CONQUERING THE FEAR OF INTERNATIONALISATION
SMES TAKING ON THE WORLD
As business owners, don't aim for the moon... 
Dare to conquer the world!

The figures speak for themselves:

- **124,000 French companies** exported in 2016, half less than in Italy or Germany;

- **28,000 companies** exported for the 1st time in 2016, whereas in the same year, 29,000 fell off the export radars;

- **the portion of French exports in the Euro zone fell from 17% in 2000 to 13.4% in 2016.** This smaller market share is strongly correlated to the decline in manufacturing value added (VA) (the French manufacturing VA share of Euro zone VA dropped from 17.3% in 2000 to 13.4% in 2016);

- of the **124,000 exporters in 2016**, companies with more than 250 employees represented 3% of the total number of businesses and 53% of value (amount exported).
Based on these observations and their impacts on France’s trading deficit (-€48.1 bn in 2016), Bpifrance Le Lab is today appealing to all companies that are “globally compatible”, possibly without even realising it. Which ones are they? Companies that have never exported, or exported occasionally when the opportunity arose (because of an existing customer or after attending an international trade fair for example) and have not structured their international development. Along with those that have experienced a setback and no longer dare try again. Internationalisation brings much more than simply business opportunities. Internationalisation attracts talent, makes all teams proud, creates a virtuous innovation circle and diversifies risks when a national market collapses. Let there be no mistake: internationalisation is not a bed of roses, but it is worth equipping yourself to enjoy a great adventure.

The 2 regularly mentioned weaknesses of French companies on the international market are:

- their lack of preparation before launching themselves;
- when they do launch themselves, an error of judgement in terms of the need to adapt to the new market(s). Too often, they believe their products in their initial national markets are sufficient for their success.

Big mistake. Since each country has its local specificities, its standards and its customs. Every aspect must be reconsidered. From packaging to the distribution circuit, right down to the brand and product name.

France often compares itself to Germany. But what about Italy, which went from a €-30 bn deficit at the lowest point of the crisis in 2010, to a €+51.5 bn excess in 2016? Italy opted for high-value-added products in small-volume niche markets. It therefore operates in the “medium tech” market, which is neither low cost nor high-tech. Moreover, Italian companies build strategic partnerships (with their suppliers as well as their competitors) to conquer new markets. Why not draw inspiration from them?

To conquer the world, French SME business owners must combine 2 strengths, which may seem contradictory when they are in fact complementary:

- ambition and an appetite for growth;
- humility to observe, listen, understand and adapt.

We’re ready to bet that by 2020 France will have not only made up its deficit, but also regained its trading excess.
1. INTERNATIONALISATION IS A GROWTH CATALYST FOR AMBITIOUS COMPANIES

Opening out to international markets is one of the main growth levers for French companies: SMEs on increased and highly-increased growth trajectories generated, on average, between 13% and 18% of their turnover on the export market between 2009 and 2013, against 9% for companies on a stable growth trajectory (1).

2. BUSINESS MANAGERS WHO "GO INTERNATIONAL" BECOME BUSINESS CREATORS ALL OVER AGAIN

When an SME aspires to internationalisation, it is generally because the manager has a conquering spirit. Bold, optimistic and with a certain appetite for risk, they go international in order to grow their company. Managers who succeed abroad are those who adopt a proactive entrepreneurial spirit, constantly seeking new business opportunities and developing their formal and informal international networks.

3. ON INTERNATIONAL MARKETS, FIRST RETURNS ON INVESTMENTS CAN BE LONG TO COME. YOU NEED TO BE PATIENT AND ADAPT!

Market research, negotiating business offers, setting up securities, delivery of goods... all take longer abroad than in France. International development represents a major investment for a company. There is also a learning process. It is by launching itself that a company will perform better internationally.

4. GOING INTERNATIONAL IS LIKE MOVING FROM THE PREMIER LEAGUE TO THE CHAMPIONS’ LEAGUE

Only the best players are selected

Companies that succeed in maintaining their export activity for at least 5 years after their first launch have generally established solid investment projects, to be efficient and stand out on international markets. They invest massively in R&D, to be able to market new innovations or improve the quality of their products.

You need to pass the ball in order to score

Like innovative company clusters, SMEs can multiply their chances of winning international calls for tenders by acting as a group. They reinforce their visibility, their negotiating power and their credibility by offering a comprehensive range of services as a result of their partnership.

Without intensive training, you cannot win the cup

Preparation is crucial for international success. On average, companies that succeed in exporting durably towards a foreign market have anticipated their internationalisation at least 3 years before launching themselves. Preparation involves market research, gathering information, finding partners, establishing an action plan and adapting your products to ensure you have a competitive advantage abroad.

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4 True or False about the internationalisation of French SMEs and ETIs (intermediate-sized companies)

1. A company needs to reach a critical size before going international
   - False
   - In 2016, 63% of companies exporting goods employed less than 10 people. However, the share of these businesses in relation to total exports is very small (1.4% of exported turnover) and they have a high turnover rate due to their limited resources.

2. Internationalisation of French companies occurs to the detriment of employment in France
   - False
   - The main reason most companies set up abroad is still to establish closer relations with international customers, rather than to reduce production costs or for tax optimisation. Moreover, businesses establishing themselves abroad for the first time experience a quicker growth in turnover, value added and workforce in France in the 3 years following their establishment.

3. A popular product in France will sell easily abroad
   - False
   - In most cases, marketing a promising product is not enough to succeed abroad. To increase chances of success, it is often necessary to adapt the price, the product itself, its marketing or its distribution to the specific features of the local market.

4. The only purpose of internationalisation is to increase turnover
   - False
   - Internationalisation offers many unexpected benefits for a company. It is a means of attracting and retaining talent, as it demonstrates the manager’s will to grow their company. It is also a way of reducing a business’ dependence on the domestic market, and is a breeding ground for new ideas to stimulate innovation.
01. On Inter Nationalisation

WHY RE...
Internationalisation accelerates growth

Are you an ambitious manager?

Is your company an SME and you want it to become an ETI?

Do you want to accelerate your company’s growth and recruit?

Place internationalisation AT THE HEART OF YOUR COMPANY’S GROWTH STRATEGY!

For SMEs and ETIs wanting to develop, internationalisation is not an option, but the number 1 action lever for accelerating growth.

Empirical studies have shown that companies having made a first investment abroad experience quicker growth in the 3 following years in terms of:

- their sales;
- their value added and exports;
- their workforce;

than companies with similar characteristics present only on the domestic market.(1)

What business owners are saying

When I purchased Socomore in 1998, the company had 27 employees and had a turnover of €3 million (FRF 21m). I wanted the company to develop quickly. The most effective way to do so was through internationalisation. We had our work cut out for us as Socomore only sold its products in France and no one spoke English. But I persevered because I believed in it. Now, I am proud to see that we have succeeded: Socomore has become an ETI employing over 200 employees and generating a turnover of €50 million.

Frédéric Lescure,
Chief Executive Officer, Socomore
(Surface preparation for the aeronautics industry)

On my arrival in 1991, my objective was to grow the company. That is why I wanted to increase Mixel Agitateurs’ international presence. As a result of our business development abroad (we generate 40% of our turnover internationally) we are going to increase the group’s workforce, and by 2020 we will have recruited some 20 new employees to meet our growing needs.

Philippe Eyraud,
Chairman, Mixel Agitateurs
(Study and design of industrial mixing and stirring machines)

Internationalisation: conquering new lands

Growth and business opportunities occur increasingly outside of our borders.

In 2021, France will represent just 0.8% of the worldwide population and 2.6% of global GDP. This means that 99.2% of your potential customers are located outside of France.

What business owners are saying

“When I created my business 4 years ago, I considered internationalisation straight away. The market is too small in France and does not offer us enough opportunities. Internationalisation is not an option, it’s the only way to find growth drivers.”

Stéphane Olevier, Chief Executive Officer, V-Motech (Mechanical engineering and powertrain testing)
Internationalisation
as a means to recruit new talent

Recruiting employees and winning their loyalty are key concerns for business managers. A company benefiting from an international presence becomes more attractive for potential applicants:

• it offers them internal promotion prospects by diversifying positions and mobility opportunities;
• it conveys the image of a dynamic company, open to the world, and in tune with the expectations of young graduates (having international prospects was among their top expectations in 2014) (1).

Internationalisation is a shared corporate ambition, it rallies all employees around a stimulating project in which they are proud to take part.

What business owners are saying

“Going international means being bold. A company that dares to develop abroad will be attractive as it is dynamic and ambitious. Managers internationalising their company are showing a true long-term vision, that they are up for every challenge. It is very stimulating and reassuring for their employees.”

Olivier Mardi,
Chief Executive Officer, Zorba Group
(Communications agency)


"An international presence is part and parcel of a company's "attractiveness package"."

At our recruitment firm, specialised in the healthcare sector, we recommend that internationalised companies promote this aspect of their company when meeting applicants. All other things being equal, we have seen that applicants prefer companies benefiting from an international presence. It makes a great difference.

When presenting the companies we work with, we often give the example of an employee that began working for the company in France and went on to become manager of a country. This type of situation illustrates the mobility opportunities available within a company and makes it more appealing. The younger generations arriving on the labour market are very sensitive to this international dimension. If told they will work only in France, they find it quite restrictive. An international presence is part and parcel of a company’s "attractiveness package", in the same way as remuneration, training and career development prospects.

Internationalisation is a lever for recruitment, I know this to be true because I have experienced it at GenSearch; some of our employees were attracted by the fact that our firm has an international team from different cultures and our ambition to create offices abroad. It is very stimulating, because we are all involved in an international adventure in tune with today’s world.”
Internationalisation is also an opportunity to...

... reduce your company’s dependence on the domestic market and its fluctuations

What business owners are saying

“...Our resilience to the 2008 crisis taught us how vital it was for us to diversify our markets in several countries, to avoid suffering excessively when domestic activity experiences a slump.

Antoine Loannides,
Chief Executive Officer,
Duralex International
(Manufacturer of glassware and tableware in tempered glass)

... be inspired by new ideas and stimulate your company’s creativity

“When we decided to develop internationally, it was above all to find new business. However, we subsequently became aware of the R&D synergies possible between the different countries in which we had established ourselves. Each year, we analyse the innovations observed on our different markets and launch new R&D projects accordingly. This approach enables us to remain permanently competitive and innovate.

Jérôme Siat,
General Manager, Alphitan
(Maintenance of electrical and electronic systems)

The performance of internationalised companies summarised in 3 figures

MORE INNOVATIVE
25% of exporting companies introduced a new product on the French market between 2012 and 2014 against only 6% for companies present only on the French market (1).

MORE COMMUNICATIVE
52% of French companies with an international presence developed new business tools (brochures, websites, marketing documents in foreign languages) against 23% for non-exporting companies (2).

MORE EFFICIENT
11% of exporting companies are on average more productive than their counterparts present only on the domestic market (3).

(1) INSEE « L’information-communication et l’industrie sont les secteurs les plus innovants entre 2012 et 2014 ».

(2) CCI International « Les PME et ETI françaises et l’internationalisation » (June 2016).

What the economists say...

3 key results of internationalisation

Result no.1
Internationalisation is a gradual process

For many companies, imports often precede any export activities; importing businesses are twice as likely to export than non-importing companies. Importing allows a company to acquire knowledge on foreign markets and improves its competitiveness. Similarly, exporting often precedes an international presence: 95% of first-time industrial exporters started by exporting towards the country in which they eventually set up.

Result no.2
Establishing a subsidiary abroad has a positive impact on employment in France

Comparison of 2 groups of companies with similar characteristics (the first established abroad and the second not) shows that recruitment speeds up in France following the first establishment abroad. One year before setting up their first establishment, internationalised companies generally had a workforce 10% larger than that of their counterparts with no presence abroad. Three years later, this gap had increased to 25%.

Result no.3
Selection of the most competitive companies occurs naturally on international markets

Comparison of the performance of internationalised firms with their domestic counterparts reveals that internationalised companies are more productive, larger and more profitable than those present only on the French market. This observation is also true for companies established abroad. This result is explained by a very strong selection effect; internationalisation carries specific costs (market research, bringing products up to standards, opening an office abroad, etc.) for an uncertain result.

Only companies initially more productive choose to bear this risk and go international. This difference in performance can also be explained by learning effects (learning by doing), where a company increases in efficiency and its ability to innovate following its internationalisation.

However, there is no consensus on this last point within academic research because it is difficult to isolate the selection bias and model the impact of exports on the innovation process.

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(2) V. Strauss-Khan & M. Bas, « Does importing more inputs raise exports, firms level evidence from France », CEPII, 2014.
(3) A. Gazaniol, « The location choices of multinational firms; the role of experience and group affiliation », The World economy, 2014.
There are always good reasons not to go international…

• "None of my employees speak English, and I am not comfortable speaking any other language"

Business managers embarking on the internationalisation adventure are rarely perfectly bilingual! Only by daring and practicing will you progress. Moreover, communication involves not just words but also postures, attitudes and an open mind, which do not depend on linguistic skills alone.

• "My company is too small to develop abroad"

There is no minimum size to go international: in 2016, 95% of exporting companies were SMEs, and among those 63% were micro-enterprises (less than 10 employees)\(^1\).

• "Internationalisation is too risky"

The real risk lies in focusing all your business on a single market, whether in France or abroad. Internationalisation above all allows you to diversify your sources of income and customer portfolio.

• "I’m waiting for my domestic market to be saturated before developing my company in another country"

Going international will complement a company’s business activities on the domestic market. If it is able to internationalise, it must not wait! A company has everything to gain from going international even if it still has growth opportunities on the domestic market.

• "Internationalisation is too costly. My company cannot afford it"

A company’s international development must be considered a long-term investment. Many sources of funding, insurance policies and guarantees exist to finance these intangible expenses. If a company relies only on its own resources (cash flow, reserves) it risks minimising its expenses to the detriment of its internationalisation.

\(^1\) Customs, "Les opérateurs du commerce extérieur en 2016 - Données provisoires", 2016.
What doubts can business managers feel when taking an important decision for their company, such as going international?

“First, I think we need to point out that we cannot generalise: every manager will react differently. The decision reached, be it to go international, make a large investment or recruit new employees, will depend on the manager’s ambition for their company. Not all managers want their company to grow, in particular if it means adopting internationalisation strategies they are not comfortable with. Some are afraid to lose control over their company. Beyond the project’s operational feasibility (is the company able to launch itself abroad, does it have the means for it?), there is the question of will, which is central and must be highlighted, along with the manager’s ambition for their company. Inhibition is a well-known defence mechanism in psychology. Success is synonymous with more demands, which can be harrowing as it implies having the type of personality able to cope with such overexposure.”

Can fear of failure limit a manager’s ambition for their company?

“Today, we are identified primarily by our professional identity. This is why people suffer at work; it is those who are most absorbed by their work who suffer from burnouts. When we experience failure in our professional lives, we feel we have a label stuck to our skin, reminding everybody that we got it wrong. This fear of failure and its consequences (economic difficulties, redundancy, etc.) often prevents us from taking the plunge and going for it. This is the case with internationalisation in particular. Going international is a risky decision, and in many cases managers prefer to miss out on growth and business opportunities for fear of failing, at the risk of not developing their company. Fear of failure is a highly-invasive sense of dread that can paralyse and prevent us from acting.”

From what you are saying, it sounds like risk taking can only cause anxiety. Is this true?

“There is no single or clear-cut answer to this question, as it depends on the business manager. A business manager’s aversion to risk plays a key role in the decision to go international. On the other hand, there is a very exciting aspect to taking risks, as we know we can win big. It is a sensation comparable to what high-level athletes or gamblers feel: stress is a source of motivation and adrenalin. When you take a risk you can also experience the pleasure and splendour of success. Going international is a new and highly-satisfying project: the manager becomes a business creator all over again.”

Jean-Luc Douillard
Clinical psychologist and founder of the Apesa scheme, a psychological support network for business managers
Who to turn to to develop abroad?

- **Bpifrance**: Sources of international funding and guarantees, Insurance solutions to secure international projects, Assistance with international strategic planning
- **French Customs**: Information on customs and administrative procedures abroad
- **Regions**: Funding for international projects, Advice on structuring international procedures
- **French Foreign Trade Advisors**: Networking, Expertise per geographic zone and sector of activity
- **Les Opérateurs des Sociétés du Commerce International (OSCI)**: SME export and foreign business project support, Creation of product marketing strategies abroad
- **Medef International**: Promotion of French companies' interests among French and foreign governments, Networking and international advice
- **Trade Associations**: Networking and exchange of good practices

This list is non-exhaustive. For more information, visit the France-international.fr website.
Not all companies are bent on developing abroad

Many businesses start exporting following an opportunity, a one-off order or their participation at an international fair. It is only once they realise that their product or service appeals to foreign markets that they truly take the decision to internationalise. From then on, they adopt a proactive approach to search for partners and business opportunities and, if necessary, develop a strategy to adapt their product, its marketing and distribution in order to establish themselves durably on the foreign market in question.

What business owners are saying

“At first, we started to internationalise by supporting our customers in their development abroad. Then we decided to structure our approach, as internationalisation is a huge growth driver for our company. We took stock of our strengths and our ability to internationalise durably. We then implemented the means, both in terms of human resources and organisation, to establish ourselves durably in our geographic areas with local customers. Our internationalisation started in 2005. Today we have created 8 subsidiaries, we work with distributors in 25 countries and are present in over 50 countries.”

Jean-Charles Deconninck, Chairman, Générix Group (Editor of collaborative platforms and applications)

Yet, only a small proportion of companies that attempt export manage to capitalise on it and maintain their international presence over time; each year, only 30 out of 100 exporting companies continue to export the following year. There are only 21 left after 2 years, and only 8 first-time exporters continue to export continuously 10 years on (1).

<table>
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<th>Year</th>
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<th>N+10</th>
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<tr>
<td>Number of exporting companies</td>
<td>100</td>
<td>30</td>
<td>21</td>
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Not all companies are efficient enough to maintain their international presence. Some should instead focus on the domestic market to start with, where they are more competitive, in order to structure themselves and increase their productivity.

After this, they may consider developing abroad and will succeed in maintaining their business if...

1. **THE INTERNATIONAL PROJECT IS LED BY A MANAGER WHO IS COMMITTED**
   convinced that their company will succeed abroad

2. **THEY BENEFIT FROM THE NECESSARY HUMAN RESOURCES**
   with experience of international trade

3. **THEY HAVE A COMPETITIVE ADVANTAGE**
   enabling them to stand out abroad

4. **THEY STRUCTURE THEIR APPROACH**
   around a clear and strategic vision

What are the characteristics of companies that grow abroad?

Companies that grow abroad are very diverse in terms of sector of activity and size. International development is no longer the sole preserve of very large French industrial groups. Of the 10% of French exporting companies (irrespective of sector of activity), 95% are SMEs, most of which, it is true, are affiliated to groups. These exporting SMEs still represent only a small share of overall exports (less than 15%), although over the past few years they have been the most dynamic in terms of export growth.

Despite their differences with regard to size, exporting companies have a certain number of things in common. They are generally more productive and pay higher wages than their non-exporting counterparts, i.e. non-exporting companies of the same size and operating in the same sector of activity. They are also companies that have benefited ex ante – i.e. before their international expansion – from the best access conditions in terms of financial resources and human resources qualified specifically for international development.

Under what conditions can a company succeed abroad?

To succeed abroad, a company must go well beyond short-term strategies that consist in seizing exceptional opportunities. More specifically, first-time exporting companies that succeed in maintaining themselves on export markets at least 5 years after their first entry are, for the most part, companies that have implemented a proper investment project. When we study large panels of French companies, their ex ante dynamics, i.e. before their entry on export markets, are in general characterised by significant increases in their intermediate consumption and/or R&D investments to improve their product quality or deploy new innovations. On average, companies that have successfully entered and remained in one or more export markets are thought to have prepared their strategy at least 3 years before successfully launching themselves.

According to customs figures, some 28,500 companies started an export activity in 2016, while 29,200 ceased exporting (1).

How can such a high turnover rate be explained?

This proportion can be explained by 2 phenomena: first experimentation, which is characteristic of internationalisation strategies. A company without any exporting experience must "try its hand at it" in order to limit the risk of this strategy. Another explanation is that exporting is not always the result of a long-term company strategy, but rather a short-term strategy aimed at overcoming either positive (new foreign customers) or negative (loss of domestic customers) supply shocks, causing the company to occasionally seek other opportunities.

a proactive CEO convinced of the project’s success

A company’s international success is linked closely to the manager’s entrepreneurial spirit. Academic research establishes a strong positive link between the manager’s energy and openness to international markets and their company’s exporting intensity. The manager plays the role of a catalyst for their company’s openness to foreign markets.

(1) Measured by their involvement or not in social activities such as membership in a sports club or business managers’ network.

(2) Measured by the number of trips abroad made by the manager.


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A manager’s commitment does not stop with the recruitment of an export director.

The manager has a role to play at every step of the international project. At first, when I arrived at the head of the group in 1991, we were hardly present abroad at all. Now, we generate 40% of our turnover abroad.

To encourage this international development, I became actively involved. I travelled abroad many times, met potential customers, presented our products, etc. It felt a little like I was exploring the “international jungle”. I’m delighted I did it, because these are fascinating personal and human experiences.

As our internationalisation accelerated, we structured ourselves and recruited zone directors. However, delegating does not mean withdrawing from the international adventure. Quite the opposite! It is the manager’s job to establish an international strategy, to foster the company’s export culture and communicate internally on the project.

You need to travel regularly to make sure you are in tune with the teams abroad. It takes more than one Skype call a month! There is no secret to fully understanding cultural differences and preserving a company’s values – you have to be open with your international colleagues and meet up them regularly. Otherwise you risk having insufficient access to information and creating misunderstandings.

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Photo: Martin Colombet.
Before going international, companies must first assess their operational capacity to export durably. Maintaining a company abroad requires specific human skills (linguistic capacities, knowledge of international markets), as well as structuring the company’s organisation.

**PRODUCTION**
- Is the production tool capable of adapting the product to the country’s specificities if necessary?
- To what extent is the company able to increase its production volume to meet additional export demand?

**MARKETING AND COMMUNICATION**
- Have the company’s website and communication media (brochure, product labels, etc.) been translated?

**LOGISTICS**
- Does the company have sufficient storage capacities?
- Do the employees know the customs procedures and international transport conditions?

**FINANCE AND LEGAL MATTERS**
- Is the company able to issue invoices in a foreign language and receive international payments?
- Does it know the international legal and taxation rules?

Essential 2
a company "staffed" for international trade

Reviewing the company’s strengths and weaknesses is a prerequisite for lasting internationalisation. This process allows the manager to identify all the links in their company’s value chain that will be impacted by the international project. Following this diagnostic, they can choose the most suitable means of entering the market. If their company does not have the necessary skills in-house, this does not mean it cannot export. It would benefit from turning to external partners able to assist with the international processes. However, ultimately, in order to maintain a long-term presence abroad, a company must organise and structure itself, and train its employees in international trade.

David Sejourné, Founding Chairman, Management Europe (Business development solutions in the health and digital sectors)

What the expert thinks

It is important to include the whole company in the international project so that each person feels concerned. Ensuring good internal communication is vital for employees to understand their roles, as job descriptions may change when a company goes international.

Emmanuel Pasqualini, Chief Executive Officer, Secapem (Canon and missile shooting training solutions)

What business owners are saying
Essential 3

a competitive advantage abroad

A company seeking to enter a foreign market while having little knowledge of its consumption habits, distribution networks and culture will necessarily be less competitive than its local counterparts. To impose itself durably, it must have a comparative advantage that makes it more competitive than local competitors.

What business owners are saying

Our French "made in Grasse" know-how and luxury DNA meant that we internationalised very rapidly. Our motto is "Art & Perfume". Our olfactory signature has attracted our international customers' loyalty, both the packaging and content won them over. We were the first Western company to introduce the "Oud" scent in our perfumes and to decorate our bottles with Swarovski crystals.

Martine Micallef, Co-Founder, Micallef Parfum (High-end perfumery)

"A company sometimes has an advantage on its domestic market that it cannot immediately replicate abroad."

Why do certain companies succeed abroad while others fail? Economists have long pondered the question, and there is a clear consensus: there is something special about companies that internationalise. More specifically, they manage to compete with their local competitors (on the foreign market) despite suffering from increased transaction costs (business costs for exports or investment and coordination costs if setting up abroad). To compensate for this disadvantage, the company must therefore have a "special advantage" that sets it apart from its competitors, placing it virtually in a monopoly situation on a specific segment.

Although this special advantage may take several possible forms, its role is to increase the company’s productivity, as only a high productivity level enables companies to internationalise successfully. Economists calculate productivity in quite a complex manner, but the idea is simple: is the company over-performing compared to its competitors? Comparing the turnover/employee ratio is often a good approximation of this productivity.

Beware, however, because a company may have an advantage on its domestic market that it cannot immediately replicate abroad. So before going international, make sure you have an advantage compared to the other companies in the sector, identify it, and ask yourself how you will be able to replicate it abroad."
This advantage, which enables the company to shine in France, must be replicable abroad. For example, if a company’s strength lies in the quality of its after-sales service, it must be able to establish a more efficient support system than its competitors in the target country.

A strategic asset is a rare skill or resource, hard to imitate and difficult to replace or transfer.
Choosing a country

Whatever their sector and size, companies that maintain their presence abroad all share something in common: their internationalisation is the fruit of a long-term strategy established specially for each export market. The few tips below will help you ask yourself the right questions to prepare for your internationalisation.

1. Determine the objectives to be met

There is no favourable wind for the sailor who doesn’t know where to go

Seneca

Export countries are too often selected based on their market potential and demand dynamics. Regulatory accessibility and level of competition must also be taken into account. In some cases, it is best to choose a country where there is less competition, even if at first glance it seems harder to reach. First, establish a short list of target countries and travel there as often as possible to assess the feasibility of your project.

The proportion of turnover to be generated abroad, as well as the timing to reach an international profitability threshold, will help determine the strategic significance of a target market and the most suitable means of entry. Maintaining a long-term presence abroad is often very time-consuming. Do not get discouraged if return on investment takes longer than anticipated.

2. Identify the means to succeed

The means may be likened to a seed, the end to a tree

Gandhi

There are many possible ways in which to approach a foreign market (see focus on page 24). Choose how you enter a given market according to your experience of international trade, your budget and the target country’s strategic interest.

Determine the extent to which your company’s products and/or services need to be adapted according to the characteristics of the target market.

All of your company’s functions will be affected by its internationalisation. Ask yourself about the organisational impacts, and training and recruitment needs.

Do not hesitate to call on the members of your network and, more generally, on the companies, institutions, consulting firms… present in the target countries to ask for information, advice, contacts, etc.

Lots of funding and insurance policies exist to limit international development costs. Find out which funding and support systems your company is entitled to.
Exporting is not the only way to internationalise

For companies starting out on the international market, franchising, technology transfer and even importing can help them become familiar with foreign markets.

**Criteria to consider when deciding how to internationalise?**

- International experience
- The specific features of the target market
- The objectives on the market

**ADVANTAGES**

1. **EXPORT through an importer distributor**
   - Use an intermediary that buys and sells the goods produced by the exporting company under its own brand
   - Reduce market entry costs by entrusting the sale of products to an experienced distributor with its own customer base and knowledge of the market and which will manage pre- and after-sales services
   - Take advantage of your partner’s knowledge of the market and distribution network

2. **ESTABLISH YOURSELF by creating a joint venture**
   - Team up with a foreign partner and create a jointly-owned company, in which the French company may or not hold the majority share
   - Little control over sale prices and product margins
   - Partial information and difficult to exercise any control over the distributor’s activities
   - Learn little about the market

3. **ESTABLISH YOURSELF by creating a subsidiary ex nihilo**
   - Create a production or marketing entity independent of the parent company but subject to its strategic objectives
   - Control the full business process (sale price, distribution system, marketing and communication around the product, brand image)
   - Be close to your customers and better understand the type of demand
   - Do away with distributors and create your own business network by developing direct sales
   - Reduce transport costs and import taxes

4. **ESTABLISH YOURSELF through external growth**
   - Acquire a local company to market or manufacture on site the products designed by the French company
   - High structure development costs
   - Difficult to familiarise yourself with the market if the company has no international experience
   - Hard to identify and evaluate the target
   - Integrating foreign teams can be difficult due to cultural differences

**DISADVANTAGES**

- Difficult to find the right partner and reach an agreement when making decisions
- Be close to your customers and better understand the type of demand
- Do away with distributors and create your own business network by developing direct sales
- Reduce transport costs and import taxes
International Success

The Lab's 5 Tips for...
Tip no. 1
Adapt your products and/or services to the specific features of the target country

To multiply your chances of success abroad, it will probably be necessary to rethink part of the company’s business model and adapt the product or service sold, its price, marketing and even its distribution to local specificities.

RETHINKING YOUR PRODUCTS AND/OR SERVICES FOR THE INTERNATIONAL MARKET

1. Ensuring your product complies with regulatory standards.
Adapting your product to the constraints and requirements of foreign customers.

2. Setting a price in keeping with the competition and with local purchasing power.
Ensuring the export sale price will enable the company to make a profit and cover all its expenses.

3. Understanding the local distribution system and choosing the most suitable channel for the product (e-commerce, superstores, convenience stores, direct sale to customers, etc.).

4. Identifying the most commonly used communication channels and media (social networks, trade fairs, etc.) and adapting your communication accordingly.
Adapting the product’s marketing and packaging.
Cheese is one of the foods for which consumer trends vary the most from country to country. Yet Bel products are found on all continents. The group owes its success to its ability to adapt to local consumers’ tastes and habits. In the United States, The Laughing Cow is flavoured with cinnamon, in Vietnam it is prawn-flavoured, and in the Czech Republic sweet pepper-flavoured.

Beyond adapting their product, the group also rethinks their distribution and packaging. In the UK, where its Mini Babybel is the no. 1 snack cheese, Bel focuses on proximity distribution in for example convenience stores, which do a good takeaway business, selling individual Mini Babybel cheeses (as opposed to packets of several in other countries) to more effectively meet the expectations of English consumers.

In 2006, Walmart left South Korea having spent eight years in the country. The mistake Walmart made was to replicate exactly the same business model as that used in the United States. The company adopted the same strategy in South Korea, focusing on discount products and very large stores, whereas local demand attached more importance to service quality and small supermarkets. Moreover, the American giant had not adapted the shelf height in its aisles to the height of South Koreans, and sold vacuum-packed fish when local consumers are used to buying fresh fish in tanks.
When internationalising in a new country, you can capitalise on your previous international experiences. But beware of automatic reflexes.

At first, Echosens, which specialises in designing medical devices for detecting chronic liver diseases, did not have an international presence. Our internationalisation began with an occasional order from abroad, as is the case with many companies. Then we decided to structure our approach. We are now present in 70 countries, through 6 subsidiaries, and have over 40 distributors. In some countries we have chosen to maintain partnerships with local distributors, whereas in others we have created subsidiaries to sell directly to customers. As each market is different, you need to know how to adapt your marketing strategy to the local context.

Naturally, you learn from your international experiences. But you have to remain vigilant, because you tend to want to replicate on a new market an approach successful in another country. In reality, however, each country has its own specific features, which is what makes exporting so exciting.

At first, we called upon distributors to save money and because we had insufficient knowledge of the markets. However, we gradually wanted to have more control of the sales process on our strategic markets (United States, China, Western Europe, etc.), with sales subsidiaries in order to sell our products directly.

“"At first, we had only one sales subsidiary in China. However, the specific features of this market pushed us to manufacture on site. Our only assembly workshop set up abroad is located in Shenzhen, otherwise we manufacture and assemble all our products in Créteil, France.""

“The United States is the company’s first market. This is why we decided to create a dedicated sales force in this country, to reduce our dependence on distributors.”

“In Europe, we very quickly moved to direct sales as we had good knowledge of the market. Travelling is easy and marketing practices are homogeneous.”

“In Africa and the Middle East, as well as in certain Asian countries, we have to use intermediaries who know the local business culture.”

“"When internationalising in a new country, you can capitalise on your previous international experiences. But beware of automatic reflexes.""
Tip no. 2
Place digital marketing at the heart of your international strategy

Digital marketing is a good international development tool and creates new export opportunities for...

... recruiting local employees, conducting market research and broadening your network

Professional social networks offer reliable tools for recruiting both employees and potential business partners (prospects, customers, suppliers, distributors) abroad. They can also be used to monitor and gather information on specific markets (trade fairs, training seminars organised abroad). Which professional social network you choose will depend on your sector of activity (some networks are specialised, for example Rezofresh for fresh products) and the target county. Although some professional social networks benefit from an international presence (LinkedIn, Viadeo, Xing), each country also has its own professional social networks: Dajie in China, LinkedIn or FinRoad in the United States, Jobgo in Switzerland, etc.

CLOSE-UP ON MOCITY

The app launched by MOCI (the French international trade monitor) in 2015 aims to facilitate international business meetings. It is a social network that uses a geolocation system to help members get in touch according to their location and project.
conquering the fear of internationalisation

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the gefi platform (gestion électronique des formalités internationales, for the electronic management of international formalities), set up by the chambers of commerce and industry, makes it possible to manage the entry of certificates of origin electronically, obtain digital copies of these documents and easily transfer the required supporting documents to obtain compliance approvals for exports.

... communicating and enhancing the company's reputation

social networks can be used as a showcase for a company, they can help win a community's loyalty and increase visibility. identifying the decision-makers most able to promote your company's products can be crucial for a successful international digital communication strategy.

... facilitating administrative and customs formalities, and gathering information on a given market

gaining information on target countries is crucial to increase your chances of success abroad. many organisations (see page 15) provide business managers with practical guides and information to help them structure their approaches abroad.

close-up on arcancil paris

to sell its make-up products in china, arcancil paris concentrated on the social networks weibo (equivalent of twitter) and wechat (equivalent of facebook), publishing content (articles, photos) and make-up tutorials to rally a community. the company also set up a customer service on wechat and very quickly offered samples of its products to influential chinese bloggers.

close-up on the gefi platform

the gefi platform (gestion électronique des formalités internationales, for the electronic management of international formalities), set up by the chambers of commerce and industry, makes it possible to manage the entry of certificates of origin electronically, obtain digital copies of these documents and easily transfer the required supporting documents to obtain compliance approvals for exports.
Tip no. 3
Use e-export to take your first steps abroad

1. Sell online *via* the company’s website

SMEs with over 10 employees that sell online are 3.5 times more likely to export than other French SMEs\(^\text{(1)}\). Many companies decided to launch their internationalisation project after noting a real interest in their products abroad, following orders placed by foreign customers. However, e-export requires certain investments such as translating a website into several languages, setting up online payment systems in different currencies, establishing a logistics chain to ship products abroad, etc.

What business owners are saying

“Very quickly after creating Easyparapharmacie.com in 2007, we realised that English consumers were very interested in our products – they were very attracted to the *French beauty product* concept. So we created an English version of the site on which our customers could pay in sterling. Our website lists over 600 brands that we ship from our warehouse in Carros (Alpes-Maritimes). In 2017, we plan to develop in Spain and Italy using the same processes.”

Gaëlle Dauger,
E-commerce director,
Easyparapharmacie.com
(Online sale of discount pharmaceutical products)

2. E-internationalisation via international e-marketplaces

To sell their products abroad, French SMEs and ETIs can take advantage of the attraction power of large international marketplaces such as e-Bay, Amazon, Alibaba and T-mall Global (China), or Jumia (Africa). This solution enables companies based only in France to boost their visibility and access more customers. However, as competition on these global non-specialist platforms is intensive, companies wishing to reach a specific consumer segment would be wise to also offer their products on smaller and more specialised marketplaces.

What business owners are saying

"In China, we sell our products on the e-commerce platform Alibaba. We have created a storefront that lists our products and are ranked in the premium category, thanks to our "made in France" positioning. During the Singles' Day in 2016 (the equivalent of Black Friday in the United States), we registered a record number of orders that exceeded our expectations. This is what decided us to take things up a gear in China. Our future industrial investments will help us better meet the needs of Asian markets, which are growth drivers for the company."

Antoine Ioannides, Chief Executive Officer, Duralex International (Manufacturer of glassware and tableware in tempered glass)
Tip no. 4
Use your network to grow abroad

By joining forces, we become bigger, more visible and more credible. This is the solution to win contracts.

When Socomore started its internationalisation almost 20 years ago, we were too small to benefit from enough visibility on foreign markets. Because there is strength in numbers, I contacted other companies specialised in the aeronautics industry to suggest that we create the Aerochemicals alliance. Some offered services that complemented our own activities, others were competitors. What mattered was that we shared the same objective, i.e. to help each other develop internationally, even among competitors, because 2 companies competing at 20% have a cooperation potential of 80%.

We now count over a dozen members throughout the world and all share the same objectives: build partnerships to promote the transfer of knowledge, reduce the cost of setting up abroad and increase the international reputation of our alliance and of each of its members.

Our partnership is based on a principle of mutual assistance, networking and information sharing. By teaming up with companies designing complementary products, we are instantly appear as locals and can pool production tools. For example, in 2015 we teamed up with 2 other company members of our alliance to create synergies and try to conquer the Indian market. Today, thanks to this alliance, we are present and credible on this market.
On the international scene, it is best to work together. There are multiple partnership and alliance possibilities between SMEs, and between large groups and SMEs.

**GROUPS OF EXPORTERS**
make it possible to pool business information on the markets researched and increase negotiating power with transport service providers.

**PART-TIME VOLUNTEERS FOR INTERNATIONAL EXPERIENCE**
help reduce costs and develop your network by working with other companies.

**INTERNATIONAL COWORKING**
enables companies that do not have premises abroad to benefit from a work space.

**UMBRELLA COMPANIES OR MENTORING OF SMALL BUSINESSES BY LARGE GROUPS**
is a solution for SMEs wanting to benefit from local infrastructures and networking with reliable partners.

**SMES CAN ALSO RELY ON THE DISTRIBUTION NETWORK OF KEY ACCOUNTS**
to sell their products abroad. For example, the Gourming marketplace (Le Duff group) enables small companies in the catering sector that do not have access to international markets to list their products on the marketplace and ensure quality control and shipment to the group’s wholesale distributors throughout the world.
Tip no. 5
Never underestimate cultural differences

The ability to understand cultural differences and to adapt to them is key in building lasting business relations and managing an international team efficiently. Geert Hofstede, a Dutch social psychologist and anthropologist, points out several aspects that differ from one culture to another:

- **RELATIONS WITH OTHER PEOPLE** (individualistic vs collective)
- **THE IMPORTANCE OF HIERARCHY** (egalitarian vs hierarchical society)
- **ATTITUDE TOWARDS UNCERTAINTY** (low vs high risk aversion)
- **GENDER DISTINCTIONS** (certain cultures are more conservative regarding the stereotypical values associated with men and women)
- **APPROACH TO TIME** (short-term horizon vs long-term projection)
These cultural differences are too often underestimated and lead to misunderstandings.

However, in order to negotiate and manage brilliantly abroad, a business manager must adapt their methods in terms of...

**Approaches to authority** differ depending on the culture and relations between managers and employees can be more or less formal. Compared to the French, Chinese people are used to a very hierarchical management system, where the authority of the boss is never questioned. They rarely challenge any order given but take fewer initiatives.

The Chinese prefer implicit communication. They express themselves through implied meanings that must be interpreted. For example, if they do not know the answer to a question, or disapprove of a proposal, they do not say "no" as this means they are losing face. They let it be known subtly, by means of a metaphor or comparison, which their interlocutor must interpret.

In certain cultures, like in France or Germany, managers are more direct with their feedback. In the United States, managers will first seek to point out several of an employee's achievements before expressing any criticism, to the extent that the message may not always be perfectly understood.

In Japan, as in Germany, an activity is planned by establishing a precise schedule. Compliance with deadlines is key in business relations. On this point, the Chinese are more flexible, a bit like the French, and prefer flexibility.

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To convince someone, the Germans and French favour a deductive demonstration: they begin by explaining their methodology and reasoning before presenting their conclusions. In Anglo-Saxon cultures, argumentation is inductive and begins with conclusions.

Belonging to a group and collective interest are very important in China, so trusting relations in the professional world are based more often on friendship and personal knowledge of the other person. In the United States, employees must first prove themselves professionally.

In Mexico or China, expressing a disagreement openly is not considered constructive but a professional faux-pas. In Western culture, comparing points of view is considered creative and a vector for improvement.

Although respect for hierarchy is very important for the Japanese, they are careful not to impose unilateral decisions and prefer consensus.

Key international strategy figures for SMEs funded by Bpifrance

The study led in March 2017 of the Bpifrance SME Equity Capital portfolio reveals that 60% of companies that have received funding are present abroad. Their managers are clear about the opportunities that come with internationalisation (95% wish to step up their presence abroad in the very short term), but mention certain difficulties encountered in their internationalisation processes.

What are the main obstacles encountered abroad?

The cost of having an international presence is a major obstacle to a company’s development abroad. Funding needs expressed concern:

1. Market research expenses
2. Covering risks abroad
3. Creating international subsidiaries (through acquisitions or organic growth)

To relax the financial constraint put on SMEs and ETIs, Bpifrance offers a funding continuum at each key stage of international development (market research, funding of sales, securing the project, etc.).

SMEs mention several difficulties linked with:

- understanding the local legal and regulatory environment;
- knowing the country and its market (business opportunities, competition, etc.);
- making contact with local partners (French SMEs established abroad, large groups, etc.);
- establishing a distribution strategy (identifying main networks/partners);
- the language barrier;
- recruitment and the local labour market.

To meet these internationalisation support needs, Bpifrance offers several services:

- organising exploration and market research missions in partnership with Business France;
- setting up thematic workshops according to identified obstacles;
- creating networks of companies operating in the same market research or development areas to exchange good practices and local contacts;
- organising country-specific training sessions and meetings with experts, etc.
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