required time, either self-handled or with help private financial agencies.

## **Problems and Stakeholders**

**General problem:** Technology brought up the efficiency and work quality. But the newly introduced systems were overly used to monitor the employees. It brought down employees' enthusiasm and motivation. Most of the employees in IRS did repetitive work every day under high pressure and have no freedom at all. "At the outset the studies were primary concerned with investigating the relation between condition of work and the incidence of fatigue and boredom among employees. (Morgan)"

**Mr. Brown:** In Mr. Brown's three options, none of them mentioned to place more trust on employees and improve their morale. The best he could come up with was only mentioning the management approach to monitoring.

**Supervisors:** They spent too much time and energy dealing with monitoring employees. It helped with improving productivity and service to a certain degree. But they did not measure the negativities it brought on employees. "Supervisors and other hierarchical forms of control do not just monitor the performance of workers – they also remove responsibility from workers, because their function really becomes operational only when problems arise. (Morgan)"

**Employees:** When transiting to ACS, many senior employees chose to work somewhere else, causing the collection division to lose technical knowledge. ACS had to hire from outside. Employees in ACS had very low morale to their work and very negative towards how they were monitored on their computer and phone calls.

**Taxpayers:** Taxpayers received better service benefiting from technology. It was worrisome that the chance of human errors might be higher due to IRS employees' low enthusiasm towards their work.

### **Alternatives and Impacts on stakeholders**

**Alternatives 1:** Reduce the amount of computer monitoring and phone monitoring and setup performance review between supervisors and employees. Based on the amount of phone calls, a percentage of samples can be picked out for reviewing. For better performed employees, the

sample size can be smaller while a bigger sample size of call reviews can be picked out from the worse performed employees.

**Impacts:** Mr. Brown might be concerned about monitoring employees' performance relying less on Technology. But with a performance review meeting arranged between supervisor and employees as an opportunity for communication. Supervisors would not have to spend most of their time monitoring, instead they could use the time to improve their leadership and relationship with their employees. When employees know they are cared and listened to, they would like their work environment more. Taxpayers would benefit from the better work morale and human errors could be minimized.

**Alternatives 2:** Turn teach review into peer review and bring issues up to the supervisors. Reviewing weekly with supervisors could be very stressful to employees. Peers could review each other's cases, exchanging experiences and giving each other recommendations. Employees would not do review with the same peer every week, peers can be paired differently every review cycle.

**Impacts:** This approach would not concern Mr. Brown as much since he did suggest trying out different management approaches. Supervisors would not have to go through all cases of every employee and would have more time to improve their own performance. Employees would have less pressure reviewing with peers and they still would have chances to bring issues to supervisors when they need help. Taxpayers may not notice the differences.

**Alternatives 3:** Raise employees' pay, set up a reward bonus plan, and keep all the monitoring and reviewing practices. "We all know employees work best when motivated by the tasks they

have to perform and that process of motivation hinges on allowing people to achieve rewards that satisfy their personal needs (Morgan).” Operationally, nothing would be changed. Given the importance of the correctness and efficiency of IRS employees, monitoring and reviewing are reasonable. Paying the employees more would improve motivation.

**Impacts:** Mr. Brown might need to look into budget planning. Supervisors would have the same workload for monitoring and reviewing. Relationship between them and employees would be hard to change. With high pay, employees would be less likely to quit their job and be motivated. Taxpayers’ tax money would have a bigger portion going to be IRS employees pay checks.

### **Selected Alternative and Conclusion**

I would choose alternative 1 for this situation- Reduce the amount of computer monitoring and phone monitoring and setup performance review between supervisors and employees.

Reducing the amount of monitoring does not mean no monitoring at all. Monitoring is always necessary because monitor worker performance can ensure that appropriate work procedures are followed and that appropriate results are achieved. (Morgan)” This solution is combining with Mr. Brown’s third option. Improving management’s approach to monitoring and at the same time reducing the amount of monitoring of employees would make them feel more relaxed at work. Morale would be higher without raising the pay scale. Incentives is not the only way to motivate employees. Supervisors would be able to shift their focus from monitoring employees to improving their leadership. “Listening and showing interest by asking questions,

giving and accepting feedback, and managing expectations are some of the important components of communication exhibited by a good leader. (Sanghera)”

Alternative 2 would not be likely to improve employees’ skills nor to help with their performance. Peer reviews worked well for less complex or less important operations. Relying on peer review solely would not be enough to replace teach review. Alternative 3 is not a long-term solution. Raising employees’ pay might motivate them for a while. Bonus is always something employees would worked hard for. However, working under a depressed environment with high pressure for long, employees might have mental health problems or would eventually leave the job. “One’s working conditions, role, career aspirations, and quality of relations at work interact with one’s personality to influence personal stress levels and physical and mental well-being, (Morgan)”

## Works Cited

Morgan, G. (2006). *Images of organization*.

Sanghera, P. (n.d.). *CAPM in Depth*.