



# connexion

amcham news report 2nd quarter 2009

special feature:

## corporate social responsibility



in times  
of  
economic  
crisis



## True value for Clients

**Finding and retaining the best people and maintaining a high level of flexibility are crucial in today's challenging environment. Better use of the true value of human capital increases efficiency and improves productivity. It's about having the right people with the right skills, systems and solutions, and the right time.**

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### Tempo-Team Luxembourg S.A.

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THE AMERICAN CHAMBER OF COMMERCE IN LUXEMBOURG A.S.B.L.

# CONNEXION

2ND QUARTER 2009



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# FILES.....



## ABAL: LEADERSHIP OBAMA STYLE

*Chris Garratt from Leadership Solutions Europe gave the audience at the*

*May ABAL Luncheon an introduction into U.S. President Barack Obama's leadership style. Barack Obama has managed to persuade vast numbers of Americans both Democrat and Republican to support his candidacy and he has also influenced European citizens to the extent that he has 80% popular support here. Similar approval ratings are seen around the world... Most pundits suggest that the explanation lies in his 'leadership style' which matched the expectations and emotional state of voters and arrived at a time of high political dissatisfaction within the U.S. and across the Globe.*



## U.S.-LUXEMBOURG TAX PROTOCOL

*On May 20, 2009 Luxembourg's Minister of the Treasury and Budget, Luc Frieden and U.S. Ambassador Ann L. Wagner signed an agreement for the exchange of bank information on request in all tax matters with the United States. This is the first agreement by Luxembourg with an OECD country which meets the OECD standard for information exchange.*



## [ SPECIAL FEATURE ]

### CORPORATE SOCIAL RESPONSIBILITY IN TIMES OF CRISIS

*In the increasingly conscience-focused marketplaces of the 21st century, the demand for more ethical business processes and actions is growing. Corporate Social Responsibility (CSR), which essentially is the deliberate inclusion of public interest into corporate decision-making, is therefore a topic that companies should pay attention to. In our special feature we address different aspects that are of relevance to companies while navigating through the economic crisis...*



# A WORD FROM THE CHAIRMAN...

Dear Members and Friends,

Welcome to the 2<sup>nd</sup> Quarter 2009 issue of the American Chamber of Commerce Luxembourg Connexion News Magazine!

On behalf of all of the AMCHAM team, I express our most sincere appreciation for the strong support of our members during this difficult period of economic downturn. With your support we have been able to keep our program of activities on track. We are confident for our future and for the future of our committees, our members and for Luxembourg.

To reflect this confidence in Luxembourg, work continues on the next issue of our business guide "Working in Luxembourg" which is scheduled for a fall 2009 launch. Based on our first review, we are delighted with the content additions and revisions. This will be our best issue yet and perfectly timed to coincide with the beginning of the economic recovery! Located in the heart of Europe, with a low level of national debt and with a responsive and business supportive government, Luxembourg remains the perfect location for a European business headquarters /operating location. We are proud to be able to tell that message to a global audience in our comprehensive book.

To readers who see this magazine for the first time, I offer a warm welcome and invitation to join us. We are the premier international business networking and problem solving organization in Luxembourg. Visit us, attend our events and join us as we strive to make Luxembourg an even better place to live, work and make profit.

With my best regards,

A handwritten signature in black ink, which reads "Paul Michael Schonenberg". The signature is written in a cursive style.

**Paul Michael Schonenberg**  
*Chairman and CEO*

# NEW MEMBERS

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Ci ArtWork stands out with great ideas concerning customer presents. We have a big portfolio in the sectors of wellness, culinary and general advertising gifts. Customer-orientation, rapidity, friendliness, project-related, expertise in consulting and the know-how, which has been growing over the years, are features that characterize our company.

Our office in Traben-Trarbach is close to Luxembourg and our stock-keeping allows us a good ability to supply quickly. Benefit from the know-how and networks available. We are confident that we will support you successfully at CRM. Try it!

## F



### FIDEOS CORPORATE SERVICES

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FIDEOS Luxembourg is an independently owned group offering corporate trust and fund administration services to high-end institutional and private client investors, with a core focus on international real estate and private equity markets. The group comprises two separate companies serving the needs of different investor and promoter profiles.

FIDEOS Corporate Services

A registered member of the Luxembourg Ordre des Experts-Comptables (OEC) providing the following services for Luxembourg financial holding and securitization companies:

- Incorporation
- Domiciliation
- Corporate Administration
- Corporate Directorships
- Local GAAP Accounting
- Consolidation and IFRS

- Tax Compliance
- Dissolution

#### FIDEOS Financial Services

A CSSF regulated Professionnel du Secteur Financier ("PSF") offering Central Administration services for Luxembourg regulated risk capital (SICAR) and specialized investment (SIF) vehicles.

FIDEOS has built a business model and client service approach focused around uncompromising quality of service to our clients. With over 150 staff specializing in private equity and real estate markets, and a culture and work ethic aligned with that of our clients, FIDEOS has the capacity and depth of experience to consistently deliver outstanding service to the most demanding clients.

FIDEOS' vision is simple - to be recognized by our clients, the market and our people as the leading quality provider of corporate trust and fund administration services in Luxembourg. We understand that our clients expect nothing less.



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FRSGlobal is the only provider of a unified risk and regulatory platform that provides regulated firms in the financial sector with an enterprise-wide risk management and global regulatory reporting solution sharing a common DataFoundation to satisfy both external (regulators) and internal (management) stakeholders.

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FRSGlobal is the system of choice for more than 1500 organizations worldwide - including 41 of the top 50 banking institutions. Subscribers benefit from our unique FRSGlobal Guarantee "to keep the regulatory reports in the countries we support up-to-date"...

...and our motto:

FRSGlobal is dedicated to providing risk and regulatory solutions to create stability and renewed growth in the financial sector.

## G

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Is an independent economic and tax advisory firm founded in 2007 by Guy Kersch, a Luxembourg attorney-at-law and MBA, active in taxation for over 25 years in Europe, Africa and the Middle East who worked for U.S. based global corporations such as Monsanto, Pharmacia, Pfizer or UK based financial advisory firm Grant Thornton.

It is specialized in Transfer Pricing, Supply Chain Reorganizations and Business Restructurings, Tax Optimization, Alternative Dispute Resolution and Advocacy. The industry experience covers chemicals, agricultural products, turn-key plant, construction, engineering, biotech and pharmaceuticals.

Guy Kersch is a current business member and former Vice-Chair of the European Joint Transfer Pricing Forum (EU JTPF), a member of the Ecofin group of FEDIL, of the Fiscal Affairs Group (FAG) of BusinessEurope (The Confederation of European Business) and a member of the Tax Committee of BIAC (Business and Industry Advisory Committee to the OECD), a member of the International Bar Association, a regular speaker at international tax conferences and a regular contributor to various tax magazines.

## I



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ING is a global financial institution of Dutch origin offering banking, insurance and asset management to over 75 million private, corporate and institutional clients in more than 50 countries. With a diverse workforce of over 130,000 people, ING comprises a broad spectrum of prominent companies that increasingly serve their clients under the ING brand.

In Luxembourg, ING focuses on 3 growth pillars: domestic banking, private banking and corporate banking. With a network of 15 branches distributed throughout the country, and 750 employees ING Luxembourg aims to satisfy the varied requirements of its customers, individuals and professionals alike, in the best possible manner.

Its various teams consist of specialists with extensive know-how in their field. Not only are they trained in the latest financial management techniques, but they can also rely on the commercial relations and experience of a large international group.

## NEW MEMBERS

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New Media Lux SA is a cross-media publishing organization. Its English-language publications include Station.lu (online, daily), 352 (print, weekly) and Business Review (print, monthly); other publications include Made in Luxe, LesFrontaliers.lu, DieGrenzgaenger.lu and Netpaper.lu.

### R



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REAG – Real Estate Advisory Group - is part of the American Appraisal group, a world leading independent valuation consultancy established in Milwaukee in 1896.

REAG offers professionals and independent specialist consultants to the real estate sector.

REAG specializes in: Investment & Advisory services, Feasibility Studies, Technical Due Diligence, Market Research, Project Management, Urban Planning, Asset management and Valuation.

The REAG Group is also composed by:

ECOMAG, specialized in providing consultancy services in the fields of environmental, risk and health, and safety analysis;

REAG 4 loans, focused on services related to Corporate and Retail Loan Services and NPL;

REAG Property Services, specialized in technical/building, cadastral and engineering advisory.

REAG (American Appraisal) European main offices: Athens, Barcelona, Berlin, Budapest, Bucharest, Frankfurt, Istanbul, Lisbon, London, Luxembourg, Madrid, Milan, Moscow, Paris, Prague, Rome, St.Petersburg and Warsaw.

The firm's 175-plus attorneys provide legal counsel in practice areas including corporate transactions, litigation, intellectual property, aviation, banking, construction and employment law. Founded in 1893, SGR has offices in Atlanta, Jacksonville, New York, Washington, DC and Frankfurt, Germany. Please visit [www.sgrlaw.com](http://www.sgrlaw.com) for more information.



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Spring Technology is an established leader in the global IT recruitment & contracting market. With more than 20 years of experience, we place over 12,000 people in contract roles and permanent jobs annually. Spring is ISO certified and provide local support and coordinated international services to over 400 clients.

Our local presence in Luxembourg is the expression of our strong will for quality and proximity with our clients and candidates.

We, at Spring Technology, help our candidates enhance their careers within the IT & Technology sector and deliver organizational efficiencies and competitive advantage to our clients.

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Smith, Gambrell & Russell is a full service, international law firm that advises regional, national and global businesses on a wide range of legal

## AGENDA & EVENTS

### Forthcoming events organized by the American Chamber of Commerce in Luxembourg include:

#### Tuesday, June 2, 2009

18:30 – 20:30, Banque de Luxembourg

Fincom: Seizing the Opportunity for Philanthropy in Luxembourg

With special guest speakers: Philippe Depoorter, Banque de Luxembourg; Tonika Hirdman, Fondation de Luxembourg; Jane

Wilkinson, KPMG; David Carrington, Independent Consultant in Philanthropy (UK); Jean Brucher, Brucher et Associés; moderated

by Henk van Eldik, Ikano Fund Management.

by Henk van Eldik, Ikano Fund Management.

#### Thursday, June 4, 2009

18:30 – 20:30,

ComIT : PSF Status - Past, Present & Future

#### Monday, June 15, 2009

12:00 – 14:30, Hilton Luxembourg

ABAL: A Returning Expat: Lessons Learned from a Three-Year Term in Asia

With special guest speaker, Ms. Vio Ivanova, Head of Human Resources, JPMorgan Bank.

#### Tuesday, September 22, 2009

18:30 – 20:30, Allen & Overy

The HR Director of the Future

# ABAL: LEADERSHIP OBAMA STYLE



During the past year or so, we have witnessed the rise in prominence and the election, as President of the United States of America, of **Barack Obama** – a man of mixed race, from a dysfunctional upbringing, with Muslim roots and from a non privileged background.

An experienced observer of U.S. politics would have given the probability of such an eventuality as very small.

Barack Obama has managed to persuade vast numbers of Americans ... both Democrat and Republican to support his candidacy and the latest Gallup Poll figure show that his approval ratings amongst Republican voters has gone from 27% at the time of the Presidential Election but soared to 42% after his first speech to Congress just one month after he assumed office.

He has also influenced European citizens to the extent that he has 80% popular support here. Similar approval ratings are seen around the world and it would appear that people are willing to cede world political leadership to Obama after 8 years of 'George the Bad' (common perception).

## WHY AND HOW DID THIS OCCUR?

Most pundits suggest that the explanation lies in his **'leadership style'** which matched the expectations and emotional state of voters and arrived at a time of high political dissatisfaction within the U.S. and across the Globe.

## WHAT IS 'LEADERSHIP'?

**"Achieving results by inspiring others to follow your lead by creating a compelling vision of the future and the environment where they want to participate in achieving it."**

As a means of getting better results from people, leadership is much more effective than Management. Practical studies in the USA have shown that the majority of great (commercially most successful) companies exhibit a strong leadership style – See 'Good to Great' – Jim Collins ISBN 9780712676090.

A Luxembourg Grand Region study of 800 professionals and managers showed that these employees considered that they had untapped discretionary commitment of an average of 35% and that some or most of this could be released if their management adopted a leadership as opposed to a management style. When asked, everyone would like to be led rather than managed.

Attempts to define leadership are constantly evolving but a reasonable list of attributes would include:

**Humanity:** People like their leaders to be human and to show humility when appropriate. Obama has shown these qualities in apologising for mistakes, openly -declaring when he doesn't know, showing deep concern for the plight of disadvantaged people in Chicago, admitting to trying unsuccessfully to give up smoking over a long period and giving his family a very high priority throughout his campaign.

**Charisma:** Charismatic leadership has characterised business and industry





during the recent past but has lately become discredited. We have seen several charismatic leaders fail to deliver ... Enron, WorldCom, Royal Bank of Scotland, Chrysler and it is now considered to be a useful attribute only provided that all other attributes are present. Jack Welch is a good example of a charismatic successful leader and he exhibited most of the leadership attributes described below.

Obama has charisma – “that personal attractiveness or interestingness that enables them to influence others”... People feel attracted to him and this gives him significant power to influence their choices. It would appear that he has most of the other important leadership attributes but time will tell.

**Visibility:** Obama has been extremely visible throughout his candidacy and has used all modern means of achieving such a high visibility... TV, radio, web, e-mail, YouTube, viral videos, SMS texting etc. as well as following the more traditional ‘stumping’ across the USA.

As President Elect he continued to put himself in the forefront but always insisting that “we can have only one President at a time”.

He constantly refers to other popular U.S. role models... JFK, Lincoln, Luther King etc and this strikes a chord with many. Whilst of a mixed race, he has largely managed to make this a non-issue for most, whilst retaining this as an advantage amongst coloured voters.

I'm fascinated by Lyndon Johnson; there's a piece of him in me. That kind of hunger—desperate to win, please, succeed, dominate—I don't know any politician who doesn't have some of that reptilian side to him. But that's not the dominant part of me. On the other hand, I don't know that it was the dominant part of Lincoln. The guy was pretty reflective.

Men's Vogue, Fall 2006

His books – he has written three, show a depth of philosophical thinking which intrigues and entertains. Readers feel an affinity with him which is rare in political biographies and it has to be noted that these books were written before he publicly considered standing for high office.

He is an avid basketball player and golfer and rumour has it that a basketball court will replace the bowling alley installed by President Nixon in the basement of the White House. Maybe a golf course on the lawns?

**Results Focus:** This is probably the most critical of all the attributes as the final approval from voters will be that the vision and promises are largely achieved. Obama will have a period of one year plus to start to deliver but if he fails, people will gradually become disillusioned and support will wither.

Obama is a detailed planner and has a strong drive for action, so this will probably lead to some short term successes. He is a calculated risk taker and excellent problem solver using his key leadership team.

His website during his campaign was [www.change.gov](http://www.change.gov) but this is now replaced by [www.whitehouse.gov](http://www.whitehouse.gov)... maybe not a smart move from an image perspective.

**Commitment:** He took a long time to decide whether to run for President but then polarised into action and galvanised his campaign team in record time.

He cut his teeth after graduating from Harvard Law School helping disadvantaged people in the Chicago suburbs and working towards civil rights. As a U.S. senator he pushed for open government and social justice and has little patience with rules and procedures which may not endear him to some Washington civil servants.

He demonstrates very strong commitment to his ideas for improving America.

**Integrity:** Obama shows his mid-western roots (his mother and grandmother were from Kansas) by espousing values of fairness, empathy and service as well as a strong Christian ethos. Some people talk about ‘no drama Obama’ which shows his tenacity but coolness in driving towards his goals but in a way which engenders trust in those with whom he engages. Obama has a strong ego but manages to submerge it successfully... Statements such as “this is not about me” give him a positive image and encourage people to follow him.

He has already demonstrated his integrity by accepting his mistakes with a prompt “I screwed up” admission after three of his chosen team resigned in disgrace.

When talking about well known military scenarios, he talks about ‘success’ in the context of achieving the wider objectives rather than ‘winning’, as did his predecessor.

One measure of his personality is that... people would feel comfortable to buy a second hand car from him (this was a comment made about Richard Nixon in the early 70s “would you buy a second hand car from this man?”).

**Communication:** Obama is a great orator and entrances his audiences by his use of words (every word seems to count) , pauses, eye contact, body language, gestures, economy of movement, use of narrative, flattery of his audience, self deprecating humour, reflective stance and he can think on his feet. He recovered from the Oath of Office stumble with a smile and good humour ... the Chief Justice was not so comfortable. Both had clearly rehearsed the words extensively but in different segments and this caused the misalignment “no drama Obama” handled this with ease in front of billions of people around the world.



Audiences have the perception that he is talking to them individually, as equals, and warm to this. His eye contact is very powerful and he seldom seems to blink even under stress, when his anger control is superb.

**Courage:** In his support of the disadvantaged people in the Chicago suburbs, he stood up against City Hall which could have affected his chances at political advancement but he has visibly followed his ideals and values. In this area we can see some shortcomings, as when in office in the Illinois State Legislature he avoided voting on 129 occasions, being marked as 'present' rather than voting for or against.

He seems to handle the unknown with great verve and nothing seems to deflect him from his purpose.

He is reported to have said "I don't tell my mother-in-law what to do... I'm not a stupid man". He has courage but knows when he faces a lost cause!

It remains to be seen how well he will deal with the Washington establishment and the various lobby groups.

**Teamwork:** Here Obama is a master practitioner and has realised that with the complexity of modern life, no one individual has the knowledge or capability to effectively absorb and manage the content surrounding any chosen topic. He relies heavily on his meritocratic team but drives for "group unity around the best possible outcome".

During his campaign, he stated that "I might not be the best candidate but I have the best team!" In doing this, he credits the team but when things go wrong he takes the blame – true leadership behaviour.

Unless expressing a personal opinion, he talks about "We" rather than "I"... another mark of a leader.

His election campaign team was a model of delegation and empowerment and this has carried over into his White House team where he aligns authority with responsibility and focuses on 'collective ability'. There is little evidence of cronyism.

**Self Belief:** From his writings, he appears to have been searching for years but seems to have crystallised his values, principles and beliefs. He is confident, articulate, benevolent, gracious and considerate.

He does not appear comfortable with executive decisions and this could cause some loss of respect, as previous presidents have always used this tool widely. In the real world, team decisions are always better than the best individual in the team so, from a leadership perspective, his approach is sound.

**Vision:** Followers value highly a clear vision of where they are going and Obama's vision is to do what is right for the USA regardless of partisan interest and to bring about change in the best interests of the majority. His socialist programs do not appeal to everyone but most accept the need to address some of the less caring aspects of U.S. society. His view of the future inspires people and addresses some of the 'hunger' of the 80% of citizens who disapproved of his predecessor.

He has been accused of flip-flopping over some issues and this is damaging... He would do well to rely on his team consensus in arriving at controversial positions.

**Personality:** The most common personality test is the Myers-Briggs model, based on the theories of Carl Gustav Jung, which asks the participant to answer questions and then plots their preferences on an eight dimension model... See Figure 1.

Observers have plotted how they believe Obama might respond to these questions and he comes out as having an INTJ personality – one which only 1% of the U.S. population exhibit.

The Myers-Briggs factors are:

From where the person derives their energy-

– Extraversion – from being with people

– Introversion – from inner contemplation\*

How they gather information-

– Sensing – data and detail

– iNtuition- indirectly via people\*

How they make decisions-

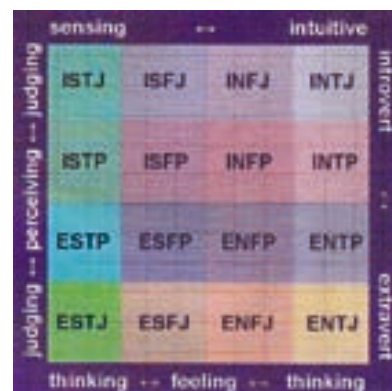
– Thinking – objective logic\*

– Feeling – subjective feeling

How they get things done-

– Judging – planning in detail\*

– Perceiving – flexibility and options



As a side note, only 6 previous presidents were **INTJ** JFK, Woodrow Wilson, James Polk, Thomas Jefferson, Calvin Coolidge, Chester Arthur. Others from his personality type include Raymond Burr (Perry Mason) and Augustus Caesar – Emperor of Rome.

**Conclusions:** The jury is out but most people are optimistic that the strong leadership shown by Obama will achieve the change they believe is needed.

Good leaders look out for themselves, their stakeholders and their company (country).

Obama does this in good measure but as power tends to corrupt it remains to be seen if the most powerful role on earth does not change him.



European fans need to be very circumspect about Obama's interest in their well being. It may be that what is good for the USA will also be good for Europe but we should remember that Obama's first loyalty and concern is for the USA... Europe needs to work out its own salvation whilst being a good partner with a strong USA led by **Barack Obama**.

**Chris Garratt**  
*Leadership Solutions Europe*



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 ALTER DOMUS

# REGULATION: THE PRICE TO PAY

*With the London G20 meeting having only given guidance to the future of regulation of the financial system, much of the detail remains to be filled in. Although highly regulated banks were at the heart of the current problems, world leaders appear to want more of the same. The issues at stake and possible solutions were given an airing at both the Alfi conference and a roundtable on 10<sup>th</sup> March organised by the American Chamber of Commerce and Prim. So what caused the crisis and what needs to be done?*



“*Financial instruments don't have original sin; a simple mortgage can be dangerous.*”

*Yves Mersch, Governor, Luxembourg Central Bank*

The list of scapegoats in the current crisis appears to be endless, with press and politicians looking for an easy answer. “The argument goes that if you ban the ‘bad’ people, companies, derivatives, products then this crisis will not happen again,” noted Avinash Persaud of the consultancy Intelligence Capital Ltd speaking at Alfi. “But this is wrong,” he continued “it is the behaviour that repeats itself with every crash that needs regulation.”

## BUBBLES THE MAIN CAUSE

This behaviour, he argued, was excessive borrowing and that this is easy to spot. So when a credit bubble appears it is the regulators’ job to burst the bubble. Complex instruments amplified the boom, but it was the simple fact of carefree lending and borrowing that was the root of the problem. “Financial instruments don't have original sin,” he quipped, adding: “a simple mortgage can be dangerous.” Mr. Yves Mersch, Governor of the Luxembourg Central Bank speaking at the Amcham/Prim event agreed. “The fundamental

issue was excessive leverage which was facilitated by high liquidity, low interest rates and financial innovation.” In response to this, regulators were looking in the wrong direction, he said. “Supervision was too legalistic and the macro-prudential view was missing.” Like consumer price inflation, asset price inflation carries dangers.

## COMMON SENSE NEEDED

Sir Michael Rake, chairman of British Telecom told Amcham/Prim that rules were probably not the answer. “Rules based regulation had been at fault in 1929 and we have to be careful not to stifle innovation as the financial system remains important for wealth creation.” He reminded the audience that the panic over Enron led to the attack on the accountancy professionals, the destruction of Andersen and introduction of the expensive and infective Sarbanes-Oxley legislation.

As an example of where things went wrong he pointed to credit rating agency's naive reliance on historical models and a lack of common sense

being applied to new products. But if there were prescriptive new rules, ways would be found to circumvent these. **“Light touch is not the point, smart is the point,” he insisted.**

#### REGULATORS CAN'T KEEP UP

The consensus was that it is naïve to expect regulators to know what is going on. After all, the world's largest banks have supervisors working on the spot in head offices, but this did not prevent the bust. **Dr. Jon Danielsson of the London School of Economics told the Amcham/Prim conference that asking** regulators cope with all the data hedge funds might throw at them was like trying to “drink from a fire hose.” Unlike the regulations which govern the rules of the road, he said, financial institutions are just too complex to keep track of on a micro level.

- \* Excessive lending was at the heart of the boom/bust
- \* Regulators are fallible
- \* Whatever the rules, mistakes will happen if conditions exist
- \* Next boom is far away: we have time
- \* More regulation appears likely
- \* ... so sensitive supervision will be more highly prized
- \* Only regulate if the system or consumers at risk

“*Supervision was too legalistic and the macro-prudential view was missing.*”



*Sir Michael Rake, Chairman, British Telecom*

#### TREAD GENTLY

Governments have promised waves of regulation over the next two/three years but Danielsson recommended they take their time. “There is no hurry to solve the next crisis; we are busy sorting out the current problems. Let’s take time to get regulations right – but the cost of hasty over reaction could be high.”

**Jean-Marc Goy, of the CSSF set out some dos and don’ts for the future regulatory set up. First he listed what we don’t need:** “Over regulation should be avoided. All financial innovation should not be discouraged but we need appropriate risk management.” Blowing the trumpet of his own organisation he said: “we hear the need for principles and we at the CSSF like to think we are pragmatic.” Basically he felt there was no need for fundamental change of Luxembourgish and EU supervisory systems. He added that prudential supervision has been improved since the October 2008 law which has strengthened CSSF and Central Bank cooperation.

#### WE DO NEED

Goy was in favour of greater international cooperation with supervisory bodies, stopping short of having a formal multi-national supervisor with all the bureaucracy that would entail. This idea appears to have been adopted by the G20. Whilst in general opposed to excessive change, he felt there was room for changes on three levels. Capital adequacy rules require tightening he said as both the Basle I and II systems have been shown to have failed. Again, this is widely accepted. He called for the appointment of several non-executive directors to the

boards of credit rating agencies and rules to avoid conflicts of interest. Remuneration systems should discourage excessive risk he said, with earnings based on long term performance.

Avinash Persaud reckoned there would be a strong move towards reinforced national boundaries regarding regulation, particularly as individual country tax payers have stepped in to rescue banks. This will mean little appetite to rescue foreign operations. He also argued that although the global business cycles are linked there are distinct national circumstances that require different policy responses.

### HEDGE FUNDS DO GOOD

There is a feeling that the crisis is being used as a pretext to fight old arguments, whether this be to attack low tax financial sectors or to squeeze the likes of hedge funds. Standard investment funds are breathing a sigh of relief they are escaping a regulatory backlash from the credit crunch, while greater hedge fund supervision is even welcomed by some in the industry.

Persaud is not so sure. "I would not regulate hedge funds because I would not have them sold to the general public," he remarked. "There is only the need to regulate if there is systemic risk or for consumer protection reasons. So if a hedge fund is large, has substantial leverage and has a strong co-relation to the financial system then I would regulate. However a small, specialised fund should not be hampered." He pointed out that there is no evidence that alternative assets have caused problems in this crisis, rather hedge funds are performing a vital task of

relieving banks of toxic assets. "Liquidity requires people to take risks and buy at the bottom of the market," he continued. "Pension funds should not be doing this but institutional investors should be allowed."

### SOFTLY-SOFTLY G20

From the G20 communiqué, this message appears to have got through. The leaders of the world's largest countries spoke of extending "regulation and oversight to all systemically important financial institutions, instruments and markets. This will include, for the first time, systemically important hedge funds."

On other items too, the communiqué does not read like a manifesto for over regulation. The global Financial Stability Board would provide an early warning system through which measures would be discussed. There is more talk of "principles on pay". The strongest language comes regarding capitalisation: "In future, regulation must prevent excessive leverage and require buffers of resources to be built up in good times." In other words, there appears no desire to stifle the global financial system; just what Luxembourg's financial sector wants to hear.

**Stephen Evans**

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MADE IN LUXEMBOURG

# MANAGING AND MOTIVATING DURING THE THREE PERIODS OF THE CAREER CYCLE... IN A TURMOIL ECONOMY

## ECONOMIC SITUATION

The actual economic turmoil speeds up everything and everybody so that we are most likely to end up grasping with difficulty the rim of this spinning wheel! Before exhaustion and even more ejection, why not move to the middle of this turmoil or wheel – and of ourselves – in order to stand serenely centered as would do a whirling dervish?

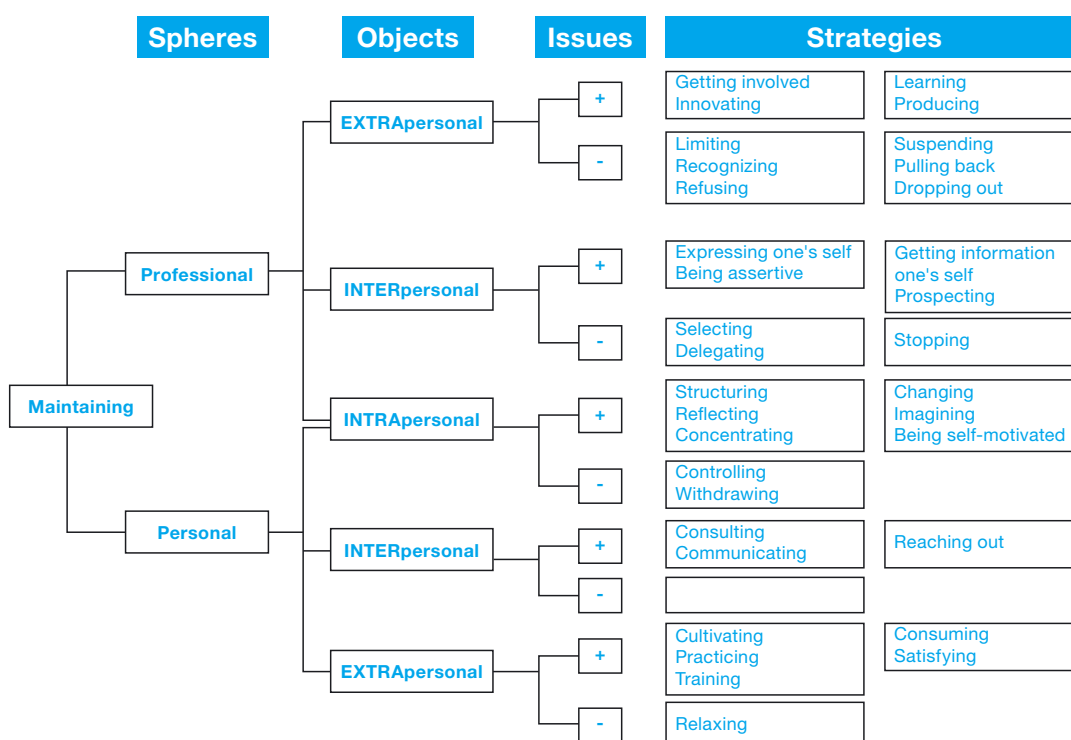
## THE KEEPING ON PARADIGM AND THE CAREER STRATEGIES

The best way to do so is to refer to the Keeping on paradigm which allows avoiding, at the same time, burnout and obsolescence, its opposite<sup>1</sup>. A by-product of the paradigm is an effective work-life balance. Why in work settings suited for both burnout and obsolescence such as health, education, justice and, most likely nowadays, finance, 20% of the workers exhibit signs of burnout, 16% show signs of obsolescence, 12% indicate a need of a significant change, but –usually without support or reinforcement– 52% of them stay out of these two awful pitfalls? What a benefit at all levels (physical, psychological and economical) for all parties: employers, employees and society!

As shown in Figure 1, our review of literature indicates that over 30 career management strategies have been evaluated, half of them referring to work or professional balance and maintenance and, the other half, to life or personal balance and maintenance. In both spheres, the relational object of the interaction with the given environment can be extra-, inter- or intrapersonal. Finally, each time the issue can be to add (+) or to subtract (-).

In this overall picture, it appears that burnout candidates invest only in the professional sphere with about 5 strategies involving most of the time + issues without considering intrapersonal objects. The obsolete candidates use around 3 strategies, all within the professional sphere where they also avoid (-) extrapersonal objects and overuse intrapersonal ones. As for the good maintainers, they are the only workers investing in both human spheres and, each time, covering all the objects at stake with a little bit more + than – issues. By and large, these workers use an average of 15 strategies and they are the only workers that achieve a successful work-life balance! So, who said that work-life balance and management are dull?

Maintenance Strategies Used by Subjects



CAREER MAINTENANCE

This understanding leads to maximize the Keeping on paradigm, by regularly doing –informally or formally– a three-step check up:

1st step: Retrospective on the quality of this balance so far, which means to look at facts objectively; 2nd step: Prospective about the reason and the pertinence of this balance, which means reviewing goals, dreams and aspirations, and 3rd step: Action in order to fill the gap between the two preceding steps.

For instance, if the check-up exercise is about the actual motivation at work, the retrospective will inevitably lead to consider the seven work spinoffs which are: income, status, time and space management, interpersonal relations, achievements, key life role and meaning of life. Which important spinoff is lacking, weak or overused? The next step, prospective, will lead to look at ideal about work or how the person would like to do it. In other words, what is his/her intrinsic motivation at work? Finally, the last step, action, will manage to get closer and closer to this ideal situation. Back to the work-life balance issue, the recommended actions would be, for instance, those presented in figure 2 depending on the situation identified at the retrospective phase.

Work-Life Balance: Subjective and Objective Visions - Recommendations

| Subjective visions | Objective visions  | Situations          | Recommended according to situations  |
|--------------------|--------------------|---------------------|--|
| I ↔ E              | Capacities < Tasks | Burnout             | <ul style="list-style-type: none"> <li>- Break up continuous people contact</li> <li>- Know what stress your job entails</li> <li>- Learn to say no</li> <li>- Delegate responsibilities</li> <li>- Break large projects into smaller parts</li> </ul> |
| I ↔ E              | Capacities = Tasks | Optimum maintenance | <ul style="list-style-type: none"> <li>- Maintain prof. and pers. relationships</li> <li>- Keep establishing goals</li> <li>- Continue managing well your time</li> <li>- Maintain sound health</li> <li>- Know your stress points</li> </ul>          |
| I → E              | Capacities > Tasks | Obsolescence        | <ul style="list-style-type: none"> <li>- Get to know new people</li> <li>- Develop other interests</li> <li>- Take as many risks as possible</li> <li>- Avoid isolating yourself</li> <li>- Aim for success</li> <li>- Get out of routines</li> </ul>  |

THE THREE CAREER CYCLE PERIODS AND THE KEEPING ON PARADIGM

In the early 80's, the career cycle was pictured as a trip through a vocational universe made of three planets: School, Work and Retirement<sup>2</sup>. At each stage of this trip, some tasks had to be performed, otherwise it would mean immaturity. Of course, back in these years, the largest planet was work. Nowadays, the lengthening of educational requirements and the multi-employability measures enlarge the school planet and a similar fattening phenomenon occurs with the retirement planet due, this time, to early retirements and to the increase of life expectancy. Besides, my own research indicates that, finally, "retirement" is not a planet but rather, a natural satellite doing a double ellipse around the two other planets. These brand new data make career development and management, particularly the keeping on issues, more complex.

FIRST PERIOD OR 1<sup>ST</sup> CAREER THIRD

Hence, at the first career period, the young worker has to achieve a double acculturation, that is to acculturate to his/her first job and to the actual work world. At this time of a career, the school planet is still very visible and attracting because quite familiar. It is so particularly for females. It would be rather easy to escape and go back to school! Besides, having no tenure, no contract and no experience, the young worker has no real temporality dimension and, therefore, has no other choice than to focus on spatiality: do things differently or with a different attitude, etc.



Left to right: Paul-Michael Schonenberg, Jacques Limoges, Marie-Brigitte Bissen

To do so, I suggest a tactic (action requesting an immediate response), strategic (combining tactics) and stratified (not to reveal all his/her secrets to the same person because of high backlash risks) approach to zigzag in order to get his/her most significant spinoffs at this moment and to overcome the emotions specific to job insertion that is: confusion, sadness, anger, fear, strength, boldness and happiness.

SECOND PERIOD OR 2<sup>ND</sup> CAREER THIRD

Once the first period is completed, the worker is more or less half way in his/her career. The two other poles, that is the school planet and the retirement satellite, are too far away. Paradoxically, this worker has no more time to loose in making mistakes but he/she has enough time to make a move, even a drastic one. If this move remains within the present job assignment, it means essentially managing his/her work-life balance in order to avoid burnout and obsolescence, the best way to remain motivated. If the move is more drastic and implies quitting the present job (mobility, outplacement, etc.), it means a three-phase transition: ending, neutral and new beginning. At this 2nd third, career managing is like a triptych painting, both sides (Retrospective and Prospective) are relatively well sketched; it is time to decide what will be (i.e. Action) on the main panel.

THIRD PERIOD OR 3<sup>RD</sup> CAREER THIRD

With this last career period, appears the retirement satellite that may look like a planet! Therefore, two new learning situations occur: learning to stay and learning to go. A large part of the answer to these questions is in what is called the professional legacy and in order to well wrap this legacy fully, a colleague and I have developed the Champagne method. Trough systematic one-at-the-time turns, that is through a tilted ascending spiral of enunciations and annunciations, the professional legacy issue is decanted from resentments and harshness to reach a sparkling and crystalline state, perfectly reflecting the entire career. This comprehension brings more than half of the concerned workers to stay longer on the work market to transfer in different ways.

As I like to say as a conclusion: "My career is too important to be left in the hands of my employer".

**Jacques Limoges**  
Professeur associé  
Université de Sherbrooke, Québec

1. Limoges, J. 2001. *Stratégies de gestion de vie au travail et dans d'autres situations de vie*, Québec, Septembre. For this book and other related publications, see [www.tq16.be](http://www.tq16.be).

2. See D. Riverin-Simard.



# CHANGES TO NON-RESIDENT PERSONAL TAXATION

## THE RENNEBERG CASE

The European Court of Justice (hereafter referred to as the "ECJ") in the Renneberg case of 16 October 2008 (C-527/06) has held that in order to respect the freedom of movement of workers, the computation of a non-resident taxpayer's taxable income in his member state of employment must take into consideration its negative rental income which arose in his state of residence; this being subject to the parallel ability for a resident taxpayer to claim such deduction.

The negative rental income being the difference between the fictitious rental value of a taxpayer's dwelling-place and the correlative mortgage interests paid.

The ECJ has found that negative rental income should be taken into consideration for the purposes of determining the basis of assessment of taxation of non-resident taxpayer's income in his member state of employment.

## SITUATION IN LUXEMBOURG

Before January 1st, 2008, no consideration was given to rental losses occurred from the non resident taxpayer's personal dwelling-place located outside of Luxembourg, with the exception of the ones located in Belgium. Only professional outlays were taken into consideration.

Based on the double tax treaty between Belgium and Luxembourg, Belgian residents were able, within limits, to offset their mortgage inter-

## POTENTIAL CONSEQUENCE OF THE RENNEBERG DECISION IN LUXEMBOURG

Luxembourg may be reproached by the ECJ for its taxation policy of non resident taxpayers.

Indeed, if since 1st of January 2008 Luxembourg grants relief for rental losses derived from non resident taxpayers, it only considers it for the calculation of the effective tax rate.

In the Renneberg case, the ECJ esteems that the negative rental income incurred in another member state than its member state of employment by a non resident taxpayer must be charged to the basis of its tax assessment in the member state of realization of the income.

There should be no confusion between the consideration of the negative rental income in respect of the average taxation rate and in respect of the basis of tax assessment. See an example with imaginary figures:

Nearly one hundred and thirty thousand commuters are driving to Luxembourg daily. It is a matter of necessity for the economy of Luxembourg that the country carries on attracting highly skilled workers from abroad but it is obvious that Luxembourg does not have a sufficient host capacity reaching its needs. It must consequently be careful not to displease its non resident workers. A French statesman brilliantly noticed that "The art of taxation consists in so plucking the goose as to obtain the largest possible amount of feathers with the smallest possible

|  | Consideration of the negative rental income* in respect of: |                         |
|--|---|-------------------------|
|  | Average taxation rate                                       | Basis of tax assessment |
| <b>Luxembourg source income</b>  | 20 000,00   | 20 000,00               |
| <b>Negative rental income *</b>  | 1 500,00  | 1 500,00                |
| <b>Worldwide income</b>  | 18 500,00   | 18 500,00               |
| <b>Average tax rate:</b> legal ratio corresponding to the worldwide income     | 12%   | 12%                     |
| <b>Basis of tax assessment</b>   | 20 000,00   | 18 500,00               |
| <b>Tax due:</b> application of the average tax rate to the basis of assessment | 2 400,00  | 2 220,00                |

\* The negative rental income being incurred from a personal dwelling-place located in non resident taxpayer's member state of residence.

ests occurred from their personal dwelling-place located in Belgium onto the calculation of the average tax rate applicable to their taxable income in Luxembourg.

Further to the 2007 ECJ decision in the Peters-Lakebrink case (C-182/06), the Luxembourg non residents' taxation has been modified<sup>1</sup>. It has been decided that the average tax rate applicable on the income originating from Luxembourg derived by non resident taxpayers would be computed by taking into consideration their worldwide incomes. Technically it means that non resident taxpayers' negative rental income can be included in the calculation determining the global income tax rate applicable to their Luxembourg source income.

amount of hissing."<sup>2</sup> It is highly predicable that if Luxembourg does not adapt to that trend it will have to face non resident taxpayers' voices as well as the ECJ's one.

**LOYENS & LOEFF**

AVOCATS À LA COUR

**Charlène-A. Herbain**  
LOYENS & LOEFF  
Avocats à la Cour

1. Bill number 5801 voted on 21 December 2007.
2. Jean-Baptiste Colbert, (1619-1683).

# INTELLECTUAL PROPERTY TAXATION

On 5 March 2009, the Luxembourg tax administration published a 30-page circular (LIR no 50bis/1) (the **Circular**) to provide guidelines in relation to the intellectual property regime (**IP Regime**) which was introduced by a law of 21 December 2007. Pursuant to the IP Regime, a partial exemption of 80% applies to net income and capital gains deriving from certain intellectual property rights (**IP Rights**) acquired or created after 31 December 2007.

Fully taxable resident and non-resident individuals carrying on a business through a permanent establishment in Luxembourg, as well as resident corporate entities and local permanent establishments of non-resident companies can benefit from the IP Regime. This results in an effective tax rate of 5.72% (Luxembourg-City) with respect to the net income and/or capital gains falling under the IP Regime. Luxembourg introduced these favorable tax measures to increase research and development activities in Luxembourg and to encourage businesses to acquire IP Rights and/or to enhance their intellectual property portfolio, as well as to provide an alternative to the 1929 holding company regime, sometimes used for management of patents and trademarks, which has recently been abolished.

These provisions have been completed by the law of 19 December 2008 providing for a full net wealth tax exemption on qualifying IP Rights held by Luxembourg companies as from 1 January 2009 onwards and for the extension of the list of eligible IP Rights to domain names. This leaves Luxembourg in a very competitive position in Europe. While IP tax incentives have also been introduced in 2007 in Belgium and the Netherlands, the scope of these regimes is limited to patents and they are less favorable overall than the Luxembourg regime. According to the 2009 Irish Finance Bill, a new regime of tax relief in respect of intangible assets should be enacted soon, effective as of 7 May 2009. The older Irish regime was limited to patents developed in the EEA only while the new regime will have a larger scope, similar to the Luxembourg one.

The Circular now brings further certainty for the application of the IP Regime and clarifies: (i) the scope of the qualifying IP Rights; and (ii) the conditions of application of the regime. Furthermore, for the computation of tax credit for foreign withholding tax levied on royalty payments, the Circular specifies how a proportion of foreign withholding tax on royalties qualifying for the IP Regime offsets Luxembourg tax and provides a certain number of practical examples of the application of the IP Regime. We have outlined hereafter the key points of the Circular.

First, the Circular clarifies the nature of the intangible assets for which the income may be subject to the 80% exemption provided for by the

*Jean-Luc Fisch*



IP Regime. The IP Regime concerns income generated by the use or licensing for use, as well as the capital gains resulting from the transfer of software copyrights, patents, trademarks, designs, models and domain names. It underlines that, in order to be protected by copyright, software has to be original (meaning that it has to consist of an author's own intellectual creation) and that it has to be embodied in a perceivable form. Next to patents, the utility model and the complementary certificate of protection also fall within the scope of application of the IP Regime. The same is true for product and service trademarks.

The Circular also underlines that only the income which qualifies as royalties in the meaning of article 12 paragraph 2 of the OECD model convention may benefit from the exemption. However, the definition of royalties under this article is much wider than the definition provided for by the IP Regime. Royalties derived from copyrights (other than software copyrights), plans, formulas and secret processes are in particular excluded from the IP Regime.

With respect to the property of the qualifying IP Rights, if the beneficial ownership and the legal ownership of such intangible assets do not coincide, it is the beneficial owner who has to be considered as the owner of the asset-enabling application of the IP Regime. Such approach illustrates the predominance of the economic analysis over the legal analysis. It also appears that a licensee, who in turn grants sub-licenses, is excluded from the IP Regime.

The application of the IP Regime is schematically subject to the following conditions: (i) the IP Rights must have been created or acquired after 31 December 2007; (ii) all expenses relating to the eligible IP Rights must be activated in the balance sheet of the taxpayer and included in the profit and loss account of the first fiscal year for which the positive

income revenues on the IP Rights are realized; and (iii) the IP Rights must not have been acquired from an associated company. These conditions have been successively clarified by the Circular.

Before the publication of the Circular, some doubt existed as to the determination of the date of creation of an IP Right in relation to the condition that such right must have been created or acquired after 31 December 2007. Patents, utility models, trademarks, designs and domain names are subject to filing formalities and therefore, the tax administration has in the Circular set out that the creation date of these rights should be deemed to correspond to the date of their filing. Software copyrights are generally not subject to registration in a registry. In such case, the date of creation of the computer program is taken into account.

In the event that the place of establishment of a company is transferred to Luxembourg, the Circular points out that the original acquisition date of the IP Rights held by that company is decisive for the application of the IP Regime. The same principle applies in the event of the setting up of a permanent establishment in Luxembourg, or when a

of use of the rights. The Circular specifies henceforth which expenses have to be reported as assets in the balance sheet, such as the purchase price or the net costs of materials or supplies used for the constitution of the IP Rights or the salaries of persons who supported the development of the IP Rights, etc.

The IP Regime only applies provided that the IP Rights have not been acquired from an associated company; that is to say: (i) a parent that holds a direct participation of at least 10% of the company receiving the IP income; (ii) a subsidiary with at least 10% directly held by the company receiving the IP income; or (iii) a sister company with at least 10% directly held by a parent company holding at least 10% of the beneficiary company. The Circular also clarifies that only companies or collective undertakings with legal personality in the meaning of the Luxembourg tax law may be considered as associated companies. IP Rights acquired from individual shareholders may thus benefit from the IP Regime. Where an IP Right is transferred to a company in exchange for shares, the relationship between the contributor and the receiving company shall be analyzed immediately before the transfer. Thus, in the event of incorporation of a Luxembourg company by way of a contribution in kind of qualifying IP Rights, the newly incorporated company and the contributing company will not be considered as associated companies.

The clarifications provided by the Circular should further enhance the attractiveness of the IP Regime, which is a true asset for Luxembourg in an increasingly competitive environment.

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company established in Luxembourg which was tax exempt (such as a 1929 holding company) becomes taxable.

To avoid that the exempt amount differs as a result of the accounting method applied by the taxpayer, the expenses, amortization and deductions for depreciation relating to the rights are to be reported as assets in the balance sheet and have to be incorporated into the result at the time the IP Regime applies for the first time, provided that, for this given year, the expenses exceed the income deriving from the same rights. Thus, the activated expenses have to be amortized over a normal period

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# THE RIGHTS AND DUTIES OF THE SOCIAL PARTNERS DURING TIMES OF ECONOMIC CRISIS

**CASTEGNARO**  
*Cabinet d'avocats*

During times of economic crisis, relationships between social partners are difficult. Indeed, between employers subject to the economic pressure and trade unions or employees' representatives subject to the employees' pressure to keep their job, social relationships are tenser and are often sources of conflicts. An illustration of such tension is the French situation where employees confine managers illegally during a few hours. Negotiation being the cornerstone of the Luxembourg social model, such practice seems to be far from happening in Luxembourg.

The Luxembourg social model has recently been strengthened by the law of 9 May 2008 implementing the European directive of 2002 establishing a general framework for informing and consulting employees. The new article L.414-4 (3) of the Labor Code states that the employer is obliged to inform and consult the staff delegation on the situation, structure and probable development of employment within the undertaking or establishment and on any anticipatory measures envisaged, in particular where there is a threat to employment. The employer is also obliged to inform and consult the staff delegation on decisions likely to lead to substantial changes in work organization or in contractual relations, including collective redundancies. Thus, the staff delegates - like the members of the joint work councils - have now also to be involved in the decision-making process likely to lead to salary-cut or reduction of working time.

Information can be defined as transmission of data by the employer to the employees' representatives in order to enable them to acquaint themselves with the subject matter and to examine it. Consultation is the exchange of views and establishment of dialogue between the employees' representatives and the employer.

The goal to be achieved is to promote and enhance information and consultation on the situation and likely development of employment within the undertaking and, where, employment may be under threat, the possible anticipatory measures envisaged, in particular in terms of employee training and skill development. The keyword is anticipation. A timely information and consultation would ease the restructuring of undertakings by offsetting the negative developments or their consequences and increasing the employability and adaptability of the employees affected. If those provisions were not specifically shaped for economic crisis, the current general economic downturn gives them much more significance. Social partners have to use all tools put at their disposal by the Labor Code, and consequently to be more active.

In the information and consultation procedure, the staff delegation is entitled to issue an opinion to which the employer is obliged to answer in a detailed way. Facing the resistance of some employers to set out confidential information such as the financial situation, it must be stressed that the staff delegation is bound by a confidentiality obligation covering any information which, in the legitimate interest of the undertaking has expressly been provided to them in confidence. This obligation prohibits divulgence of confidential information to employees or to third parties.

Another available tool is the employment safeguard plan (hereafter, the ESP). Indeed, if the ESP may be ordered by the Comité de Conjoncture, the social partners could also act proactively and jointly take the initiative to start discussion with a view to establishing an ESP when they foresee economic or financial difficulties in the undertaking likely to negatively impact employment. The ESP may contain measures to keep employees in employment, to increase employees' employability such as training in the same sector or in different sectors, outplacement.

Even in the case of a social plan, the employer first has to provide the staff delegation with some information such as the reasons of the planned collective redundancies, number and categories of employees affected by redundancies, contemplated criteria to select employees to be made redundant, etc. before starting the negotiations of a social plan.



*Me. Guy Castegnaro*

During times of economic crisis, the social partners and their various actions have to show more efficiency as well as all their usefulness.

**Me. Guy Castegnaro**  
*Avocat à la Cour*

**Me. Christophe Domingos**  
*Avocat*

# STEPS COMPANIES MUST TAKE WHEN DOWNSIZING DURING TIMES OF ECONOMIC CRISIS

According to a general principle, the employer, assuming the risks of the running of his/her undertaking, is responsible for its organization. In that respect, it is incumbent upon the employer to proceed to the measures he/she deems necessary, including, if need be, individual dismissals based on economic grounds.

The underlying procedure for dismissals on economic grounds is generally the same as for dismissals based on personal grounds, with the following exceptions:

- For dismissals on economic grounds, the staff representatives might need to be informed and consulted as the law provides that the employer has an obligation to inform and consult the staff representatives on the foreseeable development of employment, including anticipatory measures to prevent redundancies and on any decision that may have an important impact on the work organization and on employment contracts.
- In order to ensure as far as possible that public authorities are informed about redundancy measures, any undertaking employing at least 15 employees must notify any dismissal based on economic grounds to the "Comité de Conjoncture" (henceforth the Committee).

During times of economic crisis, alternative solutions allowing to prevent redundancies become particularly important and may be found through collaboration between social partners, most notably by means of negotiating and establishing an employment safeguard plan.

## EMPLOYMENT SAFEGUARD PLAN

The Committee may, at any time, and at the latest when 5 redundancies have occurred over a period of 3 months, or 8 over a period of 6 months, invite the social partners in order to negotiate an employment safeguard plan. The initiative may however also be taken by the social partners in case they expect economic and financial problems.

The negotiations must cover various measures allowing to safeguard employment.

In particular, the parties need to discuss the application of a part-time unemployment regime which permits employers to reduce the working hours of their employees and to obtain subsidies provided by the Fonds pour l'emploi. The legislation on part-time unemployment has been largely adapted to face the current crisis.

Outside the scope of the previous measure, the possibility to amend the working duration with an extended reference period is encouraged, as well as part-time employment and voluntary reductions of the working duration.

It is also advisable to examine if some dismissals may be avoided through the application of the legislation on early retirement or on the lending of workforce.

Other measures such as personal support with a view to facilitating career transitions (outplacement), (re)training programs allowing the

redeployment of employees, legal leave (i.e. parental leave) and time-off (i.e. sabbatical year) may also be discussed.

The proceeds of these discussions are laid down in an employment safeguard plan. There is no timeline to negotiate and discussions do not need to result in an agreement. However, in the event of an agreement, the signed plan is sent to the Committee and submitted to the Labor Minister for homologation. Once homologated, the employment safeguard plan presents advantages (i.e. ratio of the government's contribution in the event of early retirement).

Nonetheless, the employment safeguard plan is not necessarily an appropriate concept and certainly not a legal prerequisite in the event of foreseeable collective dismissals.

## SOCIAL PLAN

In the event an employer intends to dismiss several employees (7 within a period of 30 days, or 15 within a period of 90 days) for economic reasons, the Labor Code sets up a procedure which prescribes that the employer must negotiate and establish a social plan with the staff delegation, the works council, if any, and the trade union (in case a collective bargaining agreement is in place).

Preferably before the negotiations, or at the latest when negotiations start, the employer must notify (in writing) the staff representatives of all relevant information enabling them to put forward constructive proposals regarding the conclusion of the social plan.

The negotiations must be started in due course and the initial discussion points are comparable to those outlined above (under the part on the employment safeguard plan). Thus, the parties are to discuss the adoption of measures allowing to prevent further economic redundancies, to reduce the number of the planned redundancies or to alleviate and mitigate the consequences thereof.

It is only after these mitigating measures have been discussed that the financial compensations to be paid to the dismissed employees may be negotiated.

**As a conclusion**, it should be pointed out that the negotiation of an employment safeguard plan or a social plan may enable parties to find alternative solutions to redundancies; the more generous the level of indemnities or the accompanying social measures, the more easily an agreement is found. The employers' right to (re)organize their undertakings may in such cases be more framed, but not restricted.



Moreover, Luxembourg public authorities see it in a favorable light when employers facing an adverse economic situation decide to negotiate such plans.

**Me. André Marc**  
Partner

*Allen & Overy Luxembourg*

# THE EMPLOYMENT SUPPORT SYSTEM THE GOVERNMENT OFFERS COMPANIES DURING TIMES OF ECONOMIC CRISIS

Following is an overview of programs offered by the Luxembourg Government aiding companies at keeping their employment situation stable, especially in times of crisis:

## Comité de Conjoncture

The Comité de Conjoncture (CdC) has its origin in 1975 following the crisis in the steel industry. The representatives of the various labor unions, the employer federations, the Employment Administration ADEM, STATEC, the Luxembourgish Central Bank (BCL), the Secretariat of the CDC, the Ministry of Finance and both the Ministers of Economy and Foreign Trade as well as the Minister of Labor are meeting at the end of each month in order to report to the Government Counsel on the economic evolution and the situation on the labor market. The second duty of the CdC is to decide on the application of the various tools and measures ensuring employment.

## Secretariat of the Comité de Conjoncture

The Secretariat consists of representatives of each of the following organizations: ADEM, the Ministry of Labor and Employment, two representatives of the Ministry of Economy and Foreign Trade and one consultant ADEM detached to the Ministry of Economy and Foreign Trade.

The following applications are discussed:

1. Partial short time work
2. Early retirement
3. Application of Article 115.10 LIR, Tax Law
4. Employment Plan

1) The objective of partial short time work is to financially support companies having difficulties in order to overcome this period without laying off staff (or if inevitable, with a limited lay-off). 4 programs are in place:

- a. Short-time work for economic reasons
  - i. To be eligible for this program the economic sector (NACE) of the company has to be declared being in crisis by the Government
  - ii. It is forbidden to lay-off during a period of short time work for economic reasons
  - iii. Possibility to flexibly use the average of 50 % short time in the course of the years 2009 and 2010. This means that an employee could theoretically be on short-time work for 6 months at 100 % salary anticipating he will work at 100 % the rest of the year.
  - iv. The first 16 hours are reimbursed by ADEM
- b. Structural short-time work
  - i. Every company that is facing a need for restructuring can apply for this program.
  - ii. To access this program the company needs to provide a restructuring plan indicating the key performance figures initiating the restructuring process
  - iii. Layoffs are possible within this program.
  - iv. The first 16 hours within this program are solely paid in case the company presents an Employment Plan (Plan de Maintien dans l'Emploi) approved by the Minister of Labor.
- c. Short-time work for economic dependency

2) In order to allow companies to reduce their workforce without proceeding to a social plan, the law allows the application of various preretirement schemes:

- a. Preretirement Solidarité
  - i. Criteria : replacement of one salary via the ADEM and contribution of 30% to the cost by the company
- b. Pre-retirement for shift work
  - i. Criteria : 20 years of shift work
- c. Progressive preretirement
- d. adjustment preretirement
  - i. Objective : prevent potential job loss
  - ii. Comité de Conjoncture defines the participation of the company following

the financial evolution during the last 3 years

- iii. As of January 1st participation of the companies between 30% and 75% with the exception to go below 30% participation in case of an employment plan

3) Application of Article 115.10 Tax legislation

- a. Objective
  - i. To help persons being laid off by a reduction in tax on certain compensation payments

1. Possibility to apply for the tax cut via the application of 115.10 LIR

- a. Voluntary compensation in case of collective dismissal
- b. Agreed severance payment within a Social Plan

2. Decision to be taken by the Comité de Conjoncture

- b. Legal Changes as of January 1<sup>st</sup>, 2009

- i. The adopted legislation of December 19<sup>th</sup>, 2009 allows tax cuts:

1. Amount equal to the lump sum payment foreseen within the collective agreement
2. In case of notice of the labor agreement by the employer
3. In case of notice by mutual agreement
4. Condition: Compensation payment has to be part of an approved employment plan
5. Limit: 12 times social minimum wage

4) Employment Plan (Plan de Maintien dans l'Emploi)

- a. Objective
  - i. Anticipation of a potential restructuring to ease the transition of the employees preventing an unemployment period
  - ii. Preventive measures
  - iii. Restructuring without immediately proceeding to a social plan
  - iv. Employment plan is signed by the social partners written agreement
  - v. Employment plan is to be discussed between the social partners
- b. Elements
  - i. Partial Work
  - ii. Longer or shorter reference period, voluntary reduction of working time, use of working time accounts
  - iii. Professional training, initial training. Companies should utilize short time work to invest in their human capital via a training program. A draft law foresees extending the compensation payment to 90% in case the employees participate in advanced training during the period of short-time work.
  - iv. Carrier transitions
    1. Internally if possible
    2. Externally with the help of the federations, ADEM, outplacement companies
3. Accompanying measures for career transitions
  - a. Temporary lending of staff
    - i. Official demand at the Ministry of Labor as the temporary lending is from a legal point of view solely allowed to agencies for temporary work
  - b. Reemployment Help
    - i. In case a new job could be found, the possibility exists that the Government covers for the difference of the salary during 4 years in order to guarantee 90% of the last income limited to 3.5 times the social minimum wage
- v. Research and development

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# THE FUTURE OF TRAINING IN TIMES OF ECONOMIC DOWNTURN

Not long ago, HR training initiatives were seen as a major contribution to win the war of talents. In order to develop the high potentials, a full battery of soft and hard skill training activities ensured a long term return on investment. Individual career development plans supported the high potentials' commitment and increased their resistance to leave. Further, the idea of achieving first class training increased the attractiveness of potential employers. Since companies have to face the economic downturn the first priority is to stabilize the business by protecting their financial fundamentals and to protect their existing business operations by reducing costs. In most cases, HR training budgets have been dramatically cut back – if not diminished completely.

How proactive HR management in times of tight operational budgets could look like and what different instruments are provided by the Luxembourg government has been discussed in the article prior. Nevertheless, the crucial question of HR manager what can be done during these challenging times remains partly unanswered? Be inspired from best practices of AMCHAM HR managers and find out what might suit your company best. Here is our check list:

## TARGET YOUR TRAINING EFFORTS AT KEY TALENTS AND PRIORITIES THAT ARE MOST CRUCIAL FOR SUCCESS



Vinciane Istace,  
PricewaterhouseCoopers

to guarantee the intended development of your keys." (Vio Ivanova, JPMorgan).

## LEVERAGE LEARNING FROM WORK EXPERIENCE

Lots of trainings are provided by externals as a consequence of high internal workloads. Nowadays your employees might have more time for learning on the job experiences. Further, investigate who might volunteer to deliver in-house trainings. "It is also a good time to focus on internal efficiency". (Daniel Klingelmeier, FranklinTempleton). Never underestimate the learning abilities by rethinking your procedures and processes.



Daniel Klingelmeier,  
FranklinTempleton

encouraged to improve their technical skills (e.g. software) as well as their language abilities." (Jean-Pierre Mullenders, Randstad). But not

Rethink your training activities in the light of their strategic importance. "We would never cut back training activities which ensure a top quality service to our customer." (Vinciane Istace, PricewaterhouseCoopers). Some of the expensive soft skills training activities are nice to have, but when it comes down to a tight budget, you focus on the match of individual training needs and trainings chosen. "You are more selective at both ends



Vio Ivanova,  
JP Morgan

## EXPLORE THE USE OF TECHNOLOGY FOR TRAINING PURPOSES

Increase the availability of self learning tools through web based online offers or courses available on the intranet. "With less pressure from daily business, employees are normally encouraged to improve their technical skills (e.g. software) as well as their language abilities." (Jean-Pierre Mullenders, Randstad). But not

only formalized training can help to improve the skill level, it is also worth having a look into the company's own knowledge databases. Exploring new ways to make better use of existing knowledge can be a great success factor in the future.

## DISCOVER NEW SOLUTIONS AND CHALLENGE YOUR IDEAS

Think out of the box to find new solutions for your training needs. Sometimes being offered to work part time for a certain period or doing something completely different adds a long



Christian Scharff, Dexia BIL

term value to the employees' commitment to the company. "Learning does not only take place at the workplace itself or while participating in a seminar - experiences outside of the professional world broaden the horizon and develop a person's creativity." (Christian Scharff, Dexia BIL).

## USE FINANCIAL SUPPORT PROVIDED BY THE GOVERNMENT

Continued Vocational Training (CVT) is crucial for companies if they want to meet economic and market requirements in the long-term! In Luxembourg companies interested in the continued education of their workforce can have a portion of the expenses reimbursed. The National Institute for the Development of Continuous Vocational Training (INFPC) is the organization to turn to for all relevant information as well as guidance on the application process. The co-funding may take the form of either a "direct aid" or of a "tax advantage". Please also check [www.lifelong-learning.lu](http://www.lifelong-learning.lu), the Luxembourgish portal dedicated to CVT, which provides an introduction to the Luxembourg legislation for CVT and an overview of the types of co-funding requests that have to be filed in order to apply for the state financial assistance. (Paul Schonenberg, AMCHAM Luxembourg).



Paul Schonenberg,  
AMCHAM Luxembourg

For all the ones who consider joining a higher education academic program offered for adult learners, it is worth to check the financial support offered by CEDIES, the documentation and information center for higher education in Luxembourg.



Want to learn more about HR best practices in Luxembourg? Please see the case studies in this issue...

**Dr. Petra Garnjost**  
Director

Sacred Heart University Luxembourg  
On behalf of the HR Committee



Jean-Pierre Mullenders,  
Randstad

# HUMAN RESOURCES MANAGEMENT AT DEXIA BIL DURING THE CREDIT CRUNCH

In response to the economic crisis affecting the whole of the banking sector since last September, Dexia BIL quickly introduced a host of measures aimed at providing the best possible support for managers and their teams during this period of uncertainty.

In the short term, it was absolutely essential to reassure staff. To help them deal with the situation as calmly as possible, managers were offered two workshops aptly called “Communicate through uncertainty” and “Dealing with people’s reactions”. These workshops, run by Dexia Corporate University, the Dexia Group’s training body showed team leaders how to adapt their communication skills in a crisis and how to effectively handle their own reactions as well as those of their staff.

The effects of the crisis were felt most strongly by staff at our branch network, the second largest network in the country in terms of number of branches. The huge number of clients coming into the bank placed a huge burden on staff at the counters. To try and control numbers and to ensure clients received a high quality of service, human resources called for volunteers to help these teams. They also called on part-time staff, encouraging them to put in some extra time for a set short period. Throughout the most acute phase of the crisis, an amazing feeling of solidarity and mutual support developed among staff from different business areas of the bank.

At the same time, an external psychological behaviour service was put in place to support staff having to deal with stressful working conditions. The staff concerned were thus able to confide in professionals who were there to listen in a totally anonymous manner.

Together with the social partners, we were able to agree on greater flexibility around overtime. Among other specific measures, the final count of hours worked was postponed by four months. This meant that staff who had worked more hours in order to deal with the extra workload generated by the crisis was able to recover these hours over a longer period.

In the longer term, the financial crisis has led to a change in how human resources are managed within Dexia BIL, particularly regarding cost reduction and staff numbers. The bank introduced a series of measures to ensure that the different business lines could continue to operate effectively.

*Christian Scharff*



Since the end of 2008, external recruiting has been frozen. Staff numbers have been cut through the implementation of voluntary redundancies negotiated with the social partners as part of a plan to maintain jobs. The policy of internal mobility within the bank has been strengthened so that we can reallocate resources in the teams that present an operational risk. This policy encourages voluntary transfers as far as possible, although it is inevitable that some staff will have to be asked to move, especially because of the disappearance of certain jobs within the bank. A decision-making committee composed of representatives from the different business lines has been set up and a new role, the “skills correspondent”, has been created to help people settle into their new posts. If Dexia BIL has been able to overcome the “HR challenges” engendered by the financial crisis, it is because the bank is fully aware that it is the staff who are Dexia’s ambassadors to our clients and they are the people who make a difference. Human resources management in difficult times such as these is now more than ever an absolute priority for Dexia BIL.

**Christian Scharff**  
*Human Resources Director*  
*Dexia BIL*



# INTRODUCING THE FIRST LUXEMBOURG CSR FORUM: CSR LUXEMBOURG 2009

*IMS Luxembourg organized the first Luxembourg Forum on CSR on May 19th, 2009. Christian Scharff, President of IMS, presents this high profile event which gathered eminent keynote speakers for 6 conferences and 9 workshops.*

*Christian Scharff, you are the President of the «Institut pour le Mouvement Sociétal (IMS) Luxembourg» (Institute for Corporate Social Responsibility, Luxembourg). Could you tell us more about IMS?*

IMS was created two years ago by six founding members already involved in Corporate Social Responsibility (CSR) activities. Their objectives were to share their experiences and to explore how to integrate CSR more deeply in the very fabric of management strategies.

CSR is a strategic approach on how companies can do their business responsibly. And IMS is the reference in terms of CSR in Luxembourg as we continuously challenge ourselves to remain at the leading edge of CSR knowledge and practices.

Today, IMS counts 60 members representing more than 20% of employment in Luxembourg. We offer our members regular opportunities to effectively and efficiently share knowledge to create and develop programs and projects of benefit for society. We also have a toolbox containing best practices and benchmarks on many CSR issues that we enrich on a continuous basis. IMS in itself can be seen as a toolbox, a reservoir of knowledge and contacts.

Our objective is to count 100 members by year-end, allowing for even richer debates and knowledge sharing opportunities. And we hope to constitute soon an English cluster within IMS as more and more English speaking companies join us.

*IMS organized a forum «CSR Luxembourg 2009» on May 19th. What were its objectives?*

The purpose of the "CSR Luxembourg 2009" Conference was to further inform and sensitize about CSR. Our target audience was composed of both the companies and the citizens of Luxembourg. We were also aiming at increasing the public sector awareness of the importance of CSR for Luxembourg in terms both of image and reputation of the country.

We wanted to show the benefits of embedding CSR in everyday activities, be them private, professional or public. To achieve this, we provided visibility to innovative CSR best practices which should stimulate emulation.

*Could you present the agenda of this high profile event?*

The Forum counted 6 conferences and 9 workshops gathering 46 speakers and happened in 3 different rooms within Luxembourg Congrès, the new conference center located behind the Philharmonie in Kirchberg.

The morning was dedicated to plenary conferences with high profile speakers. The afternoon was dedicated to workshops while associations were holding stands all day long to present their CSR projects.

*Tell us about those 6 conferences and their keynote speakers?*

The subjects of those 6 conferences covered a wide range of CSR driven topics: environment, sustainable construction, innovation, Health and Safety, economical challenges and diversity.

Professor Claude Lorius – eminent glaciologist and the most rewarded scientific – together with Nicolas Vanier –adventurer– told us about the ecological challenge we are facing today and how important it is to act against climate change. It's scary to note that there are only 100 months left if we want to preserve the Earth, this planet that we share. After, it will just be too late.

Marc Buonomo –designer of the Millau Viaduc– and François Valentiny –architect– covered the new modes of sustainable construction.

Mrs Françoise Héritier, Professor at the Collège de France, shared with us the results of her many works on gender diversity, and her thoughts for the future on this respect.

We also looked at the impact of the current economic crisis on CSR activities; the importance of better Health and Safety policies; and the necessity for any structure to innovate in order to be sustainable in the long run.

*And what about the workshops?*

In the afternoon, we had 9 thematic workshops held in parallel in three different rooms. So, we had 3 sessions of 3 workshops. And I am happy to report that for each time-slot, there was a session in English.

The objectives of those workshops were to favor the exchange of experiences and practices amongst all. The workshops started with a presentation from best practices in a given thematic, then we enriched the debate with reactions from a panel of pioneering companies' leaders prior to giving the floor to the public.

The themes covered by those workshops can be found on the conference website ([www.csrluxembourg.com](http://www.csrluxembourg.com)). But let me present you the three workshops in English.

A first workshop was dedicated to «CSR and Corporate Reputation», demonstrating that CSR as shown through corporate social and environmental commitments is key to building Corporate Reputation.

We then had a session on the importance of «Wellbeing in the Workplace». A last session « Mainstreaming Diversity» looked at how to implement a concrete diversity policy within the workplace.

#### *What do you see as the value of attending for participants?*

The value of participating in an event with these characteristics is mainly related with the possibility of finding and acquiring innovative CSR solutions and developing relational capital with other participants and companies.

This event offered all participants a valuable opportunity to share, learn, and network with peers who may hold the key to a challenge they face or with policy makers who may help them to shape the future of CSR.

This event is due to become the first of a long series of annual «rendez-vous» on CSR in Luxembourg. Companies recognize a clear added value in being members of IMS. Hence, I am confident that the participants have found it worth taking part in this event.

#### *One of your conferences covered the impact of the current economic crisis on CSR activities. Do you not fear the timing might not be right to hold such an event?*

CSR has a vast and broad scope, and we are beginning to understand that CSR is about 'how we do business'. It is an enormous challenge

to make a shift from 'business as usual', especially under the current economical circumstances. But it is key to understand that CSR is not profit destructive but on the contrary does contribute to the bottom line. There is no conflict between shareholder interests and stakeholder interests. These can be aligned through CSR engagement.

The good thing is that we increasingly see companies competing on the basis of their social responsibility - using it as an advantage, not just in a defensive manner or to comply with regulations. We also see companies using the economic situation as a reason for adopting CSR. A few, currently low numbers, are cutting back on CSR budgets, but the trends for CSR is clearly positive as more leaders understand its value component.

#### *What are the next steps following this event?*

It is clear for IMS that this forum is not an objective in itself, but rather the start of a year of projects to further explore a selection of the many facets of CSR. We have already identified environment, mobility and innovation as three themes we would like to put high on the IMS agenda this year. The Forum might help us identify some more.

We will then give you 'rendezvous' next year for the second edition of this conference, « CSR Luxembourg 2010 », and report back on those selected CSR issues.

MORE DETAILS ON  
[www.csrluxembourg.com](http://www.csrluxembourg.com)

# CSR LUXEMBOURG 2009 - CSR AND CORPORATE REPUTATION

*Founded by a group of companies located in the Grand Duchy the Institut pour le Mouvement Sociétal - IMS Luxembourg organized a conference on Corporate Social Responsibility (CSR) on May 19, 2009. 46 speakers and panelists offered the audience insights into various aspects of CSR ranging from environmental challenges to microfinance and health issues.*

AMCHAM Luxembourg was pleased to support the seminar on CSR and Corporate Reputation which was presented by Ms. Sam Rowe, Director of Corporate Communications at Weber Shandwick Brussels and Mr. Daniel Atlan, who is in charge of Talent Management at Arcelor Mittal.



Sam Rowe

Ms. Rowe outlined that over the past years a shift in corporate communications towards CSR and sustainability issues had taken place as consumers increasingly preferred companies mindful of their impact on society and the environment. Taking the 3 P's "People, Profit, Planet" into consideration helped companies to be profitable and successful.

"What is good for society is good for business", Rowe emphasized. Michael Porter's theory of a "virtuous circle" of CSR, which has been published in the Harvard

Business Review, ties into this statement. "Companies can produce good products, be considerate of their employees, customers and partners and the environment in which they operate, and can still make good money. And this is because consumers today want to buy from organizations that have a social conscience."

CSR has become a true business differentiator reflected in indicators that have been established at several stock exchanges, showing that the focus is not only on the consumer side of the equation but on the business community as well.

It was, however, important to pay attention to cultural influences which made every approach regional, e.g. topics of relevance in Asian countries might differ widely from issues Europeans consider to be of interest. In order to make their CSR efforts meaningful, companies should find a link between their CSR programs and their business sector. Ms. Rowe recommended consulting with respectable third parties involved in the social arena, as these added to the credibility of programs. Especially in Europe companies are not expected to offer definite solutions but need to be perceived as being part of a dialogue.

Daniel Atlan who has been an HR manager in the mining business for many years agreed that CSR was a question of communications which should cover both sides: the outside perspective towards consumers and investors but also the inside perspective towards the employees. CSR programs can enhance employees identification with the company and thus even be helpful in the recruitment process when employees function as the most credible spokesperson of companies.

From his experience in the steel and mining business he gave some striking examples: In mining the location is obviously a given and therefore it was essential to get the inhabitants of the respective territory involved. For example the "First Nation" in Canada or the Aborigines in Australia might be future employees and therefore it was a very sensible approach to train them accordingly, so that they could benefit from the mining as well.

In the same context health and safety issues were relevant: studies have shown that investments into employees' safety yield a much higher productivity. His company had invested 1 billion USD in Kazakhstan to increase the safety standards with promising results: if people felt safe, the productivity was higher.

For industries which affect the environment it was essential to face the topic of pollution twofold: Firstly be honest, e.g. steel production is not possible without any CO<sub>2</sub> emissions and secondly invest in the best possible technology which reduces potential pollution, e.g. in the steel industry standards such as ULCO "ultra low CO<sub>2</sub>" emissions where a goal to be reached, meaning lower emissions within 50 years of time.

When doing good, companies should not forget to communicate these efforts, Rowe said, but above all remember to be honest and realistic about their goals.



Daniel Atlan

**Tatjana Schaefer**  
AMCHAM Communications Director

# LOGISTICS: THE ABSOLUTE NEED FOR FAST IMPROVEMENT RIGHT NOW

Economic recession currently has become a major concern worldwide and is the sole preoccupation for most industrial companies. Some companies, characterized by cost focused management, see the current situation as an opportunity for downsizing, which was difficult to effect until recently because of a booming business environment. Now, however, with the global financial crisis, many businesses are afraid of their future sales.

This piece focuses on two ideas. First, is everyone in fact concerned to the same extent by this crisis? Second, how could the global meltdown be turned into a significant opportunity?

## 1. ARE WE ALL EQUALLY CONCERNED?

The fear the financial crisis has evoked is a fact. But which are the markets that are the most concerned? Are they not the markets of houses, cars, expensive luxury goods, and in general goods that are bought on credit? Are all companies supplying these markets? Or do they all belong to supply chains that depend on such markets? Indeed there are many. But not all companies are in this situation. Examples? Still in the game are companies that supply food, furniture, pharmaceutical products, health care, clothes, toys, electronic and IT, devices, packaging etc.

Are there reasons that consumer behaviour has changed significantly, especially knowing that many European and other governments are trying to encourage consumers to spend and not to save?

In fact, however, even counter-cyclical companies noticed significant and unusual decreases in sales at the end of 2008. If these figures are used in a quantitative forecasting calculation and integrated into the forecast model, the business outlook for 2009 certainly looks rather bad. However, it can also be demonstrated that this part of the forecast is not a trend, but just an event that will take place for a limited period of a few months.

Cost-focused thinking drives managers, who uncritically accept this forecast and revise their projections downwards by -20%. They downsize their workforce and capacity. At the same time, such managers risk making bad decisions and missing a significant opportunity, namely acquiring and inducing true supply chain thinking.

What is a typical supply chain? Each supply chain finishes at the end consumer. In most cases the consumer buys products in a store or has them delivered by a retailer. Stores and retailers source from some local distribution warehouses whose supplies in turn are delivered by regional warehouses. The latter are directly linked to the producer. The producer himself is the client of different raw material and components suppliers. The chain goes on for one or even more upstream link. Depending on the product type and the geographical position of the market, a typical supply chain is thus composed of four to six and even more links or agents.

If we focus on the last link in the supply chain, such as the end consumer of a food or pharmaceutical product, the first question to ask is whether there is any reason this consumer will change his or her consumption behaviour. The answer is a change in consumer behaviour, which is caused by a decrease in income or fear of such a decrease. In fact loss of income begins with corporate downsizing. But this is certainly not

significantly impacting the above-mentioned markets. Food and drugs still remain essential consumer goods, which must be produced, must be packed, shipped and distributed. The corresponding links in the pharmaceutical and food chains should not be affected by the economic crisis.

The observation of decreasing business is a combination of fear based upon the agents' and the retailers' reactions on the one side and high inventory supply chain pipelines on the other side, but is limited in time. In fact, if fear results from recent negative economic events, every businessman in a supply chain is induced to maximize cash flow and above all to avoid a build up in inventory. This provokes a chain reaction as most of these chains are crowded with inventories and have many links.

The retailer, the closest link to the end consumer, starts eliminating its huge inventory, even if it means offering special price reductions. His main nightmare is to look at a projected future weighed down with unsold goods. He will do everything to accelerate the flow into the downstream direction. Reaction with respect to the upstream is just the opposite: Don't buy new inventory.

In our view, the supply hole seen by upstream links in the supply chain however is just momentary. This hole moves backward to the first link in the chain and thus creates the impression of decreasing sales and business.

In other words there is not only a chance that sales will restart but also a certainty. However the restart is phased for different agents.

The phenomenon is nothing else but emptying the pipeline of overcrowded supply chains. It confirms one important statement that still is denied in a cost-oriented world, namely that there are no true sales in a supply chain for any agent until the final consumer has paid for the product. What is currently happening shows that internal supply chain sales are nothing else but a blockage in the tube and slows delivery to the ultimate market.

Companies, which are facing a current drop in sales and react by downsizing, kill their own future business. On some future day, the tube will be empty and lacking of products with high logistic constraints in terms of lead-time and due date performance. When this occurs, companies will require overcapacity compared to the normal load they had before the crisis. Those who downsized will struggle to remain a reliable and competitive supply chain partner.

Several questions arise. First, when does the business of my link restart? How much time must I bridge? Second, what can I do during this period? How can I capitalize on this?

Let's start with answering the first question. If I'm a link in a supply chain, I must try to get information about the level of the pipeline blockage. This information, which is disaggregated at each link, can help evaluate the time that it takes for any agent to feel an increase in business. One has to calculate local inventory coverage at the downstream links and the moment those downstream links must restart their replenishment. The good news is that replenishment will eventually restart. Moreover there could be a real chance to create chains that are closely synchronised to the true market demand. This is positive because it

could change the future behaviour in the chain if all agents become conscious of the advantage of true supply chain thinking and behaviour: Focus on high speed material flow rather than on local efficiencies, thus consistently reducing the huge amount of money absorbed in pipeline inventories.

Finding out when my business will restart, can only be estimated by cumulating all downstream coverage periods.

## 2. THE CRISIS A HUGE OPPORTUNITY TO INNOVATE SUPPLY CHAINS

The second question, what can be done in the meantime, is as important in terms of developing new competitive advantages.

The fact is that the high inventories sitting at each link and adding up when looking along the whole chain have been created by management rules. Those rules were derived from the so-called cost world that almost exclusively focuses on efficiencies and cost allocation systems. A simple question like “Why does a retailer keep two months of inventory when he could have same-day deliveries (in terms of transportation time from a regional warehouse)?” is even not asked. The two months inventory stems from a sales process that sells cost rather than value.

Again why should a regional warehouse keep four months of inventory when it can be replenished in one or two weeks? All these inventories are due to the fact that today a vast majority of companies still continue to live in a cost world.

This world is characterised and governed by local optima rules. This means that each company in the supply chain focuses on bottom-line results that are calculated according to a cost accounting system.

Moreover there is not sufficient awareness that the results of the bottom-line of each agent are inter-dependent. Once this awareness will exist, things might change. Every business unit, department and work centre is looked at as being completely independent. Environments in which all components are independent obey additive laws. Based upon the assumption of independence, companies are right to think that performance adds up. But are all actors, events, departments, business units and even legally separated agents independent? The fundamental assumption that is driven by a focus on cost is wrong. However, companies continue to build their measurement systems on this basis and the result is local optima rule governance. This is the deeply rooted cause of many failures and restricted business and profit.

To illustrate the point, consider the following example.

A company has serious competitiveness problems. It starts by assessing what has gone wrong. One important step is to pass review products and identify non-profitable products. Satisfied with having identified the source of its ‘losses’ the company discontinues these products.

But what is the result of discontinuing products based upon their product costs? First it ignores the possibility that the company’s competitiveness problems are due to huge overcapacity. For such a company each product for which the sales price exceeds the material price is definitely profitable.

However, the cost allocation system shows exactly the opposite and cost allocation systems drive performance measurements and decision-making. Moreover, discontinuing products does not necessarily remove the costs to which they are allocated. The company ends up reducing sales but not changing its costs. Result: In attempt to increase profitability, actual profit is reduced!

The cost world is the Enemy Number One to true supply chain behaviour, whether it is inside or outside a company. Again local optima rules are the main governance tool. Which are those local optima rules at the supply chain level? The most disastrous in any supply and distribution chain is the order quantity or the lot size. Buyers buy prices and vendors sell cost. The underlying commonality is the economy of scale that exists at the production and the distribution levels. The immediate consequence is high inventory at the level of each agent. In addition transportation lots are maximised for cost reasons. By the way how can all those companies complain about high transportation cost and jeopardize all logistics best practice rules, which decided to relocate their production to so-called low cost countries while continuing selling for European local markets. To reduce costs, large batches are purchased and transported. Cost focused operations managers, who are measured on productivity as defined by the number of items produced per unit of time or hour worked, drive optimal lot size productions. But what does optimal lot size mean? It still signifies that the cost of set up times must be largely compensated by the productive time at any resource.

The result is clear. One must produce large batches, especially when markets are low, sales are low and the first law is to reduce cost according to a mathematical cost phantom produced by cost allocation systems! Who takes into account that all logistics competitive advantages are jeopardized? Who takes care of the opportunity losses? Who takes care



*Dr. Jos Schaeffers*

of losing customers not responding to their logistics expectations in terms of reduced lead times and due date reliability? Which cost system is at all able to evaluate those true costs? Who worries about long cycle times induced by long batches and large campaigns generating high work in process inventory and high semi-finished and finished goods inventories.

Especially in times of business contractions, when it is crucial to free cash, too many companies, in the name of productivity and cost reductions prevent themselves from making cash. Such local initiatives unfortunately not only affect the company responsible for such decisions but also jeopardize the whole supply chain's competitiveness.

In general, business slumps are unfortunately used to only reduce cost, cost as calculated by cost allocation systems. This in fact triggers a vicious circle that begins with low competitiveness and ends up with even lower competitiveness. Periods of recession should be looked at as opportunities to develop competitive advantages. There is huge capacity available to concentrate on improvement projects that could positively impact the bottom-line. Crises show up organisational weaknesses and the limitations of its downstream and upstream supply chain links. It is the ideal time to start thinking about how to improve competitiveness and develop new and lasting competitive advantages.

We previously mentioned that, despite the apparent crisis, many supply chains will not experience a protected period of slow business. However, all agents of the same supply chain will experience a short period of contraction and the periods are phased because lack of previous supply chain synchronisation.

This means first that the different agents have not unlimited time to develop and implement improvements and second that all agents cannot do it at the same time. Nevertheless if a supply chain was to be winning chain in the future, a global improvement strategy based upon solidarity of all the agents belonging to that chain must be developed. It is not sufficient for one agent to dramatically improve his lead-time and due date performance if the downstream agents will break the flow.

If a supply chain is to become stronger then it must surprise the end consumer. He is the only one that can enlarge the pipeline. This means that in general at least four to five agents must start new types of partnering based upon trust and win-win relationships. The speed of the material flow to the end consumer as well as the speed of the money flow from the end consumer to the most upstream agent must be high.

Supply chains must be improved. Innovation is the key word. But what does innovation mean in this context? Is it internally focused innova-

tion, is it product innovation or is it innovation for the end-customer. The latter means that the consumer must win. But can this be achieved if we don't really know him and if we ignore his pain points. A company must become understand their customers and consider how to identify and to exploit his constraints. Knowledge about customer pain points is important, be it internal pain or be it at the link to the customer. It can only be acquired if the supplier has been able to build a partnership with this customer. Trust is built, when the supplier has the clear intention of making his customer win.

Today such type of partnering is nearly impossible. The local optima rules are totally opposed to fostering such behaviour. This is an unintentional result of the cost world paradigm in which everything is looked at as independent, the focus always remains local, and inertia protects management behaviour and prevents real improvements.

Partnership, trust and win-win are the three key words that best characterize supply chain behaviour.

In the current economic crisis, it is even more important to make innovative supply chain thinking happen. Innovation must be designed in a way that it spreads like a virus through the whole chain, upstream up to the raw material provider and downstream to the end consumer. Building up this type of partnership at each link is the only way to be prepared when business returns to pre-crisis levels. Only those chains that are fully reactive at this moment will be able to surprise the end consumer and beat the competing chain. It is the only way to synchronize the whole chain. It is the only way to speed up the whole chain and to avoid any future pipeline blockage. Finally it is the only way to increase the business. The more I'm able to make my customer making business, the more I will be able to make business myself. The focus must remain on the chain. The solidarity and responsibility of a group of agents joined together in a strategic supply chain is necessary. It must be leveraged by one step. It is not my company but our supply chain. It is not my customer but our consumer.

A crisis is not the same for everybody. It should not be used as an excuse to downsize, as it is the case today. It should be used to develop innovative supply chain thinking and behaviour, and create winning supply chains.

There is one necessary condition to this: we must shift from local optima rules governance to the global maximum rule governance.

**Dr. Jos Schaefers**

*Director CRP Henri Tudor's Laboratory  
for Industrial Technologies*



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# OPTIMIZE INTERACTIVE HARNESSING NEW CHANNELS AND TECHNOLOGIES... TO MAXIMIZE MARKETING ROI

*With 25 years of marketing experience, the founders and core team of Optimize Interactive have seen many new trends sweep in and change the face of marketing, then either fade away or become part of the wallpaper. But nothing has come along and had more of a direct impact on the bottom line of marketing than the recent explosion of new channels and technologies. As companies increasingly depend on low cost solutions to keep marketing efforts productive, these developments couldn't be happening at a better time.*

**Optimize**  
INTERACTIVE

GOOGLE ADS RELEVANT CONTENT  
CRM INTEGRATION BLOGS RSS  
MOBILE MARKETING  
SEO E-NEWSLETTERS  
SOCIAL MEDIA  
AUTOMATED CAMPAIGNS

*Putting these channels and technologies to work to maximize marketing ROI.*

Effective branding has been and always will be the cornerstone to successful marketing. Marketing professionals know that consistent repetition of clearly differentiated images and phrases builds awareness that enables sales people to open doors and demand generation campaigns to capture leads. However few understand that SEO (search engine optimization) is now integral to the branding process.

## BRANDING, SEO AND PPC – A PROFITABLE COMBINATION

It has often been difficult to convince companies to invest in building brand awareness. But it just got a lot easier, since combining branding, SEO and PPC (pay-per-click search engine advertising) builds awareness AND generates leads. Here's how it works: SEO and PPC are based on "keywords" – the words and phrases people use to locate topics in search engines. Effective branding repeats the same words and phrases in a variety of channels. So, when branding messages are optimized for search engines, companies maximize marketing ROI.

This is at the heart of what Optimize Interactive does for its clients. We write clearly differentiated corporate and product/service platforms that we use to craft communications that are optimized for branding and search engines. But, this is just the beginning.



*Using SEO to drive traffic and expertise to capture leads.*

## WEBSITES AS LEAD GENERATION ENGINES

The company website is the principle SEO vehicle, and the goal of SEO is to drive traffic to this site. To do this, content must be SEO-optimized throughout. But using SEO to drive traffic doesn't maximize your website ROI unless a substantial amount of visitors become new leads or complete a purchase. This is where Optimize Interactive's website development is clearly differentiated from other agencies: we combine strategic branding expertise and advanced SEO techniques with an outstanding ability to capture and manage leads.

To capture and profile a lead from your website, the visitor must have a positive experience. Whether they came from a search engine or in response to a marketing campaign, they want to find exactly what they are looking for – fast. This is where excellent website design and architecture are critical, something Optimize Interactive is known for. Once the visitor has found the information they need, we use effective copy,



imagery and layout along with incentives to trigger a response. At the same time, we will gather profile information that we can automatically send to the CRM (customer relationship management system). We can also initiate an automated prospect conversion campaign that serves relevant content based on the visitor's profile.



### MASTERING EACH SEO COMPONENT

For SEO success, companies need more than an SEO-optimized website. Search engines determine relevance by scanning the entire web for keywords and phrases that are found on a company's website. The more instances where keywords are found, the higher the organic search engine ranking. That is why Optimize Interactive helps clients create and maintain blogs, newsletters, articles, press releases, social media pages (Twitter, LinkedIn, Flickr, Facebook, etc.), RSS feeds, YouTube videos and more. This sounds like a lot of things for a company to manage, but in fact, it is easy to organize if you flow content directly from the original SEO optimized strategic platform into all channels – and if you tie this content into demand generation campaigns.

### INTEGRATING SEO CONTENT AND DEMAND GENERATION

To better understand how integrating SEO and demand generation can maximize marketing ROI, let's follow the steps for a new product introduction. Strategic work comes first, where clearly differentiated benefits are determined. Potential keywords and phrases are extracted from the strategy and then analyzed using proprietary evaluation techniques. A final list of keywords and phrases is selected, from which a complete set of SEO-optimized marketing messages and boilerplate descriptions is written. At the same time, creative is produced, which can include a signature image (such as the bird overflying the world shown here), symbolic trademark, typographic trademark and tag line. Taken together, this new product is now strongly branded, ready to fly in the SEO world and primed for success in demand generation campaigns.

Here are the SEO steps in the new product launch: 1) imagery and content is added to the company website and supporting collateral is created, 2) blogs are written and it is the lead topic in the newsletter, 3) a press release goes out, 4) buzz is created in the social media, 5) articles are submitted to forums or relevant websites, 6) an RSS feed is created, 7) a YouTube video is made.

Subsequently the same SEO-optimized content and campaign imagery are used to generate demand through: 1) banner ads and (budget permitting), print ads, 2) email campaigns, 3) mobile marketing, (where appropriate), 4) automated conversion, up-sell and cross-sell campaigns, 5) direct sales by sales people and telemarketers.

### SERVING RELEVANT CONTENT

It's clear that prospects and customers are more likely to respond to communications if they are personalized and contain information that interests them. What's not so clear to most companies is how to deliver these relevant communications. Optimize Interactive helps customers

segment their database, conduct campaigns to profile customers and capture pertinent information from new leads. It then enables companies to deliver segmented campaigns, either manually or automatically.

But we go one step further in our pursuit of ROI. We work with 'White Spider Media', leading-edge media buyers who use advanced web technology to serve targeted online ads. We are able to serve ads only targeting people who are already known (someone who has visited the company's website). Companies no longer need to pay for thousands of impressions from people who aren't part of their target audience. Response rates are 10 times better than average, which naturally increases ROI.

### ABOUT OPTIMIZE INTERACTIVE

"After many years in the marketing field, I formed the original agency that is now Optimize Interactive in 1992. Over the last 16 years, we've served companies in the hi-tech, bio-tech, pharmaceutical, financial and energy industries. We've succeeded because our big-picture understanding of marketing sets us apart. But at the end of the day, there are two key reasons why clients choose us: award winning creative and superior technological expertise.



*Jeff Hicks, founder and creative director*

For creative, I've been very fortunate to work with the same dynamic creative team since the inception of the agency. And for technology, we recently brought a talented group of interactive developers on board. Located in India, they enable us to offer a very high level of technical expertise at an affordable price – something that is especially important for SEO which requires many hours of hands-on work.

Opening an office in Luxembourg is both a business and personal decision. For many years my wife and I have wanted to live and work in Europe. Luxembourg clearly offers many substantial business advantages, such as a business friendly environment and a talented labor pool. Furthermore, we feel the quality of life here will be very rewarding."

– Jeff Hicks

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# INTERDEAN – DALEIDEN NOW PROVIDING A FULL RANGE OF INTERNATIONAL RELOCATION SERVICES

Finding the right candidate for a key vacancy has always posed a challenge to companies and this is possibly more crucial in today's economic downturn than ever. A successful recruitment can often involve an international relocation for an existing member of staff or a new employee, and when this is the case, HR professionals need an experienced company to turn to for a range of relocation services. As a busy commercial centre with many financial companies based here, Luxembourg has long been a chosen destination for graduates and more senior personnel looking to further their career. The number of people relocating to Luxembourg has increased recently with the opening of offices for a number of high tech companies.

## HIGH QUALITY SERVICE

A. Daleiden Worldwide Mover was set up in Luxembourg over 50 years ago to provide a high quality moving service to companies and is a name that many HR managers in the region are familiar with and trust. Over the years, Daleiden has built up a reputation for **delivery that is second to none and the name Daleiden has become synonymous with high quality service.**

**In January 2009, Daleiden was acquired by the Interdean Group,** and the newly formed company, Interdean - Daleiden, now offers a full range of international relocation services to its customers in Luxembourg. Dale Collins, Group CEO, Interdean comments on the acquisition: "At Interdean, our aim is to be the first choice for relocation services throughout Europe. We were delighted when the opportunity arose to acquire Daleiden as we wanted to strengthen our capabilities within Luxembourg. Daleiden's highly experienced staff and infrastructure provides an excellent platform for the wide range of solutions we offer to create a world-class relocation service for companies throughout Luxembourg."



Stéphane Compain heads up the management team for Interdean Luxembourg. Stéphane started in the moving industry back in 1993 and he has held a number of senior roles in European companies during the past 15 years. Stéphane is enthusiastic about recent developments: "The creation of Interdean - Daleiden is really great news for our customers as we can now offer the personal service

we are known for, together with the full range of services developed by Interdean. This, coupled with the fantastic coverage Interdean has throughout Europe will be really beneficial to the companies we work with. Interdean's network in Europe is very strong and customers benefit from Interdean handling the relocation from start to finish."

## FIDI FAIM ACCREDITATION

Daleiden has been a member of FIDI (Fédération Internationale des Déménageurs Internationaux) for over 35 years, and has had FIDI FAIM (FIDI Accredited International Mover) status for the past seven years. This accreditation is currently the most stringent, all encompassing quality guarantee program for the international moving industry.



Stéphane believes his team has contributed enormously to the success of Interdean in Luxembourg. He explains: "We are very fortunate to have such an experienced team here. Our customers need consistency of service and I know that my staff are very dedicated and take great pride in every element of the support they provide. We will now be able to add local expertise at every European destination to the relocation service we give, through this merger with Interdean and its staff in its 47 locations."

## STRESS-FREE RELOCATION

Stéphane describes the pressure that is on individuals when they relocate: "Moving to a new role in a new country can be a very challenging experience. Interdean - Daleiden can now be on hand to make the transition seamless and stress-free. We can tailor a service to meet all the demands that face a family or individual on the move – from house hunting and visa applications right through to advising on energy suppliers and providing cultural training. We now have a full range of services in place and can provide highly personalised relocation services through our dedicated team."

*Interdean – Daleiden can offer specialist advice on the following range of services:*

- Relocation management*
- Expert relocation support*
- Visa and immigration*
- Area orientation*
- Temporary housing*
- Home finding*
- School search*
- Settling-in assistance*
- Tenancy management*
- Household goods moving*
- Intercultural and language training*
- Relocation expense management*

*Last year, Interdean's relocation services helped 32,000 families, expatriates and international assignees to relocate overseas.*

***Wherever you are, Interdean International Relocation is with you every step of the way.***

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# SIGNING OF PROTOCOL ON EXCHANGE OF TAX INFORMATION BETWEEN THE UNITED STATES OF AMERICA AND LUXEMBOURG



© SIP/Charles Caratini

On May 20, 2009 Luxembourg's Minister of the Treasury and Budget Luc Frieden and U.S. Ambassador Ann L. Wagner signed an updated protocol modifying the information exchange provisions to the 1996 Luxembourg-United States bilateral tax treaty. The signing of the updated protocol, which now fully meets the OECD's standard for information exchange, comes in the wake of recent rhetoric against bank secrecy and tax havens from the U.S. Administration, the OECD, and several G20 leaders.

During the signature ceremony, U.S. Ambassador Ann L. Wagner stated, "The signing of this 'Protocol on the Exchange of Information on Tax Matters' is an important addition to the existing Tax Treaty between our two countries, and marks another high point in the historic partnership between the Grand Duchy of Luxembourg and the United States of America."

According to a Luxembourg government announcement, the signing of the updated protocol marks a key moment proving Luxembourg's commitment, as it stated on March 13, 2009, to apply the OECD model treaty provisions regarding international tax cooperation.

In fact, this new protocol is the first agreement between Luxembourg and an OECD member country which fully meets the OECD standard for information exchange regarding tax matters. Minister Frieden personally led the successful renegotiation during several trips to the United States over the last few weeks.

Specifically, the new protocol provides for the exchange of information on individual tax payers upon specific demand by the respective treaty partner's government, and applies as from 2009 onwards. It is worth noting that the new exchange of information provision does not authorize automatic exchange on bank account information or general requests (i.e., so called "fishing expeditions").

The new protocol has also been well received among the international community. Notably, OECD Secretary-General Angel Gurría welcomed the new Luxembourg-U.S. agreement: "We have seen many endorsements of the OECD standards over the past two months and it is very encouraging to see how quickly countries are now moving to implement them," he said. Mr. Gurría, further proclaimed that, "a fundamental transformation is underway in international tax cooperation practices. I am particularly pleased that having recently withdrawn its reservation to the OECD standard on exchange of information Luxembourg has within a matter of weeks renegotiated its agreement with the United States to allow for the exchange of bank information on request in all tax matters."

In these economically challenging times the Protocol allows the two countries to further tighten their trade relations. Numerous U.S. companies have chosen Luxembourg to serve their entire European client base. Likewise in the financial sector, where business relations are particularly advanced, the most important U.S. investment funds have established the center of their pan European activities in Luxembourg.

U.S. Ambassador Ann L. Wagner stated, "As two of the world's major financial centers, Luxembourg and the United States must take the lead in safeguarding the integrity, transparency, and efficiency of our financial systems. I am proud that the agreement we are about to sign is an outstanding example of that leadership in action."

© U.S. Embassy



# MIAMI UNIVERSITY'S JOHN E. DOLIBOIS EUROPEAN CAMPUS

*a success story in international education providing education - preparation - motivation*

Miami University has a rich history as one of the United States' oldest and most distinguished public universities. Founded in Oxford, Ohio in 1809, it maintains its classic beauty and sense of great tradition amid the energy spurred by discovery and imagination. In its two hundred years of successful education delivery, it has established an outstanding national recognition and ranking in terms of the students and faculty it attracts, its range of academic programs, its beautiful campus and its commitment to international education. In fact, Miami University has been named a "public ivy league" university and is very proud of this recognition.

In 1968 Miami University decided to establish a European campus in Luxembourg, a truly visionary, courageous and wise decision, at a time when European and American universities were in turmoil and the brutal Soviet repression of the development of socialist democracy in Czechoslovakia challenged East-West relations.

John E. Dolibois, a well known and highly respected and regarded Luxembourg-American who lived and lives the American dream, had been instrumental in establishing Miami University's campus in Luxembourg. He immigrated with his widowed father to the United States at the age of thirteen years and, from the outset dove into and actively participated in the American way of life. He joined the Boy Scouts movement, became an eagle scout, excelled in high school, received a scholarship and graduated from Miami University toward the end of WW II. Immediately after graduation he joined the American Army and returned to Luxembourg as a Lieutenant to interrogate Nazi leaders in Mondorf, in preparation for the Nuremberg War Crime Tribunal.

After his military duty he returned to the States and to Miami University, where he became vice president for alumni relations. In this capacity



*Twins Ekkie and Roland Stiller on the ruins of the Frauenkirche, Dresden/Germany during World War II*

he was instrumental in establishing the Miami University campus in Luxembourg. At the end of John's career, President Ronald Reagan appointed him the American Ambassador to his native country, Luxembourg. A truly American dream had come true. In 1988, on the occasion of the twentieth anniversary of the Luxembourg campus, the name of the campus was changed to the John E. Dolibois European Campus, in recognition of John's enormous contributions to Miami University and to American-Luxembourg relations. We are proud to carry this name.

Since its inception, forty years ago, more than 10,000 American students have attended Miami's Luxembourg campus, one of Europe's most successful international study programs, and all of them returned to the United States with newly gained knowledge, with broadened horizons and new perspectives, with a greater awareness of the diverse world around them, with the realization and a more clearly identified set of individual responsibilities each of them will have to accept in the global setting of their future life.

Particularly at this time of great economic turmoil and uncertainty, caused largely by irresponsible behavior, greed and lack of supervision and control, it has become more evident than ever before that honesty, integrity, responsibility, morale and morality are of paramount importance and essential for a world of prosperity, stability, progress and peace to exist. Miami's John E. Dolibois European campus is ideally suited and very effective in preparing young Americans for their future roles and responsibilities.

The global community, a concept irrelevant not all that long ago, has become an exciting and challenging reality; providing us with many advantages and great opportunities, while at the same time confronting us with its enormous complexities and wide range of social, political, economic and cultural challenges. More than ever before, it is essential that American university students, the future leaders of their country, understand the complexities of existing world problems, that they can identify solutions and that they have the vision and the desire to solve them. Our program, interdisciplinary in its philosophy and international in its course offering, is ideally suited to prepare our students for this enormous challenge.

A rigorous, relevant and internationally focused curriculum, taught by distinguished European and American faculty, offers an exciting learning environment and gives our program its excellent academic reputation. Our host family program provides our students with the unique opportunity to observe European family life and to become part of it. Life-long friendships between host families and students are a testimony to its success. The appreciation of and respect for different values, life styles, traditions and customs, our students observe and adjust to in their European families are essential to making them internationally functioning, competent, comfortable and effective.



Campus sponsored study tours and independent weekend travels enable our students to explore Europe, to reinforce classroom learning and to observe, experience, and feel comfortable in Europe's diverse cultural settings. In fact, the combination of an exciting and rigorous curriculum, host family life and travel experiences transforms Luxembourg and Europe into our students' classroom and laboratory and prepares them for the respective roles they will be playing in our global community.

For me personally, MUDEC has been and is a wonderful experience of discovery, of growth, of mind expansion and a marvelous addition to my life. In my last year as Dean of MUDEC, I am writing this commentary in a reflective mood; filled with joyous and wonderful memories and also with a feeling of sadness, as a marvelous, rich, and fulfilling period of professional life comes to an end. Here, in short, is the story of my life and particularly the enrichment I experienced through my affiliation with MUDEC, Miami University and the many and wonderful friendships and associations I was privileged to form and to join in Luxembourg. AMCHAM is part of this group of wonderful people I know, respect and cherish. All of you who read this have been and are part of this. Thank you so very much.

Coming to and connecting with MUDEC, with Miami University and with Luxembourg has taken me along a lengthy path, filled with great challenges and, much more importantly, with much greater rewards, joy and satisfaction. It has taken me from the destruction of Dresden, where my family lost all of its belongings during the bombardment in 1945 (I remember it vividly and with great horror, having survived it at an age four years), via a childhood in Communist East Germany, where my family and all of us had been exposed to another type of dictatorship, mind control, inhumanity and deprivation and ultimately in 1956, our escape via Berlin to West Germany, to freedom, democracy and a life where we were allowed to develop according to our own interests and talents. We fled with only a briefcase, but with our hearts filled with the hope and confidence that life in the free West would allow us to develop and grow according to our talents and interests.

My journey took me from a wooden barrack in West Germany, in which our mother died of a heart attack, shortly after we arrived in the "West", with nothing but hope for a better future for her family; her husband and her sons. These events and developments have influenced and shaped me. I feel that they have made me more compassionate, more caring

and sharing, more intensely grateful for kindnesses extended and for creating an atmosphere and spirit of cooperation, respect and mutual support. Fortunately, and I am most grateful, I have been able to experience and to live this myself in my personal and professional life.

The world we live in today and the marvelous development Europe has experienced would not have been possible without American interest and support. American care parcels, sent to friends and foes alike, the Berlin airlift, supplying a city of almost two million people with everything they needed to survive and to carry on their economic activities, the Marshall Plan Aid, allowing Europe to rebuild its cities, infrastructure and productive capacity, to the formation of NATO as a bulwark against Communist expansionism, the active encouragement and support of the process of European Integration, to the opening of the Berlin Wall in 1989 and ultimately to the collapse of Communism and the subsequent expansion of democracy, liberty and prosperity into the former Communist world have made this wonderful development possible.

Three enthusiastic cheers are offered to the United States: hip - hip --- hurray!

We are eternally grateful to the United States for its generosity and enormous contribution to the successful construction of a new Europe in which we live, feel comfortable and at home, and in which almost two generations of Miami University students have lived and studied to broaden their horizons, to gain new perspectives and to prepare for a successful, satisfying and productive life.

After finishing school and an apprenticeship in West Germany, my twin brother Roland and I went to Canada to be with our brother Frank and his wife Lillian, to work in a bank and to begin our university studies. We enjoyed the friendly, kind and welcoming environment of Canada, a wonderful banking experience and our undergraduate university studies.

For graduate studies, Roland and I opted to attend the University of Hawaii and were most pleased with our choice. In the middle of the Pacific Ocean, but also in the midst of a truly different setting, we were exposed to a more diverse cultural environment and our university studies deepened and broadened our minds and added a new dimension to our life and personality. After graduating with a Ph.D. from the University of Hawaii, the university made us an offer we simply could not resist. Both of us were asked to join the faculty – an exceptional and marvelous opportunity. My twin brother Roland is still on the faculty and I was faculty member for a total of some 12 years.

And then, a wonderful and truly exceptional and unique opportunity arose for me, when I received a telephone call from Miami University, asking me if I would be interested in teaching in the Luxembourg program for one year, back in 1977. So, I arrived in Luxembourg beginning of September, and experienced a life changing transition. I was taken in by the atmosphere at MUDEC, the high quality of our students, the congenial group of faculty and staff members and the dynamics of Luxembourg, as a key player in and contributors to the process of European Integration. It was a wonderful experience for me. I was asked if I wanted to stay on to teach and, ultimately spend a total of four years at the MUEC. I participated actively in the Center's and also the students' life and formed wonderful and enriching friendships with colleagues, students and people in the community. After four years I needed to

return to the University of Hawaii, where I also felt very happy and comfortable, particularly as my twin brother and I had our offices across the hallway – given that both of us spoke and still speak with a German accent, the student jokingly called our department “the German School of Business of the Pacific”. I reintegrated into my familiar environment, including particularly my twin brother’s family, quickly and easily and was happy to be back in Hawaii.

In 1988, I had another offer to return to MUEC as visiting professor for one year and readjusted to Luxembourg with great enthusiasm and engagement. It was wonderful to be back and to work with many of the colleagues I knew from my earlier teaching assignment at MUEC. My predecessor decided to retire in 1989. An extensive search for a new Executive Director was undertaken and I had the great fortune to be offered this exciting, challenging and most rewarding professional and personal experience.

I had found my ultimate calling and experienced and lived an exceptionally full, rewarding and exciting professional and personal life ever since. I engaged and participated in all aspects of MUDEC’s activities with great enthusiasm and energy and enjoyed and thrived on connecting with and participating in all elements of Luxembourg’s academic, cultural and social life. In no time at all, I had become an inte-

gral part of MUDEC and of the Luxembourg Community. Renate and I have lived and live life to its fullest and are most grateful to so many who have made a big and most positive difference in our lives and who have added so much joy to it.

What does it all add up to? In education we have the great privilege and the enormous responsibility to transmit knowledge, wisdom, values and experiences and to prepare the next generations of decision makers for the responsibilities, obligations and challenges they will face and will have to accept in the future. A truly international setting in which to learn, grow and develop is essential for this and is the foundation for future progress, stability and prosperity. This is what Miami University’s John E. Dolibois European Campus is all about. I have been privileged to be part of this and thank my many friends, far too many to mention by name, for their interest, their trust, their support, and their friendship.

Three cheers to all of them, to AMCHAM, to our host country, to the United States and to a free, democratic, just and prosperous world: hip – hip – hurray!

**Dr. Ekkie Stiller**

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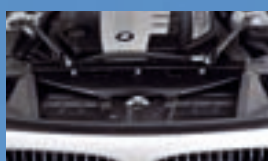
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