Fixing the organisation of a banking firm:
The case of the Inspection générale at Société générale

Hubert Bonin, professor of modern economic history at Sciences Po Bordeaux & research centre GRETHA-Bordeaux University [www.hubertbonin.com]

The scope and size of new deposit and commercial banks grew steadily after they had resisted the darwinian selection imposed by recessions and crashes, and asserted themselves as big players on their domestic and the European markets1. Whereas bankers facing the commercial sides of their company had to grapple with the asymmetry of information fostered by their credit customers or with the risks arisen by arbitrage trading and FOREX activities, another bunch of managers had to tackle an internal asymmetry of information, fuelled by the opacity borne out from the very extension of their bank, either in branches, in divisions at the head office, and in foreign offshoots. They became classically confronted to the risks caused by the development of a firm which lacked organisation and structure, where controls remained meager, where gathered momentum the risk of a too far extended diversity of book-keeping, information, or cash management. As ever in maturing firms, the risk of an informal “siloed” modus operandi paved the way to bad administration, losses of time and paperwork, and moreover of fraud – and we do know that the issue of conceiving relevant flows of information within organisations has crossed the centuries2.

This explains that, in parallel with the building of an organisation able to face the risks3, several banks commenced considering a way of supervising their young organisation and build up procedures, mindsets, and “good practices” in the day to day management of the firm. Such a move occurred mainly in banks which were organised around a centralised architecture (like Société générale and Crédit lyonnais), conversely with decentralised structures like at Crédit industriel et commercial group of confederated regional banks, or like those foreign banks which, till the turn of the 20th century, mixed a head bank and regional affiliates or partners (Barclays4, Deutsche Bank5, Société générale de Belgique6). This helps understanding why defining patterns of management was a lever to the development of a genuine corporate organisation, which demanded to mix techniques and then technology7 to collect data, with a rigorous supervision of the way of life of each division at the head office and of each branch in the commercial network of outlets.

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Good practices, management and administration were at stake, obviously, but one key issue became more and more the prevention of fraud, as some managers could now onwards handle big sums and prove acute in conceiving rogue accounting practices. Generally speaking, some crisis (along the Leninist axiom of “infantile disease of capitalism”...) which almost swallowed recently founded banks contributed to the building of such internal controlling task-forces, and that was often the case at French banks in the 1880s-1890s (during the long depression of that time and its recessions). But recurrent trends pulled banking firms towards new internal malfunctioning: in the interwar period new banks faced the same managerial faults, and classical banks were disturbed by extended activities and holes in their portfolio of skills – and the same when commercial “revolutions” occured in the 1960s-1980s, or when internationalisation duplicated the managerial concerns abroad.

Durable banks could contend that their organisation of firm had proven resilient and performing, whereas a majority of their competitors collapsed or were to be rescued, for example in 1930-1935. The “professionalisation” of the banking industry comprised thus such “models of effective management”, among which the techniques of supervising the day to day life of divisions and branches were posed as key forces of efficiency and reliability. What was not yet named “accountability” nor “compliance” took shape little by little; but a very few banks were praised for their anteriority on that field and for their successful implementation of portfolio of skills which proved able to design an organisation of firm adapted to the requisites of banking activities.

Société générale became mainly famous for its role in the maturing of such methods of management, thanks to what was called the “Inspection générale” (Overall Inspection). We intend there to determine why and how such a service was set up in the 1880s-1890s. We shall then assess its expansion and effectiveness. We shall also gauge its perception within the firm, as it relied more and more on a “cognitive positive bias”, that of a feared institution and a respected part of the corporate culture of the bank altogether. We shall last follow the department through its adaptation to the new framework of commercial banking after WWII. The historical archives of Société générale, but also of Banque de France and sometimes of its competitors were used to bolster our developments.

1. The emergence of the Inspection générale: How to stabilise a growing organisation of banking firm?

As soon as a new business model of banking was applied from the 1870s-1880s, that of a commercial bank equipped with a network of branches and diversified along several trades instead of the prevailing specialisation (merchant banking, wealth management, Stock Exchange and FOREX arbitrages), the issue of maintaining some managerial and accounting unity was raised, and solutions were more or less rapidly found out, along with the building of an actual profession of bank managers. But the very dispersion of divisions...

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(in several levels or often buildings in Paris – or in the provincial capital for a big regional bank) led to misfits in the accountability of managers, either because of incompetence due to a large and rapid recruitment of bad trained people, or because of a spirit of independance and moreover of the rejection of common rules, patterns, reporting, etc.

Société générale did not escaped such a dire trend, as it became among the figureheads of the banking revolution occuring in the last third of the 19th century. Many branches endured losses due to bad credits, but also because of weak assessments of their activities, loose book-keeping, pot-holes in the daily and monthly accounting, and even lenient way of life among the employees and the managers, either about the commercial prospection for clients, or about the respect of elementary rules. The junior firm was threatened to burst out into a cluster of autonomous little bodies, each with its mindsets and standards. Whilst big industry, since the 1830s-1860s, had generally already determined codes of discipline, organisation of production and flows, patterns in keeping orders and deliveries, big banking had to discover the requisites of managing an organisation with broad reach in activities and scattered production units.

Supervising from Paris the network of branches and sub-branches through “orders of mission”, monthly “circulars”, defining rules top-down, selecting managers and submanagers revealed as unsufficient to get access to the reality of the day to day life of these outlets – at a time when “reporting” down-top and IT did not exist. This explains that, empirically, was invented an “Inspection des agences” (Inspection of the branches), and, more generally, to cover the whole array of services, either at the head offices or in the network, the Inspection générale.

In fact, the bank could pick up “models” already available in the public financial sector, at the ministry of Finance, where the Inspection des Finances had become a key “grand corps” of civil servants, conducting missions deeply into the very Paris and province administrations. A second reference to inspire Société générale was the Inspection générale service which the central bank Banque de France had designed to drastically gauge the methods and results of its local branches (succursales) all over the country (ending with an amount of about 250 ones). Both bodies stood solidly behing the development of those financial institutions, to contribute to the maturation of the French-style administration (“administration à la française”), that is a centralised, uniformised, graft-avoiding, efficient book-keeping, structures, able to contribute to a state-of-the-art move of centralisation. Such a “model” was all the more applied to Société générale that itself was headed by a few inspecteurs des Finances in the 1870s-1890s – before their definitive and almost hegemonic breakthrough in the interwar period at the head levels of the firm, which eased the spillover of spirit, skills and methods from the Finances to the bank.

As soon as December 1872 Société générale decided to set up an inspection service, and an inspecteur des Finances (1862-1872), Léon Brédif, was recruited to apply to the bank the administrative model of the ministry of Finance; the company chose decidedly a high flying guy, as he ended as the deputy, then the head of the French Treasury (1885-1894). For a while (January 1873-1878), he established the foundations of the Inspection générale and moreover recruited a future bigwig of that history, Joachim Bruel14. He had started his career as a middle civil servant at Inspection générale des Finances, before joining Brédif as inspector of the branches (1873); he then replaced his boss in 1878 (Inspecteur principal at 37) and was crowned Inspecteur général in January 1881, till his retirement in May 1901.

He built thus the “business model” of that the Inspection générale, which contributed to insufflating efficiency into a fast growing network of branches (159 in 1881), when Société générale asserted itself at the second French bank behind Crédit lyonnais. The legitimacy of the Inspection générale was enhanced because it was placed from February 1880 under the immediate supervision of the CEO, in order to short-circuit the resistance of the heads of divisions and branches. Such a hierarchical location answers perfectly the rules of compliance fixed today by the authorities of supervision about the head of risks or such types of responsibilities, which shows how foreseeing the initiative of Société générale might seem a posteriori.

Brédif and Bruel bolstered their team, recruited inspectors, who were often graduates in law and had acquired beforehand some administrative experience as civil servants – a few having missed the competitive entrance examination to join the brilliant Inspection des Finances. Half a dozen high inspectors or comptrollers (for the Paris divisions and branches) became kind of a “commando-like” team. Their importance was highlighted when, from 1894, Société générale changed its strategy and decided to develop a dense network of branches, to practice intense bills discounting, and to put ahead commercial banking (in parallel with wealth management and equity brokerage). The Inspection générale became all at once a cornerstone of the cohesiveness of that renewed big bank.

A turnpoint occurred in 1901 when the recruitment through cooptation was replaced by a competitive examination – on the model of what existed at Inspection générale des Finances and at Banque de France. This was a landmark of what had become a key institution of Société générale. And since 1921 inspectors were reinforced by middlemen (comptrollers), who accompanied them, at a time when Société générale overpassed Crédit lyonnais as the leader of French banks (through credits and deposits)15 in 1921-1928: the Inspection générale had to supervise 1,500 branches and 22,000 employees in 1929.

Some type of a “king” of the service became Louis Salomon-Koechlin: paradoxically, this manager never left the Inspection to join a more attractive high job within the upper direction of the bank. A graduate from the Paris Political Sciences School and in law, that is among the elites layer of that time, he became an inspector (1901-1919) and was called at the head of the Inspection générale, which he kept through the whole interwar period (1920-April 1935). Such a function was undoubtedly the equivalent of a managing directorship at the head office, which is revealing of the special role played by the Inspection in the modus operandi of Société générale. He could thus adapt the division to

the broad changes of these decades: explosion of the network, diversification of activities, FOREX risks at the level of the branches, middle term credits, development of the Swiss and Belgian subsidiaries, and of North African branches, etc. Discreetly, escaping any historical narration of the interwar story of the bank (conversely with the brilliant and actually effective inspecteurs des Finances heading it).

At a glance, for the beginning of 1934 situation, the Inspection générale comprised

- Two leaders (Prosper Molliet, inspecteur général; Joseph de Boysson and Pierre David, his deputies);
- Four main inspectors (inspecteurs principaux), x. Dullin, Pierre Thibert, Roger Bacquié, Jean Angot des Rotours;
- Two auxiliary principal inspectors (Angoustures, De Saint-Seine);
- Twelve inspectors;
- Twenty-two deputy inspectors or auxiliary inspectors (trainees);
- Twenty-three comptrollers;
- One head of the service and his deputy, representing the administrative side of the inspecting task force;

that is about 67 people of high ranking position, instead of 44 people in 1911 and 56 in 1924.

2. The portfolio of skills of the Inspection générale

The Inspection générale was granted with broad powers of investigation, not only on documents, but on the spot, through missions (“tournées”). “The Inspection and Control service functions along conditions which do not seem enough detailed […]. Whilst keeping intact the surveying rights of the Board, M. Director thinks that the Inspection and the Control should be intimately connected to his own personal authority. He is the first to be much committed to achieve the decisions of the Board through an effective control. The Inspection and the Contrôle will check and control within the interior and exterior divisions of the bank the respect of rules and the completion of the decisions of the Board;

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17 Book of the direction and staff of Société générale, 1st January 1934.

18 Molliet (graduate from the Paris Political Sciences School and PhD in law, had joined Socgen as a trainee and a basic employee (1909-1910) before joining Inspection générale as an auxiliary inspector in August 1910 ; deputy inspector (January 1912) and inspector (January 1914, except his stay at war in August 1914-August 1915), he was selected as the deputy head of the Marseille branch in November 1920, before being promoted as the head of that in Roubaix in January 1922, till he became under-(co)-executive manager at the Paris headquarters (August 1924) and deputy executive manager (November 1924), till joining the the direction of the Paris branches (November 1931) with the same status. Then, he became General Inspector from 26 January 1935 till his death on 2 July 1943 (Staff records, historical archives of Société générale).

19 David (1886), a graduate in law, started as a trainee and an employee at the Quimper branch in 1906, then at the Paris headquarters at the direction of the province branch in November 1910. He joined the Inspection générale in February 1913, and after the war, became an inspector (March 1919), a principal inspector (January 1923), before being selected as a head of division at the Staff direction (March 1930). He went back to Inspection in February 1936 as the deputy General Inspector, till his ndeath in November 1940 (Staff records, historical archives of Société générale).

20 Jean Angot des Rotours (1901), a graduate in law and from the Paris Political Sciences School, entered Socgen in August 1926 directly as an auxiliary inspector, before being promoted as a deputy inspector (October 1928) and an inspector (July 1930) and a principal inspector (in charge of the western province) in June 1934. Afterwards, he commenced another set of his career as a specialist in human resources management at the central direction (October 1937) and even ended as General Secretaty of the bank (March 1958-May 1962).
inspect periodically the various services and follow the implementation of the reports resulting from these inspections; keeping notes about the staff of the branches and district outlets, and express its opinion about the proposals for promotion; control the operations on the Stock Exchange, the transfers of equity, the issuings of bonds, of circular promissory notes, and, generally speaking, of every note, at sight or on term, presenting the signature of the bank; control the bookkeeping of the various services and correct the differences; check the remittance of pending bills and the adjustment of all the debt accounts; control the preparation and execution of budgets, expenses and the use of unscheduled credits; deliver its opinion on instructions and models of books and forms to be sent to the branches.”

The **Inspection générale** had to settle explicit or informal codes of good, relevant, reliable managerial practices in the network of branches. Priority had to be given first to the struggle against rogue managers, who cunningly developed arrays of accounting frauds – dissimulating or reorienting revenues for their own profit, concealing losses on bad credits, etc. Missions were then concluded by dismissals, but altogether by enriching the informal capital of knowledge of the direction, which ever learnt how acute were its subordinates in bad practices... Second, inspectors had to detect managers who were used to speculating practices and to commit either their personal assets on the Stock Exchange or those of customers through false accounts. But the commonplace supervision focused on the respect of the circular rules fixed by the direction, about the analysis of the accounts of borrowers, on the commercial banking field, about discounts or overdrafts, about the ceilings imposed for such credits, about their maturity and then liquidity.

The archives of Société générale are rich with the reports of the **Inspection générale**. They were written on the spot by one or two inspectors who acted as “commando men” (no women till the end of the 20th century) in a branch, for a few days or weeks if necessary, depending on the size of the branch. Every books were picked up, the cashiers had to close their accounts and deliver all their cash and notes assets, and inspectors delved into book-keeping and accounting, comparing “balances”, closures of the accounts, transparency, compliance, etc. The staff kept trembling, no empathy prevailed, because inspectors were the *missi dominici* of Société générale’s “banking empire”... We have to consider the pervading importance of “written” and then “typed” book-keeping till informatisation prevailed from the mid-1960s. Everything could be trapped into accounts. One (very old) general inspector told us about the practice of “railway clearance”, when some branch manager, overloaded by discount bills and piercing into the imposed ceiling, sent part of these bills to another branch manager, just before the end of the month, to alleviate its official accounts, because, for a few days, these bills were being transported by postal

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21 “Le service de l’Inspection & contrôle fonctionne dans des conditions qui ne lui semblent pas suffisamment définies […]. Tout en réservant les droits de surveillance qui appartiennent au Conseil, M. le directeur estime que l’Inspection et le Contrôle doivent être intimement rattachés à son autorité personnelle. Il est le premier intéressé à assurer par un contrôle effectif l’exécution des délibérations du Conseil […]. L’Inspection et le Contrôle doivent surveiller et contrôler dans les services intérieurs et extérieurs de la société l’observation des règlements et l’exécution des décisions du Conseil, des comités et de la direction ; inspecter périodiquement les différents services et assurer la suite à donner aux rapports résultant des inspections ; tenir des notes sur le personnel des agences et bureaux de quartier et donner son avis sur les propositions d’avancement ; contrôler et vérifier les caisses d’espèces, de titres et les valeurs de portefeuille ; contrôler les opérations de Bourse, les transferts d’actions, les émissions de bons à échéance fixe, de billets de crédit circulaires et généralement, de toute valeur, à vue ou à terme, portant la signature sociale ; contrôler les écritures des différents services et redresser les différences ; surveiller la rentrée des effets en souffrance et l’ajustement de tous comptes débiteurs ; contrôler la préparation et l’exécution des budgets, les dépenses et l’emploi des crédits non prévus ; donner son avis sur les instructions et les modèles de registres et imprimés à envoyer dans les agences.” Report from the Board of Société générale, 24 February 1880.
service on steam railways up to the other branch and then backwards and were declared in transit to this other branch to be remitted.

The general management of the branch is gauged: the relationship with the employes, the “ambiance” among the staff, the ability of the manager to train his sub-managers and middlemen, to control them, to entice them to reach better standards, etc. This evaluation led to advice to the Paris head office about the number and quality of that staff, to reinforce the efficiency of the branch. “When I arrived at the branch, I found out that the service of coupons was enduring a thorough state of disorder, in particular about the securities to get the official [tax] stamp; moreover, the balances of the various clients accounts were inexact, and their book was kept along the worst way. The employee in charge of these services was dismissed by the manager – who did ignore that bad state of book-keeping – during my [further] stay in Nice […]. The manager does welcome customers, is paying visits to them, grapples with the portfolio [of bills], and does check the Société générale account; but I think that he [also] ought to have settle the book-keeping, the archives and the correspondance, and to reform [the habits of] his staff.”

“Good nose” (the rule of the thumb), the psychological assessment of the manager to make out its (equivocal or shady) values, talks here and there on the place to pick up clues about the reputation and way of life of the manager (high standards of life, gaming, womanising, etc.), supplemented the accounting skills of the inspectors. And all these materials fuelled afterwards first overall reports about the branch, its day to day functioning, its efficiency or faults, and its overall performance.

Second, the inspector achieved an individualised assessment of the managers, put into their personal files (also kept at the historical archives and describing the qualities and flaws of each guy, as steps or hurdles for his promotion). “M. X seemed intelligent and is involved in the life of his branch. He is perhaps missing somewhat commitment, but he does take a great part in the works of his branch. He is badly helped by his staff, and I thing we have to recognised his merits to have, despite such dire conditions, reached such yearly results.”

- “Personal appearance;
- Does he entertain a good knowledge of his internal services?
- How much is he involved in the works of his desks?
- Does he manage connections of embeddedness on his place?
- How are developed his relations with the customers?
- Would he be able to head a bigger branch?
- On a business-oriented place or on a wealth management one?”

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22 “Lors de mon arrivée, j’ai trouvé le service des coupons dans un état de désordre complet, particulièrement en ce qui concerne les titres destinés à l’estampille; de plus, les balances des comptes clients divers étaient inexactes et le registre y relatif tenu d’une façon aussi défectueuse que possible. L’employé chargé de ces différents services a été renvoyé par le directeur – qui ignorait la mauvaise tenue de ses écritures – pendant mon séjour à Nice […]. Le directeur reçoit la clientèle, va la visiter, s'occupe du portefeuille [d'escompte] et pointe le compte Société générale ; mais je crois qu’il aurait dû mettre en ordre les écritures, les archives et la correspondance et réformer le personnel.” Report by the Inspection on the branch of Toulon, 3 May 1885, historical archives of Société générale.


24 “M. X a paru intelligent et s’occupe bien de son agence. Il manque peut-être un peu d’activité, mais il prend une grande part dans les travaux du bureau. Il est très mal secondé par son personnel, et il faut, je crois, lui avoir gré d’avoir, dans de telles conditions, obtenu les résultats de cette année.” Report by the Inspection on the branch of Auxerre, 2 January 1886, historical archives of Société générale.

25 “Tenu ; Connait-il bien les services intérieurs?; Quelle part prend-il au travail des bureaux ?; A t-il des relations dans le pays ?; Quels sont ses rapports avec la clientèle ?; Est-il capable de diriger une plus grosse
At times when the management of human resources did not exist as a “social method of direction” and when the promotion had to rely on cognitive empiricism, the Inspection générale contributed to the building of an informal model of standards to assess the branch managers and their deputies and principal middle-managers (employés principaux), and to fuel the “pumping machine” used to select, promote, move (and dismiss) the branch managers, along the size and the portfolio of activities of each branch. It enticed indirectly the managers and middle-managers pushed by some ambition to understand, assimilate, and practise the methods demanded by the Inspection générale in its yearly reports. Just remind that no system of “permanent training” existed then, which gave a decisive weight to the Inspection’s reports, if the managers were able to perceive the reach of criticism and the “reforms” or changes they implied.

And when some of them did not succeed in such an aggiornamento, the Inspection advised about their dismissal: Gustave Heurtaux-Varsavaux, though he had been an inspector himself (1894-1901), before being called at the head of the Angers branch (1901-1911), had to quit because of a hands-off type of management, which hindered the efficiency and development of the branch: “He is a clever manager, kind and sympathetic. But his kindness brought him more friends than it supplied customers to the branch; and a somewhat conceptual laziness fostered a mismatch in assessing people and realities. Too much open to admit without any control what contend his friends, his employees, and even his competitor [on the place], too much inclined to rely, for the requisites of management, on the activity of his staff, who has neither his wages nor his responsibility, M. H. did not reach in Angers the results we had expected from his brilliant qualities and from the potential resources of the place.”26

Let us also say that the banking services had to learn from scratch about the industry practices of controlling processes, as Société générale or Crédit lyonnais had to grapple with the challenge of the “big firm”. Among the provincial or Paris communities of industrialists, sharing experience matured, corpus of methods were defined and popularised27, and a Comité national de l’organisation française even tackle such issues along systematic arguments and standards about the firm governance (“gouvernement de l’entreprise”). Conversely, bankers were more or less isolated within their services field, generally speaking till the interwar period, when their national association commenced organising conferences, publishing a journal (Revue Banque), editing books, etc., and when banks invested massively into the “professionalisation”28 of their middle managers to broaden their breeding ground.

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26 “C’est un directeur intelligent, aimable et sympathique. Mais son amabilité lui a fait plus d’amis qu’elle n’a amené de clients à l’agence; et une certaine paresse d’esprit lui a donné le défaut de juger superficiellement les gens et les choses. Trop disposé à accepter sans contrôle les affirmations de ses amis, de ses employés et même de ses concurrents, trop enclin à se reposer des soins de la gestion sur la diligence de ses subordonnés, qui n’ont ni son traitement ni sa responsabilité. M. H. n’a pas donné à Angers les résultats qu’on pouvait attendre de ses qualités brillantes et des ressources de la place.” Report by the Inspection on the branch of Angers, 6 May 1911, historical archives of Société générale.


The impact of the model of Société générale was far more important than it could seem. It was more and more imitated by other banks when they reached a size that demanded the structuring of a genuine organisation of firm, for example at Banque nationale de crédit. Even big regional banks (strong and competitive from the 1900s till the mid-1930s) set up far smaller Inspection services, sometimes recruiting inspectors from Société générale as managers. And such a model and moreover its achievements were taught in courses all over the banking community, when it struggled to bolster rules of compliance for “modern banks” in the interwar period.

3. Irrigating Société générale’s corporate culture

Far beyond the mere narrative history of the Inspection générale and its development so as to follow the extension of the network in France or else (branches in Spain, in North Africa, in London), one striking clue of the key leverage force exerted by the Inspection générale was the irrigation of the whole group by the “spirit”, “values”, methods or patterns of good practices and vigilance through the diffusion of the “men of the Inspection générale” themselves throughout the bank. Generally speaking, inspectors did not pursue a whole career at it and staid there only for a few years, little less than ten years. The Inspection générale acted for part of the future high managers as some informal school of banking administration. Sure they were competed by lawyers having proven their ability at the head of a branch or a division; and more and more, from the 1920s, by true inspecteurs des Finances, jumping from the ministry of Finance to the bank directly at top jobs.

But a majority of inspectors were also balancing “brains” and “action”, mixing a capital of experience and managerial/strategic skills. When inspecting a branch, they had gauged the very strategy of its managers within the communities of business and wealth of his place, advised changes and focus thereabout, and supplemented that by managerial recommendations. Branches were for long medium-sized companies by themselves (a few dozens with almost a hundred direct employees and supervising sub-branches), and “auditing” them along strategic and managerial standards was tantamount to our present “consultancies”, of which we know that the best consultants are promised to high managerial positions in companies.

Some kind of “clubbish” mindsets and connections were crystallised little by little, all the more because Société générale did not still (before the 1960s) recruit graduates from business or management schools and thus missed the so well-known career channels or ladders which structured French firms from the 1970s, and its recruits from engineering schools remained confined within the industrial research and risk division.

The process of spillover of the capital of experience from the Inspection générale to the overall bank took shape almost from the start. Georges Génébiarès de Fredaigues, inspector in 1882-1888 (further general secretary in 1893, and deputy CEO in 1896-1899), Ludovic de Villèle (1884), or Paul Petit (1888-1895) would become top executive officers of Société générale at the beginning of the 20th century. Petit (graduate from the Paris Political Sciences School and in law) was promoted head of the large branch of Le Havre (tackling important maritime, trade, FOREX and commercial activities) in 1895, but joined rapidly the Paris office as head of the banking services for province (1896) and ended as a deputy (1901-1905) and co-managing (1909-1913) director, supervising the provincial network where he had been inspector far beforehand. Edmond Armand (inspector in 1887-1892) was called to the direction where he joined the “secrétariat de la direction”, a breeding ground for future managers, before becoming the secretary of the Board (1895-1908), where he could manage the ways and means and follow the decisions of the directors.
Later on, Simon Boucher de la Rupelle (inspector in 1894-1903; and too a graduate from the Paris Political Sciences School and in law) did not attend a branch because his apparent administrative skills were put at the service of the General Control (1905-1909), before he acceded at a top job as General Secretary of the bank itself (1910-1918) with the title of deputy director (1910-1928): His experience at the Inspection as a supervisor was therefore extended to an overall bunch of supervisory tasks. Eugène Davaux (inspector in 1874-1880) slid to the head of the division of branches, thus applying his recently acquired portfolio of skills to the whole network (1880-1882) before changing to deputy then head of the securities division (1882-1913) where he set up “administrative” means of management of that fast growing financial part of the bank.

On both sides of WWI a striking case was that of Maurice Rossignol (inspector in 1902-1907) who sub- and then headed the imposing Marseille branch (1907-1913), before being called in Paris as deputy executive manager, and then in January 1918 executive manager (directeur), crowning his career as head of the banking operations in 1932-1936 – where he had to complete the amalgamation of two directions, that of the Paris branches and that of the province branches. Five to six years at the training school of Inspection had proven a relevant investment both from the juniors and the bank. The key assessment within his personal file might be: “his most acute judgment”, more important for a future banker than “his utmost intelligence”.

A strong trend gathered momentum from the second half of the 1880s, when inspectors who performed well (along criteria of reliability and self-guidance) were called to consolidate the basis of the regional activity in commercial banking. A majority of them quitted the Inspection générale to become branch managers, sometimes failing to confirm such promising profile (thus being dismissed, as they could not face such an broad autonomy), far more often as a step for climbing the ladder of jobs within Société générale: Génébrias de Fredaiguès headed the Nantes branch (1888-1893, being sent there at 31!), Louis Rocherand (1878-1887) the branch of Le Havre (1887-1893), etc., as we could piled up a few dozens of such cases – but without having yet being able to scrutinise a thorough cohort involved in this course.

Henri de Lattre (1894-1899) left the Inspection to head the branch at Brest, then Moulins (1901), then moved as a deputy manager of big branches in Lyon (1905) and Marseille (1907), before joining Paris as the head of the internal services of the headquarters (1921-1926), mixing thus his experience as a specialist of the provincial network and his administrative competence. Likewise, Alfred Gautier (1887-1895) was called in Paris as sub-deputy of the service of the litigation affairs (Contentieux) in 1910, where he climbed up to deputy manager (1912-1918). His double experience as a lawyer and as a supervisor helped him through this process of promotion.

Such a long-standing tradition was confirmed in the interwar period, when many branch managers came out the Inspection générale, and even a few top executive managers, resisting thus the powerful breakthrough of inspecteurs des Finances. A beacon of such pervasiveness is Louis Chaumeil, inspector before (January-August 1914) and after WWI (July 1920-August 1924), who commenced another cursus as deputy head of the big Lille branch (1924-1928), before getting to Paris as the boss of a big branch downtown (Édouard VII). Such a capital of skills and reliability opened him the doors of the top brass, as deputy executive manager (August 1929), head of the Paris network (January 1933), executive manager (March 1936) and last deputy CEO (May 1950-1959, when he became

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29 Report from the inspector about Rossignol at the Marseille branch, Personal file of Rossignol, 10 August 1912, historical archives of Société générale.
non executive vice-president). The vocation of *Inspection générale* as a threshold to jobs on the second-level layer at the headquarters was thus still an active process around WWII, as an equal way of promotion in parallel with whole upward careers at head office.

The main point is that, through such a process of internal “migration” of technical culture, the *Inspection générale* mindsets and methods were steadily anchored at the top of branches and divisions. This transfer of competence contributed obviously to the building of the “corporate culture” of Société générale as a big banking firm during a quarter of century – in parallel with the structuring of the commercial and the financial sides of the company under his CEO Louis Dorizon\(^{30}\) (1896-1913). The *Inspection générale* took part to the slow but genuine design of that corporate culture along two paths, a first one from top-down (as a tool of supervision, advice, and sanction), a second through lateral spillovers following ex-inspectors across their managerial responsibilities, where they could be hallmarks of “good practices” as practitioners of the “codes” established within the *Inspection générale*.

### 4. An actual myth of the *Inspection générale* in the 1950s-1960s

The centennial of Société générale offered an opportunity to include the *Inspection générale* into the commemoration of the event: the rich book published then earmarked a chapter to that service\(^{31}\), which highlighted its *modus vivendi* and *operandi*, and its virtues. This confirms that the *Inspection générale* had reached a position within the structures and the mindsets of the bank which was of utmost importance. In decades when the strategic portfolio of activities had stabilised around a somewhat classical scope – before the revolutions of market trade, investment banking, and more generally “universal banking” –, the *Inspection générale* seemed the cornerstone of the stability of the house, as a guarantee for reliability, transparency, and cohesiveness.

Several witnesses of the 1960s-1970s noticed the specific corpus of mentalities which, united the inspectors. First, there was a kind of proud spirit on the side of senior inspectors because of training juniors, promised to further upward mobility within the bank. Second the proximity between the members of each mission team for a few days or weeks fostered a spirit of “companionship” between them, which could be useful afterwards, as a process of “networking” and managerial complicity had taken shape. Last, several inspectors also checked foreign branches or affiliates (the Russian one\(^{32}\), in 1901-1918; the subsidiary in eastern France, Sogenal\(^{33}\), for example), and their cultural stretch was extended to a broader scope, which reinforced the shared capital of experience of the bank as a whole.

It was also perceived by the “general opinion” of the staff as a lever of social and professional promotion, because a layer of young employees, recruited at the basis even of their ware graduates in law, could be candidates to the competitive examination of *Inspection générale* and thus, were they to succeed, rely on an accelerating factor to their career, instead of climbing the whole scale of steps of the ladder within the branch

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network or the central administration. They could pile up on the field a capital of experience which would be noticed and valorised by the managers. A relevant case is supplied by Henri Terrel, sure a graduate in humanities and law, but deprived of any fortune or social capital: recruited as a mere employee at Société générale (January 1898), he joined the Inspection (1901-1905), and thereafter capitalised on his experience as sub-manager and even manager (1908-1913) of the Anvers branch – even if he became then CEO of a middle-sized bank, Crédit français: “M. Terrel is so much a starring manager and thus well-known by the Direction that we do not think useful to insist on his very eminent qualities, which, furthermore, have been implemented along such a striking force by the progresses achieved by the Anvers branch under his management.”

The myth was fostered by the possibility offered to middle managers to join the Inspection générale through the examination. That latter comprised two channels: one for outsiders, first as trainees for eight months, then enduring the exams; another one for middlemen, who could thus benefit with a key promotion to a job which itself could afterwards open other doors upwards. Such a perception lasted for long, even if the bank had been nationalised in 1946, thus relying on state creditworthiness, if the Inspection des Finances had provided almost all the top managers of the firm and therefore increased its grip on the cultural capital of controls and compliance, like Jacques Ferronière, a key gourou of banking technicities of these decades, and if the central bank had imposed after WWII more and more rules of solvability and liquidity, under the guidance of the Banking regulation commission (Commission de contrôle des banques).

Without intending to jump over decades and give up genuine business history in favour of recent history, we shall only evoke the reaction of a few high managers of Société générale when the celebrated “affaire Kerviel” burst out in January 2008 (a huge loss on the trading desk). “Old-style” managers pretended that, “in ancient times”, the Inspection générale would have avoided such dysfunctioning at the back office, and even a retired inspecteur général testified in the daily Le Monde that the trading activities had been put out of the controlling reach of the Inspection générale, as if the direction had betrayed the very modus operandi of the firm by giving away a cornerstone of its “good practices”.

Without being involved in such argument, we shall anyway remind that the supervisors and regulators (Bâle II and III institutions, French Autorité de contrôle prudentiel) imposed to European bankers an array of standards and rules which could evoke part of the historical “culture” of the Inspection générale, but extended to the whole bunch of banking activities within “universal banks”. The “myth” thus joined the “21st century” modernity: since the 1st April 2010, Société générale legitimised the legacy of the Inspection générale when it set up a new “direction du contrôle périodique”, which merged the international internal audit team (1,400 employees) and the Inspection générale (170 people among whom 130 inspectors and comptrollers), under the sway of Inspecteur général Édouard-Malo Henry. The “virtues” of old-timer Inspection générale were to be injected into the new framework of controls of the globalised Socgen bank. The key point of the reform is that the auditing team, which depended on the various specialised divisions (thus missing independant mindsets and stand-back), will now onwards be inserted into

34 “M. Terrel est un directeur tellement en vedette et par conséquent si connu de la Direction que nous ne croyons pas utile d’insister sur ses très éminentes qualités qui, au surplus, se sont manifestées de la façon la plus éclatante par les progrès qu’a réalisés la succursale d’Anvers sous sa gestion.” Report from the inspector at the Anvers branch of Socgen’s affiliate Société française de banque & de dépôts, Personal file of Terrel, 16 July 1910, historical archives of Société générale.
35 Jacques Ferronnière, Les opérations de banque, Paris, Dalloz, 1955 (then, several editions).
that new direction that, in the wake of the *Inspection générale*, will be hierarchically placed under the immediate guidance of the CEO.

Through this reshuffle, the “myth” was rejoined by the present but promising reality. The *Inspection générale* could thus keep its attractiveness among juniors targeting upward ascension within a bank about which anybody in business and management school knows that it clings to a specific corporate culture. Sure, the *Inspection générale* has never and still is not the sole “royal path” to the top brass jobs, all the more than the group has been transformed into a globalised transnational. But its human resources brochures advertising the yearly competition to welcome junior inspectors do enhance the values, myth, practices, capital of competence, of the *Inspection générale*, to be perceived as a “modernised old institution” and thus as a driving force within the bank, as a landmark of its “open-minded” culture and of its ability to “re-invent” antique processes and adapt them to the new world of banking. “By offering them the opportunity to decipher and appropriate by themselves the issues of the Group as soon as their first job, the *Inspection générale* is training them to evolve towards functions of high responsibility. It constitutes thus a breeding ground of high end managers for the Bank [...]. Each mission fosters a written report to the Presidency, in which inspectors express a clear-cut and well-sustained assessment about the various aspects of the activity being gauged and about the action of its main heads. These missions are therefore resembling true ‘management audits’, their efficiency relying altogether on the ability of inspectors to delve into the activity to propose adding-value operating recommendations, but also to their convincing force, in writing as orally, in order to exert persuasion on the choices of decision-makers.”

The call for candidacies resumed enhancing the leverage to acceded to a “strategical” capital of knowledge, far from being confined to commonplace auditing missions (like in basic consultancies): the *Inspection générale* provides “the opportunity to integrate a breeding ground of high potential managers: Precise knowledge of the whole activities of the Group; acquisition and progressive development of technical competences; development of well-recognised human and managerial qualities.”

### Conclusion

Far from brilliant “heroes” of narrative banking business histories to which we still are faithful and moreover from high ended actors of the life of the Paris market place (traders, stockbrokers, investment bankers, financiers, etc.), a few discreet bunches of men worked hard in the backstage. Whereas Crédit lyonnais was more anticipating in setting an industrial research department to fuel its finance and underwriting division with economic intelligence, with some prescience, Société générale felt that it was losing grip over its network of branches and that the cohesiveness of the company was drifting aside – which explains the creation of the *Inspection générale*. It played a genuine role in the transformation of a medium-sized bank into a big corporation, as it bolstered the density of the capital of competence of the firm and moreover the spillover of that capital deeply within the division and branch teams.

We are aware that our case study will be perceived as lacking sociological outlines and a comparative scope; it ought thus to be used as a driving force to further benchmarking to foster part of the history of banking management. Well before the history of auditing and reporting (functions taking momentum from the 1960s-1980s), and in parallel with the history of risks management, that of the technical culture of overseeing the foibles and of

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the day to day management at the heart of branches and divisions might seem as well useful to understand how banking managers had to struggle against permanent holes in the dikes circling the activities of branches, divisions, and foreign affiliates against the risks of fraud, petty book-keeping, or mere incompetency. Without any “glory” in business history, such a function as *Inspection générale* was anyway a key part in the wheels of the banking organisation of firm which asserted itself at the turn of the 20th century. And we highlighted a few figureheads who can therefore be posed as unknown “heroes” of what could have been a dull banking history.