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The development of French cost/management accounting c.1945–c.1970:  
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For many decades, a dominant theme of French business history was that of «economic backwardness», at least as seen through American eyes (Cassis 2003: 192). Subsequent revisionism, however, has resulted in «backwardness» being replaced as a concept by «difference» or «specificity». Nevertheless, in accounting history there is still a tendency to view France, like other countries in Europe, as having lagged behind the USA in the development and implementation of important cost/management accounting techniques. The late introduction of budgetary control and standard costing, in particular, has often been seen as a case of (belated) ‘Americanisation’, i.e. copying American techniques with the help of American influences. Berland et al. (2002a) have questioned the appropriateness of this term for interwar developments related to these techniques in France (and Britain) and this chapter seeks to extend that analysis into the period c.1945 to c.1970. The analysis that follows is based on research conducted in the archives of leading firms of the period (Renault, Saint-Gobain, Pechiney, Electricité de France, etc.), a review of the contemporary literature, especially accounting texts and the reports of the productivity missions to the USA in the late 1940s/early 1950s, and more recent work by historians.


For the period up to 1945, archival research has failed to reveal the use of standard costing at any French firm (Zimnovitch 1997), though budgetary control, in some guise or other, has been found to have been used at some 30 to 40 companies (Berland 1997). During the late 1940s, and throughout the 1950s and 1960s, more and more companies, including CFP-Total and Snecma, began to adopt budgetary control for the first time, while the experiences of other companies, e.g. Delalande, Alstom, Cointreau, and Saint-Gobain (Taboulet 1966), became well publicised.

The role played by the Second World War in these developments is unclear. For some firms, e.g. Pechiney, acièrues d’Ugine and the glass manufacturing section of Saint-Gobain, it halted experiments already under way, while in other firms it helped to prepare the ground for the introduction of new management methods after hostilities had ceased, as in the chemicals section of Saint-Gobain. At Pechiney, where budgetary control had first been implemented in 1933 at its Argentière factory, managed by Jean Benoit, the war resulted in it being put on the back burner, to be revived again in 1948. Under the leadership of Benoit, now head of the company’s Industrial Organisation department, Pechiney first undertook the development of management accounts. Then, following the engagement of the K.B. White consultancy in 1947, budgetary control was

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1 Unless otherwise stated, the information presented in this section is taken from the studies by Berland (1997) and Zimnovitch (1997).
implemented throughout the company between 1948 and 1952. From late 1953, attention began to be focused on standard costing, but despite its championing by Benoit, it did not become firmly established at Pechiney until the 1960s.

The experience of Saint-Gobain was quite similar. Attempts to build upon the earlier developments within the glass section of the business during the war were hampered by problems with planning in the various departments. Thus, between 1946 and 1953 budgetary control was limited to main office expenses, but in 1953 a significant advance in its use occurred throughout the glass department. In the chemicals department, some attempts to introduce budgetary control did occur during the war, despite no previous attempts having been made to do so, but planning difficulties here also led to failure. However, precise financial forecasts began to be made from 1949 and there then occurred a very rapid shift to budgetary control in chemicals from 1956.

There were also developments within businesses operating in the nationalised sector of the economy. Prior to nationalisation, the car manufacturer, Renault, had introduced budgets in 1931 while, towards the end of the 1930s, Louis Renault expressed concern about the system of departmental trading accounts in place, indicating a desire to see a closer correspondence between estimated and real costs. Following nationalisation in 1945 the company utilised a costing method based on the notion of cost centres, closely allied to that suggested in the 1947 plan comptable général. In the mid-1950s standard costing began to be introduced, but only slowly and initially in small parts of the business, such as the forging plants at Bilancourt, Hagondage and Le Mans. By 1959, however, the company was planning to introduce full scale budgetary control and standard costing at one of its plants, forming an accounts and budgeting department for this purpose. This heralded a much wider development of standard costing within the broader context of a managerial control system which was to be adopted across the company in the 1960s.

Like Renault, the nationalised electricity supplier, Electricité de France (EDF), did not rush to use standard costing despite developing the use of budgets almost from its inception. EDF was required, under Article 20 of the nationalisation law of 8 April 1946, to establish « forecasts of receipts and expenses, works programmes, balance sheets and profit and loss accounts ». These were to be sent to the supervising Ministry and such action was later institutionalised by the decree of 29 August 1949. Budgets were developed from 1947 and a special department, F5, was created to manage this development. These budgets initially had an external use, namely to justify the need for tariff increases to the government (Beltran et al 1985), but their use was subsequently extended for the internal purpose of controlling expenses due to the tight financial constraints under which EDF was forced to operate. Problems with the forecasting system during the mid-1950s led to further developments in the budgetary system. A new approach was formulated in 1959–60 and by the middle of the 1960s budgetary control had begun to take on a more orthodox form under the label of functional budgets.

Although it is impossible to know for sure exactly how many companies used each technique, budgetary control and standard costing were increasingly being used by the end of our study period. But what were the factors that explain this development?
2. An examination of the factors that influenced the development of cost/management accounting between 1945 and 1970

Neoclassical economists tend to analyse the influences on the development of new management tools in terms of demand-side factors, e.g. organisational change, economic conditions and uncertainty (Bjornenak 1997; Berland and Boyns 2002) or supply-side factors, e.g. the role of different professional groups, together with social, cultural and political factors. We will now examine in turn some of the major factors highlighted by previous authors.

2.1. Political context: nationalisation and planning

The world economic slump of the 1930s led to the development of new political ideas in France, amongst them being corporatism and planisme. Corporatist ideals, however, fell out of favour during the war, while planisme, the aim of preserving liberalism through managing it and reducing the social tensions to which it gave rise, played an important role in the post-war era (Berland and Chiapello 2009). The planisme of the post-1945 period emphasised the use of experts to direct economic matters in a dynamic way. This was welcomed in some business circles, e.g. by employers such as Detoeuf, and planning became a sine qua non of French political and economic life post-1945. In addition, certain sectors of the economy, including the commercial/deposit banks, the coal industry, the car manufacturer Renault, and the electricity supply industry, were nationalised in 1945 or 1946.

Planning also affected the accounting sphere through the introduction of the plan comptable général in 1947. Although the aborted plan put forward by the Vichy government in 1942 had been based on a single accounting chart for financial and cost accounting, the 1947 plan enshrined a dualistic approach in which the two were kept separate. Furthermore, whereas that part of the plan dealing with financial accounting was compulsory, that dealing with comptabilité analytique, of which cost calculation comprised a part, was merely indicative, being an option for the large majority of companies. The cost method advocated was that of cost centres, i.e. the sections homogènes method proposed by Rimailho in the late 1920s, but during the 1950s there was a move in the direction of forward-looking costs: according to Lauzel (1971: 204) « the revision of the PCG realised in 1956/57 increased the interest in the relationship between real costs and forecast costs ». Thus, whereas the 1947 plan had only devoted one paragraph to standard costing, the 1956/7 revision devoted an entire chapter to the topic (PCG 1957: 201-8).

2.2. Economic and managerial context

In contrast to the previous half century, France experienced rapid economic growth after 1945, real gross domestic product growing at an annual rate of 4.3% between 1950 and 1973, compared to 4.0% in Germany and 2.5% in Britain. Industrial output in France grew even faster (5.3% per annum between 1949 and 1963 - Carré et al. 1972: 32) and was particularly rapid and sustained in sectors such as oil and gas, chemicals and non-ferrous metals. Except during the period of inflation associated with the Korean War, this rapid economic growth, accompanied as it was by state economic planning, enhanced economic stability, thereby reducing business uncertainty (Cassis 2003: 201) and making it easier for companies to establish internal planning and control processes,
both short and long term. Although it has been suggested that the ‘American model’ (Djelic 1998) became the classic of French management education during the 1950s and 1960s, Chandler and Daems (1979) have suggested that, as in other parts of Europe, the reliance on social mechanisms of control, e.g. paternalism, held back the development of management/administrative techniques in France by retarding the emergence of the large business corporation.

Figures clearly indicate that France did not develop large firms as rapidly as some countries in Europe. Thus, although the number of French firms employing 10,000 or more workers rose from 20 in 1953 to 62 in 1972, in Britain the respective figures were 65 and 160 (Cassis 1997: 33, 63). Levy-Leboyer (1980) points to the environmental context, namely, market conditions, managerial attitudes and institutional factors, especially the prevalence of holding companies, as an explanation for this limited growth in the number of large firms. While Chandler (1977) has argued that the development of new management tools is linked to the growth of the large business corporation and managerial hierarchies, archival-based evidence for several countries suggests that the link is far less simple than merely size or organizational structure. Indeed, there is growing evidence to support the view that medium-sized, family firms played an important role in the diffusion of practices such as budgetary control and standard costing. Thus it is not clear why the slow development of large companies in France should necessarily have hampered the diffusion of new management techniques. Indeed, McArthur and Scott (1970) found a similar pattern of adoption, or non-adoption, of forward-looking management techniques amongst large and medium-sized French firms during the mid-to-late 1960s. Around the same time, Carré et al (1972) even went so far as to suggest that there was a high rate of take-up of management control amongst such firms, though they did note some confusion amongst business managers as to the difference in meaning of terms such as services de contrôle de gestion, services comptables and services commerciaux. The analysis carried out in Taboulet (1966) likewise illustrates a confusion between concepts such as gestion budgétaire, la gestion prévisionnelle, le contrôle de gestion and le contrôle budgétaire.

Thus, by 1970, many businessmen and academics were aware of the new management control techniques. This reflected the influence of a range of factors affecting the economic and managerial context of the post-war years, some of which were beneficial and some detrimental to the introduction of new management tools which had emanated from America before 1945.

2.3. Productivity missions

As part of the process of encouraging the re-building of war-torn European economies after 1945, various productivity missions were undertaken by most countries under the auspices of the Marshall Plan aid programme. In France, between 1948 and 1951, a large number of French experts, coming from various professional backgrounds, travelled to the USA to study American methods of production and organisation.

Although those on the first mission, which examined the electrical equipment industry, were primarily interested in the human aspects of productivity, they did not ignore the role of accounting, showing a keen interest in budgetary control (AFAP 1949). Subsequent mission reports, such as that into the growth of productivity in America (AFAP 1951a), that on the electricity sector (AFAP 1951b), and that on the iron industry (Enquête en vue de l’accroissement de la productivité, 1955), emphasised that budgetary control was well-known in certain quarters, though often its use was limited to the control of general expenses. The fact that the technique was well-known may explain
why the report of the mission conducted by professional accountants (OECCA 1952) devotes only a small amount of space to budgetary control. By contrast, standard costs receive much more space. Overall, it was observed that whereas the French continued to adopt a very logical, but insufficiently operational approach, American businesses had adopted a pragmatic form of cost accounting, relevant to the needs of the person in charge (OECCA 1952: 331):

« [in the US] Accounting had lost the essentially “historical” aspect too often found here [in France], in order to become, above all, a monitoring instrument which enables the appraisal of a situation at any one moment, the compass which continuously orients the ship in the right direction. »

Despite these criticisms, finding direct evidence of the impact of the productivity missions on specific companies is not easy, though they do appear to have played a part at Saint-Gobain. Discussions between senior managers of Saint-Gobain and the head of l'Institut d'Organisation Industrielle et Commerciale (IOIC), Norbert Bosseler, during a voyage to the USA as part of one of the productivity missions, led to the company subsequently implementing budgetary control with the help of IOIC (Berland 1997).

2.4. The literature

Alcouffe et al. (2003: 20) have emphasised the importance of « efficient and frequent communications » in the diffusion of managerial accounting techniques while Bjornenak (1997), in his study of the development of Activity Based Costing in Norway, found that journal articles were especially important. For France, Berland and Boyns (2002) have stressed the importance of the literature in the diffusion of budgetary control during the interwar period, noting the significance of trade journals such as Organisation, Méthodes, Le Commerce, L’Usine, etc. and texts such as Ludwig (1930) and Satet (1936).

While some of the early writings, e.g. Bunbury (1930), Penglaou (1935), drew attention to the parallels between the budgets of enterprises and those of the state, one text, which was to act as a precursor for developments in the management control literature after the war, was that by Mareuse (1938). The title of his book, Le contrôle de la gestion dans les entreprises, indicates his wider concern with a complete programme of management control for firms, and the need to situate budgetary control within the practices of the business. In this vein, Parenteau published his Calcul des prix de revient et comptabilité industrielle in 1945, the first in a lengthy series of publications by him which proved to be key events in the development of management control in France. Jonio et al. (1962) and Meyer (1964) followed, with the latter also being responsible for the publication of the first Que sais-je? on management control in 1969. Such writers were more numerous after 1945 and were drawn from an ever wider variety of backgrounds. The significance of educational/teaching texts also increased, possibly reflecting professional development and/or the institutionalisation of budgetary control. The tone of the articles and books was also modified, the emphasis being increasingly on more general and conceptual discussions, and less on actual examples of practice. Thus, Loeb (1956), although recalling the author’s professional experience with budgetary control at Alstom, is written in pedagogical form.

2 Que sais-je? is a series of short books (each of 128 pages) published by Presses universitaires de France aimed at providing the lay reader with an accessible introduction to a field of study written by an expert. The first Que sais-je? was published in 1941 and there are now over 3,900 titles in the series, many current editions representing updated and/or totally re-written versions of the original texts.
Although important writings on budgetary control emerged in France during the interwar period, this was less true of standard costing. Indeed, French language publications on costing published between 1930 and 1950, when they were not hostile towards standard costing remained circumspect on the matter (Berland et al. 2002b). However, from the early 1950s, a change can be observed, with new texts devoting a separate chapter to the topic rather than merely a few lines, as had previously been the case. Indeed, following the mission of French accounting experts to the USA (OECCA 1952), the French professional and pedagogic literature began to provide a systematic and complete presentation of standard costs, with the analytical treatment of variances becoming progressively more mathematical.

2.5. The growth of professional associations and trade bodies

The rise of the literature on budgetary control and standard costing was closely tied up with the interrelated development of two professions, management and accountancy. With the growth of more and ever larger businesses, managerial hierarchies increased in size and the number of salaried managers grew. In the manner described by Chandler, this growth led to the increasing professionalisation of management, while at the same time placing increased reliance on management (accounting) information systems. The development of budgetary control, in particular, created a strong link between management and accounting, since it was reliant on accounting information and provided top level management with the data they needed in order to help them make key decisions.

Cost/management accounting is the process by which cost information is established, in particular the standards upon which forecasts can be made. Budgetary control, while technically remaining outside the realm of accounting proper, builds on accounting information. This dichotomous position probably helps to explain why the budgeting process, often involving numerous iterations and revisions, was carried on in some firms as a separate function by a separate department, but in other firms within the accounting department. Although accountants had not played a particularly strong role in helping to develop budgetary control before 1945, after the war they keenly strove to be put in charge of the process. In some companies their claims, in comparison with other managerial groups, were helped by the legitimacy conferred on the accounting department by its long-standing experience of providing information. In relation to standard costing, however, accountants could make no such claims, nor least because, in their pursuit of professional status between the wars, they had either ignored or argued against standard costing as being extra comptable (Berland et al. 2002a). However, having received official recognition of their professional status in 1942, French accountants seemed no longer concerned to oppose the introduction of standard costing after 1945, releasing one of the blockages that had existed up until this time.

Some groups, however, had played a positive role in helping to develop the use of budgetary control during the interwar years, including the Comité National de l’Organisation Française (CNOF), the Commission Générale de l’Organisation Scientifique du Travail (CGOST, later Cégos), and the Service de l’Organisation Scientifique de l’Union des Industries Métallurgiques et Minières. After 1945, while CNOF continued to publish its bulletin, Cégos focused its work on diffusing new ideas through day courses (journées d'études), one of which gave rise to the publication of Le contrôle budgétaire: 6 expériences françaises (Cégos 1953). However, after 1945, such organisations gradually
developed in the direction of educational bodies, thereby losing their direct influence on business and the techniques it used.

2.6. The role of individuals and networks

Many studies have indicated the importance of key individuals both inside and outside firms, either as enablers of diffusion, or as active disseminators of new ideas. While we have already noted that literature plays an important role in the diffusion process, as Alcoufe et al. (2003: 20) have pointed out, the use of techniques will only be spread if there is a strong network to encourage dissemination and the innovation fits with the contemporary managerial and economic contexts. On the topic of networks, Alcoufe et al. (2003; 2005) have emphasised the importance of those linking academics, consultants, professional associations and key personnel within companies. Figure 1 presents an attempt to indicate some of the links between key players in the development of budgetary control in France. It includes business leaders such as Benoit of Pechiney and Loeb of Alsthom, consultants such as Clark, Héranger and White, and academics such as Penglaou and Satet. Of all those noted in the figure, however, Satet and Benoit appear to have been central to the process of diffusion of budgetary control in France, while the productivity missions previously discussed, by bringing together individuals from different walks of life and via their reports, provided a means for disseminating what was perceived to be best American practice.
Conclusion

In an earlier piece examining the influence of the USA on the development of budgetary control and standard costing in Britain and France during the interwar period, we found that France did not lag behind the USA in relation to the introduction of budgetary control, though it did in respect to standard costing (Berland et al. 2002a). In the quarter of a century after 1945, an increasing number of French firms used budgetary control, while some began to use standard costing, as part of the development of management control systems. However, just as Americanisation was considered to be too simplistic a concept to explain developments between the wars, it can be suggested that this is also the case for post-war developments.

The relative lack of large firms in France prior to 1970 and the lack of development of M-form companies (Mayer and Whittington 2003) may help to explain the smaller number of firms using standard costing in France than in certain other countries but it does not necessarily represent a national failure in any sense. Rather, it reflects a different business context in which specific, home-
grown methods, e.g. tableau de bord (Pezet 2009), might have been more appropriate. Where French firms judged that they could benefit from adopting American techniques, they did so but, as Cassis (1997) has warned, we should not always consider issues in terms of the superiority of a single model of business organization and all of the trappings, be they accounting or otherwise, that might be assumed to go with it. Rather we should feel free to recognise that firms in different countries did things differently, sometimes to their benefit, and at other times possibly to their detriment. There is, and never has been, a single Taylorian ‘one best way’ to run a business for all times and all contexts; there are simply numerous variations. Although firms and countries can benefit from first-mover advantage, followers are able to benefit from observing the leader’s problems and mistakes, thereby avoid the pitfalls experienced by them. Thus, the development of management tools is often a case of selective adaptation and adoption by firms in one country of techniques developed in another rather than a simple copying (Moutet 1992).

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