

# French Tableau de Bord: Better than the Balanced Scorecard?

by Juergen H. Daum

- The French *Tableau de Bord* concept for *pilotage* – or enterprise control – has been practiced successfully in France for over 40 years now, where it is prevalent and generally accepted as a best practice.
- The Tableau de Bord has a number of similarities with the much more recent Balanced Scorecard concept, as well as a number of differences. A primary difference, for example, is the much stronger focus of the Tableau de Bord concept on controlling the operative business process system. In addition, standard procedures for implementing Tableau de Bord systems at companies have been formulated explicitly.
- In France, businesses – along with universities, the *grandes écoles*, and business schools – possess a comprehensive, established pool of knowledge regarding the application of control and performance measurement systems that systematically include the non-financial view. This knowledge could prove to be an enrichment to the fairly recent Balanced Scorecard application.
- This article is intended to introduce the Tableau de Bord concept and the context of its creation, explain its underlying philosophy, and demonstrate its features and use based on specific examples. It will then describe the differences between the Tableau de Bord and other control concepts – particularly the Balanced Scorecard concept. In conclusion, the requirements of an architecture for enterprise performance management that can integrate the advantages of both concepts are formulated and described.

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# 1 Introduction

Robert S. Kaplan and David P. Norton first publicized their new Balanced Scorecard concept in the early 1990s<sup>1</sup>. After an initial discussion phase, its dispersal and use expanded rapidly, clearly demonstrating that the concept met urgent, latent demand – demand that arose due to a major gap in the companies’ enterprise control systems as they existed at the time. After all, the factors for success for modern companies are much different than the factors from the start of the last century, when today’s widespread enterprise control concepts were developed, and the control systems have to take these new factors into account.

**The Dominance of “Soft” Success Factors Demands New Control Concepts**

Today’s companies are active in highly competitive buyers’ markets, in a global economy based increasingly on knowledge and services. As a result, efficient mass production of bulk goods – and thus the traditional factors of industrial production – is no longer the primary focus. Instead, it is “soft” factors, or intangible assets, that are decisive in determining a company’s success. Intangible assets include, for example:

- ⇒ The size of the customer base, the attractiveness of a brand, and the company’s image
- ⇒ The availability of talented, dedicated “knowledge workers”
- ⇒ An effective partner network in Research and Development, as well as in Customer Service
- ⇒ The power to innovate and the ability to react to changing markets quickly and effectively by modifying the strategy and the business model, and so on

In addition to strict cost efficiency, other factors are now also decisive for a company’s success, such as those that account for a company’s ability to:

- ⇒ Tailor its product and service offerings to meet the target market’s specific requirements better than the competition
- ⇒ Maintain its “value recipe” in a rapidly changing environment

Only then will a company be successful – in particular, be able to achieve sustained success in a buyers’ market in which price is not the sole decision-making factor.

This resulted in the necessity for tools such as the Balanced Scorecard, which include the view of intangible assets and non-financial success factors – and also emphasize and support the associated, now even more important roles of strategic control and strategic change management<sup>2</sup>.

In this context, the French concept of the Tableau de Bord is still relatively unknown outside of France itself.

Its origins range back to the start of the 20th century, and it has been a corporate best practice in France, as well as a firm component of the field of business administration in the academic world, for now over forty years. All nascent managers and controllers learn about it as part of their education at French universities, *grandes écoles*, and business schools. Back in the days when U.S. companies used responsibility accounting based on financial key figures (such as return investment under the Dupont Scheme) almost exclusively, French companies were already systematically adding the non-financial view to

**Decades of Practical Experience with the Tableau de Bord Concept in France**

<sup>1</sup> Kaplan, R. S.; Norton, D. P. (1992), (1993).

<sup>2</sup> For more information regarding the role of strategy in steering companies that are increasingly based on intangible assets, see the author’s interview with David P. Norton, co-inventor of the balanced scorecard concept, in: Daum (2003), pp. 232-243. A summarized version of the interview is available under [http://www.juergendaum.de/news/07\\_18\\_2001\\_d.htm](http://www.juergendaum.de/news/07_18_2001_d.htm).

management reports, with the appropriate key figures and data, for enterprise control purposes, called *pilotage* in France. As such, French managers and controllers have decades of experience in using non-financial key performance indicators, along with the corresponding control systems – an experience and body of knowledge that could enrich the the rather younger Balanced Scorecard practice.

But time has not stood still in France, either. Particularly in the past few years, and possibly quickened and catalyzed by the global propagation of the Balanced Scorecard, the practice of applying the Tableau de Bord has been further enhanced<sup>3</sup>.

**Article Objectives** The objective of this article is to introduce:

- ⇒ The Tableau de Bord concept
- ⇒ The context of its creation
- ⇒ Its underlying philosophy
- ⇒ Its features and use (based on a case example)

Differences between the Tableau de Bord and other control concepts – particularly the Balanced Scorecard concept – will then be described. In conclusion, the requirements of an architecture for enterprise performance management that can integrate the advantages of both concepts are formulated and discussed.

## 2 Tableau de Bord – The French Enterprise Control Concept

What is a tableau de bord? The French word *tableau* can mean table, panel, or blackboard – that is, something that provides an overview. *Tableau de Bord* in the technical sense is an instrument panel or control panel of a complex piece of machinery – specifically, a vehicle or aircraft – as the suffix *de bord* indicates.

**The Tableau de Bord for Forward-Looking Operational Control**

The Tableau de Bord in a car or plane – that is, the dashboard or flight deck – is used by the driver or pilot to “steer” – forward-looking and future-focused, targeted control – with the objective of reaching a certain destination on time. To do so, the driver or pilot only concentrates on the major variables that he or she has to manipulate in order to reach the objective.

The point is not to determine deviations from the plan after landing or arrival (or at the end of the accounting period) in order to make corrections for the next flight or trip, but instead to enable intervention directly while in transit. Nor is the objective to constantly monitor every single process of the equipment (the machinery of the vehicle or aircraft); instead, the aim is to concentrate on the decisive factors for success, thus enabling active steering, reaction, and decision-making despite the complexity of the overall system.

With their Tableau de Bord concept, the French applied this train of thought – which has its roots in technical engineering – to the enterprise control area decades ago. As such, French literature on the Tableau de Bord concept often uses the metaphor of a vehicle driver or aircraft pilot to explain its basic principles – just as we did above<sup>4</sup>.

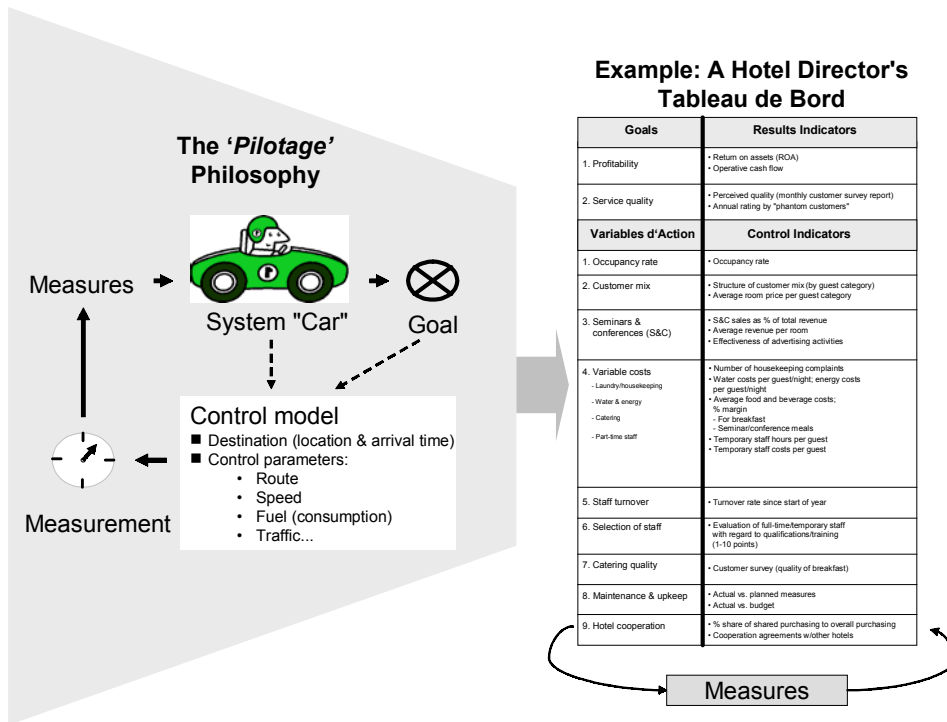
The term *Pilotage* is used commonly and frequently among controllers and CFOs<sup>5</sup>, often in the same breath as tableau de bord. It stands for ambitious, results-oriented and targeted

<sup>3</sup> See, for example: Fernandez, A.: Les Nouveaux Tableaux de Bord Des Managers, Paris 2003.

<sup>4</sup> See, for example: Fernandez, A., pp. 4-7.

<sup>5</sup> CFO = Chief Financial Officer. This term is used increasingly particularly in large French corporations – in contrast to the conventional French term *Directeur Financier et Administratif*.

enterprise control, what is today often referred to as “performance management” (see Figure 1).



**Fig. 1:** Basic Philosophy of the Tableau de Bord Concept and Example Usage

In their book first published in 1962 – which is still considered as a kind of basic literature about the Tableau de Bord concept today – de Guerny, Guiriec and Lavergne introduce the *Tableau de Bord de Gestion* (roughly, Tableau de Bord for management), which they define as follows (rough translation):

**Definition in the French Literature**

*An action-based tool for rapid, near-time information (“determination and reporting of the current status”) that builds on the definition of key decision-making items and the hierarchy of responsibility at a company<sup>6</sup>.*

As defined by de Guerny, Guiriec and Lavergne, a Tableau de Bord has the following primary characteristics:

- ⇒ It is simple and can therefore be “installed” relatively quickly.
- ⇒ It concentrates on only a few key items of information, which focus on the specific area of responsibility and issue at hand (that is, only the truly decision-relevant information), and does not attempt to provide answers to all possible questions.
- ⇒ It primarily provides information about the status of processes in the operational areas (such as Sales or Production), and less about the purely financial aspects that are regarded as the results of these operational activities.

<sup>6</sup> de Guerny, J.; Guiriec, J. C.; Lavergne, J. (1990), p. 14.

⇒ It makes the information quickly available according to the specific demand of a decision maker and also outside the frequency and periodicity of accounting.

Another more recent definition focuses on the model character of the tableau de bord, expanding its scope to include not only the information system itself, but also the process of defining its contents:

*The Tableau de Bord is a management tool that is comprised of both a set of indicators that are related (not by deterministic, algebraic operations but) by causal relationships and links, and the process of selection, documentation, and interpretation of these indicators. Each one of these indicators is chosen to measure the status of a part of the business to be managed, so that all indicators, taken together, offer a model the general functioning of the business (system) in achieving its objective<sup>7</sup>.*

**Focus on the Engineer's Perspective, Not on the financial Perspective**

Its model approach and its focus on the processes of definition and use of a tableau de bord are often named as the specific characteristics of the concept<sup>8</sup>. For a Tableau de Bord is primarily a decision-support and control instrument for operative *pilotage*. Accordingly, the emphasis is more on the engineer's perspective and less on the financial perspective, for which other instruments exist: budgetary control and cost/results accounting.

As such, the Tableau de Bord is used for short-term control, with a primary focus on steering and optimizing operative processes. Its aim is to enable the persons responsible to determine whether the (business) system is performing as intended – and if it is not, to enable targeted intervention in the active processes. Because the corresponding information needs to be available quickly, a certain degree of imprecision is accepted – it is better to be approximately right and on time than exact but too late. The primary goal is to point out current trends quickly; accuracy to two decimal places is unnecessary.

**Every Tableau de Bord Is Custom-Tailored to Each Decision-Maker**

Each Tableau de Bord is custom-tailored to the respective area of responsibility or decision-maker. Within a company, the Tableaux de Bord are defined along the decision-making hierarchy in a *gigogne* fashion (best translation: “nested”): the Tableaux de Bord from subordinate areas derive their contents from the tableaux of the superior areas (and are supplemented with specific local factors) and in turn contribute their results to the result of the superior tableaux.

## **2.1 History and Development of the Tableau de Bord Concept in France**

**The Great Depression Was a Major Impetus**

Significant impulses for developing the Tableau de Bord concept stem from the period between the two World Wars, when the foundations for French controlling and cost accounting practices were developed. In particular, the Great Depression beginning in 1929 was a major impetus, whose consequences would shape the framework of the French economy and French companies for decades to come.

### **2.1.1 A Largely State-Decreed Accounting System**

With the rise of the Great Depression, France public opinion increasingly became convinced that the market forces that resulted in this economic crisis required at least some measure of state control. The aim was to avoid strong fluctuations in the business cycle that had negative effects on the overall economy (banking crises, unemployment, etc.). A more rational tool was needed to tame the “wild” market forces that kept the economy at their mercy.

<sup>7</sup> Chiapello, E.; Lebas, M. (2001), p. 3.

<sup>8</sup> In addition to the sources named above, see Gray, J.; Pesqueux, Y. (1993), or Lebas, M. (1994).

The unmistakable consequences for the French economy in the 1930s and later: protectionism, major state intervention in the economy, nationalization of a number of major companies – particularly after the Second World War, when nearly two-thirds of the French economy was under state control – and even regulated prices until well into the 1970s. In particular, this last factor created the necessity for a uniform, standardized cost accounting system. Among other aims, this was intended to ensure fair competition between companies, which in turn should lead to economic growth and reduction in unemployment.

**Extensive State Intervention in the Economy**

To account for prices (and price increases), which had to be approved by public authorities, a detailed product cost accounting system was needed. This led to the development of a sophisticated *comptabilité de rendement* (English: results accounting and income statement), officially named *comptabilité analytique d'exploitation* (analytical cost and results accounting) since 1945. Because this had to happen quickly (due to the pressing nature of the economic crisis) and there was no time to redesign the entire existing accounting system, the new cost/results accounting was developed in parallel to the existing financial accounting system (*comptabilité générale*). Near the end of the 1930s, this separation between the cost/results accounting/management accounting (detailed calculation and analysis of the economic business results) and financial accounting (overall result, balance sheet) was officially confirmed by the French authorities after the fact<sup>9</sup>. This strict differentiation – or separation between management accounting and financial accounting – was also practiced in other European countries, such as Germany, in a similar fashion, but is nearly unknown in the U.S., and is essential to understanding the French approach to controlling and the philosophy underlying the Tableau de Bord concept.

**Separation Between Controlling and Financial Accounting**

Another important aspect for comprehension is the expanded role that the French state or quasi-government institutions played (and, to an extent, still play) in designing French management accounting.

An important French government instrument for harmonizing accounting in French enterprises was and is the *plan comptable*, a state-prescribed chart of accounts that has been binding for all companies since 1947. It has been revised and modified several times since, under the auspices of the Conseil National de la Comptabilité, which is monitored by the French Ministry for the Economy, Finance and Industry.

**State-Prescribed Chart of Accounts and Cost Accounting Methods**

Even more important for the definition of French cost accounting and results accounting practice was the development of the *méthode des sections homogènes*. This is a standard accounting procedure for determining product costs (*prix de revient* or, more contemporary, *coût de revient*). Its aim, once again, was to harmonize cost accounting among companies in order to ensure fair competition. The basic principles of today's *méthode des sections homogènes* are very similar to other European cost accounting methods such as used in Germany: it differentiates between variable costs and “full costs”, i.e. between direct/variable and indirect/fixed costs. Direct/variable costs are often apportioned directly to the final products. Indirect/fixed costs are allocated (*déversées*) to the final products based on the rendered activities (*oeuvre*) of the cost centers (*sections*) involved or, in case of an intermediate cost center (*section auxiliaire*), to the main cost centers (*sections principales*) based on a suitable key (*clé de répartition*). As such, these different *sections* form a network of cost pools and cost flows meant to enable the detailed calculation and analysis of product costs, aptly called an “analysis network” (*réseau d'analyse*).

In addition to a general approach, the French industry associations subsequently developed 22 industry-specific cost accounting frameworks (charts of accounts and cost accounting

<sup>9</sup> Lebas, M. (1994), pp. 3-4.

methods) between 1957 and the mid 1970s, under the direction of the Conseil National de la Comptabilité<sup>10</sup>.

Therefore, both management accounting and financial accounting as we know them in France today were created largely under state direction, and were (and continue to be) developed primarily under state control.

### 2.1.2 Managers with Engineering Backgrounds and a Lack of Open Capital Markets

Like in other industrialized countries, the first managers of French industrial corporations were engineers. In contrast to the U.S., however, the pattern of engineering backgrounds amongst top management persisted much longer in France. Even well into the 1990s, at least 50% of all PDGs<sup>11</sup> at French companies were engineers by education and training<sup>12</sup>.

Michel Lebas, Professeur Comptabilité Contrôle de Gestion at the Ecole des Hautes Etudes Commerciales near Paris (H.E.C)<sup>13</sup>, and Eve Chiapello, Professeur Associé for Comptabilité Contrôle de Gestion at the H.E.C, consider this to be one of the prime factors responsible for the differences between French and American management practice that existed until the late 1990s<sup>14</sup>. In contrast to the commercially oriented “financial managers” at American companies, engineers often see companies as complex dynamic systems (somewhat like complex machinery), whose operative processes have to be tuned and adjusted constantly in order to deliver optimized (financial) results in the end. As a result, French managers long considered the American financial control approach<sup>15</sup> to enterprise control as foreign. In this approach, companies are steered strictly on the basis of financial information and performance indicators (such as based on Dupont’s ROI scheme); it assumes that financial information encompasses the process information, and thus can be used to control process efficiency and effectiveness.

For a long time, French management practice was focused less on short-term financial results and much more on long-term growth and productivity, induced step by step through targeted, short-term intervention in the operative processes themselves as part of an iterative learning process. For this, above all the conditions under which these processes took place and in which the company agents acted had to be manipulated - much less than the strict financial aspects, which after all represent the final result of the company’s processes and activities. This esprit led to the Tableau de Bord concept, which was created to support engineer-managers in steering their business enterprise systems.

The dominance of the engineer-manager in French corporate management was reinforced by the state of the French capital markets. After all, even in the late 1990s, companies were financed primarily through the (state-controlled) banking system or even by the state itself (at state-owned or state-controlled companies). In contrast to the U.S., open capital markets for equity were nearly unknown in France (and in Germany as well). As a direct consequence, the concept of shareholder value management did not become a leading paradigm at French (or German) companies until much later. Instead, French companies and their managers concentrated on satisfying their customers and fulfilling political

<sup>10</sup> Lebas, M. (1994), pp. 6-13.

<sup>11</sup> PDG = Président Directeur Général (roughly, CEO).

<sup>12</sup> Lebas, M. (1994).

<sup>13</sup> H.E.C. is one of the most internationally renowned *grandes écoles* and business schools in France

<sup>14</sup> Chiapello, E.; Lebas, M. (2001), pp. 3-4.

<sup>15</sup> An excellent, practical description of how the financial control concept was developed at General Motors, a pioneer in the development and application of the concept, can be found in: Sloan, A. P. (1963), pp. 116-148.

**Engineers See Companies as Complex, Dynamic Systems**

**Focus on Long-Term Growth and Productivity**

directives<sup>16</sup>, and less on (short-term) profitability or shareholder value. The lack of global competition also sheltered French companies from the need to render over-average financial performance. As a result, the tradition of engineer-managers was sustained in France for much longer than in the U.S.

### 2.1.3 Development of the Tableau de Bord Concept

In sum, the most important framework conditions in France – and the breeding ground for developing the Tableau de Bord concept into a mature control instrument – were:

- ⇒ A state-prescribed accounting system
- ⇒ The engineer-managers' requirements for enterprise control

The standardized accounting system helped the French state to enable comparisons between companies' results and, in particular, create transparency from a centralized macro economic perspective. But it couldn't satisfy managers with engineering backgrounds, who wanted to steer their business/enterprise systems optimally, targeted, and (especially) individually. The engineer-managers' focus lies on operative decision-making support and on having the most current possible information to provide a "status" of their (process) systems and the extent to which they are capable of producing positive results in future. As a result, costs are less interesting as the actual analysis object; after all, they only represent "the shadow of the business processes"<sup>17</sup> that the managers want to control. In their perspective, the quality of business process management can hardly be expressed in monetary values. Engineer-managers almost always see accounting information as "accessories" – as a price they have to pay to satisfy the stakeholders, but by no means a basis for making sound decisions<sup>18</sup>.

**The Engineering View: Costs and Revenues as "Shadows of the Business Processes"**

Instead, they need a different type of information for effective *pilotage* of their businesses than the accounting system can deliver. Accordingly, they set up their control system, the tableau de bord, as an independent instrument beside the accounting system – without the necessity of ever integrating the two. This "breaking out" of the accounting system – which also applies to the Balanced Scorecard – was accelerated by the French tradition (described in section 2.1.1) of situating controlling (and its origins: cost accounting and results accounting) next to financial accounting as a separate, initially nearly independent set of calculations.

**An Independent Instrument Beside the Accounting System**

The beginnings of the Tableau de Bord concept go back nearly to the start of the 20th century, when process engineers sought methods for improving their production processes through a profound understanding of the causal relationships between potential measures and the resulting process performance<sup>19</sup>. So the concept was created "spontaneously", based on the engineers' control requirements, and developed over many decades in French business practice – from an initial, fairly fuzzy concept to a mature, formalized management and controlling instrument today. Nearly every French company now uses Tableaux de Bord for management reporting and performance monitoring<sup>20</sup>. This is documented by a comprehensive pool of knowledge regarding the Tableau de Bord concept in French management and controlling literature, built upon since the early 1960s and continually augmented through academic research and company practice.

<sup>16</sup> The latter often didn't have to be formulated explicitly or officially; an "old boys' network" of graduates of the *grandes écoles* that regularly circulated between private industry and state institutions took care of this on the sly.

<sup>17</sup> Chiapello, E.; Lebas, M. (2001), p. 2.

<sup>18</sup> Lebas, M. (1994), p. 6.

<sup>19</sup> Epstein, M. J.; Manzoni, J.-F. (1997), p. 28.

<sup>20</sup> Lebas, M. (1994), p. 2.

## 2.2 The Tableau de Bord Concept and How It Works

### A Model That Simplifies Reality

The Tableau de Bord is a decision-support instrument for *pilotage*, or enterprise control and business navigation. Its approach is based on the premise that to steer a company (or area) successfully, managers only need to monitor the status variables that change over time for the key components of the business systems for which they are responsible. Accordingly, a Tableau de Bord is always based on a model of the respective business system/area of responsibility that simplifies reality. Its aims are to reduce complexity and to focus managers' attention on the parameters that are relevant for action and decision-making, as well as the major levers (*variable d'action* or *leviers d'action*) that enable targeted *pilotage*. In other words, it gives individual managers a concentrated set of information in the form of indicators that they need for (operational) control of their areas of responsibility. Moreover, by creating a consistent system of tableaux de bord, the concept enables the entire company to achieve its overall targets and implement its enterprise strategy successfully.

To this end, a Tableau de Bord contains information about:

- ⇒ The status of the elements in a business system that, as major factors for success or critical milestones, play a major role in achieving the defined targets (*variables d'action*)
- ⇒ The measures and initiatives that were started in order to reach the defined targets or milestones, by influencing the status of these success factors (*plans d'action*)
- ⇒ The current performance of the respective business system with regard to achieving the targets (*résultats*)

To achieve this, the Tableau de Bord must have an explicit, underlying causal model that describes how adjustments to certain success factors can help create the desired effects with regard to the overall result. Accordingly, this means the information displayed in the Tableau de Bord concentrates more on the future, and less on analyzing the past.

Moreover, a Tableau de Bord has to contain information about its respective environment – that is, the external influences that can affect a manager's business system. This information should help the managers to react promptly to changing environmental factors that are beyond their specific range of influence, and even help support intervention when factors are beyond their direct control, but perhaps within the domain of a fellow manager.

### 2.2.1 The *Gigogne* Principle: Vertical and Horizontal Integration of Manager-Specific Tableaux de Bord

This last point illustrates a major objective of the Tableau de Bord concept: to support coordination across functions, areas, and even organizational hierarchy levels for all managers at a company. As a result, the company will be able to act as effectively as possible, achieve its goals, and implement its strategy. To do so, the individual managers' Tableaux de Bord have to be adapted to each respective context, task, and area of responsibility. At the same time, they also have to contain elements that go beyond the individual managers' domains, and link them with other agents at the company. For the Tableau de Bord creates the foundation for internal management dialog and management processes – making it a tool for communication that builds on the respective agents' and communication partners' common mission and vision. Specifically, it is intended to:

- ⇒ Help each individual manager control his or her own management unit

- ⇒ Support managing supervisors in monitoring delegated responsibility, as well as aid subordinate managers in reporting to their superiors
- ⇒ Support the management of areas with shared responsibility
- ⇒ Promote coordinated procedures and uniform behavior across all areas, by creating a shared infrastructure<sup>21</sup>

The *gigogne* (nesting) principle is intended to ensure this. It can be compared to the similar – but much more simple – principle of top-down cascading objectives and measures along the enterprise hierarchy that is used within the Balanced Scorecard concept. Yet the *gigogne* principle goes beyond this, as it not only supports coordination of the control process along the enterprise hierarchy (vertical), but also cross-area (horizontal) coordination at the same level.

So how does the *gigogne* principle work?

The company is examined as a system that – like a piece of complex machinery – consists of a variety of parts. As such, to coordinate the overall control, we not only have to control and optimize the individual parts, but also ensure that the “business machinery” in total can move in step, in one direction, without tearing itself apart. An important goal of both the Tableau de Bord concept and the Balanced Scorecard<sup>22</sup> is to create a framework that encourages each management unit to

### **The *Gigogne* Principle for the Big Picture**

- ⇒ Adapt itself to the context of the overall company objectives
- ⇒ Coordinate effectively with other management units, to implement the strategy and achieve the defined goals

The process of implementing Tableaux de Bord always begins with the definition of the enterprise framework: the contextual range of the specific strategies and objectives of the company in total – as well as the individual management units. The first step encompasses an analysis of the management structure/responsibility hierarchy at the company and identification of the core activities of each management unit (*points clés*)<sup>23</sup>. The next step entails a top-down process in which the mission (*mission principale* – what does the company stand for? What is its value proposition for the stakeholders?) and the vision (*vision* – where does the company want to be in five years?) are defined.

### **Step One: Defining the Enterprise Framework**

A typical practice could look like this: The mission (“Why are we here (today)?”), the vision (“Where do we want to be in five years?”), and the specifically defined enterprise values (*valeurs et esprit du groupe*) are broken down step by step, in which the contents of each higher level provide the framework for formulating the mission, vision, and values for the management units at the respective subordinate levels. But this process of defining the enterprise framework is not a one-time effort; it is an integral component of the strategic planning process: as part of strategic planning, which might take place on a rolling basis for a horizon of five years, the mission, vision and values are examined annually and modified as necessary.

### **Breakdown of Mission, Vision, Values, and Strategy**

In turn, this enterprise framework creates the foundation for formulating both the overall strategy and the strategies and plans of the individual management units. The respective strategic objectives are defined first, and are used to derive the most critical success factors

<sup>21</sup> Chiapello, E.; Lebas, M. (2001), p. 5.

<sup>22</sup> A summarized, yet complete description of this and other components of the balanced scorecard concept is available in a SAP White Paper written by David P. Norton, co-inventor of the balanced scorecard, and Juergen H. Daum (see: SAP AG (1999)).

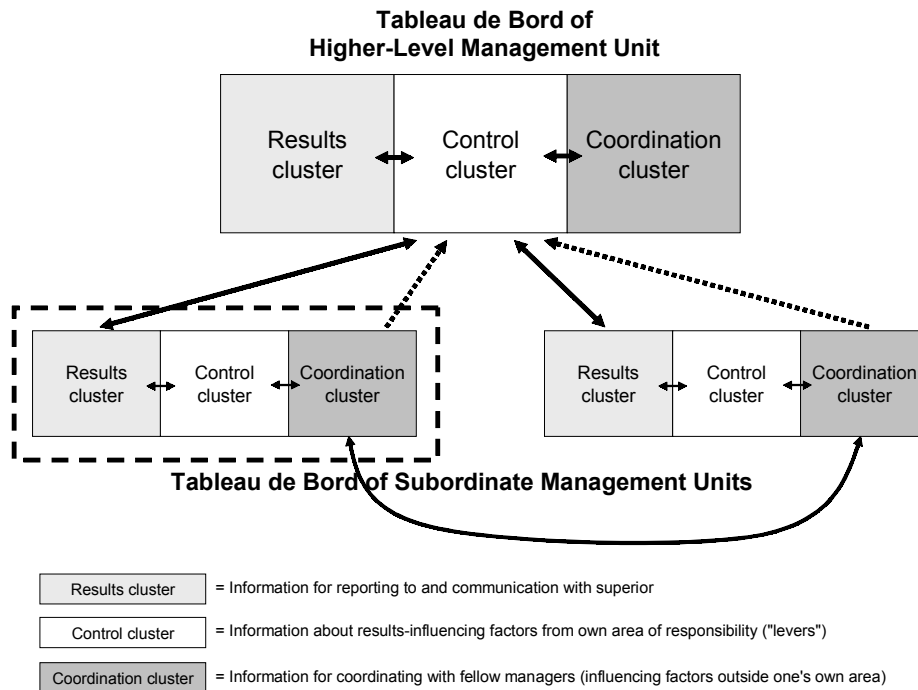
<sup>23</sup> de Guerny, J.; Guiriec, J. C.; Lavergne, J. (1990), p. 23.

and levers. The measures and initiatives for achieving the strategic goals are then defined in short to medium-term activity planning, and are used to determine which indicators will be used to monitor performance and strategy implementation. This procedure is intended to simplify the formulation of coordinated centralized and decentralized strategies, thus creating a system of Tableaux de Bord that enables coherent action within the enterprise, despite decentralized organizational elements.

**Support for Bidirectional Vertical and Horizontal Communication**

Aside from the top-down process for uniformly focusing objectives, strategies, and indicators, the *gigogne* principle also supports bottom-up communication with supervising managers – who, after all, have to know how their subordinate managers are progressing in achieving their delegated tasks and objectives. In addition, this principle also supports (horizontal) coordination with manager colleagues, whose performance a manager depends upon in the pursuit of his or her own goals.

This concurrent support for different reporting and communication channels is achieved by separating the contents of a management unit’s Tableau de Bord into different information clusters for each target group and information channel, and deriving these contents from or feeding them into other Tableaux de Bord through a clearly defined scheme. Figure 2 shows this scheme as characterized by the *gigogne* principle.



**Fig. 2:** Information Clusters and Information Flows in an Enterprise Tableau de Bord System by the *Gigogne* Principle<sup>24</sup>

Let us examine the management unit shown in the dotted box in Figure 2 as an example:

**Purpose of the Control Cluster**

The middle area (“control cluster”) groups the indicators that each manager needs to control his or her area. They represent the major operative levers (*leviers d’action*), which identify what they have to do in order to achieve their goals. In addition, they also provide information about the “potential” of the management unit for achieving positive results in future.

<sup>24</sup> Taken from Lebas, M. (1994), p. 17, and Gray, J.; Pesqueux, Y. (1993), p. 63, and modified.

The left area (“results cluster”) represents – from the superior’s perspective – the results a manager has achieved and the status of his or her major success factors/milestones, which have been attained by influencing the factors represented in the middle area. They serve to report to and communicate with the superior. These indicators flow into the supervisor’s Tableau de Bord and represent a part of his or her own control cluster, from which he or she has delegated the tasks and goals to the subordinate managers. Should communication between the supervisor and subordinate managers result in an adjustment of goals or a change in the delegated tasks, this affects the results required of the subordinate manager and thus the design of his or her results cluster first, and in turn the design of the contents of his or her control cluster.

**Purpose of the Results Cluster**

The indicators in the right area (“coordination cluster”) are used for reporting and communication/coordination with manager colleagues upon whose performance the achievement of one’s own goals is dependent and/or vice versa. They are derived from and influence the control cluster. They can also flow into a superior management unit’s control cluster, to enable supervisors to monitor the coordination process amongst their subordinates. This is done using “combined indicators” (*indicateurs de convergence*). The combined indicator “Quantity Sold/Produced” could be used, for example, to monitor coordination between sales and production<sup>25</sup>.

**Purpose of the Coordination Cluster**

Moreover, each Tableau de Bord integrates the higher-level group/enterprise view through *orientations*. These *orientations* are derived from the overall enterprise strategy, and are best translated as “strategic threads“ or „strategic lines of activity”. The integration of the *orientations* in every Tableau de Bord (where relevant) is intended to ensure that all management units work on their implementation, and – from a higher-level view – that they can be monitored within the system of existing tableaux de bord. To enable the latter, in particular, they bring in a specific structure and classification for the information in the reporting cluster (left side), but the indicators used are tailored to the specific management unit. Chiapello and Lebas name the *orientations* defined by French car parts manufacturer Valeo as an example:

**Orientations as Link to the Overall Enterprise Strategy**

- ⇒ A quality initiative
- ⇒ Continuous progress and innovation
- ⇒ Improvement in vendor relationships
- ⇒ More personal commitment (motivating managers and staff to assume responsibility)
- ⇒ Improvement in the effectiveness of the production system<sup>26</sup>

## 2.2.2 Selecting the Indicators

Once the management structure, management units, enterprise framework, *point clés* of the management units, and their targets have been defined – along with the measures and initiatives intended to ensure that the goals are reached – the next step follows: selecting the indicators. This selection should be performed systematically and in a consistent manner for all management units, and not at random or based on any one manager’s personal preferences.

To do so, the underlying system model of the corresponding management unit has to be formulated explicitly, and a consensus for this model has to be reached within the unit’s management team. After all, the approach is based on examining the management unit as a dynamic system (see Figure 3). This results in the major elements that have to be monitored within the control framework:

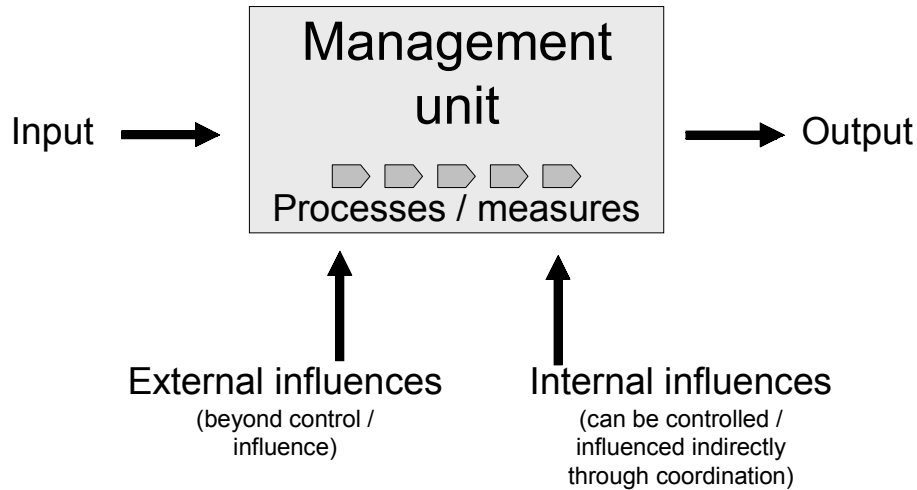
**Identifying the Elements to Monitor**

- ⇒ The targeted results/degree of attainment (output)

<sup>25</sup> de Guerny, J.; Guiriec, J. C.; Lavergne, J. (1990), pp. 53-54.

<sup>26</sup> Chiapello, E.; Lebas, M. (2001), p. 7.

- ⇒ Resource utilization (input)
- ⇒ Conformity of the system's processes and measures with the target
- ⇒ External influences (beyond the manager's control/influence)
- ⇒ Internal influences (can be controlled / influenced indirectly through coordination)

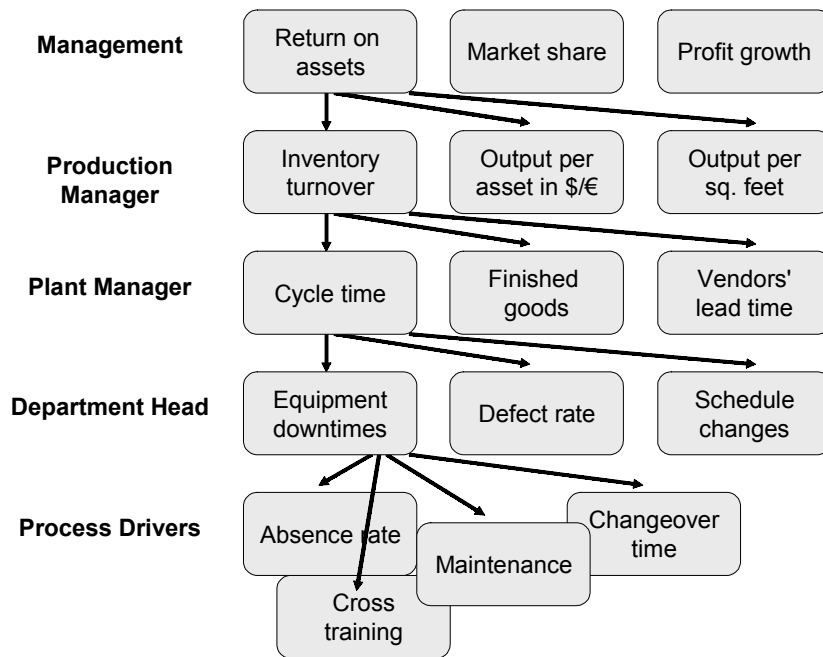


**Fig. 3:** Generic System Model of a Management Unit

**Analysis of Cause/Effect Relationships (Études des Causes)**

This generic system model has to be projected upon each management unit and analyzed there with regard to the unit's individual attributes and functions, as well as to the mutual dependencies with other management units. This is intended to ensure a systematic procedure in defining and selecting the indicators for the Tableau de Bord, taking existing cause-and-effect relationships into account. As a starting point, the following questions can be asked of each specific management unit:

- ⇒ What are the results, or targets, that it strives to achieve?
- ⇒ What are the means/resources used to do so, and which factors are decisive in determining success?
- ⇒ Which processes create value – that is, are material to achieving the goals?
- ⇒ Which external, non-controllable influences that affect success/output does the management unit have to deal with?
- ⇒ Which internal processes or factors that are not directly answerable to or accessible by the unit's management affect that unit's success/output?



**Fig. 4:** Causal Model for Identifying Mutual Dependencies Between Management Levels/Units<sup>27</sup>

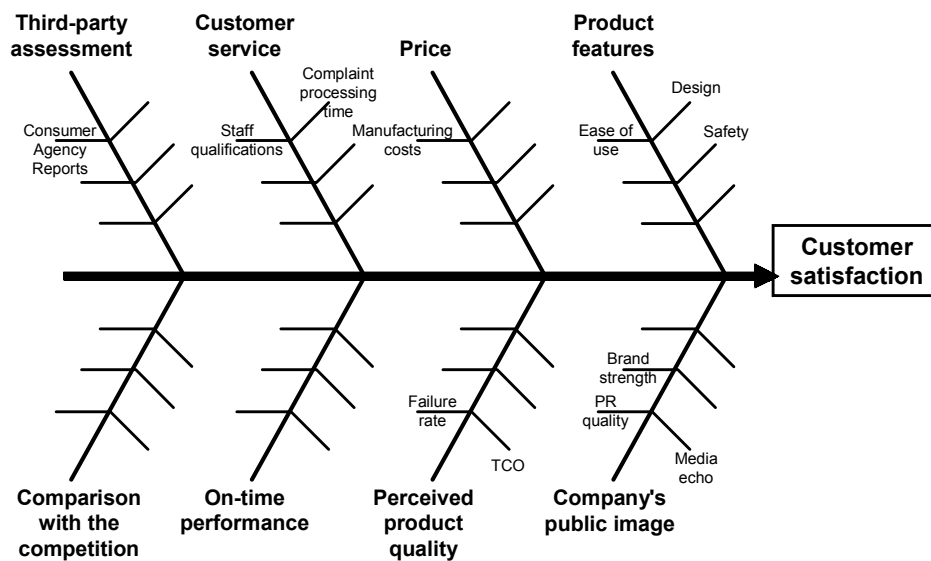
This analysis of the cause-and-effect relationships is intended to reveal the explicit causal model for the control system – that is, extract it from the individual managers’ judgment sphere and submit it for discussion (or consensus-building) in the management team. The overarching goal is to create a “shared truth” or policies generally accepted by the management team/company, which can then serve as a common reference point for control. This enables uniform planning, action, and judgment within the framework of the management processes, and promotes a cross-area understanding amongst the individual managers. For only an explicit causal model enables the managers of a company to identify their own operative success factors (along with the general factors), and thus the indicators that they can influence in order to ultimately move the overall result in a positive direction. And only the causal model reveals the mutual dependencies between the management units (Figure 4 shows an example of this by Chiapello and Lebas). Accordingly, the process of defining and agreeing upon a common causal model in the management team is considered to be an crucial task in itself.

The French Tableau de Bord literature frequently uses (Japanese) Ishikawa diagrams<sup>28</sup> in the context of the required *études des causes*, although it is emphasized that such diagrams illustrate a tradition that is entirely French (see Figure 5)<sup>29</sup>.

<sup>27</sup> Chiapello, E.; Lebas, M. (2001), p. 13.

<sup>28</sup> Ishikawa diagrams, also called “fishbone diagrams”, are used to visualize cause-and-effect relationships. They encompass the following elements: a desired effect and the factors/causes that influence it. The concept is named after its Japanese creator, Kaoru Ishikawa, who first applied this technique in the 1960s, in order to support quality circles in their quality assurance work. Ishikawa diagrams were developed together in a team; in particular, they help support communication between team members, and help create a common understanding of the causes and factors influencing quality.

<sup>29</sup> See e.g. Gray, J.; Pesqueux, Y. (1993), p. 64.



**Fig. 5:** Ishikawa Diagram to Analyze the Causes/Factors Influencing Customer Satisfaction

The suitable indicators are then sought and collected for each management unit – according to the categories defined by the *gigogne* principle: information for managers themselves, for reporting to/communication with superiors, for communication/coordination with manager colleagues, and so on. The French literature contains myriad lists of proposals, with suggested indicators for a wide range of functions at a company<sup>30</sup>. In many cases, the search also involves a brainstorming process in which the managers themselves participate. The subsequent selection of indicators from the pool of proposals takes place according to a series of recommended rules, to ensure practical, functioning Tableaux de Bord are created<sup>31</sup>. Specifically, to qualify for use in a tableau de bord, indicators have to demonstrate the following characteristics:

- ⇒ It must be possible to collect data on them at all.
- ⇒ It must be possible to provide this data on time and with the necessary periodicity, to enable timely response to deviations from process parameters.
- ⇒ The indicators have to aid the management unit in achieving its goals and support the respective decision-makers.
- ⇒ They have to be action-oriented – that is, identify where a manager has to act in order to achieve the goals (they have to fit the defined causal model).
- ⇒ It must be possible to present and visualize them in such a way as to provide optimum support for each decision-makers individual tasks, and enable the information they contain (and its significance) to be grasped as quickly as possible (indicating an “ergonomic” form of visualization as appropriate charts)<sup>32</sup>.

<sup>30</sup> de Guerny, J.; Guiriec, J. C.; Lavergne, J. (1990), pp. 65-78.

<sup>31</sup> See, for example: de Guerny, J.; Guiriec, J. C.; Lavergne J. (1990), pp. 49-64, or Fernandez, A. (2003), pp. 280-295.

<sup>32</sup> Fernandez, A. (2003), pp. 276-279.

In particular, this last point illustrates an important feature of the French Tableau de Bord concept: the value placed on visualizing the information in a way suitable for managers – a characteristic that is integrated in the Management Cockpit War Room concept,<sup>33</sup> where it plays an important role. Decision-relevant facts need to be presented in a manner that is focused on decision-making and action. Problematic areas must be highlighted; the information that enables the fastest possible analysis of the existing issues – and supports the process of determining the most suitable offsetting measures – must be provided in the same context (that is, issue-oriented) wherever possible. An appropriate graphical visualization and structuring of this information can be very helpful in this context, and is often used within the French Tableau de Bord concept. One example is the visualization of alert (*clignotant*) and diagnostics indicators.

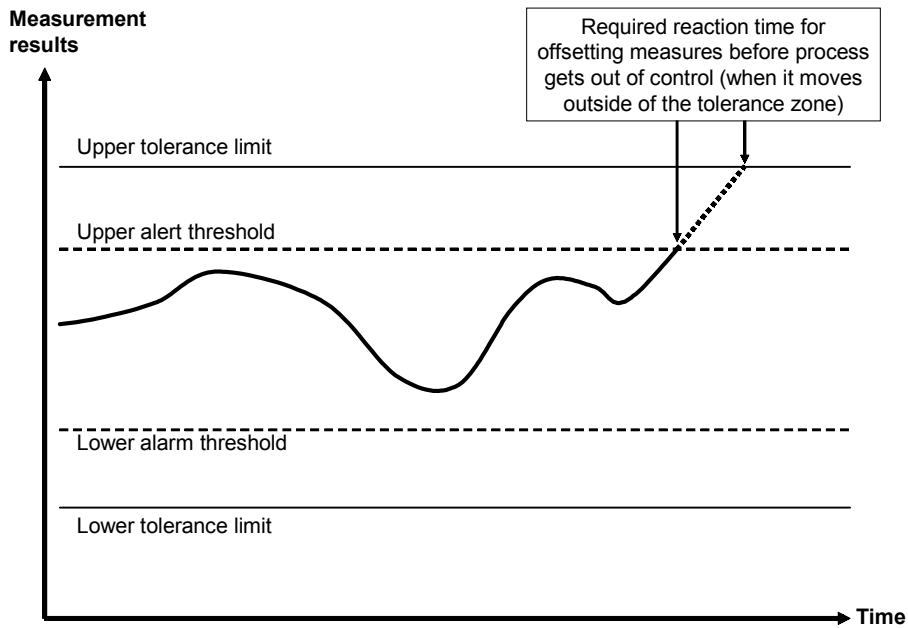
**Visualization  
Designed for  
Managers**

The principle underlying alert indicators has its origin in statistical process control (SPC<sup>34</sup>). As the name implies, this is a technique for controlling processes and technical flows, as well as for quality assurance. It is based on statistics, as well as data streams derived directly from the processes, and on a kind of exception handling. Managers should only be alerted and take action when a process threatens to deviate from a previously defined “normal” state. The alert indicator serves to send an alert immediately whenever trend values threaten to overshoot the upper or lower threshold. Appropriately, the lead time of the alert takes into account the time required to push a value that threatens to move beyond the defined tolerance range back to its normal level (see Figure 6).

**Example:  
Visualization of  
Alert and  
Diagnostics  
Indicators**

<sup>33</sup> For an example, see the author’s interview with a financial controller at Iglo-Ola in Belgium, a user of the concept, under [http://www.juergendaum.com/news/09\\_30\\_2004.htm](http://www.juergendaum.com/news/09_30_2004.htm), and the interview of the author with the Chief Consultant of Siemens Belux, another user of the concept, under [http://www.juergendaum.com/news/11\\_01\\_2005.htm](http://www.juergendaum.com/news/11_01_2005.htm)

<sup>34</sup> Statistical process control (SPC) is a method for monitoring process deviations, and use statistical techniques to monitor, control, and (ideally) improve the quality of processes. It is primarily used to control production processes, in order to keep them on a “stable” course towards a desired goal (such as product quality).



**Fig. 6:** Principle of an Alert Indicator According to the Statistical Process Control Approach<sup>35</sup>

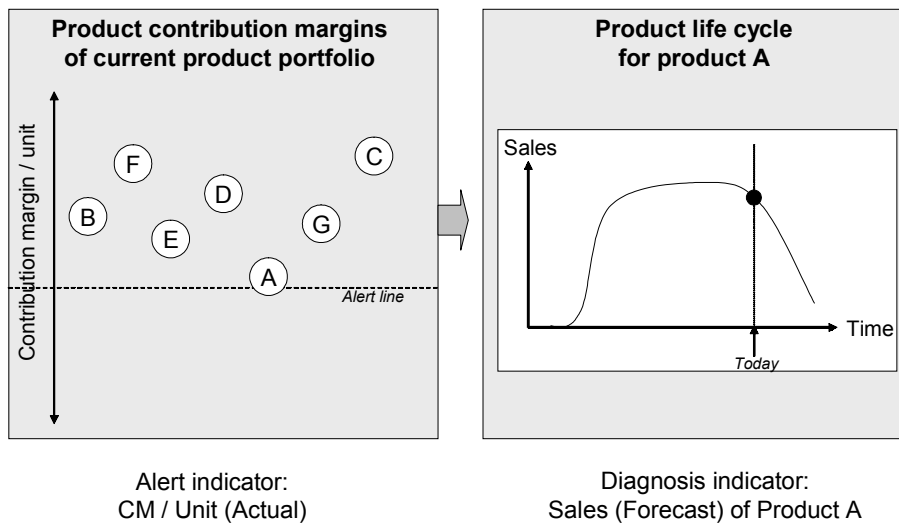
Diagnostics indicators are used to analyze alert indicators, when they have been triggered, and provide additional details.

**Application Example: Monitoring a Product Portfolio**

Figure 7 shows an example of an alert indicator, which monitors a product portfolio in this case. Product A is in a critical range with regard to its contribution margin/profitability. The diagnostics indicator, however, shows that the product has reached the end of its life cycle. The situation is therefore not very critical, despite the alert, because sales will soon drop to zero. Accordingly, there is no danger that the worsening product result will have a sustained negative effect on the company's overall result. If this involved a product at the start of its life cycle, however, action would be needed, as the growing sales volume would otherwise reduce the company's overall profitability<sup>36</sup>.

<sup>35</sup> Chiapello, E.; Lebas, M. (2001), p. 17.

<sup>36</sup> Based on Lebas, M. (1994), p. 15.



**Fig. 7:** Alert Indicator and Its Corresponding Diagnostics Indicator<sup>37</sup>

In addition to the focus on graphical visualization, the requirements on the periodicity of the indicator data also receive a good deal of attention. For instance, the same indicator can be used with data of different periodicities – depending on the manager’s task at hand and the respective control requirements. As a result, a Tableau de Bord defines the frequency with which each indicator is determined or updated for each respective reporting purpose (that is, for a specific tableau).

### 2.3 The OVAR Method for Implementing the Tableau de Bord Concept – Incl. Case Example

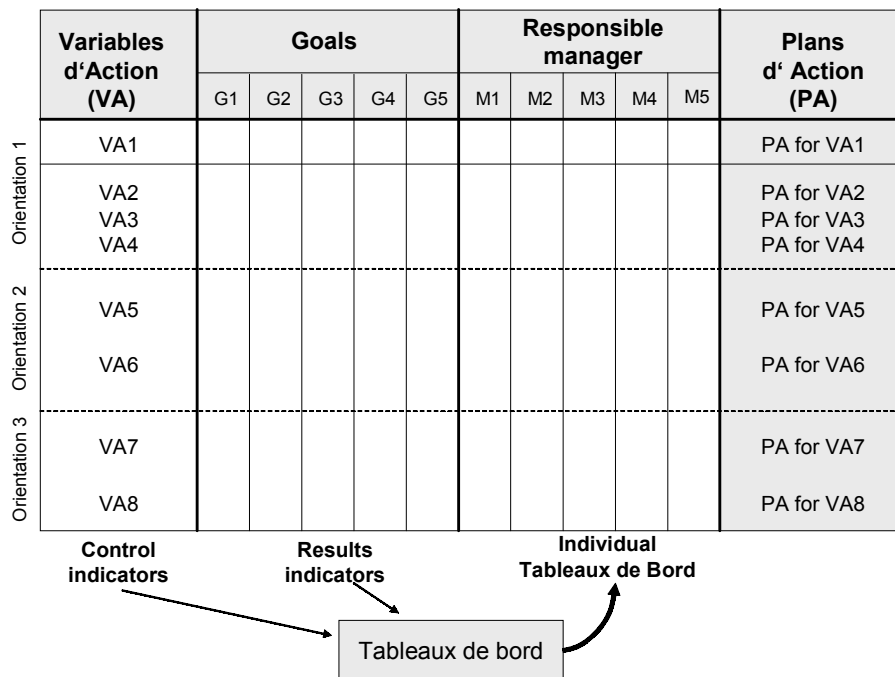
Tableaux de Bord are defined in a structured form, according to standardized procedures. One of these procedures is the “OVAR” method, which is taught at the H.E.C. near Paris: O = Objectifs (goals), VA = Variables d’Action (levers), R = Responsable (responsible manager)<sup>38</sup>.

The OVAR method is used to develop a causal method for each manager’s area at a company, in the context of overall enterprise strategy. The *variable d’action* (Chiapello/Lebas) or *points clés* (de Guerny/Guiriec/Lavergne) are then derived, and in turn the key indicators to be monitored. The OVAR method primarily consists of developing a set of matrices – which break down the company’s overall causal model to its subcomponents, assign the (sub) goals to the respective areas of responsibility/managers, and translate them into suitable *variable d’action*, action plans (*plans d’action*), and indicators. The matrix created in this process forms the basis for the respective Tableaux de Bord (see Figure 8).

**Breaking Down  
the Full Causal  
Enterprise Model  
to Its  
Subcomponents**

<sup>37</sup> Based on Chiapello, E.; Lebas, M. (2001), pp. 14 and 15.

<sup>38</sup> For more information about this and the subsequent case study, see: Chiapello, E.; Lebas, M. (2001), pp. 21-30.



**Fig. 8:** The OVAR Method to Support Implementation of the Tableau de Bord Concept

**Case Study:  
350-Room Hotel**

A case study serves to illustrate this: The company in question is a 350-room hotel that belongs to the hotel division of a major hotel and tourism group. This group encompasses two other divisions: a travel agency division and a tour operator division, which together supply a large share of the hotel business. The group's strategic goals with regard to the hotel division are:

- ⇒ Maintain the profitability of the existing hotels and increase it if possible.
- ⇒ Grow through expansion of the hotel infrastructure: by building new hotels or taking over existing ones (the corresponding actions are dependent on the strategy of the other two divisions, especially regionally, as they provide a large share of the customers for any new destinations).
- ⇒ Develop a clearly perceivable corporate identity and brand for the customers.

**Definition of a  
Hotel director's  
Indicators**

In a first step, these strategic group goals are broken down to the level of the hotel division – that is, that of the division manager – and then to the level of the hotel directors. From there, the *variable d'action* are determined in step 2. The indicators are defined in step 3: they include results indicators, which show the degree of goal fulfillment, and control indicators, which show hotel directors the status of their respective business systems' subcomponents (see Figure 9).

### Step 1: Derive goals of hotel director

Strategic group goals (as concerns the hotel division) Level N	Aims of division manager (hotel division) Level N-1				Aims of hotel director Level N-2	
	Acquisitions and new hotels (built)	Profitability	Create a hotel brand	Service quality (coherency between hotels)	Profitability	Service quality
1. Profitability		X			X	X
2. Growth Complete geographic coverage	X X					X
3. Image / Corp. Identity	X		X	X		X



### Step 2: Definition of "Variables d'Action"

Variables d'Action	Hotel goals	
	Profitability	Service quality
1. Occupancy rate	X	
2. Customer mix	X	
3. Seminars & conferences	X	
4. Variable costs	X	X
5. Staff turnover		X
6. Selection of staff		X
7. Catering quality	X	X
8. Maintenance & upkeep	X	X
9. Hotel cooperation	X	



### Step 3: Select the indicators

Goals	Results Indicators
1. Profitability	<ul style="list-style-type: none"> <li>Return on assets (ROA)</li> <li>Operative cash flow</li> </ul>
2. Service quality	<ul style="list-style-type: none"> <li>Perceived quality (monthly customer survey report)</li> <li>Annual rating of "phantom customers"</li> </ul>
Variables d'Action	Control Indicators
1. Occupancy rate	<ul style="list-style-type: none"> <li>Occupancy rate</li> </ul>
2. Customer mix	<ul style="list-style-type: none"> <li>Structure of customer mix (by guest category)</li> <li>Average room price per guest category</li> </ul>
3. Seminars & conferences (S&C)	<ul style="list-style-type: none"> <li>S&amp;C sales/% of total revenue</li> <li>Average revenue per room</li> <li>Effectiveness of advertising activities</li> </ul>
4. Variable costs <ul style="list-style-type: none"> <li>- Laundry/housekeeping</li> <li>- Water &amp; energy</li> <li>- Catering</li> <li>- Part-time staff</li> </ul>	<ul style="list-style-type: none"> <li>Number of housekeeping complaints</li> <li>Water costs per guest/night; energy costs per guest/night</li> <li>Average food and beverage costs; % margin: <ul style="list-style-type: none"> <li>- For breakfast</li> <li>- Seminar/conference meals</li> </ul> </li> <li>temporary staff hours per guest</li> <li>temporary staff per guest</li> </ul>
5. Staff turnover	<ul style="list-style-type: none"> <li>Turnover rate since start of year</li> </ul>
6. Selection of staff	<ul style="list-style-type: none"> <li>Evaluation of full-time/temporary staff with regard to qualifications/training (1-10 points)</li> </ul>
7. Catering quality	<ul style="list-style-type: none"> <li>Customer survey (quality of breakfast)</li> </ul>
8. Maintenance & upkeep	<ul style="list-style-type: none"> <li>Actual vs. planned measures</li> <li>Actual vs. budget</li> </ul>
9. Hotel cooperation	<ul style="list-style-type: none"> <li>% share of shared purchasing to overall purchasing</li> <li>Cooperation agreements w/other hotels</li> </ul>

**Fig. 9:** Breaking Down Overall Goals to the Division Manager's Level, then to the Hotel director's; Derivation of the *Variable d'Action* and Indicators

Likewise, the matrices for the Tableaux de Bord of the hotel director's subordinate area managers are developed next. To do so, the persons responsible for the hotel's *variable d'action* are defined first.

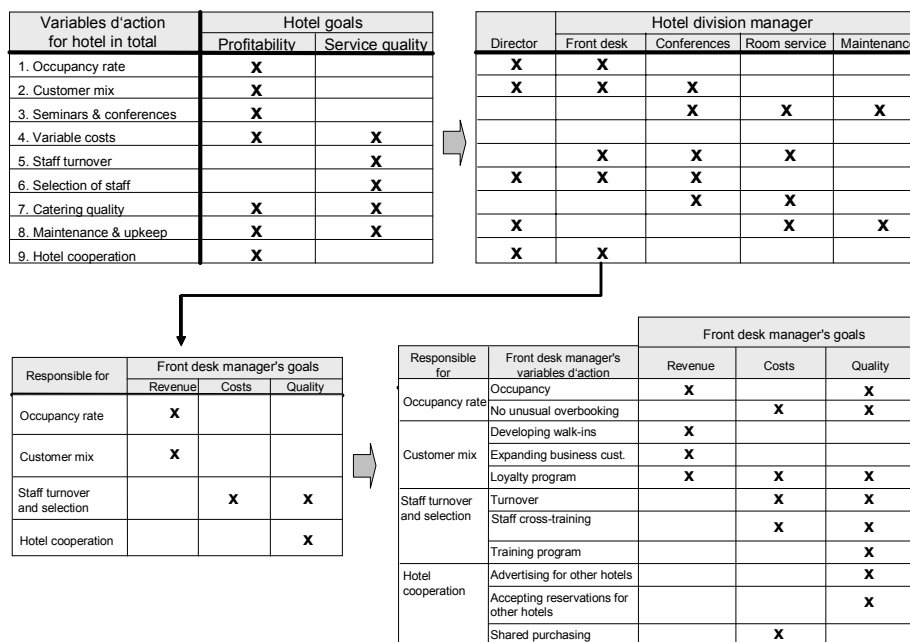
The hotel director has delegated parts of her overall responsibility to her area managers, as agreed targets. At the same time, she has allocated the tasks that she wants to track personally to herself. From a management perspective, the hotel director is responsible for the hotel's overall result and the status of all of its *variable d'action* from lower levels (upper left in Figure 10). In addition, she is also responsible "internally" for the operative tasks she has assumed herself ("Director" column, upper right), and may have to coordinate with her area managers in order to track them<sup>39</sup>.

Finally, in the following phase, the partial goals for each function in the hotel – that is, their *variable d'action* – and the corresponding indicators are defined, in the same way as those for the hotel director previously (see Figure 10).

### Definition of Tableaux de Bord for Division Managers

<sup>39</sup> Several different managers are often responsible for the "interim results" of the hotel (*variables d'action*), because several different hotel functions influence them. Accordingly, this frequently requires coordination between the managers, which is supported by the corresponding indicators in the coordination clusters of the respective, individual tableaux de bord, as described above (*gigogne* principle).

**Breakdown of goals / "Variables d'Action" to the divisions**



**Fig. 10:** Breaking Down the Hotel's Objectives and *Variable d'Action* to the Hotel Division Manager Level

As this example shows, a primary objective of the Tableau de Bord concept is to systematically structure the dialog between the different managers at a company. This enables each individual to concentrate on the major success factors from his or her own area – but at the same time, vertical and horizontal coordination are also provided for, ensuring that the overall company can move in step in the same direction.

### 3 Comparison with Other Control Concepts

#### Comparison Objects

French writers like to compare the Tableau de Bord with other control instruments and control concepts, in particular with:

- ⇒ Cost accounting and results accounting (or simply accounting in general)
- ⇒ The budgetary control concept
- ⇒ The American responsibility accounting concept, based on purely financial information and/or yield targets (ROI)
- ⇒ More recently, the balanced score concept (which they also consider to be American)

The first two items involve comparisons with instruments that are used in France in parallel to and complementary with the tableau de bord. In contrast, the latter two items are intended to differentiate the Tableau de Bord from American control concepts and their underlying philosophy.

### 3.1 Comparison with Cost/Results Accounting and Accounting in General

The aims of management accounting and financial accounting in France are similar to the ones in many other European countries, such as in Germany, and are described as follows<sup>40</sup>:

#### Goals of Management Accounting and Financial Accounting

- ⇒ Financial accounting (*comptabilité générale*) focuses on the company's total assets and their development: It reports on the status and composition of these assets (receivables and payables) through the balance sheet (*bilan*) and accounts for changes since the previous period through a profit and loss statement (*compte de résultat*) that reports on the business transactions that have taken place.
- ⇒ In contrast, management accounting (*comptabilité analytique*) focuses on the company's internal value creation processes: It calculates the costs of the various internal functions at the company in general, and specifically product costs (for pricing and to determine the product results). It is also used to value certain financial statement items (particularly warehouse stocks), and serves as the basis for cost and profit planning, as well as for budgetary control.

As such, the management accounting system – like the Tableau de Bord – is used for enterprise control. However, the Tableau de Bord concept differs from the accounting-based approaches in the following ways<sup>41</sup>:

#### Differences Between Tableau de Bord and Accounting

- ⇒ Faster supply of information outside of the periodic reporting cycle – even if this means accepting a certain degree of imprecision. In contrast, the accounting priority is accuracy – even at the cost of the time factor if necessary.
- ⇒ The Tableau de Bord only provides information about a problem/task/responsibility-specific selection of critical success factors, and is structured according to the management structure of the company. In contrast, the accounting information has to be comprehensive, and generally covers the entire company.
- ⇒ The information in a Tableau de Bord is largely forward-looking, whereas the accounting information merely reports the results-related effects of the business transactions and processes from the past settlement period.
- ⇒ A Tableau de Bord contains more non-financial static or volume-related information, and less financial/value-related data.

Management accounting and Tableau de Bord are complementary, however. While the Tableau de Bord is used primarily for (short-term) operative control, management accounting (and financial accounting as well) creates the link to the company's ultimate goal: to be profitable. Accordingly, like in other similar control concepts such as the Balanced Scorecard, the accounting system and its information are seen as a source of information (amongst many) from which one selects the necessary problem/task/responsibility-specific data to “configure” a tableau de bord.

<sup>40</sup> Lebas, M. (1994), pp. 4 and 7, and Capron, M. (1985), pp. 36-42.

<sup>41</sup> de Guerny, J.; Guiriec, J. C.; Lavergne, J. (1990), p. 16, and Lebas, M. (1994), p. 16.

## 3.2 Comparison with the Budgetary Control Concept

### Differences Between Budgetary Control and the Tableau de Bord

As already explained, a Tableau de Bord is based on a causal model of the company and its respective management units, and is therefore based on the management/responsibility structure at the company. It is thus a tool for ensuring coherent action and supporting coordination (see section 2.2.1 about the *gigogne* principle). Budgets and budgetary control serve a similar purpose, and controlling is based on a process similar to the Tableau de Bord concept: on defined targets and control based on variance analyses. Nonetheless, there are two major differences between the Tableau de Bord concept and budgetary control:<sup>42</sup>

- ⇒ Whereas budgetary control is based on the periodicity of the accounting cycle, the Tableau de Bord concept permits control continuously or as required. Moreover, the latter's information can be provided extremely quickly, depending on the control requirements of the respective process view, and go beyond a strict financial interpretation.
- ⇒ The Tableau de Bord concept is not necessarily based on a performance agreement. After all, it works even without full delegation of responsibility for costs and expenditures – in centrally organized public administration structures in France, for instance – and is therefore not dependent on the existence of a budgetary control system.

## 3.3 Comparison with American Responsibility Accounting

Prior to the emergence of the Balanced Scorecard concept, the French liked to compare the Tableau de Bord concept with the American concept of responsibility accounting, which – within the financial control framework – was used in the U.S. to delegate responsibility for profits to subordinate management units (profit centers). These units were assigned specific profit targets and resource budgets within the budgeting process, and performance was monitored through regular reporting.

### Goal and Origins of Responsibility Accounting

As such, responsibility accounting is also helpful for *pilotage*, in that it provides control information that highlights the financial effects of past decisions, thus enabling targeted control of future financial effects and results.

Financial control concepts and responsibility accounting became necessary as companies grew in the U.S., and as the holding structures that emerged in the 1920s and 30s demanded suitable management control tools. After all, the general managers of the holding companies had a vested interest in delegating pressures from the financial markets (and investors) to generate a suitable yield (ROI) on to their division managers. The financial control concept and its components, budgetary control and responsibility accounting, were developed to do so.

In contrast, the framework of an open, yield-hungry capital market did not exist in France until just a few years ago. This is one of the reasons for the differences between the two control concepts, as they are perceived in France:<sup>43</sup>

<sup>42</sup> de Guerny, J.; Guiriec, J. C.; Lavergne, J. (1990), pp. 15-16.

<sup>43</sup> See Gray, J.; Pesqueux, Y. (1993) and Chiapello, E.; Lebas, M. (2001), pp. 19-20.

**Target group:** The Tableau de Bord concept serves both the hierarchy (top-down monitoring of targets met) and self-control of each respective management unit (achieved through application of the *gigogne* principle). Responsibility accounting, with its exclusive focus on the bottom line, primarily serves the “hierarchy”.

### **Differences Between Tableau de Bord and Responsibility Accounting**

**Purpose:** As a result, the Tableau de Bord is used mainly for operative (process) control, and more represents the local (division) view. The underlying (operative) causal model explicitly links resources, activities, and results; and identifies the respective interim results in the goal attainment process in order to enable continuous, near-time, forward-looking control. In contrast, responsibility accounting is used strictly for (financial) reporting, and is intended to support the holding company’s centralized control structures, by showing the management units’ (partial) contributions towards creating shareholder value from the perspective of the holding company as a whole.

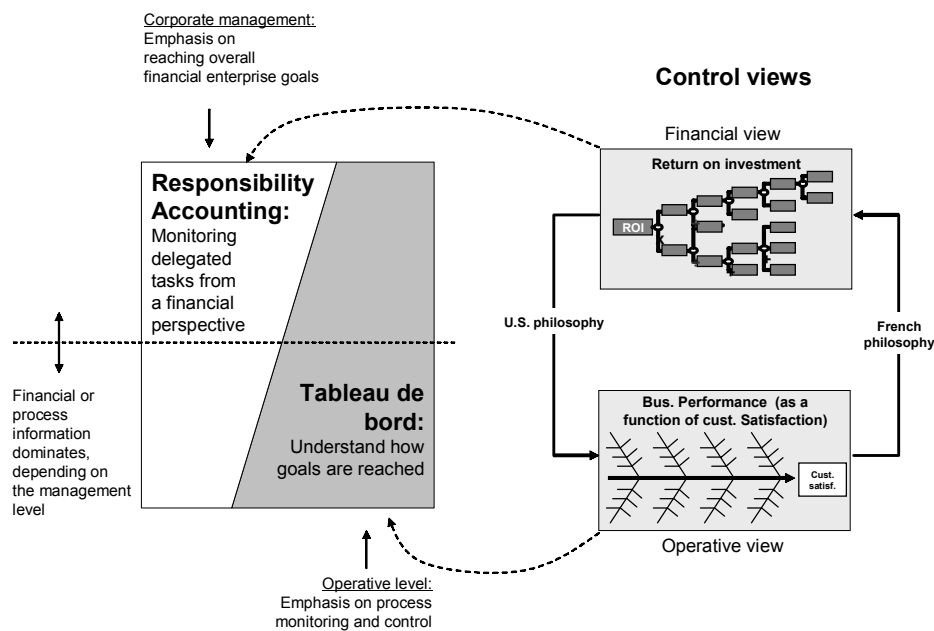
**Functionality:** The Tableau de Bord focuses more on the non-financial levers – that is, on the “how”. In contrast, responsibility accounting concentrates on the “what” – what each respective manager has actually achieved – in a standardized format, by comparing the balance sheet and profit&loss report of the current period with the target or the figures of last period.

The right-hand side of Figure 11 illustrates the different underlying philosophies: U.S. responsibility accounting assumes that the holding company’s financial view should more or less impose the focus on a financial return goal on the operative process view, such as that of a division. In contrast, French managers believe that a proper focus on the operative process view (and the resulting customer satisfaction) is required first, in order to achieve the desired financial results.

Accordingly, French writers propose that a combination of both concepts, as already implemented in the framework of the Tableau de Bord concept, would be ideal:

### **A Combination of Both Concepts Would Be Ideal**

- ⇒ The Tableaux de Bord of the upper hierarchy levels at a company are dominated primarily by financial information
- ⇒ The Tableaux de Bord of the lower (operative) hierarchy levels in the group are dominated more by operative information and the core aspects of the Tableau de Bord concept (see Figure 11, left side).



**Fig. 11:** Possible Combination of Responsibility Accounting and Tableau de Bord Concepts That Optimally Combines the Two Underlying Philosophies

### 3.4 Comparison with the Balanced Scorecard Concept

In their comments on the Balanced Scorecard concept, French writers often emphasize that the concept is only new for Americans – after all, the French have been using a comparable concept, the tableau de bord, since the 1930s<sup>44</sup>.

In addition, the French point out a number of differences between the Tableau de Bord and the Balanced Scorecard concepts. Some of these involve criticism of the Balanced Scorecard concept<sup>45</sup>:

- ⇒ The Balanced Scorecard lacks a clear concept for differentiating between the “policy dimension” (mission, vision, values), the “strategic dimension” (success factors), and the “economic dimension” (levers and results). This is considered to be the cause for the lack of a clear, explicit definition of the “enterprise framework” and a clear differentiation between this enterprise framework and the strategy or strategies themselves (see section 2.2.1), as well as for the lack of a uniform, standardized procedure for breaking down the mission, vision, and enterprise values (such as the *gigogne* principle according to the OVAR method described in section 2.3). And indeed, it seems that the Balanced Scorecard concept does not (at least not yet) have much to answer the *gigogne* principle, which was developed in decades of practical use. In this context, they also point out that companies that implement the Balanced Scorecard always require the assistance of consultants who have accumulated a sufficient degree of empirical knowledge in this area. In contrast, every business student at French universities learns how to implement a Tableau de Bord (which is part of the general curriculum), which enables companies to implement Tableaux de Bord themselves.

<sup>44</sup> Bessire, D.; C.R.I. (2000), p. 10.

<sup>45</sup> See, for example: Bessire, D.; C.R.I. (2000), pp. 11-13.

- ⇒ Despite the integration of non-financial perspectives and indicators, the Balanced Scorecard focuses primarily on the financial perspective and on shareholder value, subordinating all the other perspectives and information. Because of the strong shareholder value focus in the U.S., which the Balanced Scorecard concept cannot avoid if it wishes to gain acceptance, the primacy of the financial perspective is reinforced – which means the perspectives in a Balanced Scorecard are not, in fact, balanced.
- ⇒ The strategic understanding that underlies the Balanced Scorecard concept is too detached from the operative processes at companies, and contains no direct link to them. It also focuses far too much on the breakdown of the desired financial result, at the expense of the true strategic success factors of the respective business system. The Tableau de Bord concept is perceived to be clearly superior here, as it has been designed specifically to support its primary goal, operative control. After all, for a strategy to succeed, it has to be implemented in the specific concept of the operative business – so the French understanding.
- ⇒ The Balanced Scorecard assumes a static view of operations – that is, of the operating model/value creation system and the corresponding control system. In contrast, the Tableau de Bord concept frequently points out that the (KPI) system has to be constantly adapted to changing control requirements, and that its periodic examination and modification are integral parts of the management process.

On the other hand, disadvantages of the Tableau de Bord concept are also named:<sup>46</sup> Contrary to theory,

- ⇒ French companies often fail to pay the necessary attention to detail when breaking the “enterprise framework” down to the local level, thus risking a lack of shared focus and coordination.
- ⇒ French companies have often, in the past, overemphasized the financial perspective in their tableaux de bord.
- ⇒ Tableaux de Bord are often more complex than recommended, containing too many indicators.
- ⇒ Indicators focus too much on the internal perspective, and too little on customers and external benchmarks.
- ⇒ Operative tactical control dominates, at the expense of the strategic perspective.
- ⇒ Managers often use Tableaux de Bord strictly as a reporting tool, and not for communication.

Still, practical application of the Tableau de Bord concept has improved steadily in the past several years, as far as these “implementation errors” are concerned.

In summary, we can say that the Balanced Scorecard concept has the following main contributions:

- ⇒ Its allusion to the importance of strategic control and strategic, enterprise-wide change management in today’s dynamic business environment, and the tools (strategy maps, etc.) it provides for this

**Major  
Contribution of  
the Balanced  
Scorecard**

<sup>46</sup> For more information, see Epstein, M. J.; Manzoni, J.-F. (1997), p. 34, and Bessire, D.; C.R.I. (2000), pp. 14-15.

- ⇒ Its explicitly proposed four perspectives, which provide a measure of explicit, general logic as a starting point for defining the company-specific causal model (in contrast to the strictly generic approach of the Tableau de Bord concept)

### Major Contribution of the Tableau de Bord

Likewise, the major contribution of the Tableau de Bord concept can be define as follows:

- ⇒ A clearly, explicitly defined “enterprise framework” that ensures that intensions (mission, vision, values) are compatible with procedure (strategy) and the measurement of the achieved or achievable results (measurement system)
- ⇒ Development of a refined concept for operative control of the value-creating processes at a company, based on a causal model
- ⇒ A standardized approach for its implementation, based on a rich base of experience from business practice that has become integrated in general business practice and in the teachings at universities, *grandes écoles*, and business schools.

## 4 Summary and Outlook

The Tableau de Bord concept of enterprise control – relatively unknown outside of France, where it has been practiced for over 40 years – has a number of similarities to the much more recent Balanced Scorecard concept, as well as a number of differences.

In particular, the Tableau de Bord concept is characterized by:

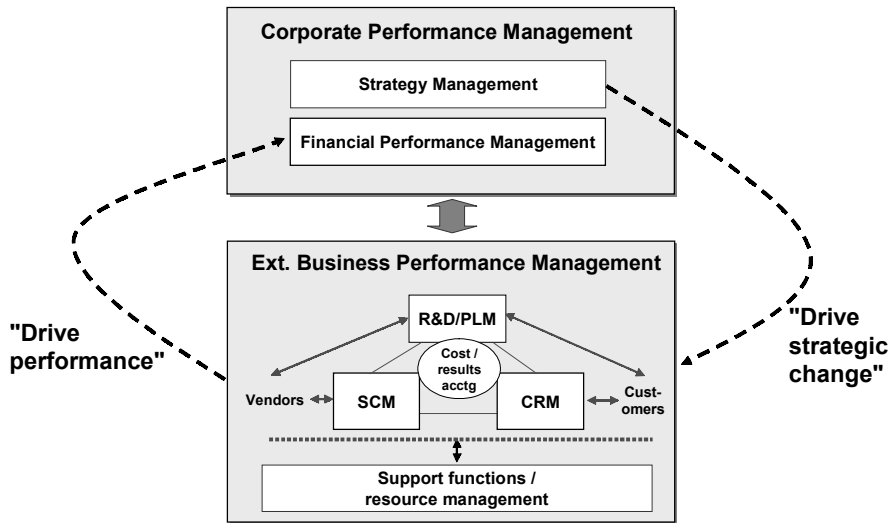
- ⇒ A stronger focus on controlling the operative business process system and its underlying causal model
- ⇒ The explicit integration of the enterprise framework (“political dimension”) based on the *gigogne* principle

It seems to lead to practical application solutions at the companies where it is used. A major role seems to be played by the existence of implementation procedures (such as the OVAR method), which have been part of business/managerial education and training in France for some time. This is where the tableau de bord’s is showing a lead over the younger Balanced Scorecard concept: the more comprehensive experience in applying control and performance measurement systems that include the non-financial perspective in organizations, developed in decades of practical use.

### Balanced Scorecard: Focus on Defining and Implementing Strategy

As such, the Tableau de Bord concept, whose strength lies in the instruments it supplies for defining and implementing strategy, could be an excellent supplement for the Balanced Scorecard concept for strategy-oriented enterprise control (which has virtually become a global standard) and strategic change management. In particular, it can help deal with some of the practical difficulties of implementing Balanced Scorecard systems – such as using causal models/defining cause-and-effect relationships, embedding and linking with the operative process systems, and selecting the suitable indicators and dimensions.

## Enterprise Performance Management Architecture



Objective: Integration of Strategy and Operations

Fig. 12: An Enterprise Performance Management Architecture Integrating the Advantages of Both Concepts – Balanced Scorecard and Tableau de Bord

We can therefore conclude that the American and French control concepts (both old and new) are not mutually exclusive; to the contrary: they complement each other ideally. To extract the potential synergies, however, the more top-down-oriented American strategy and shareholder value approaches have to be better integrated with the more bottom-up-oriented French approach, which is based on the process system and its control requirements. The challenge is to link the strategic change management aspect of the Balanced Scorecard with the more operative performance management aspect of the Tableau de Bord at every level and in every manager scorecard – for each specific task and area of responsibility (see Figure 12). The Enterprise Performance Management architecture provides the conceptual framework upon which a specific performance management system can be developed<sup>47</sup>.

**Integration Through an Enterprise Performance Management Architecture**

**An Opportunity for Closer Collaboration Between French and German Controllers**

In this context, the question also arises as to whether this type of enhancement of enterprise performance management and control concepts might not benefit from closer collaboration between French controllers (and business managers) and their colleagues in other European countries. After all, despite certain differences, many European countries share a very similar accounting tradition and enterprise control philosophy, strongly characterized by the “engineering perspective”. And controllers in all countries have had to deal in recent years intensively with the implementation of American control and value management approaches that go beyond the pure engineering analysis.

If these purely financial approaches attract criticism even in the U.S. – as is the case today, because they threaten the “sustainability” of companies – then Europe may be in an ideal position to develop innovative solutions. We may have reached the point where a collimation of European intellects and ideas can initiate the next innovative thrust in controlling. It might even be possible to give contours and potency to a new, European

<sup>47</sup> The author described the development and implementation of this type of management system in: Daum (2003), pp. 255-372.

approach to management and controlling, which can combine the strengths of American approaches with the strengths of European controlling traditions.

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