
III. Guiding Principles

In order to achieve the IRS' strategic goals, many changes and actions over many years will be required. Actions will be taken at all levels, from front-line employees to top managers. While each change and each action that moves the IRS toward its goals is valuable, it is useful in the midst of such great change to articulate some principles that guide as well as link our efforts. Articulating a list of principles does not imply that there were no principles guiding the IRS in the past or that this list is all inclusive. Instead, it serves to ensure the importance of the principles that are especially useful in the IRS today to guide our actions toward our strategic goals. These principles are a link between our strategic goals and the tangible changes we make and actions we take to achieve the goals.

Understand the customer's point of view and use this understanding to prevent and solve problems and provide quality service

This principle is especially important at this point in IRS history, as it represents a significant shift in emphasis. This shift, from an internal focus to a customer focus, is one that many organizations undertook in the last 15 years and has powerful and pervasive implications. As the IRS began to adopt this focus in recent years, practical examples of this principle have already had important effects.

For example, the IRS phone service improved a great deal, with level of service rising substantially in one year, without actually answering significantly more calls. How? By recognizing that taxpayers typically call at certain times of the day or week and by adjusting the schedules of customer service representatives to be available at those peak times. Previously, call schedules were arranged mainly on internal convenience.

IRS Problem Solving Days are another example of this principle. They have been very highly rated by taxpayers and have cleared up many long-standing problem cases by understanding the customer's point of view. Some taxpayers needed to meet face to face with an IRS representative and needed convenient times to do this and oftentimes the taxpayers' issues crossed IRS functional boundaries. By providing all the necessary expertise in one place at one convenient time, these taxpayers' needs were met.

Even the IRS quality measures for answering calls are changing to better reflect the taxpayers' points of view. Instead of rating the quality of answers against a test list of IRS-developed tax law questions, quality of actual taxpayer calls is rated.

Nearly every IRS activity and every employee's way of doing his or her job will be affected by adopting this principle. It should guide internal IRS activities as well. For example, those within the IRS organization who provide information systems services, facilities services or accounting services have internal customers, and it is vital to understand their needs to solve their problems.

While this principle has much potential to improve service to each particular taxpayer, it can also improve overall compliance. Since the IRS intervenes directly with only a very small percentage of taxpayers, gaining a clear understanding of what causes compliance problems in particular circumstances and situations is essential to address those problems effectively.

Enable managers to be accountable, with the requisite knowledge, responsibility and authority to take action to solve problems and achieve IRS goals

This principle, while almost universally accepted as essential in any well-managed organization, is important to stress at the IRS at this time.

As the IRS has grown and become more complex over the years, it has sometimes been difficult for managers to fulfill this principle, to the frustration of taxpayers, managers and employees alike. Lack of adequate knowledge by managers of the substance of a problem, or lack of authority to solve a problem, fuels this frustration. Taxpayer cases that remain unresolved for many years, over reliance on statistics as a management tool and poor response from surveyed employees on questions about “trust of management” all indicate that commitment to this principle must be renewed at the IRS.

The proper application of this principle in the future means that managers at all levels will be expected to understand the substance of the matters for which they are responsible, see that quality work is performed, take action on solving problems within their domain, and participate actively with upper management to solve problems which require higher level action. Higher management must provide appropriate guidance, structure, training, management support and tools so that their subordinate managers can be accountable and, then, expect them to rise to the challenge.

A much greater level of meaningful communication between those responsible for policy and those responsible for execution will also be essential. It is not possible to be accountable for making policy without having an accurate and up-to-date knowledge as well as accountability for how policy is being implemented with actual taxpayers. Likewise, the valuable knowledge gained from work with taxpayers must be used to make constant improvements in policy and business practices. And, if they understand the

basis for the decisions that guide their operations, front-line employees charged with executing policy decisions through daily operations will be able to perform their duties more effectively and make more reasonable decisions.

Align measures of performance at all levels

Everyone in the IRS shares responsibility for fulfilling the mission and making progress toward the IRS’ strategic goals. Every employee is also evaluated against some standard of performance, which in turn is the basis for awards and promotions. It is vital that the standards used to measure and evaluate performance at all levels be aligned so as to encourage and reward performance that advances the IRS’ strategic goals. It is equally important to avoid measures or standards that reward inappropriate actions or are subject to manipulation.

The lack of alignment of performance measures between managers and employees in recent years has been one of the sources of IRS problems in service to taxpayers and has undermined trust between employees and managers.

Because of the complexity and diversity of IRS operations, it is essential to have performance measures that are meaningful for each type and size of organizational unit. The operational measures for a call site answering tax law questions are different from those for a large-case exam group. The performance standards of an individual employee in these units must also be tailored to what is appropriate and measurable at each level. It is vital that whatever measures are used, they should, in the behavior that they encourage and discourage, be aligned at all levels, as well as with the three strategic goals of the IRS.

Foster open, honest communication

It is not possible to solve problems that one does not know about or refuses to acknowledge. The more difficult or important the problem, the more essential it is for those at higher levels to come to grips with it as

soon as possible. Open, honest communication at all levels is one of the most powerful principles of management for a large organization like the IRS. Problems should be identified, acknowledged, addressed and used as a learning tool for the future.

While this principle seems obvious and is well proven, it is often hard to live by, especially in a large organization. The well-known tendency to “shoot the messenger bringing bad news” undermines this principle. The often desirable managerial trait to “present solutions, not just problems” can produce situations where major problems are not raised until too late. The natural tendency of preferring good news to bad works against this principle. And, the fear of negative public reaction can also suppress or delay acknowledgement of problems.

Notwithstanding the difficulties of following the principle of open, honest communication, this is an essential principle for the IRS, especially at this time. The massive degree of change being undertaken and the commitment to address fundamental problems mean that progress will be slowed and risk will be elevated to unacceptable levels unless this principle is embraced at all levels.

To foster open and honest communication, it is essential for top managers at the IRS to demonstrate their receptiveness to hearing real problems and to avoid any hint of adverse consequences for those who raise legitimate issues.

Insist on total integrity

The modern IRS was formed with the fundamental objective of collecting taxes according to the law without corruption or political influence. As an agency that succeeded admirably in this purpose, the principle of integrity is not new to the IRS.

What is important at this time is to stress the breadth of this concept of integrity, hence the term “total integrity.” Total integrity means each employee should perform all of his or her duties in accord with the public interest and not with regard to any personal interest. This concept includes, but is broader than, avoiding traditional offenses of corruption or political influence. It encompasses all matters of public interest,

such as taxpayer rights, use of government resources, access to confidential information, internal and external reporting, personnel practices, procurement and travel activities, acceptance of gifts and conflicts of interest while employed or afterwards.

While many matters relating to IRS integrity are codified in rules and regulations, adherence to the principle of total integrity means that each employee should not only observe the rules but also embrace the spirit of acting in the public interest. When there is doubt as to the right thing to do, there is a failsafe technique: ask for help from a qualified source and do not act alone.