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Revitalizing Structure, Systems, and Strategies

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To the President of the Senate and the
Speaker of the House of Representatives

This report on revitalizing the U.S. Department of Agriculture's structure, systems, and strategies is the final report in a series of GAO management reviews of the Department. The series of reports assessed the Department's management, analyzed problems and determined their underlying causes, and identified ways in which departmental management processes and structures could be improved. This final report discusses GAO's overall observations and emphasizes the important role the Congress plays in cooperation with the Secretary of Agriculture in revitalizing the Department.

We are sending copies of this report to the Secretary of Agriculture; the Director, Office of Management and Budget; interested congressional committees and subcommittees; and individual Members of Congress. We will also make copies available to others upon request.

This work was performed under the direction of John W. Harman, Director of Food and Agriculture Issues, who can be reached on (202) 275-5138. Other major contributors are listed in appendix I.

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Executive Summary

Purpose

The U.S. Department of Agriculture (USDA) is at a crossroads. Programs established early in this century helped make America a world leader in agriculture. Now, however, USDA faces forces of change: increased international competition, environmental conflicts over farming practices, food safety controversies, and the economic and social impacts of biotechnology. The challenge for USDA managers is to create departmental structures, systems, and strategies that can respond to these new conditions.

A series of GAO reports has (1) analyzed the Department's management problems and their underlying causes and (2) identified ways to improve departmental organizational structures, management systems, and strategies in the face of USDA's changing missions. This final report in the series builds on the prior reports and discusses GAO's overall observations on revitalizing the Department. (See "Related GAO Products," at the end of this report, for a list of the reports in this series.)

Background

USDA, with the third largest civilian agency budget in the federal government, affects the lives of all Americans and millions of people around the world. Created 129 years ago to conduct research and disseminate information, USDA has expanded its role greatly over time to include supporting farm income, boosting farm production and exports, and improving nutrition. USDA's future role will be strongly influenced by continuing changes in the global marketplace.

USDA oversees an agribusiness sector of major importance to the nation's economy, accounting for 17 percent of the gross national product and 20 million jobs. To carry out its missions in 1990, USDA spent about $46 billion, controlled assets of about $140 billion, and employed over 110,000 full-time employees in 36 agencies in over 15,000 locations worldwide.

Agricultural export markets, key to the nation's vitality, are increasingly competitive, as the United States no longer dominates global agricultural markets. For example, 27 countries export grain today, compared with only 4 countries—the United States, Canada, Australia, and New Zealand—in the early 1970s. Between 1981 and 1988 the United States' share of global exports fell from 21 to 15 percent. This new competition has weakened the comparative advantage in low prices that allowed U.S. farms to prosper through the 1970s.

Results in Brief

USDA's organizational structure—essentially unchanged since the 1930s—is not responsive to the new challenges facing the Department. Consolidating and integrating organizational functions, for example, would allow USDA to provide the same services more efficiently to agribusiness customers and give it flexibility to meet needs more effectively. In addition, organizational mechanisms are needed to coordinate and integrate USDA's diverse responsibilities in cross-cutting issues such as food safety, water quality, and marketing. Information, financial, and human resources management systems need strategic planning to ensure that weaknesses are addressed in all agencies and that the systems operate as a unit.

Revitalizing USDA will not be an easy task. The individual agencies protect their interests, which are often closely tied to special interest groups and as such garner considerable congressional support. Strong top management leadership is essential to ensure that individual agencies institutionalize the needed changes. Congressional support will also be needed to enable USDA to help U.S. agribusiness produce safe, healthful, and environmentally sound food and fiber products that meet consumers' needs worldwide.

Principal Findings

USDA Needs to Revitalize

Although increased responsibilities in nutrition, international trade, and environmental issues have greatly diversified USDA's client base over the years, the Department's structure and management practices have remained largely unchanged since the 1930s. USDA has added agencies and functions over time, making it larger but not fundamentally different from its production-oriented, commodity-based past. The result is an organization that does not operate as an integrative unit for the most part, and has difficulty adapting to changes in client needs in the most effective and balanced way.

Change in the way USDA does business can be forced on it by external events, like reductions in funding for agricultural programs as the budget deficit grows or declining competitiveness of agricultural products in the international market. Or the Department's management, in cooperation with the Congress, can take the initiative and begin to revitalize before events force change.

Streamlined USDA Could Better Adjust to Meet Program Needs

USDA's current program delivery structure does not efficiently meet the needs of a modern agribusiness industry. USDA still maintains an extensive local presence—5 agencies alone have 63,000 employees in 11,000 offices, at a cost of about $2.4 billion annually. This structure was established during the Great Depression to serve a largely rural America, in which one in four Americans lived on a farm. Today, only 1 in 50 Americans lives on a farm, and many farmers manage large, sophisticated operations. Advances in communications, computers, and transportation systems have greatly increased access to information and sources of assistance, lessening the need for contact with multiple farm agencies.

Some county offices spend more on overhead expenses than they give out in program benefits. GAO estimated that the Agricultural Stabilization and Conservation Service (ASCS) could save over $90 million annually if USDA consolidated field offices where warranted.

For the long run, senior officials and the Congress need to seriously consider integrating the Department's farm agency delivery system so that multiple agencies operate as a unit at local levels. USDA's own reports have called for such an integrated system, but the leadership has never acted on these recommendations. Continuing budgetary pressures and the need to serve clients in the most effective way may compel USDA to eventually adopt a more streamlined field structure.

Strategic Planning Can Smooth Adjustments

Revitalizing USDA requires strategic planning processes throughout the Department, especially in emerging areas such as marketing, food safety, water quality, and biotechnology. USDA has had only limited success in responding to these new areas that cut across different agencies when it relies on agencies working alone.

For example, USDA has not developed an integrated, Department-wide strategic marketing plan. Former Secretary of Agriculture Clayton Yeutter frequently spoke of the importance of international agricultural trade. He emphasized the importance of the government's providing the necessary management tools to help American agriculture become more competitive in world markets, particularly in high-value food products. Yet, in today's highly-competitive, marketing-oriented environment, no such plan exists. USDA programs and policies generally favor the production-oriented philosophy that contributed to agriculture's post-World War II productivity boom. USDA agencies do not coordinate their marketing activities either within the Department or with other federal agencies. In brief, Departmental operations do not match the competitive leadership vision espoused by the former Secretary because the vision is counter to the Department's culture.

In the food safety, biotechnology, and water quality areas, policies are either narrowly focused or insufficiently defined because USDA lacks an effective management approach. In addition, plans and monitoring efforts target narrowly focused agency activities and do not comprehensively address all the major components of each cross-cutting issue. For example, a comprehensive policy and plan could help the United States establish itself as the world leader in food safety, but no such policy or plan exists. If USDA adopted a strategic approach to food safety, it could look at how and where to target resources most effectively to prevent potential food safety problems and instill confidence in quality products.

Strong Management Systems Can Ensure Success

USDA makes decisions every day that rely heavily on its basic management systems. Stronger departmental leadership is needed if USDA's information, financial, and human resources systems are to keep pace with increasingly complex responsibilities and changing socioeconomic conditions.

USDA has substantially increased its use of information technology in recent years. It plans to spend about $4 billion for information resources management in 1990-94 alone. Most of the resources spent to date have been for automating the systems associated with providing program benefits. However, these systems are not providing managers with the data they need to manage and make decisions, nor is the information produced in a form that can easily be shared with other agencies. Acknowledging this problem, departmental officials have proposed a new strategic planning process to address USDA's information needs. The initiative holds promise, provided agencies are held accountable for adjusting their own information resources management plans accordingly.

Similarly, USDA's financial management systems are not providing accurate information for controlling expenditures, nor are financial reports producing reliable information for making decisions. To maximize the impact of funds and allow the different agencies to work together as a team, USDA should develop and implement a comprehensive plan for improving its financial systems across agencies, and restructure its agency-level chief financial officer positions. Improvements could include consistent authority and responsibility for agency-level chief financial officers throughout the Department.

Because most human resource functions at USDA reside with individual agencies, the Office of Personnel's role is limited to monitoring and setting guidelines for human resource functions USDA-wide. Organizationally, the Office of Personnel is on a lower level than the assistant and under secretaries who direct agency operations. It therefore has little power of its own to hold agencies accountable for human resource activities. Because of problems agencies have in recruiting, training, and planning for a future work force, Personnel, backed by top management, needs to exercise a strong leadership role to achieve necessary departmental approaches to common agency problems.

Changes Need to Be Institutionalized

Two recent initiatives led by the Assistant Secretary for Administration—a work-force diversity framework and an information resources strategic plan—show more immediate potential to achieve change. Yet, the success of both initiatives is uncertain without clear indications that (1) the individual agencies will accept the initiatives or (2) the Department will institutionalize the initiatives to ensure that they are not lost with any change in leadership.

Institutionalization allows a plan to become a reality throughout an organization by building it into routine processes. Although GAO commends USDA's current strategic planning initiatives for work-force diversity and information resources, earlier efforts have failed because of the absence of (1) strong leadership from top management and (2) departmental responsibility for agency actions. GAO questions whether the two offices responsible for developing and implementing the current initiatives, both under the Assistant Secretary for Administration, have sufficient authority to bring about change in these areas.

Matters for Congressional Consideration

Strong and continuing congressional support and oversight will be needed to bring about and sustain many of the fundamental changes required to revitalize and streamline USDA's management systems and structure. GAO believes it is especially important for the Congress to work with USDA in consolidating local offices and holding hearings to (1) determine why USDA has not implemented its own recommendations for integrating the farm agencies and (2) explore reorganizing these agencies. If such hearings are not held before, they could be held in conjunction with congressional deliberations on the program and policy provisions of the 1995 farm bill.

Recommendations to the Secretary of Agriculture

GAO's series of USDA management reviews presents a number of recommendations specific to departmental structures, strategies, and systems that, if implemented with strong Secretarial leadership and congressional support, would result in needed changes. These recommendations are discussed in chapters 2, 3, and 4.

Agency Comments

USDA's comments on drafts of the individual reports in this series concurred with most of GAO's findings. For example, USDA agreed that internal control and accounting weaknesses in some of its major financial accounting systems prevent system users from obtaining reliable information. USDA also agreed that the lack of investment in integrated human resources and other basic management systems has had a detrimental effect on program delivery.

In other areas, USDA concurred with GAO's findings but believed the problems to be under control. For example, USDA agreed that effective marketing is an integral element if the Department is to help agribusiness improve its international competitiveness. But overall, USDA believed that it has adequate strategic marketing programs and staff in place. Although GAO recognizes that the Department is making progress in directing parts of USDA programs towards strategic marketing, GAO continues to believe that a more proactive, organized approach is needed if USDA is to lead American agribusiness towards more marketing-oriented agriculture.

USDA agreed that collocating and consolidating more field offices and sharing resources would improve efficiency and save money; however, officials believed potential savings would not be large. GAO believes that USDA underestimates these savings and, as such, continues to believe that the Department should pursue these incremental improvements more aggressively.

Regarding the need to pursue more fundamental change in its field structure by integrating farm agencies, USDA declined to comment. While incremental measures such as collocating and consolidating field offices are cost beneficial, GAO believes that USDA also needs to consider the kind of fundamental changes in the way farm services are delivered that integrating its farm agencies would provide.

USDA's comments on individual reports are more fully discussed in chapters 2, 3 and 4.

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Abbreviations

ASCS	Agricultural Stabilization and Conservation Service
CFO	chief financial officer
FAC	Food and Agriculture Council
FmHA	Farmers Home Administration
GAO	General Accounting Office
IRM	information resources management
IRS	Internal Revenue Service
MBO	management-by-objectives
OP	Office of Personnel
USDA	U.S. Department of Agriculture

Introduction

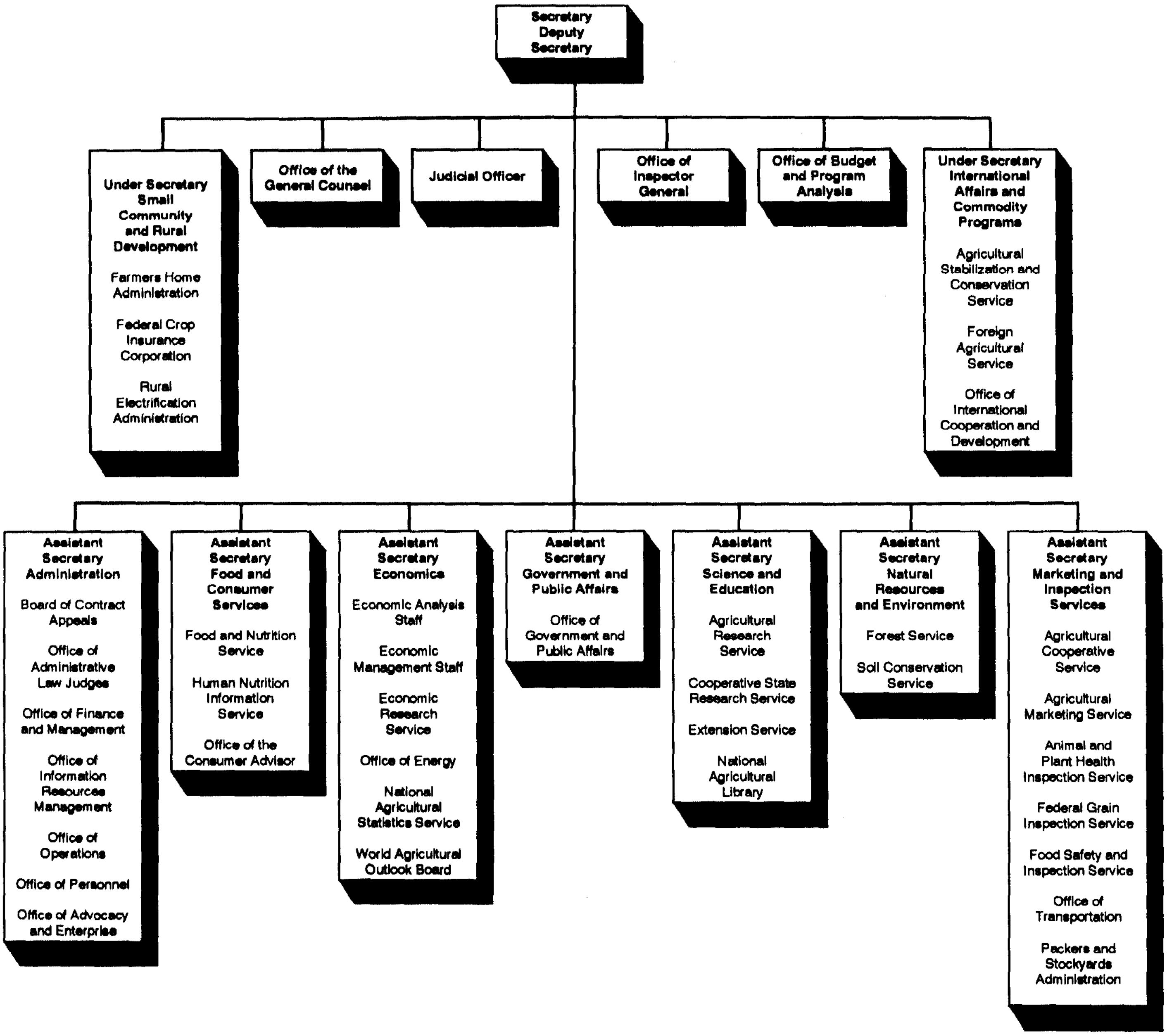
The U.S. Department of Agriculture (USDA) has broad responsibilities affecting every American. It works to improve farm income, expand overseas markets for farm products, and ensure that consumers have an adequate food supply at reasonable prices. The Department also works to safeguard the food supply by inspecting food processing plants; helps consumers choose nutritious foods; and provides the less fortunate with better diets through food assistance programs. Finally, USDA conducts agricultural research and protects the environment by helping farmers conserve natural resources.

New 1990s farm policy results from two statutes: the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624)—commonly known as the 1990 farm bill, and the Agricultural Reconciliation Act of 1990 (P.L. 101-508)—commonly called the 1990 Budget Reconciliation Act. The 1990 farm bill makes many important changes in farm programs. The latest in a series of agricultural laws that date from the 1930s, the 1990 farm bill was designed in response to concerns about the federal deficit, agricultural competitiveness, and the environment. Its main goals are to (1) help alleviate the federal deficit, (2) improve agricultural competitiveness by helping maintain farm income growth through expanding exports, and (3) enhance the environment. The 1990 farm bill establishes a comprehensive framework within which USDA administers its food and agriculture programs through 1995. The 1990 Budget Reconciliation Act modifies many of the farm bill's provisions in order to reduce outlays required by the deficit reduction agreement and prescribes spending cuts of more than $13 billion for agriculture for fiscal years 1991-95.

Organizational Structure

USDA has the federal government's third largest civilian agency budget—$46 billion in fiscal year 1990—and deploys an elaborate network of agencies and offices to address its many missions. The Department is headed by the Secretary of Agriculture, a Deputy Secretary, and nine under and assistant secretaries. Thirty-six individual agencies are divided into nine groups, each headed by an under or assistant secretary. In addition, several offices—Budget and Program Analysis, Inspector General, and General Counsel—report directly to the Secretary or Deputy Secretary. The names of agencies and duties assigned, as well as the configuration of agencies reporting to the different under and assistant secretaries, undergo frequent change. However, the basic missions of the individual agencies have remained much the same over time. Figure 1.1 shows the Department's current organizational structure.

Figure 1.1: USDA's Organizational Structure



Source: USDA.

USDA also has one of the largest and most expensive field structures in government. Almost 90 percent of its more than 110,000 full-time employees, 17,000 county office employees who work for the Agricultural Stabilization and Conservation Service (ASCS), and numerous temporary employees work outside Washington, D.C., in offices located in almost every county in the United States and in many cities. The widespread distribution of USDA employees is viewed as providing a direct link between the Department and the nation's farmers and ranchers. Additionally, several USDA agencies have staff in overseas offices.

USDA's Genesis

USDA was created by 1862 legislation to conduct research and disseminate its results. Over time, USDA's position in the farm policy arena shifted beyond information management to a more active role. During the 1930s, several independent agencies were created within USDA to help farmers regain self-sufficiency on family farms. For over 50 years, the basic objectives of these agencies have remained largely unchanged: to provide farmers with a fair return on their investment, to stabilize the agricultural economy, and to ensure an abundant supply of food at reasonable prices. A complex system of farm price and income supports and other farm programs has been built to accomplish these objectives. Since the 1930s, the Secretary's responsibilities have expanded beyond the farm sector to include the food stamp and child nutrition programs as well as food safety, quality, market integrity, and environmental issues.

The 1930s USDA programs are characterized by strong client participation in structuring and implementing local programs. Politically, this involvement mobilized constituent support for the programs, and to a great degree this involvement has proven highly successful. Local cooperatives provided electrical power to virtually all rural America; farmer-organized districts implemented soil conservation plans; and locally elected farmer committees rather than bureaucrats oversaw the county offices that administered federal program benefits and farmer payments. USDA is one of only a few federal entities that have direct, day-to-day, personal contact with its constituents. In key programs, the Department is managed at the grass-roots level by its constituents.

Although successful in making USDA responsive to its farm clients, the heavy constituent involvement has been criticized by some as the reason for difficulty in instituting reform: USDA is composed of a number of diverse, autonomous, and entrenched local self-governing systems that, to varying degrees, are regulated by the constituent groups themselves.

Managing Change

Successful managers constantly monitor and reshape their organizations to keep pace with changes in their environment. In the private sector, these managers recognize that complacent management is a key ingredient for disaster. Excessive corporate size, for example, can distort communication, waste resources, and reduce profit margins, leaving a firm vulnerable to a takeover attempt or bankruptcy.

Over the past decade, the private sector has witnessed numerous firms scrambling to restructure to ensure corporate survival. More than half of the prestigious Fortune 500 companies have embarked on restructuring over the past 5 years alone. In their attempts to streamline management structures, managers have sought innovative ways to solve problems, cut costs, eliminate unprofitable product lines, and restore competitiveness. One business analyst commented that firms undertake restructuring "because they know that if they don't clean up their act, somebody's going to come in and do it for them."

In contrast to private firms, public organizations, whose funds derive from appropriations, do not have an objective indicator like sales or profits to compare resources used with results achieved. Therefore, it is difficult to (1) equate the level of spending with the quality of services provided and (2) determine whether service delivery systems are operating efficiently. Additionally, unlike private firms, which can emerge from bankruptcy as entirely new entities, public organizations cannot simply close their doors and ignore their legislative mandates to provide services to the American public. Nevertheless, colossal federal debt can create federal funding crises and thereby compromise the ability of government agencies to accomplish their missions. Our 1989 Annual Report observed that the interest payments alone on the $3-trillion federal debt burden may soon become the nation's highest general fund expenditure.[1]

Today's massive federal debt makes it even more imperative that USDA provide services and programs to its customers in the most efficient, cost-effective manner possible. Although USDA agencies do not worry about competitors forcing them to downsize, close, or be taken over like the private sector, they do have an obligation to the taxpayers to take into account the limits on the federal government's ability to fund programs. This, in turn, means that USDA agencies should be concerned with creating flexible systems that can keep up with the changing environment because its customers, competitors, processes, and employees are all in a constant state of change.

[1] Facing Facts: Comptroller General's 1989 Annual Report (Washington, D.C.: U.S. GAO, Jan. 1990).

Objectives, Scope, and Methodology

This is the final report in a series examining the management of USDA. Our overall goals in the series have been to identify ways in which USDA can make and sustain management improvements in order to strengthen policy development, better achieve program goals, improve the integrity of management systems, and enhance planning for future agricultural issues. For this capping report, our principal objectives were to (1) summarize the prior reports, including any updates of USDA comments and/or actions, and (2) present our overall observations on the revitalization issue.

This final report contains new information on proposed USDA actions for implementing our recommendations, as described in USDA's statements of action plans sent to congressional committees to fulfill the requirements of the Legislative Reorganization Act. This information was not provided in our earlier reports because USDA chose not to comment on our draft recommendations.

Organizational change literature has contributed to all the reports in this series. In particular, the concept of revitalization, discussed by Tichy and Ulrich,[2] provided insights important to our understanding of the changes needed at USDA. We also met with officials of the Office of Personnel Management's Federal Quality Institute to discuss the organizational life cycle material and its relation to USDA, which is discussed in this final report.

We discussed our methodology with, and obtained comments on a draft of this report from, our consultant, Charles F. Bingman, member of the National Academy of Public Administration.

We conducted our work between February and April 1991 in accordance with generally accepted government auditing standards.

[2]Noel M. Tichy and David Ulrich, "The Challenge of Revitalization," New Management, Vol. 2, No. 3, Winter 1985.

Farm Agencies' Field Structure Needs Major Overhaul

USDA administers its farm programs and services through one of the largest, most decentralized field structures in the federal government. The structure is a reflection of the era in which it was established—the 1930s, when communication and transportation systems were greatly limited by geographic boundaries. Over the intervening years, the number of farmers has declined sharply. One in 50 Americans lived on a farm in 1990 compared with 1 in 4 in 1935. Also, telephones, computers, and highways have increased farmers' accessibility to information and assistance programs. More recently, federal budget pressures have led to questions about the affordability of maintaining such decentralization. Yet, none of the changes has been significant enough at any time to trigger fundamental changes in the structure.

One or more of the 5 farm service agencies maintains a presence in almost every one of the nation's 3,150 counties. In key farm programs, the Department is managed at the grass-roots level by its constituents. Although this organization has made USDA successful in responding to its clients, the heavy constituent involvement makes the Department slow to recognize the need to make changes in the field structure. Operating this decentralized field network is also costly. In fiscal year 1989, 4 of the 5 farm service agencies spent approximately $2.4 billion and required over 63,000 staff years to administer their programs in over 11,000 county offices. These expenditures translate to about $1,100 in federal administration costs per farm, using USDA's definition of a farm as a place selling $1,000 or more worth of agricultural products annually.

We reported over a decade ago that a changing external environment and declining federal resources mandated that federal departments and agencies with extensive field structures explore ways to reduce overhead and unnecessary support costs.[1] We encouraged such federal agencies to implement a number of cost-reducing measures, including collocating field office operations where two or more agencies can share common office space, consolidating field offices within individual agencies where the work of two or more sites can be performed at a single location, and eliminating excess management tiers.

Agency and external opposition may pose strong barriers to any effort to restructure USDA's field operations. Actions that affect local offices

[1] Collocating Agriculture Field Offices—More Can Be Done (CED-79-74, Apr. 25, 1979) and Streamlining the Federal Field Structure: Potential Opportunities, Barriers, and Actions That Can Be Taken (FPCD-80-4, Aug. 5, 1980).

typically generate concern not only in the local area but in the Congress as well. Thus, USDA needs to engage its grass-roots staff, along with its top management, farm clients, and the Congress, in updating its current structure to one that is best-suited for delivering the Department's services into the next century.

Need to Pursue Incremental Improvements More Aggressively

USDA can realize significant cost savings and efficiency improvements by aggressively pursuing resource-sharing initiatives in collocated offices where USDA agencies (and other federal agencies) now occupy common space. We have identified several resource-sharing initiatives undertaken by collocated USDA offices. One telecommunications initiative is expected to save $3.75 million annually for participating offices nationwide. Another resource-sharing initiative is expected to yield $12.6 million in savings over 10 years to participating collocated offices. Our limited survey of similar initiatives in seven midwestern states identified estimated savings in the tens of thousands of dollars in some collocated offices. Typically, these initiatives included sharing reception services, copying services, printing costs, and mail services.

Despite such potential savings, the Department is not adequately promoting or monitoring these initiatives. According to headquarters officials who track collocation statistics, monitoring of collocation has increased in response to our earlier reports, but these officials are still not tracking cost savings information because USDA's top management has not requested them to do so. Both USDA headquarters and state officials told us that their principal goal in pursuing office collocation is to provide more convenient service to farmers, and not necessarily to reduce administrative overhead through resource sharing.

The Department has responded to our recommendation to institutionalize the Food and Agriculture Council's (FAC) liaison in headquarters.[2] However, it has yet to use the FACs as a coordination mechanism for aggressively pursuing cost savings, as we also recommended.

Office consolidations can also provide significant opportunities for cost savings. The Farmers Home Administration (FmHA) consolidated 24 offices in 10 states between 1987 and 1989, projecting first-year cost savings of $1.2 million. Officials of both the Agricultural Stabilization

[2] U.S. Department of Agriculture: Status of the Food and Agriculture Councils Needs to Be Elevated (RCED-90-29, Nov. 20, 1989).

and Conservation Service (ASCS) and the Soil Conservation Service indicated that their agencies had also consolidated some field operations in recent years in response to budget pressures and/or declining work loads. However, as of December 1989, nearly half the states still had ASCS and Soil Conservation Service offices in 90 percent or more of their counties.

We believe that additional consolidation potential exists in USDA. For example, the ASCS maintains offices in over 85 percent of the 3,150 counties in the United States. Yet in 1986 only 516, or 16 percent of the counties were considered farm counties, compared with over 2,000, or over 63 percent of the counties in 1950. Additionally, 32 percent of ASCS offices paid out less than 3 percent of total ASCS program benefits in 1989. Unless such local offices can be justified as critical, we concluded that more cost-effective service could be provided by consolidating some of these low work-load offices. In this period of budget stress, USDA needs to weigh the benefits of using its limited resources to staff these low-volume offices against other critical needs, particularly the challenges laid out in the 1990 farm bill—reducing spending, increasing agricultural competitiveness, and enhancing the environment. USDA would save over $90 million annually if ASCS consolidated its high-cost offices.

Structural Reforms Long Overdue

Incremental measures, including collocations and consolidations, merely cut at the margins of existing operations. They do not address large-scale concerns affecting the Department's overall design, mission, and service delivery system. USDA needs a more flexible and integrated organizational structure if it is to meet the new challenges of serving global customers who are increasingly concerned with public health, safety, and the environment.

Because management responsibility for field operations is vested in the individual program agencies, only the Secretary has sufficient authority to direct change affecting all field operations. If USDA is to succeed in streamlining its field structure, GAO believes the Secretary must marshal the proper mix of headquarters' top management, outside, and state and local office input. USDA took this positive step in 1985 when a Secretarial task force obtained comments on alternative organizational structures, including integrating the farm agencies, from under secretaries, state FAC chairpersons, public interest groups, congressional staff, and others. The process used a bottom-up approach, based on grass-roots proposals made through state FACs, that could potentially result in a leaner but stronger USDA field presence. However, in the 6 years since then, USDA has implemented few task force recommendations, in part because it has not developed the systems necessary to deal with opposing viewpoints and to implement change. If USDA does not begin restructuring soon, technological, demographic, and fiscal changes may compel it to adopt hurried, ill-conceived reforms that could leave it with a structure less suited for meeting the needs of American agriculture in the decades ahead.

Recommendations

We made recommendations to the Secretary of Agriculture to improve the effectiveness of the Department's field structure by (1) expanding its collocation tracking system to include information on the extent to which collocated agencies have reduced costs through sharing resources, (2) reporting annually through the FACs on the potential for additional cost savings at collocated offices, and (3) stepping up individual agency efforts to consolidate field offices where reduced work load or other conditions no longer justify full-time staffing.

Matters for Congressional Consideration

We also suggested that the Congress consider working with USDA to take greater advantage of opportunities to consolidate local offices where farm clients may be served through a multi-county operation more efficiently and at less cost to the U.S. taxpayer. Now that the Congress has completed its work on the 1990 farm bill, GAO encourages it to hold hearings to (1) determine why USDA has not implemented its own recommendations for integrating the farm agencies and (2) explore the prospects for reorganizing these agencies. If such hearings are not held before, they could be held in conjunction with congressional deliberations on the program and policy provisions of the 1995 farm bill.

Agency Comments

USDA agrees that efficiency improvements and cost savings could be achieved through increased collocation, resource sharing, and consolidation. According to USDA's April 5, 1991, statement of action letter to congressional committees, the Department will expand its collocation tracking system to monitor resources that are shared in collocated offices. USDA will also develop a shared resources checklist to identify resource initiatives that should be undertaken at collocated offices and report annually through the FACs on the status of shared resources at each collocated office.

In commenting on a draft of our field structure report, the Department wrote that it believed our estimate of cost savings through increased consolidation to be overly optimistic because our estimate was based on an analysis of administrative costs and program benefits rather than the Department's work-load data. We responded that while we did not consider our analysis as the sole criterion for office consolidations, we did consider the comparison to be a valid indicator, along with other factors such as reliable work-load data, farm trends, county size, and budget considerations. The Department's April 5, 1991, statement of action plan did not address a proposal for such an analysis. Instead, the Department's position was to continue the status quo—to pursue opportunities for consolidation when consolidation is in the best interests of the farm clients. As with the earlier comments on our draft report, the statement of action plan did not discuss the need for a more integrated, cost-effective system for delivering farm services, an issue requiring substantial Secretarial involvement to direct change.

Improving Management of Cross-Cutting Agricultural Issues

USDA has traditionally encouraged U.S. agriculture to provide an abundant supply of reasonably priced food by improving and stimulating production. This approach has been successful, but recently it has begun to conflict with issues involving world competitiveness, public health, safety, and the environment. As a result, USDA must focus on managing farm productivity while also considering the effect farm production has on these emerging issues. Our reviews indicate that USDA has not yet found effective mechanisms to integrate or balance its diverse responsibilities.

A Department-Wide Commitment to Strategic Marketing Is Needed

USDA agencies rarely employ strategic marketing to help U.S. agribusiness better compete in both export and domestic markets.[1] Program and policy emphases generally favor the production-oriented philosophy that contributed to agriculture's post-World War II productivity boom. While productivity remains important, reliance on a production-oriented philosophy means risking the loss of opportunities in food processing and marketing, the fastest growing aspects of global agribusiness.

High price supports and export subsidies have played a significant role in our competitors' recent successes. Strategic marketing practices have also played a key role, particularly for the European Community and others that have focused increasingly on high-value food products.[2] Such products typically provide greater benefits to the exporting nation because processing adds jobs, economic output, and government revenues. Strategic marketing plays an equally important role for bulk products, such as corn and wheat. It is no longer adequate just to grow the best bushel of grain. To succeed in today's competitive marketplace, producers must match the variety, quality, and delivery of the grain to consumer needs.

The federal government, and USDA in particular, seek a greater "market orientation" by adding flexibility to domestic farm programs and lowering or eliminating trade barriers. But success will not automatically mean that U.S. agriculture will be well-positioned to compete on a global scale. USDA has made a few modifications in the 1980s in response to increased foreign competition for high-value products. However, its

[1] Agribusiness includes all of the interrelated private and public policy-making enterprises, from farm supply, farming, and processing, through distribution to the ultimate consumers.

[2] High-value food products include intermediate (semi-processed) products (e.g., wheat flour and vegetable oil); unprocessed consumer-oriented products (e.g., fresh fruit and nuts); and highly processed consumer-oriented products (e.g., milk and chocolate).

export policies primarily remain a way to dispose of bulk product surpluses in response to changes in domestic farm policy or unfair foreign competition. USDA has yet to adopt a strategic marketing approach that would enable it to lead agribusiness as an educator, researcher, and technical service provider.

We found that four USDA agencies with trade management responsibilities differed in the extent to which they are prepared to lead U.S. agribusiness in a changing world marketplace. The differences are illustrated in three areas: the extent to which agency policies and practices include a strategic marketing perspective, the level of staff marketing skills, and the degree of agency coordination. Unless all the agencies develop their efforts in these areas, both individually and through a well-coordinated, Department-wide strategic plan, USDA cannot assure American agribusiness that it can provide the leadership necessary to compete effectively in the marketplace.

A Strategic Planning Approach Is Needed for All Cross-Cutting Issues

In contrast to its efforts in the marketing area, USDA has made some progress in organizing its structure to address key issues in biotechnology, water quality, and food safety. But USDA has not developed an approach for managing the issues in a way that provides a cohesive Department-wide strategy in any given area. Rather, management generally relies on ad hoc groups or individual agencies to develop policies and plans. These agencies implement and monitor their specific responsibilities in a cross-cutting issue. However, uncoordinated agency efforts cannot achieve an integrated, departmental perspective. As a result, USDA is missing opportunities to deal with pressing national needs, duplicating efforts to meet specific concerns, and delaying overall departmental progress because differences among agencies are not quickly resolved.

Recognizing that USDA can better manage its multi-agency efforts, the Department has instituted the Secretary's Policy Coordination Council to formulate departmental policy on issues requiring coordination across two or more under or assistant secretaries and the management-by-objectives (MBO) system. However, in part because of limited staff support for defining the roles of the Council, MBO system, and other coordinating mechanisms, departmental management has not fully developed these initiatives into an integrated, comprehensive approach for managing multi-agency issues.

As a result, the Department has not developed clear and comprehensive goals and policies for cross-cutting issues and has not established a comprehensive monitoring and evaluation capability that allows it to monitor progress from a departmental perspective. With some modifications, these initiatives could be used to develop a comprehensive and integrated approach to assist USDA in overcoming its agency-specific orientation to multi-agency issues and enhance its ability to provide effective policy leadership in these areas.

Recommendations

To create an organizational environment in which strategic marketing can be adopted, we recommended that the Secretary of Agriculture

- convene a forum of USDA trade-related agencies to develop a coordinated strategic plan for implementing USDA's MBO initiative to expand both foreign and domestic markets and
- direct the Department's trade-related agencies to adopt a strategic marketing perspective in their mission statements, and encourage USDA trade-related agencies to achieve greater diversity of international agribusiness and marketing staff skills when addressing work-force planning issues.

Once these actions are taken, we recommended that the Secretary of Agriculture develop an integrated, Department-wide strategic marketing plan.

To develop a comprehensive and integrated approach for addressing all cross-cutting issues, we recommended that the Secretary of Agriculture

- define clear and comprehensive goals and policies for all major cross-cutting issues to provide a basis for developing strategies for achieving the goals;
- strengthen coordination among USDA agencies by defining and clarifying the roles and relationships of the Council, USDA coordinating committees and offices, and the MBO system in setting policy, planning and implementation, and monitoring progress;
- strengthen the Department's monitoring and evaluation capability by integrating existing reporting and monitoring activities, such as the MBO system and the Council and multi-agency committees; and
- enhance USDA's capacity for strategic action by providing an appropriate level of staff support for the Secretary's Policy Coordination Council in carrying out some of its Department-wide responsibilities.

To solve specific problems identified in food safety, biotechnology, and water quality, we recommended that the Secretary of Agriculture

- develop Department-wide food safety and agricultural biotechnology plans that articulate more specific USDA goals and policies. This effort could be the basis for developing the planning component of an integrated departmental approach for managing cross-cutting issues.
- expand the role of the Department's biotechnology committee to monitor and report on the Department's overall progress in biotechnology. This expanded role could be a model for portions of departmental efforts to create an integrated monitoring system.

Agency Comments

USDA agrees that effective marketing is an integral element in the marketplace and recognizes the need to strengthen its capabilities to help U.S. agribusiness improve its international competitiveness. According to USDA's April 5, 1991, statement of action letter to congressional committees on our strategic marketing report: (1) USDA's 1992 budget requests two additional staff years for the Office of the Under Secretary for International Affairs and Commodity Programs to assist in developing policies to expand domestic and international agricultural sales and coordinate trade agreements; (2) the Agricultural Marketing Service and Foreign Agricultural Service have begun developing new strategic plans to adapt their programs to changing conditions, ensure the most effective use of resources, and strengthen the integration of strategic marketing activities; and (3) the Agricultural Marketing Service, Foreign Agricultural Service, Extension Service, and Agricultural Research Service have increased their formal and informal cooperation to develop coordinated strategies for export promotion and other cross-cutting issues.

Overall, however, the Department believes that it has adequate strategic marketing programs and staff skills in place. Although we recognize that the Department is making progress in directing parts of USDA programs towards strategic marketing, we continue to believe that a more proactive, organized approach is needed if USDA is to lead American agribusiness towards more marketing-oriented agriculture. Such an approach is necessary for the Department to keep pace with American agribusiness, which is restructuring to meet the demands of the new international marketplace.

The Department also emphasized that it sees its marketing role primarily as that of a facilitator at every stage of program implementation.

We agree that USDA's marketing role is primarily that of facilitator or catalyst. However, we do not agree that the Department is doing all it can to develop the marketing policies, practices, and skills necessary to fulfill such a leadership role.

USDA also stated that it had made a great deal of progress in improving its coordination of activities for all cross-cutting issues and that it would continue making progress under the 1990 farm bill. We agree that the Department has made progress by establishing the Policy Council and an MBO system. We updated our cross-cutting issues report to recognize the farm bill requirement that USDA establish a Council and Office of Agricultural Environmental Quality to coordinate and direct all USDA environmental policies and programs. We agree that these changes will assist the Department in managing water quality and other environmental concerns. However, the 1990 farm bill does not contain similar provisions for other cross-cutting issues. Therefore, we continue to believe that action on our recommendations is needed to successfully address all cross-cutting issues.

Strengthening Management Systems to Support Departmental Goals

USDA makes decisions every day that rely heavily on its financial, information, and human resources management systems. These basic management systems were set up in a simpler era, and may be unable to keep pace with both USDA's increasingly complex responsibilities and its changing socioeconomic conditions. We reviewed these systems to identify how they could be improved to better enable USDA to address its responsibilities.

Stronger Financial Management Accountability Needed

USDA's financial management systems suffer from significant weaknesses in internal and accounting controls—from the Food and Nutrition Service's not ensuring that food stamp payments are proper and correct to the Farmers Home Administration's not maintaining accurate and complete accounting and financial information on acquired property. These weaknesses, which are often long-standing, substantially increase the risk of mismanagement, fraud, waste, and abuse in USDA programs.

USDA does not have a senior Department-level manager responsible for overseeing improvements in financial systems, as stipulated under the Chief Financial Officers Act of 1990, nor a comprehensive plan for improving systems across agencies. Moreover, USDA does not require its agencies to have independent financial audits. As a result, internal and external decisionmakers cannot be sure they have reliable information on USDA programs worth billions of dollars.

The chief financial officers legislation requires departments to establish a senior Department-level manager for financial management and independent audits of financial statements—important steps toward a more comprehensive approach to improving USDA's financial systems. In addition, the legislation gives USDA an opportunity to develop a comprehensive plan for improving all of its financial systems.

USDA also needs to improve the structure of financial management within its many agencies. Individual agencies' financial officers vary in their responsibilities and authority to effect change in their units. In many agencies financial officials do not report to senior levels and thus lack necessary tools to make system improvements.

Information Systems Need to Better Serve Managers

Despite substantial investments made in information systems, managers throughout USDA do not have the information necessary to effectively manage their programs. Most investment has focused on automating processes without providing for improved information planning and sharing among agencies' managers, which could result in better meeting managers' needs. Because systems are developed by each agency, rather than by the Department, resulting data bases rarely allow effective sharing of data among agencies with similar responsibilities.

Ineffective agency oversight and leadership contribute to this condition. Agency program managers and computer professionals have not worked well together in specifying their needs, partly because agency managers lack adequate information management training. All levels of management require a basic understanding of information management in order to operate effectively in today's technological environment. However, less than 10 percent of managers in the Farmers Home Administration, Agricultural Stabilization and Conservation Service, and Foreign Agricultural Service have had computer training in the last 2 years.

USDA's strategic plan for information management is now being developed and holds promise for addressing many of the Department's significant information problems. Its success, however, will depend on the ability of departmental leadership to ensure its adoption by the agencies. The agencies in turn, must be held accountable to ensure that program and computer managers work together more effectively and make a greater commitment to training.

Comprehensive Human Resources Management System Needed to Address Work Force Issues

USDA agencies require a wide variety of skills to administer the Department's complex programs—from agricultural economists, computer scientists, and financial analysts, to veterinarians and biotechnology specialists. Attracting these skills is difficult in the face of private sector competition and an expected shrinking pool of qualified applicants.

Agency recruiting and training efforts could benefit from increased central direction and assistance. Agencies recruit independently, sometimes duplicating each other's efforts by visiting colleges on the same day. They also have been individually developing and operating similar training programs. USDA internal studies have documented these coordination and other problems resulting from the decentralized human resources efforts, but recommendations for more central guidance and oversight have not been adopted.

Proposed Department-wide solutions hold promise for improving USDA's work force. For example, USDA's recently developed strategic plan for achieving work-force diversity shows how a Department-wide approach can address a difficult issue—USDA is historically less diverse than most federal agencies. The plan provides a consistent approach to systematically resolving this problem, including needed Department-level support and assignment of accountability.

Recommendations

To increase the Department's financial, information, and human resources management systems, we recommended that the Secretary of Agriculture, among other things,

- require agencies to strengthen their agency-level financial officer responsibilities and authorities;
- hold senior agency officials accountable for adopting the Department's strategic plan for information resources management; and
- reaffirm the Office of Personnel's leadership role for human resources management Department-wide.

Agency Comments

USDA's comments on our draft report concurred with most of our findings in the financial, information, and human resources management areas.

USDA concurred with our findings that USDA has internal control and accounting weaknesses in some of its major financial management systems that prevent system users from obtaining reliable financial information. In fact, USDA stated that it believes the ultimate resolution of the problems cited is even more complex than our recommendations support. USDA stated that it intends to improve the overall supervision and coordination of its financial management systems by implementing a comprehensive strategy to include (1) strong leadership from USDA's Chief Financial Officer, who will fully implement the requirements of the Chief Financial Officers Act of 1990, (2) modernized integrated administrative and accounting systems, and (3) financial management training for both program managers and technical personnel.

USDA also agrees with our recommendations in the information resources management (IRM) area, particularly on holding its Office of Information Resources Management responsible for overseeing completion of the strategic IRM initiative and holding agencies accountable for its adoption. USDA added that it is taking steps to ensure that implementation does not turn into a paper exercise, including (1) obtaining support through the Secretary's Policy Coordination Council, (2) revising the planning guidance to focus plans on agricultural program objectives rather than IRM objectives, and (3) requiring agencies to include in their plans how cross-cutting program initiatives and other interagency sharing needs will be handled.

In commenting on the human resources systems, USDA was less optimistic. It said that efforts to develop and implement systemic reform have been frustrated by continuing competition for scarce resources and by agency resistance to organizational and field structure change. USDA also agreed with the draft report's contention that the lack of investment in integrated human resource and other basic management systems has had a detrimental effect on program delivery. USDA said that it intends to strengthen the Office of Personnel's leadership role in recruitment, training, and work-force planning, although increased responsibilities have affected OP's capacity to exercise its central leadership and oversight functions.

Revitalized USDA Necessary to Meet New Challenges

One theme underlying our series of reports on USDA management is the difficulty of breaking through the individual agency-focused culture to achieve departmental and federal objectives. In our October 1989 interim report we wrote

> Although successful in making USDA responsive to its clients, the heavy constituent involvement has been criticized by some as the reason for difficulty in instituting reform: USDA is comprised of a number of diverse, autonomous, and entrenched local self-governing systems that to varying degrees are regulated by the constituent groups themselves. In our view, this organizational structure makes USDA slow to recognize the need for and implement change.

Our six succeeding reports reinforced the theme of agency intransigence not only towards organizational restructuring, but towards departmental strategies and systems as well. The result is a mature Department that continues to manage reactively to maintain the status quo. Yet, because the agricultural sector USDA serves is changing to meet fundamental changes in the global marketplace, the Department risks losing touch with its customers. It also risks losing a major opportunity—to act as a catalyst to keep the United States at the forefront of global agribusiness.

Many Organizations Revitalizing to Cut Costs, Restore Competitiveness

Many public and private organizations have revitalized their structures, systems, and/or strategies in response to economic, technological, or social pressures. For example:

- At Xerox, an assessment of the economic and technological forces in late 1983 led to the development of a 5-year cultural change strategy. At the time, Xerox was being threatened by higher quality, less expensive Japanese copiers. Called "Leadership Through Quality," the strategy focused on management leadership, performance standards and measures, employee training, recognition and rewards, and communications. Today, Xerox is gaining market share in all key markets.
- At Ford, increasing international competition, shifting consumer preferences, and new technology forced change. In the early 1980s, Ford cut its work force by about one-third, closed 15 manufacturing facilities, and increased quality through building teamwork into the production process and establishing a culture of continuous improvement. Ford now earns $600 profit on every automobile it sells. In comparison, General Motors earns $25 and Chrysler earns $225.
- At the Internal Revenue Service (IRS), customer frustration over slow service and an increasing number of unmanageable cases led to a long-

term quality improvement effort. Key elements of that effort include (1) quality improvement teams that use statistical techniques to identify critical problems and (2) surveys of internal and external customers to identify ways to improve products and processes. One of the over 1,000 projects initiated involved the Federal Tax Deposit System, through which IRS collects and processes various categories of business tax payments. Before IRS took action, the system's problems caused untimely posting of transactions to taxpayers' accounts and untimely processing of customers' requests for forms. After implementing corrective actions identified by a quality improvement team, IRS reported significantly improved service, including a 15-fold decline in unpostable transactions and an over 20-fold reduction in errors due to incorrect taxpayer identification numbers or names.

Mature USDA Ripe for Revitalization

USDA has changed little in response to the many shifts in the external environment over the past 50 years. Shifts such as the following have occurred in agriculture's basic structure, technological capabilities, and market patterns:

- Only 1 in 50 Americans resides on a farm today, compared with 1 in 4 in 1935. The decline reflects the consolidation of farms and ranches into larger, more efficient operations that are increasingly industrialized and have more sophisticated management.
- In the 1930s communication and transportation systems limited by geographic boundaries justified a county-based decentralized field office system to serve the large number of small, widely disbursed, family-owned farms. Today agriculture has global communication systems, modern transportation networks, fewer program beneficiaries—but the same county-based field structure.
- In the 1930s producing large quantities of food and fiber was the driving force in agriculture. Today agriculture has shifted to a consumer-driven world economy—one in which American agriculture no longer dominates. Many nations that had been our best agricultural customers have become effective competitors that actively market their products throughout the world. The new competition has weakened the comparative advantage of low prices that allowed U.S. firms to prosper through the 1970s. Also, the United States' continuing emphasis on lowering the production cost of bulk commodities disregards a decade-old shift in global trade from a relatively few major bulk commodities to profitable market opportunities in processed and consumer-oriented products.

While significant and almost total in their scope, changes in the external environment have occurred gradually over time. None of the changes has been significant enough at any given time to trigger fundamental change. The result is a mature USDA that (1) no longer parallels the external environment, (2) manages reactively to maintain the status quo, and (3) risks losing touch with the growing portion of its customer base that is changing to meet new challenges.

An organization generally goes through four cycles during its life span: entrepreneurial, growth, maturity, and decline. USDA's entrepreneurial cycle occurred in the 1930s. Entrepreneurial cycles are typically characterized by informally integrated organizations, major innovations, and high to moderate risk-taking. The entrepreneurial cycle of the modern USDA fits this characterization well. The cycle took place when New Deal legislation increased government's involvement in agriculture. The crop and marketing controls first implemented in 1933 to slow the Great Depression were not only innovative but radical for the times, leading to constitutional challenges.

USDA's growth cycle occurred from the 1930s through the late 1940s when its staff grew from 22,000 in 1932 to 79,000 in 1948. New staff were primarily located in new county-based farm service agency field offices to service the large number of small, widely disbursed, family-owned farms.

USDA has been a mature organization since the 1950s. Mature organizations typically focus on establishing roots, maintaining control, and taking low-level risks. Since the 1950s USDA has added new responsibilities such as food stamps, food safety, market integrity, and export programs when mandated by the Congress—but the new responsibilities were added onto the existing framework. The basic departmental objective has remained unchanged since the 1930s—improving the productivity of U.S. agriculture. Yet the external environment has produced new challenges that the Department must address if it is to avoid the decline cycle.

These challenges go beyond producing enough food and fiber. They also involve meeting the economic development, health, safety, and environmental needs of consumers throughout the world. To revitalize to meet these new challenges, USDA needs leadership and customer-based management to update its structure, basic management systems, and planning mechanisms.

USDA has been unwilling to consider more innovative, cost-effective means to deliver farm services. However, steadily shrinking resources, a declining farm constituency, and new global challenges place traditional farm program delivery services at risk. Both consolidation and integration are contentious issues, raising many organizational and political obstacles. Nevertheless, annual savings in the millions of dollars justify pursuing consolidations more aggressively. Even larger savings can be obtained, along with better farmer service, through a transition to a streamlined, integrated 1990s-era field structure. The transition requires Secretarial leadership, coordination with the Congress, and the agreement of external and internal customers to get started. To succeed, field structure consolidation and integration must become Department-wide priorities and top USDA officials must be held accountable for its implementation.

Like the field structure, USDA's basic management systems were set up in a simpler era. Questions exist about whether USDA's information, financial, and human resources systems can keep pace with USDA's increasingly complex responsibilities and changing socioeconomic conditions. Leadership is needed to capitalize on the wealth of information, expertise, and independence of traditional USDA agencies. For example, the requirements of the new chief financial officer (CFO) legislation will provide USDA with a sound basis on which to begin improving its financial systems. But to allow the different agencies to work as a team, USDA should consider the CFO legislation as an opportunity to develop and implement a comprehensive plan for improving its financial system across agencies, and for restructuring its agency-level CFO positions. Agency-level CFOs should have consistent authority and responsibility throughout the Department.

To revitalize USDA and to implement wide-ranging initiatives that meet the new challenges, the Department needs to increase its strategic planning processes in emerging consumer growth areas. However, USDA relies on traditional agency roles and missions in attempting to meet new challenges. For example, a comprehensive food safety policy and plan could help the United States improve the credibility of its food safety and quality system so that it is seen as the foremost system in the world. No such comprehensive policy or plan exists. As a result, USDA misses opportunities to address food safety needs and provide the confidence consumers are requesting. USDA also has not developed an integrated, Department-wide strategic marketing plan. Former Secretary Yeutter spoke frequently of the importance of international agricultural trade.

He emphasized the importance of the government's providing the necessary management tools to help American agriculture become more competitive in world markets, particularly in high-value food products. Yet, in today's highly-competitive, marketing-oriented environment, no such plan exists. USDA programs and policies still favor the production-oriented philosophy that contributed to agriculture's post-World War II productivity boom. In brief, Departmental operations do not match the competitive leadership vision espoused by the former Secretary because, as with food safety, the vision is counter to the Department's culture.

Mechanisms Needed for Institutionalizing Change

Institutionalizing change in USDA requires the acceptance of this change by the Department's many agencies and the Congress. For example, two recent strategic planning initiatives led by the Assistant Secretary for Administration—on work-force diversity and information resources planning—show potential to achieve change. Yet, the chances for success of both initiatives ultimately depend on (1) employee and agency acceptance of the initiatives and (2) integration of the initiatives into the legislative, budgetary, and internal planning and decision-making processes.

The information resources plan is significant because an analysis of USDA's internal customers clearly found that managers throughout USDA lack the information they need to manage their programs effectively. The plan sets an agenda for dealing with the problem. But the key to the plan's success is the degree to which individual agencies can be authorized to implement the new plan in their units.

Institutionalization allows a plan to become a reality throughout an organization by building it into routine bureaucratic processes. Although we commend USDA's current work-force diversity and IRM initiatives, we have seen too many earlier initiatives fail because of the absence of (1) strong leadership from top management and (2) departmental responsibility for agency actions. For example, effective education and awareness training programs are an important component for ensuring that all employees involved are given the opportunity to commit to the process through being made aware of the priorities, goals, and objectives. Yet, education and awareness training were not included in either the information resources or diversity initiative. We question whether the Office of Information Resources Management and the Office of Personnel, both under the Assistant Secretary for Administration, have sufficient authority to bring about change in these areas.

Employee-level acceptance of the initiatives is also necessary if change is to be institutionalized. Employees will not have incentive to change the status quo unless they feel that they can make a difference. Since no one understands the details of a job better than the people involved, obtaining input from teams of employees to work out common problems can lead to improvements in quality. USDA tried such an approach in 1985 when a Secretarial task force obtained comments on alternative organizational structures, such as integrating the farm agencies, from a broad range of agricultural interests, including all 50 state Food and Agricultural Councils (FACs). Some state FACs enthusiastically proposed substantial reorganizations of existing structures that had the potential to result in a leaner but stronger USDA field presence. Our analysis showed that a great deal of work and thought had gone into the proposals. Since then, however, USDA has acted on few restructuring proposals, in part because it did not develop a system for implementing the recommended changes, including a mechanism for dealing with opposing viewpoints.

The Congress also needs to be involved in identifying and removing any gaps between the traditional organizational structure and the structure necessary to develop new policies and conduct new programs. However, because the funding process for USDA involves 202 appropriation accounts, it is difficult to oversee organizational change.

Conclusions

USDA is at the end of one era and facing the challenges of another. USDA's success has been dramatic, but so have the changes in the environment in which USDA must now operate. In addition to assuring farmers a fair return on their investments and domestic consumers an abundant supply of reasonably priced food, the Department must now meet the health, safety, and environmental needs of food and fiber consumers throughout the world. Strong Secretarial leadership and congressional support are essential elements of any effort to revitalize the Department's structure, basic management systems, and planning mechanisms.

If successful, USDA will begin a new growth stage, retaining its position at the forefront of global agribusiness. The economic, world security, and good-will benefits of leading the world's largest consumer-oriented industry are immense. Yet, the Department's response to 1980s trade statistics and recent food safety controversies as well as its unwillingness to modernize its field structure and basic management systems reflect an organization that may well already have begun such a decline. If USDA does not respond to the new challenges, other countries and industries more responsive to customers' needs will take advantage of the void and successfully capture consumer markets.

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U.S. Department of Agriculture: Improving Management of Cross-Cutting Issues (GAO/RCED-91-41, Mar. 12, 1991).

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