

**Convergence Poses a Major Challenge to Businesses says Russell
Reynolds Associates Research**

Internationally, 65% of media and technology businesses see convergence as a major challenge and one that demands new skills. 62% say convergence will change the way Boards are structured

UK reports less impact of convergence than North America and Asia, but is catching up. Boards more likely to change in UK

London, 22 May 2006. 65% of senior executives see the effect of convergence on their human capital requirements as a major challenge to their businesses, according to a study by global executive search and assessment firm Russell Reynolds Associates. Respondents said that convergence will require their companies to recruit executives – often outside their industry – who possess new skill sets. Companies also expect tough issues around the integration and turnover of new employees. The impact will extend beyond the operational level, they say. 62% believe that the effect of convergence will be so profound that it will change the structure of Boards.

Rhys Grossman, Executive Director, Russell Reynolds Associates, said: “The majority (89%) of respondents said that they needed to acquire new skills sets for convergence, with many believing they must look outside their traditional sector to get the right people. However, our research shows that recruiting, integrating and retaining this talent will be a big challenge.”

Russell Reynolds Associates asked the opinions of 125 senior executives in media and technology organisations across the UK, Europe, North America and Asia. The research showed that companies are ill prepared to deal with the human capital challenges of convergence - only 19% of respondents think they are “very prepared”. Europe appears to be the least ready with only 11% of respondents saying they are “very prepared”, compared with the UK (24%), North America (20%) and Asia (22%).

The research further indicates that there will be particular demand for a new kind of flexible talent with hybrid, cross sector skills and a strong focus on the consumer.

As one senior executive who was surveyed said: "Convergence will lead to a different type of person in the business. We will need individuals to drive and understand consumer needs...people with a true DNA of customer understanding."

There is a marked difference in the impact of convergence across the world. North America and Asia report a greater impact to date compared with the UK and Europe. However, Board structure changes are more likely in the UK (79% agreeing), than in North America (58%) and Asia (50%).

Technology companies have been more affected by convergence than media companies, and believe there is a greater need to find new skills sets. Media companies are seen as the most attractive sources of new recruits, in particular the online, TV, games and music sectors. Fixed line telecoms will see a marked decline as a source of recruits. Boards are more likely to change in technology companies (66% agreeing) than in media companies (59% agreeing).

Finding the right people and integrating them is getting harder. Most respondents said they would be forced to recruit from outside their traditional sector, and 30% said it would be harder to recruit this way. Similarly, 53% thought that integrating this talent would be harder.

Companies also expect convergence to cause increased employee churn - 70% of respondents think it will be harder to retain key people as convergence increases the number of opportunities open to talented staff.

Jane Dowding, Managing Director, Russell Reynolds Associates, said: "We are in a period of rapid evolution in convergence. Long-term business models and their impact on people are uncertain. However, it is clear that Boards will need to have a far greater understanding of convergence and the industries that it spans, and that new skills will be required throughout organisations."

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About the research

Russell Reynolds Associates conducted the research from January to April 2006, using face-to-face and telephone interviews. The company spoke to 125 senior executives in the UK (30), Europe (36), North America (31) and Asia (28). The sector breakdown was: Technology (65), including fixed line and mobile telecoms, devices and hardware, and software, and Media (60), incorporating content in its broadest sense, including film, studios, TV, music, print and Internet companies.

Comparison between Media and Technology sectors

Effects of convergence on people requirements

- Respondents in technology (68%) are more likely than those in media (59%) to claim that convergence has already had a significant effect.

Challenge and preparedness

- While both media (66%) and technology (65%) respondents see convergence as a major challenge, neither feels well equipped for its human capital impact.
- Interestingly, however, a greater proportion of media respondents (20%) compared with technology respondents (17%) say they are very prepared for convergence. The difference is notable as respondents from technology companies report a greater impact to date than their media counterparts.

Skills requirements

- 89% of respondents believe they need new skills and people to cope with convergence. The view is shared equally between those from media and technology companies.

Ease of recruitment

- Respondents from technology companies are twice as likely as those from media companies to think that the recruitment of new skills will be harder.
- Respondents from media companies (42%) are much more inclined than those from technology companies (26%) to agree that recruitment from outside their sector will be much easier.
- Many of the respondents from media companies, especially TV organisations, believe their sector is inherently more attractive than other sectors.

Sources of recruits

- Media respondents expect relatively few changes to where they recruit from, the key exceptions being print, expected to decline in importance by 25%, and games, which respondents believe will increase in importance by 24%.
- Technology respondents expect many more changes in sources of recruits. Games (+112%), music (+94%), TV (+80%) and print (+63%) stand to gain the most.
- Fixed line telecoms and mobile telecoms are expected to become less popular as sources of recruits.

Integration

- 53% of both media and technology respondents believe integration of new hires will be harder. However, there is also the issue of integrating established employees into organisations' new cultures.

Retention

- Media respondents are more likely (74%) than technology respondents (65%) to agree that it will be harder to retain key personnel. This probably reflects the view from many in media companies that they will become increasingly attractive hunting grounds for talent.

Board structures

- Slightly more technology respondents (66%) than media respondents (59%) think Board structures will change.

UK data summary

Effects of convergence on people requirements

- More than half of UK respondents (53%) report that convergence has already had a significant effect on business and on their people requirements.

Challenge and preparedness

- While nearly two-thirds (62%) of respondents think convergence represents a major challenge, 24% describe themselves as very prepared for the human capital implications of convergence.

Skills requirements

- 83% of UK respondents say they will need new skills to deal with convergence.

Ease of recruitment

- UK respondents are uncertain about how difficult it will be to recruit new skills from outside their traditional sectors. 24% expect it to be harder, 31% expect it to be easier, and 41% expect it to be just the same.

Integration

- However, they are much clearer about how hard it will be to integrate people recruited from outside their traditional sector. 57% of UK respondents believe integration will be harder.

Retention

- 70% of UK respondents think that retention of these key personnel in general will be harder in the future.

Board structures

- 79% of UK companies (a higher proportion than any other region in the survey) think that the composition of Boards will change because of convergence.

About Russell Reynolds Associates

Russell Reynolds Associates is the most trusted name in global executive search and assessment. Through a global network of 34 wholly owned offices, the firm's more than 275 professionals conduct senior-level search and assessment assignments in a range of industries for public and private organisations of all sizes. With a one-firm culture, deep industry knowledge and unwavering commitment to client service, Russell Reynolds Associates' professionals are uniquely qualified to help clients find the best leaders for the future. The firm's web site is www.russellreynolds.com.

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