CASE ANALYSIS 5-2

THE INCIDENT AT WACO MANUFACTURING

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Overview

The Internal Revenue Service (IRS) is charged with collecting tax revenue from citizens on behalf of the United States Federal Government. In 1989, the IRS processed more than 194 million tax returns, resulting in a collection of approximately $935 billion, and further assisted 83 million taxpayers. Seven hundred offices across the United States with 120,000 employees worked individual cases. After implementing a new Automated Collection System (ACS) in the IRS, overall productivity improved, but other issues arose, including high turnover and employee dissatisfaction.

The Problem

Originally, the issue was identified as inefficiencies of their employees and processes using a legacy system, Collection Office Function (COF), for tracking and storing case data on paper. Tracking down cases and subsequent follow up was time consuming and cumbersome. It was not unusual for the function of even locating a case to take hours. Because the workforce was so backlogged, it was difficult to get taxpayers to pay within a time frame of ten days because they knew in reality, they could wait several months to pay without issue. The IRS adopted the new Automated Collection System as their account control system, digitally storing case files and allowing staff to locate taxpayer information in a much shorter amount of time. The new system increased productivity greatly and increased the amount of revenue the department was able to collect, but was not widely accepted by staff. Following the reorganization spurred by the implementation of ACS, it was found that turnover was a growing problem for the IRS. Employees were unhappy with the amount of monitoring done on their activity, and felt that

there was little trust and understanding from supervisors and managers. Additionally, supervisors were spending a disproportionate amount of time on the monitoring and reviewing metrics that they were unable to do little else.

The Solution

There were seven identified factors significant to how employee's accepted the implementation of ACS according to Tim Brown, assistant commissioner for collection of the IRS. The factors included: "(1) the immediacy of monitoring information feedback, (2) the nature (positive or negative) of the feedback, (3) the clarity of the criteria used to rate performance, (4) the method of monitoring (whether done remotely or with the supervisor sitting next to the employee), (5) the supervisor's knowledge of the job, (6) the supervisor's leadership style, and (7) the employees' prior disposition toward computer monitoring" (Chalykoff). Clearly, ACS had helped improve the overall system and made the IRS more efficient, but in order to maintain a knowledgeable and capable workforce, there needed to be some re-assessing done in order to keep employees happy while still maintaining the gains in productivity.

Industry/Competitive Analysis

The Internal Revenue Service's Organization & Strategy

The IRS is a government agency put in place to collect tax revenue for the United States. They function with a cost leadership focus to serve a singular market segment in an efficient manner

(Porter). Organizational structure is functional with a hierarchy, and each office reporting to a regional office, of which there are 20 with headquarters in Washington DC. As they are the only agency for the collection of tax revenue, they have a monopoly in their market, but still need to strive to operate efficiently as many tax-related matters are time-sensitive.

Threat of New Entrants

The threat of new entrants here is low. Since the IRS is a government agency, it is managed and overseen by the federal government. New entrants would only be a real threat here if the government decided to outsource its revenue collection to a third party, which is unlikely since there is sensitive personal finance information handled on behalf of citizens, and the amount of oversight needed to manage a third party handling this data would be quite cumbersome.

Bargaining Power of Buyers

The power of customers for the IRS is low. Taxpayers are required to fulfill their tax obligations to the federal government and have very little recourse to avoid these obligations. Although it is noted that when a customer is given a time period in which to pay what is owed, the taxpayer often knows that the time window is quite a bit more elastic than relayed by the IRS representative. If this elasticity were to be controlled, the power of taxpayers would be minimized.

Bargaining Power of Suppliers

Bargaining power of suppliers here is low. The IRS does not consume raw materials in order to collect revenue. The suppliers can be thought of the providers of the new computer systems used to store, track, and complete cases within the IRS. In this case, a supplier would want very much to secure an agreement with the government and the IRS because to do so would mean a steady client for a decent amount of time, as the agencies would not want to go through a software change more than necessary.

Threat of Substitutes

Threat of substitutes to the IRS are medium. The substitutes here are being evaluated as other money obligations of the taxpayer. Citizens have no other alternative for paying their taxes, but their money obligations may influence their ability to pay appropriate taxes. Other than financial obligations unrelated to taxes, there are no substitutes for the IRS.

Competitive Rivalry

The IRS's competitive rivalry is low. There is one designated government agency to collect tax revenue from taxpayers. Citizens must pay their required share of taxes, and all of that revenue goes through the IRS. Competition here does not exist.

Stakeholders

The United States Government

The federal government of the United States relies solely on the IRS to collect tax revenue for the entire country, making the United States Government a major stakeholder in business decisions made in the IRS offices.

The Internal Revenue Service

The IRS must stem this turnover and find a way to engage employees if it is to continue to operate in a reasonably efficient manner. The department relies on its workforce to function, and if the workforce is threatened or weak, then it directly affects how well the department is able to accomplish its goals.

IRS Employees

Employees are being directly affected by the change in software, for better and for worse. They are a stakeholder in this matter because its success would lead to more job satisfaction than is being reported after the implementation of ACS, and improvements in how the offices run will ideally result in lower turnover.

Taxpayers

Taxpayers have an interest in the IRS's operations because they pay the salaries of the employees and supervisors working these cases. They also have an interest in the computer system functioning optimally as they are the ones being reached out to in order to address any tax discrepancies – it is in their best interest to have an efficient representative that can tell

them accurate information about their case and file in order to get any disputes resolved quickly and without issue.

Potential Solutions

Do Nothing

ACS has already helped the IRS become more efficient when handling cases regarding taxpayers. They should be proud to have experienced such improvements, and perhaps this high turnover is only a temporary situation as they gain newer employees that will be familiar with the ACS system and the monitoring expectations from day one. There may still be some friction between employees and supervisors, and employees may still feel the sense of isolation they have experienced since the new system was implemented, but with the right expectations, I believe this can be minimized with time.

Restructure ACS's Work Organization into Semi-Autonomous Teams

Restructuring the work organization into semi-autonomous teams would mean that employees belong to teams which are assigned cases on a daily basis. This would allow for employees to interact more with each other and not feel as if they are restricted to only their computer terminal. Teams could probably be monitored as a group or have a point person that delivers feedback aggregated by supervisors, which would alleviate some of the burden that supervisors have felt in the monitoring process. This choice would require some restructuring in order to accommodate the necessary technology changes, which would cause the IRS quite a bit of

money, and it would also require they restructure the pay scale, which would add onto the financial burden of this choice.

Retain ACS Employees, Expand Job Functions

Retraining employees so they are skilled and capable of handling all functions related to working on and closing a case would help give the employees more task identity, and thus more satisfaction as they are seeing their work come to fruition in the form of a closed and successful case. More training could also lead to less monitoring required as employees gain additional skills that help them complete their job in an efficient manner. This choice would also result in some restructuring of the pay scale, as employee skills are being expanded and improved.

Work Within the Present Organization, Change the System Management

Because monitoring is a large part of employee and supervisor dissatisfaction with ACS, it would be worthwhile to examine the process and purpose of the monitoring being done to see where things can be improved, limited, or eliminated if necessary. Improving monitoring will not only give supervisors part of their time back in order to focus on their daily operations, employees should only be given feedback that helps them improve their jobs, which will help them feel more satisfied in the work they are doing. Feedback must be timely and purposeful in order to be of any use.

Selected Option: Restructure into Semi-Autonomous Teams

Though the automation and monitoring being done on employees through ACS has helped the IRS be more efficient, it is negatively effecting employee morale. While I do believe that the monitoring system must be re-evaluated and changed so that it is less burdensome on supervisors and employees feel more of a sense of autonomy and control, I also believe having designated teams could help this process and result in more job satisfaction for employees. Team leaders can take some of the monitoring workload off of supervisors so they can focus on their other job duties, and employees and supervisors can work together to define what counts as a successful taxpayer engagement and what actions would not meet those standards. Identifying any actions that are monitored, but perhaps are not critical to the success or failure of an employee working on a case, and taking a look at what metrics are important to determining how well an employee is performing must be done in order to alleviate some of the burden of monitoring and some of the stress employees feel about the monitoring. Employees must understand how they are being evaluated and for what purpose in order for them to be successful. Electronic monitoring can be a great tool to improve employees work skills and minimize errors, but feedback must be purposeful and timely or it will not be well received or constructive (Cash).

Additionally, I believe that introducing a team-based structure, employees will feel less isolated and will have more time interacting with each other, which will foster a sense of community and in effect raise morale. Providing additional experience and broadening the employees' skill sets will contribute to more job satisfaction. Teams will be able to work a case until it is closed, allowing employees to have a stronger task identity, and be more invested in the larger process

of the department. If the IRS can successfully implement this plan and reduce the amount of turnover, it will be worth the investment in the technology redesign as well as the wage scale adjustment, as it is more expensive to onboard a new employee than it is to retain one.

Rejected: Do Nothing

I don't believe that waiting for the problem to "solve itself" is a sustainable plan. While it is true that as the IRS hires and trains new employees that will be used to the system from the beginning, they may still end up with the same qualms about isolation and invasive monitoring as they get more experience in their positions. This will also not address the issues that supervisors have in managing the amount of time monitoring requires of them.

Rejected: Expand Job Functions

I believe if you're going to expand job functions, the best way to go about doing this would be into the teams function. Training employees with new skills will do nothing to address the isolation some employees feel, and could further burden supervisors with more work to monitor and feedback to deliver to their direct reports.

Rejected: Change System Management

While I agree that the way employees are monitored should be re-evaluated and made to be more efficient and also useful, I don't think this alone will solve the problems that the IRS is facing with its workforce.

Resources

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