IRS

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Executive Summary

The Internal Revenue Service (IRS) the revenue collection service of the United States government. The IRS is a federal bureau and part of the Department of the Treasury. Their primary function is to collect tax revenues. Every year they collect roughly $935 billion dollars from more than 194 million tax returns. They also work with over 83 million taxpayers in order to ensure those taxpayers have the information they need to pay taxes to the government. The IRS has around 120,000 employees across 700 offices with 20 main regional offices. Their main headquarters is located in Washington D.C. In order to keep up with the rising tax collection burden the IRS moved to an information system called the Collection Office Function (COF) in the 1960s. This system offered employees a lot of autonomy and accomplishment as employees would work on a case from start to finish. This often involved working with multiple employees to gather the information necessary the handle each case. However cases could take hours to finish depending on how difficult it was to find the case information. More experienced employees could find such information more quickly while it may take a less experienced one a significantly longer time. In order to reduce costs and improve employee efficiency a new system was implemented called the Automated Collection System which came with a new set of problems

Industry Competition Analysis

IRS Mission

"The IRS's primary function was 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 for the U.S. government." (Cash)

IRS Strategy

The IRS's generic strategy is cost-leadership. Cost-leadership is when "a firm finds and exploits all sources of cost advantage and aims at becoming a low cost producer in the industry." (Tanwar). This generic strategy is the best fit for a government bureau which doesn't actually generate revenue per se and is allotted a budget for operating costs.

IRS Organizational Structure

The IRS has a functional structure.

IRS Competitors

The IRS has no competition in collecting U.S. tax revenue

Supplier Power

Low. There are no raw materials used in IRS production.

Buyer Power

Low. IRS customers have little recourse but to pay taxes. Moving to another country still likely means paying taxes to that country as well.

Threat of Substitution

Low. The IRS is the sole collector of U.S. tax revenue

Threat of New Entry

Low. There can be only one bureau responsible for tax collection.

The Problem

Once the Automated Collection System was implemented a number of significant changes occurred within the IRS. Firstly the older more experienced employees resisted the new change

in technology. This change creates uncertainty which often leads to anxiety. In most cases this meant that those employees with high seniority transferred to different departments. Second, the ACS meant that employees no longer has to get up from their desk to find case information. This lead to a feeling of isolation as employees had no reason to interact with others as they had before. Third, with COF employees would work a case to completion which created a strong sense of satisfaction upon completion. With ACS employees were only given parts of a case to work on meaning they never saw the end result of a case. Fourth, the increase in negative feedback associated with ACSs' monitoring capabilities severely reduced employee morale. These factors lead to an incredibly high turnover rate at the IRS in some cases as high as 100%. Replacement hires largely came from outside the IRS and caused even more cost issues as well as turnover. We can look to a number of models to explain why the ACS is causing this high turnover rate. The ACS operated much like an assembly line which removed layers of Maslow's model for self-actualization. (Mcleod) Additionally the ACS sees the removal of a number of motivators in Herzberg's Motivation Theory. Such as challenging work, recognition for one's achievement, responsibility, opportunity to do something meaningful, involvement in decision making, sense of importance to an organization. (Geoghegan) Additionally we can see the negative impact the ACS explained by using Hackman & Oldham's Job Characteristics Model. The ACS reduces employee skill variety, task identity, task significance, autonomy, and job feedback. (Young)

Stakeholders

U.S. Government: the IRS is the primary revenue collection agency for the federal government. As such the federal government has a high stake in the success of the IRS

IRS Management: Monitor performance of employees, hire and train new employees

IRS Employees: ACS has led to a slew of motivation and satisfaction issues with employees

Taxpayers: Poor employee performance will negatively impact customer satisfaction and likely tax dodging.

Solutions

Solution 1 Do Nothing

Doing nothing will leave the IRS in its current state. Costs will run high as turnover continues to be an issue. While the ACS has improved productivity the high turnover rate will lead to higher costs over time.

Solution 2 Retrain Employees

Would see employees trained to handle all parts of a case like they were under COF. Employees handing cases to completion would likely return motivation levels to around what they were under COF but would require extensive training and changes in pay scale to account for the increase skill level.

Solution 3 Change management system

This solution would change the way the ACS is managed but keeping the structure of the system the same. Changes to effective management would include improving the quality of feedback given to employees. This would be done by improving the immediacy, nature, clarity of criteria used to rate performance. Additionally changes would be made to better explain the method of monitoring. Also management employees have an improved understanding of knowledge of the job and their leadership style. Lastly the changes will seek to improve employee disposition toward computer monitoring.

Solution 4 Restructure ACS's work organization

This solution will see ACS restructured into semi-autonomous teams. These teams would be responsible for completing a case from start to finish and would be comprised of employees with the functional expertise to handle case completion. They would be given a batch of cases to complete and they would be strictly monitored as before. This solution will require redesigning the ACS system to work in groups which is estimated to cost at least $1 million dollars. Additionally changes to the wage bill must be considered.

Proposed Solution

Based on the information in the case I propose changing the management system. This change would be the most cost effective for the IRS which would benefit the U.S. government positively. Changes to the monitoring system which would encourage employee improvement and reduce the negativity from the monitoring. Employees under this solution will not be monitored as often which will reduce their anxiety levels which will lead to a reduction of stress and improve employee morale. This option will lead management employees to improve employees instead of tearing them down which will lead to improved motivation from employees which leads to better interaction with customers. Employees will have more freedom to do their jobs due to the reducing monitoring and improved quality of management personnel. This will also have a positive impact on employee motivation. This solution also keeps all of the performance improvements seen with ACS while reducing the turnover rate to more acceptable levels. "The idea of integrating the needs of individuals and organizations become a powerful force. Particular attention is focused on the idea of making employees feel more useful and important by giving them meaningful jobs and by giving as much autonomy, responsibility, and recognition as possible as a means of getting them involved in their work. Job enrichment,

combined with a more participative, democratic, and employee-centered style of leadership will

arise as an alternative to an excessively narrow, authoritarian, and dehumanizing work

orientation generated by management and classical management theory." (Morgan)

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Case Citation.

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