

a Frenchman, was also created to exert full control over Airbus programs (Exhibit 3). The position of financial director was also created to develop a comprehensive system of cost accounting and control. This position caused enormous controversy as it would initially be given access to the partner's cost records to evaluate the prices charged for work shares. Interestingly, the "wise men" recommended that AI take over more of the subcontracting with outside firms because it could be more aggressive in seeking the best prices and terms. To this date however, contractual engagements of AI rest solely with the industrial partners and associates (except in the case of engines and reverse thrust equipment). Nevertheless, AI has now adopted sophisticated information systems to track suppliers engaged with more than one partner to ensure that the best terms are negotiated consistently.

The report also suggested that recruitment of personnel be carried out directly by AI based on merit as opposed to having staff appointed to AI by the partners so as to avoid conflicts of interest or division of loyalty. To this end, employees now appear to increasingly identify themselves with AI as opposed to its industrial partners - having their own distinct culture and independent Human Resources Directorate.

Airbus Organizational Structure

The Chairman of the executive board also serves as the Managing Director overseeing day to day operations of AI. The AI management structure incorporates seven functional directorates including Commercial, Engineering, Customer Services, Industrial, Programs & Processes, Administration and Transport (Exhibit 4). Although AI is not directly engaged in procurement of aircraft components or systems (except for customer selected engines & nacelles), it does exert considerable influence (particularly the Commercial, Engineering, Customer Services, and Administration directorates) on the partners in their equipment selections in view of its position in the supplier performance feedback loop.

Commercial (Exhibit 5): Direct contact with the market is maintained by the Commercial Directorate which is responsible for all sales, contract and sales financing, and establishing marketing strategies for current and potential programs. This directorate has negotiating limits with potential customers to an undisclosed threshold, beyond which, it must obtain approval from the managing directors of the partners. Responsiveness to changing market conditions is assured by direct links with a network of regional offices and with the group's subsidiary, Airbus Industrie of North America.

Engineering (Exhibit 6): As mentioned, the AI partners and associates retain full capability in all aspects of aircraft construction meaning they perform most of the basic research and detail design; however, the engineering directorate coordinates the overall effort and sets overall broad product performance specifications. This directorate is also responsible for all airworthiness and product safety matters. At