

For the Greater Good: Unequal Sacrifices

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The case presents a realistic business scenario in which economic turbulences financially challenge a global aviation player, shining light on the financial interdependence between parent and subsidiary. The students slip into the role of an upper management sales leader with an accounting background working for a subsidiary of the aviation group. Despite record profits, he faces strictly enforced cost reduction measures mandated by the parent. Based on public events during the early 2020 COVID response, the case combines example financial statements and public sources to create a real business scenario for the students to analyze.

Keywords: ethical dilemma, code of ethics, COVID, International Ethics Standards Board for Accountants (IESBA), Giving Voice to Values (GVV), Chartered Accountant, Case Study, Leadership, Ethics

INTRODUCTION

The economic turbulence caused by the COVID-19 pandemic has presented significant challenges for businesses across various industries, particularly those with global operations and a vast array of diverse subsidiaries. This case study explores a unique situation faced by a subsidiary of a larger aviation group, where the subsidiary is thriving and producing record profits, but the parent company is struggling financially. As an upper management sales leader and Chartered Accountant (CA), the students navigate this inter-company conflict between the subsidiary's success and the parent company's cost-saving initiatives. This case showcases the complex, real-world challenges arising from the financial interdependence between a parent organization and its subsidiaries. By analyzing example financial statements, students can delve into a realistic business scenario and explore the nuanced decision-making required to address the needs of both the subsidiary and the broader aviation group.

Establishing ethical decision-making patterns is a fundamental goal for accounting students and professionals. Accounting textbooks teach students the principles of ethical behavior (Duska, Duska & Ragatz, 2011). Professional organizations, such as the International Ethics Standards Board for Accountants (IESBA), have developed codes of ethics that provide certified accountants with guidelines for navigating

ethical dilemmas (IESBA, n.d.). Certified and licensed accountants must also complete continuing education in ethics and professional responsibility.

Research suggests that using teaching cases creates an active learning environment, allowing students to apply their classroom knowledge to real-world issues (Lynch, 2008; Paolini, 2015). This helps to bridge the gap between academic and professional environments (Milne & McConnell, 2001). Recent studies of professional preparation have indicated that accounting and business students often lack sufficient development in critical thinking, decision-making, judgment, and soft skills, as noted by employers (Ahmad & Michael, 2017; Jackling & De Lange, 2009). This case challenges students to identify an ethical dilemma in an international setting, apply ethical concepts such as the IESBA's International Code of Ethics for Professional Accountants to evaluate the possible courses of action for a mid-level manager, as a licensed Chartered Accountant (CA). This case can be adjusted to be utilized in undergraduate and graduate business courses and can be assigned via a discussion board or an in-class discussion.

This case aims to expose students to a particular parent – subsidiary intercompany conflict from a mid-level manager's perspective. Through class discussion, students will better understand a manager's experience in a large, public company, as their responsibility and reliability towards both subordinates and their superiors can cause internal conflict. Feedback from 41 students enrolled in undergraduate and graduate accounting courses in the southwestern region of United States provides evidence about the case effectiveness in identifying an internal company conflict and helps address various approaches to handling manager's dilemma.

LITERATURE REVIEW

Business schools have long been criticized for failing to integrate currently relevant or realistic scenarios into the classroom. Some even blame them for teaching theories already proven to be untrue and investigating scenarios too antiquated to have relevance for a graduating student (Willmot, 2012) (Mingers, 2015). Even today, the AACSB (Association to Advance Collegiate Schools of Business) is criticizing the gap between business research and practice as a major issue for business education. An analysis of over 67 "A"-rated business journals conducted by the AACSB discovered that only 3 aimed to bridge theory and practice. (Akmal, Gauld, & Podgorodnichenko, 2022) In other words, business research and academia still lack a level of realism when teaching business. However, using case studies as a means to counter the lack of realism is already accepted and has proven to immerse students in a realistic and modern organizational life. (Garvin, 2015) Furthermore, case teaching generates more effective learning outcomes than conventional lecture teaching (Böcker, 1987).

Business cases often create a scenario in which decisions are to be made with incomplete, conflicting, or even confusing information to promote business leadership decision making. Contrary to cases used in medicine or law, a possible solution is not found by applying overall principles but by understanding the unique scenario and recommending a solution to a business problem (Lynn Jr, 1999). Consequently, the targeted students need to have a minimum knowledge and skillset available to understand the case and recommend a realistic and potentially feasible solution. The students need to be somewhat advanced in their studies, allowed to study the case in preparation for a classroom discussion, and have a teacher who can provide additional knowledge surrounding the case. Only if all three conditions are met can the case method be used successfully (Donham, 1922). The case targets advanced undergraduate and graduate business students. Since this case introduces students to a particular parent – subsidiary intercompany conflict, students need to grasp a basic understanding of how enterprises of this size and relationship work. This case adds to the literature by providing exposure to managerial dilemmas that can arise in subsidiaries. Also, it integrates the IESBA Code of Ethics as a tool for decision making in the business environment. Specifically, this case would be appropriate for undergraduate and graduate business students in ethics or managerial accounting.

METHODOLOGY

The case was assigned as an in-class exercise to undergraduate and graduate students enrolled in accounting ethics, auditing, accounting systems, managerial accounting, and business communications at a university in the Southwest.

Case Material

Air Europa Cargo (AEC) is a subsidiary within Air Europa Group, the holding company. Air Europa Group currently consists of numerous subsidiaries operating all over the world. Despite being related parties due to having the common parent corporation of Air Europa Group, the subsidiaries operate independently. While some subsidiaries are passenger airlines, others are responsible for supplying specific services to the holding group and other players in the aviation industry like software solutions, technology, or catering services. Only a few strategically important mandates are directed from the holding headquarters to the otherwise independently operating subsidiaries.

AEC operates its own cargo fleet and purchases passenger aircraft belly capacity, otherwise known as storage capacity in passenger aircraft, within Air Europa Group's other subsidiaries to use the entire network. One of the holding company's subsidiaries requires AEC to follow a directive of utilizing internal support relating to belly renting. AEC often pays relatively high fees for internally renting aircraft belly capacities (as opposed to finding cheaper external space) to enable the passenger airline subsidiaries to reduce their passenger prices. This effective subsidy enables the passenger airline subsidiaries to be more competitive. The practice of strategically over/underpaying for services within the holding group is common within the aviation industry. The following graphs and statements are translated portions of the 2019 annual report from Air Europa Group (released March 2020) and specifically focus on the cargo segment:

FIGURE 1
2019 ANNUAL REPORT: KEY FIGURES LOGISTICS

1,648	0.665
\$bn Revenue	\$m Adjusted EBIT

Key Figures Logistics				
		2019	2018	Change in %
Revenue	\$m	1,648	1,728	-5%
of which traffic revenue	\$m	1,541	1,624	-5%
Adjusted EBITDA	\$m	107.065	237	-55%
Adjusted EBIT	\$m	0.665	171	-100%
EBIT	\$m	-21.945	168	
Adjusted EBIT margin	%	0.00%	9.88%	-9.88%
Adjusted ROCE	%	0.00%	14.59%	-14.59%
Segment capital expenditure	\$m	190.19	238	-20%
Employees as of 31 Dec	number	3,018	2,870	5%
Average number of employees	number	3,021	2,817	7%

ROCE = Return on Capital Employed

Turbulent Market Environment Challenges Business - In 2019, the airfreight market has remained as fluctuating and unpredictable as the previous years. Brexit, trade disputes and further uncertainties have taken its toll on most market players. Contrary to the previous year's belief, early crisis management measures in fleet reduction and cash pool increase were not enough to ease the impact of these developments.

Revenue and Earnings Development

Decrease In Revenue Compared To 2018 - Revenue at Air Europa Cargo decreased by 5% reaching \$ 1.648m (\$ 1.728m) in 2019 (in 2018). The reduction was primarily caused by the market fluctuations in the industry as described earlier and caused the decrease in yields.

Costs Continue To Increase - Increased compliance and changing legal requirements caused a rise in operating costs by 4%. Materials costs increased by 1.5% while fuel costs were reduced by 6% due to market prices and fleet modernization. Belly capacity (freight) prices were increased partially to ease financial pressure on Air Europa Airlines pricing to remain competitive.

The Situation

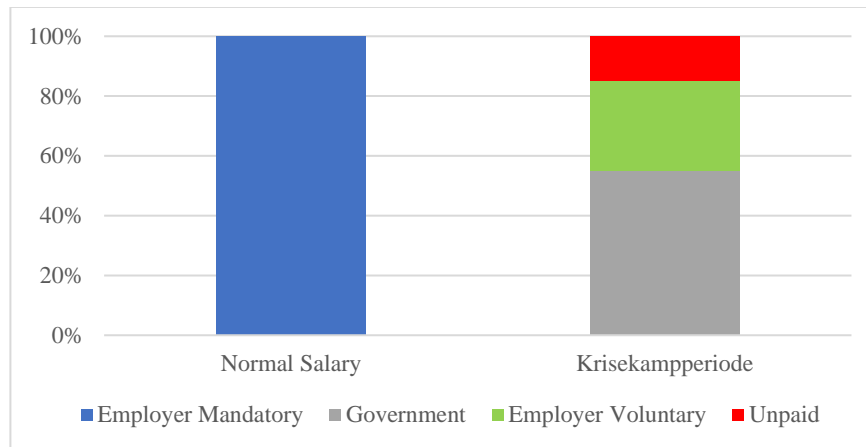
It was a mild March morning when Mario woke up for work. He slept one hour later than usual since, as of today, working remotely was mandated for the entire company. It still felt a little unreal. On Friday, shortly before the workday ended, a message from headquarters announced mandatory home office hours for all employees. Only crucial personnel were exempt. This morning, the federal government announced a shutdown of the entire country. Borders, shops, schools, and public places ... everything was closed. Not only his country but the entire world stopped due to COVID-19.

Mario Svensson, a Chartered Accountant (CA), was the leader of the International Sales Coordinators department of Air Europa Cargo (AEC) and had a team of 15 employees working for him. Each employee oversaw a specific customer industry or product of AEC, which required coordinating all sales personnel in each branch worldwide. Practically his team coordinated the entire operational sales force of AEC, and he was only two levels under the board of directors. Nevertheless, this morning, he was as clueless as everybody else on how Air Europa Group would maneuver through the upcoming weeks.

At 10 a.m., Nayeli La Fleur, CEO of Air Europa Group, scheduled a companywide broadcast to brief the staff about the current situation of the Group and, contrary to usual protocol, even allowed live questions by employees. The depth of the crisis was apparent. In previous weeks, more and more countries had closed their borders for all travel and cargo flights. Since his team was organizing the sales, Mario's team knew what was coming. Nevertheless, hearing that Air Europa Group, one of the most successful aviation companies in the world, with almost 100,000 employees and numerous subsidiaries worldwide, was losing 36 million euros per day shocked everybody.

La Fleur (during the company broadcast): "When we first heard about the virus in China, we started to strengthen our financial reserves, since we remembered previous crises like 9/11. However, what we are experiencing now is unprecedented. Compared to other airlines, we are in a better position to survive the economic downturn since we own our planes instead of leasing them. We have postponed the delivery of new aircrafts, and we are saving money where we can. However, if the situation remains unchanged, we will run out of money by June. As of now, I want everybody to understand that we are in crisis mode! For all domestic employees, the system of "Krisekamperperiode¹" has been declared. However, as long as we can afford it, we will raise the salaries to 85% of the original level."

FIGURE 2
SALARY COMPOSITION AT AIR EUROPA GROUP REGULAR AND
DURING KRISEKAMPPERIODE



To Mario, this news was expected. However, he was unsure how his team would manage the workload since, according to “Krisekampperiode” standards, their work hours would have to be reduced to 55%. Sure, business was down, but just because the planes weren’t flying did not mean transport cargo was eliminated. Nevertheless, the team reduced their work hours by the necessary degree as headquarters pressured every subsidiary to meet the criteria. Of the 100,000 employees, 43% were domestically located; meaning the amount of governmental support received was significantly higher than anything one could generate through sales alone during this time. Receiving government support was the only option for AEC to survive the crisis.

Cargo-Jam In The Harbors:

As life was shutting down globally, so did work in the harbors. Cargo ships could not dock, containers remained unloaded, and manufacturing lines stood still. The only thing keeping the global machinery alive was airfreight.

After the first international shock, businesses worldwide tried to find ways to get back on track. Since the harbors were overwhelmed by the cargo-jam with numerous ships waiting to be unloaded, sea-freight, which usually takes a month to transport cargo between the continents, was not an option for most businesses. Consequently, all eyes turned on airfreight, where the transmission of the disease was highly unlikely.

Within days, the sales of AEC skyrocketed, and increased workload followed. After only two weeks into the reduced “Krisekampperiode” hours, Mario had to ask for exemptions from the reduced worktime². Backed by the number of sales and his high position within the company, the acceptance came immediately. After January and February being “normal” months with limited business interruptions and March being the month of international shock, the second quarter was one of the most successful quarters in corporate history with an EBIT of \$217 million. Nonetheless, with a \$36 million per day loss for the holding company, the extraordinary profits were barely enough to keep the Group alive for 6 days. Still, Air Europa Group was paying salaries at 30%, raising the governmental wage by 55% to 85%.

When walking through the almost empty corridors within the extremely quiet airport, Mario could not help but overhear a conversation between two colleagues. “If they reduce the wage to 55%, I am so out of here!” one said.

“Yes, you are right! I am not working for 55% of my salary, either. Who do they think we are?” the other said.

Mario turned his head away, realizing that it was not one of his immediate subordinates. Rolling his eyes in anger, he ignored the conversation and kept walking.

He understood the frustration, though. During one of his team meetings, he noticed his team was suffering from the same issues. As sales coordinators, they had access to the sales volume and were aware of the success of AEC. Most of them were torn between understanding the financial situation of the group and their personal situations. Many had families, some had mortgages, and all were drowning in work while receiving only 85% of their original salary. He himself had it even worse than his subordinates. Since he was at a relatively high level within the company, he was expected to waive the entire 45% and only take the 55% governmental salary. Although his base salary was higher than that of his subordinates, technically he was working the same amount for less compensation than the others.

On top of that, he attended all the crisis meetings of AEC and had to make sure his team was always informed. Normally he would need overtime hours to get everything done right now. Frustration once more clouded his thoughts...they all were employees of AEC and their contracts were not with Air Europa Group but with the subsidiary. The sales and additional workload were overwhelming and there was seemingly no reason for a salary reduction since the financial success was at an all-time high.

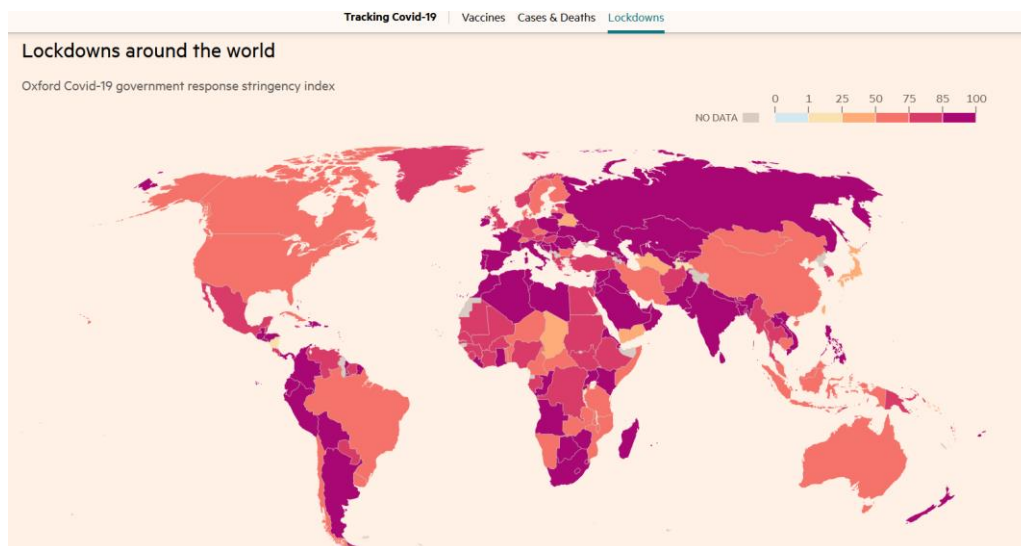
Only one thing cleared his mind...a very crucial statement of Nayeli La Fleur when asked about the profits of AEC.

La Fleur (during the company broadcast after being asked by an anonymous employee): “I am proud of the successful work of the AEC and it pains me to not be able to reward the obvious hard work. But on the other hand, we are a group and support each other AEC is but a position on the balance sheet within Air Europa Group and all funds end up on the same bank account. Once that bank account is empty, it is empty for all of us.”

A Peak Into The Future

As the pandemic unfolded throughout the world, the financial figures of Air Europa Group took a heavy blow while the cargo segment grew significantly. Located in the appendix, table 3 shows the changing financial figures in 2020 and 2021 while table 4 and 5 take a more detailed view on the quarterly developments in Q1 and Q2 2021 of Air Europa Group, with comparison of the logistics segment in contrast to the entire group. The logistics segment covers AEC as well as three other subsidiaries, which are operating within the cargo segment. By analyzing the first quarter's data, one can see that the first months were quite terrible for the entire group. While the cargo segment suffered regular market volatility in the first two months, the global shutdown wreaked havoc on the entire airline industry in March. By the middle of April, almost every country in the world had closed its borders (Financial Times, 2021).

**FIGURE 3
LOCKDOWNS AROUND THE WORLD APRIL 2020**



Especially in the second quarter, airfreight became the lifeline of the global economy. While the entire group lost \$651 million in EBIT, the logistics segment experienced their most successful year in corporate history with an EBIT of \$217 million. The company and many other airlines even repurposed passenger aircraft into freight carriers to fulfill the endless demand. Emergency fees for immediate shipments, which were only purchased by clients under extreme urgency in normal times, suddenly became standard fees for every shipment. Nevertheless, Air Europa Group, including almost every European airline, was saved temporarily through the European bailout.

Requirements

Respond to the following case discussion questions to guide Mario in addressing this dilemma.

Case Discussion Questions

1. According to the utilitarian theories, one should always engage in activities which create the most beneficial outcome for everybody. How does the utilitarian approach justify the actions of the board of directors of Air Europa Group?
2. What are Mario's option(s) to handle his current situation? How does he respond as a leader?
3. Considering that AEG is a multinational enterprise from outside the US, what do you think about the conversation between the two unnamed employees? Should employees be willing to waive 45% of their salary in order to save their employer in a financial crisis? What impact might such a measure have on employee motivation? Does your answer change if you consider a much smaller, locally operating business or if AEG would be an US originating company?
4. The "Krisekamperperiode" measure was used by the majority of companies in the country during the peak of the COVID crisis regardless of the relative level of need. Some companies were blamed for abusing the system as the government was not strict on controlling the qualifying criteria in order to speed up the process. If the utilitarian theory forces an entity to engage into activities of highest benefit, shouldn't the usage of governmental crisis support be utilized even if it does not necessarily need it? Expand on other examples of government support of business entities. Abused? Taken advantage of?
5. As a Chartered Accountant (CA), Mario must abide by a code of ethics specific to professional accountants. The International Ethics Standards Board for Accountants (IESBA) sets international ethics standards for professional accountants around the globe. What are Mario's ethical responsibilities under the IESBA International Code of Ethics for Professional Accountants?
6. Based on the OECD guidelines for Multinational Enterprises for Employment and Industrial Relations, MNEs are guided by the principle of equality of opportunity and treatment in employment (OECD, 2011). However, national governmental protection measures aim to protect domestic employees only. Considering a global crisis scenario, what realistic options do MNEs have despite their multinational character to serve both their global workforce and individual national interests?
7. COVID-19 had varying impact on companies depending on their type of business and industry. Protective measures utilized by governments on the other hand were general and aimed to serve a majority of businesses at once. Furthermore, governments launched solely nationalistic bailout programs which aimed to protect domestic business although also being used by multinational enterprises. To your understanding, what impact did the pandemic have on the business of AE Group and its subsidiary in question?

CASE LEARNING OBJECTIVES AND IMPLEMENTATION GUIDANCE

Objectives

The case presents a conventional parent-subsidary intercompany business relationship within the aviation industry to introduce a realistic crisis management conflict in a relevant business world. While conventional cases usually have a clear pro- and antagonist, this case doesn't present a clear "villain" role,

forcing the students to evaluate each side based on their knowledge and understanding. Here, students are facing a real-life scenario in which a business decision has been made for the sake of the combined group but are experiencing the decision from the subsidiary's perspective. This case is a scenario with characteristics that future business graduates are likely to experience personally and will find themselves on one or the other side, making it the ideal training ground for a business career. The objectives of the case are as follows (Bloom, Engelhart, Furst, Hill, & Krathwohl, 1964):

Knowledge: Students will increase their understanding of both the impact of a global event on businesses and multinational enterprises and the relationship and dependencies between parent and subsidiary.

Comprehension: Students will experience the difficulties of decision making in a scenario without an obvious right and wrong and increase their understanding of business leadership in large enterprises.

Application: Students will apply theories and personal experiences onto a real-life business scenario, with most of them having experienced the global event in question firsthand.

Analysis and Evaluation: Students will analyze and evaluate the difficulties of managing a larger enterprise and evaluate means of crises management with their potential consequences.

Case Outcomes and Contributions

Beyond the learning objectives in this case, the ethical dilemma provides the following in a classroom setting (1) exposing students to the implications between a parent company and subsidiary, (2) creating an understanding of some of the conflicts that arise with international companies and national regulations, and (3) evaluating the IESBA International Code of Ethics for Professional Accountants as it relates to an ethical dilemma, this case can be discussed within one class period.

Implementation Guidance

Before discussing the case, the students must understand the relationship and dependency between a parent company and a subsidiary. Introductory classes into crises management can help the students understand the relevance of financial dependency and the means available to navigate a comparable scenario.

Case Value and Applicable Courses

This case is designed for use in graduate accounting, management, and ethics courses using the case study method to create discussion in the classroom. This case encourages students to evaluate potential responses (such as do nothing, investigate on their own, escalate, or leave the organization) to an ethical dilemma while considering the *IESBA International Code of Ethics*. The value of this case is enhanced when students review each of the possible consequences of their responses to this ethical dilemma.

Implementation Suggestions

Modality. This case can be used in either a face-to-face or online course (synchronous or asynchronous) setting.

Distributing the assignment and case questions. This case is designed to be presented and discussed in one face-to-face or in a synchronous online class session. If the course is asynchronous online, it is best utilized through a Discussion Board, referenced in Appendix A.

Before distributing the case in class, instructors should discuss the implications of the relationship between parent and subsidiary and require students to familiarize themselves with the key elements of the IESBA International Code of Ethics to increase the depth of discussion in the classroom. Before class discussions, instructors should ensure students have read the case and reviewed every question independently.

Face-to-Face or Synchronous Online Classroom discussion. Presented next are three options to implement the case in the classroom. Options 1 and 2 apply to face-to-face or online classroom discussion. Option 3 is best utilized for asynchronous online discussion.

Option 1: The instructor should have students read over the case before class and have them answer all questions (either formally or informally). During class, the instructor should divide students into small groups to discuss the case and their individual responses to the best alternative question. Groups need time to build their arguments for their responses. For some classes that have a difficult time initiating discussions in the class, instructors should have each group designate a spokesperson to present the arguments and a secretary to record the arguments during their discussion time. Case discussion in small groups helps improve the dialogue with the whole class, allowing students to feel more comfortable expressing their opinions. Once the groups have organized their analysis of the case, the instructor initiates a dialogue about varying alternatives. This option encourages students to hear other perspectives and to develop their analytical skills based on the dilemma and varying alternatives.

Option 2: The instructor can utilize a role-playing activity by dividing the class into groups. Role-playing allows students to engage in real-world experiences and gives them confidence to argue for their side or role, even though that may not have been the role or decision they would have chosen. Allowing students to argue for a perspective besides their own enables students to see perspectives from a different lens other than their own and increases student engagement in the classroom. For the role-playing activity, the instructor could assign different groups to represent the profitable subsidiary, the struggling parent, and regulators. Each group should analyze and then debate their concerns and how their perception of fairness fits with the situation. If groups need help getting started, the following questions should be considered to initiate group conversation: What issues should management address? What are the unintended consequences of the regulation as it's applied to this case? What would you do differently in your role? What would you like to see done differently by another group? Each group should also consider the interaction of Mario's subsidiary and the parent organization. What could make their relationship fairer? What are the limitations of each group? At the end of class, the instructor debriefs the class about the case and has the groups reflect on the best response and why.

Option 3: This option utilizes the Discussion Board feature on a Learning Management System, which is best suited for online courses. Including a discussion board increases student engagement and helps students feel connected with others within online classes. To implement this option, students are given the case to read and prepare a case analysis while including scholarly research and reputable resources in their discussion board post. Students can utilize the case questions to start their discussion of the case, or instructors pose a question, such as "which is the best alternative and why?". Points should only be awarded to students that further class learning and add value to the discussion. At a minimum, students must post their overall case analysis in their original post. Suggesting a minimum word count is recommended, such as minimum of 300 words.

Additionally, the student should be encouraged to offer at least one question they have for the class about the case. To increase dialogue, each student must answer or respond to at least two classmates' original post or question. For grading, a discussion board rubric is included in Appendix A.

CLASSROOM TESTING

The summary of Table 1 shows a mean and a median for all the accounting courses supporting the case effectiveness of the case's learning objectives and students' perspectives of the case. While the sample size was small (41 students), the surveys represented a cross section of undergraduate and graduate students studying multiple business disciplines. Most of the scores suggest that the case was an effective teaching tool, and most students would recommend using this case again the classroom.

TABLE 1
CASE EFFICACY EVIDENCE BY LEARNING OBJECTIVE

	<i>N</i> = 41
<u>Learning Objective / Question</u>	<u>Mean</u>
LO #1: Knowledge	
The case enhanced my knowledge on how to evaluate an ethical dilemma that I had previously not considered.	3.78
The case made me aware of the provisions of the <i>IESBA International Code of Ethics</i> as a guide to determine the potential courses of action given an ethical dilemma.	4.06
The case challenged my thought process and perspective on how to approach an ethical dilemma.	4.14
LO #2: Understanding	
The case helped me understand the importance of evaluating the situation when confronted with an ethical dilemma.	4.11
The case helped me understand how personal relationships impact, inform, and influence personal ethics.	3.86
I have a heightened understanding of the challenges of evaluating an ethical dilemma and the implications of possible responses.	3.91
The case furthered my understanding of some of the issues multinational enterprises experienced during COVID and how it played a role in the business environment.	4.17
The case furthered my understanding of some of the issues multinational enterprises experience and how conflicting priorities between global and national requirements play a role in the business environment.	4.11
LO #3: Application	
The case gave me an opportunity to practice and apply my personal ethics taking into account the <i>IESBA International Code of Ethics</i> .	4.03
I feel more capable to apply my ethics knowledge and the <i>IESBA International Code of Ethics</i> than before I completed the case.	4.03
LO #4: Analysis and Evaluation	
The case informed me on how to analyze and interpret comments from parties to an ethical dilemma.	3.89
The case challenged me about making a recommendation when faced with an ethical dilemma.	4.06
The case increased my ethical awareness and provided me insight into making judgements when confronted with an ethical dilemma.	3.97
Overall Case Effectiveness	
The case seemed realistic.	4.34
The case was interesting to read.	4.06
The case was a useful learning exercise.	4.17
I would recommend my professor use this case again in future classes.	4.26

CONCLUSION

To help accounting students prepare for ethical challenges, they may face in their careers, it is essential to provide practical experience in identifying and responding to ethical dilemmas. Case teaching helps students to engage with such ethical decision-making processes and reinforces theoretical concepts through application to realistic scenarios. This case study presents a “quasi” real-world ethical dilemma tailored to situations that accounting professionals may encounter, requiring students to navigate complex choices and evaluate competing values.

Throughout the exercise, students are encouraged to reflect on their responses and critically evaluate their decision-making strategies, fostering a greater understanding of the potential ethical issues they might encounter in the future. The case is designed to test students' knowledge of ethical principles and build confidence in addressing similar challenges in professional contexts, particularly when "right" and "wrong" are not immediately at hand.

The case's effectiveness was assessed via surveys and analysis of anonymous student feedback. Survey responses to validation questions and unedited comments suggest that the case effectively met its intended learning objectives. Students reported enhanced awareness of ethical issues, an improved ability to apply ethical frameworks, and a greater readiness to face ethical dilemmas in their future careers. This structured exposure to ethical decision-making provides a foundation for students to become ethically responsible professionals.

ENDNOTES

1. Krisekampperiode: Krisekampperiode is a system of governmental support which aims to prevent firing of employees and enables companies to overcome times of business crisis. Originally available for a maximum duration of 6 months, the government would pay 55% of the wages of every employee in a company, relieving the company of any wage payments. Furthermore, the employees also have to work only 55% of their usual time. However, the applying companies had to fulfill certain criteria:
 - a. minimum of 15% of all employees had to have a loss of payable salary of at least 15%
 - b. all accounts of overtime had to be used and vacation days had to be taken before applying
 - c. no new overtime can be registered
 - d. the business crisis cannot have its origin in seasonal, other business typical troubles or major management failure
 - e. only employees located domestically are eligible for Krisekampperiode
 - f. no management or stockholders' dividend can be paid during KrisekampperiodeIf the criteria are met, the government assumes the responsibility of paying the employee wages and social payments of the employer for a duration of 6 months. The remaining 45% can be paid by the employer voluntarily or not paid at all. If fraud is involved during this time, the company could lose all financial support by the government and would have to pay back all received support funds.
2. As long as the average of the company remains within the Krisekampperiode criteria, individual employees can work up to 100%, nevertheless, the governmental support payment remains the same.

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APPENDIX 1: TEACHING NOTES

Teaching Notes

Question 1

According to the utilitarian theories, one should always engage in activities which create the most beneficial outcome for everybody. How does the utilitarian approach justify the actions of the board of directors of Air Europa Group?

Utilitarianism is an ethical theory that determines right from wrong by focusing on outcomes. It states that the most ethical choice is the one which produces the greatest good for the greatest number of individuals. Utilitarianism entails making choices that expand happiness to the society as a whole (Tweedie, Dyball, Hazelton, & Wright, 2012). Based on the case, one could argue that the announcement of the crises management policy, “Krisekamperperiode”, and the recent move towards strict cost savings within Air Europa Group, including subsidiaries, demonstrates the utilitarian theory. Due to the financial crisis of the COVID pandemic, the board of directors elected that the company as a whole needs to be the focus, regardless of whether individual subsidiaries are thriving or faltering. For the employees of faltering subsidiaries, this direction means that the reduced salaries due to the current financial losses are a much better outcome than being laid off from work. Despite the understandable dissatisfaction of the AEC employees, the cost savings serve not only to save the company but also employee jobs until the group is finally saved by the corporate bail out from the government. Saving the company and its employees is

therefore the correct path based on a utilitarian approach since it creates more “good” for a majority over the minority within AEC.

Teaching points: Simply teaching ethical theories in accounting courses is not sufficient, as educators must develop an individual’s character and moral reasoning by incorporating real-world examples into the classroom (Melé, 2005). Therefore, this case utilizes a realistic example of the financial struggles during the COVID pandemic and encourages students to apply theory-based decisions to the business environment.

Question 2

What are Mario’s option(s) to handle his current situation? How does he respond as a leader?

Due to Mario’s position, he is somewhat in the middle between the corporate crisis management team and his own staff. He has no direct influence on the crisis management measures enforced by Air Europa Group; however, Mario must execute and communicate those measure within his team. In other words, his range of means to respond are limited.

As the immediate leader of the global sales team, his subordinates are not only frustrated, but also very informed about the company’s current situation. As the conflict between management and staff seems evident, one might consider mediation to be beneficial for Mario in this case (Bagshaw, 1998). Mediation describes the process of conflict management through a third person/party, mediator, who mediates two parties through a conflict in order to solve it. (Boulle & Rycrof, 1998) Hereby, the mediator has been agreed upon through the conflicting parties and is in charge of the pace and direction of the discussion. However, as neither Mario nor his staff can change the financial situation of Air Europa Group or significantly influence corporate decision-making, the most crucial responses available to Mario relate to three areas of crisis management, which are decision-making under threat, effective communication and leading with integrity. These responses take action in the phases 3 (Damage Control) and 4 (Business Recovery) of the 5 phases of crisis management model by Wooten and James. (Wooten & James, 2008)

Decision Making Under Threat - The ability to make decisions under threat relates to the ability to see opportunity in disaster. While the cost saving measures surely limit Mario’s ability to invest corporate resources into possible opportunities, the company is still operating. Refocusing still available resources and particularly free staff due to the closed airports could enable work on other projects which currently do not require monetary investment but had no priority under regular business. While such opportunities are usually not abundant for middle management, they do exist.

Effective Communication - In the case, CEO La Fleur is directly addressing the employees of AEC and the record profits while under cost saving restrictions. As middle management, Mario has no influence on the decisions made by La Fleur and her crisis management team, but he can utilize the information underpinning those decisions to communicate with his team. Focusing on the awareness of executive management about the unique situation of the subsidiary enables Mario to communicate crisis management measures more effectively to his team. In a scenario like this, frequent and open communication is the key to raise the degree of acceptance within staff and to mitigate any potential false interpretations or rumors through individuals early on. Mario needs to increase the frequency of team meetings, deliver information released by the executive crisis management team immediately, and listen to the concerns of his employees. If possible, deliver these concerns up to the crisis management team to be addressed there and possibly solved.

Acting with Integrity - As the situation between employees and corporate is already tense, the worst thing Mario can do is risk his integrity. Therefore, it is crucial to communicate not only effectively, but also holistically about every information released by the crisis management team. Personal integrity is the foundation of his employee’s trust. Once lost, the employees will likely engage in self-serving activities to save themselves from the threatening bankruptcy. Here, acting with integrity accounts for all activities that Mario undertakes during this period of crisis. Examples are but not limited to: acting dependably, communicating open and honestly, practice accountability, follow and enforce company policies, exercise patience and emotional control (Koehn, 2005).

Teaching points: Ethical dilemmas do not have only one correct answer and instructors should discuss the need to hear all options from students. Instructors should also indicate for students to choose their best course of action, not the expected course of action based on their instructor's opinion.

Companies are subject to the laws of the countries in which they are operating. Particularly for multinational enterprises, which have branches in more than one country, this dependency can sometimes require conflicting behaviors, as the legal framework in one country might be significantly different to another.

Question 3

Considering that AEG is a multinational enterprise from outside the US, what do you think about the conversation between the two unnamed employees? Should employees be willing to waive 45% of their salary in order to save their employer in a financial crisis? What impact might such a measure have on employee motivation? Does your answer change if you consider a much smaller, locally operating business or if AEG would be an US originating company?

Whether employees can be forced to waive certain parts of their contracted salaries is entirely dependent on the legal environment the company is situated in. While some countries have strong employee protective legislation, others support the employer side. Nevertheless, even if the legal environment allows such measures, the impact on employee motivation will be significant. A willingness to waive a portion of salary is likely linked to the level of organizational commitment within the company and will be lower with a lesser degree of commitment. While an employee with strong organizational commitment traits will likely accept a reduction in salary, employees without any feeling of commitment towards their employer will not accept it at all.

To increase the likelihood of acceptance within the workforce, management needs to ensure that the measures are not perceived to be only impacting a certain group of employees. A good measure to ensure equal impact is to involve employee representation into the process, like unions which usually enjoy trust and support within the workforce. Furthermore, clear and transparent communication can clarify the reasoning behind such measures. Finally, financial compensation other than salaries must not be granted to selected individuals, especially not upper management, while the salary reduction is in place in order to avoid the perception of unfairness or even opportunism.

Organization Size - Research has concluded no immediate relation between organizational commitment and organizational size (Morris & Steers, 1980). However, many aspects that do correlate with organizational commitment heavily depend on the size and structure of the organization. They are in consequence highly relevant for the analysis in this case (Morris & Steers, 1980) as a high degree of organizational commitment will increase the likelihood of employees to accept individual sacrifice for the wellbeing of the company as a whole.

One of the criteria which enhances organizational commitment is employee involvement in decision making. Logically, the distance between a "common" employee and the decision-making position in a small company is shorter than in a large corporation. This could make the employee in a small company more willing to sacrifice to save the company. This difference is even increased if one considers the difference between a public company and a private business, as in a large public company the highest authority, the board of directors, is filled with "outsiders".

In general, research suggests that with an increase in workgroup size, span of control and subordination, the degree of organizational commitment decreases. These factors are not always but more often found in large organizations than in smaller ones. With a decreasing degree of organizational commitment within the staff, employee sacrifice for the benefit of the company is less likely to occur voluntarily or accepted (Salleh, Zahari, Said, & Ali, 2016)

Cultural Aspect - The likelihood of an individual to generally accept or even engage in activities that are serving the society over itself strongly depends on both individual mindset and degree of collectivism within the society. Based on Hofstede's cultural dimensions, societies that are more collectivistic are putting the 'we' before the 'I' and are therefore more likely to waive salaries or accept unfavorable situations for the sake of the society (The Culture Factor Group, 2024). For example, Japan is a culture that exhibits high

collectivism. After the 2011 devastating tsunami, Japan delayed the planned corporate tax rate cut due to the need for funds to re-build the country. This delay was widely supported by the government and business leaders. This willingness to sacrifice for the good of the whole (whole company or whole country) is a defining characteristic of a collectivist society.

Another dimension which comes into play is the short- or long-term orientation within the society. Short-term oriented individuals focus on immediately experienced gains over long-term benefits. Waiving salaries or accepting temporary unfavorable situations is contrary to their natural mindset while a long-term oriented individual would accept such circumstances as long as he or she expects an eventual beneficial outcome (The Culture Factor Group, 2024). The survival of the employer and therefore one's employment would be a long-term argument to support salary waiver and other cuts.

Question 4

The “Krisekamperperiode” measure was used by the majority of companies in the country during the peak of the COVID crisis regardless of the relative level of need. Some companies were blamed for abusing the system as the government was not strict on controlling the qualifying criteria in order to speed up the process. If the utilitarian theory forces an entity to engage into activities of highest benefit, shouldn't the usage of governmental crisis support be utilized even if it does not necessarily need it? Expand on other examples of government support of business entities. Abused? Taken advantage of?

The utilitarian theory implies that for something to be ethically desirable, one has to do the most good to the greatest number of people. In a society in which the government is installing a system to rescue companies which have been falling into financial trouble due to an outside event such as the covid pandemic, this system is aiming to serve the society in total. A company using the rescue system is theoretically only using something the society has deemed beneficial for companies in need. However, if the company is using it, without actually needing the support, it takes away funding from other more needy companies or initiatives and is therefore exploiting the society it is operating in. Comparative speaking, a small group of individuals, namely everybody who is employed in that particular company, is gaining an advantage over the majority of the society. Therefore, according to the utilitarian theories, such a company is not acting towards the benefit of the greater mass. If the support would be available indefinitely and without consequence to the majority of the society, it would be different. Whether needed or not, the company would use the government support to increase production and shareholder value which would return the value to society. In this case, the utilitarian approach would not be violated as the total overall value of the society would remain the same.

Question 5

As a Chartered Accountant (CA), Mario must abide by a code of ethics specific to professional accountants. The International Ethics Standards Board for Accountants (IESBA) sets international ethics standards for professional accountants around the globe. What are Mario's ethical responsibilities under the IESBA International Code of Ethics for Professional Accountants?

The five fundamental principles established by the IESBA Code (2019) are listed below followed by a discussion of Mario's ethical responsibilities regarding each standard.

Integrity (Part 1, Code 111)

- a. To be straightforward and honest in all professional and business relationships

While Mario is frustrated with the current COVID financial difficulties of the parent company and his reduced salary for the same workload, he must uphold his integrity above all else. So far, Mario has maintained his integrity. However, being honest with his supervisor is necessary and could determine the trajectory of his career at AEC. Further, Mario could experience burn-out if he continues to go along with his current status. Using Giving Voice to Values (GVV), Mario needs to ensure that he is being honest

about his frustrations and utilize the multiple ways an individual can voice their values in the workplace. As a leader for his team, his actions and attitude will determine the rest of his subordinates' actions.

Objectivity (Part 1, Code 112)

- a. Not to compromise professional or business judgment because of bias, conflict of interest or undue influence of others.

One of Mario's main priorities is his responsibility to the accounting profession. Mario must maintain his objectivity throughout his career and not be overly influenced by others. From Mario's perspective, the reduction in salary is frustrating; however, his responsibility is to see the whole picture as a professional. Based on the pandemic and worldwide financial issues, the reduction in salary makes sense, especially considering this is a short-term solution in crisis mode.

Professional Competence and Due Care (Part 1, Code 113)

- a. Attain and maintain professional knowledge and skill at the level required to ensure that a client receives competent professional service
- b. Act diligently and in accordance with applicable technical standards

When Mario passed the ACA exam, he demonstrated the competence needed to be an ACA in accordance with all relevant laws and regulations, which his designation requires him to follow the ethical guidance detailed in the IESBA Code. He is also required to his company code of ethics as a guiding path for his dilemma.

Confidentiality (Part 1, Code 114)

- a. To respect the confidentiality of information acquired as a result of professional and business relationships.

Maintaining confidentiality regarding the financial issues and overheard conversation does not relate to this principle, as the company wide broadcast communicated the financial dilemma of the company. However, Mario must decide whether the conversation he overheard is most likely what his subordinates are also thinking. As a leader, he needs to consider the employee morale and effectively communicate with his subordinates about the current situation. During financial instability of a company, being honest and open with employees may be more effective than remain quiet about the issues.

Professional Behavior (Part 1, Code 115)

- a. To comply with relevant laws and regulations and avoid any conduct that the professional accountant knows or should know might discredit the profession.

Mario is in a trying situation, a true ethical dilemma, as he tries to navigate the financial turmoil of the company, financial success of the subsidiary and most importantly the employee morale, which he has the most control over.

Teaching points: The "give voice to their values" (GVV) framework helps individuals voice their personal values in their professional life (Gentile, 2010). GVV consists of seven elements, Values, Choice, Normalization, Purpose, Self-Knowledge & Alignment, Voice, and Reasons & Rationalizations. Introducing GVV in the classroom helps initiate discussion of ethics in the classroom, as research has determined that voicing our values when they conflict with one's professional life is crucial.

Question 6

Based on the OECD guidelines for Multinational Enterprises for Employment and Industrial Relations, MNEs are guided by the principle of equality of opportunity and treatment in employment (OECD, 2011). However, national governmental protection measures aim to protect domestic employees only. Considering a global crisis scenario, what realistic options do MNEs have despite their multinational character to serve both their global workforce and individual national interests?

MNEs are generally subject to the national laws of their host countries, although the national laws of any one country cannot control an MNE in its entirety due to their international nature. In other words, MNEs often find themselves torn between their multinational character and national laws pursuing national interests.

However, this balancing act also opens up opportunities for moving resources to critical corporate infrastructure. In the case scenario, the governmental program relieves AEC of 55% of its personnel costs of all domestic employees. While the funds cannot be used to finance other activities, the released liquidity of the MNE is available to sustain other critical areas. As long as the purpose of the support granted by the cost country is fulfilled, MNEs do not violate the objectives of the national law when they utilize resources released in consequence of the support.

The concept of considering national legal frameworks and mitigating risks or utilizing opportunities originating of them is part of the risk management practice. The activities cover a range of means like alertness, portraying good behavior, navigating through uncertainty as well as states of comfort and active mediation (Dang, Jasovska, & Rammal, 2020).

In practice, different options are possible depending on the state of involvement of the MNE in a host country and the state of the crisis in question.

Before establishing facilities and employments in a host country, management needs to evaluate the degree of influence and the impact of submission to national law into their risk allocations.

Once established, management has to frequently monitor uncertainty of crises to hold the necessary amount of liquidity to mitigate the risk in question.

When a crisis has occurred and national labor laws enforce certain measures on to the MNE, the multinational character of the corporation must be utilized to move resources as necessary to comply with the host countries regulations while maintaining the global operation.

Question 7

COVID-19 had varying impact on companies depending on their type of business and industry. Protective measures utilized by governments on the other hand were general and aimed to serve a majority of businesses at once. Furthermore, governments launched solely nationalistic bailout programs which aimed to protect domestic business although also being used by multinational enterprises. To your understanding, what impact did the pandemic have on the business of AE Group and its subsidiary in question?

While the overall group faced serious losses in business, the subsidiary, which focused solely on logistics services experienced a significant growth in revenues and profits. If the companies would be separated and evaluated individually, the subsidiary would have earned significant profits through the pandemic and wouldn't need any form of governmental protection.

The parent company as well as the rest of the group on the other hand lost their foundation for business and experienced significant losses. Only due to the dependency between subsidiary and parent, the subsidiary couldn't utilize the profit gains but had to finance the parent company.

The subsidiary achieved an EBIT of 476.8 million USD in 2021 while the group concluded a negative EBIT of 4,889.7 million USD.

Question 8

What is your opinion on the nationalistic focus of countries during the Covid pandemic? Should governments focus on protecting employments of their own citizens over foreign employments despite

being in the same protected company as presented in the case? Does your opinion change if you consider the resources are limited and not everyone can be helped?

The focus of a government resources on its own citizens is natural and originates from the fundamental roles of government within its society. As individual as legislation may be between the numerous countries in the world, the fundamentals are based on three core responsibilities and are aiming to serve the population in question: protect, provide and invest (World Economic Forum, 2017).

While their constitutional responsibilities are towards their own citizens alone, researchers argue that during Covid, a cross national approach in crisis management policy making would have been more beneficial for the governments in combating the impact of the pandemic. Particularly in a globalized economy, strong multilateral collaboration appears to be significantly more effective in preventing harm to the individual citizen, than a nationalistic approach. Though challenging to coordinate and imperfect due to the rapid development of the covid pandemic, the EU managed to coordinate its efforts in governmental countermeasures to a certain degree accelerating vaccine development and distribution. (Jit, et al., 2021). It is yet to be determined, whether this collaborative approach has significantly more improved economic recovery compared to areas with solely national approaches.

APPENDIX 2: CASE ANALYSIS RUBRIC FOR DISCUSSION BOARDS

The following may be useful for instructors to reference when grading discussion board posts.

TABLE 2
20 POINTS POSSIBLE FOR EACH DISCUSSION BOARD

Knowledge/Communication – 2.5 pts	Knowledge of the case is accurate and clearly explained
Thinking – 2.5 pts	Critical thinking and analysis in responses and insight into the case
Scholarly Research/Resources – 2.5 pts	Maintained further student learning with use of scholarly resources
Application – 2.5 pts	Made critical conclusions and connections to the case via personal experiences or real-world examples
Responses – 5 pts/response (10 pts total)	Thoroughly discussed and responded to at least two other classmate’s posts

****Your initial post must include these areas to receive full points for your discussion boards.

APPENDIX 3: RESOURCES

The following may be useful for instructors and students as sources of additional information.

The 6 dimensions model of national culture. <https://geerthofstede.com/culture-geert-hofstede-geert-jan-hofstede/6d-model-of-national-culture/> Geert Hofstede pioneered work in the area of categorizing countries by cultural dimension. The homepage has graphics about the measures of dimensions of culture including individualism, power distance, long-term orientation, etc. Additional links, descriptions, and explanations can also be found on this website.

Paycheck Protection Program (PPP). Paycheck Protection Program | U.S. Department of the Treasury
This US Department of Treasury website is a comprehensive source for information regarding the Paycheck

Protection Program which was a COVID measure to provide financial support through loans intended for small businesses. It includes a general overview, information for borrowers and lenders, application forms, and reports. A page on the Small Business Administration website Paycheck Protection Program | U.S. Small Business Administration (sba.gov) is another good source and also has reporting for the program.

Mediation. <https://www.commerce.gov/cr/reports-and-resources/eo-mediation-guide/what-mediation#:~:text=Mediation%20involves%20the%20intervention%20of,explore%20a%20variety%20of%20solutions> is a Department of Commerce, Office of Civil Rights resource for the definition and purpose of mediation. Although this website is specific for labor disputes, the information is generalizable.

IESBA Code of Ethics. <https://www.ethicsboard.org/iesba-code> This organization is a global standard setting body focusing on ethics for accountants. There are a number of ethical frameworks for accountants which could be appropriate. The IESBA is a robust ethical framework appropriate for this case.

Giving Voice to Values (GVV) Framework. www.ethicsunwrapped.utexas.edu/video/introduction-to-givingvoice-to-values The GVV framework by Mary Gentile is utilized in business courses to teach students to voice and apply actions based on one's values. The University of Texas Ethics Unwrapped "Intro to GVV," video link helps explain this framework to students and can be used as a resource for students to watch before the case is introduced in the classroom.

OECD. <https://www.oecd.org/> The OECD is an international policy making group that also collects and shares significant amounts of country specific data. They have policy focused areas that apply to multinational enterprises. A search of the topic section of the OECD website gives insight into the depth and breadth of ones that affect multinational enterprises.

APPENDIX 4: FINANCIAL STATEMENTS

TABLE 3
2021 RESULTS OF AE GROUP WITH FOCUS ON LOGISTICS

Profit and Loss		LOGISTICS			AE Group		
		2021	2020	Change	2021	2020	Change
External Revenue		1817.4	1552.4	17%	9036.7	23202.1	-61.1%
	Traffic Revenue	1726.3	1476.6	17%	6036.9	17922.6	-66.3%
Internal Revenue		16.0	26.1	-39%	0.0	0.0	
Total Revenue		1833.4	1578.5	16%	9036.7	23202.1	-61.1%
Other Operating Income		45.9	65.6	-30%	1333.3	1602.1	-16.8%
	thereof reversal provisions	7.3	24.8	-71%	224.8	204.5	9.9%
Total Operating Income		1879.3	1644.1	14%	10370.0	24804.1	-58.2%
	thereof FX gains	11.5	18.8	-39%	432.2	490.2	-11.8%
Material Costs		-864.5	-1132.6	24%	-5621.2	-12629.8	55.5%
	Fuel	-115.7	-214.7	46%	-1246.9	-4277.5	70.9%
	Fees & Charges	-166.3	-189.2	12%	-1194.3	-2881.2	58.5%
	Operating Lease/ Charter	-439.0	-571.0	23%	-311.8	-518.6	39.9%
	Other Material Costs	-143.5	-157.8	9%	-2868.3	-4952.6	42.1%
Staff Costs		-250.7	-258.6	3%	-4259.3	-5803.7	26.6%
D&A		-118.4	-101.9	-16%	-1703.1	-1714.8	0.7%
Other Operating Expenses		-151.0	-176.4	14%	-2279.0	-3499.7	34.9%
	thereof FX losses	-26.0	-27.2	5%	-396.4	-412.6	3.9%
Operating Expenses		-1384.5	-1669.6	17%	-13862.6	-23648.0	41.4%
Result of equity investment		18.6	26.1	-29%	-132.3	134.4	
Adjusted EBIT		513.4	0.6	80493%	-3624.9	1290.6	
Impairment losses / gains		-36.9	-24.3		-1243.6	-88.5	-1304.8%
Effects from pension provisions		0.3	-0.3		-20.5	-6.6	-212.7%
Results of disposal of assets		0.0	3.0		-0.6	-12.6	11.9
Adjustments		-36.6	-21.7		-1264.8	-107.7	-1074.9%
EBIT		476.8	-21.0		-4889.7	1182.9	
Adjusted EBIT Margin		18.62%	0%	19	-0.3	0.0	-30
Result from Equity Investments					-183.5	56.1	
Result from Other Equity					8.0	51.0	-84.3%
Interest Income					55.2	50.3	9.7%
Interest Expenses					-277.3	-251.0	-10.5%
Other Financial Items					-627.8	202.6	
Financial Result					-1025.4	108.9	
EBT					-5739.6	1184.8	
Minorities					27.3	-20.4	
Taxes on Income					1240.2	-391.8	
Result from Discontinued Businesses					0.0	0.0	
Net Profit Group					-4472.1	772.7	
Number of Shares							
Earnings per Share					-8.3	1.6	

TABLE 4
Q1 2021 RESULTS OF AE GROUP WITH FOCUS ON LOGISTICS

Profit and Loss		LOGISTICS			AE Group		
		2021	2020	Change	2021	2020	Change
External Revenue		528.7	346.5	53%	2135.3	4102.9	-48.0%
	Traffic Revenue	508.7	328.7	55%	1393.2	2891.3	-51.8%
Internal Revenue		4.7	6.4	-27%	0.0	0.0	
Total Revenue		533.3	352.9	51%	1702.4	4102.9	-58.5%
						0.0	
Other Operating Income		11.3	9.6	18%	218.1	340.8	-36.0%
	thereof reversal provisions	1.3	0.6	109%	14.0	16.6	-15.7%
Total Operating Income		544.6	362.5	50%	1920.5	4443.7	-56.8%
	thereof FX gains	6.7	5.4	24%	72.4	135.1	-46.4%
Material Costs		-226.1	-251.0	10%	-939.0	-2575.4	63.5%
	Fuel	-33.3	-35.0	5%	-182.9	-781.6	76.6%
	Fees & Charges	-39.2	-42.0	7%	-189.5	-556.7	66.0%
	Operating Lease/ Charter	-120.4	-135.8	11%	-54.3	-113.0	52.0%
	Other Material Costs	-33.3	-38.1	13%	-512.3	-1124.0	54.4%
Staff Costs		-59.2	-61.2	3%	-924.4	-1365.1	32.3%
D&A		-23.3	-24.8	6%	-376.4	-433.2	13.1%
Other Operating Expenses		-29.9	-40.8	27%	-407.0	-825.6	50.7%
	thereof FX losses	-3.1	-8.2	63%	-76.6	-128.1	40.2%
Operating Expenses		-338.5	-377.7	10%	-2646.7	-5199.2	49.1%
Result of equity investment		2.7	1.3	109%	-33.9	-21.7	-56.6%
Adjusted EBIT		208.8	-14.0		-760.1	-777.1	2.2%
Impairment losses / gains		0.4	-12.4		-0.4	-249.4	99.8%
Effects from pension provisions		0.0	0.0		0.2	-2.9	
Results of disposal of assets		0.9	0.3	177%	5.5	-3.7	
Adjustments		1.3	-12.1		5.3	-256.1	
EBIT		210.1	-26.1		-754.8	-1033.2	26.9%
Adjusted EBIT Margin		26.07%	-3%	29	-0.3	-0.1	-18
Result from Equity Investments					-34.6	-22.3	-55.1%
Result from Other Equity					0.7	0.6	
Interest Income					-1.3	22.9	
Interest Expenses					-77.1	-58.6	-31.6%
Other Financial Items					-39.9	-635.7	93.7%
Financial Result					-152.3	-693.1	78.0%
EBT					-873.1	-1704.6	48.8%
Minorities					3.3	-0.6	622.0%
Taxes on Income					172.2	352.3	-51.1%
Result from Discontinued Businesses					0.0	0.0	
Net Profit Group					-697.6	-1353.0	48.4%
Number of Shares							
Earnings per Share					-1.2	-2.8	58.9%

TABLE 5
Q2 2021 RESULTS OF AE GROUP WITH FOCUS ON LOGISTICS

Profit and Loss		LOGISTICS			AE Group		
		2021	2020	Change	2021	2020	Change
External Revenue		573.9	484.8	18%	2135.3	1206.5	77.0%
	Traffic Revenue	552.0	447.8	23%	1393.2	702.0	98.5%
Internal Revenue		4.0	3.2	25%	0.0	0.0	
Total Revenue		577.9	487.9	18%	2135.3	1206.5	77.0%
						0.0	
Other Operating Income		10.0	10.2	-2%	239.4	265.6	-9.9%
	thereof reversal provisions	2.7	1.3	109%	19.3	75.8	-74.6%
Total Operating Income		587.9	498.1	18%	2374.7	1472.1	61.3%
	thereof FX gains	1.6	3.4	-53%	52.9	79.5	-33.4%
Material Costs		-262.0	-196.2	-34%	-1191.7	-690.5	-72.6%
	Fuel	-40.6	-20.4	-99%	-277.3	-59.9	-363.1%
	Fees & Charges	-41.9	-35.0	-20%	-268.7	-111.5	-141.0%
	Operating Lease/ Charter	-147.3	-107.4	-37%	-67.3	-81.3	17.3%
	Other Material Costs	-32.2	-33.4	3%	-578.5	-437.8	-32.1%
Staff Costs		-60.5	-58.6	-3%	-1010.8	-935.8	-8.0%
D&A		-23.3	-24.8	6%	-371.7	-408.3	9.0%
Other Operating Expenses		-29.3	-36.3	19%	-424.9	-454.2	6.4%
	thereof FX losses	-2.8	-8.0	66%	-55.8	-79.9	30.2%
Operating Expenses		-375.1	-316.0	-19%	-2999.2	-2488.8	-20.5%
Result of equity investment		4.0	8.3	-52%	-8.6	-52.9	83.6%
Adjusted EBIT		216.8	190.5	14%	-633.1	-1069.5	40.8%
Impairment losses / gains		-0.1	0.2		-4.0	-102.6	96.1%
Effects from pension provisions		0.0	0.0		2.0	-1.9	
Results of disposal of assets		0.7	0.0		-16.0	-1.9	-14.0
Adjustments		0.7	0.0		-18.0	-106.4	83.1%
EBIT		217.5	190.5		-651.0	-1175.9	44.6%
Adjusted EBIT Margin		24.94%	25%	0	-0.2	-0.6	37
Result from Equity Investments					-12.6	-94.9	86.7%
Result from Other Equity					4.0	1.9	108.8%
Interest Income					0.0	-1.9	100.0%
Interest Expenses					-63.2	-65.6	3.7%
Other Financial Items					101.7	133.1	-23.6%
Financial Result					29.9	-27.4	
EBT					-612.5	-1110.3	44.8%
Minorities					2.0	7.0	-71.5%
Taxes on Income					107.7	152.2	-29.2%
Result from Discontinued Businesses					0.0	0.0	
Net Profit Group					-502.7	-951.0	47.1%
Number of Shares							
Earnings per Share					-0.8	-2.0	57.8%