Federation of Tax Administrators

Annual Meeting
June 6-9, 2004
Providence, Rhode Island

Improving Tax Administration
Through Stakeholder Surveys

Jeffrey Saltzman	**David Mader**
CEO/Chairman	*Managing Director*
Sirota Consulting	*Sirota Public Sector*

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The Challenge

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Improving Tax Administration

through Stakeholder Surveys

Can it be done?

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Taxes, Technology, and Compliance

What do they all have in common?

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- **People**
  - It is people (employees) who administer the tax code
  - It is people (employees, taxpayers, and contractor support) who utilize the technology and new business processes
  - It is people (taxpayers) who choose to comply or not
  - It is people (contractor) who provide support to tax authorities with arrangements such as "benefits funded" programs

- **Leadership**
  - Organizational success is critically affected by the opinions and behavior of constituency groups
  - Leaders must focus on the monitoring and improving the human side of organizational effectiveness
  - It's people who produce well or poorly, speak up when there are issues or remain quit, stay or leave, cooperate with or resist change
  - People take these actions based on their views not managements

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Why Engage in Employee and Customer Survey Research?

Potential Outcomes

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- **For State Tax Executives**
  - *Insight.* Data about organization loyalty/alignment with business direction, and impact of management practices on bottom line business performance
  - *Action.* Generate actionable, practical, improvements in employee/customer commitment across the organization
  - *Benchmarking.* Learning from others
  - *Improvement.* A way to increase organization performance

- **For Individual Managers and Their Workgroups**
  - *Data.* How their component is functioning, in an absolute sense and comparatively within the organization
  - *Linkage.* A way to connect individual workgroup to total organization issues and performance
  - *Dialogue.* Open an ongoing communications channel in the individual workgroup
  - *Solutions.* The ability to solve local problems/issues

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Why Engage in Employee and Customer Survey Research?

Potential Outcomes (continued)

■ **For the Executive and Legislative Branches**
- A process that supports the strategic direction for the Management of Human Capital, Competitive Sourcing, and Budget and Performance.
- *Assurance*. Data on how well the organization is managing its strategy internally
- *Benchmarking.* A sense of how well organization is doing relative to peers
- *Transparency*. The ability to reassure stakeholders about the quality of employee loyalty and customer satisfaction
- *Governance.* A distinctive way to show strong governance: it's about more than "just the numbers"

■ **For the Sponsoring Organization**
- *Cost-effectiveness*. A process for communicating the organization's direction and valuing its people
- *Value.* Better/faster/deeper insights AND data about what the workforce really thinks
- *A Business Voice*. Cohesive approach to management of people issues

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Why Engage in Employee and Customer Survey Research?

Potential Outcomes (continued)

■ **For the Employees**
- *A Voice*. An efficient, systemic way to openly "be heard," and supported
- *Relevant Feedback.* Enables local management to share results, and because it's localized specific improvement actions can be taken
- *Ultimately, a better place to work*. Managers are acting on organizational effectiveness issues at the local level based upon factual data and direct feedback

■ **For the support contractors**
- Confidence that optimized service is being provided to the tax authority from a customer's perspective
- Assurance that contractor employees are aligned with the program objectives

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Why Engage in Employee and Customer Survey Research?

Potential Outcomes (continued)

- **For the taxpayers**
  - Confidence rather than income is the issue
  - Taxpayers may not have choices but they do have voices
  - Dissatisfied taxpayers will complain-complaints must be addressed
    - Addressing complaints wastes time/diverts focus from delivering the service and,
    - Makes the workplace unpleasant
  - Widespread dissatisfaction may lead to "non-compliance"
  - In environments where customers are also providers-dissatisfied customers become "troublesome providers"

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Let's Start with a Case Study

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IRS

Linkage Project

October 19, 2000

Prepared by

SIROTA
Consulting

Investigative Questions for the IRS

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- **What is the relationship between the attitudes of IRS employees and the attitudes of the customers with whom they interact?**
    - What employee attitudes drive overall customer satisfaction?
    - What employee attitudes drive customers' ratings of employee courtesy, professionalism, and fairness?
    - What employee attitudes drive customers' satisfaction with the time they spend on issues?

- **What is the relationship between the attitudes of IRS employees, customers and objective performance outcomes?**

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Our Approach

- **The attitudes of IRS employees were linked to customer attitudes**
  - Employee data was linked to customer data by district information
    - 33 districts of the IRS (e.g., New England, Ohio, Georgia, North Texas, Los Angeles)

- **The attitudes of IRS customers were linked to performance outcomes**
  - Customer data was linked to performance data by district information

Sources of Data

- **Employee Satisfaction Survey 2000 (N ≈ 82,000)**
  - Collection employees (n=5,845)
  - Examination employees (n=13,396)
  - Collected by Sirota

- **IRS Customer Satisfaction Survey (n = 16,375) - 1999**
  - Collection (N = 6,029)
  - Examination (N = 10,346)
  - Collected by another consulting firm

- **Objective Performance Data - May, 2000**
  - Collection (e.g., % Offers Processed in Six Months)
  - Examination (e.g., % of Field Examinations Overage)
  - Provided by the IRS

- **After selecting only those employee responses where taxpayers were identified as the primary customer (Q90=2) we were left with:**
  - Total n=29,876, employee n=13,501, customer n=16,375

Summary Findings

- **Employees who are more satisfied with the IRS as an organization have more satisfied customers**

- **IRS employees who are more satisfied with the practices of their immediate managers have more satisfied customers**

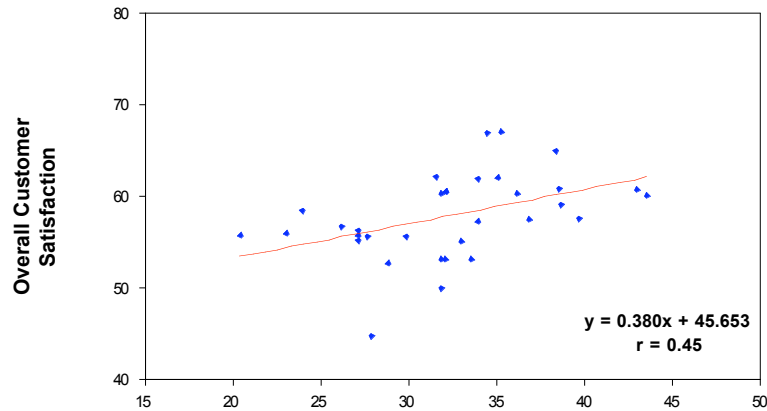- **Customer satisfaction with the service received from employees impacts the performance of the IRS**

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I. Relationship Between Customer Attitudes and Employee Attitudes:

Overall Customer Satisfaction

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Relationship Between Customer Attitudes and Employee Attitudes

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$$y = 0.380x + 45.653$$
$$r = 0.45$$

Employee rating of the IRS as a place to work, compared with other employers they know about

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Correlates of Customer Attitudes

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Overall Customer Satisfaction
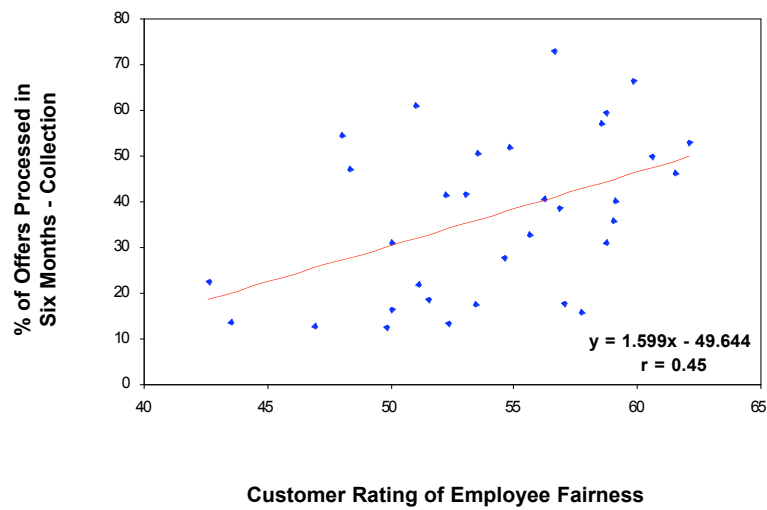
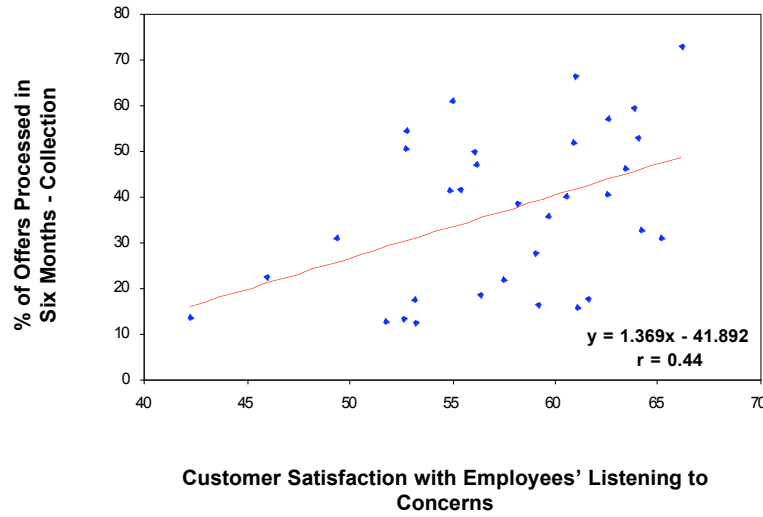|		r
Q27	I can depend on my manager to support me in the face of opposition.	.46**
Q1	How would you rate the IRS as a place to work, compared with other employers you know about?	.45**
Q24	I feel free to report information to my manager even if it is "bad news."	.45**
Q26	My manager helps me get the service and support from people I depend on to my job.	.45**
Q18	Management treats employees with respect.	.44*
Q7	I have the appropriate supplies, materials and equipment (other than computers) to perform my job well.	.43*
Q29	There is trust between me and my manager.	.42*
Q45	My manager clearly communicates expectations and procedures for protection of taxpayer rights.	.41*
Q44	My manager consistently wants me to do what is ethically proper.	.39*
Q54	The IRS provides me with adequate protection from threats and violence.	.39*

* $p < .05$
** $p < .01$

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II. Relationship Between Customer Attitudes and Performance Outcomes

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Relationship Between Customer Attitudes and Performance Outcomes

$$y = 1.599x - 49.644$$
$$r = 0.45$$

% of Offers Processed in Six Months - Collection (y-axis, 0 to 80)

Customer Rating of Employee Fairness (x-axis, 40 to 65)

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Relationship Between Customer Attitudes and Performance Outcomes

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% of Offers Processed in Six Months - Collection

y = 1.369x - 41.892
r = 0.44

Customer Satisfaction with Employees' Listening to Concerns

Correlates of Performance Outcomes

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% of Offers Processed in Six Months - Collection

	r	Bottom 15%	Top 15%
Customer Satisfaction with Employees' Ability to "Show the Right Attitude"	.38*	18.8%	51.3%
Customer Satisfaction with Time Spent on the Issue	.36*	30.2%	42.4%
Customer Rating of Employee Fairness	.45**	30.2%	51.2%
Customer Satisfaction with Employees' Listening to Concerns	.44*	18.8%	49.9%

* p < .05
** p < .01

III. IRS Linkage:

Putting All of the Pieces Together

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IRS Linkage

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Employee Attitudes	Customer Attitudes	Performance Outcomes

Employee Attitudes

- Rating of the IRS as a Place to Work
- IRS Management Treats Employees with Respect
- IRS Managers Help Employees Get Service and Support
- IRS Managers Support Employees in the Face of Opposition
- IRS Managers Keep Employees Informed

Customer Attitudes

- Satisfaction with Employees' Ability to "Show the Right Attitude"
- Satisfaction with Time Spent on the Issue
- Rating of Employee Fairness
- Satisfaction with Employees' Listening to Concerns

Performance Outcomes

- % of Offers Processed in Six Months - Collection

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Conclusions

- **Global satisfaction with the IRS and satisfaction with immediate manager practices have a statistically demonstrable impact on customer satisfaction**

- **Customer satisfaction with the service received from employees impacts the performance of the IRS**

" Sirota provided analyses that clearly pointed out where the biggest opportunities for improvement were. This made identifying the key changes to HR policies and practice similar to making business investments - data based and performance oriented, rather than an educated guess "

Charles Rossotti
former Commissioner
IRS

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The Challenge

"How can employee and customer Survey Research be conducted to greatly increase its utilization by management and have a direct impact on underperforming components of your organization?"

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Focus on Organization Objectives

- **The first question is:**
  - Why are we doing this survey, that is, what objectives will the data from this survey help us achieve?
- **Some examples of objectives from past Sirota surveys**
  - From Public Sector
    - Improve customer/citizen satisfaction (federal agency)
    - Improve process cycle time (federal agency)
    - Improve student achievement scores (large metropolitan public school system)
    - Reduce serious student infractions (military academy)
    - Improve member satisfaction (professional membership association)
  - From Private Sector
    - Improve store profitability (retail company)
    - Improve product quality (automobile manufacturer)
    - Improve customer service (insurance company)
    - Improve sales performance (pharmaceutical company)
    - Reduce turnover (high technology company)
- **Activity often fed by (or feeds into) a "balanced scorecard" process**

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Key Survey Utilization Principles

1. **Conducted *constructively* (vs. a traditional "audit")**

   - Problem solving, not blame placing
   - "Bottom-up" process

2. ***Senior line management ownership and involvement***

3. ***Tailored* questions, analyses and process**

4. ***Rapid* data feedback**

5. ***Quantitative and qualitative data* (precision and depth)**

6. **Relevant *normative* data**

7. ***Clear* analyzed output (vs. complex statistical analyses, jargon)**

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Key Survey Utilization Principles

8. A *limited* number of priority issues for action (not a "laundry list")

9. Data are reported *at all relevant organization levels* (organization-wide, units, cross-unit processes)

10. *Feedback* to employees

11. *Guidance* for action/action facilitation

12. *Training* in employee feedback and data utilization

13. *Disciplined* action planning*,* action is expected with accountability

14. *Repeated* regularly (vs. a one-time "event")
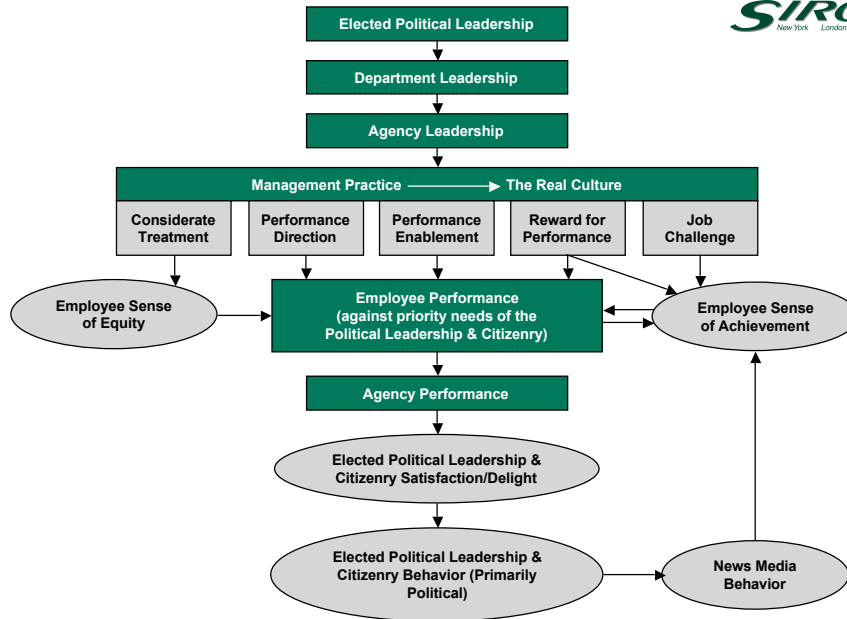

The Sirota Alignment Model[©]
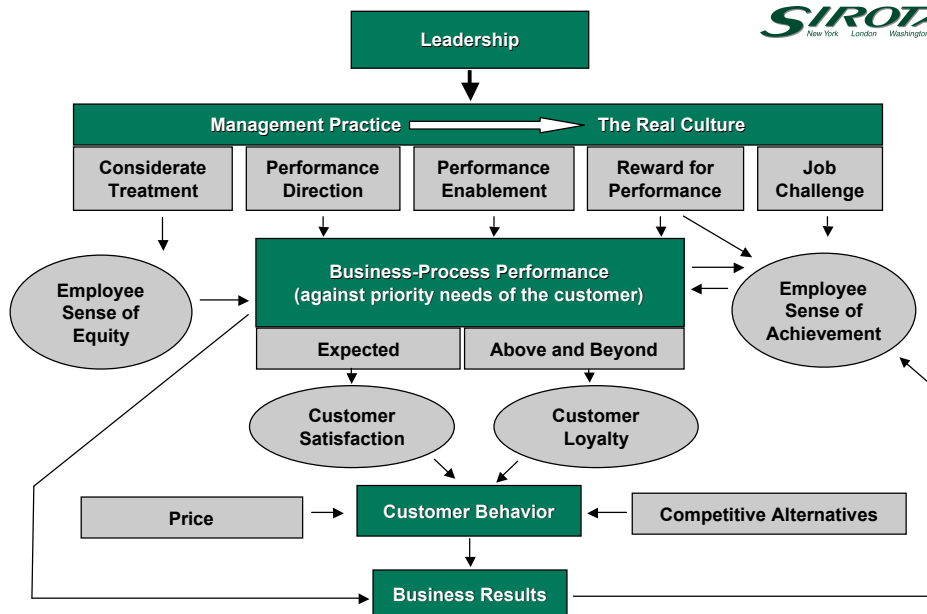
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The Sirota Alignment Model© - Government

Survey Process: Step-by-Step

A Typical Process for

Employee and Customer Surveys

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Step-By-Step Survey Process

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1. **Planning**
   - Establish steering group, define strategic goals
   - Develop detailed survey schedule
   - Plan focus groups
   - Define organization, occupation codes and other codes (for reporting)
   - Determine objective outcome measures and decide upon "Units-of-Analysis"
   - Schedule a senior management orientation
   - Decide upon administrative methodology
   - Discuss reporting formats
   - Establish feedback and action plan strategy / expectations
   - Develop an overall communications plan

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Step-By-Step Survey Process

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2. **Senior Management Orientation: 2-way**
   - Need their understanding
   - Need their guidance
   - Need their "ownership"

3. **Focus Groups: For qualitative data, survey content, survey follow-up**
   - Anticipate for development of survey core and any supplements
   - By major business or geography
   - 10-12 participants per group
   - Homogenous by Demographics
   - Semi-structured

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Step-By-Step Survey Process

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4. **Questionnaire Design/Review (standard items and tailored items from orientation and focus groups)**

    – Core

    – Supplements if needed

    – Indices as desired

    – Coding to permit the necessary data breakouts (e.g., by organization, by occupational category by location) while protecting individual anonymity

    – Final survey to be reviewed and approved

    – Following review, survey translated

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Step-By-Step Survey Process

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5. **Questionnaire Administration**

    – Web administration

    – Inbound telephone

    – Paper

    – Interim Response Rates available 24/7

    – Anonymity and Confidentiality built-in

        – Anonymous feedback

        – Minimum reporting requirements pre-communicated

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Step-By-Step Survey Process

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6. **Data Processing**

   – Data Cleaning (Statisticians review of data set)

   – Top-line data (for administrators) available

7. **Initial Analysis**

   – Organization "as a whole" first, followed by any sub-unit analyses -- includes:
     – Comparison to external norms (and benchmarks)
     – Trends from prior surveys
   – Analyzed within Sirota Consulting's analytical framework
   – Resulting in a delineation of the priority areas for improvement:
     – Key driver of key outcomes, and
     – Low absolute score and/or low relative to norms/declining over time
   – Linked to customer and performance outcomes whee available

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Step-By-Step Survey Process

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8. **Results Presentation to Senior Management**
   – Data -- critical details and core issues
   – Discussion
   – Agreement on key issues
   – Follow-up process plan ("Plan for planning")

9. **Unit Feedback**
   – Managers receive own data -- "Bottom-Up Process"
   – Conduct Feedback meetings with employees
   – Training: Understanding data; conducting feedback meetings; action planning tools and process; and implementation
   – Manager reports available shortly after questionnaire cut-off
     – Sirota On-line Reporting Tool (SORT™)
     – ReportExpress™
     – … or Paper

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Step-By-Step Survey Process

10. **Action Planning -- Organization-wide and unit, shared up the line**

11. **Follow-up**
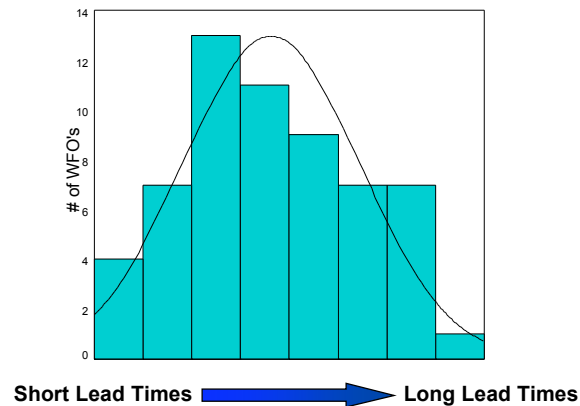   – Including setting goals for next cycle

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Other Case Study "Shorts"

Case Study #1 – NOAA - NWS

Performance Differences Across 59 Weather Forecasting Offices (WFO's)

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Short Lead Times ➡ Long Lead Times

- **What Causes the Variation?**

Highest Correlates of Tornado Prediction - NWS

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In my Office, work practices and procedures that are no longer needed are eliminated	0.37**
Doing work efficiently (i.e., at low cost for the amount accomplished)	0.35**
Sick leave hrs per month per employee	-0.33**
I understand the relationships between the NOAA Line/Staff Offices	0.31**
There is good cooperation among the various NOAA Line/Staff Offices	0.31**
My last performance appraisal was on schedule	0.31**
Differences among individuals are understood and accepted (e.g., gender, race, disability)	0.30*
Where I work, different workgroups cooperate to get the job done	0.30*
Having an effective organization structure	0.29*
I have good understanding of the mission, vision, and values of my Office	0.28*
In my Office's county warning area, an active and extensive spotter network assists in providing accurate and timely tornado warnings	0.27* (n=57)

Unless otherwise noted, pairwise $\underline{n}$ = 59
* $\underline{p}$ < .05
** $\underline{p}$ < .01

Predicting Tornados - NWS

- **Accurate and timely tornado prediction saves lives and property and discovering variables under management's control that enhance performance is of the highest priority**

- **There is no doubt that improvements in technology will improve tornado prediction. Continued advancements and refinements in this area remain extremely important. These "hard science" advancements, if properly applied, will raise the performance of all offices**

- **But, in addition, we have found that the quality of leadership in individual National Weather Service offices also has a demonstrable impact on performance. In fact,**
  - The quantitative goal of excellence the National Weather Service has set for itself could be achieved by attending to these cultural variables alone

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Case Study #2 – U.S. Patent & Trademark Office

- **USPTO Employee Satisfaction Survey - 2000 (N = 3,867 Employees)**

- **USPTO employee survey data were linked to customer data**
  - Employee data was linked to customer data by Business Unit AND Work Unit information:
    - Linkage analysis requires an index that is common to the data sets
  - Only those units reporting **10** or more employees (and **10** or more customers) were included in the analyses

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Summary Findings - USPTO

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| | | External + Internal Customers | Patents | | | | | |
		Overall Customer Satisfaction	Overall Customer Satisfaction	Courtesy	Clarity	Flexibility	Promptness	Commitment
Q12	Programs for work/family responsibilities are provided		0.83					
Q14	Communication across USPTO	0.57						
Q15	Communication has improved over last 2 years	0.66						
Q42	Individual differences are respected/valued	0.91	0.89		0.83	0.83	0.83	0.94
Q43	People treat others with respect							0.83
Q44	Management treats you with respect				0.83	0.83		
Q56	Organized effectively to get work done	0.66	0.89		0.83	0.83	0.83	0.94
Q57	Workspace allows effective job performance		0.94		0.94	0.94		0.83
Q70	I have appropriate tools to perform job well		0.94					0.89
Q80	Able to take advantage of family/personal life policies/benefits				0.83	0.83		
Q82	Safe work environment						0.89	0.94
Q84	Satisfied with workspace	0.59			0.83	0.83		
Q97	Receive help from supervisor for work-related problems	0.63						

Customer Ratings of Employee ...

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Practical Implications of Linkage Analysis – USPTO

Amount of Time to Complete Work (Months)

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		Bottom 15%		**Top 15%**
Q16	Programs for work/family responsibilities are provided	**28.5**	→	**19.7**
Q22	Satisfaction with the current range of work hours	**27.6**	→	**19.1**

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Conclusions

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Can it be done?

- **Yes, provided survey is not a check the box activity**

- **The survey is a management process providing data that is used to tune other organizational processes and strategies**

- **Feedback, Accountability, Action, and Repeated measurements must be built in**

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About Sirota Consulting

SIROTA®
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Our Mission

We deliver breakthrough organizational improvement through attitude research.

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About Sirota Consulting®

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- **Founded in 1972, specialists in attitude survey research and organization effectiveness**
    - Census or Sample; Continuous or Batch; Large-scale or Small-scale
    - Single Constituency Surveys
    - Multi-Constituency Surveys (Includes Leadership and Organizational 360°s)
    - Linkage, Variance Research
    - Conflict Resolution and Partnership Building
    - Organizational Change
- **Strong emphasis on data utilization (vs. data tabulations or academic research or "nice to know")**
    - Integrated with client's business objectives: Survey data to help achieve those objectives
    - Action-focused, constructive process
    - Cutting-edge survey technology
- **Disciplines: Industrial/organization psychology, occupational psychology, market research, sociology, computer science, statistics, project management, general management**

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Global Affiliates

Since 1972, Sirota Consulting has been performing survey research in over 100 countries (85+ languages) on five continents. With offices in New York, London and Washington, affiliates located on three continents and our proprietary survey technologies, Sirota Consulting has worldwide capabilities to accommodate any size survey anywhere in the world.

Global Survey Research that is Not a World Away

Why Sirota Consulting®?

- **Client Satisfaction – 93% yearly return rate**

- **Conceptual Model: Sirota Alignment Model© brings together attitudinal variables from employees found to impact bottom-line results**

- **Linkage - we have extensive linkage expertise (employees to customers to performance metrics)**

- **Variance Optimization™ – we are pioneering this new area, where large organizational gains can be made with limited resources**

- **Focus on data utilization through problem identification – track record on action and data utilization sets us apart**

- **Staff Qualifications**

- **Normative Database – international database (public and private sector) of employee attitudes reaching back to 1972 (divisible in a myriad ways – including merger-related norms)**

- **State-of-the-art technology – global leader in the use of survey technology, including PlatformOne™ – a client-driven interim survey tool**

Why Sirota Consulting®?

- **Ongoing research programs – Sirota dedicates significant resources to support ongoing Organizational Research**

- **Flexibility – innovative administration alternatives, multiple and detailed reporting options, etc.**

- **Quality – our data management is acknowledged as leading**

- **Security – Sirota Consulting has passed numerous electronic reviews for secure data handling**

- **Flawless transitions from "legacy" survey programs – we routinely inherit and incorporate existing survey programs**

- **Sirota has been rated #1 in the survey research business by two independent entities, one commissioned by a major Fortune 100 company, and the other by a world-renowned healthcare institution**

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Selected Clients