

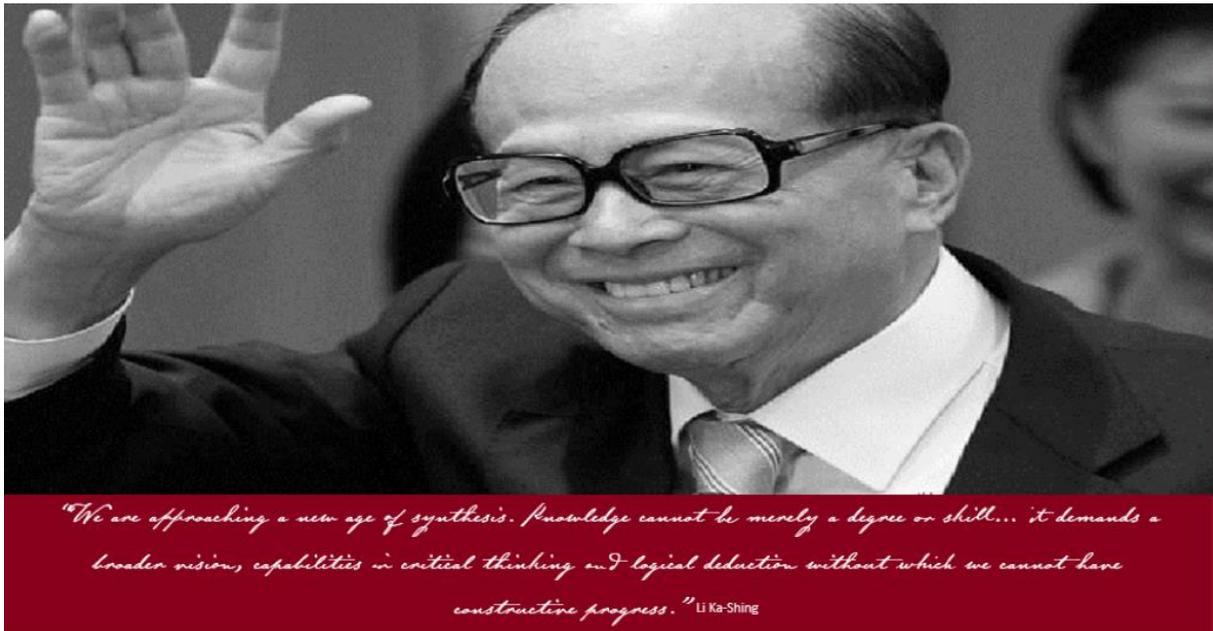


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Executive Search & Board Advisory

## THE LEADERSHIP LESSONS FROM LI KA SHING – THE RICHEST MAN IN HONG KONG



On 16 March 2018, Hong Kong billionaire Li Ka-shing announced his retirement as Chairman of Cheung Kong Hutchison Holdings weeks shy of his 90<sup>th</sup> birthday, bringing to a close a rags-to-riches story that made him a hero in the freewheeling capitalist hub. According to Forbes, Li Ka-shing is the 23<sup>rd</sup> richest person in the world, with an estimated net worth of cUS\$37b as of January 2018. His businesses span the globe, encompassing such diverse areas as ports and related services, retail, infrastructure, energy, telecommunications, property development and investment, hospitality, aircraft leasing and life sciences.

Nicknamed as "Superman" and one of the most influential businessmen in Asia, Li Ka-shing has an incredible and inspiring life story. Born to poor parents in mainland China Canton, he fled to Hong Kong as a refugee during the World War II with his family in 1940 when he was twelve. When Li Ka-shing was just 15 years old his father became ill with tuberculosis and died. Li was forced to drop out of school and take up a job as a salesman in a plastic factory to support his family. He worked very hard, often working 16 hours a day, with seven days a week. Intelligent, hardworking and determined, he was promoted to be the Factory Manager at 18. After gaining valuable experience in the plastic industry, Li was able to form his own business, a plastics company named Cheung Kong in 1950, at the age of 22.

Initially Li's company manufactured plastic flowers and exported them to the United States.

Li anticipated that plastics would become a booming industry, and he was right. Throughout the 1950s the company saw steady growth and Li began looking for opportunities to expand his business into other industries. In 1958, Li purchased his first factory as the first of his many real estate investments. Over the ensuing years, he changed the business focus which he eventually transformed into a property development and management company. The business thrived over the following years and it went public on the Hong Kong Stock Exchange in 1972 as Cheung Kong Holdings.

In 1979, Li expanded his business by acquiring Hutchison Whampoa from HSBC, one of the great trading companies built by Scottish entrepreneurs in the 19th century. The deal added multiple diverse industries to his existing business. He soon transformed Hutchison into the world's largest independent operator of ports, with investments in container port facilities around the world, including Hong Kong, Canada, China, the United Kingdom, Netherland, Panama and many others.

One of Li's best-known deals was the sale of Orange, his United Kingdom telecoms business in 1999. As Li diversified his business into other industries, he started a mobile business named Rabbit in the early 1990s, which unfortunately lost money. However, later Hutchison relaunched its mobile business as Orange in 1994 and sold its stake in the never-profitable business at the peak of the internet bubbles in 1999 to German firm Mannesmann. The sale netted a profit of US\$14.6b.

A visionary businessman, Li has long thought about investing out of Hong Kong and China. Although being criticised for making too much profit from mainland China, Li has put his words into actions and substantially disposed his expensive assets in Hong Kong and China and increased his investment in the United Kingdom, Canada, Australia and other European countries. "I do not get overly optimistic when the market is good, nor overly pessimistic when the market is down."

With the subsidiary Cheung Kong Infrastructure, Li became very active in acquiring power, utilities and infrastructure projects. In August 2016, Li experienced a setback in Australia when Australia's Foreign Investment Review Board and Treasurer Scott Morrison blocked his acquisition of a majority stake in Ausgrid on national security concerns. However, in April 2017 Australia government approved Cheung Kong Infrastructure's US\$5.6b takeover offer to DUET Group which owns and operates energy utility assets across Australia.

An innovative investor, Li also invests in technology that he sees as "disruptive" and will make his companies more cutting-edge. Through his venture capital firm Horizons Ventures in Hong Kong, Li became one of the first big investors in Skype, Facebook, Spotify, Airbnb and Siri.

Unlike his peers in Kong Hong, Li has built a truly international corporation through Hutchison across various industries including infrastructure, retailing, energy and telecoms. Undoubtedly Li is one of the most successful businessmen in Asia, but his wisdom runs much deeper than just acquiring and investing. He has also demonstrated incredible business leadership, and it's this quality, in addition to his other business skill, that's helped him build a truly international empire across industries.

Here are some leadership lessons that business leaders can learn from Li Ka-shing.

## 1. Strategic Vision

*“Vision is perhaps our greatest strength. It has kept us alive to the power and continuity of thought through the centuries; it makes us peer into the future and lends shape to the unknown.”*

Li doesn't believe in “luck” but rather in his visionary insight and hard work to achieve his goals. Li built up a plastic flower manufacturing business before investing in Hong Kong property in the 1960s when prices were low. He invested heavily in China in the early 1990s when other countries shunned China in the aftermath of the Tiananmen Square massacre. He sold Orange to German Mannesmann Group in 1999, which marks the world's eighth-biggest telecommunications deal and brought him a cash windfall at a time when he was looking at several points of expansion his businesses elsewhere.

“I was already keeping an eye on the political developments within China, and I also had a firm grasp on economics, industry, management and the latest development and productions of the plastics industry. Not many people in Hong Kong at that time were aware of the potential. It was still quite new.”

## 2. Never Stop Learning and Growing

*“I will never be satisfied, like the Olympics.”*

Li's plastics business was a huge success and grew exponentially while he was at the age of 21 in 1950's. He built upon his knowledge and networks in the plastics industry to become Hong Kong's King of Plastic Flowers. “Actually, before I was even 30, I was wealthy enough that my entire family wouldn't have to work for the rest of their lives.”

Despite his early enormous success, Li did not stop but kept growing for half a century in time. He began investing in real estate, buying up properties all over Hong Kong when he saw the price was low in the 1960s and in the following decades his businesses reached into many sectors of Hong Kong, including real estate, telecommunication, retail, energy and pharmaceuticals.

Li's global ambitions made him stand out from his peers in Hong Kong at the time. He was never satisfied to be a billionaire in his 30's, instead Li Ka-shing increased his pace of overseas acquisitions after taking over the stake of Hutchison Whampoa from HSBC in 1979. Li's investments have been so savvy, that people began referring to Li Ka-shing as “Superman”. He kept moving along with the time and continued to grow his empire with timely investments in technology industry, which he believes is a game changer for the future. Li's technology investments in companies like Facebook, Skype, Siri display a particular brilliance with understanding of not just where the tech world is, but where it is going.

“Businessmen must move with the times...the correlation between knowledge and business as the key to success is closer than ever.”

### 3. Embrace Changes and Innovation

*“The key to success lies in the capacity to accept change and adapt; the ability to meld traditional ways with new ways of thinking is essential.”*

While Li’s manifold investments across various industries in the world were enough to make him one of the richest businessmen in Asia, he still showed exceptional curiosity and passion in high-tech industries. In 2006, Li began to set his sights on the world of disruptive innovation, or game-changing technology like Skype, Facebook and even Siri (before it was acquired by Apple in 2010), donating a huge sum to his Hong Kong-based venture capital firm Horizons Ventures. Through Horizons Ventures, Li secured his place as one of the earliest investors in Facebook, with a US\$120m investment in 2007 and 2008 when the company was only barely profitable, and was the saving grace for then loss-accumulating video platform Skype in 2005, which was acquired by Microsoft in 2011.

By 2014, through Horizon Ventures Li has invested over US\$350m in 50 companies around the globe, mostly in internet and mobile, healthcare and media industries. Since 2010, artificial intelligence has also become another focus of Li’s investment arm.

“I have always understood that the world changes a lot.”

### 4. Keen Eye for Talent

*“Successful managers should also have a keen eye for talent. They not only select people who are smarter than themselves, but also avoid picking corporate superstars whose reputation precedes them.”*

Unlike most of the family business owners in Hong Kong or Asia countries, Li’s approach to finding and retaining talent has also broken with traditions. The Economist commented that “he sought out professional managers, many of them foreign,” which is uncommon for his peers in Asian countries. Li has been able to hire, recruit, and incentivise amazing managers globally to secure his business expansion overseas.

In 1984, British born Simon Murray was appointed the first Group Managing Director of Hutchison Whampoa, who then pioneered the Hutchison Group’s entry into the mobile telecommunication business and negotiated the rights to develop Orange, turning it into a global brand. Even AS Watson’s expansion into Europe can be traced to Ian Wade, who served as Group Managing Director of Hutchison’s retail business AS Watson from 1982 to 2006.

Li believes that high salaries offered to capable people are an obvious way to attract new talents. The current Co-Managing Director of Cheung Kong Hutchison Group Canning Fok Kin-ning is a perfect example. According to Hutchison’s 2015 annual report, Canning Fok’s total package was up to US\$27.2 million, and he was once ranked by Forbes as the highest-

earning Chief Executive of a non-American based enterprise in the world.

“The secret of management is simply identifying and making use of talent.”

## 5. Big Heart

*“It doesn’t matter how strong or capable you are; if you don’t have a big heart, you will not succeed.”*

Like Bill Gates and Warren Buffet, Li is an active philanthropist with a big heart of giving back. Having set up the Li Ka-shing Foundation in 1980 with the aim of donating a third of his assets to it, Li has become Hong Kong’s most generous giver. By 2017, Li Ka-shing had given a total of US\$1.86b in donations ranging from education, healthcare to other philanthropic causes.

Li’s biggest focus is education: he spent over US\$770m to establish and support Shantou University, the only privately funded public university in China. He also donated to other international educational institutions including University of Alberta, University of Cambridge, Oxford University, UC Berkeley, Stanford University and University of Auckland. “I think education is the most important thing to a nation. Without good education, whatever equipment or plans you have mean nothing.”

With a rags-to-riches story, Li Ka-shing is undoubtedly one of the most successful and influential entrepreneurs in Asia. Visionary, ambitious and hardworking, he built a truly international business empire from scratch. He is one of the most inspiring business leaders and generous philanthropists that Hong Kong and the world have ever seen.

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