

EXPANDING TO FRANCE?

What to consider before you make the move

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Felicitations (congratulations)! Your company has enjoyed success in your home market and you're now looking across borders to continue growing your customer base and increase profits. Your sights are set on the rich, diverse region of Europe, and you're leaning toward France. As the European Union's second largest economy, France has a stable government, several bustling metropolises serving as hubs for international commerce and an increased interest in supporting small businesses. It's a great decision at first glance, but after living and working in the country for the last eight years, I've discovered a few important subtleties.

So whether you've already committed and simply want to prepare for the adventure ahead, or haven't quite made up your mind and need a few more details to support the decision, get out the pen and paper. Here are a few useful strategic and cultural considerations to help you proceed. Ready? Allons-y (Let's go)!

STRATEGY

SUBSIDIES & GRANTS

France is a particularly wise move for those in the aircraft, renewable energy, agriculture and film industries. The government grants millions of dollars in subsidies to these sectors each year, and receives additional subsidies from the European Union. The agricultural industry for example, receives an annual average of \$7 million from the French government, and last year, earned another \$11 billion from the European Union.

There are more than 250 different grants available for new businesses in France, particularly in the rural areas; these can include EU or French government grants, regional development and redeployment grants or departmental and local community grants. If local jobs are assured, or local skills put to use, chances of receiving grants and subsidies are even higher.

Contacting the local town hall or mairie is a great way to learn more about possible grants in the region. The relevant centre de formalites des entreprises and the departmental chamber of commerce are excellent resources as well.

PRIVITIZATION

A government job or title in France carries far more weight than it does in the US. Working for the state is a desirable career path for the French, as government plays a big hand in most industries and in the eyes of the citizens, has always been a symbol of stability and power. Thus private-sector business, as competition to the public sector, has never been a particularly commendable line of work. However, a recent trend toward privatization is causing a shift. Breaking down and privatizing state-owned conglomerates is forcing citizens to participate in the economy as consumers and shareholders, which means greater opportunity for individuals and companies to shape the future of business.

FINANCIAL BENEFITS

The French government offers new businesses many generous tax benefits or incentives that boost earnings in the first few years. For example, all businesses are exempt from tax professionnelle, property tax and local taxes for the first two years. I highly recommend joining a centre de gestion, as you will receive a 20 percent income or corporate tax reduction plus €915. Companies investing at least 15 percent of earnings into research and development will be eligible for additional tax benefits, and those making less than €40,000 in annual profit will enjoy a corporate tax rate of just 15 percent. Limited liability companies, those setting up in rural 'special development' zones and public businesses are eligible for additional financial incentives; check with the tax office in your city for more details.

TAKE AWAY: Subsidies ease financial concerns while government tax breaks significantly reduce start-up costs. If you are a small business or working in a subsidized industry, France may be an excellent strategic move for your company, and the trend toward privatization suggests a promising outlook and a supportive future business environment.

OPERATIONAL (IN)EFFICIENCY

While France is ranked 29th for overall ease of doing business, it ranks as low as 150th for specific processes, such as obtaining permits and registering property. Archaic business policies, pyramid style organizations and excessive layers of bureaucracy cause impressive delays for even the simplest tasks. Opening a basic personal bank account, for example, takes several weeks. Pin codes are mailed to the home address (and often get lost several times before they reach the customer) copies of birth certificates, passports, drivers licenses and pay stubs must be made on site at the bank and literally hundreds of pages detailing the contract are signed – by hand, one by one, no exceptions (I'm convinced France is a leading cause of deforestation). Now apply this kind of roundabout, time-consuming process to business, where documents are more complex and greater in number, and you get an idea of why the country is often criticized for being slow and inefficient.

CURRENCY RISK

There isn't a whole lot to do once about currency risk once you've committed to a market, so think carefully. France uses the Euro, which has remained relatively stable despite the political disruption and economic hardship in the European Union. Nevertheless, if your company expects significant growth or has large research and development programs that could be at risk if met with foreign exchange losses, consider hedging. Forward contracts, which establish a fixed rate of exchange for a currency to be purchased or sold at a specified future date, allows you to reduce transaction risk. Hedging makes sense for currencies that are considerably over or undervalued, so if your company doesn't expect a lot of growth or have large R&D costs, I would recommend leaving currencies unhedged.

TAKE AWAY: France's operational inefficiencies and bureaucracy shouldn't be a deterrent from doing business in the country, but is certainly important to keep in mind. Plan ahead and leave extra time for administrative delays. Forward contracts can reduce currency risk, but isn't absolutely necessary for the Euro.

CULTURE

LANGUAGE

It's no secret the French are an extraordinarily nationalistic bunch; they take enormous pride in every aspect of their culture, from history to cuisine. The French language is no different, and it should be a major focus of anyone planning to do business in France; learning the language is an excellent way to show associates that you respect their country's culture. Whether it's for a short business trip or for a long term investment, not speaking French with at least a mild proficiency means running the risk of being disregarded by French colleagues or partners.

FORMALITY

The French are often misunderstood and come across as cold or unfriendly in business communications. They are in fact very warm individuals with a great sense of humor; they simply take business protocols and behavior very seriously. The French follow these protocols strictly and avoid changing longstanding rules or processes, this is why they are slow to digitize and still do everything by hand and government approval. To gain their respect and get through the surface to the humor and positive relationships beneath, it's critical to follow all rules carefully and respect precedent. Once you gain trust, you can work on efficiency. Formality rules in communication, particularly the first time you meet someone. The French will usually introduce themselves by their last names, so you should call them using their last name until they invite you to use their first name. Titles are not often used, so Monsieur or Madame is a safe bet. Always stick to a firm handshake until you become quite well acquainted with a colleague, at which point they will likely resort to kissing on the cheeks – perfectly normal! Again, this is where respecting the culture is important.

DRESS AND MANNERS

Dressing well is important for the French, as they are on the whole extremely fashion conscious. It doesn't mean you need to dress in Armani from head to toe, but it does mean that every item must be clean and look sharp. The French never ask direct questions, but gather a lot of information by observing; they draw a lot of information from one's appearance, and a sloppy look will instantly project the wrong image and jeopardize your relationship. France's cuisine is arguably the most important cultural aspect, I highly recommend learning about table etiquette in order to be ready for business lunches or dinners. A few tips: wait for the host to begin eating or say "bon appétit" before you begin, keep your wrists (but never your elbows) on the table and don't add too much seasoning to the meal or it could offend the chef. A French meal is far more complicated than in most countries, and consists of an appetizer, a salad course and a main meal, followed by a cheese and wine course and finally, dessert and coffee. It is not uncommon for the meal to last three hours. Of course, it all serves a purpose, which is building relationships in a warm and friendly environment. Respecting cuisine is also important, and if you can bear to swallow a morsel of Rockford our Meunster cheese, it could go a long way.

TAKE AWAY: While respecting French formalities, dressing sharp and having proper table manners is important, don't forget that France is a country that loves to enjoy life. Every aspect of both business and personal relationships are ultimately flexible, especially when it comes to punctuality. Finding a good balance is the key.

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