

Case Study – IRS

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The IRS, Internal Revenue Service, is a tax collection agency for the United States government. The IRS's mission is to collect the proper amount of tax revenues from the public at the least cost, meaning that they are under a cost leadership strategy. While some United States citizens pay their taxes on time and file the proper paperwork, others do not, and after enough reminders, a division within the IRS will begin to contact individuals requesting that they file the proper documents and pay the required amount. With a budget of over \$5 billion dollars, 700 offices, and 120,000 employees in 1988, the IRS had substantial means to collect debt from those who owe the United States Government. While it may seem that the IRS had substantial means to collect the necessary data and money from US citizens, it eventually got done in a way that was slow and time consuming due to the paper pushing that was involved. The IRS originally set up what was called the Collection Office Function. The Collection Office Function was spread out through many field offices who were each in charge of a geographic region. The Collection Office Function was split up into several areas, such as the walk-in unit, the process review, unit, and the incoming calls unit. While it may seem, each area had its own specific task, finding the necessary data to complete that task was challenging. All records were stored on paper and updates to each record were added on an individual piece of paper and appended onto the already length file. The paper system made it easy to pick a case up and call someone and note what took place, however trying to locate the file when someone would walk in or call back became a daunting task, often taking several hours. This is why in 1984 the IRS switched to an electronic system called the automated collection system. This system digitally stored the IRS files, in addition to using a Rockwell system to enable phone calls from the computer, and using an IBM system to select which case should be assigned to what employee next, based off of the information in the system such as the next call back date and the amount of money that is owed

to the IRS. While this system saw a jump in productivity, the IRS also saw a jump in turnover, thanks to the way the system was implemented, and the way employees were treated and viewed as a result of the implemented system.

When evaluating the Internal Revenue Service and using the Porters' Five Forces model, we see that the threat of new entrants for the IRS being very low (Afuah and Tucci 187). The reason for this is because the IRS is a government entity and they would not have any new competitors in the market for tax collection. While the United States government could possibly outsource, the threat of that is minimal to non-existent. The next position to evaluate is the threat of substitutes. The threat of substitutes for the IRS is non-existent, once again due to them being a government agency with no competitors. The IRS is the only tax collecting service in the United States for the federal government. The next of Porters Five Forces is the bargaining power of buyers. Since the buyers in this case would be the tax paying American citizens, there isn't really any bargaining power among them. This is because you either pay your taxes, or the IRS and the federal government will come after you and start seizing your property and assets. The IRS however does have a payment plan, however that does not change the fact that you will pay your taxes. The next of Porter's Five Forces is the bargaining power of suppliers. The IRS in this case does not have any suppliers. The only thing the IRS receives is a budget from the US government stating how much money they can spend each year. However, more than often this number is non-negotiable. The last of the Porter's Five forces model is the existing rivalry among competitors. Since the IRS is a government entity as stated before, they have no competitors in their market. The IRS is the only entity to collect taxes for the US government. It has been that way and more than likely will continue to be that way for a while. After evaluating all of Porter's Five Forces, we see that the IRS is strategically set with not competitors, and no

threat of new entrants. However, since they are a government entity, they do want to continue to promote a cost leadership approach.

The Internal Revenue Services' organizational structure was one that was hierarchal in nature. It starts with the Director of the IRS at the top, and then branches down to several individual divisions within the IRS. These divisions included resource management, examination, collection, employee plans and exempt organizations, criminal investigations, and taxpayer services. Each one of these areas had a specific task to complete to make sure that the IRS was able to collect taxes. The IRS, before the implementation of the ACS, Automated Collection System, was also view more as an organic organizational structure, with many areas talking across, horizontally, the organization. This meant that oftentimes the collection field branches may talk to the criminal investigation division, taxpayer services, division, etc. However, once the change to ACS, the IRS became more of a mechanistic organization. Where data only flowed top down and employees rarely shared information across the organization (Afuah and Tucci 67).

The stakeholders within the IRS were the United States Government, the Internal Revenue Services' employees, and the taxpaying United States citizens. The reason they are stakeholders is because the US Government for one, requires money to operate, and the only way to get that money is from taxes, meaning that this is the lifeline for the US Government to not go broke. The next stakeholders are the IRS' employees. They are stakeholders because they are the ones with jobs at this organization and they are the ones who collect the right amount of taxes from citizens. Which, citizens are the last stakeholders because they must pay their taxes to the IRS yearly and if they fail to do so in a timely manner, the IRS in conjunction with the US Government will come after them and seize their assets.

The problem within the IRS case is that employees once had a functional work environment where they felt valued and took pride in their work when calling individuals and closing cases out. Due to the original functionality before ACS, employees were able to walk around, talk to each other, while still getting the task completed. However, after the implementation of ACS, employees felt as if they were tied down to the desk, frowned upon if they were to talk to their neighbor, and felt like a machine. They also felt as if they were constantly being watched over because supervisors now spent most of their time listening in on the IRS phone calls to customers for quality assurance purposes. The employees also did not feel as much pride in their work as before due to not closing out cases. Since the cases just came onto the computer and they were required to call, notate and update the call, and continue, they felt monotonous, rather than achieving something. However, one benefit of the ACS was that employees were more productive. While each employee may not see the overarching results, they were more productive. Overall, employee satisfaction and productivity were two of the problems that the IRS was facing. Which tuned into trying to find the perfect balance between the two.

The IRS had three alternative solutions to evaluate in regard to this case. The first is do nothing, where the IRS would let their employees not take total pride in their work but also allow productivity to be high. This is an option because according to Freed, he states in project management, to “not do anything you don’t have to do” (Freed 120). However, in this case, it appears something must be done. The next is to restructure the organization where smaller teams would be formed to allow individual teams to complete cases from start to finish. This would allow employees in smaller groups to see the progress they are making and hopefully allow them to take more pride in their work as they would be able to manage a caseload. The third and final

option is similar to option two, but is to allow individuals to be assigned a caseload and for them to take care of the case from start to finish to the best of their abilities. This would of course require additional training and a update to the software, but would increase employee satisfaction. Both options two and three would increase employee satisfaction since they would have new working arrangements (Freed 208). This would also allow the employees in options two and three to feel more empowered by not having a deskilled task. While deskilling allows organizations and control systems to be better managed and tracked, it makes employees feel as if their job is mundane and prevents them from broadening their skill base (Freed 211).

After reviewing the alternative outcomes, I believe that the third option, which is to train employees to take cases on from start to finish as the best option. This is because when looking at the process approach, employees would have skill variety, showing that they are multitalented. They would also have task identity, meaning they would see the outcomes of their work. They would also have task significance because instead of saying they work in a “call center” for the IRS, they could say they resolve cases for the IRS, which sounds better amongst peers. The employees would also have a bit more autonomy with this option since they would be getting judged on the number of cases, they are able to complete and not just the number of phone calls an hour they can do. Finally, they would also get immediate job feedback and satisfaction due to them being able to see how their job impacted the IRS. They would be able to take pleasure knowing that they solved several cases that day and got a set amount of money for the IRS. Hopefully, due to this choice, this would keep productivity up, motivation up, and turnover down for the IRS.