

## **Zeti Akhtar Aziz: Central banking – using leadership energy to build resilience**

Speech by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Iclif Leadership Energy Asia Summit 2015, Kuala Lumpur, 1 December 2015.

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Welcome to this year's Leadership Energy Summit Asia organised by our Iclif Leadership and Governance Centre. This is our third summit in the series on leadership energy. The focus on leadership energy reflects its importance in today's leadership. The contemporary environment we are living in has become increasingly more challenging – characterised by highly destabilising and tumultuous events. Not only are we living in a world that has become highly unpredictable and unstable but a world that is being more frequently subject to extreme conditions in which we are tested to the limit. How do we survive against the odds manifested in this environment? It is all about having the ability to endure and prevail. It is also about being able to succeed and thrive in such an environment. It is about being resilient. Resilience is key to surviving in this environment.

Today we are privileged to hear and be inspired from the experience of personalities who not only survived against such great odds but who have also achieved great success. Let me take this opportunity to express our gratitude to our distinguished speakers who have come from different parts of the world to share their knowledge and experience on this subject. It is all about their perseverance and resilience and how they have defied all expectations. The issue before us is the source of their energy to persevere and their courage to stay the course when it all appears to be hopeless.

In the business of central banking we are increasingly being confronted by such extreme conditions. Building resilience is therefore key. I have described central banking as being an unfinished business because there are always new challenges on the horizon, endless demands emerging from an ever changing and more complex environment and great expectations that the Central Bank will provide the solutions to resolve the financial and economic problems that confront us. The Central Bank is also at the forefront in the management of any financial and economic crisis – a phenomenon that continues to plague the world with increasing frequency.

The Central Bank can be described as a high impact organisation. Its decisions or indecisions, its action or inaction will have major and far reaching repercussions and consequences on the economic well being of the public at large and the entire spectrum of businesses. The responsibility and accountability is therefore immense. Our business is about bringing value and benefits to our citizens. In an environment of greater transparency and enhanced communication there is also greater awareness of the prevailing circumstances. This has produced higher expectations for the delivery of results. Energy is derived from this very sense of meaning of what responsibility brings. It is the drive to making the difference to the economic well being of our citizens.

Fiercely knowing this responsibility and accountability is the very source of the intense energy necessary to perform the function of central banking. Knowing the high costs that destabilising developments can have on the people and businesses and its potential damage to the nation is a major prompt of the perseverance to press on, to survive and to succeed. Often we need to just confront the realities and produce a solution when it seems hopeless. Courage is also needed to stay the course. Knowing the stakes are high, knowing that you are being counted upon spurs the unwavering determination.

From my experience as a lifelong career central banker, such extreme conditions that test us to the limit have become increasingly frequent. While there have been many great successes that have been achieved, there have also been those moments that have been most trying

and devastating. During such times, developments set you back to a much worse situation than your original position. Those times have arisen from external shocks that are beyond our control, from ambitious agendas that have been met with violent resistance and domestic stress brought on by actions that are in conflict with the Bank's mandate or from political tensions.

The ability to endure, to persevere, to be resilient in the face of such extreme odds is about having a great sense of purpose of what needs to be achieved and the motivation of why it needs to be achieved. The sheer responsibility and the awareness of the accountability that comes with it is the very driver of such perseverance. It is also the fear of failure and knowing the far-reaching and damaging consequences. This is reinforced with the values and the discipline to stay the course to do what is right and to do what is in the interest of the people. The discipline is also important so that the Central Bank is consistent in its behaviour in managing the challenging conditions or in its aspirations to push the frontiers and create great value for the country.

During such times, having great clarity in the vision and on the objective of what is to be achieved becomes paramount. This has to be the starting point if it is to draw on the energies of the entire organisation. Articulating it with great clarity throughout the organisation allows the collective alignment to the goals. This also avoids being diverted by distractions when we are confronted with destabilising times. It is also imperative when we are ambitious with bringing about change and transformation. Knowing clearly the outcomes and the benefits it brings increases the potential of bringing diverse groups within a country and across countries to building the consensus on achieving a common goal.

Another aspect that needs to be mentioned is being paranoid about the worst that could happen. This is sometimes referred to as productive paranoia. Central bankers need to excel as risk managers – knowing what could go wrong and prepare for the worst that is yet to come. In part it involves building the buffers to prepare for the unexpected events before they happen. When I am asked the question about how we are going to manage 'the lift off' – the normalisation of interest rate by the Federal Reserve in the United States – my response is that it is not what we will do now but what we have done before it happens that will see us through this period. It is not only the buffers that have been built but also the capability that has been developed that will better allow us to intermediate and thus absorb the shock. This will enable us to withstand the volatile financial flows that are already occurring in anticipation of this eventuality.

Sometimes there are also Black Swan events. These are defined as those developments that have a low probability of happening and that is difficult to predict and anticipate. Being paranoid and building the resilience against such shocks will contain its damaging effects. Therefore continuous rigour needs to be applied all the time, during the good times and the challenging times. Vigilance, detecting developments that could signal danger, early recognition of risks are all important. Also knowing how your risk profile changes over time will avoid one being taken by surprise.

Central banking is therefore not for the faint of heart. It not only demands the high levels of energy – not just the physical energy, but that of the emotional, spiritual and the mind. When tested to the limit, it is from these sources of energy from which the strength is derived. Investing in these sources of energy will avoid its depletion. Energy should not be taken for granted. Then there is the courage that is needed. It is derived from your convictions and values that you hold, reinforced by your sense of purpose and what motivates you.

At the Leadership Energy Summit Asia in 2014, I spoke of having the ability to generate and ride on the positive cycle of leadership energy. In mobilising energies in the organisation to be aligned to achieving an outcome, it generates a second round of energy burst from others in the organisation. The continuous positive energy loop provides continuous motivation and momentum in a two way direction and intensifies energy in the organisation. It is a mutually reinforcing phenomenon that I have experienced in the Bank time and again.

Let me conclude my remarks. The demands on leadership is immense. In the current international and domestic environment, it also requires leadership energy that is sustainable. This Leadership Energy Summit will hear from the experience of successful individuals on the source of their energy in generating outcomes and results that have made a difference. We will also learn about other sources of energy from which we can tap on and strengthen. This is the challenge of the new generation of leaders if they will truly be able to make lasting and meaningful changes in their environment.

On this note, let me wish you a highly energised Summit.