



Case 6: IRS

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Executive Summary

The IRS is attempting to implement a new automated system to increase the productivity of their employees. The plan is to implement a more customer focused system that will make collecting revenue for the government easier and faster.

IRS Background

The Internal Revenue Service is a government created agency whose purpose is to collect revenue for the government of the United States of America. The IRS currently has around 120,000 employees and has over 700 offices located throughout the world. The main IRS office is in Washington DC and it has more than 20 regional offices located throughout the US. The IRS has in the past year collected approximately \$925 billion in tax dollars from around 194 million tax returns.

The Problem

The IRS has been using IT technology since the early 1960s in helping it collect taxes and maintain the records of taxpayers. This constant upgrading of systems includes the newly introduced Automated Collection System. The Automated Collection System has greatly improved the efficiency and productivity of employees. This was due to employees not having to manually find taxpayers records which decrease customer service times. However, the new system has led to an increased level of turnover with some offices even reporting 100% turnover. This was mainly due to the new system effectively trapping employees in cubicles where there is very little interaction with colleagues and some employees were very uncomfortable with the constant monitoring

with all their phone calls being recorded and having their performances reviewed by supervisors. “Employees productivity can be measured and updated every minute of the day, work stress in such situations is at an all-time high.” (Morgan). This likely lead to many employees feeling dehumanized and that “Big Brother” is always watching. This led to many skilled employees going elsewhere only to be replaced by cheaper less skilled employees.

Competitive Analysis

Mission Statement

The IRS’s mission is to ensure the integrity of US tax returns and to keep records of all taxpayers for government use.

Porter’s Five Forces

Threat of New Entrants

The threat of new entrants is extremely low for the IRS. This is because the IRS is a government established monopoly for obtaining tax revenue for the US government. The only way for a competitor to be created was if the US Government created it.

Bargaining Power of Suppliers

The IRS is a monopoly so any suppliers should be willing to be paid a reasonable amount for their services, knowing that they will be a steady client for their business.

Bargaining Power of Consumers

The bargaining power of consumers is low since everyone must pay taxes or they would be breaking the law. Therefore, the law will prevent consumers from being able to challenge the IRS.

Competitive Rivalry

The IRS has no competitors since they are a government created monopoly. IT would require the US Government to allow taxes to be collected by a third party or the government creating another tax agency.

Threat of Substitutes

The threat of substitutes is low for the IRS. This is because they are a government created monopoly. This is because the IRS has no competitors, and everyone must pay taxes to the IRS according to federal law.

Stakeholders

IRS Management

The management of the IRS is responsible for choosing how to use the new Automated Collection System and how it is implemented. Management is also in charge of monitoring the employees and determining how best to reduce the current high rates of turnover while maintaining productivity.

Employees

The employees are currently being monitored at a level which many of them are uncomfortable with current implementation of the Automated Collection System. They

are currently leaving the IRS at an alarming rate which is leading to a smaller labor pool for the IRS and forcing the IRS to higher lower skilled employees. They are mainly leaving due to the current rate of monitoring by management. "If people believe they're working so that senior management can get a bigger bonus, change will not happen.

(Kalakota)

Customers

The taxpayers who are forced to pay taxes to the IRS will be concerned with any issues that arise as it could cause delays with their taxes, which could cause major concern down the line if their taxes are still not paid.

Solutions

"What to change? What to change to? and How to cause the change?"

(Goldratt). The IRS must balance the fact that the current system has led to a great boost in productivity, but it is causing major turnover issues with employees. It is important that the IRS also note that the current system can get customers their information and cases finished faster than previous methods.

Do Nothing

One solution is that the IRS maintain the current system they are using. This will have employees stuck in cubicles working on cases and the current turnover rate will stay the same. This means management will maintain the current monitoring of calls and they will be holding weekly performance reviews. This solution will continue the

current increase in productivity and should lead to happier taxpayers with their cases being done faster.

Effect on Stakeholders

Management will have to continue with the weekly performance reviews along with constantly monitoring employees calls. The monitoring is not valued by all managers with some of them even being uncomfortable spying on their employees. Employees are unhappy with the current situation as they do not like being constantly monitored and cut off from social interactions with their peers. Customers are happy as they are seeing improved customer service because of the Automated Collection System.

Create Semi- Autonomous teams

In this solution, the employees at the IRS are broken up into separate teams to work on cases. This solution also sees managers put in charge of teams rather than individuals. This solution has the benefit of allowing employees to have greater social interaction, which should increase morale and allow managers to get more work done as they only must monitor their teams rather than each individual. This change would be expensive as it would require the system to be redesigned to be team-based rather than used by an individual.

Effect on Stakeholders

Management would have to approve the costly change to the system which may lead to it not being a viable option. It would free up some of management to be able to work on tasks other than monitoring employees as the teams would not require as much

supervision. Employees would be happier as it allows them to work in groups again with less monitoring which should cause higher morale and a lower turnover rate. Customers should be happy as they will continue to get the great service from the new system.

Change the current management scheme

In this solution, management allows employees to have more freedom to work on cases with each other and will decrease the amount of monitoring that is currently occurring. This means management will have less control on employees' actions and it should free them up to work on other tasks. Employees will still have to have performance reviews but instead of weekly perhaps quarterly. The system will remain the same as it currently is, but employees will be able to interact more with their colleagues and feel they are not being as closely micro-managed as before.

Effect on Stakeholders

Management will benefit as it will allow them to not have to monitor the employees as closely which should lead to managers having more time to focus on other tasks. Employees benefit from an increase in morale driven by less monitoring and more social interaction with their peers. This should lead to a lower turnover rate which will be of great benefit to management. Lastly, customers will benefit from the continued use of the Automated Collection System.

Recommendation

I recommend that the IRS go forward with redoing the management scheme. I believe this approach will allow for employees to believe they have the greatest amount

of freedom possible with the new system. "The goal of change management is to dupe slow-witted employees into thinking change is good for them by appealing to their sense of adventure and love of challenge." (Adams). Employees will have higher morale due to their revived sense of social interaction within the workplace which will help to reduce the high turnover rate the IRS is currently facing. Customers will also benefit as the Automated Collection System allows for employees to finish cases faster which means customers will not have to wait as long for their issues to be resolved. As for the other two solutions proposed, the IRS really cannot afford the cost to change the system to be team-based as it was estimated to be around \$1 million and the turnover rate is simply too high to do nothing. Therefore, the best option is for the IRS to change the management scheme to create happier employees and maintain current productivity for customers.

Works Cited

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