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The myth of workforce reduction efficiency: The performativity of accounting language

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ABSTRACT

This paper draws on Austin's conceptualization of performativity to show how the accounting strategies implemented before a workforce reduction can contribute to performing the myth of workforce reduction efficiency. To address this issue, we use both quantitative and qualitative methods. First, through quantitative analyses on a sample of 117 workforce reductions announced by 101 French listed firms from 2007 to 2012, we shed light how, by not taking accounting strategies into account in their models, prior mainstream studies may have conveyed false knowledge about improved performances after the operation and performed the workforce reduction efficiency supported by economic theories. Second, through a case study, we provide an in-depth illustration of the performativity effect of these accounting strategies and more precisely of downward earnings management, which can be considered a calculation act that contributes to performing the myth of the efficiency of these operations. Overall, this paper contributes to the workforce reduction literature by providing a critical illustration of how accounting numbers construct efficiency through the performative role given to earnings management. It also contributes to the critical accounting project by notably participating in the debate on the use of quantitative and mixed research methodologies in the critical accounting project.

1. Introduction

As economic globalization has increased competition among international firms, workforce reductions have become common practice (Freeman & Cameron, 1993). Firms generally reduce their workforces to decrease labor costs and increase earnings and/or competitiveness (Cascio, Young, & Morris, 1997). In doing so, they adopt an economic perspective in which reducing the workforce is considered a rational way to enhance future performance. However, previous studies examining the impact of workforce reductions report mixed results. Some, mainly published in finance and mainstream accounting journals, corroborate the economic hypothesis, finding an increase in performance in the years following workforce reductions (e.g., Iqbal & Akhigbe, 1997; Elayan, Swales, Maris, & Scott, 1998; Espahbodi, John, & Vasudevan, 2000; Chen, Mehrotra, Sivakumar, & Yu, 2001), but other studies published in the management field find no significant improvement (Cascio et al., 1997; De Meuse, Bergmann, Vanderheiden, & Roraff, 2004; Marques, Gonzales, Cruz, & Ferreira, 2011; Munoz-Bullon & Sanchez-Bueno, 2011) and even a decrease in future performance after such operations are implemented (e.g., De Meuse, Vanderheiden, & Bergmann, 1994; Suárez-González, 2001; Guthrie & Datta, 2008). It thus remains unclear whether improved future performance arising from workforce reductions is an economic reality or a rationalized

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institutional myth¹ (e.g., Budros, 1997; Ferraro, Pfeffer, & Sutton, 2005) used to convey the market ideology that “an employee is merely a commodity that can be acquired, dismissed, or even traded, for instance, in mergers and acquisitions, with little consideration for anything except presumed corporate profitability and shareholder wealth” (Ferraro et al., 2005, p. 19).

We argue in this paper that previous studies to examine the impact of workforce reductions on future performance have omitted important parts of the managerial story that may explain the mixed results in the literature: earnings management and disclosure strategies before workforce reduction announcements. Several studies on accounting strategies before workforce reductions show that firms manage earnings downward (e.g., Verdier & Boutant, 2016; Andreicovici, Cohen, Ferramosca, & Ghio, 2021) and use reactive disclosures (e.g., Nègre, Verdier, Cho, & Patten, 2017) to construct an economic justification for the reductions, thereby facilitating social acceptance of the operation and maintaining their legitimacy. In this study, we propose to build a bridge between the literatures on workforce reduction efficiency and accounting strategies before workforce reductions to understand how these strategies may influence post-workforce reduction performance. Drawing on Austin (1962) conceptualization of performativity and the literature addressing the performativity of accounting language (e.g., Fauré, Brummans, Giroux, & Taylor, 2010; Vosselman, 2014; Gond, Cabantous, Harding, & Learmonth, 2016; Drost, Minnaar, Vosselman, & Wagenveld, 2016), our paper posits that workforce reduction efficiency may at times be a myth performed by accounting strategies and mainstream research conclusions.

We use mixed methods for the purpose of initiating a dialogue with mainstream (functionalist) researchers from within the critical paradigm. In a quantitative study based on a sample of 117 workforce reductions announced by 101 French listed firms over a six-year period (2007–2012), the first objective is to challenge mainstream studies by using the same quantitative models and proxies that they use and then showing how, by not taking accounting strategies into account in their models, they may draw incorrect conclusions about improved performances after workforce reductions. In doing so, they participate in the construction of a collective perception of the efficiency of workforce reductions and tend to perform economic theory by creating the self-fulfilling prophecy of this efficiency. Through a case study, the second objective of this paper is to provide a qualitative illustration of the performativity effect of accounting strategies prior to workforce reductions by showing how these strategies can perform the efficiency of these operations. More precisely, we show how downward earnings management prior to workforce reductions can be considered a calculation act that contributes to performing the efficiency of these operations.

Our analyses are performed in the French context, as France has a long history of strong conflict between managers (or shareholders) and employees (Harris, Lang, & Moller, 1994; Mora & Sabater, 2008; Nègre et al., 2017). Reducing a firm’s workforce through layoffs is strictly regulated: managers are required to prove their economic, technical, or organizational reasons for doing so, and employees can sue the firm if they believe the managers have not respected their legal obligations. Moreover, French firms seeking to reduce their workforces can incur high costs due to social protests and extensive coverage in the media. Consequently, they have incentives to construct convincing justifications for the decision to reduce the workforce if they do not want to be blamed for unethical behavior. This trend can generally be observed in continental European countries (as opposed to Anglo-Saxon countries), which have adopted a partnership approach in which profits are expected to be shared among all stakeholders (Ball, Kothari, & Robin, 2000). In this sense, Garcia Lara, Garcia Osma, and Mora (2005) note that European companies adjust their results downward more than other countries, particularly in response to the strong pressure exerted by social stakeholders.

This paper makes two main contributions. First, it responds to Boedker (2010) call for research using a performative lens to investigate the accounting–strategy relationship during workforce reductions. Most of the previous empirical studies on how workforce reductions influence future performance mainly do so from a mainstream theoretical perspective and fail to give useful and convincing interpretations of the quantitative results. A critical perspective with a focus on earnings management can overcome this failure by considering the performative role of accounting language while remaining open to dialogue with mainstream researchers. More precisely, earnings management is here considered to be a calculation act that (1) renders the workforce reduction decision socially rationalized, (2) provides the appearance of maintaining performance levels, and therefore (3) biasedly supports the economic theory of workforce reduction efficiency. Thus, by taking a fresh look at the literature on earnings management and disclosure practices, this paper extends the “critical accounting project in seeking to make visible the ways in which accounting and accountability are subverted to achieve the ends of a managerial elite” (Richardson, 2015, p. 71). It also contributes to “critical reflection and understanding regarding the [...] limitations of accounting, which in turn enables accounting activists and other social agents to promote social change” (Everett, Neu, Rahaman, & Maharaj, 2015, p. 37). Not least, it contributes to the literature on the sociology of calculation (Callon & Muniesa, 2005; Espeland & Stevens, 2008; Power, 2004) with a specific focus on performativity and follows the recommendations of Gond et al. (2016, p. 440) about “how performativity is organized” by combining qualitative and quantitative approaches. Through a dynamic view of the performativity concept, the myth of workforce reduction efficiency appears to result from the articulation of two conceptualizations of performativity: performativity as doing things with (accounting) words and figures and performativity as bringing economic theories into being. Accounting earnings management, through its performative effect, not only describes the world, but also helps to reinforce and validate economic theories. This work should be taken as a starting point to encourage more in-depth analyses and as a breeding ground to engage in social praxis (Everett et al., 2015; Gendron, 2018).

Second, this paper contributes to the debate on the use of quantitative or mixed research methodologies in the critical accounting project (e.g., Gray & Milne, 2015; Patten, 2015; Richardson, 2015) as the analytical method is both qualitative, via our illustrative case

¹ Concluding that workforce reduction efficiency is a rationalized institutional myth does not mean that workforce reduction never leads to an improvement in future performance. Instead, it means that workforce reduction should not automatically be considered a means to increase future performance, as this assumption is often false. This simplistic reasoning enables firms to rationalize workforce reductions for economic reasons, whereas financial market reasons more often guide the decision to reduce the workforce.

study, and quantitative, via the use of statistical models to examine the consequences of accounting strategies on workforce reduction efficiency. The question of quantitative methods to contribute to the critical accounting project is of interest for researchers, as evidenced by the special issue on this theme published in “*Critical Perspectives on Accounting*” in 2015. The literature reveals that mixed methods have often been used to improve the validity of research findings or to enable the mobilization of several theories to deal with a specific concern. Yet, the potential of mixed methods to encourage dialogue across paradigm divides has received little attention (Modell, 2010). This paper thus contributes to the literature as it mobilizes mixed methods with the aim of initiating dialogue across the functionalist mainstream paradigm and the critical perspective. According to Power (2004, p. 778), “*the task of social science is to open up the black box of performance measurement systems, to de-naturalize them and to recover the social and political work that has gone into their construction as instruments of control.*” We propose to do this in this paper. Following the criticisms of several authors (e.g., Williams, 2014) about the purported rigor of quantitative studies and as suggested by Roberts and Wallace (2015), we aim to challenge the results of earlier studies on mainstream earnings management within the boundaries of their own methodology and proxies. One of the main problems with mainstream quantitative research is that statistics are often uncritically presented, as they are assumed to be objective and neutral (Kelemen & Rumens, 2008). In this paper, we present a useful demonstration that mainstream results may have alternative interpretations, and we underline that the interpretation we provide may be morally more compelling and more meaningful from ethical and social points of view. The objective for both the qualitative and quantitative methods is to reveal the illusion of the efficiency of workforce reductions performed by economic theories and mainstream research. In doing so, we contribute to the critical social research project that is “*oriented towards challenging rather than confirming that which is established, disrupting rather than reproducing cultural traditions and conventions, opening up and showing tensions in language use rather than continuing its domination, encouraging productive dissension rather than taking surface consensus as a point of departure*” (Alvesson & Deetz, 2000, p. 9).

The remainder of this paper is organized as follows. Section 2 presents the theoretical framework and reviews the literature. Section 3 describes our mixed methodological approach. Section 4 presents the results of the quantitative analysis and then those of the illustrative qualitative case study. The final section discusses the results and concludes.

2. Literature review and theoretical framework

2.1. Building a bridge between the literatures on accounting strategies and the economic consequences of workforce reduction

Workforce reduction announcements can be perceived by employees and society as a breach of the social contract between them and the firms (e.g., Mäkelä & Näsi, 2010; Van Buren, 2000; Vuontisjärvi, 2013; Andreicovici et al., 2021), thereby leading stakeholders to put internal (e.g., employees, unions) or external (e.g., media, consumers, public) pressure on these organizations. Given the tensions generated by this type of announcement, the perception of the reasons for the contract violation plays a capital role in the workforce reduction process (e.g., Morrison & Robinson, 1997; Amernic & Craig, 2005). Accounting numbers and disclosure strategies have a key role in the social acceptance of workforce reductions as they can influence how employees, unions, and politicians perceive a firm. From this perspective, several studies provide evidence that firms use accounting and disclosure strategies to provide rational justifications, specifically during disputes with employees (Amernic & Craig, 2005), in order to seek legitimacy from their stakeholders (Andreicovici et al., 2021). More precisely, the literature shows that firms can manage earnings downward (Andreicovici et al., 2021; Hall, Stammerjohan, & Cermignano, 2005; Verdier & Boutant, 2016) and/or use a reactive disclosure strategy (Craig & Amernic, 2004; Mäkelä & Näsi, 2010; Nègre et al., 2017) to economically justify their workforce reduction decision, facilitate the social acceptability of the operation and avoid a legitimacy loss. Earnings management and disclosure strategies have thus far been viewed through the prisms of agency costs, impression management theory or legitimacy theory, where the objective is to manage stakeholders’ negative perceptions and the political costs related to collective protest actions (e.g., strikes, lawsuits), new regulations, interferences in the negotiations of political actors, boycotts, etc. The effects of these strategies on the “success” of workforce reduction operations, which can be measured from a firm perspective by an improvement in economic and financial performance, have not been the subject of particular attention as these two literatures are disconnected in the academic world. Consequently, previous studies² have investigated the consequences of workforce reductions on future performance without considering these accounting strategies, but the results are not consistent.

Some studies published in finance-related journals (e.g., Iqbal & Akhigbe, 1997; Elayan et al., 1998; Espahbodi et al., 2000; Chen et al., 2001) report a positive relationship between workforce reductions and future organizational performance. According to these studies, workforce reductions lead to improved efficiency and constitute a rational response to ensure corporate survival. These results align with the economic theoretical perspective that views workforce reductions as a way to reduce employment costs and thus compete more efficiently and improve performance. From this perspective, reducing the workforce is a rationalized decision aimed at improving future performance. In contrast, some of the studies published in broader management-related journals (Cascio et al., 1997; De Meuse et al., 2004; Marques et al., 2011; Munoz-Bullon & Sanchez-Bueno, 2011) find no significant influence of workforce reduction on future corporate performance, while still others (e.g., De Meuse et al., 1994; Suárez-González, 2001; Guthrie & Datta, 2008) document a negative impact of doing so on future organizational performance. One explanation for the potential lack of efficiency of workforce reductions is that firms may suffer costs associated with “*survivor syndrome.*” This term refers to a set of attitudes

² Other studies use market reactions to examine the influence of workforce reductions on investor perceptions of future performance (e.g., Lee, 1997; Elayan et al., 1998; Chalos & Chen, 2002; Nègre et al., 2017). These are not relevant to our study, given its focus on the use of earnings management during workforce reductions on firms’ efficiency as measured with accounting numbers.

including depression, anger, fear, guilt, and stress that occurs in employees who remain with the firm after the workforce has been reduced (e.g., Brockner, 1990; Brockner, Grover, O'Malley, Reed, & Glynn, 1993; Devine, Reay, Stainton, & Collins-Nakai, 2003; Nixon, Hitt, Lee, & Jeong, 2004; Maertz, Wiley, LeRouge, & Campion, 2010). From this perspective, and contrary to economic prescriptions, reducing the workforce may not be an efficient way to deal with corporate performance issues, and the operations are viewed as being the result of institutionalized practices (Mckinley, Zhao, & Rust, 2000; Saïd, Le Louarn, & Tremblay, 2007). Mckinley et al. (2000) note that the forces driving managers to implement workforce reductions are complex and, beyond the economic factors, they include institutional and sociocognitive considerations. Institutionally, the decision to announce a workforce reduction may be driven by isomorphism concerns. For example, Budros (1997, p. 245) argues that “*organizations feel pressed to adopt practices that are isomorphic (compatible) with rationalized institutional myths, even when the practices are inefficient economically, and that adopters are rewarded with enhanced social legitimacy and, ultimately, survival prospect.*” From a sociocognitive standpoint, workforce reductions are efficient because they are the result of “*shared mental models*” that are “*socially constructed through social interaction and connected enactment processes*” (Mckinley et al., 2000, p. 229). Unlike the studies published in finance-related journals, those published in management reviews propose narratives about the supposed rationality of workforce reduction decisions, and the results are not always evident, which underlines the relevance of identifying alternative stories. In this paper, we argue that one potential reason for these mixed results is that previous studies have missed the opportunity to build a bridge between the literatures on accounting strategies before workforce reductions and workforce reduction efficiency. Through the lens of performativity, we propose to extend these two literatures by revealing the hidden alternative interpretations that their separation does not allow for.

2.2. The performative role of accounting language

The concept of performativity has been extensively drawn upon in social sciences research, with a sharp increase in its use in organization and management theory since the late 1990s (Gond et al., 2016). Gond et al. (2016) and Aggeri (2017) reviewed the various conceptualizations of “performativity” in the organization and management literature. Austin (1962) conceptualization was introduced in the linguistics sciences to describe one of the functions of language: performativity as doing things with words. The Callonian approach is rooted in sociology and applies Austin’s conceptualization of performativity to scientific statements. It emphasizes the processes by which economic theories transform market activities and the organization of concrete markets through arrangements (e.g., Callon, 1998; 2007; MacKenzie & Millo, 2003; MacKenzie, 2006). Based on the work of Derrida and Foucault and rooted in gender studies, the Butlerian perspective focuses on how social categories and identities that are taken for granted (e.g., gender) are historically constructed through the repetition of language acts and practices that transform the meaning that individuals make of themselves (Aggeri, 2017)³. In this study, we draw on Austin’s notion of performativity, which provides a helpful analogy for thinking about quantification (Espeland & Stevens, 2008). For Austin (1962), using language “*is the performing of an action – it is not normally thought of as just saying something*” (p. 6–7). The author distinguishes constative utterances, which describe facts passively, from performative utterances, which construct new situations. When an utterance is performative, “*to say something is to do something*” (p. 12). This language function refers to the power that “*certain deliberate statements can change the reality and practices that they designate*” (Aggeri, 2017). This conceptualization of performativity strongly influenced the development of research on communication in organizations (e.g., Cooren, 2004; Fauré & Gramaccia, 2006; Fauré et al., 2010).

Considering accounting as a language (e.g., Fauré et al., 2010; Killian, 2010; Graham, 2013) implies overtaking the economic vision that supports the “*idea of a reality of ‘pure’ calculation*” and accepting that “*real practices are infinitely more complex and leave little room for calculative practices per se*” (Callon & Muniesa, 2005, p. 1230). The performative role of accounting language (e.g., Fauré & Bouzon, 2010; Skærbaek & Tryggestad, 2010; Vosselman, 2014; Drost et al., 2016) has been investigated by a stream of academic research. According to this literature, accounting language is performative because it does not describe an existing economic reality but instead constructs/performs a social reality. As such, accounting numbers do not faithfully represent firms’ economic performance and therefore the objectivity of accounting is only a myth (e.g., Morgan, 1988; McSweeney, 1997; Young, 2003) promulgated by economic theories. As accounting produces and communicates numbers, it has a quantifying role (Espeland & Stevens, 2008). From this perspective, the main argument for the performativity approach is that “*accounting language is performative because it not only states a calculable reality but also contributes to render this reality visible and actionable*” (Fauré & Bouzon, 2010, p. 622). Hines (1988) elucidates the social constructionist perspective of accounting, stating that “*it seems to me that your power is a hidden power, because people only think of you as communicating reality, but in communicating reality, you construct reality*” (p. 257). Similarly, Morgan (1988, p. 477) asserts that accountants “*are not just technicians practicing a technical craft. They are part of a much broader process of reality construction, producing partial and rather one-sided views of reality.*” Burchell, Clubb, Hopwood, Hughes, and Nahapiet (1980, p. 5) add that “*what is accounted for can shape organizational participants’ views of what is important, with the categories of dominant economic discourse and organizational functioning that are implicit within the accounting framework helping to create a particular conception of organizational reality.*” Thus, according to this viewpoint, the “*power of accounting lies in its role in shaping the discourse of performance, a process in which individual organizations can be formatted in standardized ways*” (Power, 2004, p. 778). Finally, drawing on Bourdieu’s work, Farjoudon and Morales (2013) claim that, by constructing the myth of a rational reality, the use of accounting numbers helps managers convince other actors that they engage in rational decision-making toward shared objectives, thus limiting doubts and contestation.

The performative turn in academic accounting research has important implications in that the focus is not only on individual

³ Gond et al. (2016) synthesize two more minor conceptualizations of performativity in the management and organization literature: performativity as *searching for efficiency* (Lyotard) and performativity as *sociomateriality mattering* (Barad).

intentional decision-making (Drost et al., 2016). Further, accounting is not just an instrument intentionally used by managers, but an actant, “an other-than-human actor that acquires its form and capacity to act through its relations in a network of associations” (Drost et al., 2016). Based on a case study of a large American company, Boedker and Chua (2013) show that accounting is an affective technology that constructs people’s feelings and emotions. Accounting instruments, such as productivity ratios, financial performance targets, budgets and human resource programs, contribute to the circulation of affect in the global network. In this sense, accounting is not only a cognitive but also an affective technology that performs actions on people by mobilizing them. In this study, the objective is to ask how accounting language is able to construct the efficiency of workforce reductions.

2.3. How do accounting strategies perform the myth of workforce reduction efficiency?

Through the performativity lens, accounting is an “actant” (Drost et al., 2016) that can produce specific effects during workforce reductions and most importantly during the post-workforce reduction period. Here, downward earnings management can be viewed as an “act of calculation” that contributes to rendering the workforce reduction decision unavoidable and socially rationalized. An act of calculation refers to the role of quantification in the production of myths. Fauré and Gramaccia (2006, p. 3) define it as a “performative utterance intended both to accomplish an act, [...], as well as, through the quantified proposition that it expressed, to state something true or false with regard to an observed fact likely to be analysed by means of a calculation.” With regard to the justifications for workforce reduction, acts of calculation may have a particular importance as “talking about productivity, competitiveness and profitability only makes sense in reference to numbers, and these numbers allow the people who utter them to be able to legitimately and seemingly objectively put forward discourses, reasoning, and justifications associated with these notions” (Fauré & Gramaccia, 2006, p. 6-7). The emphasis on performance measurement and shareholder value creates new agents who are subject to the “climate of calculation” and who “engage in creative and perverse behaviours” (Power, 2004, p. 775). As mentioned by Aggeri (2017), the aim of analyzing acts of calculation is to question their performative capacity and their power to “lay the groundwork for decision-making” through a process of argumentation (p. 38).

In addition to acts of calculation, the voluntary disclosure⁴ of workforce reductions to the public, such as through press releases, conveys written reactive arguments and justifies the decision to external stakeholders (Nègre et al., 2017). As noted by Aggeri (2017), some written documents can have a performative effect, whereas others have a constative function. When they are performative, written acts can sustain the managerial decision and maximize the intended effects through reactive arguments. From this perspective, Cushen (2013, p. 315) shows how accounting “can serve as a performative mechanism through which top management can narrate a desired reality” to employees “and pass down a myriad of performative interventions to achieve this reality.” Calculation and writing acts may have fundamental roles in legitimizing managerial decisions (Aggeri, 2017). Downward earnings management and reactive disclosure strategies are examples of, respectively, calculation and written acts when they produce effects on post-workforce reduction performance—that is, when they artificially contribute to the construction of the efficiency of workforce reductions. On the one hand, consistent with economic expectations, reducing reported earnings and reactive disclosure strategies can help managers to economically justify the operation and thereby decrease the costs associated with employee claims and contestations, political intervention, public pressure, and/or “survivor syndrome” (e.g., Brockner, 1990; Brockner et al., 1993). From this perspective, the cost reductions due to the presentation of reduced earnings ultimately increase performance. On the other hand, the increase in performance for firms that engage in downward earnings management might be explained by the reversal of earnings in subsequent years, mechanically improving future performance. Indeed, most prior studies investigating the impact of workforce reductions proxy future economic performance using accounting ratios that can be affected by earnings management. Consequently, the possible reversal of accruals in future years may constitute a factor that potentially leads the users of accounting reports to erroneously conclude that workforce reductions increase future performance. According to Dambrin and Robson (2011), among others who have examined the performativity of performance measures, the use of earnings management before reducing the workforce may enable firms to construct not only the economic rationality of their decision through the presentation of decreased accounting numbers, but also the efficiency of the reductions through the mechanical increase in future performance due to accruals reversal. From this perspective, earnings management can perform the efficiency of workforce reductions.

3. Method

3.1. Analytical approach: mixed methods to expand the critical accounting project

In this paper, we use mixed methods to initiate a “dialogue between the ‘mainstream’ and ‘alternative’ paradigms” (Modell, 2010, p. 125), and more precisely the critical paradigms for which “there are deep-seated structural contradictions and conflicts in society, of which people need to be aware, and from which they need to be emancipated” (Lukka, 2010, p. 112). Modell (2010, p. 124) “discusses the role of mixed methods research in management accounting and how it may help researchers bridge the divide between the economics-based, functionalist ‘mainstream’ and the ‘alternative’ paradigm informed by interpretive and critical perspectives.” Although Burrell and Morgan (1979) argue for the incommensurability of paradigms and for paradigmatic closure⁵, several authors defend the need for pluralism in

⁴ In France, although labor law requires managers to communicate the downsizing plan to union representatives, managers have no obligation about the external dissemination of the operation before its implementation.

⁵ Some authors argue that the positioning of Burchell and Morgan (1979) “was political: to shake the imperialism of the functionalist orthodoxy, which had prevailed prior to their book” (Kakkuri-Knuutila et al., 2008).

accounting research (e.g., Kakkuri-Knuuttila, Lukka, & Kuorikoski, 2008; Modell, 2015). This is possible as “*the paradigms do not constitute hard-and-fast domains. The boundaries between paradigms are therefore more usefully conceived as transition zones*” (Gioia & Pitre, 1990, p. 592). According to Lukka and Mouritsen (2002), without dialogue between paradigms or theoretical perspectives, the risk is that some results will be wrongly validated, and others ignored on the grounds that they do not fit the paradigm. This approach considerably impoverishes all knowledge production and tends to confirm/perform results generated by the epistemological, ontological, theoretical and methodological approach that was adopted.

Using mixed methods, the objective is first to use language (quantitative methods) that is common to both the critical and the mainstream paradigms to show how mainstream researchers, by not taking accounting strategies into account in their models, may be led to erroneous conclusions about the efficiency of workforce reductions. The second objective is to provide a qualitative illustration of how the accounting strategies adopted by firms prior to workforce reductions can construct the efficiency of these operations. For Richardson (2015, p. 76), “*mixed methods provide a way to allow quantitative methods to enter the critical accounting project without abandoning its roots in qualitative methods.*” Although the critical accounting literature generally focuses on qualitative methods, the issue of using quantitative methodology to develop the critical accounting project has been addressed by several authors (e.g., Kelemen & Rumens, 2008; Everett et al., 2015; Gray & Milne, 2015; Patten, 2015; Richardson, 2015). As Richardson (2015, p. 72) noted, “*quantitative research methods must be complemented with a broader theoretical and critical concern with asking the right questions, interpreting empirical results in their historical and social context, and combining empirical results with a moral philosophy that safeguards against a superficial scientism*” (p. 72). Quantitative approaches can be used to describe and document inequities (Gendron, 2018) and contribute to the emancipation of society (Richardson, 2015). In this sense, several studies in the literature use quantitative or mixed methods to address public interest topics (e.g., Freedman & Patten, 2004; Thornburg & Roberts, 2008; Sikka & Willmott, 2010; Cho, Guidry, Hageman, & Patten, 2012; Himick, Brivot, & Henri, 2016; She & Michelon, 2019). More specifically, Richardson (2015) notes that the earnings management issue has been co-opted by the mainstream literature as “*the concerns of this stream of research are consistent with the critical accounting project in seeking to make visible the ways in which accounting and accountability are subverted to achieve the ends of a managerial elite*” (p. 71). From this perspective, Lambert and Sponem (2005) highlight the interest of several theoretical and methodological approaches to examine this topic.

3.2. Quantitative study

3.2.1. Sample

Our sample consists of nonfinancial French listed firms that announced workforce reductions in France over the six-year period 2007–2012. Based on a review of the Factiva, Trendeo, and Europa databases, we identified 301 workforce reductions announced by 122 firms⁶. Given our focus on discretionary accruals reversal, workforce reduction announcements in the test period had to be preceded by at least one year in which the respective firms announced no workforce reductions. This resulted in the elimination of 169 operations and 10 firms. Consistent with Poudier, Hindman, and Cantrell (2004), four additional workforce reductions were deleted because they were announced in the context of mergers in which firms can have specific incentives to manage earnings (e.g., Louis, 2004; Botsari & Meeks, 2008). Finally, 11 operations were excluded because the 11 firms that announced them did not have sufficient data available for measuring discretionary accruals or post-workforce reduction performance. Overall, the final sample consists of 117 workforce reduction announcements for 101 French listed firms. Table 1 presents the distribution by year and industry of the test sample.

Firms in the sample announced more than half the workforce reductions in 2008 (24%) and 2009 (33%). This result highlights the impact of the financial crisis on restructuring strategies in European countries and supports the need to control for this factor in the analysis (discussed below). The sample includes firms from nine industrial sectors, with the largest representation (25 firms, 24.5% of the sample companies) coming from the industrial classification.

3.2.2. Variable measures and model

Our models replicate those used in the mainstream literature as we used the same control variables and similar proxies to compare them. Doing so enables us to show the weaknesses of an automatic association between a statistical result and predefined theories, which most often go in the direction of the dominant ideology. We apply regression techniques to investigate the influence of earnings management and disclosure strategies on the post-workforce reduction performance and thereby illustrate whether they contribute to performing the efficiency of these operations.

- *Dependent variables*

The mainstream literature uses three economic indicators to examine the influence of workforce reductions on future performance. These are (1) the efficiency of the labor force measured as the Ebitda/Total employees ratio (Cascio et al., 1997; Morris, Cascio, & Young, 1999; Munoz-Bullon & Sanchez-Bueno, 2011), (2) the Ebit/Net sales ratio (Chen et al., 2001), and (3) the Net income/Total assets ratio (Chalos & Chen, 2002; De Meuse et al., 1994, 2004). Performance change following workforce reductions (PERFCHANGE) is measured as the firm’s two-year average performance before workforce reductions ($t - 2$ and $t - 1$) compared with the two-year

⁶ We searched for articles including mentions of French listed firms containing the keywords “layoff,” “job cut,” “downsizing,” and/or “redundancy plan.”

Table 1
Sample description.

Distribution of workforce reduction announcements by year		Distribution of firms by industry		
Years	Number (%)	ICB code	Industries	Number (%)
2007	6 (5%)	0001-0587	Oil and Gas	2 (2%)
2008	28 (24%)	1000-1779	Basic Materials	9 (9%)
2009	39 (33%)	2000-2799	Industrial	25 (24.5%)
2010	11 (9%)	3000-3785	Consumer Goods	21 (20.5%)
2011	10 (9%)	4000-4577	Health Care	7 (7%)
2012	23 (20%)	5000-5759	Consumer Services	19 (19%)
		6000-6575	Telecommunications	2 (2%)
		7000-7577	Utilities	3 (3%)
		9000-9578	Technology	13 (13%)
Total	117 (100%)	Total		101 (100%)

average performance after the implementation of these reductions ($t + 1$ and $t + 2$).

- *Test and control variables*

The most important independent variables are the level of earnings management (EM) and the disclosure strategy (DISCL). We estimate earnings management from accruals models⁷ that aim to detect earnings manipulation through the approximation of discretionary accruals. To estimate them, we first need to calculate total accruals and identify the “normal” or “non-discretionary” part that is expected to reflect a true and fair application of accounting principles. Total accruals (TA) refer to all the adjustments (discretionary as well as non-discretionary accruals) that make it possible to move from cash-based accounting to accrual-based accounting. They mainly include depreciation, amortization and the change in working capital. In other words, total accruals are the part of the net income that did not result in cash flow. For each sample firm i , they equal the difference between net income and cash flow from operations in the year before its workforce reduction announcement ($t-1$).

$$TA_{it-1} = \text{Net income}_{it-1} - \text{Cash flow from operations}_{it-1} \quad (1)$$

Next, non-discretionary accruals are estimated using the Jones model, as successively improved by [Dechow, Sloan, and Sweeney \(1995\)](#) and [Kothari, Leone, and Wasley \(2005\)](#). The model postulates that the normal part of total accruals depends on the economic circumstances of the firm related to the change in revenues with no immediate reflection in accounting receivables, the level of property, plant and equipment, or the lagged ROA. It posits that the error term, the part of total accruals not statistically explained by the model, corresponds to “discretionary” accruals.

$$TA_{it-1}/A_{it-2} = \alpha_0(1/A_{it-2}) + \alpha_1((\Delta REV_{it-1} - \Delta AR_{it-1})/A_{it-2}) + \alpha_2(PPE_{it-1}/A_{it-2}) + \alpha_3 ROA_{it-2} + \varepsilon_{it} \quad (2)$$

where i = firm; t = year of the announcement of the operation; TA = total accruals, A = total assets; ΔREV = change in revenues between years $t - 2$ and $t - 1$; ΔAR = change in accounts receivable between years $t - 2$ and $t - 1$; PPE = gross property, plant, and equipment; ROA = return on assets as measured by the ratio of net income divided by net total assets; α_0 = intercept; $\alpha_1 \dots \alpha_{12}$ = regression coefficients; ε_i = residual term.

Parameters are estimated on a sample composed of all French listed firms that have the same two-digit ICB code as the test sample firms but that did not make workforce reduction announcements during the test period. Overall, we formed 53 industry-year portfolios, organized into six industry groups according to each firm’s one-digit ICB code, to obtain enough data to run regressions. We estimate parameters for each of the six industry groups using the four years prior to the workforce reduction announcement (from $t - 4$ to $t - 1$), except that, due to differences related to IFRS adoption, we do not use observations prior to 2005⁸. The final estimation sample consists of 1457 firm-years. In the last step, discretionary accruals of the study sample are calculated by using previous estimated parameters and subtracting the total accruals predicted by the model for the test sample firms from those actually observed for them. In this way, earnings management is approximated through a differential behavior compared to a statistical norm and it is interpreted as a percentage of lagged total assets.

We further measure disclosure strategies in the context of workforce reductions using two variables ([Nègre et al., 2017](#)). The first measures the voluntary disclosure strategy to announce the workforce reduction to external stakeholders. It is a dummy variable equal to one when firms issue a press release announcing the operation and zero otherwise. The second measures the reactive disclosure strategy through a score of narrative impression management strategies (IMS) based on [Henry \(2008\)](#) and [Brennan, Guillamon-Saorin,](#)

⁷ The detection and measurement of earnings management is a matter of important discussions in mainstream (e.g., [Dechow & Skinner, 2000](#)) and critical accounting (e.g., [Marnet, 2007](#); [Callen, 2015](#)) research. Although the methods implemented in this paper come from the methodology of positive economics, their use is necessary to examine the performativity of the underlying constructs.

⁸ Although an announcement in 2007 or 2008 would require including years before 2005, they are not included in the dataset because the International Financial Reporting Standards were introduced in 2005 in France.

and Pierce (2009) approaches and focuses on the causality of arguments (e.g., Aerts & Cheng, 2011; Aerts & Zhang, 2014; Nègre et al., 2017) advanced by managers to justify workforce reduction. A manual content analysis is performed by two independent coders. The score is calculated as the difference between the number of proactive arguments and the number of reactive arguments, divided by the total number of arguments included in each press release.

$$\text{IMS} = \frac{\text{Proactive arguments} - \text{reactive arguments}}{\text{Total of arguments}}$$

In line with the literature on workforce reductions (e.g., Lee, 1997; Elayan et al., 1998; Capelle-Blancard & Tatu, 2012; Nègre et al., 2017), when firms use proactive arguments, they justify their workforce reductions by their intention to improve performances, reduce costs or implement new technologies, products, etc. Conversely, when they use reactive arguments, they justify the reductions by arguments based on negative external causes independent of their managers' intention (e.g., bad market or sector conditions, changes in regulatory requirements) or financial difficulties⁹.

Consistent with prior economic research, control variables potentially impacting the relation between workforce reductions and future firm performance are considered. The first ones relate to the workforce reduction operation: the size of the reductions (WRSIZE) (De Meuse et al., 2004; Espahbodi et al., 2000), their causes (CAUSE) (Love & Nohria, 2005; Nègre et al., 2017), and their frequency (FIRST) (De Meuse et al., 2004). The second ones relate to firm-specific factors: firm size (FIRMSIZE) (Espahbodi et al., 2000; Munoz-Bullon & Sanchez-Bueno, 2011), sensitive industry (SENSIND) (Munoz-Bullon & Sanchez-Bueno, 2011), lagged level of performance ROE, growth opportunity (GROWTH) and financial crisis (CRISIS). Overall, our model is stated as:

$$\text{PERFCHANGE}_{it} = \alpha_0 + \alpha_1 \text{EM}_{it-1} + \alpha_2 \text{DISCL}_{it} + \alpha_3 \text{WRSIZE}_{it} + \alpha_4 \text{CAUSE}_{it} + \alpha_5 \text{FIRST}_{it} + \alpha_6 \text{FIRMSIZE}_{it-1} + \alpha_7 \text{SENSIND}_{it} + \alpha_8 \text{ROE}_{it-1} + \alpha_9 \text{CRISIS}_{it} + \alpha_{10} \text{GROWTH}_{it} + \varepsilon_{it} \quad (4)$$

With PERFCHANGE = change in performance after the implementation of workforce reductions; EM = earnings management; DISCL = disclosure strategy; WRSIZE = size of the workforce reduction; CAUSE = proactive/reactive operations; FIRST = first downsizing implemented by the firm over the period studied; FIRMSIZE = firm size; SENSIND = sensitive industries; ROE = return-on-equity; CRISIS = economic crisis/expansion periods; GROWTH = growth opportunity; α_0 = intercept; $\alpha_1 \dots \alpha_{12}$ = regression coefficients, ε_{it} = residual term.

Table 2 summarizes the variables in our model.

3.3. Illustrative qualitative case study

We conducted a qualitative case study to provide a better understanding of how accounting strategies before workforce reductions can contribute to performing the myth of the efficiency of these operations. The objective was to enrich the quantitative analysis by providing a fine-grained analysis of the process of constructing the myth of workforce reduction efficiency through accounting strategies. For Yin (2003), a case study is the most appropriate research method for an exploratory study seeking to address “how” or “why” questions. We focus on the PSA Group, founded in Paris in 1976 and today one of the largest multinational automobile manufacturers in the world, as it provides a typical illustration of how accounting strategies can act to perform the efficiency of workforce reductions. PSA is a French group listed on the Euronext Paris stock exchange and is a constituent of the CAC 40 index. The starting point of the case is the announcement on 12 July 2012 of the elimination of 8000 jobs and the decision to close a French factory located in Aulnay-sous-bois in the northeastern suburbs of Paris due to large losses incurred by the Group. This event constitutes a typical case study of how manipulated earnings can perform reality before and after large workforce reductions. To illustrate this idea, we used the Europress database to collect information from newspaper articles, press releases, registration documents, and all other relevant documents that would help reconstruct the storytelling surrounding the announcement of accounting numbers around the closure operation. Our period of interest was from 2012 to 2015, the period during which the Group's restructuring plan was being covered by the media. As all the documents gathered for analysis were written in French, we translated them into English for the study.

4. Results

4.1. Effect of accounting strategies on workforce reduction efficiency: a quantitative analysis

4.1.1. Preliminary analysis of workforce reduction efficiency

As a preliminary analysis, we compare the evolution of the three performance indicators (Ebitda/Employees, Ebit/Net sales and Net income/Total assets) between the sample firms and the control samples. In Panel A, the control sample titled “control firms based on business sector and size” includes 117 French listed firms that did not announce a workforce reduction during the study period and belonged to the same business sector (same 2-digit ICB code) and had the same size (total assets) as the test firms in the year before the operation's announcement. In Panel B, the control sample titled “control firms based on business sector and performance” includes 117

⁹ Using Goffman's (1959) terms, the classification is based on firms' front stage behavior. The objective is not to observe whether the workforce reductions are proactive or reactive based on economic performance, but to examine the reasons stated for the reductions, whether or not the arguments are representative of an economic reality.

Table 2
Definition of the dependent, test and control variables.

Variables	Definition
<i>Dependent variables</i>	
PERFCHANGE	Change between (t – 2 and t – 1) average performance and (t + 1 and t + 2) average performance indicators: <ul style="list-style-type: none"> • Ebitda/Total employees • Ebit/Net sales • Net income/Total assets
<i>Test variables</i>	
EM	Earnings management approximated through discretionary accruals in t – 1 under the Kothari et al. model (2005)
DISCL	Disclosure strategy as measured through: <ul style="list-style-type: none"> • Press release disclosure (PR): 1 if the firm issues a press release to announce the workforce reduction and 0 otherwise • Impression management score (IMS): difference between the number of proactive and reactive arguments divided by total amount of arguments for each press release
<i>Control variables</i>	
WRSIZE	Number of employees affected by the workforce reduction divided by the total number of employees (Lee, 1997; Poudier et al., 2004)
CAUSE	1 if the Ebitda/total assets ratio increases between years t – 2 and t – 1 (proactive operation) and 0 otherwise (reactive operation) ¹
FIRST	1 when it is the first workforce reduction announced by the firm in the period studied and 0 otherwise
FIRMSIZE	Log (total assets) in t – 1
SENSIND	1 if the firm belongs to a politically sensitive industry with social externalities: Oil and gas (code ICB 0); Basic materials (Code ICB 1); Defense (Code ICB 2717); Alcohol (Code ICB 3535); Tobacco (Code ICB 3780); Healthcare (Code ICB 4); Utilities (Code ICB 7) and 0 otherwise
ROE	Net income divided by stakeholders' equity in t – 1
CRISIS	1 if the operation is announced in 2008 or 2009 (negative gross domestic product) and 0 otherwise
GROWTH	Change in sales between t – 3 and t – 1

¹Ebitda is preferable to Ebit or net income, because the latter indicators include accounting numbers that firms can potentially manipulate in this context, so their use could lead to classifying operations as reactive due to such manipulations and not because of the firms' current economic situation (Nègre et al., 2017).

French listed firms that did not announce a workforce reduction during the study period and belonged to the same business sector (same 2-digit ICB code) and had a comparable performance (Ebitda/Total assets ratio) as the test firms in the year before the operation's announcement. A difference-in-difference design is adopted. Results are presented in Table 3. Panel A shows that before the announcement of the operation, test firms experience lower labor efficiency (p-value <1%) and economic performance (Ebit/Net sales: p-value <5% and Net income/Total assets: p-value <1%) than control firms based on size. In the two years following the announcement of the operation, this difference remains significant (p-value <1% for all indicators), suggesting no significant change in performance after the announcement of the operation.

Panel B shows that in the two years before the announcement of the operation, test firms report labor efficiency and economic performance similar to that of the control firms matched on performance (p-value >10%). After the operation, test firms report lower Ebitda/Employees and Net income/Total assets ratios than control firms (p-value <5%). However, the difference-in-difference analysis indicates no significant change in performance in the periods prior to and after the operation across the test and control samples (p-value >10%). Consequently, workforce reductions seem to have no impact on firms' future performance, consistent with studies which conclude that these operations are more the result of institutionalized practices (Mckinley et al., 2000; Saïd et al., 2007) than an efficient way to maintain or increase performance.

4.1.2. Influence of accounting strategies on workforce reduction efficiency

Table 4 presents the descriptive statistics for the earnings management and disclosure strategies variables.

The mean level of earnings management in the year prior to workforce reduction is –0.045. Consistent with Verdier and Boutant (2016), these initial results indicate that the firms, on average, appear to reduce reported earnings leading up to the reduction by 4.5% of the total assets of t – 2. Moreover, we observe that only 47% of the firms issue a press release to announce the workforce reduction, suggesting that the strategy of earnings management is more often selected by the firms to construct the economic necessity of the operation than is external disclosure. In the specific context of workforce reductions, it seems that accounting numbers speak more than narratives. This result is in line with Aggeri (2017), who notes that economic language about productivity, profitability, and competitiveness only makes sense in reference to numbers.

Consistent with the literature (e.g., Craig & Amernic, 2004; Mäkelä & Näsi, 2010; Nègre et al., 2017), we find that when firms issue a press release to announce a workforce reduction, they use more reactive than proactive arguments to justify the announcements, as the computed score is negative (–0.189). From this perspective, firms justify workforce reductions by referring to internal causes associated with economic difficulties, as illustrated by the following *verbatim*s:

“The project presented to the workers' unions provides for the cessation of the sustainably deficit ranges.”

Table 3

Difference-in-differences tests of post-workforce reduction performance.

Panel A: Comparison between test firms and control firms based on business sector and size										
		Pre-workforce reduction performance			Post-workforce reduction performance			Difference-in-difference		
		Ebitda/ Employees	Ebit/Net sales	Net income/Total assets	Ebitda/ Employees	Ebit/Net sales	Net income/Total assets	Ebitda/ Employees	Ebit/Net sales	Net income/Total assets
Test sample	N	117	117	117	117	117	117	-0.70	-1.12	0.00
	Mean	31.89	0.050	0.012	25.69	0.013	0.003			
Control sample size	N	117	117	117	117	117	117			
	Mean	66.48	0.104	0.039	72.30	0.095	0.030			
Diff. Student		-2.85^{***}	-2.32^{**}	-2.72^{***}	-3.83^{***}	-4.58^{***}	-2.69^{***}			
Panel B: Comparison between test firms and control firms based on business sector and performance										
		Pre-workforce reduction performance			Post-workforce reduction performance			Difference-in-difference		
		Ebitda/ Employees	Ebit/Net sales	Net income/Total assets	Ebitda/ Employees	Ebit/Net sales	Net income/Total assets	Ebitda/ Employees	Ebit/Net sales	Net income/Total assets
Test sample	N	117	117	117	117	117	117	-0.72	0.64	-0.53
	Mean	31.89	0.050	0.012	25.69	0.013	0.003			
Control sample performance	N	117	117	117	117	117	117			
	Mean	68.20	0.046	0.024	86.56	-0.025	0.023			
Diff. Student		-1.50	0.924	0.226	-2.52^{**}	0.317	-1.96^{**}			

Significant coefficients are boldfaced.

^{***}, ^{**} and * respectively significant at the 1, 5 and 10% levels.

Table 4
Descriptive statistics for earnings management and disclosure strategies variables.¹⁶

	N	Frequency/Mean	Median	Standard deviation
EM	117	-0.045	-0.026	0.131
PR	117	0.470		
IMS	55	-0.189	-0.270	0.696

EM = discretionary accruals as measured by the Kothari et al. (2005) model in year $t - 1$; PR = press release issuance; IMS = impression management score.

¹⁶ All continuous variables in our analyses have been winsorized at the 2% and 98% levels in order to minimize the influence of potential outliers.

“Faurecia’s ‘slush’ activity, the PVC skins covering the shelves, and being penalized by structural deficit costs over the 2005–2008 period have all led to the deployment of an industrial competitiveness plan.”

They also justify the operation by the existence of external causes related to a challenging economic context or a change in legislation, as illustrated by the following *verbatim*s:

“Given the persistence of a difficult economic environment, the Group’s management has implemented a major restructuring plan.”

“Recently, the delisting of a large majority of magistral preparations has led to a sharp decrease in the activity of our 36 regional preparations and distribution establishments. It is therefore essential today to consider a project to regroup the activity of 5 establishments with that of 8 others.”

A more fine-grained analysis that consists of distinguishing quantitative and qualitative arguments shows that the arguments given by firms include fewer quantitative arguments (9%) compared to qualitative ones (91%)¹⁰. Most quantitative arguments refer to the expected savings or increases in performance from the reduction of the workforce as illustrated below:

“As a result of these actions, THEOLLA expects a cumulative savings of more than 4 million euros over a full year.”

“The top management will present the social partners with a draft restructuring plan aimed at improving its operational profitability by 4 points.”

Table 5 presents the descriptive statistics for the control variables of our model. The average size of the sample workforce reductions is 5.9% of the firms’ employees. Among the operations included in the sample, 39.3% are proactive and 74.4% represent a first announcement. Further, 18.8% of the firms belong to a sensitive industry and less than 50% of the workforce reductions included in our sample were announced in the financial crisis period (41.9%). The means of the firms’ ROE and GROWTH before the operation’s announcement are positive (respectively, 4% and 8.9%)¹¹.

We pursue our analyses by examining the potential effects of earnings management and disclosure strategy, as measured through the issuance of a press release to announce a workforce reduction, on post-workforce reduction performance change. As indicated in Table 6, all models are statistically significant and explain between 6.1% and 17% of the performance change after the implementation of workforce reduction. Discretionary accruals (EM) are negatively related to all indicators of performance change (coefficients range from -0.207 to -0.273 and are statistically significant at the 1% or 5% level). This seems to indicate a substantial and positive effect of downward earnings management before workforce reduction announcements on the improvement in future performance. In contrast, the issuance of a press release to announce workforce reduction seems to have no significant effect on post-workforce reduction performance change at conventional levels.

We further substitute the impression management score for the press release variable. We control for potential selection bias resulting from the fact that many firms did not issue a press release to announce the operation¹². The inverse Mills ratio is not statistically significant at the conventional level, indicating no selection bias procedure (Heckman, 1979). Therefore, Table 7 presents the results from OLS regression. We obtain qualitatively similar results, confirming our previous findings¹³. Discretionary accruals before workforce reduction (EM) remain negatively and significantly associated with post-workforce reduction performance changes. Coefficients are statistically significant at the 5% level, whereas the disclosure strategy before the operation, as measured through the impression management score, has no influence on the performance changes. Disclosure strategy thus cannot be considered as a writing act that performs workforce reduction efficiency. In contrast, results seem to indicate that firms that manage earnings downward before workforce reductions tend to experience more improvement in performance. More precisely, the coefficients indicate that when downward earnings management increases by 1%, the improvement in post-workforce reduction performance increases on average between 0.302% and 0.37% depending on the performance measure.

Two potential explanations could be provided for our results. On the one hand, consistent with economic expectations, reducing reported earnings may help managers to economically justify the operation, decreasing costs associated with employees’ claims and

¹⁰ Non-tabulated results.

¹¹ Appendix A presents correlation statistics for the independent and control variables. According to Gujarati (2004), multicollinearity is problematic when the correlation between two variables is in excess of 0.80. All correlations are below this threshold (the strongest one is equal to 0.524 between firm size and the size of the workforce reduction).

¹² We run the Heckman (1979) procedure using a two-stage regression. The first stage estimates the likelihood of issuing a press release to announce workforce reduction. The inverse Mills ratio is then computed and introduced in our model to preempt potential selection bias.

¹³ We have also estimated discretionary accruals by using Dechow et al. (1995) model excluding the level of performance (ROA) to determinate normal accruals. Our findings are similar too, whatever the model used.

Table 5
Descriptive statistics for control variables.

	N	Frequency/Mean	Median	Standard deviation
WRSIZE	117	0.059	0.025	0.084
CAUSE	117	0.393		
FIRST	117	0.744		
SENSIND	117	0.188		
CRISIS	117	0.419		
FIRMSIZE	117	14.451	14.432	2.369
ROE	117	0.040	0.090	0.262
GROWTH	117	0.089	0.050	0.224

WRSIZE = number of employees affected by the workforce reductions divided by the total number of employees; CAUSE = 1 when the Ebitda/total assets ratio increases between year $t - 2$ and $t - 1$ (proactive operation) and 0 otherwise (reactive operation); FIRST = 1 when it is the first workforce reduction announced by firm i in the period studied and 0 otherwise; SENSIND = 1 if the firm belongs to a politically sensitive industry and 0 otherwise; CRISIS = 1 when the operation is announced in 2008 or 2009 (negative gross domestic product) and 0 otherwise; FIRMSIZE = firm's log net assets in year $t - 1$; ROE = net income divided by stakeholders' equity in $t - 1$; GROWTH = changes in sales between $t - 3$ and $t - 1$.

Table 6
Influence of earnings management and press release issuance on post-workforce reduction performance change.

Dependent variables	Δ EBITDA/EMPLOYEES	Δ EBIT/NET SALES	Δ NET INCOME/TOTAL ASSETS
Independent variables	Beta (<i>t</i> -test)	Beta (<i>t</i> -test)	Beta (<i>t</i> -test)
EM	-0.249 (-2.54)**	-0.273 (-2.66)***	-0.207 (-2.07)**
PR	0.121 (1.33)	-0.037 (-0.39)	-0.064 (-0.69)
WRSIZE	-0.269 (-2.69)***	-0.039 (-0.37)	0.023 (0.22)
CAUSE	0.159 (1.79)*	0.144 (1.55)	0.170 (1.87)*
FIRST	-0.008 (-0.09)	0.175 (1.74)*	0.196 (1.99)**
FIRMSIZE	-0.320 (-3.03)***	0.071 (0.65)	0.184 (1.70)*
SENSIND	-0.138 (-1.40)	-0.151 (-1.47)	-0.024 (-0.24)
ROE	-0.129 (-1.35)	-0.100 (-1.00)	-0.175 (-1.79)*
CRISIS	0.050 (0.56)	0.107 (1.14)	0.150 (1.64)
GROWTH	0.033 (0.36)	-0.192 (-1.97)*	-0.146 (1.53)
Intercept	2.916 (2.79)***	-1.691 (-1.10)	-9.20 (-2.42)**
Adjusted R ²	0.140	0.061	0.100
Fischer	2.89***	1.75*	2.29**
N	117	117	117

EM = discretionary accruals as measured by the [Kothari et al. \(2005\)](#) model in year $t - 1$; PR = press release issuance; WRSIZE = number of employees affected by the workforce reductions/total number of employees; CAUSE = 1 when the Ebitda/total assets ratio increases between year $t - 2$ and $t - 1$ (proactive operation) and 0 otherwise (reactive operation); FIRST = 1 when it is the first workforce reduction announced by firm i in the period studied and 0 otherwise; FIRMSIZE = firm's log net assets in year $t - 1$; SENSIND = 1 if the firm belongs to a politically sensitive industry and 0 otherwise; ROE = net income/stakeholders' equity in $t - 1$; CRISIS = 1 when the operation is announced in 2008 or 2009 (negative gross domestic product) and 0 otherwise; GROWTH = changes in sales between $t - 3$ and $t - 1$.

***, ** and * respectively significant at the 1, 5 and 10% levels.

contestations, political intervention, public pressure, and/or “*survivor syndrome*” (e.g., [Brockner, 1990](#); [Brockner et al., 1993](#)). From this perspective, the reduction in costs due to the presentation of reduced earnings leads to an increase in performance. On the other hand, the increase in performance for firms that engage in earnings management could be explained by the reversal of earnings in subsequent years, mechanically improving future performance. This raises a typical concern regarding quantitative analysis, which provides an average explanation without really being able to explain what is happening in a particular context. It is quite likely that both explanations pertain to the firms in our sample and also that some of the firms experienced an increase in their performance after workforce reductions without the performativity effect of downward earnings management, suggesting that workforce reduction efficiency is not always a myth. However, in this paper we posit that accounting strategies, and particularly downward earnings management prior to workforce reduction announcements, play a key role in the construction of the myth of the effectiveness of these operations. This is a major point because this postulate is not anecdotal and sheds light on a common phenomenon in firms. Also,

Table 7
Influence of earnings management and impression management score on post-workforce reduction performance change.

Dependent variables	Δ EBITDA/EMPLOYEES	Δ EBIT/NET SALES	Δ NET INCOME/TOTAL ASSETS
Independent variables	Beta	Beta	Beta
	(t-test)	(t-test)	(t-test)
EM	-0.302 (-2.12)**	-0.370 (-2.53)**	-0.345 (-2.40)**
IMS	0.180 (1.14)	-0.007 (-0.04)	-0.247 (-1.56)
WRSIZE	-0.398 (-2.96)***	-0.092 (-0.67)	0.011 (0.08)
CAUSE	0.149 (1.23)	0.159 (1.29)	0.205 (1.70)*
FIRST	0.053 (0.32)	0.403 (2.41)**	0.275 (1.68)*
FIRMSIZE	-0.495 (-3.59)***	0.001 (0.01)	0.289 (2.09)**
SENSIND	-0.091 (-0.69)	0.024 (0.18)	0.019 (0.15)
ROE	-0.043 (-0.30)	-0.077 (-0.52)	-0.198 (-1.38)
CRISIS	0.011 (0.08)	0.159 (1.21)	0.186 (1.44)
GROWTH	-0.013 (-0.09)	-0.286 (-2.01)*	-0.097 (-0.70)
Intercept	5.424 (3.62)***	-2.068 (-1.02)	-16.857 (-3.03)***
Adjusted R ²	0.255	0.219	0.269
Fischer	2.85***	2.51**	2.99***
N	55	55	55

EM = discretionary accruals as measured by the Kothari et al. (2005) model in year $t - 1$; IMS = impression management score; WRSIZE = number of employees affected by the workforce reductions/total number of employees; CAUSE = 1 when the Ebitda/total assets ratio increases between year $t - 2$ and $t - 1$ (proactive operation) and 0 otherwise (reactive operation); FIRST = 1 when it is the first workforce reduction announced by the firm i in the period studied and 0 otherwise; FIRMSIZE = firm's log net assets in year $t - 1$; SENSIND = 1 if the firm belongs to a politically sensitive industry and 0 otherwise; ROE = net income/stakeholders' equity in $t - 1$; CRISIS = 1 when the operation is announced in 2008 or 2009 (negative gross domestic product) and 0 otherwise; GROWTH = changes in sales between $t - 3$ and $t - 1$.

***, ** and * respectively significant at the 1, 5 and 10% levels.

previous quantitative studies on this issue have ignored this crucial point, which has sometimes led them to conclude that workforce reductions are efficient, whereas more caution should have been exercised.

To explore this further, we implement an additional analysis comparing the post-workforce reduction performance change between firms that more aggressively managed earnings downward (1) compared to firms that did not (0). Firms are assigned to groups according to their level of accruals relative to the median accruals of the test sample. Group 1 is composed of firms that have more negative accruals than the sample median, suggesting that these firms significantly managed earnings downward. Group 0 is composed of the other firms. We compare changes in performance for each subgroup. Table 8 presents the results. Results show that the change in post-workforce reduction performance is better for firms that more aggressively managed earnings downward (group 1) than for firms that did not (group 0), regardless of the ratios considered (Panels A, B, and C). However, only the difference regarding the Net income/Total assets ratio is significant. Because this ratio includes net income, it is the most influenced by accruals reversals, suggesting that the increase in performance after workforce reductions is more due to accruals reversal than to cost reduction. This increase thus seems to be more mechanical than attributable to actual improved performance. Consequently, earnings management can be considered a calculation act which, by performing the efficiency of workforce reductions, reinforces the rationalized institutional myth of the efficiency of these reductions.

4.2. A qualitative illustration of the performativity effect of downward earnings management before workforce reductions

We show the performativity effect of downward earnings management before workforce reductions with a qualitative illustration of this phenomenon.

4.2.1. The announcement of the elimination of 8000 jobs: a plan gone awry

On 12 July 2012, the Group PSA announces a half-yearly loss of €819 million compared to a net profit of €806 million in the first half of 2011 and attributes it to a sharp drop in sales, thus justifying the elimination of 8000 jobs. Consistent with the result of the quantitative analysis, the CEO of the Group, Philippe Varin, uses reactive arguments to justify the operation. In a press release, he announces "I fully realize the seriousness of the announcements made today and the shock and emotion they are causing in the company and its environment. The scale and prolonged nature of the crisis affecting our business in Europe now make this reorganization project essential, enabling us to adapt our production capacity to foreseeable market trends." A few days after this announcement, he offers reassurance

Table 8

Comparison of change in workforce reduction performance between firms that managed earnings downward and firms that did not.

		EM			
		N	Mean	Median	Standard deviation
Panel A: Ebitda/Employees					
Group	1	58	0.380	0.046	1.638
	0	59	0.240	0.056	1.135
Diff. Student			-0.539		
Panel B: Ebit/Net sales					
Group	1	58	-0.003	-0.047	1.900
	0	59	-0.192	-0.175	2.066
Diff. Student			-0.514		
Panel C: Net income/Total assets					
Group	1	58	-0.079	0.043	2.089
	0	59	-1.827	-0.305	6.647
Diff. Student			-1.912*		

EM = discretionary accruals as measured by the [Kothari et al. \(2005\)](#) model in year $t - 1$; Group = 1 when the accruals for firm i are more negative than the sample median and 0 otherwise.

Significant coefficients are boldfaced.

** and * respectively indicate statistical significance at the 0.05 and 0.1 levels.

during a press conference by mentioning that the Group “is not on the verge of bankruptcy” thanks to “financial security to the tune of €9.5 billion.” However, he adds that “this reserve is not infinite” and recognizes “the need to restore profitability to the auto industry,” which will require bold decisions. This announcement provokes strong reactions, particularly from the CGT, a trade union historically close to the communist labor movement: “Aulnay was sacrificed for profitability, for more money and benefits for the Peugeot family. We have to destroy the lies of a Group that presents itself as being on the brink of the abyss, when in fact everything is going well for them” (Liberation, 07/12/2012). They add in another journal “PSA is not on the verge of bankruptcy. Its shareholders still received dividends in 2011. A year earlier, its CEO had increased his annual remuneration to €3.2 million. And he recently praised the lucrative business of his bank, PSA Finance.” (Midi Libre, 08/09/2012). Similarly, the Minister of Productive Recovery, a representative of the French State, mentions: “We do not accept the plan as it stands” (Le Point, 07/12/2012). The president of a French political party (“Le Parti radical”) adds “Under no circumstances can the partial difficulties encountered today be met solely by a drastic reduction in the workforce, which would destroy the company’s skills and know-how” (Le Point, 07/12/2012).

4.2.2. The construction of the difficulty or the “big bath” strategy

On 7 February 2013, the PSA Group announces an annual loss of €5 billion, including €4.5 billion of provisions and impairment compared to a positive total cash flow from operations of 1.41 billion. Drawing on the spirit of [Kothari et al. \(2005\)](#) model, this would bring PSA’s total accruals to -10% of its total assets, corresponding to €7.145 billion. These total accruals would include non-discretionary accruals for -5.88% of the total assets, namely for €4.061 billion. The remaining of the total accruals would be expected to be “normal.” Even though we cannot precisely determine the amount of earnings management by means of such models because they only provide average approximations, it nevertheless appears that the displayed loss of €5 billion has been overestimated due to accounting choices. In the absence of such earnings management, the loss would have been less spectacular, closer to around €0.939 billion. The group justifies this huge amount of provisions and impairment by the changes in accounting standards on valuation differences, the deterioration of the European market, inventory write-downs, lower sales volumes, and the restructuring plan in France. PSA uses these charges to “clean up” its balance sheet—giving themselves a so-called “big bath.” The Group’s chief financial officer, Jean-Baptiste de Chatillon, makes no secret of this strategy when he mentions in the press “this is purely an accounting adjustment (...) that is completely reversible and has nothing to do with operations” (La Croix, 11/02/2013). “We have a healthy balance sheet” [on which] we can build for the future” (La Correspondance éco, 02/07/2013). A left-wing newspaper headlines “PSA is loading the boat with bad results” (L’Humanité, 02/14/2013). This idea is also taken up by mainstream newspapers (e.g., L’Express, Le Point), which relay the words of the CGT trade union. A newspaper on the right of the political spectrum indicates “This purge has no effect on the Groups’ operating margin, nor on its treasury—the nerve center for the war, in this case—or its rating” (Le Figaro, 02/08/2013). The financial markets are not fooled by this strategy since the day the €5 billion loss is announced, the stock market reacts well, with the PSA share closing up 7.29%.

The large losses announced by PSA construct a state of difficulty used in the process of negotiation with the unions to prepare the ground to force the stakeholders (trade unions, French State) to accept the closure decision. Indeed, as mentioned by [Boedker and Chua \(2013\)](#), the large losses announced by the Group affect emotions by producing stress and anxiety among the employees and moving people in certain directions. The announcement of this historical loss is not without consequences for the stakeholders’ reactions. The loss acts as a symbol of gravity, and most of the unions accept the Group’s plan. In the context of workforce reductions, the construction of firms’ difficulties is particularly performative as unions and other social stakeholders find it difficult at times to understand the accounting documents provided by the firms ([Godowski, Nègre, & Verdier, 2020](#)). The performative effect of accounting numbers is also based on the effect of repetition from the media, which generally relay the information transmitted by the firms without

deconstructing it. Between 13 and 14 February, 67 newspapers¹⁴ relay this information (18 of which indicate the loss of €5 billion in their headlines). Even though most of the radical unions and several left-wing newspapers mention this set of entries, which cannot be used in negotiations around the social plan, the perceived reality is gradually constructed and goes beyond the boundaries of the Group. Thus, despite the declarations of the CGT union that denounces an “*effect of the announcement that darkens the picture to justify the unjustifiable*” (Le Point, 02/13/2013), the bargaining power of the unions is weakened.

4.2.3. The construction of the efficiency of the operation

From August 2013, PSA starts to announce an increase in accounting numbers. Barely six months after the announcement of the €5 billion loss and with the plan approved by the European Commission only a few days before, the newspapers begin to sell the benefits of a restructuration, in the words of the Group: “*PSA is beginning to reap the benefits of its restructuring*” (La Croix, 08/01/2013). Several newspapers relay the figures communicated by management and stress in their headlines that “*the loss has been halved*” in the first half of 2013: “*While the group’s situation remains fragile, analysts believe that PSA’s current restructuring, marked by the loss of 11,000 jobs in France and the upcoming closure of the Aulnay plant, is beginning to bear fruit. And the first visible effect is a net loss in the first half cut in half compared to the same period in 2012 (-818 million)*” (L’Est Républicain, 08/01/2013). Although it is difficult to envisage that the workforce reduction would have immediate effects, especially as it is not fully effective at that date, the significant loss generated by previous write-downs necessarily leads to an increase in results in subsequent years. However, in the collective belief, the comparison of past and present figures attests to the reality of the operation’s efficiency. The new figures disseminated and relayed by the media thus reinforce, through an effect of repetition over time, the belief that the operation is efficient. The financial market contributes to this effect as the publication of the PSA Peugeot Citroën Group’s financial results for the first half of 2013 has led to a 6.67% increase in the Peugeot share price on the Paris stock exchange. The net income of the group in 2014 equals €-0.555 billion, prompting all economic and financial media to stress in their headlines that “*French carmaker PSA Peugeot Citroën has divided its net loss in 2014 by four*” (Le Point, 18/02/2015). In the absence of downward earnings management before the workforce reduction, the loss in 2012 would have been around €0.939 billion, and the increase announced in 2014 would have been less spectacular.

In the end, we are faced with a typical example that illustrates how accounting results can contribute to building a reality of strong difficulties that facilitates social acceptance of both the decision to reduce the workforce and the subsequent presentation of an increase in performance at the expense of the jobs that were cut. The idea of this example is not to say that PSA did not suffer a decrease in performance due to the financial crisis at the time of the announcement of the workforce reductions. The point is to show that taking accounting results without restatement into account in research on the impact of cutbacks on firm performance may lead to an overestimation of the increase in performance due to downward earnings management upstream. It is also important to show how the adopted accounting strategies can facilitate the circulation of a discourse in the public arena that favors the myth of the effectiveness of workforce reductions, whereas the reality is more complex. This construction goes beyond the company’s doors to reach the public and political spheres. In this respect, it is interesting to note that on 13 January 2017, Arnaud Montebourg, then candidate for the primary for the Socialist Party and Minister of Productive Recovery at the time of the announcement of PSA job cuts, justifies his inability to have prevented the Group’s major restructuration because, in his words, the company “*was in near-bankruptcy,*” which is questionable because of the accounting elements recorded.

5. Discussion and conclusion

In this research, we draw on Austin’s conceptualization of performativity to document that workforce reduction efficiency may be considered a myth that can be performed by accounting strategies and mainstream research conclusions. This objective is based on the observation that the literatures on accounting strategies before workforce reductions and workforce reduction efficiency are disconnected in the academic world. By building a bridge between them, we are able to document that accounting strategies can influence post-workforce performance and thus challenge the quantitative results obtained up to now and mainly published in finance-related journals. We address this issue by combining both qualitative and quantitative methods. Quantitative methods are used to connect the critical paradigm to the mainstream paradigm by using the common language of quantitative methods. More precisely, we demonstrate how previous quantitative studies, which do not consider downward earnings management prior to workforce reductions in their models, may convey false knowledge that performs the efficiency of these operations supported by economic theories. The qualitative case study of the PSA Group provides an in-depth illustration of the process of constructing the myth of workforce reduction efficiency through earnings management. It shows how downward earnings management prior to workforce reduction can be considered a calculation act that contributes to rendering the workforce reduction decision socially rationalized and to reinforcing the rationalized institutional myth of the efficiency of these reductions. These conclusions are valid in the French context and can be easily extrapolated to continental European countries due to the proximity of the social context.

This paper contributes in three ways to the critical accounting project proposed by Morales and Sponem (2017). First, it questions the role of accounting in society by focusing on the example of workforce reductions. In such a context, it shows that by enabling firms to produce knowledge about the effects of workforce reductions, downward earnings management not only makes the efficiency of these operations visible and real but may also encourage other firms to engage in such operations to improve performance. The performativity of accounting language in the context of workforce reductions supports the performativity of economic theories by

¹⁴ Search results for the keywords "PSA" in the title and "5 billion" throughout the article on the Europress database

creating the self-fulfilling prophecy of workforce reduction efficiency. From a Callonian perspective, performativity means that theories are not the representation of an existing reality but produce the reality they are supposed to describe (2007; Callon, 1998; MacKenzie & Millo, 2003; MacKenzie, 2006). In this sense, questioning the performativity of economic theories means asking the question: Has economic theory “helped to create the world it posited—for example, a world that has been altered to conform better to the theory’s initially unrealistic assumptions”? (MacKenzie, 2006, p. 24). As noted by Vosselman (2014), “accounting not simply represents (for) something, is not simply a mirror, but is created as a re-presentation. Moreover, it re-presents and intervenes at the same time; representation and intervention are entangled.” Cabantous and Gond (2011, p. 578) argue that “a theory is said to be performative when it influences social reality in such a way that its premises, and sometimes even its predictions, become true.” Our study provides an example of how accounting is a performative mediator between economics and real-life practices and cognitive boundaries (Vosselman, 2014). The efficiency of workforce reductions is at its origin a myth arising from economic theories, and accounting language, through earnings management, contributes to making it seem true. Through this process, earnings management meets the highest level of performativity designated by MacKenzie (2006): “Barnesian performativity,” which uses earnings management to make the rational expectations hypothesis “truer.” Most managers adopt this dominant ideology and assume that the languages of economics and accounting are natural means to achieve their objectives—as if this way of thinking were unavoidable. This is in line with Williams (2006, p. 39), who notes that “the bourgeois ideology of neoclassical economists is what enables them to simply ignore any other ‘reality.’ Those ‘social facts’ that confront their theory with any social reality that finds the theory sorely wanting are simply rationalized away.”

Second, this paper questions the accounting standard’s role in society. Accounting standards are not neutral factors in the construction of this myth which, by its perpetuation, hinders other more complex reasoning that might be a source of happier alternatives for labor. Accounting standards consider labor a charge and thus enable firms to rationalize workforce reductions by encouraging the simplistic belief that reducing the workforce increases economic performance and financial value. When this occurs, no matter who underperformed and why, the price paid is always that of labor. This is the umpteenth example of how accounting serves the capitalist system. As part of what Richard (2015, p. 9) calls “capitalist financial accounting,” the accounting system “is primarily devoted to profit measurement to be distributed among capitalists.” The PSA case provides the opportunity to demonstrate how such taken-for-granted accounting operations as provisions and impairments perform a particular economic theory by affecting firms’ profits and employment policies. Provisions and impairments are artifacts of the enactment of neoclassical economic theory, which shifted the focus of accounting onto valuation. As evidenced by Richard (2015), an accelerative process with respect to profit recognition has occurred through the modification of accounting measures at certain points in history. Shareholders can thus now acquire profits as soon as possible after their initial investments. The victims of this development are once again the employees, who serve as adjustment variables.

Third, this paper contributes to the critical accounting project by questioning the role of researchers in the acceptance of social practices. We use a non-economic concept (performativity) combined with a qualitative method aligned with this concept and a quantitative approach issued from another paradigm, the mainstream/functionalist paradigm, to document one issue: how the myth of workforce reduction efficiency is performed by accounting strategies. The quantitative method is used as a common language that enables us to interact with mainstream researchers, highlight the limitations of their work, and warn against the performative effects of economic theories. The initiation of such a dialogue would have been impossible had we used only qualitative methods, as doing so would have reinforced the wall that separates paradigms, effectively cutting off any interaction. Researchers would thus remain isolated within their home paradigm, validating results from within the paradigm without considering the complexity of organization reality. As noted by Williams (2014, p. 113), “accounting’s important social role imposes responsibilities on those defining and studying that role.” If researchers fail to consider these concerns, they too participate in the symbolic domination of powerful actors over others. More specifically, an important concern is that when mainstream researchers use biased measures to capture performance changes after workforce reductions, they may wrongly validate the hypothesis of workforce reduction efficiency, thus contributing to the reproduction of the system of domination coming from economic theories. Meeting mainstream researchers on their own field has two advantages: (1) it avoids shifting the debate too early on toward epistemological questions, which might wrongly send critical and mainstream researchers back to their respective camps with no possibility of dialogue, and (2) it also imposes a dialogue that critical researchers might best take up on their own in order to gain ground. Critical researchers will need to address these important points in order to extend the critical accounting project outside of its current boundaries. As researchers, we also have to keep in mind that observations through accounting numbers can only give results of what accounting preparers want us to observe. By using accounting numbers without demystifying them, we may fail to “act in the public interest as conscience, critic and counselor of society regarding economic, social and environmental justice” (Dillard & Vinnari, 2017).

Despite these contributions, this study is not without limitations. As stated by Vosselman (2014), “the performativity thesis is not without criticisms” (p183), particularly concerning the “lack of proof of the thesis” (p. 187). Although the qualitative illustration and quantitative results suggest the reasonable conclusion of the performative effect of earnings management in the context of workforce reductions, we cannot demonstrate performativity with certainty “because the change could have taken place for reasons other than the effects.” This is highlighted by MacKenzie (2006, p. 21), who adds that “certainty in this respect tends to be elusive, but that is no reason to abandon the inquiry.” MacKenzie (2006) emphasizes the difficulties associated with such an approach and notes that studies of performativity are more studies of theory and, in this paper, of the capacity of accounting language to perform economic theories, rather than of accounting econometrics. It would have been preferable to be able to directly compare the evolution of performance with and without the use of earnings management in order to examine its performative effect on future accounting indicators. As indicated by MacKenzie (2006, p. 18), “such comparisons, however, are quite impossible as the relevant situations will typically differ not just in the extent of the usage of earnings management but in other respects too. There will thus often be an element of conjecture and an element of judgment in attributing differences in outcome to the use of economics rather than to some other factor.” By initiating a dialogue with mainstream

researchers who, far from being neutral, are key actors in the reproduction of the dominant system, we hope to contribute to building a world with more emancipation and fewer social inequities.

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Appendix A Correlation matrix.

	EM	PR	IMS	WRSIZE	CAUSE	FIRST	SENSIND	CRISIS	FIRMSIZE	ROE	GROWTH
EM		-0.011	-0.267**	-0.106	-0.069	-0.051	-0.416***	-0.071	0.051	0.147	-0.224**
PR	0.082			0.171*	-0.022	-0.074	0.073	-0.071	-0.152	-0.017	-0.161*
IMS	-0.118			0.094	0.069	-0.410***	0.053	0.320**	-0.212	-0.115	0.186
WRSIZE	-0.153	0.316***	0.212		-0.000	0.203**	-0.083	0.001	-0.470***	-0.209**	0.017
CAUSE	-0.019	-0.022	0.026	0.008		-0.048	0.016	-0.009	0.069	0.148	0.172*
FIRST	-0.087	-0.074	-0.402***	0.139	-0.048		0.132	0.181*	-0.304***	-0.254***	0.174*
SENSIND	-0.319***	0.073	0.031	-0.067	0.016	0.132		0.123	0.060	-0.097	0.183**
CRISIS	-0.107	-0.071	-0.303**	-0.047	-0.009	0.181*	0.123		-0.088	0.021	-0.026
FIRMSIZE	0.039	-0.153	0.168	-0.524***	0.063	-0.316***	0.050	-0.091		0.346***	-0.044
ROE	0.205**	-0.102	-0.082	-0.234**	0.205**	-0.168*	-0.065	0.059	0.383***		-0.091
GROWTH	-0.144	-0.250***	0.045	-0.008	0.161*	0.177*	0.184**	0.021	0.048	0.253***	

EM = discretionary accruals as measured by the [Kothari et al. \(2005\)](#) model in $t - 1$; PR = press release issuance; IMS = impression management score; WRSIZE = number of employees affected by the workforce reductions/total number of employees; CAUSE = 1 when the Ebitda/total assets ratio increases between year $t - 2$ and $t - 1$ (proactive operation) and 0 otherwise (reactive operation); FIRST = 1 when it is the first workforce reduction announced by firm i in the period studied and 0 otherwise; SENSIND = 1 if the firm belongs to a politically sensitive industry and 0 otherwise; CRISIS = 1 when the operation is announced in 2008 or 2009 (negative gross domestic product) and 0 otherwise; FIRMSIZE = firm's log net assets in year $t - 1$; ROE = net income/stakeholders' equity in $t - 1$; GROWTH = changes in sales between $t - 3$ and $t - 1$.

***, **, and * respectively indicate statistical significance at the 0.01, 0.05 and 0.1 levels.

Significant coefficients are boldfaced.

Pearson coefficients appear above the diagonal line and Spearman coefficients below.

Correlations are computed on 117 observations, except for correlation with IMS, computed on 55 observations.

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