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Downsizing and the Transformation of Organizational Career Systems

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Over the past decade a number of analysts have argued that we have seen the end of the traditional managerial career. In this paper we examine how various types of downsizing affect the organizational career systems. We take the career system perspective of Sonnenfeld and Peiperl (1988) and examine how delayering, earlier retirement and other common forms of downsizing disrupt or reinforce these career systems. This analysis together with that of Evans, Gunz and Jalland (1997) provides us with a framework to help managers understand the impact of downsizing on careers and select modes of downsizing that will sustain or reorient the career systems of their organizations.

A few years ago the top management team (TMT) of a North American subsidiary of a large international foods group ("Foodco") received a shock. For the first time in the subsidiary's history, it was going to lose money. The TMT recognised that it had to take action fast. Among other strategic moves, it cut layers of management in order to reduce its head office overhead. Functions were regrouped so that former senior marketing managers had manufacturing added to their responsibilities; sales forces were streamlined so that sales staff were now responsible for the full range of Foodco's products, industrial and consumer.

What differentiates Foodco's story from that of so many other 1990's downsizings is that it did not stop with the structural changes. Recognising that the jobs it was asking its managers to do were going to demand that they change fundamentally their ways of working, it set up novel and imaginative training programs for its staff, programs which have attracted worldwide interest. But it did not stop there. The current top management team also knew that the next generation of top managers were going to have to be very different people. Foodco's methods of growing its own brand managers would no longer suffice. New talent to fill the top slots would have to be recruited from outside the organization.

There has been a great deal written about the impact of downsizing on careers, both from the point of view of "victims" and of "survivors"[1]. Much less has been written about the impact on the downsized firm in terms of the structure of career opportunities, the patterns of recruitment and retirement as well as the patterns of promotions and lateral moves managers experience, and the organizational mechanisms that shape these moves. In this paper we will first review the treatment of organizational career streams and systems, and then examine the impact of downsizing on career systems. A previous paper (Evans, Gunz and Jalland, 1997) discussed the impact on career streams. First, we need to explain our reasons for focusing on these issues.

We concentrate on *career streams and systems* rather than individuals' careers which has been the focus of recent work by Feldman (1995), because it is the career streams and systems that determine the experience and training tomorrow's executives will be acquiring as they prepare for senior positions. It is the *streams and systems* that Foodco is changing; and that change provides the framework for making decisions about individual executives' careers. If the career systems are changing, what does that mean for the executives of the future?

We focus on *downsizing* because we strongly suspect that, as we move into the twenty-first century, we will hear more and more about organizations shrinking as well as growing. If there is any lesson about growth from the postwar period, it is that it rarely continues monotonically for ever; corrections happen. It may well be that rapid economic and corporate growth, which we tend to regard as "normal," has in fact been a historical aberration, and that firms will continue to experience periods of downsizing as a normal part of their life-cycle. So it is vital to try to understand the consequences for careers, because the phenomenon is going to stay with us regardless of whether or not periods of growth return.

It is worth exploring in a little more depth just how profoundly the postwar growth has shaped our thinking about careers. The wave of downsizing which has been sweeping the corporate world since the end of the 1980's has been a major shock to the hundreds of thousands of executives who have suddenly found themselves as vulnerable as their blue-collar fellow-employees to becoming dispensable. The result has been a period of introspection: what is happening to corporate structures, and to the managers who, hitherto, had assumed that they could build their careers within them? Is the current shakeout a transient phenomenon, or has a sea-change come over the corporate world? And if it is the latter, then what kind of careers can managers look forward to in future?

Since the end of the Second World War, and until fairly recently, developed economies such as those of North America and Western Europe have been on a steady growth path. Regular warning signals were evident in a series of short cyclical recessions, which gradually grew sharper over the 1970's and 1980's. The stagflation and resource crises of the mid-70's, together with publications such as those of the Club of

1. The literature on downsizing has focused on three issues: the impact on those laid off (for recent studies see Warr and Jackson, 1987; Warr, Jackson and Banks, 1988; Kessler, Turner and House, 1989); the impact on those remaining in the organization, which has addressed the problem of how to prevent or exploit "survivor guilt" (see, for example, Hardy, 1987; Brockner, 1988; Brockner, Grover, O'Malley and Glynn, 1993); and prescriptions by researchers and practitioners to explain how to downsize effectively (for recent studies in this vein, see Cameron, Freeman and Mishra, 1991; Cascio, 1993; Cameron, 1994; The Wyatt Company, 1994).

Rome, gave further pause for thought about whether the growth could continue indefinitely. But the overall atmosphere of the period has been one of optimism; growth was the norm, and lack of growth an aberration.

Growing economies, other things being equal, mean growing businesses: growth not only in the total numbers of business organizations, but also in their size. So it should come as no surprise that what tends to feel "normal" to today's executives and aspiring executives is growth in career opportunities, because more and bigger companies mean more jobs for managers. The reward, in other words, for loyal service and competent performance should be a chance to grow with the company, and, perhaps, one day to run it.

These growth patterns meant the development of comparatively stable career paths in organizations, paths which, over time, became calcified into consistent patterns that, in turn, translated into clear expectations for organization members. The patterns have been called career "streams," and the logic underlying them has been called the "organizational career logic" (OCL). In this paper we use two terms: career streams and career systems. The career stream reflects the typical paths taken by organization members as they proceed through their organizational careers from entry to exit; the term career system refers both to the career streams and to the organization systems (human resource practices, criteria for job assignment, reward systems, etc.) that channel these streams (Sonnenfeld and Peiperl, 1988; Gunz, 1989a; Gunz and Jalland, 1996).

In this paper we examine what career streams and career systems in shrinking organizations might be like. Do they remain stable, or are they dramatically changed?

Despite a considerable literature on downsizing, few have examined the effect of downsizing on career systems; for example, the major review is silent on the issue (Whetten, 1980). Some interesting patterns can tentatively be perceived in a study comparing bankrupt and surviving organizations (D'Aveni, 1989). There were considerable differences in the composition of the strategic apex of the surviving firms and those experiencing a five-year decline into bankruptcy or those showing a five-year pattern of virtual bankruptcy before formally adopting a Chapter 11 solution to their problems (lingering firms). Firms that survived an industry downturn had a different mix in their top management teams than those that failed or lingered. In the failing and lingering firms, as compared with the surviving firms, the top management team had a higher proportion of managers with legal and financial backgrounds while managers with R&D and operations backgrounds were under-represented. Although this research did not directly address the issue of downsizing, it is of course likely that such programs occurred in those firms that were in difficulty. This therefore implies that there was a major shift in the kinds of career opportunities in each kind of firm: fewer opportunities for advancement arose in R&D and operations, offset by more opportunities for those with finance or legal backgrounds.

Downsizing by its very nature results in changes to the number, level, and variety of positions available in the organization. These positions and their linking career ladders make up the career streams to be found in the organization. These then will be disrupted —at the very least, the firm is typically flatter, with fewer levels of management between top and bottom— so that new streams must form, and new routes to the top of the organization must develop. This will require the development of new organizational systems to reinforce these patterns. Yet what is known about careers in organizations suggests that it is not safe to make simple, intuitive predictions about their streams. Organizational demographers, in studies of static or growing organizations, have shown how predicting the shape of career streams in large organizations can be quite counterintuitive (Stewman and Konda, 1983; Rosenbaum, 1984; Stewman, 1986; Forbes, 1987; Haveman and Cohen, 1994).

In this paper our focus is on career streams and career systems, which are at the organizational level of analysis, and distinct phenomena from careers at the individual level. We will examine the impact of different types of downsizing on different career streams or systems.

DOWNSIZING

Overall, the scholarly literature has paid very little attention to downsizing and its consequences, although organizational scientists, responding to the dramatic changes in the economic environment over the past five years, are beginning to develop an interest in the subject. Despite a growing practitioner interest, the amount of scientific literature is still sparse (three or four articles per year).

We define downsizing here as actions taken in an organization which result in significant reductions in its number of *managerial* employees. Downsizing is a specialized form of organizational change, and can operate on many different aspects of the organization's structure (DeWitt, 1993). We suggest elsewhere (Evans et al., 1997) that downsizing changes four structural properties of the organization: (a) the organization's activity portfolio, (b) its vertical specialization, (c) its horizontal specialization, and (d) the level of centralization of decision making.

An examination of the popular literature on downsizing suggests that only certain combinations of the four dimensions are found in practice. Our first proposition, then, takes a "quantum" view of downsizing (cf. Miller and Friesen, 1984):

Proposition 1: There are certain types of downsizing, involving specific combinations of reductions in some or all of activity portfolio, vertical and horizontal specialization, which occur more commonly than others.

In this article we will focus on six particular combinations for illustrative purposes, in order to show how predictions can be made about the impact of different downsizing modes on different career systems. The six combinations are: (1) delayering, (2) product or program removal, (3) targeted personnel removal, (4) outsourcing specialized functions, (5) across the board cutbacks, and (6) early retirement and voluntary turnover. Next, we describe these modes and show how each is the result of a different combination of the dimensions of organization structure (**Table 1**).

Table 1. Dimension Change in Six Forms of Downsizing

Downsizing type	Activity portfolio	Specialization Vertical	Specialization Horizontal
1. Delayering		✔	✗
2. Product or program removal	✔		✔
3. Targeted personnel removal	✔		
4. Outsourcing specialized functions			✔
5, 6. Across the board cutbacks; early retirement and voluntary turnover			

✔: change in this dimension; ✗: change above the removed layer

1. Delayering the organization. Here, a horizontal slice of the organization is removed: vertical specialization is reduced, while the activity portfolio, and horizontal specialization below the removed layer, are unaffected. Middle managers are reassigned or laid off and not replaced. This means, logically, that one of two things has to occur:
a) more senior managers take over the decision making responsibilities of the managers who have left, that is, horizontal specialization is reduced at this level, or
b) there is decentralization of decision making to lower level employees.
The first option is in accord with the crisis response mode, but —to a greater extent than the other downsizing modes— it potentially creates a serious overload problem for the senior managers in question. In addition to the extra responsibilities that increased centralization gives them, they also have to cope with a wider span of control because a layer of management has been removed. For this reason it is possible that control may be offloaded to a lower level in the hierarchy (cf. Galbraith, 1973), with increased reliance on mutual adjustment (Mintzberg, 1979) in the form of various types of teamwork. This may well require additional training for those at lower levels, as well as reassignment for those incapable of taking on the added responsibility. Whether this decentralization quickly follows an initial attempt at centralization or is planned as part of the downsizing process can only be determined empirically.
2. Product lines or programs may be dropped. Here the organization reviews its corporate strategy or charter to see which of its busi-

nesses or programs should be retained. The remainder are closed, spun off as independent companies (whose lower overhead or lower labour costs may enable them to be profitable or cost effective), or sold as going concerns. If there is a reduction to a single product line, then the organization may revert from a product form organization to a functional organization. If, however, several related businesses are retained then the product form will also be retained (Rumelt, 1974; Hoskisson and Hitt, 1994). There is a reduction, then, both in horizontal specialization (parts of the organization are closed) and in the activity portfolio (the spun-off businesses or programs no longer need any managerial attention); vertical specialization is unaffected.

3. Targeted personnel removal. Positions associated with a particular activity are eliminated without changing either vertical or horizontal specialization. For example, an U-form company might withdraw from a particular market segment. Assuming that there is no clearly identified part of the firm which deals with that market segment (as there would be in a M-form organization), the downsizing will probably involve removing all the people associated with that market segment, from whichever departments they work.

4. Outsourcing specialized functions. In most organizations, a variety of activities (e.g. legal, blood testing, cafeteria, garbage collection, payroll, data entry, public relations) are not part of the core activities of the organization and may be contracted out at a lesser cost. The savings can come from two sources: the contractor's (a) economies of scale, and (b) use of lower wage-cost non-union labour instead of higher paid union members. As we have seen, outsourcing certainly involves a reduction in horizontal specialization but may well not involve a reduction in the activity portfolio because of the continuing need to integrate the function into the firm's activities. Vertical specialization is unchanged.

5. Across the board cutbacks. In this type of downsizing, each department or unit is expected to cut a fixed percentage of its workforce. There is no reduction along any of the four dimensions: the same work remains to be done with the same number of layers of management, by the same departments, but by fewer people. In other words there is no substantial structural change. If there is change along any of the dimensions, a different type of downsizing is being experienced (e.g. functional or product loss). Because the same work remains to be done by fewer people, many employees are likely to have broader responsibilities and become more overworked. In addition, the increased centralization of control that accompanies downsizing exacerbates the overload at higher levels in the hierarchy.

6. Early retirement and voluntary turnover. In this type of downsizing the firm offers opportunities to employees near retirement to retire early with no financial cost. Others are offered financial incentives, usually based on age and length of service, to quit the organization. No one is forced to leave. This is often used as a first stage in the downsizing process, and may be followed by a less voluntary process. As with across the board reductions, we do not expect substantial organizational change, that is, we expect no change along any of the four dimensions. Similarly, we expect overload amongst the "survivors." A major drawback of this approach is that the organization has no real control over who leaves, which means that some departments may suffer major loss because of their age structure (many people taking early retirement) or the prior competence of the staff (many very competent people leaving to take jobs elsewhere). If this happens, we expect top management of the organization to reassign people to these departments from others which have suffered less personnel loss. These unplanned "backfilling" personnel moves are likely to increase the costs of the downsizing yet further.

These changes are important to enable us to understanding career structure implications: vertical differentiation (the upward career ladder), horizontal differentiation (the opportunity for lateral moves), the activity portfolio (the opportunity for varied work experiences), and autonomy (opportunity for significant decision making experience early in the career).

HOW DOES DOWNSIZING AFFECT CAREER SYSTEMS?

APPROACHES TO CHARACTERISING CAREERS

In order to discuss the changes induced by downsizing on changes in organizational careers, we need an approach to characterising organizational career which links these two phenomena. There are many empirical taxonomies of careers, although the best-known tend to be based on individual-level phenomena. Examples include Schein's (1971) conical model of boundary-crossing, Driver's (1979, 1980, 1982) career self-concepts, or Derr's (1986) career orientations. Careers at the organizational level of analysis are a different order of phenomenon (Gunz, 1989b; Lawrence, 1990), because they are concerned with the shape of the flow of people through the organization.

One way of modelling career systems at the organizational level involves a demographic approach. These however are more suited to descriptive than prescriptive approaches. Taxonomic approaches (Sonnenfeld and Peiperl, 1988; Gunz, 1989a) are better candidates for present purposes because they operate at a more general level, and have the potential to be matched with the downsizing approaches described earlier.

These two organizational-level models that have been proposed recently focus on different issues. That of Sonnenfeld and Peiperl focuses on the extent to which the labour market is supplied externally at higher levels and the criteria used to promote managers (based on their individual competences or whether they are team players). The model discusses the implications of ports of entry and exit, and the selection criteria for moving through the intermediate positions between them. Thus the concern is with the human resource systems that channel the flows. Gunz's model, by contrast, defines its archetypes in terms of a structural variable (the extent to which "pools" of similar jobs can be identified in the organization) and a strategic variable (the extent to which the organization has grown to a pre-existing pattern). Empirical grounding of the model was demonstrated in a small sample of large British industrial companies. The focus of the Gunz model is developmental: it is fundamentally concerned with the developmental processes underlying the patterns of job move in the firm.

We will start with a discussion of Gunz's model and a summary of its implications (see also Evans et al., 1997), and then turn to that of Sonnenfeld and Peiperl.

Following Gunz (1989a), we identify three major patterns of career development in organizations, labelled *constructional, command centred,* and *evolutionary.* Gunz drew on Karpik's (1978) concept of "logics of action" to call the patterns *organizational career logics* (OCLs), because they represent the logic an observer infers to lie behind the pattern of moves he or she sees taking place in the organization. In metaphorical terms, it is as if managers make their careers by scrambling over a kind of jungle gym in which the rungs are the jobs in the organization. Differently-structured organizations will have differently-shaped career "jungle gyms," so careers within any one organization will have a shape characteristic of the shape of that firm's jungle gym. Gunz linked the shape of the OCL —the jungle gym— to both the structural form of the organization and to its historical growth pattern.

The three major OCLs are:

— Command centred: Companies based on repeating units, typically with pooled interdependence (for example retail banks or chain stores), support managerial labour markets for the specialists needed to head the units. A successful career in this kind of organization typically involves moving from one unit to the next, where each succeeding unit is successively larger or more prestigious than the previous ones. It is common in firms like these to have an informal league table of importance, so that everyone knows whether a given move is upwards, sideways or downwards (Lee, 1985); career success, or its lack, is very visible in these organizations. In due course the successful manager may be promoted to be responsible for a group of units, and so on. For instance successful retail or bank branch managers tend to follow careers in which they move to command successively larger outlets, becoming more experienced and competent in their chosen specialism. Examples include Eatons of Canada, CIBC, Royal Trust, Walmart, CitiBank, and Sheraton Hotels. Because these career patterns develop a professional or quasi-professional (Gunz, 1989a) skill, it is common for command centred OCLs to span industrial sectors (Baron, Davis-Blake and Bielby, 1986), especially in industries such as advertising or architecture which are populated by many small firms and/or dependent on these particular skills.

— Constructional: This OCL is a logic of building a cumulative structure of experiences over a working lifetime, to fit managers for jobs which call on the experiences they have accumulated. In metaphorical terms one can think of the constructional logic as an engineering or an architectural process: careers are things one puts together from components called experiences acquired in different parts of the firm. This form of career is typical of complex organizations with a large range of different kinds of managerial job. Here, successful careers involve a "fast track" in which executives move rapidly across different functions, gaining a wide variety of experiences without staying long in any one position. Success is measured in terms of breadth of experience and rate of movement. For example, someone who has been moved to a very different kind of job from those he or she has worked in previously is seen by his or her colleagues as a probable "star," especially if this happened at an early age. Examples of firms with constructional OCLs include Unilever, Procter and Gamble, IBM, Exxon and Imperial Oil. In such firms, it is not uncommon for there to be "niches" of command-centred OCLs for specialists who are important to the enterprise but who typically are in jobs which do not lead to the upper echelon.

— **Evolutionary:** The previous two OCLs depend on an element of central continuity: of the structure of the jungle gym retaining some stability so that careers can be made by scrambling across it. But some firms grow by setting up new ventures, or acquiring businesses in unfamiliar areas, and here the prevailing career logic can be quite different. Typically, the people responsible for these ventures become strongly identified with them, and as the ventures grow in size the managers growing them develop in stature within the firm. While a project is exciting, people stay with it; as soon as it becomes routine or goes into decline, they search for other opportunities. So there is a sense of successful managers' careers evolving with the business ventures they are managing: someone may start as a scientist or engineer, and a few years later find themselves senior executives responsible for a major new business that has, so to speak, grown up under them. Examples include 3M, and a number of computer hardware or software firms.

This view of the OCL predicts that a given OCL should be characterised by particular distributions of work role transitions in the careers of managers building their careers within it, and these patterns have been identified empirically in a small group of industrial companies (Gunz, 1989a). These are summarized in **Table 2**.

Table 2. Characteristics of Organizational Career Logics

		Command centred	Constructional	Evolutionary
Shape of career stream	Lateral moves	Between similar jobs	Between dissimilar jobs	Moves at mature stage of project/business life cycle
	Vertical moves	To jobs which oversee multiple units of the kind previously managed	Between dissimilar jobs	Within organizational unit
Management development activities		Similar experiences with greater responsibility	Acquiring a variety of dissimilar experiences	Taking initiatives and growing the business

Any organization may have a combination of different types of OCL, although it is likely that one will dominate, in the sense that it describes the career development of the dominant coalition or upper echelon (Hambrick and Mason, 1984). This is called the *dominant* or *modal* OCL Although Gunz identified three major OCLs, there is no implicit claim that these are comprehensive. Nevertheless, they provide a useful set of distinctions for our present purposes.

THE IMPLICATIONS OF DOWNSIZING FOR CAREER STRUCTURES OR LOGICS

The previous sections described a model of downsizing and a taxonomy of career structures. With this foundation we can now move to the second central theme of this paper: an exploration of the impact of downsizing on career structures and expectations (this section is based on Evans et al. [1997]). Our central proposition is that downsizing will have important implications for the career opportunities in the organization. The positions available at the strategic apex may change as a result of downsizing, and career choices, experiences, and expectations are bound to be affected. The type of change will be a function of both the type of downsizing engaged in and the initial career pattern in the organization. **Table 3** provides a summary of the kinds of changes that we expect. The detailed rationale for these effects have been articulated in Evans et al. (1997). Briefly we believe that the major force underlying the undermining of the command centred career is the increased centralization experienced by the manager: centralization that does not permit significant responsibility to aid development. This is exacerbated in some situations by a reduction in the number of opportunities available. For the constructional logic, the damage is minimal: there are still opportunities available. Development is through gaining breadth of knowledge so the increased centralization (which inhibits depth of knowledge) does not play a major role. There is also little damage in the evolutionary logic. Thus we see from **Table 3** that different consequences follow from the interaction of initial type of career logic and the form of downsizing employed.

Table 3. Summary of the Effects of Downsizing on Gunz's Career Logics

		Type of Career Logic		
Type of downsizing		Command centred	Constructional	Evolutionary
1. Delayering	Shape	Truncated vertically, reduced laterally	Truncated vertically, unchanged laterally	Unchanged
	Development	Diminished	Unchanged	Enhanced
2. Removal of product lines	Shape	Peripheral product: No change Core product: Reorganization around a new core product	Lateral reduction	Unchanged
	Development	Diminished	Marginally enhanced	Unchanged
3. Targeted personnel removal	Shape	Same as # 2	Same as # 2	Same as # 2
	Development	Same as # 2	Same as # 2	Same as # 2
4. Outsourcing specialized functions	Shape	Unchanged	Lateral reduction	Unchanged
	Development	Diminished	Diminished	New skills required
5, 6. Across the board cuts, early retirement, and buyouts	Shape	Unchanged	Largely unchanged	Unchanged
	Development	Diminished	Enhanced	Diminished

We now turn to an examination of the model developed by Sonnenfeld and Peiperl.

CAREER SYSTEMS

Sonnenfeld and Peiperl (1988) have argued that there are four archetypes of career system, which they call the Baseball Team, the Academy, the Fortress and the Club. These are based on two dimensions: the entry ports to senior management posts, and the basis for the assignment of individuals to positions. The first archetype (Baseball Team) is characterized by an open labor market for top management, and promotion based upon individual achievement. The second (Academy) is based on an internal labor market approach to top management recruitment, with the criterion still based upon individual excellence. The third archetype (Fortress) suggests an open labor market but with promotions depending on contribution to team efforts, while the fourth (Club) has the combination of a closed market and team effectiveness as the promotion criterion.

Sonnenfeld and Peiperl suggest that each of these archetypes imply different perspectives toward layoffs and firings. In the Baseball Team, firing is viewed as a natural event and happens when people fail to perform at an acceptable level. In the Academy, firings are viewed as relatively rare, but again are based upon a lack of individual competence. In the Fortress, hiring and firing occur in line with the regular changes in demand for the organization's products or services, but the criteria are based on formalistic grounds (e.g. seniority). In the Club, layoffs are avoided.

DOWNSIZING AND CAREER SYSTEMS

Different forms of downsizing have different effects on these four career systems. Again, our interest here is at the organizational level. Of course, in the Club and, to a lesser extent, in the Academy there is a major violation of individual expectations of lifetime employment in the organization, so that there will be more short term individual distress (among those fired as well as among the survivors) than in the Baseball Team and the Fortress. We would also expect this distress to be higher in the Club where all the performance indicators have focused on clubability.

DELAYERING

Baseball Team (external-individual): There is a reduction in the length of the career paths. With no additional changes, there will be increased competition for internal movement. However, "stars" within the Baseball Team will not suffer any noticeable loss of opportunity, so their mobility patterns will be unchanged. The non-stars will, as they always have, continue to suffer from a "glass ceiling" effect.

Proposition 2: Delayering has no effect in the "Baseball Team" career system.

Academy (internal-individual): The reduction in the number of layers shortens the career paths and increases internal competition among lower level survivors. Whether or not the system remains intact depends upon what signal is given by the way delayering is undertaken. First, any cut in the number of employees will move the system to more of an external labor market model: cuts based upon seniority will move the system closer to the Fortress and will violate all the assumptions of the Academy model; cuts based upon individual performance will result in the development of a Baseball Team model of career systems. However, if the members of the delayered cohort are reassigned to other positions in the organization based upon individual performance criteria then the Academy survives; if the reassignment is based upon seniority then a more Club-like system will develop.

Proposition 3: The effect of delayering in the Academy depends upon how it is carried out:

3a: Redeployment based upon individual performance results in no change to the career system

3b: Redeployment based on team criteria moves the system toward the Club model.

3c: The removal of employees based upon individual performance criteria transforms the system into a Baseball Team

3d: The removal of employees based upon alternative criteria transforms the system into a Fortress.

Fortress (external-team): There is a reduction in the length of the career path. Again the criterion for choice of those let go makes a difference to the continued viability of the system. If the cuts are made across the board, then the impact is similar to unselective reduction; the firm's reliance on the external labor market just means that the exits from the firm will be greater than entries for a period; however the lack of selectivity means that this criterion is undermined with a consequent shift to an uncertain model of career system. If the appropriate team-based criterion is used then there is no real change in the career system.

Proposition 4: Delayering the Fortress has little impact on the career system.

Club (internal-team): there are shorter career paths, but the violation of the "no layoff rule" undermines the system. Again, using non-team criteria worsens the situation.

Proposition 5: Delayering the Club completely destroys this career system.

REMOVAL OF PRODUCT LINES

Baseball Team (external-individual): There no real change to the system. The people in the remaining product lines are subject to the same criteria for job assignment as they ever were. The same external labor market provides the source of employees. The only possible change is that a new criterion for job assignment is introduced: that employees of the excised department have priority for reassignment in the firm. In this case a move to the Academy career system is initiated with a consequent undermining of the current system.

Proposition 6: The removal of product lines has no effect on the Baseball Team career system unless fired employees are given priority for reassignment; in this case there is a shift to the Academy.

Academy (internal-individual): There is a reduction in the talent pool and there are fewer departments to circulate through, but with individual performance as the norm, there is little change to the career system.

Proposition 7: Cutting product lines has no effect on this career system.

Fortress (external-team): There are fewer departments to circulate through but, because the business has been reduced, it is still possible to understand all the ramifications of the business, hence the opportunity remains to develop the necessary team understanding, and so despite the loss of product lines there is no undermining of the system.

Proposition 8: Cutting product lines has no impact on this type of career system.

Club (internal-team): There is a reduction in the size of the talent pool and there are fewer departments to circulate through. As a consequence there is less development of the team orientation, so the career system is undermined. The system will likely shift to an external-individual system (Baseball Team).

Proposition 9: Cutting product lines has the effect of pressuring the firm to develop a Baseball Team type of career system.

TARGETED PERSONNEL REMOVAL

The results are similar to the removal of a product line. So the same hypotheses (6 to 9) are suggested.

OUTSOURCING SPECIALIZED FUNCTIONS

What this means is that the firm itself no longer performs these functions. However the functions still have to be performed for the firm and managers at senior levels have to understand these functions to manage and integrate them with the rest of the firm's activities. This is the critical difference between product line removal and outsourcing.

Baseball Team (external-individual): This form of downsizing has little impact on this career system practised by the organization. Employees with the competence to manage the retained functions and the outsourced functions can easily be supplied by the external labour market.

Proposition 10: Outsourcing has no effect on this career stream.

Academy (internal-individual): There is a reduction in the number of people who understand the outsourced function and how it should be integrated with the rest of the organization's activities. This results in a failure to properly prepare managers for senior positions. The pressure is on to move to a Baseball Team career system.

Proposition 11: Outsourcing functions results in pressure for the firm to abandon the Academy and switch to a Baseball Team career system.

Fortress (external-team): The external market can supply employees with the appropriate knowledge, so outsourcing has no impact on the career system.

Proposition 12: Outsourcing has no impact on this career system.

Club (internal-team): Here the talent pool of those with skills in the outsourced function dries up. To maintain the same criteria for job assignment, the firm must adopt the Fortress career system.

Proposition 13: Outsourcing results in pressure to adopt the Fortress career system.

ACROSS THE BOARD CUTBACKS, EARLY RETIREMENTS, AND VOLUNTARY TURNOVER (CUTTING EMPLOYEES)

Unselective Reduction: In our previous discussion it was unnecessary to make the distinction between the type of general reduction in the workforce; both selective and unselective reductions had a similar impact. But as Sonnenfeld and Peiperl use assignment criteria as one of their organizing variables, it is essential to distinguish between these two options here. In other words, the criterion by which individuals are chosen for a layoff is critical. We therefore look at the two types of reduction separately. We also assume in the discussion of both unselective and selective reduction that the strategic apex of the firm is largely unaffected by the reductions (changes in the strategic apex were discussed when we talked about changes in functions or businesses).
Baseball Team (external-individual): This form of downsizing is fairly consistent with the career system practised by the organization. It is just that for a period the exits through attrition, early retirement, or layoffs are more frequent than the influx. There is no impact on the system. The one inconsistency is that unselective reduction means that people are not laid off on the basis of their competence. This means that the rigour of the pursuit of individual excellence may be diminished. The consequences are that the system may be undermined for a short period as the most mobile leave. So the system has to be rebuilt after the downsizing episode is over.

Proposition 14: Unselective reduction has little impact in the long run, in the short run there may be some uncertainty as to the basis for job assignment.

Academy (internal-individual): For the firm with an internal labour market, any form of downsizing is a blow to the system because, with the downsizing focused below the strategic apex, the talent pool for filling future vacancies is reduced. In addition, unselective reduction violates both the emphasis on an internal labor market and the emphasis on individual skills as the assignment criterion. Thus there is a major blow to the career system, and there is likely to be a shift to one of the other systems. The most likely, given the underlying value of competence-based assignment is the adoption of an external-individual orientation (Baseball Team) in order to supply senior posts.

Proposition 15: Unselective reduction puts pressure on the organization to adopt the Baseball Team career system.

Fortress (external-team): This form of downsizing is fairly consistent with the pre-existing career system. The firm's reliance on an external labor market just means that exits will be greater than entries for a period. The lack of selectivity results in some undermining of the placement criterion, but, as with the Baseball Team, this is likely to be a short-run effect only.

Proposition 16: Unselective reduction has little effect on this career system; there may be a short-run effect of some uncertainty about the appropriate criteria for job assignment.

Club (internal-team): The major blow to this career system comes from the violation of the "no layoff" rule. Here there is a major discrepancy between the actions of downsizing and the career system. In addition, as with the Academy, there is a reduction in the talent available for filling future vacancies. The pressure to fill future managerial positions means a shift to an external-team orientation (Fortress).

Proposition 17: Unselective reduction means that the firm has to shift to an external-team orientation (Fortress).

Selective Reduction: As we noted early, this selectivity can be based on a number of criteria such as age, length of service, and either team-based competence (which is likely to be aligned with age and service), or individual competence. The basis of selectivity will have quite different implications for the career system. In general, firing those who are incompetent at their individual tasks will be compatible with the individual performance assignment rule; firing those with least age and seniority will be compatible with the Fortress, firing those with the least team-based competence will be compatible with firms using that criterion for job assignments. When these factors are added to the outcomes described above (for unselective reduction), we have the following:
— Baseball Team (external-individual):
Individual performance criteria: This form of downsizing is consistent with the career system practised by the organization. It is just that for a period the exits through attrition, early retirement, or layoffs are more frequent than the influx. There is no impact on the system.

Proposition 18: Using performance-based criteria, this career system is unaffected by selective reduction in personnel.

Other criteria: There will be some undermining of the system in the short run similar to the situation with unselective reduction.

Proposition 19: Selective reduction using other criteria results in some uncertainty about the criteria for job assignment.

— Academy (internal-individual)
Individual performance: There is some ambiguity about whether there will be a reduction of the talent pool. On the one hand there are fewer people available for promotion to high level positions. On the other hand, if these were people of little talent, they would never have been considered for promotion anyway. Furthermore, the criteria for layoff are appropriate. There is moderate to high consistency between this mode of downsizing and the pre-existing career system. Once again, a shift toward an external labor market is likely.

Proposition 20: Using the individual performance criterion results in pressure to adopt the Baseball Team career system.

Other criteria: The situation is similar to unselective reduction. There are pressures for the shift to an external-individual orientation (Baseball Team) because of the pre-existing value of individual performance criteria.

Proposition 21: Using other performance criteria results in pressure to adopt the Baseball Team career system.

— Fortress (external-team)
Team based performance: There is complete consistency between this mode of downsizing and the (lack of) team-based performance on the part of those selected for layoff.

Proposition 22: Using the team performance criterion results in no change in this career system.

Other criteria: The most severe violation occurs when individuals are laid off on the basis of inadequate individual performance. If people are encouraged to take early retirement from the firm, this is a mild violation of the assignment criterion, as one would expect the more senior members of the firm to be those higher in team contribution. If those with low seniority are chosen for layoff, the downsizing is completely consistent with Sonnenfeld and Peiperl's model of the Fortress career system.

Proposition 23: Using the other criteria for layoff results in consequences dependent on the criterion used:
23a: Use of the individual performance criterion shifts the system to the Baseball Team career system.
23b: Use of the seniority criterion (junior people laid off first) results in no change in the career system.
23c: Use of early retirement as the criterion violates the pre-existing assignment criterion and shifts to an uncertain career system for a short period.

— Club (internal-team)
Any criterion: The situation here is exactly the same as unselective reduction, because the basic assumption, that employees will not be laid off, has been violated.

Proposition 24: Using any criterion shifts to the Fortress career system.

The results of these effects are summarized in **Table 4**.

Table 4. Implications of Downsizing for the Career Systems of Sonnenfeld and Peiperl

	Baseball Team (External-Individual)	Academy (Internal-Individual)	Fortress (External-Team)	Club (Internal-Team)
Delayering	No change	Redeployment with individual criteria: no change Redeployment with team criteria, shift to Club Layoff using individual criteria: shift to Baseball Team Layoff using other criteria: shift to Fortress	No change	Total destruction, replaced with ?
Removal of product lines	No change; unless fired employees given priority for redeployment, then shift to Academy	No change	No change	Shift to Baseball Team
Targeted personnel removal	Same as product line removal	Same as product line removal	Same as product line removal	Same as product line removal
Outsourcing a specialized function	No change	Shift to Baseball Team	No change	Shift to Fortress
Unselective reduction	No change, some short-term instability	Shift to Baseball Team	No change, some short-term instability	Shift to Fortress
Selective reduction	Using individual performance criteria, no change; Using other criteria, short-term instability	Using individual performance criteria, shift to Baseball Team; Using other criteria, shift to Baseball Team	Using team performance criteria, no change; Using individual performance criterion, shift to Baseball Team Using seniority criterion (seniors stay), no change Using reverse seniority criterion (early retirement), shift to short term uncertainty	Shift to Fortress

As expected, systems relying on the external labour market are more robust than those relying on internal labor markets. There are some interesting points to note from the above analysis. First the external-individual career system is quite stable. Only through the removal of a product line coupled with the redeployment of personnel is it threatened. The external-team system (Fortress) is moderately stable: it is most at risk when early retirement is forced on employees. The internal-individual system (Academy) is moderately stable when appropriate criteria for layoffs are used. Depending on the type of downsizing, it may remain viable or shift to the Baseball Team or the Club. The Club is the least stable and is likely to transform to either the external-team system (Fortress) or the external-individual system (Baseball Team).

IMPLICATIONS FOR PRACTICE

In this paper we have reviewed the consequences of downsizing for organizational career streams and systems, a hitherto neglected area of investigation in the downsizing literature. Three practical messages emerge from our analysis.

First, there are many different approaches to downsizing; it is not a monolithic concept. It is important to remember that there is considerable choice available here.

Second, organizational careers —whether viewed as Gunz's three patterns of organizational career streams or Sonnenfeld and Peiperl's four career system archetypes— are likely to respond differently to any given downsizing approach. So one factor in the choice of downsizing method is the effect that it will have on the firm's current career streams or systems. For example, if the firm wishes to preserve an Academy it would probably be wise to choose the removal of a product line if it possibly can. On the other hand, if one of its aims is to change its current Academy to the "star" system of the Baseball Team, it can choose between unselective and selective reduction.

Finally, if the firm must, for other reasons, choose a style of downsizing which is going to undermine its career system in a way which may damage its ability to develop future top executives, there are actions it can take to mitigate this damage. For example, delayering a firm with a command-centred career stream is likely to be harmful. The constructional career stream, on the other hand, is comparatively immune to damage from delayering. In the vignette at the beginning of this paper, Foodco, which previously had a command-centred career stream, is currently changing the career streams for its top executives so that they follow the more complex developmental moves of the constructional logic. Additional implications for organizational strategy have been discussed by Gunz, Jalland and Evans (1998).

In brief, the company faces a choice between two options. If a particular career system outcome is needed, then the firm should choose the appropriate downsizing mode; alternatively, if a particular downsizing mode is needed, then it ought to plan for the career consequences.

We have shown how these decisions might be analysed. We do not claim that our explanations are complete or exhaustive; scholars have much more work to do, identifying different types of career stream and system and examining the impact of different forms of downsizing on these streams and systems. But the implications of our analysis are that a great deal can be deduced from remarkably simple models of career systems. This, in turn, points to the dangers of ignoring the firm's career system when downsizing is planned. There is much evidence that career streams and systems can have considerable impact on the way business strategies are chosen, and the success with which they are realized (Gunz and Jalland, 1996). It would seem to us to be taking unnecessary risks, to choose a strategy which will be blown off course by the impact of a simultaneous downsizing on the career systems.

To return to our opening theme, we have focused on the impact of downsizing on organizational career systems because there have been many forces at work over the past few years that change assumptions of continual corporate growth, and there is no reason to assume that these forces will disappear. Downsizing may not continue at its present pace, but neither will the growth of the postwar two decades. Careers in the twenty-first century will be profoundly affected by this change; we believe our analysis of the impact of downsizing on career systems provides a useful diagnostic framework for the management of organizational careers.

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Hugh Gunz trained as a chemist in New Zealand and the UK (PhD, Sussex), and worked for some years in the petrochemicals industry. He then studied at Manchester Business School and earned a second PhD for his research on managerial careers. He taught organizational behaviour at Manchester Business School and directed a number of executive programs there, before moving to Canada to take up an appointment at the Joseph L. Rotman School of Management. Dr. Gunz has published papers on the careers of managers and professionals, the management of technical professionals, and management education. He is the author of the book Careers and Corporate Cultures, published by Basil Blackwell. His research interests currently include the structure of managerial careers in downsizing and innovating organizations, the impact that different forms of career development have on firms' strategic management, and the ethical dilemmas experienced by employed professionals.

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