

# Human resource management executive presence in top management

HRM  
executive  
presence

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## Abstract

**Purpose** – This study aims to draw upon research from strategic human resource management (HRM) and strategic management to examine how HRM demands influence the likelihood that chief executive officers (CEOs) will staff top management with a human resource (HR) executive.

**Design/methodology/approach** – The theory and hypotheses developed in this study are tested on a sample of US initial public offering firms from the calendar year 2007, using logistic regression.

**Findings** – The results of hypothesis tests suggest that HR executive presence in top management is positively related to the HRM demands faced by a CEO stemming from product/service innovation strategies, the number of HRs employed by the firm and CEO's financial orientation.

**Research limitations/implications** – The results of this study may not generalize to other settings. This study does not simultaneously consider the role of other structural forms which may increase or reduce the degree of HRM demands faced by the CEO. This study extends prior research on executive job demands by expanding the understanding of factors which give rise to HRM sources of executive job demands. Study results suggest that CEOs with financial orientations are more likely to staff their top management teams with an HR executive, which suggests that in the face of executive job demands stemming from a particular functional area, CEOs delegate responsibility for that function to another member of top management. This finding suggests that CEOs can, and in fact do, recognize the limitations engendered by their experiences and that when confronted with a specific type of executive job demand that does not align with their expertise, they take steps to address their individual limitations by appointing others that are more capable of addressing the particular source of executive job demand.

**Practical implications** – Study results suggest that product/service innovation strategies, CEO's financial background and the number of HRs employed by the firm increase the likelihood of HR functional representation in top management.

**Originality/value** – The theory and results of this study extend the focus of extant research on factors giving rise to HRM's functional representation in top management. Although prior research has emphasized the role of ownership characteristics and risk preferences in the adoption of this structural form, this study examines the role of CEO HRM demands. This approach allows for the



integration of the upper echelons theory with the strategic HRM literature and provides an empirical examination of CEO job demands arising from the HRM function.

**Keywords** Top management, Human resource management

**Paper type** Research paper

## Introduction

People and the structures that enable them to contribute to organizational outcomes represent important topics in the fields of strategic human resource management (HRM) and strategic management (Huselid *et al.*, 1997; Mueller, 1996; Barney and Wright, 1998; Carpenter *et al.*, 2004). Although strategic HRM often focuses on people at lower levels of the organization (Huselid, 1995; Huselid *et al.*, 1997; Lepak and Snell, 1999), and strategic management research often focuses on demographic characteristics and structure of strategic leadership groups at the apex of the organization (Cannella and Hambrick, 1993; Finkelstein and Hambrick, 1988; Fredrickson *et al.*, 1988), both bodies of research are grounded in the premise that people influence organizational outcomes (Becker and Huselid, 2006; Finkelstein *et al.*, 2009).

Although these two research streams provide potentially important insights into how and when people matter, with the exception of a relatively small number of studies (Caldwell *et al.*, 2011; Collins and Clark, 2003; Welbourne and Cyr, 1999; Cyr *et al.*, 2000; Andrews and Welbourne, 2000; Ulrich *et al.*, 2012), extant research has yet to fully explore potential intersections between strategic leadership research (Hambrick and Mason, 1984; Finkelstein *et al.*, 2009) and strategic HRM research. To more fully integrate insights from these two theoretically distinct yet philosophically consistent literatures, we draw upon research on executive job demands to explore the presence of human resource (HR) executives in top management.

In their 2005 work, Hambrick *et al.* (2005, p. 473), define executive job demands as “the degree to which a given executive experiences his or her job as difficult or challenging”. Drawing upon this conceptualization of executive job demand, we address unique sources of executive job demands faced by a chief executive officer (CEO) stemming from the HR function of a firm. We refer to these types of executive job demands as CEO HRM demands. We define CEO HRM demands as *the extent to which a CEO experiences difficulty or challenges in managing the HRs of a firm*. Although the definition of CEO HRM demands parallels that of executive job demands provided by Hambrick *et al.* (2005), CEO HRM demands is conceptually narrower than executive job demands in that CEO HRM demands adopt an HR functional perspective and focus on the CEO. Narrowing our focus in this manner allows for a detailed exploration of unique sources of executive job demands faced by the CEO.

Building upon the notion of CEO HRM demands, we develop a theoretically grounded and integrated explanation of HR executive presence in top management. CEOs are responsible for the staffing and structuring of top management team (TMT) staffing, we argue that the extent to which CEOs face HRM demands shapes their decision to staff their TMT with an HR executive. Research from the domains of strategic leadership and strategic HRM suggest that HR executive presence in top management represents a potentially important decision for organizations and TMT staffing (Welbourne and Cyr, 1999). Yet, relatively few empirical studies examine the antecedents of TMT staffing

(Hambrick, 2007; Vinkenburg *et al.*, 2014) and even fewer focus on the presence of the HRM function representation in top management. An examination of CEO HRM demands provides a theoretically cogent means of filling this theoretical and empirical gap by integrating the strategic HRM and strategic leadership research streams.

Similar to the broader form of executive job demands articulated by Hambrick *et al.* (2005), we suggest that CEO HRM demands arise from two sources:

- (1) the context in which HRs are to be managed; and
- (2) the ability of the CEO to effectively manage those HRs.

By considering these two sources of CEO HRM demands, we integrate research from strategic HRM and strategic leadership in a way that expands our understanding of when the HRM function will be represented in top management.

In the sections that follow, we briefly review the literature on the importance of HRM representation in top management. We then review the theoretical underpinnings of executive job demands. Next, we proceed to a discussion of CEO HRM demands and its dimensions. Having conceptualized CEO HRM demands and its dimensions, we then develop hypotheses regarding specific sources of CEO HRM demands and their implications for HR executive presence in top management. We then proceed to a discussion of our methodology for hypothesis testing and present our results of hypothesis tests. We conclude this study with a discussion of study results, study limitations and future avenues of research.

### Theoretical background

Strategic HRM research differs from traditional HRM research in its focus on the effects of HR on organizational level outcomes (Becker and Huselid, 2006). Theoretically rooted in the resource-based view of the firm (Peteraf, 1993; Barney, 1991) and the contingency theory (Donaldson, 2001; Lawrence and Lorsch, 1967), a central thrust of strategic HRM research seeks to identify the environmental and organizational conditions that allow HR to realize their fullest potential and create economic value for the firm (Wright *et al.*, 1998; Huselid, 1995) through the adoption of HR-related structures, policies and practices. A similar focus on the role of people in shaping organizational outcomes, although at higher levels of the organization, is found in research on strategic leadership. This body of research is theoretically grounded in the upper echelons theory (Hambrick and Mason, 1984). The upper echelons theory suggests that top management demographic and structural characteristics play a central role in shaping organizational outcomes (Guthrie and Datta, 1997; Rajagopalan and Datta, 1996; Hambrick and Finkelstein, 1987).

Although strategic HRM and strategic leadership research both focus on the role of people and structures in shaping organizational outcomes, a paucity of research exists on the intersection of these two bodies of research. To address this gap, we draw upon strategic leadership and strategic HRM research to explore the antecedents of HR executive presence in top management. Strategic leadership research suggests that the ability of a given functional area to contribute to firm strategy is shaped by its representation in top management (Fligstein, 1987; Pfeffer and Salancik, 1978; Nath and Mahajan, 2011). This view is consistent with the upper echelons theory (Hambrick and Mason, 1984), which suggests presence of a business function endows that function with structural power and a seat at the strategic leadership table (Finkelstein, 1992).

Consistent with the upper echelon theory insights, strategic HRM research suggests that HR executive presence in top management may influence the ability of the HRM function to contribute to strategic outcomes (Wright *et al.*, 1998). Moreover, the findings of strategic HRM research on this issue, although relatively few in number, suggest that the presence of HR executive in top management can influence firm's performance (Welbourne and Cyr, 1999). In sum, the upper echelons theory suggests that the presence of an executive in top management may shape organizational behavior and firm performance. As such, HRM representation in top management represents an important structural choice made by CEOs. This perspective is echoed by research exploring the conditions giving rise to representation of the finance (Fligstein, 1987), operations management (Hambrick and Cannella, 2004) and marketing (Nath and Mahajan, 2011) functions within top management.

Although consideration of the antecedents of HR executive presence in top management may shed light into the determinants of an important structural choice, this study is not the first to focus on the antecedents of HR executive representation in top management. Rather, that distinction belongs to the work of Cyr *et al.* (2000). The theory and results of Cyr *et al.*'s (2000) study suggest that venture capital backing and initial public offering (IPO) risk factors increase the likelihood of HR executive presence in the top management of IPO firms. Although their findings provide insight into the role played by firm ownership characteristics and the corresponding risk preferences in shaping HR executive presence in top management, their findings overlook the role played by CEOs in the adoption of this important structural form. We find this omission surprising, given the central role played by CEOs in TMT staffing and structuring decisions (Finkelstein *et al.*, 2009; Finkelstein, 1992; Jackson, 1992; Hambrick and Cannella, 2004).

To address this omission, we focus on the question of when will CEOs choose to include the position of HR executives in top management? We argue that given the CEO's central role in determining TMT staffing decisions, we may gain important insights into the antecedent conditions of HR executive presence in top management by considering the nature of CEO HRM demands faced by the CEO. We draw upon upper echelons (Hambrick and Mason, 1984) logic to suggest that as CEOs experience difficulty in overseeing the HR function of the firm, CEOs will rationally seek out individuals to assist them in the management of the HR function. Consistent with this logic, we suggest that the CEOs choice to staff a TMT with an HR executive will vary according to the levels of CEO HRM demands a given CEO experiences.

Prior research on executive job demands suggests that the challenges an executive faces in a given executive position stem from both the *contextual characteristics* within which executive operates and *characteristics of the executive* (Hambrick, 2007; Hambrick *et al.*, 2005). Adopting a similar but more functional and executive-specific conceptualization of executive job demands, we suggest that CEO HRM demands arise from contextual factors that shape the nature of HRM as well as from CEO characteristics that influence his or her ability to oversee the HRM function. In the sections that follow, we explore sources of CEO HRM demands stemming from the contexts CEOs face and from CEO characteristics that may influence their ability to oversee the HRM function. To guide our selection of potential sources of CEO HRM demands, we draw upon strategic management and strategic HRM research.

Specifically, we consider CEO HRM demands arising from industry, strategy, HR and CEO characteristics.

### **Contextual sources of CEO HRM demands: industry, strategy and human resources**

In deciding which contextual sources of CEO HRM demands to focus on, we imposed the criteria that each source should relate conceptually to the nature of HRM required of executives within a given firm. Research from the domains of strategic management and strategic HRM suggests that industry, strategy and firm resource characteristics shape the nature of work conducted by executives (Datta *et al.*, 2005; Baker and Cullen, 1993; Guthrie and Datta, 1997; Miles and Snow, 1978). We posit that each of these levels may give rise to unique sources of contextual CEO HRM demands. Consistent with this perspective, we draw upon strategic management and strategic HRM literatures to develop hypotheses regarding contextual sources of CEO HRM demands arising from the HRs:

- required by a firm's industry;
- required by a firm's strategy; and
- possessed by the firm.

#### *High-technology industries*

Industry conditions can shape the task demands faced by top managers (Finkelstein *et al.*, 2009; Hambrick *et al.*, 2005) as well as the adoption of HRM-related structures (Datta *et al.*, 2005; Jackson and Schuler, 1995). For example, high-technology industries, which are highly reliant upon new technologies to provide goods and services, represent an executive task environment that requires a high degree of information processing by firm executives (Eisenhardt and Schoonhoven, 1990; Tushman and Anderson, 1986). This is because of the intense competitive dynamics and frequent customer preference shifts typical of high-technology industries (Tushman and Anderson, 1986). These sources of environmental turbulence may place substantial information-processing demands on top managers to cope with these issues.

Although high-technology industries represent a challenging task environment for top managers in general, they may also engender substantial HRM demands. For instance, high-technology industries generally emphasize new product and service development, which can disrupt organizational routines and production processes (Eisenhardt and Schoonhoven, 1990). In the absence of codified organizational routines and production processes, the need for a workforce that can effectively function under conditions of high autonomy is likely to increase (Batt, 2000). The development of such a workforce is likely to increase the need for careful selection, training and development of employees that are able to rely upon their own tacit knowledge to function in the absence of codified routines and frequent adjustments to job content and workflow (Delery and Doty, 1996).

In sum, the high rate of change typical of high-technology industries may require firm employees to act with a high degree of autonomy, thereby heightening the need for a highly trained and skilled workforce that is committed to organizational goals. The creation of such a workforce may necessitate careful oversight of employee selection, training and development. In response to these HRM demands, we suggest that CEOs in high-technology industries may appoint HR executives to their TMTs to ensure



adequate executive focus on employee selection and development and to free up CEO cognitive resources to focus on other demands associated with high-technology industries:

*H1.* High-technology industries are positively related to HR executive presence in top management.

*Product/service innovation*

Firm strategies may also shape the nature of job demands faced by firm executives (Datta and Rajagopalan, 1998; Rumelt, 1974) as well as lower-level employees (Delery and Doty, 1996; Wright *et al.*, 1995). An emphasis on innovation represents one aspect of firm strategy which may place unique HRM demands on CEOs. For example, product and/or service innovation often requires firms to distinguish their product/service in design, delivery and customer service from that of existing products/services. To effectively execute product/service innovation strategies, firm employees must often act without the benefit of pre-set organizational routines, which are often replaced through the process of innovation (Skaggs and Youndt, 2004). Changes to existing organizational routines heighten the need for employees to learn new routines (Skaggs and Youndt, 2004; Youndt *et al.*, 1996). As such, the pursuit of product/service innovation may require employees that can effectively function in high-discretion contexts and learn new skills (Batt, 2000). The development of HRs with such characteristics is likely to require substantial investment in the HRM function (Lepak and Snell, 1999). These types of investments may require extensive managerial oversight of employee selection, training and development (Delery and Doty, 1996). Accordingly, we posit that firms pursuing product/service innovation strategies are likely to require high levels of investment in, and executive oversight of, the HR function. To cope with these HRM demands, CEOs of firms pursuing product/innovation strategies will be likely to appoint an HR executive to top management:

*H2.* Product/service innovation is positively related to HR executive presence in top management.

*Number of human resources*

The number of HRs to be managed may also play a role in shaping the nature of HRM demands faced by a given CEO. Prior research demonstrates that top executives of firms which employ greater numbers of employees are more likely to recognize the need for HRM practices, policies and procedures (Tocher and Rutherford, 2009). Moreover, prior studies suggest that firms tend to engage in greater and more complex HRM activities as they employ more employees (Rutherford *et al.*, 2003; Van Fleet and Bedeian, 1977). Taken together, these insights suggest that as the number of individuals in an organization increases, the HRM demands faced by firm executives may also increase. Drawing upon upper echelons theory logic, we suggest that to the extent that greater numbers of employees surpass CEO's ability to deal with the resulting HRM demands, CEOs will delegate responsibility for the HRM function to another member of top management. Accordingly, we hypothesize the following:

*H3.* The number of HRs employed by a firm is positively related to HR executive presence in top management.

### CEO characteristics as source of HRM demands: financial orientation

A CEO's functional background may also influence the nature of executive job demands he/she experiences (Hambrick *et al.*, 2005). In deciding which background characteristics of a CEO might shape the extent to which a given CEO experiences HRM as challenging, we turned to prior research relating CEO characteristics to HRM. In searching extant research, we came upon the work of Andrews and Welbourne (2000), which suggests that firms with CEOs who possess financial orientations tended to place less emphasis on the people–performance balance faced by CEOs in new public firms. Relationships between the functional background and behavior of a CEO are often grounded conceptually in the upper echelons theory, which suggests that executive functional orientation provides insights into executive capabilities and tendencies (Hambrick and Mason, 1984; Finkelstein and Boyd, 1998).

Integrating the insights of Andrews and Welbourne (2000) with those provided by research on executive job demands, we develop a hypothesis regarding financial orientation of the CEO and the representation of the HR function in top management. Prior studies suggest that CEOs with a financial orientation are highly capable of dealing with external and more temporally proximal issues (Mian, 2001; Andrews and Welbourne, 2000). In contrast, HRM often requires an orientation toward internal and more long-term issues (Andrews and Welbourne, 2000). Combining these insights with those of extant strategic leadership research suggests that when the functional orientation of a given CEO represents a potential limitation to his/her ability to cope with demands arising from a particular functional area (Hambrick and Cannella, 2004), that CEO will rationally choose to compensate for such limitations. Accordingly, we expect CEOs with financial orientations to be more inclined to turn to HR executives to supplement their own managerial capabilities in dealing with the demands of overseeing the HRM function in their firm:

- H4.* financial orientation of the CEO is positively related to HR executive presence in top management.

### Sample and measures

The hypotheses developed in this study were tested using a sample of US IPO firms that went public during the calendar year 2007. In selecting our sample, we wanted to ensure that we would have sufficient statistical power to test our hypotheses. We also wanted to control for IPO market conditions which might influence HR presence in top management. As such, we selected a cohort of firms from the 2007 calendar year, given that 2007 was a relatively active time period for IPOs.

We selected the IPO context as the context for this study because it represents a transformational event in the life cycle of a firm (Certo, 2003; Fischer and Pollock, 2004). This transition from one institutional environment to another requires firms to make several structural and managerial decisions (Filatotchev and Bishop, 2002). The decision to have an HR executive work as part of top management represents one such decision that influences various aspects of the HRM process (Welbourne and Cyr, 1999). Moreover, extant research suggests that HRM processes and structures matter to investors (Andrews and Welbourne, 2000) and venture capitalists (Cyr *et al.*, 2000), which suggests that the decision to include an HR executive in top management is likely salient to CEOs and investors. Moreover, sampling IPO firms facilitates the comparison

of results with prior research on HRM representation in top management (Cyr *et al.*, 2000).

We drew the base sample for this study from the *Securities Data Corporation (SDC) Global New Issues* database. This database provides a variety of data on IPOs. For inclusion in our final sample, each IPO was subjected to the following criteria. First, each IPO firm was required to have issued stock on publicly traded markets (i.e. NASDAQ, NYSE and AMEX) for the first time. Second, IPO firms were required to be headquartered in the USA at the time of their issue to public markets. We imposed this criterion to control for potential cultural differences between firms that are beyond the scope of this study. Third, and in line with prior IPO research (Ritter, 1991), we excluded firms that were classified as any of the following: corporate spin-offs, unit issues, mutual to stock conversions, real estate investment trusts or leveraged buyouts. Subjecting IPO firms to the above criteria and after discarding firms for which there were incomplete data, we were left with a final sample of 180 firms.

#### *Dependent variable*

We created an *HR executive* presence variable by coding the management section of each firm's IPO prospectus. This variable was coded (1) in instances in which a vice-president level or higher HR-focused executive was listed in the management section of the IPO prospectus and (0) when not. This measure is consistent with Cyr *et al.*'s (2000) measurement of this construct.

#### *Independent variables*

Consistent with prior research, we measured high-technology industries by creating a dummy variable indicating whether a firm operates in a *high-technology* industry (1) or not (0) (Certo *et al.*, 2001; Daily *et al.*, 2005). This measure is based upon primary Standard Industrial Classification (SIC) codes identified as high-technology sectors and was accessed through SDC's new issues database. We measured *product innovation* by creating a dummy indicating whether or not a firm discussed a focus on new product/service development in the risks section of their IPO prospectus (1) or not (0). *Number of HRs* represents of the number of individuals employed by each sample firm. The data needed to create this variable were collected from IPO firm prospectuses and other US Securities and Exchange Commission (SEC) filings made prior to each sample firm's IPO. The data collected for this variable were logged to correct for distribution skewness. Similar to prior research (Andrews and Welbourne, 2000), *CEO's financial orientation* was based upon prospectus information regarding CEO's prior financial executive experience (CFO, VP of Finance, etc.). We also considered CEO's possession of financial degrees (finance or economics). Our measure of CEO's financial orientation was coded (0) if the CEO possessed neither, (1) if the CEO possessed either financial executive experience or a financial degree and (2) if the CEO possessed both prior financial executive experience and a financial degree.

#### *Control variables*

We controlled for factors that prior research suggests may impact HRM's strategic importance. Prior research suggests that as firms progress through their life cycles, they become more complex, thereby influencing the nature of managerial resources possessed by top management (Boeker and Karichalil, 2002; Rubenson and Gupta, 1996). Accordingly, we controlled for *firm age* based upon the date of incorporation



provided in the IPO prospectus. Consistent with prior IPO research suggesting a link between venture capital backing, IPO risk factors and HR representation in top management (Cyr *et al.*, 2000), we controlled for *venture capital* (VC) backing with a dummy variable indicating whether a firm was VC-backed (1) at the time of its IPO or not (0). We controlled for IPO risk factors by summing the total number of risk factors identified by prior studies as salient to the importance of HR within a firm (Cyr *et al.*, 2000). To correct for skewness, the data collected for this variable were transformed by calculating the natural logarithm. Finally, we also included the interaction term between VC backing and IPO risk factors ( $VC \times IPO$  risk factors) which was found by Cyr *et al.* (2000) to influence HR representation in top management.

### Analysis and results

Table I presents the means, standard deviations and correlations of all study variables in the study sample. Similar to prior research examining the presence of HR executives (Cyr *et al.*, 2000), we used hierarchical logistic regression (HLR) to test the hypotheses developed in this study. HLR represents an appropriate form of statistical analysis for testing the hypotheses in this study given the cross-sectional nature of the data and the dichotomous nature of the dependent variable. The absence of multi-collinearity represents a key assumption of HLR. We tested for the presence of multi-collinearity in our sample data by examining the variance inflation factors which were well within acceptable ranges, suggesting that multi-collinearity assumptions were met (Cohen *et al.*, 2003).

The results of our hypotheses tests are presented in Table II. Model 1 includes the control variables suggested by the prior research of Cyr *et al.*, (2000). Model 2 presents individual variable level tests of study *H1-H4*. The coefficient for *high technology* presented in Model 2 was not found to be statistically significant. As a consequence, Model 2 provides no support for *H1* regarding the influence of high-technology industries on HR executive presence in top management. The coefficient for *product/service innovation* in Model 2 was positive and marginally statistically significant ( $p < 0.1$ ). This result provides weak support for *H2* regarding the influence of innovation strategies on HR executive presence in top management. *H3* received support as evidenced by the positive and statistically significant ( $p < 0.01$ ) coefficient for the coefficient for *number of HRs* in Model 2. Finally, the regression coefficient *CEO financial orientation* shown in Model 2 is positive and statistically significant ( $p < 0.05$ ), thereby providing support for *H4* regarding the influence of CEO's financial orientation on HR executive presence in top management.

To further test the theoretical premise of the executive job demands theory (Hambrick *et al.*, 2005), that the meta-construct of CEO HRM demands gives rise to HR executive representation in top management, we conducted two post hoc tests regarding the influence of contextual and CEO characteristic sources of CEO HRM demands. These post hoc tests are presented in Models 3 and 4. In Model 3, we present the combined effects of all the contextual sources (high-technology industries, product/service innovation and number of HRs) of CEO HRM demands we identified in the development of *H1-H3*, while controlling for CEO sources of HRM demands (represented in analyses by the variable *CEO financial orientation*). In Model 3, the variable *contextual CEOHRMD* was constructed by summing the values of *high-technology industries*, *product/service innovation* and the *number of HRs*[1]

**Table I.**  
Means, standard  
deviations and  
correlations

#	Variable	Mean	SD	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
1	HR executive	0.094	0.293							
2	Firm age	13.094	18.990	-0.003						
3	Venture capital	0.387	0.488	0.058	-0.194					
4	IPO risk factors	1.742	0.342	0.042	-0.143	0.369				
5	High-technology industry	0.569	0.497	0.087	-0.273	0.451	0.279			
6	Product/service innovation	0.039	0.193	0.132	-0.047	0.137	0.288	0.058		
7	CEO financial orientation	0.177	0.437	0.135	0.076	-0.156	0.084	-0.149	-0.014	
8	Amount of human resources	5.703	1.659	0.194	0.197	-0.060	-0.035	0.016	-0.084	0.031

**Note:** All correlations greater than 0.14 are statistically significant at  $p < 0.05$

Variable	Model 1	Model 2	Model 3	Model 4
Intercept	-2.42	-5.68*	-3.1025 <sup>†</sup>	-3.0726 <sup>†</sup>
Firm age	0.002	-0	0.00254	0.00241
Venture capital	-1.1	-1.18	-1.3052	-1.3076
IPO risk factors	-0.02	-0.68	-0.8635	-0.8727
VC × IPO risk factors	0.79	0.917	0.98139	0.99002
High-technology industry		0.956		
Product/service innovation		1.981 <sup>†</sup>		
Amount of human resources		0.54**		
CEO financial orientation		1.187*	1.26773*	
Contextual <i>CEOHRMD</i>			1.31555**	
Total <i>CEOHRMD</i>				1.29753**
<i>N</i>	180	180	180	180
$\chi^2$	0.91	16.92*	13.94*	13.94*
Pseudo $R^2$	0.01	0.15	0.1239	0.1238

Notes: <sup>†</sup> $p < 0.10$ ; \* $p < 0.05$ ; \*\* $p < 0.01$

**Table II.**  
Logistic regression

variables faced by a given CEO for his/her sample firm. The coefficient of *contextual CEOHRMD* in Model 3 is positive and statistically significant ( $p < 0.01$ ), which suggests that, at the aggregate level, contextual sources of CEO HRM demands shape a CEO's choice to staff top management with an HR executive, lending support to the idea posited by the executive job demands theory (Hambrick *et al.*, 2005) that contextual sources of CEO HRM demands shape top management staffing decisions.

In Model 4, we examined the combined influence of both *contextual CEOHRMD* and CEO characteristic sources of CEO HRM demands as represented by *CEO financial orientation*. In this model, *total CEOHRMD* represents the sum of both *contextual CEOHRMD* and *CEO financial orientation* for each sample firm. The coefficient for this variable in Model 4 is positive and statistically significant ( $p < 0.01$ ). This result provides general support for the central thesis of this study, which is that CEO HRM demands, both contextual and CEO sources, influence the likelihood of HR executive presence in top management.

## Discussion

In exploring the conditions that give rise to CEO HRM demands and their influence on HRM representation in top management, this study contributes to extant research in both the strategic HRM and strategic management literatures. First, the results of this study extend the empirical findings of Cyr *et al.* (2000) beyond IPO context-specific determinants of HRM presence in top management. The focus of this study allowed for a theoretically grounded and cogent examination of factors contributing to the HR executive presence in top management based on HR function-specific demands faced by the CEO. Study results suggest that product/service innovation strategies, CEO's financial background and the number of HRs employed by the firm increase the likelihood of HR functional representation in top management.

Second, this study enhances our understanding of how executive job demands shape the allocation of the structural power to the HRM function. Prior work suggests that the influence of a business function is determined by its place within the organizational

hierarchy (Pfeffer, 1981; Pfeffer and Salancik, 1978). Such forms of power play an important role in determining business function's influence on the strategic management process (Finkelstein, 1992). Accordingly, this study provides insights into factors which may shape HRM's ability to influence firm behavior and contribute to firm-level strategic outcomes (Hambrick and Mason, 1984).

This study also extends strategic leadership research that examines the presence of functional representation within TMTs. Prior research has examined the presence of chief finance officers (Fligstein, 1987), chief operating officers (Hambrick and Cannella, 2004) and chief marketing officers (Nath and Mahajan, 2011) within the context of TMT staffing. Such studies have identified various factors which give rise to functional representation in top management for both operations management and marketing. To the best of our knowledge, this study represents the first systematic examination of the presence of HR executives in TMTs that considers the influence HRM-specific sources of job demands placed on the CEO. Accordingly, this study extends prior research on TMT staffing by expanding our understanding of factors which give rise to HRM sources of executive job demands.

Our finding that CEOs with financial orientations are more likely to staff their TMTs with an HRM executive suggests that in the face of demands stemming from a particular functional area, rather than rely upon their own experiences, CEOs delegate responsibility for that function to another member of top management. This finding provides insight into a central proposition of extant research on executive job demands, which suggests that the greater the executive job demands, the stronger the relationship between a given executive's characteristics and their behavior (Hambrick *et al.*, 2005; Hambrick, 2007). Carried to the extreme, this logic may suggest that in the face of high executive job demands, executives will fall back upon his or her own experiences, thereby strengthening the relationship between executive characteristics and their behaviors even if it is to his or her detriment.

Our findings suggest an important contingency to this logic, namely, that CEOs do not have to face the demands of their job alone. Indeed, the results of this study suggest that CEOs can, and in fact do, recognize the limitations engendered by their experiences and that when confronted with a specific type of executive job demand that does not align with their expertise, they take steps to address their individual limitations by appointing others that are more capable of addressing that source of executive job demand. This finding reminds us of the enduring idea that individuals, regardless of level within the organizational hierarchy they find themselves, must rely upon others to cope with the demands engendered by organizational life (Thompson, 1967; Lawrence and Lorsch, 1967; Cyert and March, 1963).

Finally, this study may contribute to future research on the influence of HR executives on organizational outcomes. Although the question of whether an HR executive contributes to organizational level outcomes falls beyond the scope of this study, this study contributes to this research by providing a basis for the development of sample selection models of HR executive presence in top management. Such models represent a critical first step in accounting for potential sample selection bias surrounding the adoption of this unique structural form. Without a theoretically grounded and empirically validated means of creating sample selection models requisite for statistically valid empirical modeling of HR executive presence in top management, examining the effects of HR executives on organizational level outcomes may prove

problematic (Semadeni *et al.*, 2014). Prior research on the HR executive effects have not accounted for these issues in their statistical models. As such, this study serves as a stepping stone for future research exploring HRM executive effects which do account for the endogeneity issues surrounding HRM effects on organizational outcomes.

### Limitations and future research

Although this study contributes to extant strategic management and strategic HRM research, it suffers from some limitations which may also represent opportunities for future research. First, this study does not simultaneously consider the role of other structural forms or HRM practices which may increase or reduce the degree of HRM demands faced by the CEO, such as HR outsourcing (Klaas *et al.*, 2010) or the presence of non-executive HR managers. Future research might provide valuable insights into how such structures exacerbate or mitigate CEO HRM demands, thereby influencing HR functional representation in top management.

Future research might also consider the extent to which executive job demands and the presence of other functional areas in top management shape the boundaries of top management. For instance, might the representation of other business functions in top management influence the representation of HR in top management? The current study leaves this question unanswered.

Future research might also consider how CEO HRM demands change overtime and how such changes in CEO HRM demands lead to TMT compositional changes and executive turnover. These questions represent potentially fruitful avenues for future research that are left unanswered by this study. For example, this study examines the role of CEO HRM demands on HR functional representation within top management of firms undergoing their IPOs. As such, the results of this study may not generalize to larger, older and/or more established firms. Indeed, one might suggest that given the transitional and malleable nature of firms undergoing the IPO transition, the influence of CEO HRM demands might only influence HR representation in top management at that particular juncture of the organizational life cycle. Future research may provide much needed insight into the extent to which CEO HRM demands shape HR executive representation in top management beyond the IPO stage.

Finally, in this study we did not specify the role of executive aspirations in shaping executive job demands. In their original specification of the executive job demand construct, Hambrick *et al.* (2005) argued that executive aspirations may play an important role in determining the extent to which executives actually experience the job demands they face. Unfortunately, our reliance on demographic proxies did not allow us to adequately capture such a psychologically complex construct nor outline its implications for the functionally specific nature of CEO HRM demands. As a consequence, we did not test Hambrick *et al.*'s (2005) propositions regarding the influence of this potentially important dimension of executive job demands. Future research may extend our understanding in this regard.

### Note

1. To facilitate the creation of the scale measures of *contextual* and *total CEOHRMD* used in post hoc tests (Models 3 and 4 of Table I), the continuous *number of HRs* variable utilized in initial hypothesis tests (Model 2 of Table I) was dichotomized. This dichotomization was based on the sample average for this variable and coded (1) where a given firm was above the sample



average for number of employees and (0) where a given firm was equal to or less than the sample average number of employees and summed with other measures of *CEOHRMD*.

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