CIS 410

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Case 5-1 IRS

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The Internal Revenue Service (IRS) is the US government's tax collection service. The Internal Revenue Service (IRS) is a federal agency and part of the Treasury. Their main function is to collect taxes. Each year they collect about $ 935 billion from 194 million tax returns. They also work with more than 83 million taxpayers to ensure these taxpayers have the information they need to pay taxes to the government. The Internal Revenue Service (IRS) has approximately 120,000 employees in 700 offices and 20 major regional offices. Their main headquarters are in Washington, DC. To keep up with the increasing tax burden, the IRS moved it in the 1960s to an information system called the Collection Office Function (COF). The system provides employees with a lot of autonomy and a sense of accomplishment because employees can handle cases from start to finish. This usually involves working with multiple employees to gather the information needed to handle each situation. However, depending on the difficulty of finding the case information, the case may take several hours to complete. Experienced employees can find this information faster, while less experienced employees can take longer. In order to reduce costs and increase staff efficiency, a new system called the Automatic Collection System has been implemented, which has created a series of new problems.

After the Automatic Collection System implemented, there are lots of changes has been occurred. There is no doubt that the new system has improve efficiency and increase the customer service quality to taxpayers. However, the senior employees have been transferred to different departments, these employees have also more familiar with the previous system, changes will made them have anxiety about the new environment and nervous to the new system which may cause them resisted the new system. Besides, the employees have less communications and interaction with other colleagues after the new system implemented. Employees were also very discontented about monitoring them. Meanwhile, working with colleagues and make things done will create gratification. Employees feel fulfilled at work because they have to work with their colleagues and retrieve all the information that they need to deal with customer issues. They can see their effort and the achievement they have made. These will create sense of accomplishment and satisfaction. "That labor has meaning to you, something that you can relate to, and does not occur just as a set of movements to be repeated. This is fundamental to intrinsic motivation, i.e. that work is motivating in an of itself (as opposed to motivating only as a means to an end)" (Cited from Hackman and Oldham job characteristics model). With the new system, employees cannot see what the results of their work and their contribution to the company is. What's more, this new system and monitoring function reduced employees' passion and morale. These problems cause IRS has a high turnover rate. Also, due to the repetitive work with ACS, IRS have more low skilled employees which means the supervisors need to spend a significant amount of time dealing with reviewing the employees' work to make sure the efficiency. These problems need to be fixed to improve the working environment and efficiency.

1.   The Competition in The Industry

The competition in the industry would be low. As IRS is the government operated organization, which is the ultimate tax revenue collector for the government, there is nearly no competitors.

2.   Potential of New Entrants into The Industry

The threat of new entrants is low due to IRS is the government organization. There is only one organization will perform the tax collecting function in the U.S. Any other organizations need to pay their taxes to IRS. Also, all the U.S. citizens need to pay their tax to IRS, and no one will expect to pay tax other than IRS. There is no way for the competitors to enter this industry.

3.   Power of Suppliers

The power of suppliers is low. Due to IRS is monopoly in this field, suppliers cannot dictate the price they provided. Conversely, there are lots of suppliers would like to provide their services or systems to IRS. There will usually be a large amount of suppliers bid on the contracts to provide their services and suppliers for IRS. In results, the bargaining power of suppliers is low.

4.   Power of Customers

The bargaining power of customers is low. Everyone in the U.S. need to pay taxes and IRS is the only "supplier" in this industry. Customers also have no other options to switch to. While refusing to pay taxes is possible, IRS can still recover the taxes with other ways such as liens against property and other measures. The only way customers can avoid IRS is moving to another country, but they also need to pay taxes in the new country.

5.   Threat of Substitute Products

As there is no competitors and IRS is a government organization, all the customers need to pay taxes to IRS, the threat of substitute products is low.

The stakeholder in this case would the U.S. government, IRS itself, their employees and their management, and all the taxpayers. IRS is the primary tax collection agency for the government, which is the most important organization for the government source of revenue. IRS need to be effective and efficient to make sure the organization has a good operation. The IRS employees get dissatisfaction and less motivation due to the ACS implemented. As they have been monitored during work, they will have less passion on their job. "Responsibility is derived from autonomy, as in the job provides substantial freedom, independence and discretion to the individual in scheduling the work and in determining the procedures to be used in carrying it out" (Cited from Hackman and Oldham job characteristics model). They need to figure out a way to work efficiently under the new system and be as productive as possible. The customers which are the taxpayers could be pay their taxes more efficiently due to the new ACS system let the employees can have a better known with each taxpayer with ACS. However, poor customers service with IRS employees will have a negative impact and may cause the customer unwilling to pay their taxes.

Alternative One: Do nothing.

If IRS does nothing, they will keep their organization structure and the new system. The new system has improved their job efficiency dealing with customers' cases. And the customers would be happy to see that their tax payment process faster and easier. Currently, the new system has improved IRS's productivity and quality of their service. However, the employees will continue to be unhappy about the now system and the things they are working on. The employees are not motivated. They will

keep getting monitored and have no interaction with other employees. Supervisors will not be satisfied as well due to they need to continue monitoring their employees over 20 hours a week which is more than half of their time of work hour each week. IRS will save money for they no longer need senior workers but only employees for less skill set of work. But the turnover rate will keep being high. They do need to spend a significant amount of money and time to training the employees, even not as the standard before, but they won't keep the employees as long as before.

Alternative Two: Change the management system.

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. "Managers increase the likelihood of achieving desirable outcomes by selecting people with appropriate skills, value, and personality characteristics" (Cited from "Management of Information Systems", by Dr. Robert Barker). 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. "To provide the person knowledge on how successful their work has been, which in turn enables them to learn from mistakes." (Cited from Hackman and Oldham job characteristics model). 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.

Alternative Three: Retrain the employees

Employees need motivation and a degree of autonomy. The employees will feel like a wheel in the whole process doing the same work all day, sitting on the terminal and has no communication and interaction with others while getting monitored. The employees could get retrain and let them work with the entire case of the tax collection. Employees will get high level of motivation and accomplishment while during the job in this alternative. Also, the employees will become more versatile and be able to handle more aspects of works., like they were under COF. But this would require a raise of the pay scale for the increasing skill level. "Job descriptions expand and become multi-dimensional -- people perform a broader range of tasks." (Cited from "The Reengineering Revolution", by Hammer Michael).

I would recommend IRS to change their management system. I think IRS need to change the way that ACS is monitored. This will allow employees to have more autonomy and freedom to make their own decisions and or select what case they would like to work on. These changes will increase employee's passion and morale for the work. The control system's purpose is to make sure the efficiency and security but not reduce employees' motivation. "Motivating factors increase employee job satisfaction" (Cited from "Herzberg's Two factor theory", Module seven Panopto). While getting less monitored, employees will have less anxiety and less pressure while doing their jobs and could have a better interactive with customers. An appropriate amount of

monitor will actually increase employees' productivity and motivation, and also help them to have a chance to learn from their mistakes in the feedbacks. This would also help reducing the turnover rate. Supervisors will no longer need to spend a significant amount of time on monitoring their employees. "Managers can also benefit from a perspective that views every initiative as a systemic "probe" and learning opportunity" (Cited from "Image of Organization", by Gareth Morgan). Keeping the ACS but change the management system could reserve the performance improvement of the efficiency as well. The ACS will keep have a simplified structure and high efficiency. Retraining the employees will have a high cost and the ACS system's improvement will no longer exists. IRS also need to pay more for the employees after the training due to their high-level skill set. Do nothing will keep the situation getting worse, employees will keep unsatisfied with their jobs and the company will keep a high turnover rate. This is not good for the company having the purpose of make money now and in the future.