

## Greetings!

We hope you enjoy our newsletter in which we illustrate our thoughts on current management and anti-money laundering issues.

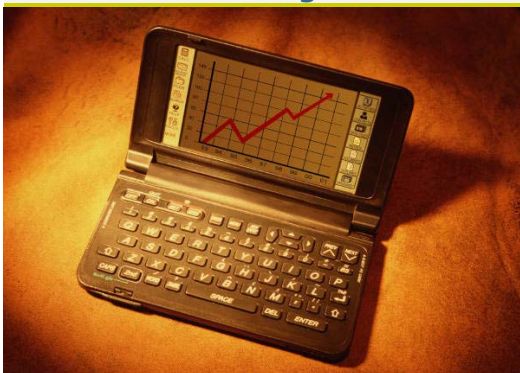
Your feedback, comments and opinions are always welcome!

AnaMaria Rivera

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## The Growth Challenge



Our tendency to growth is embedded in our DNA and therefore companies automatically set their strategic goals in "growth" mode. But some times this goal comes without a critical evaluation of what we call their "growth stage" and a thorough assessment of their own capacity to grow.

To face the Growth Challenge, a team of managers must address and evaluate the following variables:

**1. Growth History.** Although we want and need to dream with high goals, we also need to be realistic on who we have been, this assessment will give a clear light on the strengths and weaknesses that the organization has for growth. The management team must then start facing such weaknesses (and leveraging the strengths) while planning strategically the next steps for growth (e.g. in many small and medium businesses one major weakness is the desire of investors to fund growth organically, reducing the organization's ability to step into the next "growth stage" or perform a "quantum leap").

**2. Desired Growth.** The biggest obstacle that managers face in this step is the "bottom-up" approach that they are almost-always inclined to take. When asked about mid to long-term goals the first thought is to start building from current revenues, profits or margins, which is not only

## Implementation Questions

Sounds interesting and would like to implement? Here are some questions you should ask yourself and your management team when assessing your "**Growth History**"

- What is the profile of our shareholders (i.e. risk, capital availability, investment expectations, etc)
- Do our shareholders want to grow with the business or are they looking for an exit strategy?
- How has the company financed its growth until now? (i.e. debt, equity, cash flow)
- How has the company planned its growth until now? (i.e. planned growth - vs- emerging growth)
- How has the company accommodated organizational requirements of

unnecessary (because inertia will take care of organic growth) but also hinders the core principle of desired growth: the vision, the dream. Dare to dream, that will force your entire organization to live up to the challenge.

**3. Growth Capabilities.** Here is where reality kicks in. Management must now objectively evaluate the organization's capabilities to achieve the desired growth. If this exercise has been done properly, in 95% of the cases current capabilities won't match desired growth, leading to the real "Growth Challenge", but also the most exciting one: **Generate strategies to achieve the goals and structure an implementation growth plan.**

We will continue our thoughts on The Growth Challenge in our next issue of Strategium, LLC Newsletter.

### Remittances to Latin America



The Interamerican Development Bank estimates that in 2004 remittances to Latin America will account for US \$30 Billion, ranking among the first sources of foreign capital to the region on top of Foreign Direct Investment and in some cases second only to oil exports. Even a more important characteristic is the sustainability and low volatility of such funds due to continued migration growth from Latin America to developed countries and the fact that for those immigrants sending money back home is one of the main drivers of their decision to leave their countries.

More than 60% of the 16.5 Million of Latin American adults that live in the US send remittances to their origin countries on a regular basis. These 10 Million immigrants make on average 12.6 transactions per year of about \$150 to \$250 on each remittance. Almost all of these 100 Million transactions per year are performed outside the banking system for two main reasons: 50% of Latin American immigrants in the US do not have a bank account and only 10% of the recipients back have one.

There are 3 key areas in which governments and legislators can act to promote remittances:

**1. Understand the importance of remittances as development agents of their countries.** Remittances generate economic growth for the recipient as well as the foreign reserves of the recipient country. Domestic income for the recipient also generates the possibility of satisfying basic needs leading to consumption and investment.

**2. Improve efficiency of the system.** Inefficient financial systems and high transaction costs are a barrier to remittances flow and a loss of value for those sending money back home. The cost of transaction has decreased by 50% in the last few years, but technology will allow for a further reduction of another 50% in the short term. This market efficiency will translate in economic benefit for the sender, the recipient and the destination county.

**3. Expand the transparency and responsibility of the financial**

growth (i.e. hire within, hire outside experts, etc)

- What has the policy been for dividend reinvestment?
- How often has the company upgraded its technology?

How has the company managed operational investments to support growth? (i.e. pro-actively - vs- reactively)

**system.** The USA Patriot Act of 2001 aims to unify anti-money laundering standards without geographic frontiers, it is critical that financial institutions at recipient countries implement compliance of this and other international anti-money laundering regulations to warranty simetry of such controls narrowing gaps for money laundering activity. The benefit will be for the market and local economy of the destination country.

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