Can this county budget be saved?

By Greg Burns | Tribune senior correspondent

Declaring bankruptcy would ruin the county's credit rating, among other severe consequences, making such a move doubtful. But with a historic tax hike looming in Cook County, passions are running high. It's often suggested that government would be better off operating like a business, with a premium on efficiency and results. And no one disputes that business executives such as Seigel often think differently than elected officials.

Seeking a fresh perspective, the Chicago Tribune consulted five local business leaders to determine how sophisticated financial practices might help the county manage its latest fiscal crisis.

To find out what the local business leaders had to say—and the county's response—go to PAGE 10

ANOTHER VIEW

Business tactics can't always apply

Harry Kraemer Jr. describes himself as "probably one of the only CEOs who thinks government shouldn't be run like a business," but he has plenty of company in the academic world.

Apart from obvious differences such as the profit motive and the prominence of shareholders instead of voters, scholars cite more subtle distinctions that strain the comparison, too.

"The problem is that government doesn't have one simple objective the way business does," said Robert Reich, former labor secretary under President Bill Clinton and author of a book, "Super-capitalism," that urges Americans to rebalance the roles of business and government.

"Government is run for many different stakeholders," he said. "Outcomes have to be brokered. Means are not all that clear even when objectives are agreed upon."

Good examples such as Enron Corp. and the private-contractor scandals in Iraq, Reich added, "I'd be careful before we say businesses are run better."

Beyond that, judging government by its economic efficiency makes sense for routine tasks such as purchasing, but not for services such as police investigations or child protection, according to Richard Box, a University of Nebraska professor who has studied the issue. "Efficiency may not be as important as values such as fair treatment, social justice, responsiveness to citizens, environmental sustainability and so on," he said.

Even the communication styles differ. Box noted, saying the autonomy and secrecy common in the private sector could undermine the democratic process in a public sector dedicated to openness and transparency.

Paula Worthington at the University of Chicago doubts government ever could mimic business because the incentives vary so much. Instead of making money, "you have people lining up to give you your salary," she said. Worthington, a lecturer at the Harris Graduate School of Public Policy Studies, "It's a different set of incentives."

In general, though, she still sees lessons that apply to both worlds, as does Kraemer, the former chief executive of Baxter International.

"At the end of the day, it's all the same," Kraemer said. "You're dealing with people. You're dealing with diverse views. You're prioritizing. You're setting direction."

—Greg Burns
The page contains a mix of text and images, which seems to be a page from a magazine or a book. The text is not legible due to the quality of the image. It appears to be discussing some sort of project or initiative, possibly related to technology or business, given the context clues. The page also includes images, but their content is not discernible from the image provided.
Quest for sound principles

Of course, not everyone believes business lessons apply in the public sector, and the executives concede the worlds are different, though not so much that management principles won't work in both.

In fact, assessing the county's performance from a business standpoint is nothing new. A series of prominent reports over the years has identified inefficiencies and proposed fiscal reforms, including at least two this fall.

The Cook County Bureau of Health Services Review Committee, a panel loaded with experienced hospital executives, recently laid out a blueprint for improving the county health care system, its biggest single service along with law enforcement. Likewise, a 32-page budget analysis by Chicago Civic Federation, an independent fiscal watchdog with many business figures on its board, also proposed improvements in corporate functions such as performance management systems and long-term financial planning—while pushing for deep cuts in the personnel costs that make up 62 percent of the proposed 2007 budget.

To a degree, Cook County officials already have adopted language and ideas from big business, though critics say they have failed to implement the concepts underlying them.

At public hearings the county has hosted on its current $3.2 billion budget plan, its leaders sometimes sounded like CEOs reassuring shareholders their investments would pay off: "We don't waste anything." Cook County Chief Judge Timothy Evans said in November: "The money that we're asking for is money we will put to good use."

In seeking $880 million last year in new tax revenues, Stroger said he has achieved "enormous operational efficiencies" during his year-long tenure, and has adopted "modern business practices." Stroger also points out that he has introduced "performance-based budgeting" using productivity benchmarks.

Seigle's idea for a Cook County bankruptcy filing would not solve its "revenue problem," Stroger spokeswoman Ibis Antongiorgi said in a statement Friday (see box above). "When any business, public or private, refuses to raise revenue while expenses continue to outpace income, then it is time for all stakeholders to consider drastic expenditure reductions. Cook County government needs additional revenue to pay its employees."

What's missing from Stroger's budget plan is specific enough objectives, said Gidwitz, director of Rush University Medical Center, which works closely with the four county-run hospitals. "Where you can cut is the second question," he said. "The first question is, 'What do we need? What are the priorities and strategies?'"

In need of a turnaround

Starting with a blank sheet each year is "extraordinarily time-consuming the first time you do it," Gidwitz said. "You have to develop the tools. You need a long-term plan to establish priorities. That's what real organizations do, and that's not what these guys do."

Seigle, too, sees critical flaws in the budget process, starting at the top. "This is a company in need of a turnaround, and the leadership has done nothing to indicate they have any desire to deal with inefficiency," said the former chairman of Seigle's Inc., a distributor of building materials and contractor services that he sold in 2005.

"I would make my emphasis on productivity and use basic productivity measures," such as the cost per recorded document at the Cook County recorder of deeds, said Seigle, a former head of the Illinois Development Finance Authority who ran unsuccessfully for Illinois comptroller in 1988.

Imposing stricter performance and productivity benchmarks would highlight "the featherbedding, the inefficiency and the corruption," he said, while also identifying hidden examples of "outstanding work and efficiency."

Yet not all the data systems and business models that work for the private sector would apply to government, Rappaport said. In health care, for instance, the county can track the services it provides, unit costs and doctors' diagnoses, she said. But it can't define its customer base of eligible patients, since it is a provider of last resort for a shifting population.

That "cost per person covered," a basic benchmark in the private sector, isn't available with any precision because, she said, "You can't say how many are eligible for service."

Kraemer thinks public anger over the county budget proposal may be misplaced. It "could be," he said, that those who can afford it should pay higher taxes to provide health care for the poor, among other services with critical social benefits. All things considered, he added, "I'm not of the view that taxes ought to be lower."

Arbor disagreed: "There's many ways the government can be more economical and manage their resources better."

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