

From the Editor

By Karen V. Beaman, *Jeitosa Group International*

Our first article by Thomas Otter, “Beyond SOX: Governance Risk and Compliance Implications,” explores the relationship between SOX and technology and shows that a demand for a broader compliance, risk and governance approach has emerged. Risk management, in particular, has significance beyond the boundaries of the Finance function. The Finance function has effectively used SOX to drive restructuring and affect a shift to centralization and control. Governance is moving from a couple of paragraphs in the annual report to a more significant role. Sarbanes-Oxley has changed the compliance environment dramatically, and it has increased the cost of doing business. Nevertheless, organizations have the opportunity to exploit SOX to create a framework for sustainable compliance risk and governance management. Beyond SOX, consumers, regulators, and investors are demanding that businesses improve transparency, obey laws and look to the longer term. The Finance function has begun to change processes and implement systems to support this change, but HR has a vital role to play in driving the essential cultural and value changes.

In “Competencies and Managerial Effectiveness,” Les Pickett states that to be effective, the development of workplace and managerial skills must reflect the current and projected needs of the organization. It is a critical responsibility of senior management to identify the core competencies of the enterprise and to ensure that the competencies required by managers, specialists and the workforce in general are adequate and appropriate. Competent people are the key to future success and offer business enterprises their only sustainable competitive advantage. The development of an effective competencies framework and a complimentary performance management program provide an opportunity for enterprise and individual growth and in the longer term can also increase shareholder value.

John Macy’s article, “The Changing HRMS Landscape,” describes some major changes taking place in the human resource management systems (HRMS) landscape. Web services, service-oriented architecture (SOA), component development, and new software delivery methods are all contributing to substantial change. On-demand HRMS business solutions are gaining popularity every month. Present indications are that the uptake will continue to increase during 2007 and by 2010 the option will become mainstream. On-demand is not just a new technology stack; it is a whole new business platform and will throw down a challenge to the conventional on-premise model that has dominated for so long. The players are still the same but the playing field has been moved to a new level. The acceptance of the new platform will cause some dramatic changes to HRMS and the way software needs are

specified, products are built, components are sold and solutions assembled and deployed. Although the rules may have changed, the issues – such as integration – are still the same, irrespective of the platform.

In “Software as a Service: A Comprehensive Look at the Total Cost of Ownership of Software Applications,” Jan Sysmans writes that the Software as a Service (SaaS) revolution allows companies to subscribe to software applications and outsource operating the back-end infrastructure to the SaaS vendor. In most cases, the SaaS vendor can do this much more cost-effectively, providing overall cost savings for the company. As a result, companies can spread their IT budget across many more applications to support and grow their business operations, which will, in turn, contribute to the bottom line. The article educates end users and decision makers on SaaS, where it differs from traditional software, and what the key benefits are when deploying SaaS applications. In addition, the author provides a comprehensive look at the total cost of ownership (TCO) analysis any decision maker should complete before making a choice between a SaaS and a traditional software deployment.

Our last article, “Characteristic Business Models of HR and Payroll Outsourcing Landscape” by Knut Ripken, provides a framework for understanding HR outsourcing (HRO) services by discussing several business models that characterize today’s market. Ripken concentrates on the core functions of HR and Payroll from a global point of view of HRO, yet with particular focus on Europe. However, his observations are applicable to other multinational regions as well. Starting with a description of general types of outsourcing services, he characterizes six different business models of HRO service, mainly based on the two outsourcing service types: processing service and managed service. The discussion of the business models uses the classical approach based on value chain, distinctive competencies and competitive strategies. The models presented here cover current business practice to a large extent; however, as with any model, they also leave room for variation and combination.

We hope you enjoy the variety of articles in this issue. The *IHRIM Journal* continues to build a recognized body of knowledge targeted to current and emerging thought leaders and senior management, and its content is focused on increasing individual and organizational effectiveness in the workplace through visionary and evolving uses of technology. Tell a colleague about it.

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