Don't just pine for economic recovery! Roll up your sleeves!

Despite its electoral promises, France's new left-wing government is unlikely to have much leeway for spending the country's way out of its economic doldrums. Instead, what France needs is a dose of more positive thinking at every level of society, according to French business consultant Emmanuel Bonnet.

"What's missing in France is confidence. We have to be more self-confident, and more responsible for our own development." That's the message from Emmanuel Bonnet, a bearded French business consultant who has spent much of the past 30 years weighing his country's commercial performance against that of neighbouring Germany.

He addresses it to business leaders and France's network of small and medium-sized companies but also to every French citizen. Rather than counting on the government to spend taxpayers' money on growth-enhancing nostrums, he says, "it's really the job of each employee to think, to be positive and to look to the future with hope. If we achieve this, 50 percent of the success is already there."

At a time when the hopes of many French citizens have been raised by the election of a Socialist government promising bold new policies to promote growth in place of austerity, his prescription may sound simplistic. With unemployment close to 10 percent and a public sector deficit heading towards 5 percent of gross domestic product in 2012, France is teetering on the brink of a return to recession. In a country where the state traditionally has been a dominant force in economic affairs, many citizens naturally wait for the government to take the lead.

Grassroots experience

But Bonnet, an earnest 52-year-old graduate of France's prestigious HEC Paris business school is not one of them. Through years of grassroots experience working for both French and German companies, he has forged clear ideas of what the differences between the two countries' approach to business mean for each country's economy.

While French firms look to the state for leadership, German manufacturers are more ready to take their future into their own hands, he says. In 2010, after a career that had taken him from French consumer electronics to German power tools and ultimately the chairmanship of the French subsidiary of a German producer of kitchen equipment, he turned this insight to his own advantage by setting up a consultancy in Strasbourg, capital of the French region of Alsace just across from Germany on the other side of the Rhine.

His clients are small and medium-sized enterprises from both sides of Franco-German frontier, looking to expand in France. Drawing on his own experience, he teaches them the virtues of efficient product planning and client development. But the essence of his message is to explain that small and medium-sized French enterprises, known as PMEs, for petites et moyennes entreprises, should strive to become more German.

Differences in vision

Despite their apparent similarities, he says French PMEs and German Mittelstand companies are "not similar at all". There are differences in size: "A Mittelstand company will have between 250 and 500 people, and the PME in France will have on average seven times less," he observes. More fundamentally, however, there are differences in vision.

A Mittelstand company will consider it a weakness to have less than half of its turnover outside Germany, says Bonnet, while for a French PME "if you have more than 10 percent, it's huge." Above all, he points out, the typical Mittelstand company is specialised in terms of its products and "basically growth-oriented", meaning that "they think about growth [and] create the environment for growth."

In comparison, a typical French PME is generally both less specialised and less committed to growth. "It will try to maintain [its size] or expand a bit, but it will not have this strong [commitment] to growth each year."

As politicians on both sides of the Franco-German frontier rack their brains for ways to revive their flagging economies, it is differences such as these, rather than ambitious new measures to stimulate economic growth, that will define each country's prospects, Bonnet believes.

Grasping the nettle

In France, he acknowledges, newly-elected President François Hollande has raised hopes for more active growth policies to stimulate consumption, investment and employment. But France "has a lot of debts", Bonnet points out, and its scope for massive public spending on roads and other growth-enhancing initiatives will be "very tiny".

"I think President Hollande will have a lot of difficulties to apply his policies. He will play for a few weeks with new ideas … and it will be good for the morale of the French citizen. But apart from this emotional feeling, I don't think President Hollande will have a lot of time and a lot of money to deeply change French policy," he told INSEAD Knowledge.

Instead, Bonnet would like France's new government to tackle administrative and regulatory hurdles standing in the way of economic growth.

One obvious target would be French employment laws that discourage job creation by making it hard for companies to shed unneeded employees when times turn grim. "Companies would hire more readily if they could also dismiss people more easily," he says.

Successive French governments have failed to grasp this nettle, however, and a Socialist government under Mr. Hollande seems unlikely to do so now. On the contrary, Labour Minister Michel Sapin has spoken out in favour of making dismissals for economic reasons even costlier than they are now.

Across the Rhine, by contrast, Bonnet is confident that German businesses will continue to prosper. "German companies will still grow, because they are specialised, because they have good procedures, and because you cannot replace them by some other company elsewhere in the world," he says.

Find article at
https://knowledge.insead.edu/economics-finance/dont-just-pine-for-economic-recovery-roll-up-your-sleeves-549