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STREAMLINING GOVERNMENT FOR TODAY'S MARKETPLACE
STORIES FROM USDA's COMMODITY RE-ENGINEERING PROJECT

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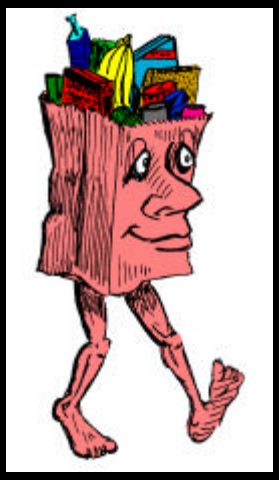
"The Challenge of Change"

Food Distribution 2000 is:



Partnership of USDA agencies, partners, and customers to reinvent the commodity program.

The Commodity Programs

- USDA buys food product and sends it to schools, soup kitchens, food banks, elderly centers, and Indian reservations
- Serves US agriculture & recipients
- Over $1 billion per year

Forces for change in the Commodity Program

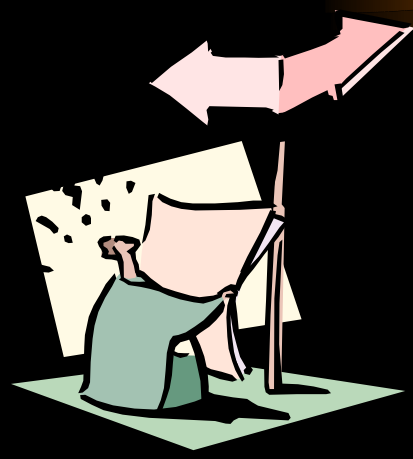
- Growing customer dissatisfaction
- Private industry participation decreasing
- High/increasing nonvalue added costs
- Declining federal staff levels

Seriousness of School Situation - Quotes

"It just seems to us, that we will never be able to solve the problems that come with commodities"

"…..four years ago the program was one vote shy of being eliminated in the House Education Committee"

How Did We Proceed?



BPR…also known as . . .

- Process Re-design
- Business Process Re-design
- Process Improvement
- Business Process Re-engineering
- Core Process Re-design
- Break-thru Engineering

What is it?

- It is a systematic way of bringing about change. A stepping back and seeing a new way of doing a particular business process.
- It involves rapid change vs..

  incremental change

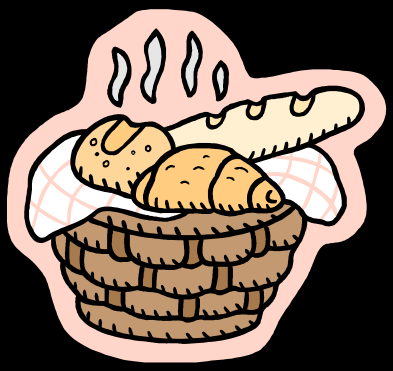
What Makes This Different?

- Ground level involvement of customers and stakeholders on every team vs. taking input or putting out a proposal or regulation for comment
- An admission that we don’t know the answers
- A belief that together we can make change in government

FD 2000 Commodity Re-engineering

- **Fall 98:** Project launched
- **Winter 1999:** Intensive team meetings
- **Summer 2000:** Recommendations done
- **Fall 2000:** USDA decisions and report issued on changes to be made
- **Winter/Spring 2001:** Implementation plan, structure, and teams assembled
- **Winter/Spring 2001:** Implementation

What Were the Results?



Commodity Program Improvements

- Expand Use of Long Term Contracts
- Best Value Contracting
- Commodity Program Specification Review
- Commercial Labels
- National Umbrella Contracts
- Expand Full Substitution
- Seamless Commodity Distribution
- Processing Commodities of Limited Demand
- Develop Written Hold & Recall Procedures

More Program Improvements

- Computer Connectivity
- Single Point of Contact
- Pilot Test Improvements
- Use of 4/11 Funds for Commodity Purchases
- Relax Truckload Requirements
- Streamline Paperwork
- FDPIR Prime Vendor Pilot Delivery System in MWRO
- FDPIR/CSFP Multi-food Warehouse Contract

Overall Results

- Improved service to end customers
- Streamlined operations requiring less staff
- Long term cooperative relationship established between agencies and stakeholders
- Industry involvement increased with new companies participating
- Widespread spirit of innovation and creativity
- Harshest program critics became program defenders

When so Many Fail….Why Did This one Succeed?

- Ground level involvement with all major stakeholders and customers
- Careful choice and use of professional consultants to lead the teams
- A structure that involved key senior managers but insulated them from day to day decision making
- A clear identified threat and deadline
- A Project Leader focused on process rather than a pre-determined outcome

Why is this so important?

- Government doesn't have competition to bring about improvement - they need another way
- Citizens increasingly expect service equivalent to what a good company gives
- Decreasing federal expenditures on non-defense programs means fewer staff
- It's the right thing to do

Five minutes to midnight…

For Additional Information

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“Stories From the Front Line”

Making Change Happen
A Perspective by Howard Magwire from the Agricultural Marketing Service

The Agricultural Marketing Service purchases agricultural products for the school lunch and other federal food nutrition assistance programs. To fill part of this mandate, the Agricultural Marketing Service receives funds that are appropriated to the Food and Nutrition Service for food programs. In fiscal year 2001, for example, the Agricultural Marketing Service expended $272 million of those funds. The majority of its purchases are made with monies Congress has appropriated to support agricultural markets and remove surplus supplies when markets are severely depressed. Last year, the Agency purchased a record $800 million of food with funds designated for this later purpose. This food must, of course, also meet the needs of our recipients.

The Agricultural Marketing Service initiated a review of its business processes in 1995 to streamline those processes and improve the way we provide customer service, with emphasis on how we purchase food and get it delivered to recipients. Through that review, the Agency became more efficient at handling orders received from the Food and Nutrition Service and at buying food. We also recognized at that time that our internal review was only part of something that could become much bigger. Indeed it did grow when a multi-agency re-engineering effort was launched in 1998.

While the commodity agencies within USDA had a close working relationship, the larger effort revealed that much more could be done. As we looked at the way commodity ordering and distribution were being conducted, it became evident that changes were not optional. Significant changes in business processes were necessary if the program was to meet customer needs in the future.

The process itself presented numerous challenges. One of the first was just to have common definitions of terminology. For example, it is easy to understand why the Agricultural Marketing Service could perceive its primary customers as farmers. The Food and Nutrition Service, on the other hand, would first see customers as children participating in the school lunch program. Our efforts to overcome the problems encountered required a lot of “walking in the other person’s shoes.” The participants as a whole came away with a new perspective on their role in the commodity ordering and distribution process.

Each participant on the re-engineering teams had several responsibilities. Initially, many naturally felt their charge was to represent their own organization. Some may have even thought part of the job was to protect the status quo. Participants in the process came to realize that they needed to be educators so they could explain what their organization did, how they carried out the agency role, and most importantly, why their organization did some things. They also became students, as it was necessary to understand the processes used in organizations represented by other team participants. They were problem identifiers and solution creators, compromisers, and mediators. As the revised process was developed, team members also were responsible for carrying their new process back to their organizations and achieving buy-in.

Even with all of these roles to play, participants always came back to the goal. The result was the development of changes to the process that will improve customer service for years to come.

Reality Bites!
A Perspective by Cathie Johnson from the Farm Service Agency

USDA's Farm Service Agency purchases some of the commodities for domestic nutrition assistance programs on behalf of the Food and Nutrition Service. Specifically, the Farm Service Agency buys those products historically associated with price support programs, i.e., dairy, grain, rice, peanut, and oil products. For years, we operated on the premise that we were providing a valuable service by purchasing these foods and getting them into the distribution networks to the end recipients, primarily school kids. We moved commodities into the food chain year after year to the best of our ability. We received little negative feedback, which led us to believe that all was well and fine. Little did we know that we were headed into a painful reality check that would force a major course correction if we were to continue in this business!

The Problem

In 1998, the Farm Service Agency set out to improve customer service. A consultant was brought in to interview our customer base and compare those findings to the internal perspective. We discovered that our grasp of customers' needs was out-of-step, leaving the organization in danger of obsolescence. Reflecting larger socio-economic trends, school feeding programs had changed from labor-intensive, on-site food processing and preparation towards profit-driven, heat-and-serve, fast food-style cafeterias. The Farm Service Agency's domestic feeding purchases were based on a system of bulk buys and batched deliveries; acceptable when "scratch" cooking was the norm.

A significant gap existed between internal perceptions and outside feedback on the quality and value of our domestic procurement performance. We began to realize that, although government continues to play a role in surplus removal, inventory management, and feeding programs, industry practices for delivery, efficiency, and customer service had far outstripped government standards. Until we looked outward for information, we were unaware that our customers, the program recipients, were facing competitive economic and market pressures, rapidly changing technologies, and in the public sector, higher thresholds for tax dollar spending accountability.

The ultimate wake-up call occurred when we were told, in the midst of this study, that our funding source, FNS, was actively considering alternative services for domestic procurement, because the Farm Service Agency's procurement practices were no longer meeting certain needs of the Food and Nutrition Service.

The Solution

Driven by a basic need for survival, we sought to better define the needs of our customers and find a procurement model that is based upon the best practices of industry and fits our requirements. We learned how to better collaborate with our partner agencies: the Food and Nutrition Service, Agricultural Marketing Service, and Food Safety Inspection Service. We struggled with internal strife brought on by the fear of change, and efforts to resist it. We are still on the learning curve, but we believe that we have found the right path!

The Process of Change
A Perspective by Jesse Majkowski from The Food Safety and Inspection Service

In order for any feeding program to reach its potential, food commodities must be provided in a cost effective, efficient and safe manner. In the USDA, this responsibility falls to several agencies. Each of these has its own operating procedures that have been ingrained for many years. Change comes slowly in government. Routines are established and followed to the letter. In streamlining the commodity process, agencies were forced to reexamine how they do business. Could the agencies making decisions on commodities revamp their procedures and improve their process?

USDA is large—there are many agencies. For those working on this project we were cognizant of each agency's role in the commodity process, but had little understanding of why reaching a consensus on a commodity issue was so difficult.

One agency purchased the commodity, another determined its use and destination, and another ensured it was produced in a safe manner. Individually, we thought the system worked well. Collectively, as a group, we discovered the problems. This process was aided by having representatives who received and used the commodities at the school level.

This re-engineering process was aided by having an "outsider" – a facilitator who challenged every step of each agency's operating procedures. We initially wondered whether three days of meeting could result in much improvement. As members of the group explained their role and decision points, it became apparent that each agency did not have a global understanding of the entire system. When challenged as to why the current system was structured the way it was, the common theme was " that's the way we've always done business." For example, when there is a food safety issue involving a commodity, USDA expected the schools to hold the product and not use it. However, we soon learned that storing and separating the problem commodity from the other products could be difficult, and that there was a risk it could be used. Why not have it removed to a central location? It would cost schools money, but eventually USDA would reimburse the schools. The solution was simple—speed up the reimbursement process so that the product could be removed quickly—but why wasn't this apparent to the agencies?

First, no one was empowered to make changes in existing operating decisions. However, the USDA reengineering project sent a message to top-level decision-makers that the "old" way of doing business needed to be changed. This fact alone changed thinking in the agencies and opened peoples mind to doing business differently. Those at the top were now receptive to change. This was a paradigm shift at the mid-managerial level.

Working In Partnership With USDA
A Stakeholder's Perspective by Barry Sackin from the American School Food Service Association

The American School Food Service Association (ASFSA) was created in 1946 as a national organization through a formal merging of several state and regional associations. This is, coincidentally, the same year that Congress enacted the National School Lunch Act.

The link between America's farmers and ranchers and the federal child nutrition programs is long and of great mutual benefit. The programs have enjoyed the support of the agricultural community and the members of Congress who represent farm states. Farmers and ranchers have been served by increased consumption of agricultural products through the nutrition programs and, most directly, through the commodity distribution programs. Over the years, schools have developed new and expanded markets for products by introducing them to children and developing creative new recipes to utilize the commodities they receive. Schools and other recipient agencies have benefited from high quality foods at virtually no cost, allowing them to stretch operating budgets further.

The commodity program is not without its problems. Over the years, the American School Food Service Association has worked with USDA in addressing a variety of concerns. In the 1980's, a blue ribbon panel evaluated the commodity program as it existed and made a number of recommendations to improve the commodity distribution system. One member of that panel, Shirley Watkins, food service director in Memphis, Tennessee, later became president of ASFSA and then went on to serve as Undersecretary of Agriculture for Food, Nutrition and Consumer Services.

In the early 1990's, ASFSA again worked with the Department on commodity issues. This time the concern addressed product quality concerns and the nutrition standards used in USDA procurement specifications. Significant changes were made reducing fat and sugar in the products purchased for distribution to schools.

In these early efforts, input was sought from ASFSA and other interested parties, but it was felt that the recommendations of the advisory panels were viewed by the Department only as outside comment to be considered when the Department decided what, if any, changes it wished to make. This all changed with *Food Distribution 2000*.

Reading signs of dissatisfaction in the commodity distribution program gathered through a variety of sources among the "customers" of the commodity program, the Department decided to try a very different approach to reform. Rather than empanel an advisory committee whose recommendations would be added to internal discussions, USDA began a truly cooperative business process reengineering (BPR) effort. With the explicit support of four undersecretaries, USDA created three teams to evaluate the entire commodity distribution system.

The three teams created by USDA addressed the Food Distribution Program on Indian Reservations (FDPIR), the system of commodity holds and recalls that responds to food safety alerts, and the broader questions of procurement and distribution of commodities. The teams included representatives from many of the people involved in the system, both inside USDA and from the communities it serves.

The process on each team began with a comprehensive education program for each of the participants about what the program looks like from the other's perspective. Everyone involved was amazed at what they didn't know. For the first time, the complexities of the commodity distribution system were understood by each of the sectors involved. USDA had no idea of how the program looked from a recipient agency viewpoint or how complicated the existing system was to manage at a state agency or school. And the non-USDA partners learned about the enormity of administering the program among the four agencies that share responsibility.

Equally important in the BPR effort, was the clean sheet that the teams were given in re-engineering the program. All the teams were told that nothing was off limits.

There were, and still are, no guarantees that the proposals that came out of the effort will be fully implemented, although there has already been significant change. The commodity distribution program does not, nor can it operate on its own. Many other factors must be considered in making changes. But there had never been such an open process or such high level commitment to fundamental change at the Department.

While the outcomes of the commodity re-engineering project are not fully known, the lasting legacy of the effort will be from the process used. The various partners, both inside and outside of the Federal Government, found ways to work cooperatively for mutual benefit and to create positive change for programs, which serve America's agricultural interests and the nutritional well-being of its citizens.