The Internal Revenue Service:

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Introduction

In 1989 The United States Internal Revenue Service has transitioned their operations to use automation technology to increase efficiency and productivity among the collection division. Tim Brown, assistant commissioner for collection of the IRS, has worked on the project and put millions of dollars into the reorganization that would reduce the large paper trails per case and reduce the time it takes to locate cases and close each case. The collection office function (COF) has been replaced by the Automated Collection System (ACS) to make a progressive step to modernize the IRS. The collection operations no longer consisted of piles of semi-organized papers. Instead ACS was intended for the employees to not have to leave their computer terminals to find information they need. The new technology also comes with the ability for supervisors to monitor individual's performance much easier than COF supervisors. With major opportunities expanding from the implementation of ACS technology employee turnover rates were increasing higher than the IRS has ever experienced. Brown must find a way to understand and solve issues that came as a result of implementing the automated collection system.

Problem Statement

From 1976 to 1982 the IRS collection division's accounts receivable inventory increased from 614,000 to two million accounts and grew from $1.7 billion to $7.6 billion by December 1982. COF became an obsolete method to handle the capacity of their cases. Inventory management became counter-productive by taking multiple hours to locate lost cases or looking for a case that is in transition and cannot be found. Employees that took incoming calls had difficulty handling them because the accounts did not have an easy way to be found and accessed during the calls. The automation collection system was introduced to the IRS collection division as a computerized inventory control system to increase productivity and organization of cases. Though, the problem is stated by Goldratt as, "productivity is meaningless unless you know what your goal is" (Goldratt). Despite the IRS benefiting from ACS's performance, during the transition IRS employees and COF staff did not accept the transition to ACS. They were familiar with working using COF for several years. Long term employees were leaving and the turnover rate in some departments were as high as 100%. Employees were not motivated by the supervisor's new monitoring control systems and the isolation from coworkers. Some of the supervisors felt the monitoring process to be inefficient and others saw the opportunity to improve by constantly monitoring the employees. Supervisors spent 25 to 33 hours of their week monitoring and reviewing employees and giving them feedback on their progress. The employees saw this feedback to be not very effective as their performance does not change very much from week to week. Brown needs to decide if going to ACS was the correct decision for the IRS. If so, Brown needs to find a solution that helps all employees to be satisfied with their jobs while using ACS.

Industry Competitive Analysis

Mission Statement

The Internal Revenue Service's mission was to collect tax revenues for the U.S. government at the least cost to the public in a way that warrants confidence in their integrity, efficiency, and fairness. The collection division is responsible for handling cases in which the IRS had accounts receivable if it is located in one of the ten national service centers. Taxpayers can file returns and bill for unpaid taxes or notices for unfiled returns were issued under collection.

Generic Strategy

The IRS's has a cost focus strategy because of their nonexistent competition and the entirety of the business model is structured to collect tax revenue for the U.S. government. "It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. (Tanwar). Their primary function is to collect the proper tax amount in a fair and reasonable way for all taxpayers. In 1988 the IRS received and processed more than 194 million tax returns, collected $935 billion, and handled 83 million taxpayer requests for information or assistance for the U.S. No other company has the authority to collect taxes owed to the U.S.

Porter's Five Forces

Threat of New Entrants: The IRS has a low threat of new entrants into their market because it is the only revenue service provider in the nation.

Threat of Substitutes: The threat of their being a replacement for the IRS is also low. There are only tax preparation and assistance companies that also must report all taxpayer information to the IRS.

Bargaining Power of Suppliers: The suppliers to the IRS have low bargaining power because they are the only government revenue service to supply. "A high concentration of purchasers is an indication that suppliers in that market have a weaker bargaining position" (Porter). As the IRS, they are the only government revenue service buyer in a market of many suppliers, weakening the power of suppliers.

Bargaining Power of Customers: The customers to the IRS have a very low bargaining power since they are required by U.S. law to pay and report their tax revenues to the IRS.

Competitive Rivalry: The IRS does not have any competition since they are owned by the U.S. government to be the sole operation for national tax revenue services and collection.

Stakeholders

The stakeholders for the IRS include each service center's management, supervisors, employees, and U.S. taxpayers. IRS national management was responsible for the operations of each section and how efficiently supervisors and employees performed their jobs. Tim Brown increased the productivity of the collection division by reorganizing and automating daily operations. The collection division of the IRS had supervisors that were affected by the transition to ACS and are now tasked to constantly monitor the performance of the employees. Their responsibilities include using ACS to create controls system that provide feedback on individual performance. Employees were affected by the control systems by having to perform well for the supervisors based on computer monitoring, telephone monitoring, and teach reviews. The U.S. taxpayers are stakeholders of IRS operations because as the employees are being more productive, they are also becoming more proactive of an organization to enforce their tax payment policies. ACS automatically prioritizes cases so more high-priority taxpayers are held accountable.

Alternate Decisions

1. Do Nothing

If the IRS were to do nothing, the ACS will increase productivity, response time, and decrease the time to close a case for the next few years. Employees using the ACS will provide contact, investigation, and research functions from computer terminal. The majority of their tasks can be completed without leaving the terminal. Consequently, employees will feel isolated from other employees and the turnover rate will continue to increase. COF allowed for employees to discuss procedures, gave employees freedom to move around, and employees were aware of what other job functions consisted of. ACS centralized all work to the computer system and the supervisor monitoring controls considered employees to not be doing work if they left their computer terminals or were talking to other employees. The supervisors will continue their monitoring process at the individual level for tree sources of performance. Monitoring at the computer level is considered the most pervasive source of information because it monitored employee's behavior and productivity based on their computer activity. Measuring their average talk time, number of called attempted, number of calls completed, and time spent away from the computer was an unmotivating change for the employees. Their telephone monitoring consisted of supervisors monitoring at least two completed calls to taxpayers or at least one hour of calls per employee, each week. The teach reviews will consist of a weekly review of all cases worked by an employee to determine whether they analyzed ACS data correctly, made correct decisions, followed procedural guidelines, and more closely monitored ACS management rules. They will continue to turnover employees that are used to having freedom and mobility in the way they conduct their work. New employees will not have many motivating factors or autonomy and will likely leave the IRS unsatisfied because of negative reinforcement.

2. Restructure ACS's work organization into semi-autonomous teams

Creating semi-autonomous teams would solve the issues of employee isolation. Though employees will feel less isolated, they will not feel like they have autonomy in their work. The supervisors will monitor the employees on the group level instead of as individuals and they may get more feedback that is irrelevant to their performance. The current ACS control system is seen as over managed by having weekly feedback reviews, so team-based reviews would seem as less of a necessity to employee's work. The re-organization of ACS would cost an estimate of $1 million which makes this alternative very unlikely. The technology has already costed the IRS millions of dollars and if they were to spend more, it would likely be to make the work more productive and efficient. Working in teams, the employees can discuss the procedures of each case together and can increase the number of cases closed, but this organization is contradicting to the handbook because time spent away from the computer and talking to other employees is considered against the computer monitoring policy. They will continue to provide negative reinforcement by punishing employees in their reviews for not following procedural guidelines. "People may be no more than semiautonomous pawn moving themselves around in a game where they can learn to understand the rules but have no power to change them" (Morgan). The employees still will not find any job satisfaction transitioning from a fully autonomous job to a semi-autonomous ACS team.

3. <u>Retrain ACS employees to handle all aspects of the collection function</u>

Retraining ACS employees to work on all aspects of the collection function will solve the issue of employees no longer having awareness of what other functions consist of. This will give employees a raise in pay and give them additional skills to perform throughout the workday. There will also be a retraining cost, which makes this alternative not reasonable to the IRS management's goals or to what the employees are looking for. The employees do not want to work more and a raise in pay is not a motivating factor that would cause them to stay. In *The Goal* it states, "The goal is not to improve one measurement in isolation" (Goldratt). To reduce the turnover rate, the employees are wanting motivating factors such as more autonomy, sense of achievement, and recognition for work done well. The current management policies and supervisor control systems weigh down on the employee's ability to perform well and have job satisfaction. If they were to retrain the employees to learn more about the collection function, then the IRS will continue to see high employee turnover.

4. <u>Change system management</u>

Under the ACS management handbook, supervisors were required to monitor at least two completed calls to taxpayers, or a minimum of one hour per employee, per week. Supervisors say they prefer ACS over COF, but they feel employees and supervisors are both scrutinized. "In healthy systems of government those in power should be held in check by some form of opposition" (Morgan). Supervisors and employees have no say in what is expected of them since they follow the rules of the IRS and do not feel they can hold their superiors in check. Supervisors are expected to spend most of their week monitoring, reviewing, and giving feedback to their employees. Employees feel the monitoring ends up being negative management because the guidelines and performance measurements discover what the employees are doing wrong then mentioning their mistakes in the reviews. Alternatively, the systems management policies need to have performance indicators for what the employees are doing right and tell the employees what they could do to better assist them in their jobs. To benefit the supervisors, the monitoring should not be given on a weekly basis. Not much changes in the employee's performance after a week, especially if everything they have done incorrectly was outlined in the previous week's feedback. Supervisors will likely benefit from changing the system management by freeing up time for them to focus on long term objectives for the IRS. With up to 33 hours of their work week spent on monitoring individuals, supervisors seldom have time to work on the future after providing low-level management duties.

Recommendation

I recommend changing the current ACS system management to a quarterly review process that encourages supervisors to provide positive reinforcement and motivating factors for their employees. Changing the ACS Management Handbook can allow the IRS to change the strict and pervasive computer, telephone, and teach review processes to acknowledge employees for the valuable work they have completed and motivate them to improve. This can be done by lengthening the review periods to a quarterly basis to allow time for employees to work autonomously without tight supervision. Changing the management process will also free up time for supervisors to create better feedback and spend more time working on long term goals. The data will not change if they were to transition from weekly to quarterly reviews since the computer automatically monitor the number of calls received, number of calls answered, the average speed of answers, the number of calls attempted, the number of calls completed, the average worktime of calls, the number of accounts closed, and the number of dollars collected. Considering the amount of data each computer system is monitoring, it would benefit the supervisors to give better feedback if they collected more than a week's amount of data.

The isolation of employees is difficult to change by changing the systems management, since computers are isolating by nature. Despite the isolation, the policy should no longer punish employees for time spent away from their computers. The negative reinforcement punishes employees in an unhealthy way by encouraging sitting at a computer for hours at a time. Instead, employees should be measured and recognized for growth in numbers, quality of work, and amount of responsibility they have taken on over the previous quarter. These key performance indicators should be used to reward high performing employees and the employees who are not rewarded will be encouraged to perform to the standard those above them. These motivator factors can be a benefit to the employees and supervisors after their issues with the hygiene factors such as tight supervision and poor working conditions are resolved. ACS is a virtually perfect system, but its greatest flaw is it cannot operate well without employees. Changing the ACS system management will reduce the turnover rate and feelings of isolation that has held the IRS back since ACS's implementation.

Works Cited

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