

Switching on to Business

EXTRA!

Chapter 13

PRODUCING GOODS & SERVICES HANDOUT 1

Quality control slips at AIB

AIB has confirmed it will repay **customers** accidentally **overcharged** during an eight-year period. The bank has been forced to set aside €35m euros to reimburse them, more than double the original estimate of €14 million.

AIB has been facing a number of problems since it emerged that due to poor **quality control** in its **management** of its banking services, it had levied a higher transaction fee than it was supposed to on foreign exchange transactions. AIB said it would ensure that similar mistakes did not happen in the future. An independent external adviser has been appointed to help the bank, which is one of Ireland's two biggest **companies** in terms of market value, to tighten its **operations management** and to put in place proper quality control procedures. Company chairman Dermot Gleeson said that the bank was sorry for the "regrettable lapses" and added that the lender was determined "to put things right between our customers and ourselves".

However, the company's problems extend further than its foreign exchange business. In its most recent admission in June, the lender said that ten former and current executives may have been guilty of tax irregularities. That comes after it also emerged that AIB had been deducting *unrequested* insurance cover from mortgage customers and that it also may have been overcharging trust fund beneficiaries due to an error dating way back to 1971. The most notable case, however, came to light in early 2011 when it emerged that a foreign exchange trader at AIB's US subsidiary, Allfirst Financial, had concealed losses from senior managers totalling nearly \$700m.

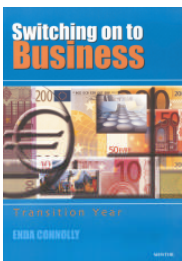
The Irish Financial Services Regulatory Authority, the state financial watchdog, said it would carry on investigating the blunders that led to AIB overcharging its customers and vowed to find out why they went unchecked for so long. "The way forward is to complete this investigation so that we can fully rebuild confidence in AIB and throughout the banking sector," said Liam O'Reilly, chief executive of the I.F.S.R.A.

1. What is operations management?
2. Describe how quality control can assist a business?
3. Identify the different quality control failures that were uncovered in AIB as a result of the investigation by the Irish Financial Services Regulatory Authority.



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May 6, 2004 – Editorial, New York Times

"Disney's Craven Behaviour"

"Give the Walt Disney Company a gold medal for cowardice for blocking its Miramax subsidiary from distributing a film that criticises President Bush and his family. A company that ought to be championing free expression has instead chosen to censor a documentary that clearly falls within the bounds of acceptable political commentary.

The documentary was prepared by Michael Moore, a controversial filmmaker who likes to skewer the rich and powerful. As described by Jim Rutenberg yesterday in The Times, the film, "Fahrenheit 9/11", links the Bush family with prominent Saudis, including the family of Osama bin Laden. It describes financial ties that go back three decades and explores the role of the government in evacuating relatives of Mr. bin Laden from the United States shortly after the September 11th terrorist attacks. The film was financed by Miramax and was expected to be released this summer.

Mr. Moore's agent said that Michael Eisner, Disney's chief executive, had expressed concern that the film might jeopardise tax breaks granted to Disney for its theme park, hotels and other ventures in Florida, where Jeb Bush, brother of President George W. Bush, is Governor. If that is the reason for Disney's move, it would underscore the dangers of allowing huge conglomerates to gobble up diverse media companies.

On the other hand, a senior Disney executive says the real reason is that Disney caters to families of all political stripes and that many of them might be alienated by the film. Those families, of course, would not have to watch the documentary. It is hard to say which rationale for blocking distribution is more depressing. But it is clear that Disney loves its bottom line more than the freedom of political discourse."



1. What effect do you think the above editorial in the New York Times would have on staff in Miramax who are involved in operations management?
2. Do you think that a film or any legal product should be censored or banned by a firm because a manager is afraid that politicians might be offended?
3. Do you think that a film or any legal product should be censored or banned by a firm because a manager is afraid that to sell or distribute the good might affect the overall profitability of the business?