### HUMAN RESOURCE MANAGEMENT

THIRTEENTH EDITION



GARY DESSLER

METHOD'S FOR ENSURING

# HUMAN RESOURCE MANAGEMENT

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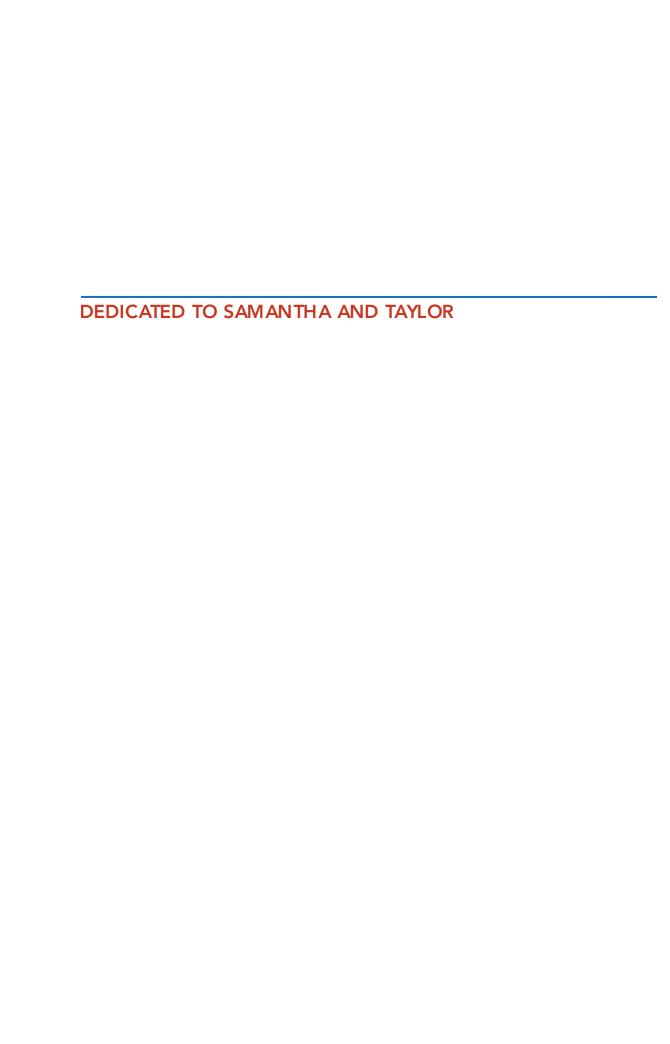
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## PREFACE

Human Resource Management, 13th edition provides students in human resource management courses and practicing managers with a comprehensive review of essential personnel management concepts and techniques in a highly readable and understandable form. As this new edition goes to press, I feel even more strongly than I did when I wrote the first that all managers—not just HR managers—need a strong foundation in HR/personnel management concepts and techniques to effectively do their jobs. Particularly in these difficult economic times, where students want to be able to apply at work what they learn in class, this edition continues to particularly focus on practical applications that all managers can use in carrying out their HR-related responsibilities. If you adopted the previous edition, you will find transitioning to the 13th edition easy, as the chapter outline (as well as the outline for each chapter) is more or less the same.

I had two goals in writing the 13th edition. In brief, I wanted it to provide a "high-level" book's complete coverage with a "lower-level" book's readability, user-friendliness and (relative) brevity. To that end, I've made six major changes to this edition.

- 1. Dozens of new topics. These include new, expanded treatments of reliability, validity, generalizability, utility, person-job fit, person-organization fit, and bias in Chapter 6 (Employee Selection), as well as the standard deviation rule in equal employment compliance, retaliation, job satisfaction and withdrawal, managing voluntary turnover, management's willingness to take a strike, cross training, the Myers-Briggs type indicator, workflow analysis, job design in job analysis, task analysis and task statements, the psychological contract, job hazard analysis, safety awareness programs, operations reviews, competencies of HR professionals, managing voluntary turnover, employee engagement, the process of job withdrawal, cumulative trauma disorders, a thoroughly revised and expanded description of the ADDIE training process in Chapter 8, and new material on employee rights in Chapter 14 (Ethics and Employee Rights and Discipline). This edition also contains many dozens of new recent citations.
- 2. A new boxed feature, *The Strategic Context*, paired with new strategic human resource management opening scenarios. These boxes illustrate the strategic context of each chapter's material—for instance, how L.L.Bean's employee selection standards help to produce the employee competencies and behaviors that in turn support L.L.Bean's customer service strategy. The new chapter opening model says this: that (1) the company's human resource policies and practices should (2) produce the employee competencies and behaviors that (3) the company needs to implement its strategic plan.
- **3.** New *HR as a Profit Center* boxed features. I've added a new focus throughout the book on the value proposition and on HR strategy, metrics, and analysis. The new HR as a Profit Center features give readers actual examples of human resource management practices they can apply on their jobs to cut costs, boost revenues, and improve performance.
- **4.** A completely revised Chapter 10 on Employee Retention, Engagement, and Careers, and a completely rewritten and practical discussion in Chapter 11 of how to actually develop a market competitive salary structure.
- **5. Eighteen new videos** all reviewed by me and with discussion questions and a synopsis for each video included at the end of each part of the textbook. We have a total of 28 videos on the DVD.
- **6. All in a slimmer package.** This 13th edition is about 10% (73 pages) shorter than the 12th edition, which I accomplished mostly by pruning material.

#### **NEW FEATURES**

As noted previously, I've added two important boxed features.

**Strategic HR opening scenarios paired with a new boxed feature,** *The Strategic Context.* What HR practices and policies do we need to produce the employee competencies and behaviors required to achieve our strategic goals? The new *The Strategic Context* features (linked to the opening scenarios) show how companies make human resource management decisions within the context of their strategic initiatives. Examples include how Whirlpool uses candidate interviewing to build its customer base (Chapter 7), and how Google fosters the employee interaction its strategy depends on with a "crowd sourcing" selection process (Chapter 6).

New HR as a Profit Center boxed feature. Today's students want to apply what they learn in class to their jobs, and today's employers expect human resource management to add measurable value to the company. Our new HR as a Profit Center features show actual examples of how human resource management practices do this. Examples include how the Atlantic American insurance company conducted a workflow analysis to identify inefficiencies in how it processes its insurance claims (Chapter 4), and how KeyBank produced a \$1.7 million cost savings in teller turnover in one year, simply by making better hiring decisions to reduce training costs (Chapter 6).

In addition, I've retained these important 12th edition features.

**Evidence-Based Human Resource Management** illustrates why and how managers base human resource decisions on measurable, data-based evidence.

**Improving Productivity Through HRIS** demonstrates how managers use technology to improve the productivity of HR.

**Managing the New Workforce** illustrates the skills managers need to manage today's diverse employees.

Previous editions of this textbook were the first to provide specific, actionable explanations and illustrations showing how to use devices such as the HR Scorecard process (explained fully in Chapter 3) to measure HR's effectiveness in achieving the company's strategic aims. In this 13th edition, a continuing "Hotel Paris" case at the end of each chapter gives readers practice in applying strategic human resource management in action. Coverage of the core concepts of strategic HR appears in Chapter 3.

#### **Video Cases**

To provide professors, students, and practicing managers with a richer and more flexible textbook, I have incorporated 18 new video cases at the end of the book's five parts. The *in-book video cases* provide a basis for in-class discussion of the videos available to adopters; I reviewed the videos and wrote the questions.

#### **Comprehensive Cases**

To continue with the theme of a richer, more flexible textbook, professors, students, and practicing managers will find I've again included five comprehensive cases in an appendix at the end of the book. I personally wrote the five *comprehensive cases* to provide students and faculty with an opportunity to discuss and apply the book's concepts and techniques by addressing more comprehensive and realistic case-based issues.

#### **SHRM HRCI Review Questions**

The profession of HR management is becoming increasingly demanding. Responding to these new demands, thousands of HR managers have passed the various certification exams offered by the Human Resource Certification Institute (HRCI), thus earning the designations Professional in HR (PHR), Senior Professional in HR (SPHR), and Global Professional in HR (GPHR) (as well as a special exam for California HR professionals).

This edition again contains, in each chapter, an *HRCI-related exercise* students can use to apply their knowledge of that chapter's material within the HRCI exam context, as well as a comprehensive listing of the topics that these exams address, in a HRCI guidelines appendix.

#### **SUPPLEMENTS**

#### **Instructor Supplements**

Instructors can access downloadable supplemental resources by signing into the Instructor Resource Center at www.pearsonhighered.com/educator.

It gets better. Once you register, you will not have additional forms to fill out or multiple user names and passwords to remember to access new titles and/or editions. As a registered faculty member, you can log in directly to download resource files and receive immediate access and instructions for installing Course Management content to your campus server.

**Need help?** Our dedicated Technical Support team is ready to assist instructors with questions about the media supplements that accompany this text. Visit http://247pearsoned.custhelp.com/ for answers to frequently asked questions and toll-free user support phone numbers. The following supplements are available to adopting instructors.

**INSTRUCTOR'S MANUAL** This comprehensive supplement provides extensive instructional support. The instructor's manual includes a course planning guide and chapter guides for each chapter in the text. The chapter guides include a chapter outline, lecture notes, answers to discussion questions, definitions to key terms, and references to the figures, tables, cases. The instructor's manual also includes a video guide.

**TEST ITEM FILE** The test item file contains approximately 110 questions per chapter including multiple-choice, true/false, and short-answer/essay-type questions. Answers are provided for all questions along with difficulty ratings. In addition, the Test Item File includes questions that are tagged to Learning Objectives and to AACSB Learning Standards to help measure whether students are grasping the course content that aligns with AACSB guidelines.

**TESTGEN SOFTWARE** Pearson Education's test-generating software is available from www.pearsonhighered.com/irc. The software is PC/MAC compatible and preloaded with all of the Test Item File questions. You can manually or randomly view test questions and drag and drop to create a test. You can add or modify test-bank questions as needed. All of our TestGens are converted for use in Blackboard and WebCT and are available for download from www.pearsonhighered.com/irc.

**BLACKBOARD/WEBCT** BlackBoard and WebCT Course Cartridges are available for download from www.pearsonhighered.com/irc. These standard course cartridges contain the Instructor's Manual, TestGen, Instructor PowerPoints, and when available, Student Powerpoints and Student Data Files.

**INSTRUCTOR POWERPOINT PRESENTATION** This presentation includes basic outlines and key points from each chapter. It includes figures from the text but no forms of rich media, which makes the file size manageable and easier to share online or via email.

**VIDEOS ON DVD** Adopters can access the 18 videos referenced in the partending cases, as well as 10 additional videos, on the 2013 Human Resource Management Video Library DVD. These videos have been produced to depict realworld HRM issues and give students a taste of the multi-faceted nature of HRM in real companies.

#### **Student Supplements**

MYMANAGEMENTLAB MyManagementLab (www.mymanagementlab.com) is an easy-to-use online tool that personalizes course content and provides robust assessment and reporting to measure student and class performance. All the resources you need for course success are in one place—flexible and easily adapted for your course experience.

COURSESMART ETEXTBOOKS ONLINE CourseSmart eTextbooks were developed for students looking to save on required or recommended textbooks. Students simply select their eText by title or author and purchase immediate access to the content for the duration of the course using any major credit card. With a CourseSmart eText, students can search for specific keywords or page numbers, take notes online, print out reading assignments that incorporate lecture notes, and bookmark important passages for later review. For more information or to purchase a CourseSmart eTextbook, visit www.coursesmart.com.

## ACKNOWLEDGMENTS

Everyone involved in creating this book is very proud of what we've achieved. *Human Resource Management* is one of the top-selling books in this market, and, as you read this, students and managers around the world are using versions translated into a number of languages, including Thai, French, Spanish, Indonesian, Russian, and both traditional and simplified Chinese.

Although I am, of course, solely responsible for the content in *Human Resource Management*, I want to thank several people for their assistance. This includes, first, the faculty who reviewed this and the 12th edition:

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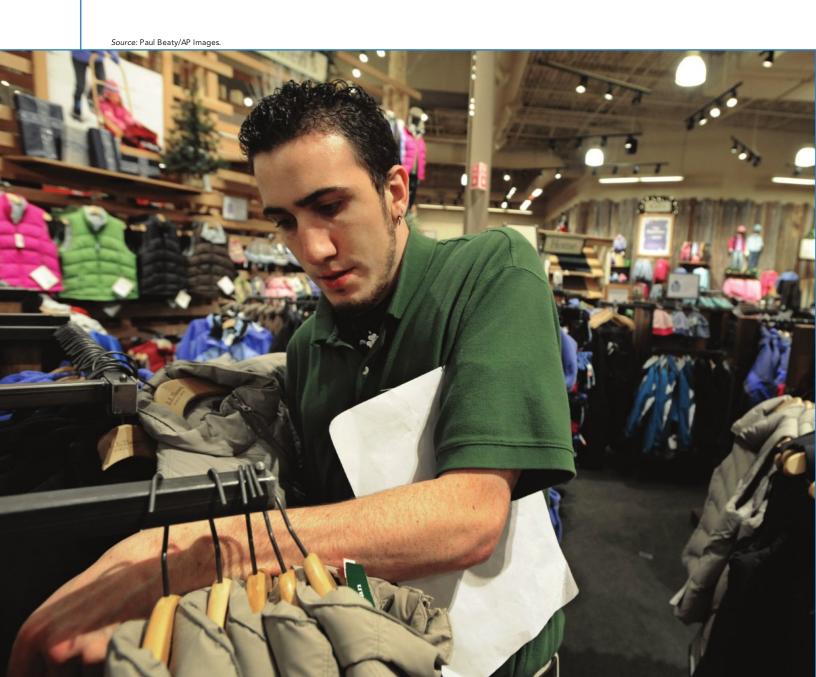
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Gary Dessler

1

# Introduction to Human Resource Management



#### LEARNING OBJECTIVES

- 1. Explain what human resource management is and how it relates to the management process.
- 2. Show with examples why human resource management is important to all managers.
- 3. Illustrate the human resources responsibilities of line and staff (HR) managers.
- **4.** Briefly discuss and illustrate each of the important trends influencing human resource management.
- 5. List and briefly describe important traits of today's human resource managers.
- **6.** Define and give an example of evidence-based human resource management.
- 7. Outline the plan of this book.

ost L.L.Bean customers find its customer service staff to be knowledgeable, helpful, and understanding. Its managers know that courteous, expert workers are the key to such customer service, and that it takes the right human resource practices to attract and cultivate such employees. The company knows what it's looking for. Its Web site says candidates should be Friendly, Dependable, Helpful & Authentic; Trustworthy & Honest; Experienced & Innovative; Outdoor Oriented & Environmentally Aware; and want to have Fun. 1 The company uses an array of human resource practices, including competitive pay, cash performance bonuses, multiple medical and insurance plans, and "outdoor experience days" to attract and cultivate such employee behaviors.<sup>2</sup> The success of L.L.Bean's customer service strategy depends on its human resource management practices.

Access a host of interactive learning aids at **www.mymanagementlab.com** to help strengthen your understanding of the chapter concepts.





#### WHERE ARE WE NOW...

The purpose of this chapter is to explain what human resource management is, and why it's important to all managers. We'll see that human resource management activities such as hiring, training, appraising, compensating, and developing employees are part of every manager's job. And we'll see that human resource management is also a separate function, usually with its own human resource or "HR" manager. The main topics we'll cover include the meaning of human resource management; why human resource management is important to all managers, global and competitive trends, human resource management trends, and the plan of this book. The framework above (which introduces each chapter) makes this point: That the firm's HR polices and practices should produce the employee skills and behaviors the company needs to achieve its strategic aims.

 Explain what human resource management is and how it relates to the management process.

## WHAT IS HUMAN RESOURCE MANAGEMENT AND WHY IS IT IMPORTANT?

#### What Is Human Resource Management?

L.L.Bean is an *organization*. An **organization** consists of people with formally assigned roles who work together to achieve the organization's goals. A **manager** is the person responsible for accomplishing the organization's goals, who does so by managing the efforts of the organization's people.

Most experts agree that *managing* involves five functions: planning, organizing, staffing, leading, and controlling. In total, these functions represent the **management process**. Some of the specific activities involved in each function include:

- **Planning.** Establishing goals and standards; developing rules and procedures; developing plans and forecasting.
- **Organizing.** Giving each subordinate a specific task; establishing departments; delegating authority to subordinates; establishing channels of authority and communication; coordinating subordinates' work.
- **Staffing.** Determining what type of people you should hire; recruiting prospective employees; selecting employees; training and developing employees; setting performance standards; evaluating performance; counseling employees; compensating employees.
- Leading. Getting others to get the job done; maintaining morale; motivating subordinates.
- **Controlling.** Setting standards such as sales quotas, quality standards, or production levels; checking to see how actual performance compares with these standards; taking corrective action, as needed.

In this book, we are going to focus on one of these functions—the staffing, personnel management, or *human resource management* (*HRM*) *function*. **Human resource management** is the process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns. The topics we'll discuss should therefore provide you with the concepts and techniques you need to perform the "people" or personnel aspects of your management job. These include:

- *Conducting job analyses* (determining the nature of each employee's job)
- *Planning labor needs* and *recruiting* job candidates
- Selecting job candidates
- *Orienting and training* new employees
- *Managing wages and salaries* (compensating employees)
- Providing incentives and bene fits
- Appraising per formance
- *Communicating* (interviewing, counseling, disciplining)
- Training and developing managers
- Building em plo yee commitment

And what a manager should know about:

- Equal opportunity and affirmative action
- Employee health and safety
- Handling grievances and labor relations

2 Show with examples why human resource management is important to all managers.

#### Why Is Human Resource Management Important to All Managers?

These concepts and techniques important to all managers for several reasons.

**AVOID PERSONNEL MISTAKES** First, having a command of this knowledge will help you avoid the sorts of personnel mistakes you don't want to make while managing. For example, no manager wants to:

- Hire the wrong person for the job
- Experience high turnover
- Have your people not doing their best
- Waste time with useless interviews
- Have your company taken to court because of your discriminatory actions
- Have your company cited under federal occupational safety laws for unsafe practices
- Have some employees think their salaries are unfair relative to others in the organization
- Allow a lack of training to undermine your department's effectiveness
- Commit any unfair labor practices

Carefully studying this book will help you avoid mistakes like these.

**IMPROVE PROFITS AND PERFORMANCE** Similarly, effective human resource management can help ensure that you get results—through people. Remember that you can do everything else right as a manager—lay brilliant plans, draw clear organization charts, set up world-class assembly lines, and use sophisticated accounting controls—but still fail, by hiring the wrong people or by not motivating subordinates. On the other hand, many managers—presidents, generals, governors, supervisors—have been successful even with inadequate plans, organizations, or controls. They were successful because they had the knack of hiring the right people for the right jobs and motivating, appraising, and developing them. Remember as you read this book that getting results is the bottom line of managing, and that, as a manager, you will have to get those results through people. As one company president summed up:

For many years, it has been said that capital is the bottleneck for a developing industry. I don't think this any longer holds true. I think it's the work force and the company's inability to recruit and maintain a good work force that does constitute the bottleneck for production. I don't know of any major project backed by good ideas, vigor, and enthusiasm that has been stopped by a shortage of cash. I do know of industries whose growth has been partly stopped or hampered because they can't maintain an efficient and enthusiastic labor force, and I think this will hold true even more in the future.<sup>3</sup>

Indeed, we'll see that because of global competition, technological advances, and the changing nature of work, that president's statement has never been truer than it is today.

#### organization

People with formally assigned roles who work together to achieve the organization's goals.

The person responsible for accomplishing the organization's goals, and who does so by managing (planning, organizing, staffing, leading, and controlling) the efforts of the organization's people.

#### management process

The five basic functions of planning, organizing, staffing, leading, and controlling.

#### human resource management (HRM)

The process of acquiring, training, appraising, and compensating employees, and of attending to their labor relations, health and safety, and fairness concerns.

YOU TOO MAY SPEND SOME TIME AS AN HR MANAGER Here is a third reason to be familiar with this book's contents. You may well make a planned (or unplanned) stopover as a human resource manager. For example, Pearson Corporation (which publishes this book) recently promoted the head of one of its publishing divisions to chief human resource executive at its corporate headquarters. After General Motors emerged from bankruptcy a few years ago, it replaced its human resource director with Mary Barra, GM's vice president for global manufacturing engineering, an executive with no human resource management experience. One survey found that about one-fourth of large U.S. businesses appointed managers with no human resource management experience as their top human resource executives. Reasons given include the fact that these people may give the firms' HR efforts a more strategic emphasis, and the possibility that they're sometimes better equipped to integrate the firm's human resource efforts with the rest of the business.

However, most top human resource executives do have prior human resource experience. About 80% of those in one survey worked their way up within HR.<sup>6</sup> About 17% of these HR executives had earned the Human Resource Certification Institute's Senior Professional in Human Resources (SPHR) designation, and 13% were certified Professionals in Human Resources (PHR). The Society for Human Resource Management (SHRM) offers a brochure describing alternative career paths within human resource management. Find it at www.shrm.org/Communities/StudentPrograms/Documents/07-0971%20Careers%20HR%20Book\_final.pdf.

HR FOR ENTREPRENEURS Finally, another reason to study this book is that you might end up as your own human resource manager. More than half the people working in the United States—about 68 million out of 118 million—work for small firms. Small businesses as a group also account for most of the 600,000 or so new businesses created every year. Statistically speaking, therefore, most people graduating from college in the next few years either will work for small businesses or will create new small businesses of their own. Especially if you are managing your own small firm with no human resource manager, you'll have to understand the nuts and bolts of human resource management. We'll specifically address HR for entrepreneurs in Chapter 18.

3 Illustrate the human resources responsibilities of line and staff (HR) managers.

#### **Line and Staff Aspects of Human Resource Management**

All managers are, in a sense, human resource managers, because they all get involved in recruiting, interviewing, selecting, and training their employees. Yet most firms also have human resource departments with their own top managers. How do the duties of this human resource manager and department relate to the human resource duties of sales and production and other managers? Answering this requires a short definition of line versus staff authority.

**Authority** is the right to make decisions, to direct the work of others, and to give orders. Managers usually distinguish between line authority and staff authority.

In organizations, having what managers call **line authority** traditionally gives managers the right to *issue orders* to other managers or employees. Line authority therefore creates a superior (order giver)—subordinate (order receiver) relationship. When the vice president of sales tells her sales director to "get the sales presentation ready by Tuesday," she is exercising her line authority. **Staff authority** gives a manager the right to *advise* other managers or employees. It creates an advisory relationship. When the human resource manager suggests that the plant manager use a particular selection test, he or she is exercising staff authority.

On the organization chart, managers with line authority are **line managers**. Those with staff (advisory) authority are **staff managers**. In popular usage, people tend to associate line managers with managing departments (like sales or production) that are crucial for the company's survival. Staff managers generally run departments that are advisory or supportive, like purchasing, and human resource management. Human resource managers are usually staff managers. They assist and advise line managers in areas like recruiting, hiring, and compensation.



Line authority gives the manager the right to issue orders.

#### **Line Managers' Human Resource Duties**

However, line managers still have many human resource duties. This is because the direct handling of people has always been part of every line manager's duties, from president down to first-line supervisors. For example, one major company outlines its line supervisors' responsibilities for effective human resource management under these general headings:

- 1. Placing the right person in the right job
- 2. Starting new employees in the organization (orientation)
- 3. Training employees for jobs that are new to them
- 4. Improving the job performance of each person
- 5. Gaining cooperation and developing smooth working relationships
- **6.** Interpreting the company's policies and procedures
- 7. Controlling labor costs
- 8. Developing the abilities of each person
- 9. Creating and maintaining department morale
- 10. Protecting employees' health and physical condition

In small organizations, line managers may carry out all these personnel tasks unassisted. But as the organization grows, they need the assistance,

specialized knowledge, and advice of a separate human resource staff. The human resource department provides this specialized assistance.

#### **Human Resource Manager's Duties**

In providing this specialized assistance, the human resource manager carries out three distinct functions:

- 1. A line function. The human resource manager directs the activities of the people in his or her own department, and perhaps in related areas (like the plant cafeteria).
- 2. A coordinative function. The human resource manager also coordinates personnel activities, a duty often referred to as functional authority (or functional control). Here he or she ensures that line managers are implementing the firm's human resource policies and practices (for example, adhering to its sexual harassment policies).
- 3. Staff (assist and advise) functions. Assisting and advising line managers is the heart of the human resource manager's job. He or she advises the CEO so the CEO can better understand the personnel aspects of the company's strategic options. HR assists in hiring, training, evaluating, rewarding, counseling, promoting, and firing employees. It administers the various benefit programs (health and accident insurance, retirement, vacation, and so on). It helps line managers comply with equal employment and occupational safety laws, and plays an important role in handling grievances and labor relations. It carries out an

#### authority

The right to make decisions, direct others' work, and give orders.

#### line authority

The authority exerted by an HR manager by directing the activities of the people in his or her own department and in service areas (like the plant cafeteria).

#### staff authority

Staff authority gives the manager the right (authority) to advise other managers or employees.

#### line manager

A manager who is authorized to direct the work of subordinates and is responsible for accomplishing the organization's tasks.

#### staff manager

A manager who assists and advises line managers.

#### functional authority

The authority exerted by an HR manager as coordinator of personnel activities.

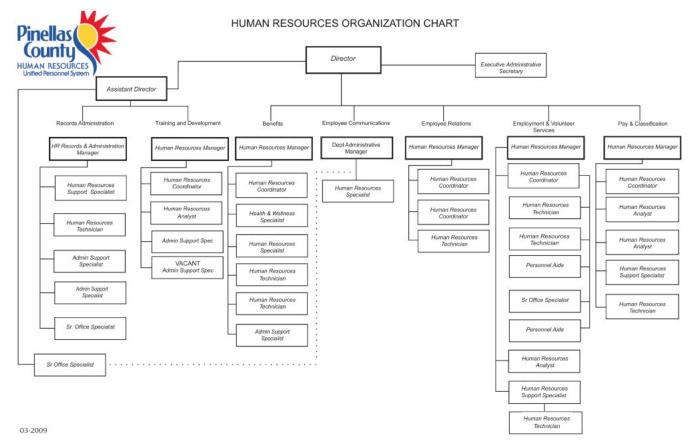


FIGURE 1-1 Human Resources Organization Chart

Source: www.co.pinellas.fl.us/persnl/pdf/orgchart.pdf, accessed April 1, 2009. Used with permission of Pinellas County Govt.

innovator role, by providing up-to-date information on current trends and new methods for better utilizing the company's employees (or "human resources"). It plays an *em ployee advocacy* role, by representing the interests of employees within the framework of its primary obligation to senior management. Although human resource managers generally can't wield line authority (outside their departments), they are likely to exert *im plied authority*. This is because line managers know the human resource manager has top management's ear in areas like testing and affirmative action.

The size of the human resource department reflects the size of the employer. For a very large employer, an organization chart like the one in Figure 1-1 would be typical, containing a full complement of specialists for each HR function.

Examples of human resource management specialties include:<sup>8</sup>

- Recruiters. Search for qualified job applicants.
- Equal employment opportunity (EEO) coordinators. Investigate and resolve EEO grievances; examine organizational practices for potential violations; and compile and submit EEO reports.
- Job analysts. Collect and examine information about jobs to prepare job descriptions.
- Compensation managers. Develop compensation plans and handle the employee benefits program.
- Training specialists. Plan, organize, and direct training activities.
- Labor relations specialists. Advise management on all aspects of union—management relations.



FIGURE 1-2 HR Organization Chart (Small Company)

At the other extreme, the human resource team for a small manufacturer may contain just five or six (or fewer) staff, and have an organization similar to that in Figure 1-2. There is *generally* about one human resource employee per 100 company employees.

#### New Approaches to Organizing HR

Employers are also offering human resource services in new ways. For example, some organize their HR services around four groups: transactional, corporate, embedded, and centers of expertise.

- The transactional HR group uses centralized call centers and outsourcing arrangements (such as with benefits advisors) to provide support for day-to-day transactional activities (such as changing benefits plans and employee assistance and counseling). In one survey, about 75% of respondents said their firms were providing transactional, administrative human resource services through such arrangements.10
- The corporate HR group focuses on assisting top management in "top level" big picture issues such as developing and explaining the personnel aspects of the company's long-term strategic plan.
- The embedded HR unit assigns HR generalists (also known as "relationship managers" or "HR business partners") directly to departments like sales and production. They provide the localized human resource management assistance the departments need.
- The centers of expertise are like specialized HR consulting firms within the company—for instance, they provide specialized assistance in areas such as organizational change.

IBM EXAMPLE Randall MacDonald, IBM's senior vice president of human resources, noted that the traditional human resource organization often isolates HR functions into "silos" such as recruitment, training, and employee relations. He says this silo approach often means there's no one team of human resource specialists focusing on the needs of specific groups of employees.

MacDonald therefore reorganized IBM's human resource function. He segmented IBM's 330,000 employees into three sets of "customers": executive and technical employees, managers, and rank and file. Separate human resource management teams (consisting of recruitment, training, and compensation specialists, for instance) now focus on serving the needs of each employee segment. These specialized teams help ensure that the employees in each segment get precisely the talent, learning, and compensation they require to support IBM's needs. 11

#### Cooperative Line and Staff HR Management: An Example

Because line managers and human resource managers both have human resource management duties, it is reasonable to ask, "Exactly which HR duties are carried out by line managers and which by staff managers?" No one division of responsibilities would apply to all organizations, but we can generalize.