

What Makes a Great Fiber CEO: An Investor Perspective



Massive investments are being made in digital infrastructure in the United States and Europe, amid the growing adoption of cloud-based services, the demand for broadband, and recent technological developments in fiber optics. To keep pace with skyrocketing bandwidth needs, investment in residential FTTX (fiber-to-the-x) service provider companies has exploded over the past decade. In the U.S., the fiber market is projected to be worth [\\$17.3 billion](#), while [fast growth in Europe](#) is particularly evident in France, Germany and the UK.

So what are the elements of strong leadership in this sector? Our work with leaders in a range of fiber businesses across the U.S. and Europe points to several common themes regarding the necessary skills, leadership capabilities and personal characteristics. To complement our own experience, we also spoke to a range of infrastructure investors across both geographies to hear more about their views on the current market and how this is changing the expectations they have for their portfolio company leaders.

Today's challenges for fiber leaders

The fiber market is under pressure. An increasing number of competitors are fighting for market share in various geographic regions and market segments. Rising material costs and the availability of construction labor remain key hurdles. Managing third-party contractors is a lingering challenge. State and federal subsidies, depending on the geography, can be difficult. And a tighter capital markets environment is driving an increase in scrutiny by investors.

While Europe and the U.S. are in different phases of delivery, and therefore seeing different nuances in the experience of building out national broadband systems, all fiber organizations regardless of geography have one crucial thing in common: Those that are early to deploy fiber in a given geography or market segment have a first-mover advantage, allowing them to capture significant market share. This race has also put significant pressure on digital infrastructure challengers to speed up deployment in order to drive new revenue and set a path to profitability.

Incumbent telco leaders are not necessarily accustomed to the dynamics of this new market. While numerous fiber ventures have been funded by investors and now have access to capital exceeding \$1 billion for deployment, any new leader needs to have the fiscal and operational discipline to show accountability to investors. They must possess a maniacal focus on cost containment and be equipped to build a team with more aggressive, metrics-driven executives.

Requirements for a fiber leader: A look below the surface

The shortlist of core requirements for a fiber company leader is familiar. A combination of expertise such as experience in the sector, P&L leadership, strong financial acumen and broad team leadership capabilities appear in all CEO specifications.

Finding candidates with all of these basic requirements is a hurdle in itself, but they don't actually tell the whole story about what an incoming CEO needs to successfully lead a fiber company in this market. Further attributes are essential, as is the need to assess candidates in depth to provide confidence that they will be able to effectively deliver in this new environment.

The incoming candidate with the highest chances of leading the company to success will also have these additional capabilities and skills.

An intense focus on unit economics

Financial acumen, proven P&L leadership, stewardship of capital and rigorous prioritization based on ROI objectives are the table stakes; however, financial experience alone is not enough. The leading candidates will also know how to make money, with a constant focus on unit economics and an aversion to overspending.

This cannot be emphasized enough in the search for a C-level leader in this area. As one investor told us, “Fiber infrastructure is not just about long-term contracts but also about yielding cash.” A leader must align with sales and engineering about anticipated pricing of the service mapped to the costs of a buildout — along with a concerted, collaborative effort to get those costs down over time.

Another investor underscored the importance of businesses eventually having the discipline to build robust finance teams. “Otherwise,” he says, “as the business matures, you don’t have proper reporting and financial planning, and you don’t have the right communication around finances with investors and banks.”

Adaptability

The emerging fiber market can look quite different in different regions, which is why simply having a fiber construction background is less required today than in the past. Fiber leaders must also be able to adapt to different models: homeowners associations and multi-dwelling units, rural, urban and suburban expansion, and more. Each business model has a unique risk profile and offers different opportunities. The best CEOs will have both the adaptability and confidence to shift plans as needed to suit given markets.

Similarly, they need the acumen to respond to different competitors in different markets. Beyond simply being adaptive to change, the best CEOs are also opportunistic, seeking out growth opportunities in a competitive sector. In an industry that might look very different in just a few years’ time, a great CEO needs to be able to deftly chart a changing course.

A growth mindset

Infrastructure investors are investing significant capital in fiber to build quickly and aggressively as an attempt to capture a regional footprint or market segment. Any new leader needs an understanding of what is required to scale the business. The ability to work at pace and hit aggressive targets is essential within these businesses; simply having experience at a traditional telecom operator is rarely enough.

One of the executives we spoke with pointed to the specific execution challenge for fiber CEOs “Building fiber is pretty simple,” he said. “The challenge comes in scaling up. Little things cascade and throw your numbers way up.”

An operating partner we spoke with had a warning. “There are opportunities out there, but if we are not hitting our numbers, if we are not delivering a strong business with good momentum, then those opportunities will be much more difficult for us to come across.”

Commercial acumen

Over the past few years, most fiber companies have been almost solely focused on the buildout, and enlisting customers has taken the back burner. That “build it and they’ll come” approach made sense in the beginning, but now, there’s a big push coming to monetize the networks.

Interest rates are higher, inflation is high, and across the sectors, many fiber companies have been underwhelmed with customer response. For a CEO, the ability to build and monetize matters. These are not always skill sets that go hand in hand; many CEOs who have a delivery focus don’t necessarily also possess a strong marketing and sales focus.

Overall, there is an increasing focus on monetizing the existing fiber that has been deployed.

“The world is full of telecom executives who know how to build networks,” one investor told us. “But what is now needed is a CEO who can deliver penetration — who understands the commercial side and can drive a business to deliver customers on the ground.”

A focus on operations and delivery

Yet, fiber is the most operationally intensive of digital infrastructure sub-sectors, so commercial acumen must be balanced with strong operational leadership. While the ideal CEO brings a combination of operational and commercial experience, finding an individual with that combination is rare; those who have it usually already CEOs within the sector.

The investors we spoke with varied in their opinions on whether build experience was required in a CEO. One investor who told us it was a must said that the skills were crucial for anticipating problems and issues. “It is more expensive to get the ‘build’ part of the equation wrong,” the investor said.

“No-surprises” communication approach

The best leaders are transparent in their financial reporting and other communication, willing to share both good and bad news. They’re open to conversations about results and plans. And in presentations with investors, they don’t simply report results but encourage open, honest discussion.

One investor we spoke with called this “no-surprises financial reporting” and says leaders need to be prepared for weekly calls and monthly reports to investors. This level of inspection is often a surprise to those working with investors for the first time: “A CFO needs to provide weekly calls and monthly reports,” one investor said. “Investors never want to be surprised at quarterly board meetings.”

Regulatory acumen

In the U.S., given the scale of potential stimulus that currently exists, some states will try to build their own networks, with a varying degree of planning around how to reach unserved or underserved markets. A CEO needs to be able to put a plan in place to allow a new player to be successful in each state, which includes cultivating a relationship with that state's broadband office in a thoughtful, influential way. In Europe, each country is approaching this problem differently, so regulatory acumen is also essential.

Leaders who can rise to the fiber challenge

For all the challenges facing the digital infrastructure space, and in particular fiber, the investors we spoke with remain bullish on the sector's long-term prospects. And fiber is a true leadership opportunity — one where strong, multi-faceted leaders can emerge to drive the industry forward.

As one investor put it, “There are lots of opportunities for young, talented fiber executives who can morph quickly. But those executives can be hard to find.”





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