



# ON BALANCE

Recalibrating Markets, Firms,  
Society and People

## CONCEPT PAPER

### Introduction – Balance in All Things – Khazanah Megatrends Forum 2018

From a spiritual perspective, the concept of Balance is found in a variety of faiths and traditions. In the Islamic tradition, there is the concept of *Al-Mizan*, the Arabic word for Balance, which symbolizes the pursuit of justice and harmony in all endeavours, both in the world and the hereafter. From Chinese philosophy, the *yin yang* describes how seemingly opposite notions or forces may be interconnected and interdependent with one another in the world. It expresses a sense of unity in duality, a Balance of forces. In the Christian tradition, the Golden Rule – do unto others what you want others to do unto you – is also a manifestation of Balance; it is Balance in how we live with and treat one another.

Balance is also a common theme in many fields. In issues of Governments and Governance, we think of ‘Check and Balance’ or ‘Balance of Power.’ In Economics, Albert Hirschman’s ‘Balanced Growth Path’ or former Chinese President Hu Jintao’s Harmonious Development, or the concept of ‘Economic Balance’ in the Second Malaysia Plan. In Accounting, we have the Balance Sheet, as we do the Balance of Payments and the Fiscal Balance in Macroeconomic Accounting. In a more fictional sense, the ultimate objective of the Jedi is to achieve Balance in the mystical energy of the universe called the Force.

Given the ubiquity of Balance in such a variety of fields, it would stand to reason that Balance is viewed as an ideal state of being. We typically reject imbalances of power, or states of disequilibrium in markets, or even the dominion of the Sith over the Jedi. Packed into the concept of Balance are many other notions of the ‘good’ such as fairness and proportionality, peace, beauty, sustainability, poise, behaviour and general notions of kindness and goodwill to our fellow human beings.

As such, in this 14<sup>th</sup> edition of the Khazanah Megatrends Forum, we explore the concept of Balance. The poignancy of the theme is especially apparent in the world today. Humanity has made giant strides in economic development, poverty eradication and violence reduction, and has seen some truly revolutionary technological progress. Yet, in spite of all this progress, are we living in a world of greater Balance? Climate change, societal inequality, demographic transitions, and technological disruptions are but some of the major issues with which we grapple today and are, in many ways, instances of great Imbalance. Thus, as

we move forward, is there a need to Re-Balance our markets, our firms, our societies, and our people towards a world of greater Balance? But even that raises further questions – Re-Balance to what? Has the world ever been in a state of Balance?

### **On Balance – Is One Balance Better than Another?**

If we agree that Balance is a desirable goal, as multiple intellectual fields and spiritual traditions seem to suggest, it is worth asking if all ‘Balanced’ situations are as good as the other. In other words, are there some instances of a ‘higher’ Balance vis-à-vis instances of a ‘lower’ Balance? The reality is that in many aspects of our world, there are multiple equilibria. For example, consider the case of countries. Why do some countries, with similar starting points and similar natural and human resources, end up so differently in their national incomes? Perhaps one country happened to be ruled by a growth-friendly dictator, while the other was stuck with a growth-destroying one. In both cases, the two nations settled in a form of Balance, in their own equilibria. But we can certainly agree that one equilibrium – the higher income one – is a much-preferred outcome to the lower-income equilibrium.

Just like the two nations above, the same can also be said of any number of firms, societies, leaders and indeed individuals. The implication on the concept of Balance is therefore as follows – Balance, in and of itself, while desirable, is neutral. All it asks is that a given actor remains in its static state. Any form of dynamism necessitates a lack of Balance. As such, if Balance can exist at a low end equilibria, as well as a high end equilibria, the question therefore becomes – how do we move from a lower equilibria to a higher one? This is where Imbalance enters the stage.

### **Step 1: Imbalance as Impetus.**

Left to their own devices in its status quo, actors will not autonomously move towards a better equilibria. It is therefore imperative that some chaos to the order, some Imbalance to the Balance be created. Imbalance is, ergo, the catalyst towards generating momentum for change and, the only way to break an actor from its equilibrium towards a higher order equilibrium. Imbalance may be a necessary, though certainly not sufficient, ingredient for progress.

Viewed in that way, if human history is a history of how we progress as civilisations and societies, and progress is a dynamic process, full of Imbalances, then it stands to reason that the world has never been in a perfect state of Balance or equilibrium. But this is not for lack of trying – the fact that we, as a species, have constantly tried to improve our outcomes and our opportunities simply means that we are seeking for a better equilibrium for ourselves, our work, our societies, our nations and our world.

This act of seeking for a higher equilibrium or Balance is a never-ending act of recalibration. Pull a little too hard to the right and the wheels fall off. Too hard to the left and the same occurs. If the first step towards higher states of Balance or equilibria is generating the impetus for constant recalibration, the next step is to figure out exactly what it is we are recalibrating.

## **Step 2: Deciding What to Recalibrate**

The classic battle in much of human mythology, literature and stories, is between good and evil. Good versus evil is inherently compelling; we enjoy stories where heroes, after overcoming incredible obstacles and adversity, ultimately triumph over evil villains. Therefore, in thinking about the philosophy of Balance, it would seem straightforward to suggest that when we choose what to Balance, we are picking between good or evil. However, if we were to dig more deeply into this, this is a false choice. To choose some middle ground between good or evil is not quite Balance, but rather compromise.

As such, the more appropriate discussions, when deciding what to Balance, is actually competing notions of the ‘Good’. It is figuring out, in what proportions, two ‘good’ but opposing forces should be Balanced. Examples of such competing notions are very familiar. In KMF 2017, we considered the question of Cerebrum X Algorithm, or, in other terms, Man and Machine. The conclusion that while Machine and Artificial Intelligence may be a powerful technological force that enables us to move to higher equilibria, it, on its own, cannot decide what that higher equilibria may be, and, more importantly, the ethics on how to achieve that higher equilibria. It lacks, for lack of a better term, artificial wisdom which human beings, with our capacity to reason, to feel, and to be pro-social, are more well-suited. Hence, it is not just Man nor Machine, but both Man and Machine in the right proportions.

From the perspective of the firm, the idea of Profit and Purpose may also seem at odds. Both are ‘good’ – Profits are needed to generate value for the company and all its stakeholders, but Purpose gives it deeper meaning than simply a means of production of goods and services. Of course, in certain cases, all the cards fall in line and Firms can equally generate both Profits and Purpose, but it may not always be so. Sometimes, there can be tradeoffs but to have Profits alone or Purpose alone is unlikely to lead to long-term sustainable value creation. Indeed, in January 2018, Larry Fink, CEO of BlackRock, an asset management firm with nearly USD6 trillion under management, issued a letter to its investee companies, essentially warning those companies that if the given company does not engage with the community and have a sense of purpose, “it will ultimately lose the license to operate from key stakeholders.”

Therefore, in summarising the philosophy of Balance put forward thus far in the Concept Paper, we submit that achieving Balance is generally an ideal notion, but there can be ‘better’ instances of Balance than others. Moving to a higher equilibria requires progress and therefore dynamic Imbalance, which unleashes momentum for change. To decide on what new Balance to change towards, it is not as straightforward as merely deciding to Balance between good and evil, but between competing notions of the good in a proportionate way.

## **The Panels**

Since the inception of the KMF, themes have been discussed ranging from a shifting global economic climate to a reclamation of the global ‘commons’ to a new context where uncertainty is normality to the

need to generate growth with inclusion in an age of paradox, to whether or not good stewardship based on the political economy of location, environment, and demographics can overcome geography as destiny, and most recently, to how Artificial Intelligence and Human Intelligence can be used in the right ways to Build True Value. In those discussions, what has essentially constantly prevailed is the idea of ‘Balance’ – be it in Paradox, in Stewardship, in Man and Machine, in Geography, Environment, Culture and People. If ever there was a theme that conceptualised all prior KMF themes, it would be essentially ‘Balance.’

As such, for KMF 2018, the theme is, “On Balance – Recalibrating Markets, Firms, Society and People.” In upholding KMF traditions, panel discussions will continue to be organised along four perspectives: how various markets globally are affected; what the theme means to firms, and society at large; what are the imperatives of leadership.