Did the French *tableau de bord* appear in banks?
The case of the Crédit Lyonnais 1870-1890¹.

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Abstract

Most of the research work concerning the French *tableau de bord* tends to locate its birth in industrial companies with engineers as lead roles and the State as supporting role (Lebas, 1996). Yet, a study in the Crédit Lyonnais archives shows that banks are not unequipped with this kind of managerial device. We have studied the period of birth and first development of the Crédit Lyonnais that is from 1870 to 1890. This period is characterized by the expansion of local branches, by the internationalisation of the bank and by the diversification of activities (Bouvier, 1961; Dagneau, 2003). Corporate managers then needed more information to control and compare their branches and activities. At the same time, and as a consequence of this quick growth, overhead expenses exploded. Therefore, the top management asked for more information, not only accounting information but also data concerning the number of clients per day, the number of complaints and the number of letters written to answer them, the number of market orders, etc. At the beginning, this form of *tableau de bord* was not very well formalised but, gradually, the management asked for more data in the shape of tables or cards. Comparisons year by year were also expected from branches. Furthermore, the Crédit Lyonnais corporate managers claimed for obtaining the same data than other French banks such as the Société Générale. In this paper, we will relate the apparition and progress of non accounting data as a precocious hint of the French *tableau de bord*. We will also describe the external and internal conditions of this apparition and progress.

This paper was written in English by non Anglophone scholars. We apologize for language mistakes; we will correct them later. We have preferred to respect the conference deadline.

¹ This research has been funded by the Agence Nationale de la Recherche (MPPEP Project – 2006/2009).
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As Billings and Capie (2004: 317) stated, “there is a perception that, in the British banks which dominated the industry for much of the twentieth century, management accounting was limited in scope and contributed to a general inefficiency in these institutions. Various official reports published from the 1960s until very recently have reinforced this view. However, some authors have argued that the banks were more sophisticated in their management than such criticisms would imply”. The same perception exists in France and is maybe strengthened by the particular role devoted to engineers in French management regarding the supposed weakness of accountants (Berland, Boyns, 2002; Lebas, 1996). Budgeting and management accounting are considered as innovations that took place in the large industrial companies. The literature on French *tableaux de bord* has explicitly or implicitly acknowledged the powerful role of engineers in (Bessire & Baker, 2005; Bourguignon *et al.*, 2004; Epstein & Manzoni, 1997; Lebas, 1996, Gray & Pesqueux, 1993). Even the instigators of the balanced scorecard has accredited the French and engineering origin of their managerial innovation:

> “While the phrase balanced scorecard was coined in the early 1990s, the roots of the this type of approach are deep, and include the pioneering work of General Electric on performance measurement reporting in the 1950’s and the work of French process engineers (who created the Tableau de Bord – literally, a "dashboard" of performance measures) in the early part of the 20th century”\(^3\).

This unusually unanimous “common sense” deserves to be questioned.

A thorough investigation in industrial companies’ archives has demonstrated that the role of engineers in the implementation of *tableaux de bord* was more restricted than expected (Pezet, 2007). This primary breakthrough has brought us to scrutinize the archives of one of the major French banks, the Crédit Lyonnais. The choice of the Crédit Lyonnais is particularly relevant for two main reasons. First, it was one of the main French banks at this period. Second, at the head of the bank, Henri Germain, the founder of the Crédit Lyonnais, “theorized” its practices (Praquin, 2005). Indeed, he had a real reflexive thought about the management methods he used. Our investigation in

\(^3\) [www.balancedscorecard.org](http://www.balancedscorecard.org)
the Crédit Lyonnais archives has showed that banks were not unequipped with innovative managerial device.

We have studied the period of birth and first development of the Crédit Lyonnais that is from 1870 to 1890. This period is characterized by the expansion of local branches, by the internationalisation of the bank and by the diversification of activities (Bouvier, 1961; Dagneau, 2003). Corporate managers then needed more information to control and compare their branches and activities. At the same time, and as a consequence of this rapid growth, overhead expenses increased dramatically. Therefore, the top management asked for more information, not only accounting information but also data concerning the number of clients per day, the number of complaints and the number of letters written to answer them, the number of market orders, etc. At the beginning, this form of tableau de bord was not very well formalised but, gradually, the management asked for more data in the shape of tables or cards. Comparisons year by year were also expected from branches. Furthermore, the Crédit Lyonnais corporate managers claimed for obtaining the same data than other French banks such as the Société Générale; probably showing their interest in benchmarking.

The remainder of this paper is structured as followed. The first part describes the devices used by the Crédit Lyonnais top managers to control their organization. These devices looked like a prototype of the French Tableau de Bord. In the second part of the paper, we try to find the reasons why the bank top management developed them.

**Did the Crédit Lyonnais apply a prototype of the tableau de bord?**

Combining the normative and the cognitive approaches, we can defined the French tableaux de bord as a system of indicators that aim at monitoring and conducting economic operations and individual behaviours in a compatible way with the strategy. The tableau de bord is generally considered as a supplement to financial and accounting

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4 All the archives documents quoted in this section come from Crédit Lyonnais archives center, files 62AH11/12.
measures. It has to gather, in a same device (paper sheet, log or, today, electronic spreadsheet) quantitative and qualitative data as well as financial data.\(^5\)

In this sense, the Crédit Lyonnais did not implement the *tableau de bord*. Yet, what we have found in the archives can be considered as a prototype or, at least, historical traces. These traces of *tableau de bord* were observed at each level of the bank: branch offices (“*succursales*”), local branches (“*agences*”) and offices (“*bureaux*”). Two kinds of data were collected: accounting data and non financial indicators.

*Accounting and financial reporting*

The correspondence between Crédit Lyonnais top managers shows that, since 1874, each local branch had to produce a monthly inventory. This document must be sent every month before the 20\(^{th}\) of the following month. There were many discussions about the way to present the inventories: what kinds of data were considered as useful? How to measure these data? Hostache, the Chief Financial Officer, Letourneur, the managing director before 1883, Adrien Mazerat, the managing director after 1883 and Germain, the Chief Executive Officer were much involved in these discussions.

Furthermore, Henri Germain really wanted to standardize the financial reporting (Praquin, 2003). In 1876, he insisted to be given inventories that would allow comparisons with previous years:

> “Our president asks you to recommend to the local branches under your responsibility, to add in their monthly inventory the comparison with the two last years” [memo from the head office to the local branch of Paris, 02-11-1876].

Since 1878, Henri Germain required weekly reports from each local branch. The inventories must be established Friday and arrived Monday at the head office. Showing the difficulty to establish them, there was a huge amount of letters from the local branches requesting an exemption. Weekly reports were consolidated at the head office under the form of an income statement; but local entities had to produce it every week.

\(^5\) We won’t discuss here the differences between the *tableaux de bord* and the balanced scorecard (see Bessire & Baker, 2005; Bourguignon et al., 2004; Epstein & Manzoni, 1997; Gray & Pesqueux, 1993). The main distinction seems to lay in the systemic approach of the BSC around four perspectives.
But, Henri Germain wanted more than accounting and financial figures; he expected justification also:

“Our president orders to join explanations from the director for the monthly inventories of each local branch. He believes that explanations are necessary to account for what profits and losses are made of” [memo from branch office of Paris to the head office at Lyon, 03-18-1876].

Besides, the analysis of accounting reports of the Crédit Lyonnais at this period showed that an organized system was implemented. The offices report to local agencies. Then local agencies report to branch offices. At the end, branch offices report to the head office. Two main points characterized this system: the involvement of the CEO and the will to standardize accounting data (Praquin, 2003). Non financial indicators played a major role in the completion of the new system.

Non financial indicators

The archival research has brought to light the existence of different sets of indicators implemented during certain periods of time and containing various types of data.
Between 1873 and 1881, a dossier entitled “compared statistics” (“statistiques comparées”) enclosed an assortment of physical indicators expected by the head office from branches:

- deposit accounts (half year or monthly averages, paid interests);
- number of accounts;
- number of posted letters;
- number of transactions (cash and futures) & number of customers;
- number of letters and internal notes (per types) & number of new accounts – to justify an increase if need be;
- deposits and securities;
- coupon payment;
- number of people going to the counter;
- number of customers, number of claim letters and answers;
- market orders

Furthermore, headquarter asked for information through other channels. For instance, a table entitled “work comparison in departments” compared two years, 1875 and 1876, with the variance, positive or negative, indicated in two columns.
The indicators enclosed in this table didn’t intersect exactly the set of indicators called statistics – see above. Here, indicators were of two types: monetary and physical and they were more systematic, as we can find, for a same component, the monetary figure as well as the physical figure. Even if there was no ratio yet.

The main characteristic of the period is the need for information of all nature (financial and physical) but this need was not really coordinated. The forms changed, they were not regular and senior managers accepted flexibility.

In 1879 and 1880, the “statistics” took a new form: the head office sent to branches formatted sheet to fill in.
For the year 1879, a daily comparison was made for three indicators: number of customers at the counter, number of received letters and numbers of posted letters.

In a memo dated from January 1880, Jacques Letourneur asked for tables to be filled in. Yet, he made clear that all the tables were not relevant for all branches, and that branches could provide other information than expected.

Enclosed with this memo, a range of blank tables were provided

- paid coupons;
- securities fluctuations;
- market orders;
- cash flow;
- posted letters;
- deposit accounts;

(…)
They had been sent to each branch offices and branches including those abroad. The blank sheets were to be informed for 2 years, 1877 and 1880, covering a period during which the business had increased. The memo mentioned that the head office would consolidate all the figures arriving. In addition, the CEO expected them quickly:

“Our President wishes that these statistics were sent to him promptly after accounting books are closed on December 31 and, for personal reasons, he recommends that they are closed this year as soon as possible”  [head office memo, 12-27-1880]

Moreover, one of the reasons that motivated those demands was explicitly mentioned:

“We allow ourselves to insist so that our branches provide the expected information; otherwise our work wouldn’t be comparable with the other companies and will miss its goal. The Société Générale, for instance, doesn’t do doublets in its statistics”  [head office memo 5-1-1881]

Thus, the accuracy of data was crucial as far as other banks demonstrated that it is possible. It also suggests that one the purpose of statistical work could be comparison not only between branches and departments, but also with competitors. The Société Générale is adverted several times in the archival documents.
In January 1881, Henri Germain asked for completing data for year 1872 showing his interest for time comparison.

Various types of data collected (financial and physical), different sequences of time covered, time comparison as well as departments’ comparison, benchmarking with competitors: it seems that the Crédit Lyonnais implemented a kind of tableau de bord. However, it would be premature to conclude on this point. Because indicators were not systematic; nor gathered in a same sheet. On the other hand, they represented a basic form of it; for they had important features. Firstly, they were required by the Crédit Lyonnais corporate level. Secondly, they were expected from each branch offices. Thirdly, indicators were filled in each month between 1873 and 1881 and were sometimes used for comparison. The next step will consist in looking at the reasons why the Crédit Lyonnais had put in use those devices.

**Why do senior bank managers need more than financial and accounting figures?**

The unveiling of what could be the traces of one of the first forms of tableau de bord raises another series of questions: firstly, the relationship between the emergence of the new device and the characteristics of the Crédit Lyonnais is an avenue that has to be explored; secondly, the point in doing so, demanding physical data, has to be established and highlighted.

*The characteristics of The Crédit Lyonnais*

During the years following its foundation, the Crédit Lyonnais presented four features. The first two, strategy and structure, and risks, were not noticeably original: “Actually, the Crédit Lyonnais doesn’t come close to any invention spirit (...) [it] implemented deliberately some ideas about banking organisation in France; but, those ideas were widely spread, put into practice in other banks” (Bouvier, 1961, pp 97). Bouvier mentions two “models”: English banks and Parisian Crédit Industriel et Commercial. The two other features were more specific: the bicephalous head office and the personality of the CEO and founder, Henri Germain.

Firstly, a strategy and structure issue comes into sight. The Crédit Lyonnais had been established around an innovative strategy: the new branch banking system allowed
deposits from everyone, with a minimal amount of money, but accessible. It produced quite mechanically a structuring made of a network of branch offices ("succursales"), local branches ("agences") and even offices ("bureaux"), from the larger to the smaller ones. The bank located numerous offices in France. Germain wanted to "settle in every important location and reach everywhere a position that places Crédit Lyonnais branches as the most powerful in each district" (Rivoire, p.55). In 1881, there were 110 local branches in France (Praquin, 2003).

In addition, the Crédit Lyonnais distinguished itself with a precocious international development. The network was not only dispersed, but wide also. Numerous local branches were opened all around the world: London, Vienna, St.-Petersburg, New York, Constantinople, Algiers, Oran, Madrid, Alexandria, and Geneva (Dagneau, 1977).

Secondly, specific risks appeared with this strategy and structure choice. The dissemination and the width of the network caused risks in themselves. As Dagneau (1977) points out, there is a close link between the possibilities of the network existence, its expansion, the means of control and confidence.

Thirdly, the Crédit Lyonnais had a bicephalous management. The historical head office was located in Lyon. However, during the period studied, the power centre moved from Lyon to Paris: “the strategic leadership of the firm got away from Letourneur. Since 1871, major strategies were decided in Paris” (Bouvier, 1968, p.118). Officially, “this contradictory situation was officially resolved in 1882: Mazerat became managing director (directeur général) and Letourneur was posted as a deputy managing director in Lyon (administrateur délégué à Lyon)” (Bouvier, 1968, p. 124).

Fourthly, Henri Germain as a real entrepreneur, having created his own bank, was intensely involved in management. He asked for a lot of accounting and non financial information and he insisted for obtaining them on time:

“I hope that Monday the mail will bring us the modified inventories for 1876. Our president is becoming in a very bad mood. [...] Please, hurry up. Between you and me, it is really not funny. He is all day at the office and each hour he has a new idea and it is a new job we must realize immediately” [letter from Paris head office to Lyon, 01-27-1878]
The personality of the CEO was of a real importance in the completion of innovative managerial devices.

Yet, this powerful presence had a counterpart: the shareholders. If Henri Germain wanted to run his business with a strong commitment, he had to meet shareholders expectations. As Letourneur described it, in a Protestant manner, the account book had to include some documents:

“First document: profit and loss account dedicated to Israel children, the Chosen Ones. This document, divided into columns, indicates the credit and debit of each account of the income statement. Second document: the same with expenses and receipts are gathered (dedicated to the Gentiles). We will elaborate together a third document dedicated to Philistines, that are shareholders, when the two firsts will be screened” (Bouvier, 1961, p. 164).

Thus, Letourneur suggested segregating information from the very top bank management (“the Chosen Ones”) to the shareholders (the “Philistines”) through middle management (the Gentiles). If a hierarchy was clearly made, everyone must have its own relevant information.

The CEO was also aware of this need for information to shareholders:

“Our President has thought that, because of the extension of our operations since 3 years, it would be interesting to disclose in our report to the next ordinary general meeting of shareholders statistical figures pointing the fluctuations or our operations for each of the departments of our company” [head office memo, 12-27-1880]

Therefore, when strategic objectives met shareholders expectations with the support of a very involved CEO, a new managerial device could emerge in order to reconcile the needs of everyone. Moreover, the expenses specific structure of the banking activity also accounts for the development of such devices.
The bank core issue: overheads ("les frais généraux")

Banking operations, especially in deposit banks, produced a considerable amount of overhead expenses: employees, office stationary, etc. constituted the major costs of the activity. Facing this issue, the senior managers of the Crédit Lyonnais tried not only to implement a reporting system, but also to understand the pattern of their activation.

Exhibit 5 – Overhead categorization

Overheads were not only considered as monetary calculable expenses not really controllable. On the contrary, they were conceived as the result of a relationship between those expenses and their “drivers” such as the number of customers, the number of complaints, etc.

A file entitled “Costs and department productivity for the year 1876” includes a “Survey for the reduction of operating costs and the increase of production”. Senior managers wanted to put an end to free services offered to customers and branches complied and did their best:

“In a word, since one year, free services are excluded from our minds and our departments and, you will notice, in the tables that we will send you next week that

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6 With the occasional exception, all the archives documents quoted in this section come from Crédit Lyonnais archives center, files 62AH11/12.
this new policy, since last year in April, has produced fruits yet. From this point, do you want to do more?” [memo from the Paris branch office, 2-16-1877]

However, they feared the loss of customers, “puzzled” by this policy, in favour of other banks and for, at last, a “petty” result.

Regardless this concern, the senior management pursued this course of action. A memo dated from March 6 1877 advocated for a “diminution of overhead expenses”. Facing the clientele growth, which was the major objective of the bank since its creation, it asked how to improve productivity while most of the services are free.

From 1881 to 1885, we found in the archives a file labelled “Overheads” in which financial figures were collected as well as some indicators: number of employees, average salary, and other overheads per branch and per work station. In 1883, a series of memos, emanated from the CEO, claimed for an overheads reporting and in particular for review expenses (“inspection”) and branch offices manager wages. Adrien Mazerat insisted in a note the year after:

“Our President recommends constantly that we always make possible reductions in our overheads and not to neglect all the minor savings, even if they look unimportant” [2-1-1884].

The memo referred to a “program” showing that the overheads reduction policy was essential to senior management. It also entered very minutiae: for instance, the consumption of paper and relate expenses are deemed too high. The use of single sheets is recommended instead of double ones.

“Our President thinks that we must have for all this details rules as strict as in households and railways [sic] which regulate all their expenses in a deep economy spirit” [Memo from Mazerat, 2-1-1884].

In a memo dated from March 1884, the CFO Hostache asked for the branches 1883 overhead expenses. 15 natures of expenses were concerned such as number of accounts, number of employees, amounts of deposit, employee wages. If no correlation was made between these elements, the idea of put them together reveals that they are implicitly related.

Besides, some other documents show that the top management had the connection at least in mind:
“Here are my thoughts about the profit and loss account at June 30 (...): concerning overhead expenses, I consider that Mâcon [a Burgundy located branch] with 22 employees shouldn’t spend more than 35000 Francs” [Memo from Germain to Mazerat, 8-3-1883]

Nevertheless, the message had difficulty to go through the branch network:

“Our branches managers are too confident and let customers circumvent them too easily. We need more wary and severe characters” [Memo from Mazerat to Letourneur, 1-8-1886]7.

So these executives were capable to connect overhead expenses with drivers even if these are rudimentary.

Conclusion

In this paper, we have tried to describe how a French bank put into practice innovative managerial devices in order to control a network organisation but also to model the relationships between expenses and their causes. These devices supported a strategy which was to balance good quality customers’ services and financial performance.

The first contribution of this paper is to highlight the role of banking in the development of the French tableaux de bord. Industry was not the only hearth of this typical device. It is shown that in services too a real reflexion was conducted about the way to monitor local entities. Network organization nurtured the implementation of managerial devices which allowed the observation and control of distant and quite autonomous branches.

Adding the powerful presence at this time of a charismatic and rather authoritarian CEO and the need for a system that gave the possibility to run a deposit banking business and to consolidate information for shareholders becomes obvious. The growth and scattering of the Crédit Lyonnais activities and entities justified the elaboration of a prototype of tableau de bord. It was the same in the industry but later because those two phenomenons occurred after World War I (Pezet, 2007).

The second contribution of our paper is to show how Crédit Lyonnais managers connected overhead expenses and their causes. It would be excessive to conclude here at the emergence of activity based costing. On the other hand, the idea of driver is

interesting to understand how those managers modelled their banking activities. Furthermore, they related this modelling with strategic decision such as the elimination of free services. Here again, it is noticeable that in-house decisions lead to performance for shareholders.

Finally, the case of the Crédit Lyonnais recounts how managerial devices were designed in order to remote distant and numerous entities and to meet shareholders requirements. The ideal of integration of the *tableau de bord*, both top-down and bottom-up was, at least partially, reached.
Bibliography


