

Airbus ethics essay

[Environment](#), [Air](#)



Ethics in management is concerned with those parts of organizational, operational, occupational and professional conduct that relate to standards and moral principals. It is concerned with human character and conduct, the distinction between right and wrong, and the duties and obligation that exist in all situations.

1. In each of the cases, who benefits and who suffers from the alleged ethical and legal lapses of airbus?

Kuwait

Kuwait Airways (KAC) is a state-owned airline, which normally means that politics will play a large role in business negotiations. In order to replenish their air-fleet they needed to make a deal with either U. S. based Boeing, or the French based Airbus. While most believed the U. S. Company would get the order, like the majority of other reconstruction projects, the order went to Airbus. The Kuwait government has in place a formal process for which large orders which spend public money must pass through in order to be approved. Despite this process, KAC's chairman placed an order for 15 Airbus aircraft, totaling \$1. 1 billion, with the option for nine more.

While American officials were not happy with this deal, they made a deal with the Prince of Kuwait agreeing that the engines for the aircraft would be purchased from GE, Boeing would receive an order for two planes and future aircraft would be purchased from Boeing. The purchase option for nine more planes would not be following this deal, so the chairman decided to set up a subsidiary, The Aviation Lease and Finance Company (ALAFCO). The subsidiary company would allow the option to be exercised, bypassing the

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formal process but in place by the government. This is an unethical loophole to follow. Not only was the chairman behind this idea, but Airbus was funding ALAFCO as well as paying bribes to ALAFCO executives in order to make sure the deals went through.

In this case the United States was hurt by losing the deal to Airbus. With such a large order, the money the U. S. based company, Boeing, missed out on was large. Airbus benefits from this deal because they get the order over Boeing. The executives which were bribed to buy from Airbus reap the majority of the benefits. While they make money from such a deal, the public funds are being spent based on a decision made by few bribed executives. The Kuwaiti people and government suffer as well. The deal intentionally bypassed the system set up by the Kuwait Government, which was intended to check decisions made with public money. Bypassing this system altogether shows that the government lacks total control against such acts.

India

In the case dealing with India Airlines (IA), India's Central Bureau of Investigation (CBI) investigated bribery between civil servants, IA officials and Airbus. Bribery is definitely evident in this case. Prior to any deal with Airbus, IA had an agreement, and deposit, to buy 12 Boeing 757s. Breaking the deal with Boeing, IA later decided to order 19 Airbus A320s with options for 12 more. Agreeing on this deal makes no sense considering the A320 had never even flown or been tested, and the Boeing aircraft was well a well known, quality airplane.

The only ones who gained from this new deal with Airbus are the ones who were bribed, receiving monetary benefits. While they gain wealth, the integrity of their organization is compromised and takes a real hit ethically. Airbus hurts themselves by behaving unethically, losing customers who have strong ethical and moral business values. Once again, Boeing takes a hit losing the sales to IA which they were relying on, which means the U. S. loses another sale to France.

Canada

A proven case of bribery has been unveiled in Canada by the Royal Canadian Mounted Police. There is evidence which proves that Airbus set up a shell account in order to distribute “ commissions” which totaled more than \$22. 5 million dollars.

This bribery in Canada once again only benefits Airbus and those who received the bribes. These unethical practices hurt Boeing and Airbus’s reputation, as well as the Canadian government for not regulating or enforcing laws to prohibit such business practices.

Syria

Former Minister for Economic Affairs Salim Yassin and former Minister of Transportation Mufid Abd al-Karim were convicted of embezzlement, accepting bribes, and “ destroying the national economy” on December 8 and sent to prison for ten years. According to the indictment, both accepted large bribes to purchase 6 Airbus I-320 airliners for \$374 million, far exceeding the worth of the planes, estimated at \$250 million. Former Prime

Minister Mahmoud al-Zoubi was also implicated in the scam, but committed suicide (supposedly) in May 2000 to avoid arrest. Another defendant, Madrid-based businessman Mounir Abu Khaddour, was convicted in absentia and sentenced to ten years in prison. 1

These are proven cases of bribery, catching Airbus red-handed paying out bribes to government officials. These charges reflect horribly on Airbus, proving any past or future allegations to be believable.

2. How should the public relations staff at Airbus respond to the articles appearing in the economist and the guardian?

When dealing with the situation dealing with the articles printed in the Economist and the Guardian, I feel that Airbus should make it known that in the past they did what was necessary to survive in the industry against their strong rival Boeing. When these now unethical businesses practices were taking place, the regulatory laws which we follow now were not practiced in that time. We must understand that in some countries bribery is just the way business is done. Here in the U. S. bribery is illegal and companies like Boeing act ethically responsible. In such a highly competitive, high priced goods industry such as the airline industry unethical incentives to buy are more common than others. The aircraft made by competitors is very similar in quality and price. This leaves little differentiation between competitors, causing external incentives such as bribes.

“ This is an industry where foreign corruption has a real impact. Bribery by foreign companies can have important consequences for US

competitiveness. Because of the critical role governments play in selecting aircraft suppliers, and because of the huge sums of money involved in aircraft purchases, this sector has been especially vulnerable to trade distortions involving bribery of foreign public officials. 2”

It is often impossible, or very costly, for an individual or a company to escape restrictions and prohibitions, and to do business, without bribing state officials. Prohibiting bribes is never perfectly enforceable, but it does increase the risk and cost of the bribes, and of the transactions they make possible. As recently as 10 years ago, virtually all governments, except the U. S. government, did not prohibit their nationals from bribing foreign officials. After having forbidden American companies to compete with bribes, the U. S. government has used the OECD to impose the same sort of prohibition to companies from 33 other countries, through the 1997 Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. 3

3. What steps might Boeing take to defend itself from this sort of competition?

The Organization for Economic Co-Operation and Development (OECD) brings together the governments of countries committed to democracy and the market economy from around the world to; support sustainable economic growth, boost employment, raise living standards, maintain financial stability, assist other countries’ economic development and contribute to growth in world trade.

Airbus is a company based in France, where bribes used to be commonplace in the business world until year 2000 when they passed an OECD convention in order to outlaw bribery of foreign officials. The new laws to prevent bribery will help protect Boeing from Airbus's corrupt practices, making them illegal.

It is more likely that consumer will use the organization that they can trust and have confidence in it. This trust and confidence can be achieved in time by having and keeping a good relationship. Moreover if there is a good relationship between staff based on integrity and honesty as well as keeps the promises that have been given, more demand for work to be expected. In practice dealing with trustable organization is not possible in all set of circumstances. In the case of Airbus they have a corrupt track record of bribery and dishonesty. This will make it more likely for consumers looking to buy aircraft to choose from one of Airbus's competitors, such as Boeing. Their clean business history will greatly help consumers decide on the more trustworthy aircraft.

4. Do Boeing and Airbus behave differently in marketing their aircraft around the globe?

Perhaps the strongest selling point of Boeing's marketing strategy is the idea of customer involvement and giving the customer configuration flexibility. They create "market-driven" aircrafts, which gives airlines great flexibility in configuring the cabin by making the aisle and lavatories completely interchangeable.

For Airbus, the future will include a huge, quiet, fuel-efficient double-deck aircraft with 555 seats and the potential to cram in a lot more by eliminating or shrinking several lounges and bars. For Boeing, the future will be a smaller aircraft of 210 to 250 seats that can fly nonstop between almost any two airports on earth. Its fuselage will be made of new composite material that will allow larger windows, greater cabin air pressure for easier breathing and enough humidity to halt dry throats on long flights because the nonmetallic composite material will not rust in higher humidity.

While Airbus is cutting the extras in order to fit more passengers, Boeing is taking measures to improve the quality and satisfaction of flight. I am a firm believer in customer satisfaction and value. I feel that in the upcoming years the trends of customization and customer satisfaction through quality of flight will prove to be successful. Airbus will be able to fit more customers, but with less satisfaction. I believe in getting more for your money. I feel that customers will be willing to pay the higher cost of flying on a Boeing plane which is more comfortable, and able to do non-stop flights rather than be on a plane with more people which results in less personal interaction and overall cramped feeling.

5. Had France adopted the OECD convention on bribery ahead of these transactions would the firm's behavior have differed? Why?

If Airbus would have adopted these policies prior to these transactions, the firm would have been forced to act ethically and sell their aircraft based on quality, customer service, reliability and performance. If this were the case, Boeing would have more than likely won the contracts over Airbus. Boeing

has been operating in this fashion throughout their history so naturally would be better than the competition, which relies on bribes to gain sales and contracts.

While Airbus was taking sales from Boeing by means of bribes and unethical practices, Boeing was taking a hit by losing these sales. Although they lost these sales at the time, it allowed time for new laws to pass which made the Airbus practices illegal. Taking away the ability to bribe in order to gain sales has an impact in Airbus's profits.

We have seen many cases throughout the history of Airbus where unethical practices are used. Operating a business unethically hurts not only the company you work for but also harms the government or company which is taking the bribes. It opens doors for more unethical practices and discredits any trust which may have been gained through ethically sound decisions.