

Is Congress' Business Model Broken?

As we review 2011 we can't help but look at Congress' performance (or lack thereof) this last year. And while this is not a "political" blog I thought it would be interesting to assess Congress' "business model" and ask the question, "Is Congress' business model broken?"

But before we do that we need to answer a couple questions. First, what is the definition of a business model?

Business Model Defined

Business model: the proprietary methodology used to acquire, service, and retain customers.

And remember, there are [eight essential areas to every business model](#):

- Must have excellent margins
- Must be easy to sell
- Must have The Four Capitals©: Intellectual Capital, Financial Capital, Human Capital and Brand Capital
- Must be able to maintain ongoing competitive advantage
- Must have quality customers
- Must have longevity of the industry
- Must provide for the owner's graceful exit
- Must avoid pitfalls

Is Congress a Business?

Second, is Congress a business? Well...no. It's a branch of the U.S. government. But it still has "customers" aka citizens and a primary purpose. According to Article 1, Section 8 of the U.S. Constitution the primary function of Congress is:

...to lay and collect taxes, duties, imposts and excises, to pay the debts and provide for the common defense and general welfare of the United States... To make all laws which shall



be necessary and proper for carrying into execution the foregoing powers, and all other powers vested by this Constitution in the government of the United States, or in any department or officer thereof.

So if you'll allow me some leeway here I'd like to submit a working definition of Congress' business model. Then I want to look at four areas where I believe Congress' business model is broken.

Congress' "Business" Model

I would define Congress' business model as:

The proprietary methodology used to carry out the primary Constitutional functions (as defined in Article 1, Section 8 of the US Constitution) and to service and retain the majority of support from voters.

So in light of the above definition, we discovered four areas where Congress has been failing, especially in 2011.

1. Must Have Excellent Margins

This is one of the most important parts of any successful business model. Since part of Congress' primary duties is to collect taxes, pay debts and create a sustainable budget, it is only right that the blame be placed on them if they fail in this area.

One of the biggest Congressional debates of 2011 was the US Debt-Ceiling Crisis. Congress had difficulty reaching an agreement to raise the debt-ceiling which resulted in a deal finally being reached on July 31. Four days later, on August 5, the credit-rating agency Standard & Poor's downgraded the credit rating of US government bond for the first time in the country's history.

Now, we're not going to get into a political debate here but the fact of the matter is the US government does not have excellent profit margins (yes, no profit margin would be considered "not excellent"). No entity can continue to spend more than they make and expect to experience success.



2. Must Have Quality Customer

Customer service is another important piece of any successful business model. As we said earlier, Congress' customers are the voters and tax payers they serve. Since Congress ended the year with a record-low 11% approval rating I think it's safe to say they are failing here as well.

Our government is a representative democracy which means we are a self-governed people. If the elected officials are making decisions that upset and anger the people then something is wrong. Either the ones elected are not keeping their word or the people chose the wrong leaders to represent them.

3. Must Provide the Owners Graceful Exit

Since there are no "owners" in Congress we'll modify this to say, "Must provide the elected officials' graceful exit." This would mean Congress could function properly even after key leaders died, lost re-election or decided to move on. If Congress only works when established life-long politicians are in office then we must also conclude that this essential business model rule is also being broken.

Why is it that new people who come into office are not able to get the results that the established politicians are? When politicians are rewarded more for "longevity" than "performance" then a culture is created that kills innovation. This can also be seen in many corporations when people who have been there longer receive more pay than the younger workers who actually produce more profit for the company.

4. Must Avoid Pitfalls

Has Congress avoided pitfalls? I don't know anyone, no matter which side you're on, that would honestly answer yes to that question.

Falling into pits seemed to be par for the course for the 2011 Congress. The gridlock in Congress resulted in potential government shutdowns, a credit downgrade, and record low approval ratings by the people. If there was a rock in the road it seemed as though Congress was bent on hitting it.

Congress, just like businesses must find a way to avoid pitfalls in the future. While politicians may never agree on anything they must find a way to run this country successfully or they need to be replaced. If a CEO continued to lead his company into pitfall after pitfall he would be fired. Why should it be any different with our elected officials?

Business owners can learn a lot from the blunders Congress made in 2011. We can learn it's important to have: excellent profit margins, quality customer service, a system that can operate after you leave, and a plan that avoids pitfalls.

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