



# HOW HONG KONG BROADBAND NETWORK INVESTED IN ITS PEOPLE TO GET TO THE TOP

## 8 WAYS TO LEVERAGE TALENT FOR SUCCESS

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In just ten years, Hong Kong Broadband Network has evolved from being a new entrant to becoming the second-largest broadband operator in Hong Kong. After a public listing in 2015, it set its sights on attaining the number one spot by 2019. Over the years, it has invested in a state-of-the-art fiber optic infrastructure network that covers 2.2 million homes and allows it to offer high-quality, high-speed telecom services. Its capex to sales ratio is higher than any other telecom operator in Hong Kong.

But the company does not see itself as a high-tech business. According to NiQ Lai, HKBN's CFO and head of talent engagement, people are its key differentiator: "Everything else you can copy, but our people allow us to compete in an industry dominated by large conglomerates and overcome any balance-sheet limitations". In fact, all employees at HKBN are referred to as talents.

So what is the recipe that allowed HKBN to leverage its talent to build performance?

**1] Encourage co-ownership.** Unlike traditional stock option schemes, which are typically only open to a limited number of senior executives, HKBN instituted a co-ownership scheme in 2012 whereby management grade employees were invited to invest their personal savings equivalent to 1-2 years of salary to buy equity in the company. Post-IPO, HKBN extended the co-ownership scheme to everyone at supervisor level and above as well as to the employees of a company that it had recently acquired. With 340 co-owners, HKBN has the highest employee ownership rate among all telecom operators in Hong Kong. The advantages of co-ownership are many – increased alignment for people with business goals, a significant change in mindset and motivation, increased employee retention and improved customer service.

**2] Empower employees and encourage entrepreneurship.** HKBN has a decentralized structure, with five geographic areas run by "mini CEOs" which are benchmarked against one another, encouraging competition and discouraging malfunctioning silos. Each area has its own targets for revenue and cost control, with the employees receiving a percentage of the savings that they make. Such a structure also enables succession planning.

**3] Rethink risks.** The biggest risk to HKBN, its executives think, is complacency. HKBN did away with traditional budget caps to encourage people to use their initiative and take risks in pursuit of innovation. Mini CEOs are told to "assume 'yes' unless management tells you 'no'"; the idea is that trying 10 affordable high-risk ideas with a 20% success rate is better than only trying very few, very safe ideas.

**4] Maintain a startup culture.** HKBN was founded in 1999 but it still feels like a startup. Its flat organizational structure means that all employees have easy access to top managers for support. The emphasis on speedy execution and keeping operations straightforward saw the establishment of a "Do Less" committee, tasked with finding ways to simplify processes.

**5] Offer education.** HKBN allows staff without a university degree to earn one through its Next Station University scheme, which sees the company cover up to 90% of tuition fees, provide flexi-work schedules as well as classroom space for lectures. Meanwhile, its Certified Professional Engineer program supports technicians' development; its Talent Infinity scheme sponsors managers to undertake executive MBAs; and its Education Partnership Fund offers generous tuition subsidies to staff who undertake courses outside the company.

**6] Round out experience.** Managers from one department are invited to “guest manage” a different department for 6 to 12 months through its PowerBar Career Rotation Program. In contrast to typical job rotation programs where people move to adjacent areas, HKBN’s talents are asked to move to completely diverse departments where they lack expertise, necessary skill sets and are not comfortable at all. This instils cross-functional expertise and entrepreneurship. In addition, HKBN’s CXO of the Future scheme, aimed at fresh graduates is designed to select 2 out of over 1000 applicants through a stringent selection process. After a 1-year management trainee program, they are fired and required to apply for a position at HKBN justifying their merits and capabilities. They are then nurtured as future prospective C-Suite leaders.

**7] Pay for performance.** Up to half of an employee’s salary can be variable and, therefore, dependent on meeting individual KPIs. There’s no such thing as a standard salary increment or year-end bonus; everything is based on performance. However, HKBN’s policy is to “optimize salary” rather than to minimize it; in general, it pays 125% of the market rate to ensure it attracts the most talented employees. It also has a policy of firing 5% of the total salary base across levels annually based on performance. No bonus is awarded to the next 5% or 10%. The savings are used to reward the rest.

**8] Allow staff to prioritize life over work.** This may seem like a counterintuitive approach but HKBN’s range of LIFE-Work Priority policies – which include flexi-time, flexi-location, no-email policy on weekends, and a 2-for-1 leave scheme that allows staff to swap a day’s salary for two days’ extra leave – has not lowered productivity at all. “If your company is dynamic enough and the delegation and team collaboration is good enough, you can let your people go away for a while,” says Ivy Lau, HKBN’s director of talent. “We need to trust our second-tier people to take charge.”

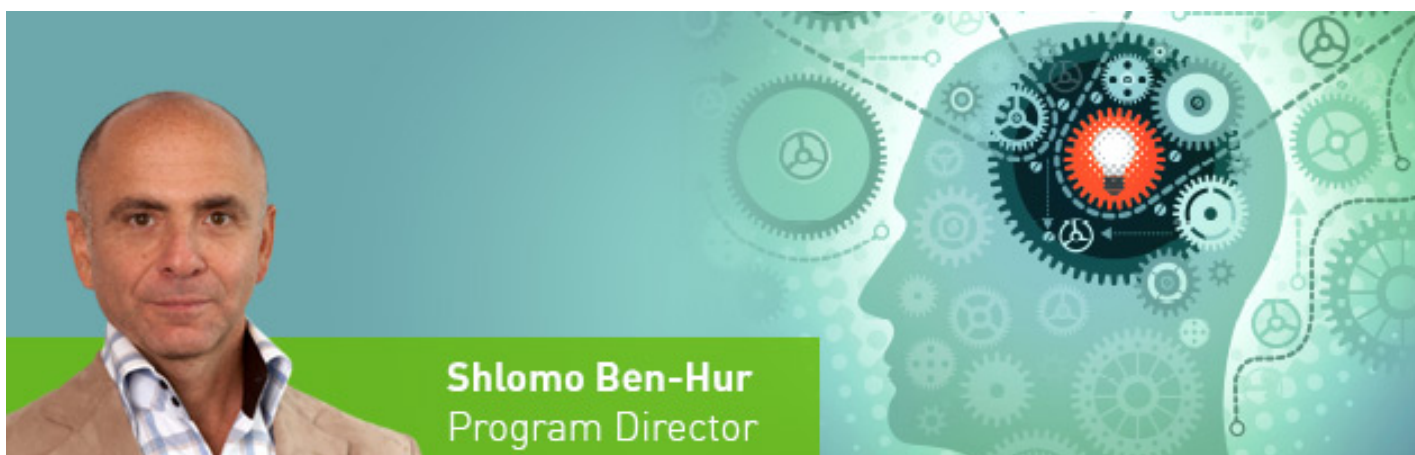
HKBN has challenged traditional thinking about establishing and growing a business from being a start-up into one of the top players in a short span of time. The company sustained its energy and growth and has managed to raise the bar continuously.

Do you also identify talent as a differentiator? If so, how do you leverage your talent? What can you do to better build on your talent to create a competitive advantage?

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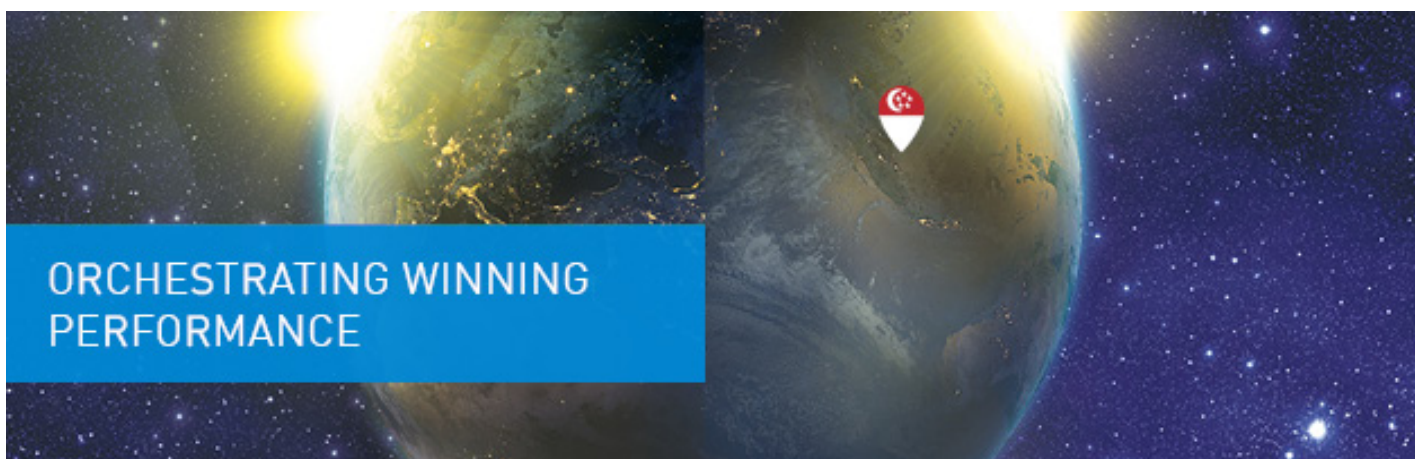
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