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Scouting and the Financial and Economic Crisis

A major global financial crisis inevitably has an impact on almost every single organization on earth. No matter how small or big an organization is, whether it is local, national or international, it can be expected to be influenced by the crisis. Business organizations are likely to be affected most and before other non-profit organizations.

What is a financial crisis?

Of course this is a question that mostly relates to bankers and financial institutions, economy central planners, businesses, academics and students at business schools. However, in conducting any analysis it is important to understand what are the basic dimensions of a financial crisis. Usually during the times of such crises, financial assets come under pressure and their values reduce. Such pressure is created by the market itself due a number of reasons such as:

- The increase in the risk due to uncertainty. This leads to mistrust between financial institutions (such as banks) to borrow from each other, creating a liquidity problem. This problem leads to an increase in the cost of borrowing (higher interest rates are asked to compensate for the higher risk) and therefore businesses finance costs increase substantially.

- The increase in costs is passed in the price increases since profit margins have to be maintained and eventually have to stay positive and not turn into losses. This puts a pressure on business costs which have to remain as low as possible. The first victim in this case becomes the labour cost which has to be reduced. This leads to unemployment. At this stage the financial crisis passes its impact on what economists call the real economy.

- Increasing unemployment creates uncertainty in the labour market and households start saving for the possible "rainy day" that may come. Consequently this reduces demand and supply affecting the output of the economy which of course leads to a negative chain effect by increasing further unemployment rates.

- The low economic prospects created have a negative impact on business investment leading to low economic growth expectations.

- This is a cycle that continues as long as there are no signs of recovery to reverse the downturn of economic expectations.

The result of a persistent economic crisis, since the initial financial crisis will eventually turn into an economic crisis, will be low inflation, high unemployment, low business profits, low demand, high uncertainty and of course low business confidence and expectations. All these negative economic factors and indicators will have their negative impact on organizations, including non-profit organizations and the overall social and economic environment.

Scouting and the crisis

Scouting is part of society. Therefore, if the economic crisis has an impact on society, then inevitably it will have an impact also on Scouting. If the economic crisis is expected to have a huge impact on society, then the closer Scouting is to society, the more is expected to be the impact on Scouting as well.

This correlation can easily be used to measure the degree of integration that Scouting has in society. However, the correlation between Scouting and society can also be negative. This is especially important at times when there are social problems which Scouting wants to address, to intervene and to create a constructive social impact.

The possible adverse impact of the crisis on Scouting

This is the direct result of the crisis upon Scouting. The most obvious direct impact will be felt in the area of finances.

- *Sponsors*: The resources for sponsoring organizations such as Scouting and Scouting events are most likely to be linked to their profitability. If the profitability of sponsors reduces then it is more than obvious that their sponsoring funds will be also reduced substantially. Scouting, as a recipient of such sponsoring funds will inevitably suffer.

- *Membership fees*: Scouting membership fees are not high. In fact compared with the fees paid by individuals and families to participate in other activities are substantially lower. However, when a family loses its income, even small amounts of money matter. Therefore membership fees, no matter how low, can create a financial burden on a financially stretched household, which may even lead to membership decline.

- *Activities fees/costs*: Scouting activities are mostly self-financed. This means that the cost is either covered by the fees paid by the participants or the sponsors that support financially the activity or a combination of the two. At times of economic downturn, families are likely to be more reluctant to financially support their members to participate in activities for which fees are payable, while sponsorship funding becomes increasingly scarce. Families would rather focus their expenditure in meeting formal education expenses (school fees) rather than other activities.

- *Infrastructure development*: This involves the development of facilities or equipment. Facilities development may include the premises of groups, scout centres, district or national headquarters etc. This development in many cases depends on donations in-kind, such as materials, labour or expertise skills. In-kind sponsors will be financially stressed and in this respect they will be less willing to contribute to Scouting during the time of an economic downturn.

- *Partnerships - projects support*: External partners may suffer from the economic crisis as well. As a result, they may turn to focus in developing their own internal financial resources more in competition rather than in co-operation with other organizations. This is due to the scarcity of sponsorship funding which will intensify competition.

These are the most obvious potential threats. However depending on the national or domestic norms there is a possibility that other factors may become important in having an adverse impact on Scouting.

Are there "Challenges" or "Opportunities"?

Well, this is the bright side of things. Most of the financial success stories in the business world emerge at times of crisis or economic downturns. Therefore there must exist some opportunities as well. Indeed if we look around and if a careful analysis of the situation is made, it is possible to identify significant opportunities and possible advantages that we may have.

- *Scouting as an alternative*: It has already been mentioned that Scouting can be considered as a low cost activity. This of course is in comparison with the costs of other activities that other similar organizations (business or non profit) may offer. At times of prosperity there are some critics from inside the Scout Movement who argue that if Scouting is seen and perceived as a "cheap" or low-cost activity, then it might not be attractive. Well, if this is considered as a disadvantage at times of economic prosperity, why we don't manage to turn it into an advantage at times of economic downturns? Scouting is an alternative, value-based system of non-formal education offering opportunities to young people.

- *Reaching out to unemployed adults*: Reaching out is one of the seven strategic priorities of WOSM. Reaching out to disadvantaged segments of society is a strong focus of this strategic priority. This is the opportunity and the time to make a strong impact on society. Offering training to unemployed individuals and of course involving them in voluntary work could be an opportunity for a practical constructive contribution and impact on society. This will also enable the Movement to increase its adult resource capacity, working therefore on a win – win situation.

- *Preparing for the change*: The crisis is here but the hope is that it will not stay permanently. Good planning will contribute to the good use of the opportunities that will arise when the crisis is over and the economic up-turn and growth are back. This is challenging because it requires patience and of course good long term planning. However, is possible as soon as there is a serious analysis and forward thinking.

- *Only the fit and efficient survive*: This is a survival period for many organizations. This is a difficult time for all. It is indeed also a difficult time for Scouting as well. However, Scouting is fit enough to survive carrying more than 100 years of experience, and being well developed with strong foundations in most parts of the world. Scouting needs also to be efficient and effective, especially in allocating and using its available financial resources in a transparent and trusted way. Sponsors and donors trust Scouting. There is a brand name of trust and this has always been an advantage. This has to be maintained. This will provide the survival kit, but also the fitness, for future development and to continue to secure (even limited) external funding at the time of a crisis. This is a sustainable advantage which we should preserve.

A need for Strategy

Strategic analysis and strategic planning are possibly the most important challenges in the middle of an economic crisis. No matter how difficult it is to forecast the future and to plan for it, equally important is to strategically analyse and plan for the day when the crisis is.

The strategic analysis and planning at this stage should be composed of two elements:

1. The shorter term strategic planning which is related to the period of the crisis and
2. The longer term strategic planning which is related to the period of recovery.

The main problem faced in this analysis is the timeframe. No one knows how long the crisis will last, nor does any one know when the recovery process will start. Therefore both shorter and longer term strategic plans would need to have a contingency character in the sense that they will need to be applicable and adoptable at currently unspecified future points in time.

Short term strategic planning may be considered to be close to tactical planning, since it needs to be flexible and responding to changes as the situation develops. However, it should be geared towards a longer term goal which should relate to the optimal point which it is expected to reach at the time when recovery will begin.

Longer term strategic planning should be geared towards the period of recovery for which preparations are vital to take place well in advance.

For any strategic planning there is a need to follow the strategy material and literature which has been developed by WOSM in the recent past. Tools and methodology remain unchanged. What changes are the parameters which need to be addressed and discussed.

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