

# Impacts of innovation in barclays and the importance of csr for bp plc



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## Task One

*Innovation and the Role of Technological Change in Economic Progress*

Technology is a leading factor in economic development. At the same time, the level of technological development is also determined by economic growth. Therefore, both technology and economic development are significantly related to each other. Increasing capital in an economy through spending on existing capital creates productivity in the long-run (Needle, 2010). For instance, firms could increase their stock and overall work output by buying machinery and educating their employees. Additionally, the increasing technological demand from consumers is putting pressures on businesses to meet the growing needs (Schumpeter, 2017). This means that firms that are technologically savvy attract more customers and gain a possible increase in their sales revenue. In the same regard, those that are not technologically savvy risk losing business or their position in the market. In turn, business growth is enhanced, and the economy grows as well (Schumpeter, 2017). Given the current dynamic nature of the business environment, investing in technological advancements enhances business growth by making work easier and improving work productivity. However, it is difficult to establish how much money should be saved and invested in capital (Brynjolfsson and McAfee, 2014). As a result, the exact effect of technology and productivity may not be very clear.

Nonetheless, the saving rate in an economy should not reduce people's standards of living. Instead, it should support technological advancements with the aim of fostering economic growth. Irrespective of the amount of

savings, expenditure on capital directly increases economic growth. As the basic necessities of production, invested capital not only makes work easier and improves the quality of products and services provided but also increases the amount of production (Schumpeter, 2017). While innovation and invention may not necessarily bring immediate benefits, they are lucrative in the long-run. A company spending more on accumulating capital without spending on technology will grow faster than one that concentrates on advancing technologies. On the other hand, the popular assumption should not neglect the role of capital formation in steering an economy towards growth and further facilitating the investment of technology (Piketty, 2015). In other words, developing an economy provides an opportunity for businesses to develop and embrace technological growth. Technological growth makes it easier for businesses to market their products and services while expanding their operations across geographical boundaries. Supply chains become becomes improved in order to add value to commodities while more designs are created. Given the importance of both capital expenditures and technological progress, countries significantly depend on them for economic growth.

### *The Impact of Technological Progress in Barclays Bank*

The growth of the banking system in developed economies from traditional forms to contemporary methods are one such example that illustrates the relationship between economic growth and technology. Consumers are looking for convenience, ease, security, and assurance that their transactional and personal information is safe and meets their needs (Guo and Liang, 2016). At the same time, the widespread use of online platforms <https://assignbuster.com/impacts-of-innovation-in-barclays-and-the-importance-of-csr-for-bp-plc/>

in doing business has provided more ways and avenues of adopting advanced technologies in serving its clients.

Incorporated in 1896, the global financial company, Barclays, is involved in credit cards, investment and wealth management, as well as wholesome banking. The British multinational investment bank started off as a collection of small private family banks to be widely recognized as one of the major financial firms in the financial industry. In the wake of changing regulatory frameworks, Barclays has been revamping its card system that in turn, saw a 7.5% increase in the share price since investors were happy about the move. As a critical player in the card industry, the bank's decision to prioritize the system was crucial given that 16% of the firm's value is in the card business. At the same time, the implementation of Artificial Intelligence in banking promises to improve business operations and overall growth (Team, 2014). As the race for gaining a competitive edge in financial sector continues to increase, the bank seeks to be at par with the growth of the digital economy that is growing at twice the rate of the larger economy.

As an exciting time in the financial sector in the advent of technological advancements, AI is brewing the perfect storm to disrupt the industry with respect to cloud computing, data mining, and biometrics, among others. Arguably the changes in technology are expected to transform the way people transact by improving on costs, speed, efficiency, security, and accuracy. Few banking businesses such as Barclays Bank is focused on developing the disruptive force in order to gain a competitive edge over other financial institutions (Barclays, 2018). AI has been designed to utilize data, replicate a person's ability to work, identify patterns, as well as predict

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activities. According to Bergstrom et al. (2018), Barclays is using AI as trading algorithms where patterns in trading are first identified and strategies provided for clients to use. Customer personalization has been improved as well and patterns and issues that are often solved by humans are now quickly and efficiently done. As a result, customers are becoming more attracted to banks since services are tailored to meet the specific needs of clients. On the other hand, AI has enabled employees at Barclays Bank to improve on productivity, increase efficiency, and save on costs through machine learning techniques. Additionally, Automation at the bank reduces paperwork thereby saving on energy, costs of printing, and time spent on training employees. Even though banking technologies cannot foresee every curveball and proficiency in data analytics, it has positively transformed how the bank provides its services and deals with its clients.

On the other hand, open banking in Barclays Bank is seen to likely improve its corporate interactions with other banks. The implementation of the EU's second payment service directive aims at improving transparency and security within the industry by harmonizing the rules and regulations and lowering costs to support new market entrants and innovation (Barclays, 2018). As a result, the firm is in the quest to meet the requirements of the directive by implementing new technological structures that will align payments with other banks within the EEA, harmonize payments and its related complaints, enhance security by having strong customer authentications, and improving the access to accounts through the Application Programming Interface. Since lenders can access the credit history of clients in an easier manner, the technologies seek to improve loan

approvals and reducing the burdens of clients using their credit cards to transact. Transparency and money transfers would also be improved and market forecasting would be made easier as opposed to before. At the same time, unhealthy competitions would be eliminated while third-party involvement enhanced through AI and machine learning techniques (Barclays, 2018). In the end, business will be able to borrow at favorable interest rates in the future further increasing transaction flows. Most importantly, fraud risks have been minimized and customers' trusts in the financial sector have significantly improved.

## Task Two

### *Corporate Governance*

As a system of rules and guidelines, corporate governance involves balancing the interests of stakeholders including employees' customers, suppliers, and the community. After all, the main purpose is to facilitate effective and prudent management that would enhance business long-term growth (Morrison, 2016). Companies are directed and controlled by the board of directors and auditors who ensure that appropriate governance is employed. Therefore, the board is required to set the firm's objectives, provide the right leadership in achieving the aims, supervising the management of the business as well as reporting to all shareholders on the firm's performance (Breitbarth, Walzel, Anagnostopoulos and van Eekeren, 2015). In this regard, corporate governance is about what a company does and how it establishes values that are to be followed by everyone. Good

governance impacts the wider system by improving transparency and accountability.

In this respect, corporate governance should acknowledge and recognize the importance of corporate social responsibility. Since the 1950s, Carroll's model of CSR has been linked to almost every aspect of business operations and relations. While CSR has been simply recognized as giving back to the community, his model includes economic, legal, ethical, and philanthropic responsibilities of any business. According to him, the first responsibility of business is economical with the aim of being profitable. This means that business not only has the objective of overseeing its ventures but also making a profit from its undertakings (Julian, 2016). On the other hand, the second level requires firms to be legally coherent by obeying the law. In other words, companies are mandated to not only be constitutionally committed to the laws but also adhere to the rules and regulations established by other governing agencies related to the business. Despite having close affiliations with a company's legal responsibilities, being ethical is critical and necessary for business operations. Businesses are required to be ethical to all its stakeholders including the community and its employees at large (Morrison, 2016). Finally, as part of being a philanthropic citizen, a business has philanthropic responsibilities to its people. Their discretionary role would be well recognized though spearheading and supporting educational, social, and cultural growth among others. The pyramid is significantly relevant despite it being highly criticized by politicians and corporate leaders (Carroll, 2015). The simple and yet fundamental

framework combines the essential principles of social responsibility in almost every dimension as part of facilitating both business and community growth.

### *BP Plc's CSR*

Founded in 1909 in the oil and gas industry, BP Plc is a British multinational company headquartered in London. As one of the largest firms in the industry, dealing with exploitation, production, refining, retailing, and power generation (Amernic and Craig, 2017). The firm does not only deal in petroleum, natural gas, and petrochemicals but also has interests in biofuels and wind power. The company's net income was \$3.47 billion in 2017 and employs over 74,000 employees across the globe (Yemen, Lenox, Harris, Lenox, Harris, and Yemen, 2017). However, the firm has been directly associated with severe environmental and safety incidences among them being Texas' refinery explosion that killed 15 workers and 2006 largest oils spill in Alaska that resulted to \$25 million civil damages. However, the most notable accidental release was the Deepwater Horizon spill that brought serious health, economic, and environmental repercussions. The company pleaded to 11 counts of manslaughter and paid \$4.5 billion in fines and penalties (Lawrence, 2015). The continuous effects of oil spills and accidents in the firm's operations further poses doubt on how they are adhering their corporate social responsibilities (Pierce, 2015). The financial crises, the nature of an unpredictable business, and other unavoidable aspects of business highlight the criticisms of the firm's corporate governance.

As expected, the multinational firm is adhering to its economic responsibilities of making profit from its operations. The billions generated



from its net income has enabled the firm to expand its operations to almost every country in the world while meeting its financial obligations in damages. At the same time, the financial strength of the firm has enabled it to employ 74, 000 workers while carrying out significant efforts in exploration, refining, retailing, and power generation. They have also been rolled out a new technique of maintaining environmental sustainability and reducing greenhouse emissions (Radzi, N. A. M, Lee, Halim and Siwar, 2018). They have also been able to carry out subsequent business impacts on the environment by providing cleaner burning fuels as well as eliminating corruption and any political interferences. Their efforts of making a clean energy revolution have moved beyond the normal petroleum movements.

On the other hand, the business well understands its legal implications of paying damages and penalties in the accidental spillages that cause severe health, economic, and environmental harms. They have been paying billions of dollars to criminal and civil penalties with the largest U. S. criminal resolution in its history being \$4. 5 billion. Their pleading guilty to manslaughter, misdemeanors, and felonies demonstrate their legal responsibilities in accepting their mistakes and making compensations to the affected parties (Radzi, N. A. M, Lee, Halim and Siwar, 2018). They also announced in 2015 that they would be making a %18 billion settlement to cater for other claims and the Clean Water Act Penalties.

The firm has also met its ethical corporate responsibilities by publishing their operations on a frequent basis in order to inform the public and its stakeholders about its operations. At the same time, their publications are done in order to build and maintain trust among the involved stakeholders to <https://assignbuster.com/impacts-of-innovation-in-barclays-and-the-importance-of-csr-for-bp-plc/>

repair an already damaged reputation in the oil and gas industry. However, their intentions are questioned on whether it is to adhere to their CSR objectives or done in order to gain more profit (Radzi, N. A. M, Lee, Halim and Siwar, 2018). The firm is also upholding its financial obligations by providing accurate audit reports and financial information to the public and its stakeholders.

Lastly, the firm's philanthropic responsibility has been demonstrated through its commitment to social responsibilities in rigorous planning in with nearly more than 130 units. As a result, each of the business units has gained their own identity and appreciation to its employees and building relationships with other firms (Radzi, N. A. M, Lee, Halim and Siwar, 2018). Through the stakeholders' model, the firm has been able to meet the needs of the involved relevant parties. The firm also provides educative and training capacities to its employees through frequent training.

However, translating their commitment into a consistent approach in the global environment is challenging given the different economic positions and legal rules and requirements in different regions. The company should work on improving its health and safety standards as provided for by OSHA and improve their affiliations and participation in humanitarian organizations such as the United Nations. Their efforts in following the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy are gearing the firm towards fulfilling its philanthropic obligations to the community (Schrempf-Stirling and Wettstein, 2017). Despite being the first firm in the industry to address the issue of global climate change, a lot

still has to be done on meeting their comprehensive obligations to its stakeholders with a particular interest in the safety of its workers.

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