

# MEDIUM-SIZED ENTERPRISES IN FRANCE

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# OUTLINES

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1. *EconomiX*  
CNRS UMR 7235 – Université de Paris Ouest Nanterre La Défense

2. Key figures on Small and Medium-Sized Enterprises (SMEs) in France
3. Medium-Sized Enterprises (MSEs) in France
4. The impact of the crisis

# 1. *EconomiX*

CNRS UMR 7235 – Université de Paris Ouest Nanterre La Défense

## 1. Legal structure

- ***EconomiX*** is a research center in economics operated by the **CNRS** (National Centre for Scientific Research) and the **University of Paris Ouest Nanterre La Défense**.

## 2. Organisational Set-up

- It combines theoretical and applied research in various fields of economics.
- Research activities at *EconomiX* are structured around six complementary axes:
  - Law, Institutions and Regulation
  - Sustainable Development, Environment and Public Policy
  - International Macroeconomics and Financial Econometrics
  - Money, Finance and Intermediation
  - Theory, History, Risk and Strategic Interaction
  - Firms, Inequalities and Social Policies

- Main Research Fields in Entrepreneurship
  - Compilation and analysis of large datasets
  - Analysis of SMEs growth path
  - Study of failure and insolvency
  - Evaluation of public policies
- Key references:
  - Andrea Bassanini, Thomas Breda, Antoine Reberlioux and Eve Caroli (2013) Working in family firms: paid less but more secure? Evidence from French matched employer-employee data, **Industrial and Labor Relations Review**, 2013
  - Françoise Hay, Christian Milelli and Yunnan Shi (2011) **The Impact of the Global Financial Crisis on the Presence of Chinese and Indian Firms in Europe**, *Sussex Academic Press*
  - Nadine Levratto (Ed.) (2011) **La défaillance des entreprises. Étude sur données françaises entre 2000 et 2010**, *La Documentation Française*
  - Nadine Levratto, Evelyne Serverin (2013) Become independant! The paradoxical constraints of France's 'Auto-Entrepreneur' Regime, **Journal of Small Business Management**.
  - Nadine Levratto and Bernard Paranke (2011) Informational intermediation, a tool to assess SMEs' ability to access financing, **Euromed Journal of Business**.

# OUTLINES

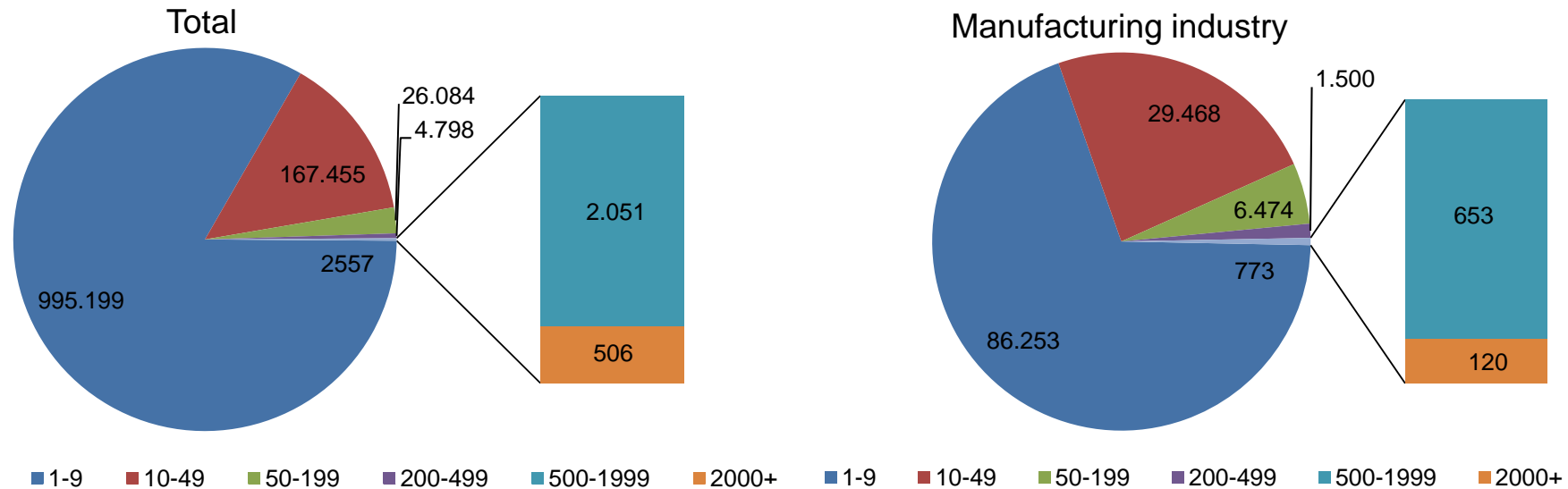
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1.   
CHRS UMR 7225 – Université de Paris Ouest Nanterre La Défense
2. Key figures on Small and Medium-Sized Enterprises (SMEs) in France
3. Medium-Sized Enterprises (MSEs) in France
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## 2. SMEs in France – Legal units

More than 3,1 million of companies registered by the National institute of statistics (INSEE) : 99,8 % are SMEs

Number of employees according to the class size

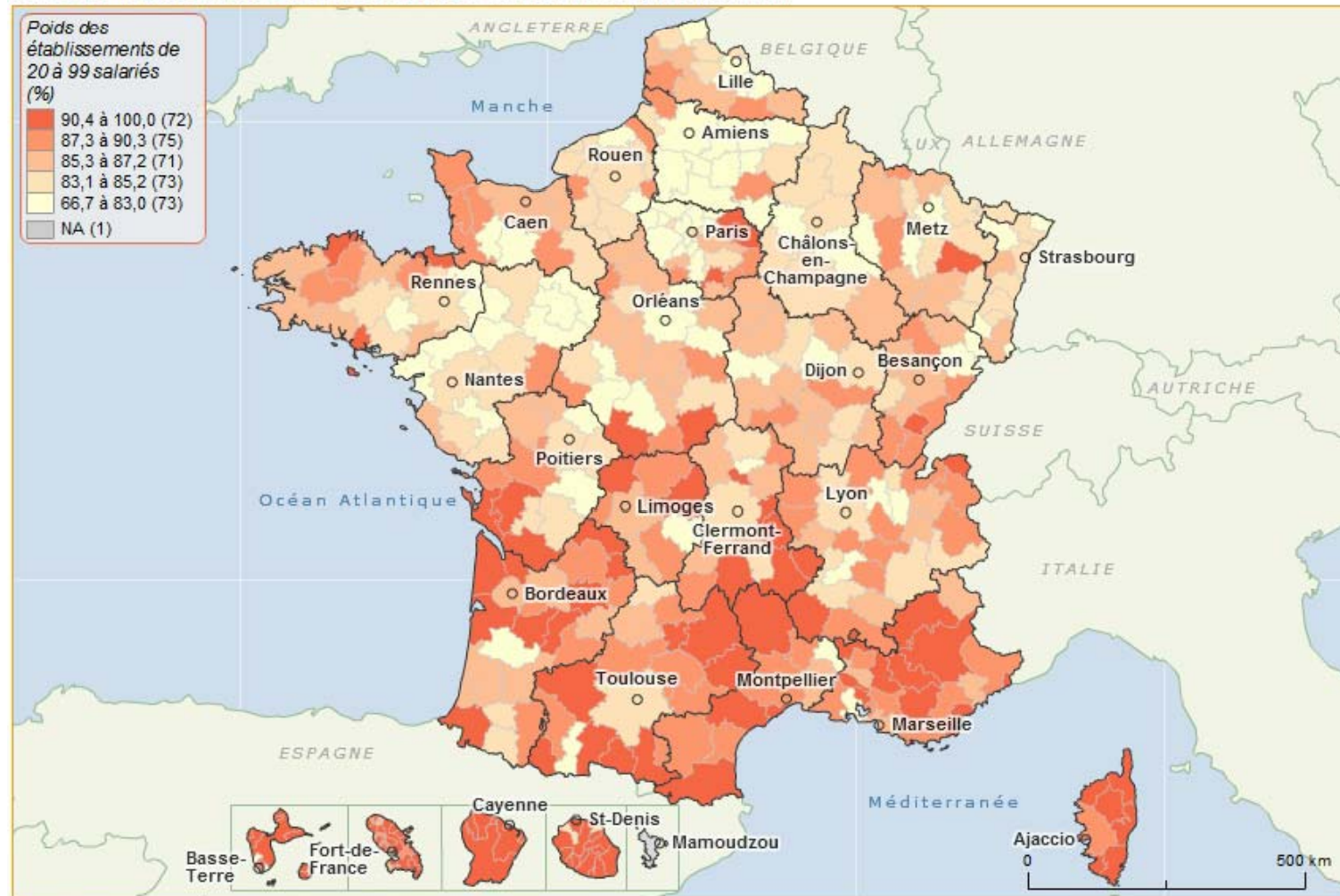


Source : INSEE, Sirene-REE

- But these figures do not take into account the financial linkages between the legal entities → reform in 2008

## 2. SMEs in France – Location of legal units

Poids des établissements de 20 à 99 salariés - source : INSEE (SIRENE), 2007



© Datar 2012 - IGN GéoFla - France par zone d'emploi 1990

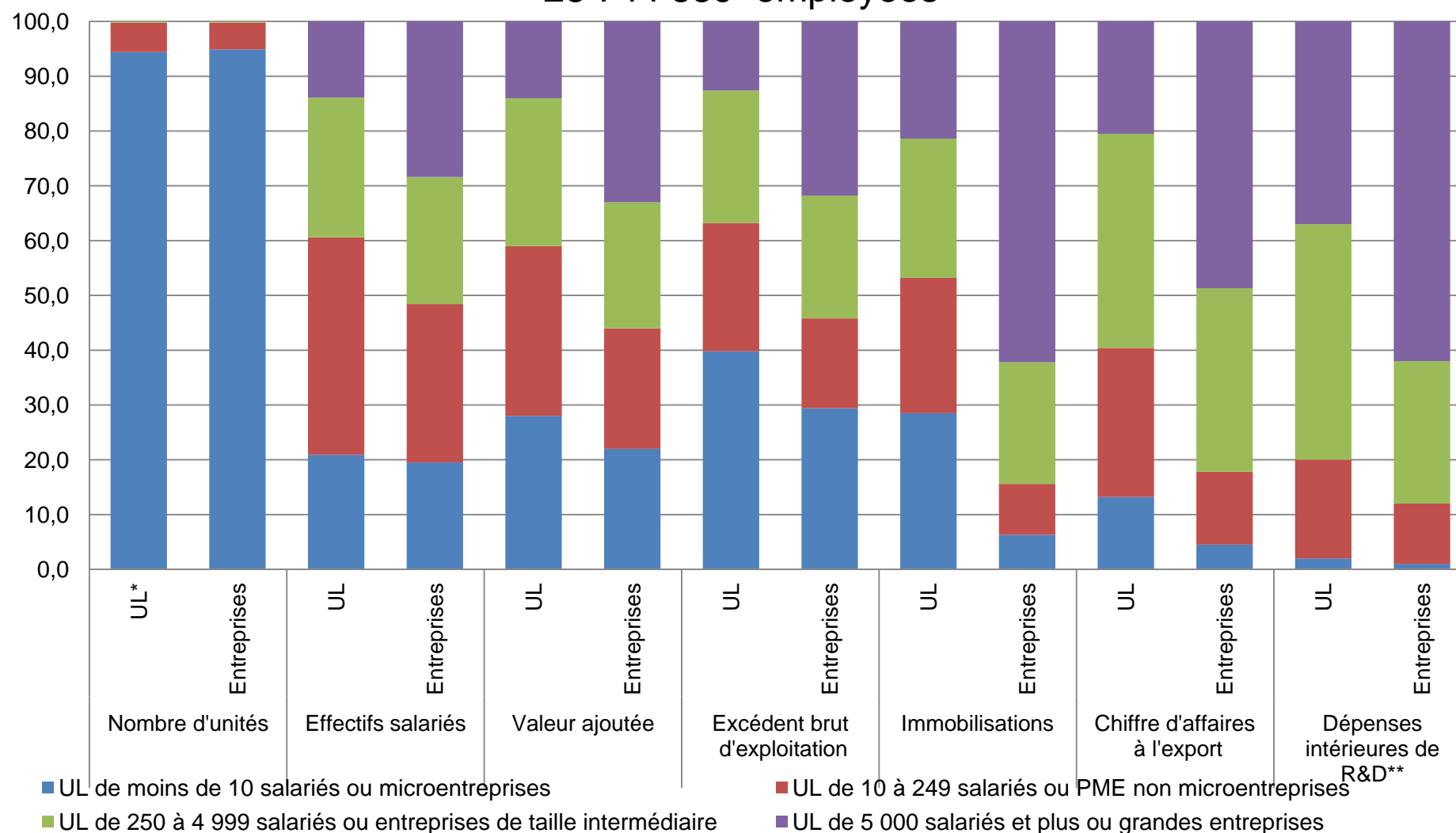
## 2. SMEs in France – The new definition

- Decree for the Economic Modernisation Act published in 20 December 2008 defines the statistical notion of an enterprise.
- 4 criteria:
  - employees,
  - turnover,
  - total assets of the legal units and
  - the financial links between them
- Size categories:
  - SMEs: fewer than 250 employees, with turnover of less than EUR 50 million or total assets less than EUR 43 million.
  - Mid-tier enterprises (MTEs): enterprises that are not in the small and medium-sized enterprise category, that have fewer than 5,000 employees, turnover of less than EUR 1.5 billion or total assets of less than EUR 2 billion
  - Large enterprises: all other enterprises



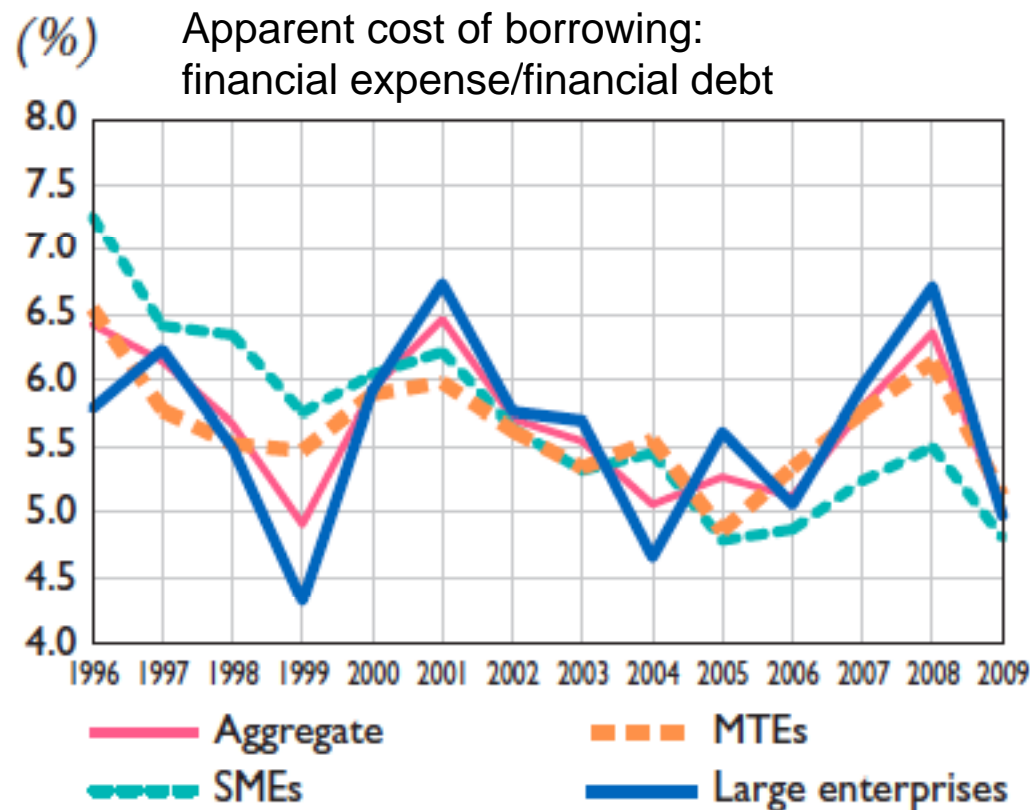
## 2. SMEs in France - Comparison of the contribution of the legal entities and enterprises in 2009

23 744 839 employees



Source : INSEE, Sirene-REE

## 2. SMEs in France – Cost of credit

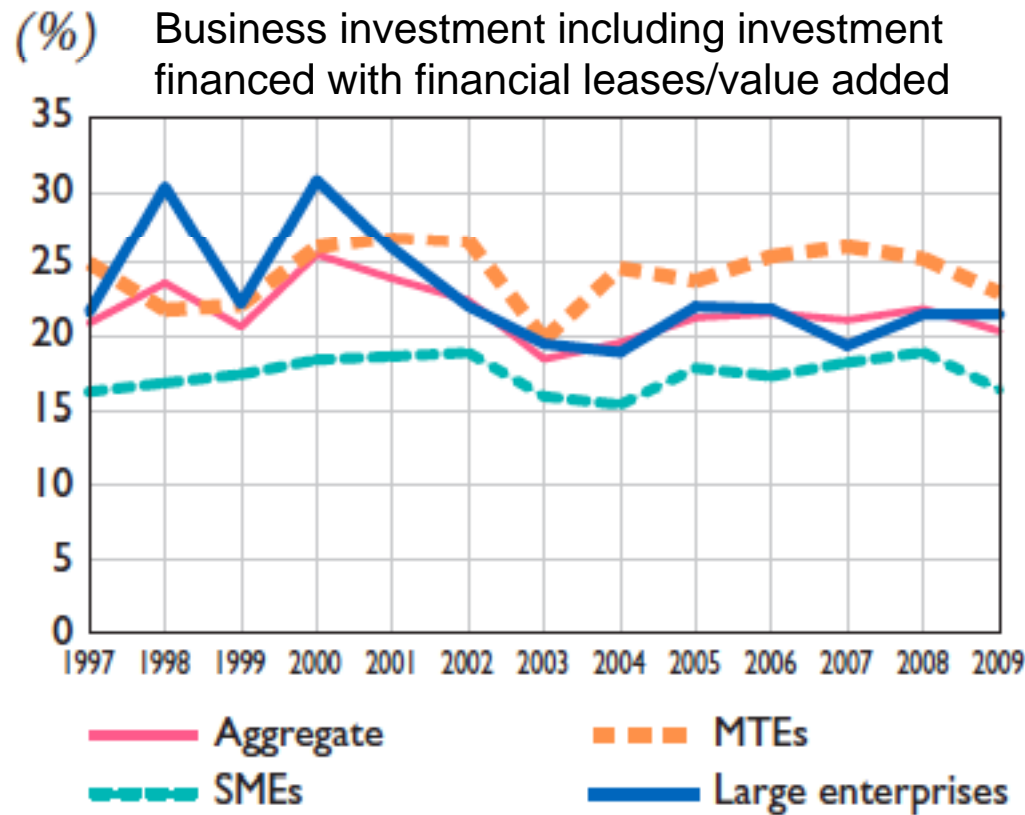


Scope: Non-financial enterprises, as defined by the Economic Modernisation Act.

Source: Companies Directorate – FIBEN database, data available at the beginning of November 2010

Sale and repair of automobiles, Information and communication and, to a lesser extent, Manufacturing experienced the major decrease in apparent cost of borrowing

## 2. SMEs in France – Rate of investment



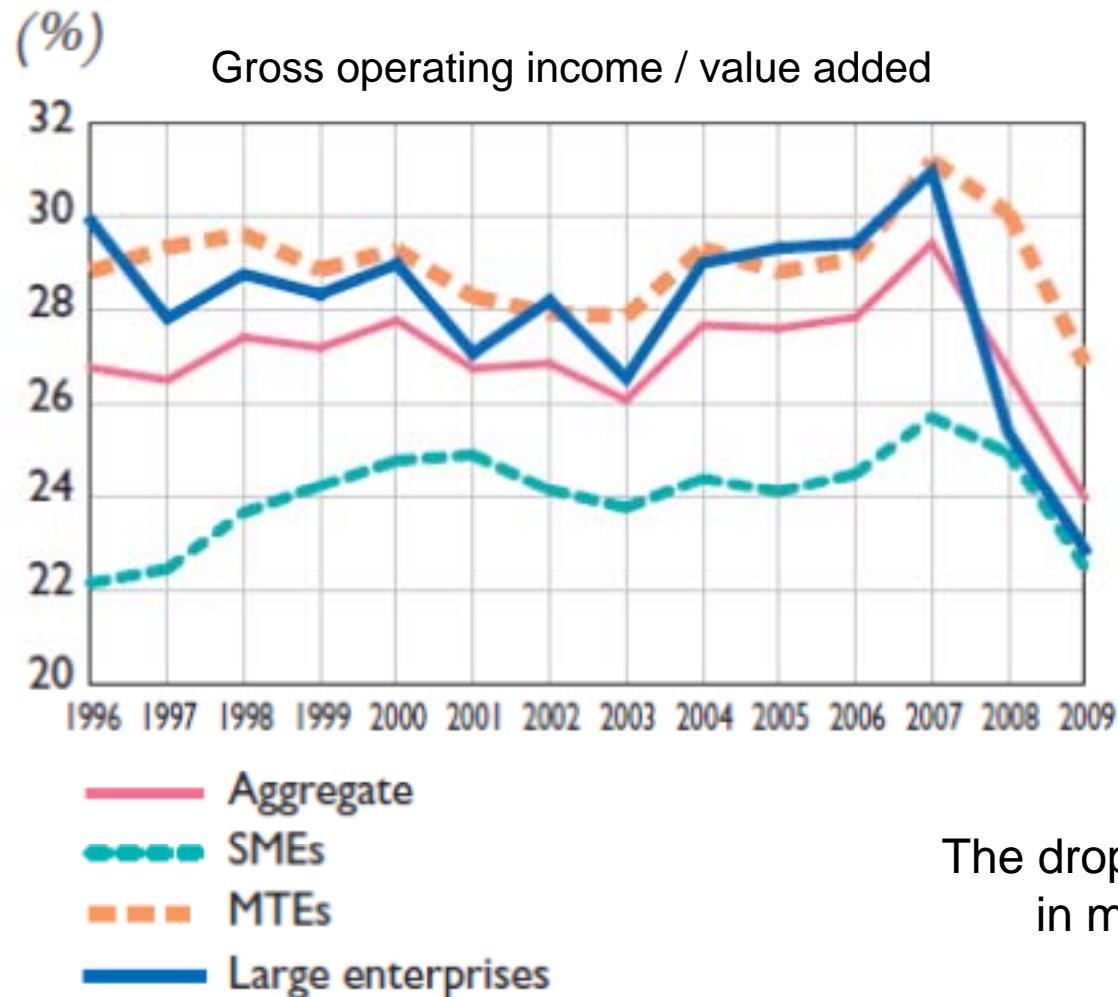
Scope: Non-financial enterprises, as defined by the Economic Modernisation Act.

Source: Companies Directorate – FIBEN database, data available at the beginning of November 2010

Decrease of the investment rate shed : 1.7 points in 2009.

- Energy, water and waste.
- more volatile for large enterprises and mid-tier enterprises.

## 2. SMEs in France – Profit margin

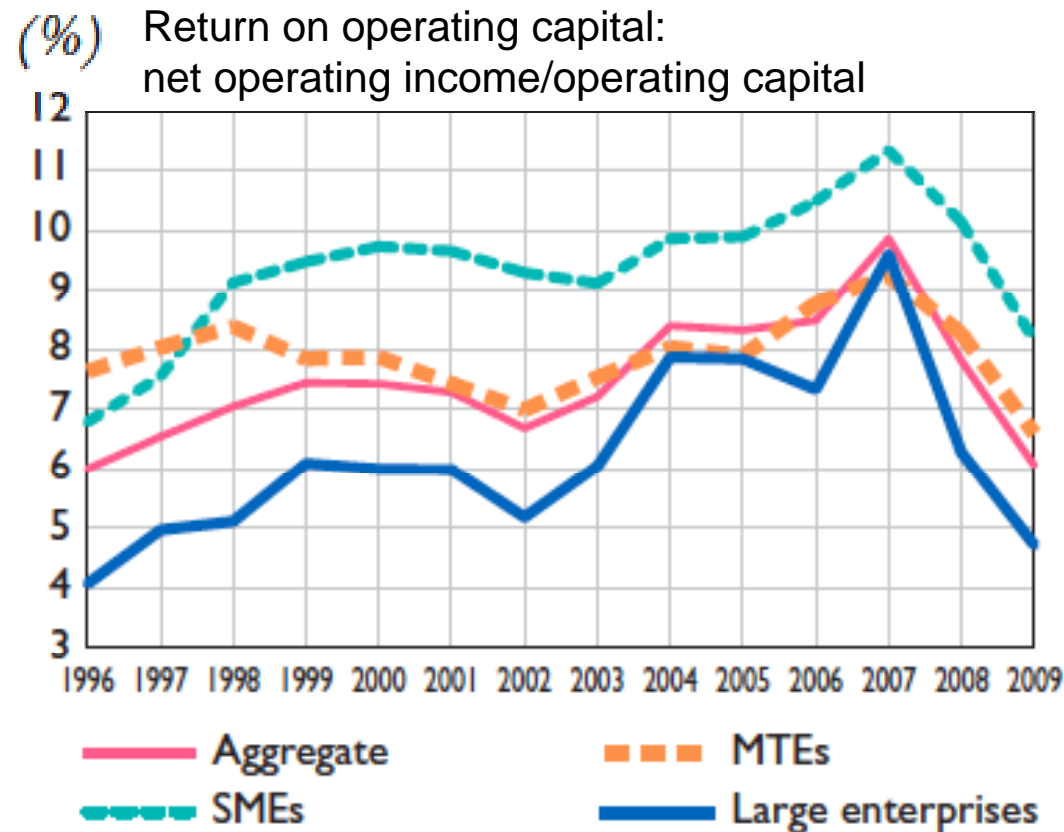


The drop was the sharpest  
in manufacturing.

Scope: Non-financial enterprises, as defined by the Economic Modernisation Act.

Source: Companies Directorate – FIBEN database, data available at the beginning of November 2010

## 2. SMEs in France – Profitability




Scope: Non-financial enterprises, as defined by the Economic Modernisation Act.

Source: Companies Directorate – FIBEN database, data available at the beginning of November 2010

Manufacturing, construction, transport and business services posted the biggest falls in 2009

# OUTLINES

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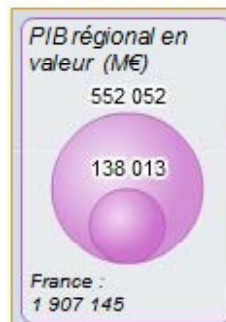
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### 3. MSEs in France - Definition

- Criteria :
  - Located in France
  - Operating in all market sectors of industry, construction, commerce and services
  - no less than 50 and no more than 499 employees
  - annual sales in the range between euro 15 and euro 330 million
  - Independent → companies affiliated to larger concerns or controlled by MSEs whose head quarters are located outside from France are excluded from the sample
- Sample :
  - 2,609 companies comply with the quantitative criteria in terms of employees and sales
  - 1,059 independent companies i.e :
    - controlled by individuals;
    - controlled by a holding company controlled by individuals;
    - controlled by a small or medium enterprise so that their consolidated figures meet the MSE parameters;
    - controlled by a fund (private equity, venture, other);
    - owned by several MSEs without being controlled by any of them

### 3. MSEs in France – Macro areas

Key figures in 2009



**Ile-de-France**  
 GDP : 552 052  
 Pop. : M. 11.746  
 No. of enterprises: 662,674  
 No. of SMEs\* : 54,911

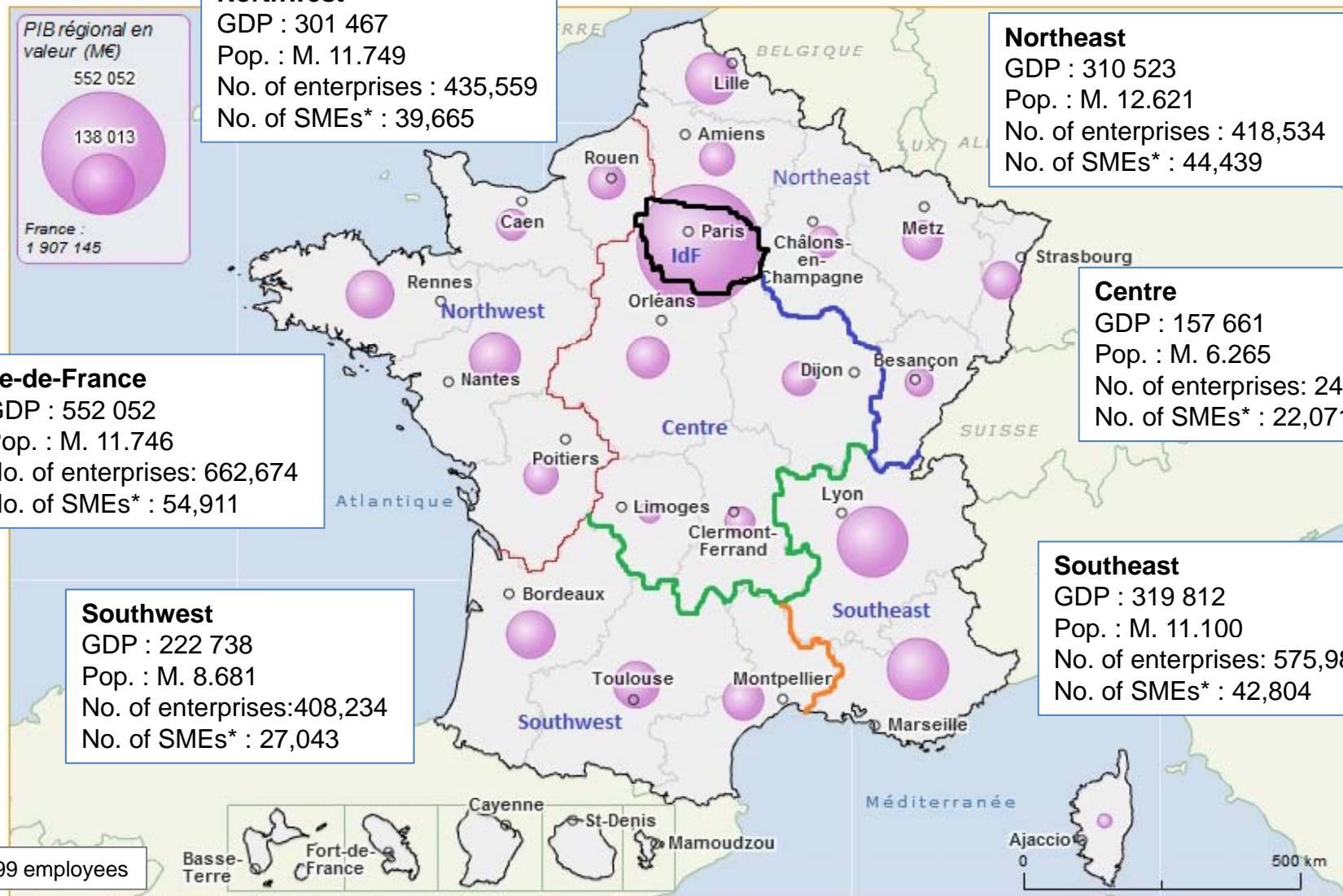
**Northwest**  
 GDP : 301 467  
 Pop. : M. 11.749  
 No. of enterprises : 435,559  
 No. of SMEs\* : 39,665

**Northeast**  
 GDP : 310 523  
 Pop. : M. 12.621  
 No. of enterprises : 418,534  
 No. of SMEs\* : 44,439

**Centre**  
 GDP : 157 661  
 Pop. : M. 6.265  
 No. of enterprises: 247,183  
 No. of SMEs\* : 22,071

**Southwest**  
 GDP : 222 738  
 Pop. : M. 8.681  
 No. of enterprises: 408,234  
 No. of SMEs\* : 27,043

**Southeast**  
 GDP : 319 812  
 Pop. : M. 11.100  
 No. of enterprises: 575,981  
 No. of SMEs\* : 42,804



\* 10-499 employees



### 3. MSEs in France – Location



#### Number of firms

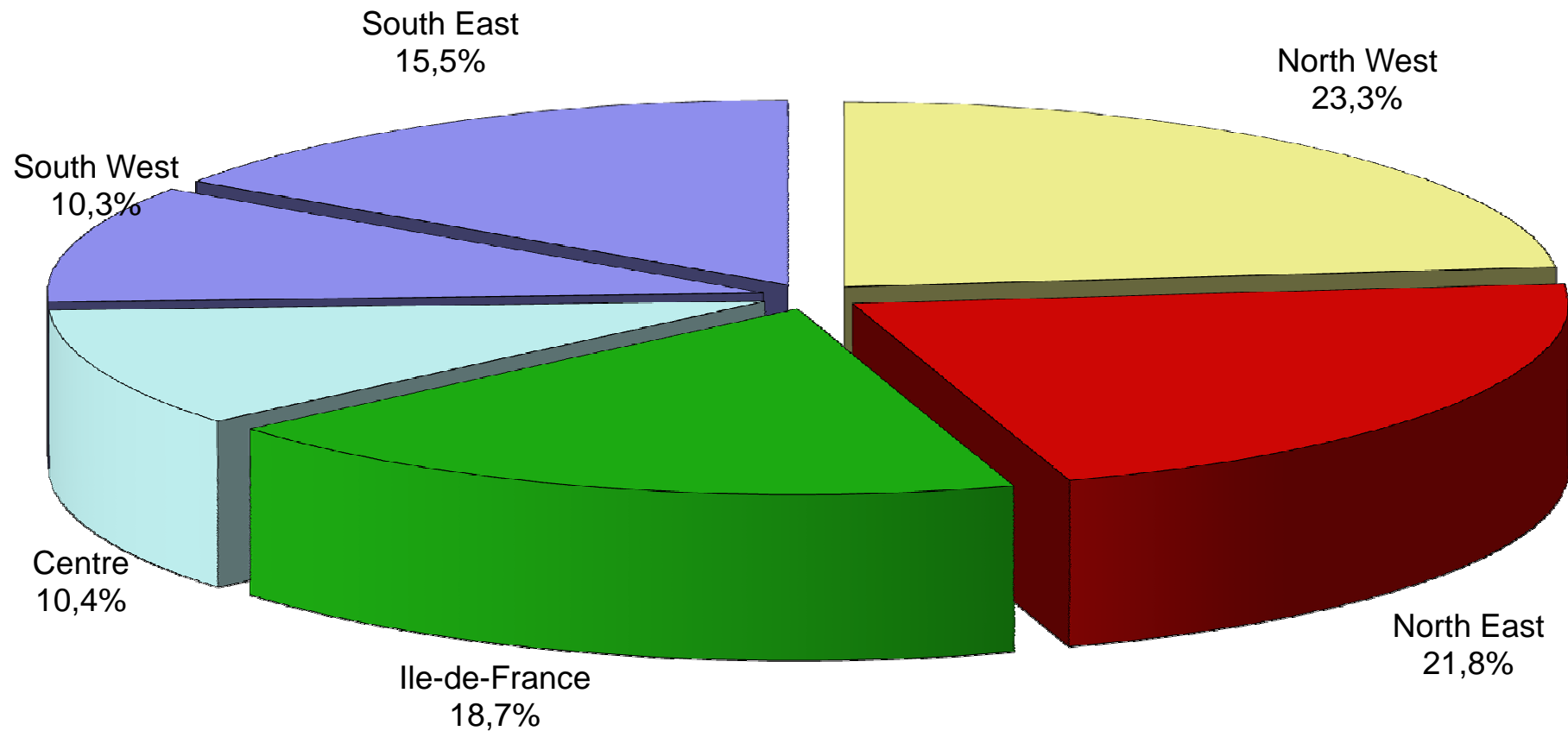
Northwest	267
Northeast	231
Île-de-France	152
Centre	120
Southwest	116
Southeast	173
<b>Total</b>	<b>1 059</b>

#### Number of employees

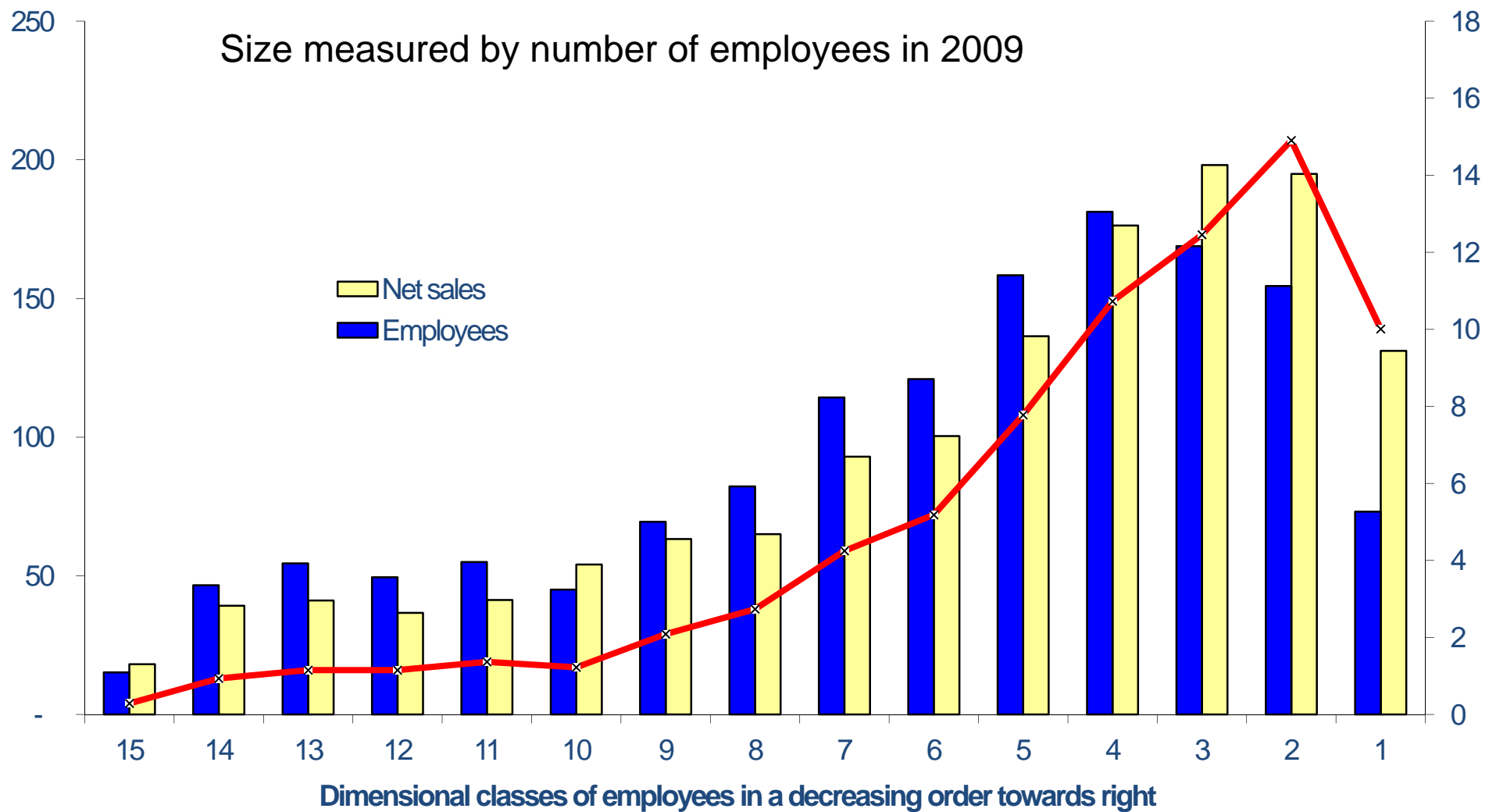
Northwest	44 833
Northeast	39 458
Île-de-France	26 821
Centre	18 156
Southwest	18 817
Southeast	27 170
<b>Total</b>	<b>175 255</b>

### 3. MSEs in France – An uneven local activity

Breakdown of French MSEs' value added in 2009



### 3. MSEs in France - Distribution by size



Number of companies (left axis); annual sales and employees (% of total, right axis)

### 3. MSEs in France – Sales by economic sectors

	Total net sales (% of total)
<b>Food and drinks</b>	<b>30,2</b>
<b>Mechanical engineering</b>	<b>29,2</b>
<b>Personal and household goods</b>	<b>10,5</b>
<b>Other manufacturing Industries</b>	<b>30,1</b>
- <i>Chemicals and phamaceuticals</i>	<i>16,4</i>
- <i>Manufacturing of metals</i>	<i>3,0</i>
- <i>Paper, printing and publishing</i>	<i>8,0</i>
- <i>Other</i>	<i>2,7</i>
<b>Total</b>	<b>100,0</b>

### 3. MSEs in France – Technology intensity

MSEs grouped by intensity of technology based on 2009 net sales  
(OECD method)

	Net Sales % of total	Net VA per employee (Eur '000)
High technology	8,1	60,5
Medium-high technology	19,6	57,0
Low-medium technology	25,6	46,4
Low technology	46,7	52,1
<b>Total</b>	<b>100,0</b>	<b>52,1</b>

Source: compiled based on OCSE classification  
(ISIC rev.3 - Technology Intensity Definition - OECD, online document  
<http://www.oecd.org/dataoecd/43/41/48350231.pdf>).

### 3. MSEs in France – Key operating ratios

Net value added and labour cost per employee breakdown by business sectors  
(Eur '000, 2009)

	Net VA per employee	Labour cost per employee	Capital invested per employee
Paper, printing and publishing	63,5	54,7	116,3
Chemicals and pharmaceuticals	56,0	44,9	102,5
Mechanical engineering	51,7	44,9	70,1
Food and drinks	50,7	38,9	156,7
Personal and household goods	48,7	40,1	107,3
Manufacturing of metals	38,4	39,5	127,1
Other	48,8	42,0	73,7
<b>Total</b>	<b>52,1</b>	<b>43,6</b>	<b>103,4</b>

### 3. MSEs in France – Investment

Capital invested: composition and coverage (2009)

% of tangible capital invested	
Short-term borrowings	13,4
Medium- and long-term borrowings	20,4
Tangible net equity	66,2
<b>Total</b>	<b>100,0</b>
<i>Represented by:</i>	
Fixed assets	45,1
Working assets	37,6
Cash and marketable securities	17,3
Medium- and long-term borrowings + net equity as % of tangible capital invested	86,6
Medium- and long-term borrowings as % of borrowings	60,4
Working assets + Cash and marketable securities - short-term borrowings as % of tangible capital invested	41,6

### 3. MSEs in France – Performance

Relationship between performance and size of firms for 3 classes of size (2009)

Class of employees	Net VA per employee Eur '000	Labour cost/ VA %	GOM/VA %	NOM/VA %	VA/CI %	ROI %
50-99	62,1	67,1	32,9	22,9	50,8	13,0
100-249	52,1	75,5	24,5	15,8	51,6	10,5
250-499	48,5	81,0	19,0	9,3	67,6	8,9

NOM = Net operating margin;

VA = Value added;

ROI = Return on investment =  $[(\text{NOM} + \text{I}) / \text{CI}]$ ;

I = Interest income;

CI = Capital invested;

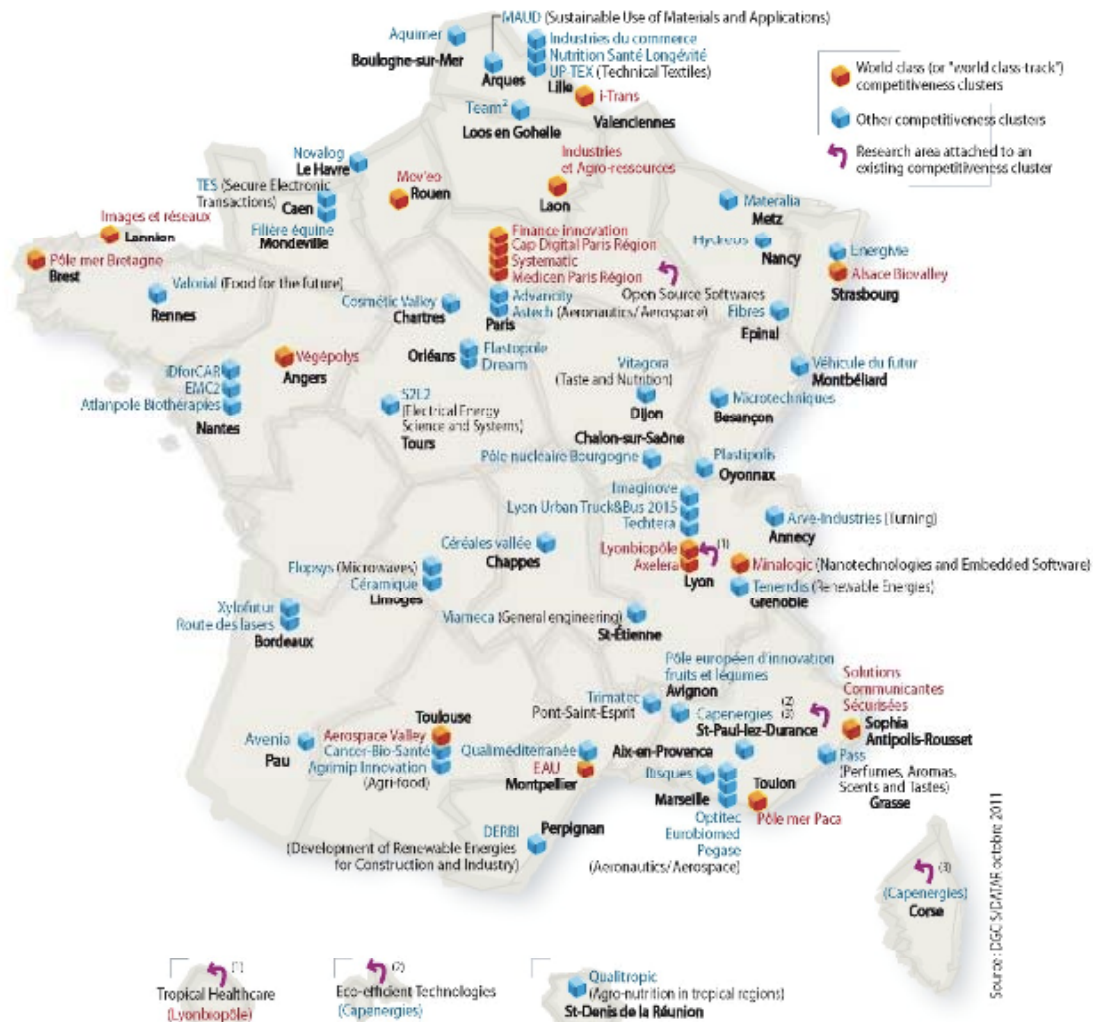
GOM = Gross operating margin



### 3. MSEs in France – Profitability

Profitability indicators by geographical area and business sector in 2009

	NOM/VA %	VA/CI %	ROI %
North West	15,4	63,3	11,1
North East	13,0	44,5	7,4
Ile-de-France	16,2	53,9	13,1
Centre	17,0	67,5	13,2
South West	15,7	59,7	10,9
South East	13,2	57,3	10,1
<b>Total</b>	<b>14,9</b>	<b>55,5</b>	<b>10,5</b>



**Definition :** A competitiveness cluster brings together large and small firms, research laboratories and educational establishments, all working together in a specific region to develop synergies and cooperative efforts.

« The goal of competitiveness clusters is to build on synergies and innovative, collaborative projects in order to give partner firms the chance to become first in their fields, both in France and abroad. »  
(French Ministry of Economy)

### 3. MSEs in France - Location

	Firms in clusters areas	Firms in others areas
North West	153	114
North East	153	78
Ile-de-France	140	12
Centre	43	77
South West	68	48
South East	136	37
Total	693	366

### 3. MSEs in France – Differences according to location

Average size of MSEs in competitiveness clusters areas (2009)

	Firms in clusters areas	Firms in others areas	All MSEs
Number of firms	693	366	1059
Average size of firms by:			
Capital invested (€m)	18,9	13,7	17,1
Net sales (€m)	37,7	32,5	35,9
Value addedd (€m)	10,0	8,5	9,5
Employees (number)	170	157	165

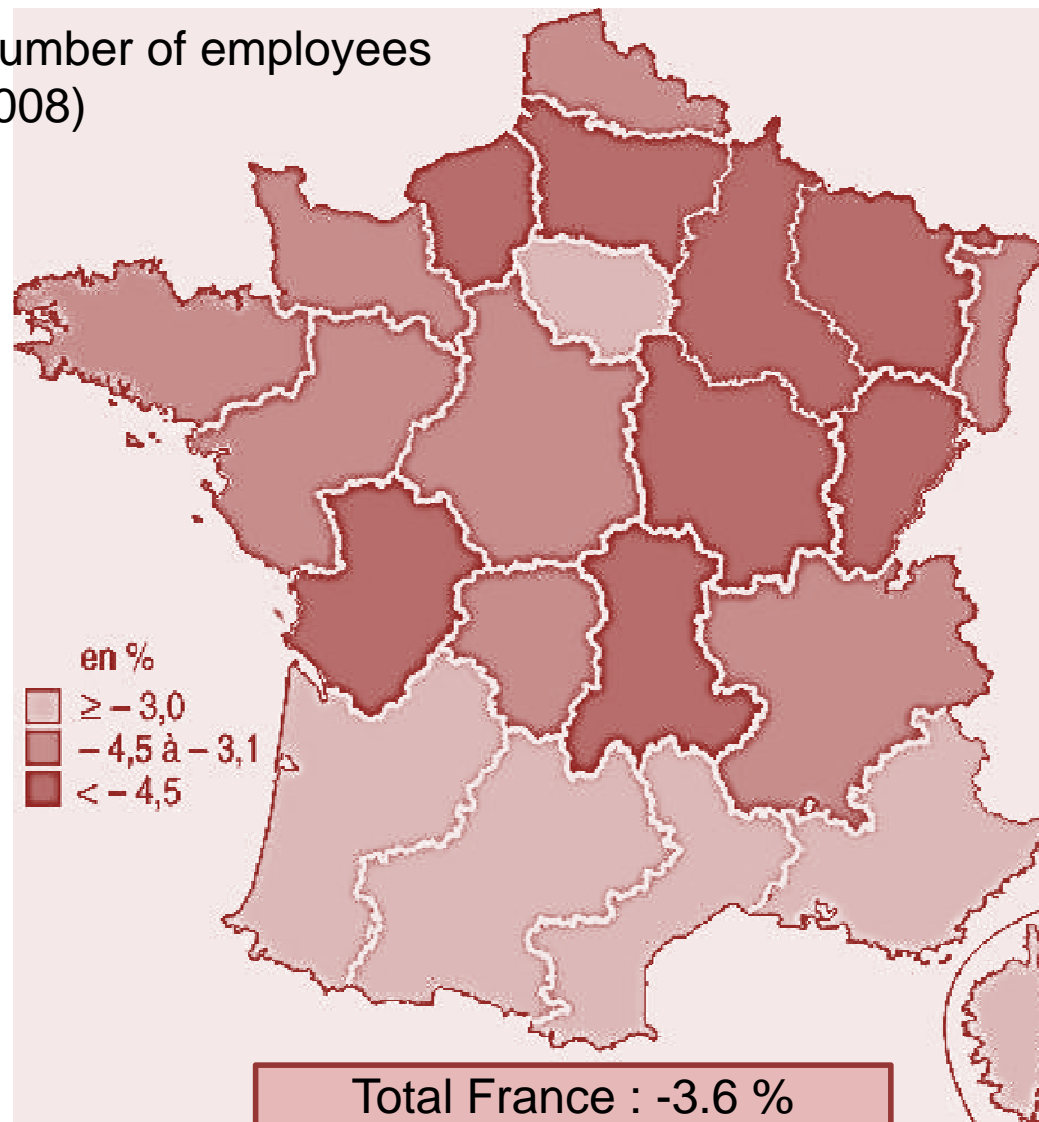
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## 4. French MSEs in the crisis – Global context

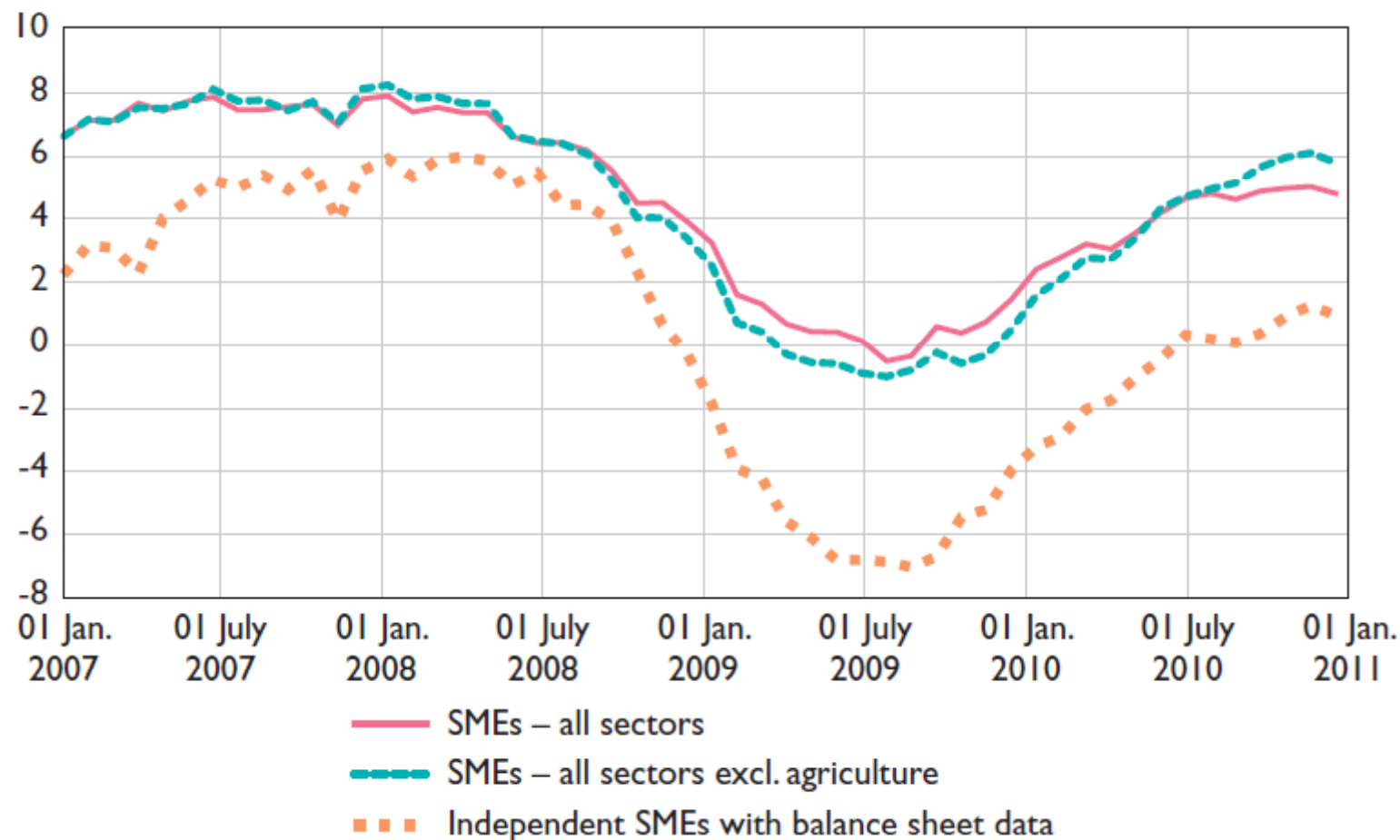
Variation in the number of employees  
(Q4-2009 / Q1-2008)



Source : Insee, estimations d'emploi.

## 4. French MSEs in the crisis – Bank credit

Loans to SMEs in France, 2007-2011.



Source: Banque de France FIBEN, Credit Register database.

From Denis Fougère and Patrick Sevestre (Quarterly Selection of Articles, summer 2012)

## 4. French MSEs in the crisis – Trends in business activity

(as a %)

	Sales revenue			o/w exports			Value added			Gross operating profit		
	2009 /2008	2010 /2009	2011 /2010	2009 /2008	2010 /2009	2011 /2010	2009 /2008	2010 /2009	2011 /2010	2009 /2008	2010 /2009	2011 /2010
SMEs	-5.4	3.5	7.9	-11.9	10.7	13.4	-3.9	3.3	5.8	-16.1	8.3	6.2
MTEs	-9.6	4.8	8.0	-15.1	10.1	10.3	-5.6	4.5	4.5	-16.9	8.3	2.3
LEs	-9.4	6.9	6.1	-8.0	15.6	10.0	-3.8	6.8	1.5	-13.9	25.3	-4.5
<b>Total</b>	<b>-8.4</b>	<b>5.3</b>	<b>7.2</b>	<b>-11.3</b>	<b>12.9</b>	<b>10.5</b>	<b>-4.4</b>	<b>5.1</b>	<b>3.6</b>	<b>-15.5</b>	<b>15.2</b>	<b>0.3</b>
o/w main sectors												
<i>Manufacturing industry</i>	-13.8	8.9	9.2	-11.2	15.5	11.6	-8.5	8.2	3.1	-32.9	46.3	0.2
<i>Energy, water and waste management</i>	-3.6	6.3	1.7	-9.0	3.5	18.8	-0.3	8.1	-1.0	-1.3	15.7	-3.3
<i>Construction</i>	-4.1	0.0	5.8	-17.7	13.0	-10.9	-2.0	-1.3	4.0	-9.5	-7.1	1.4
<i>Retail and wholesale trade</i>	-7.4	3.3	7.3	-14.3	10.1	11.6	-3.2	4.0	3.9	-15.0	7.5	2.3
<i>Transport and warehousing</i>	-5.8	4.5	6.8	-4.8	5.5	6.4	-4.2	2.3	1.2	-18.3	15.0	-7.4
<i>Information and communication</i>	3.8	3.6	3.6	-14.5	12.3	7.3	4.2	3.2	3.7	5.5	1.8	-1.3
<i>Services to businesses</i>	-7.2	5.0	6.6	-4.4	8.4	-1.2	-8.5	5.8	7.3	-22.3	7.7	1.7

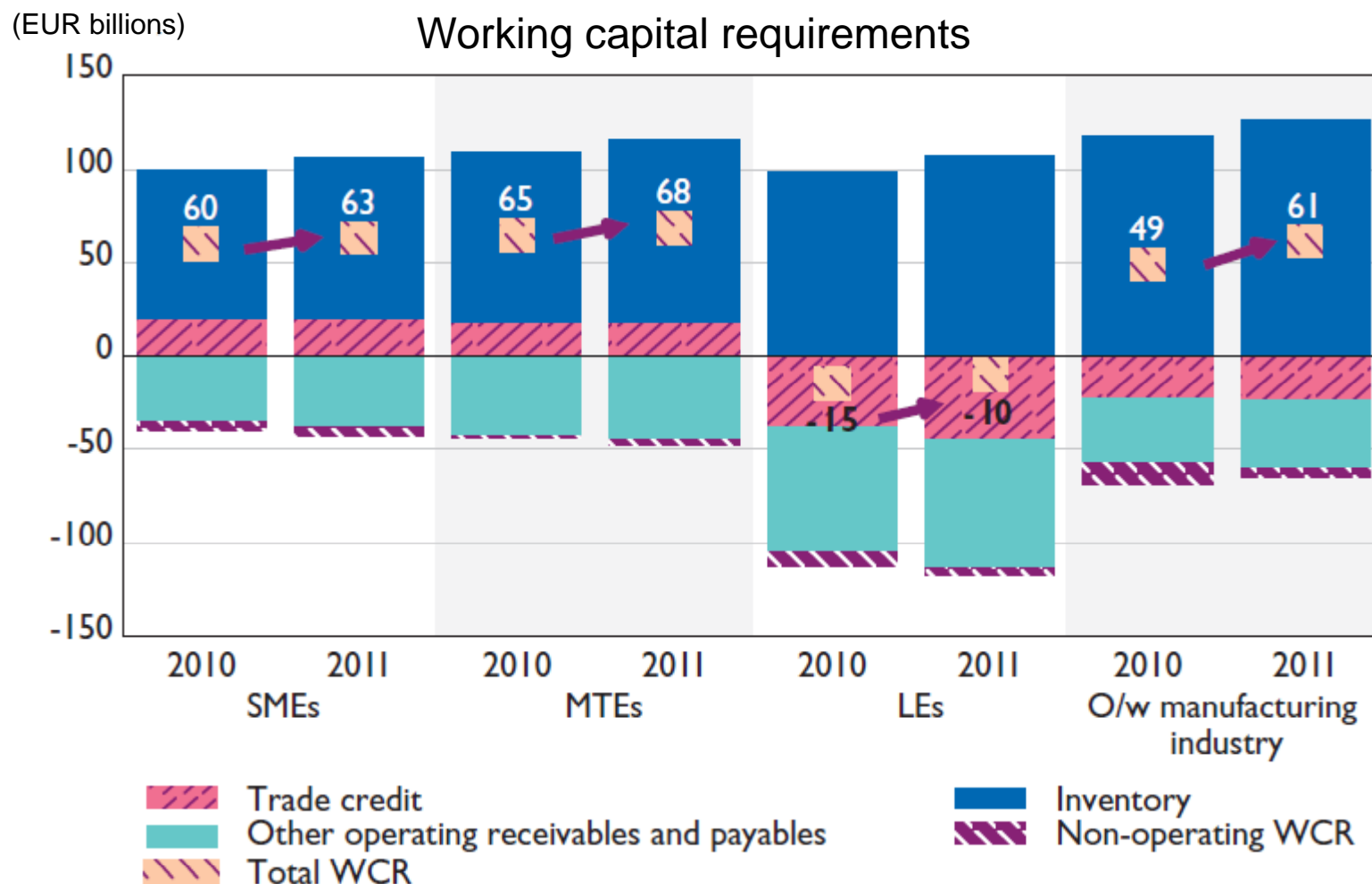
Scope: Non-financial companies as defined by the Economic Modernisation Act (loi de modernisation de l'économie – LME)

Note: Variations are calculated based on a sample of companies whose balance sheets are recorded in FIBEN for two consecutive years (sliding sample).

Source: Banque de France, FIBEN, November 2012.



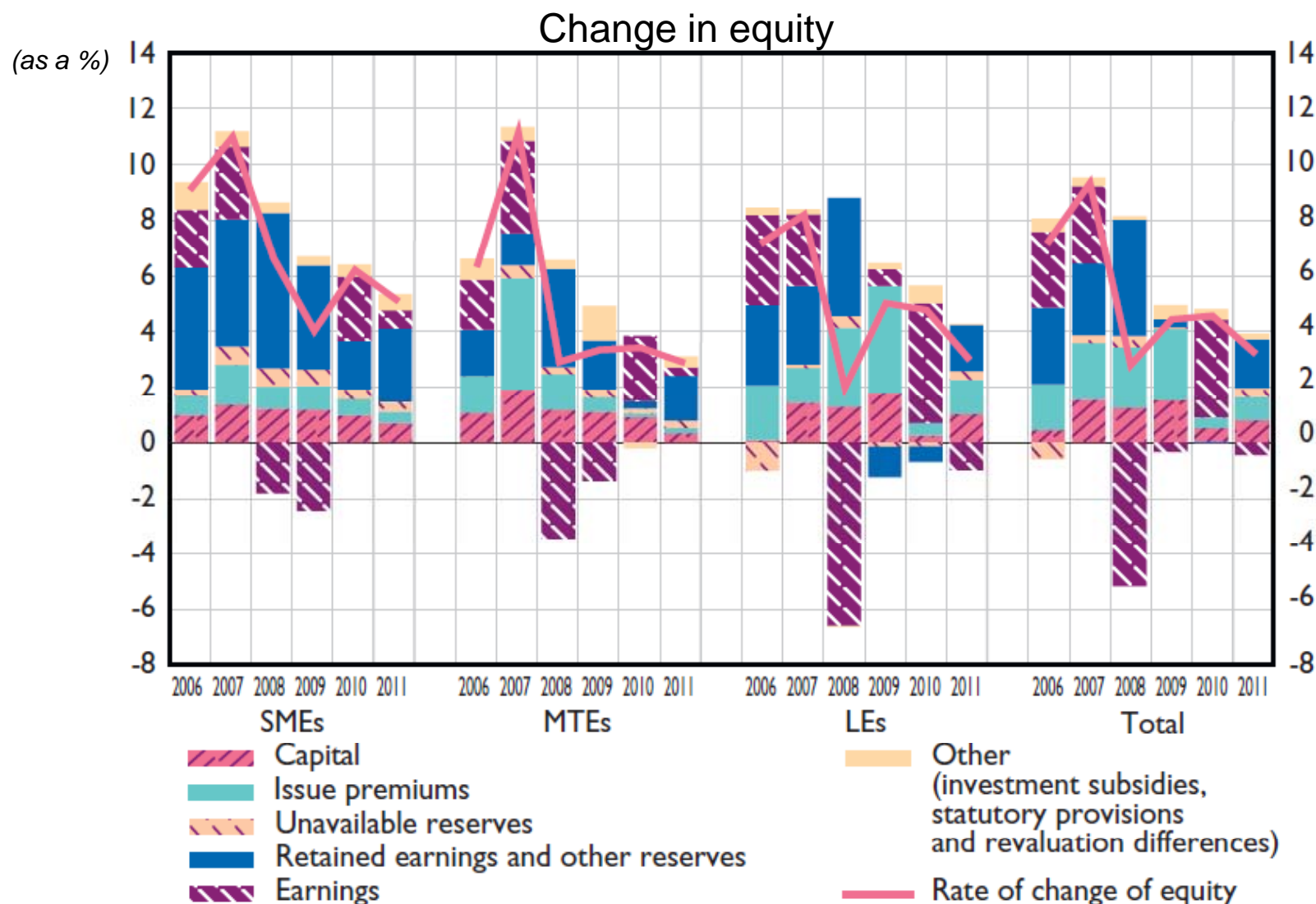
## 4. French MSEs in the crisis – Rebuilding inventories and stability of trade credit



Scope: Non-financial enterprises, as defined by the Economic Modernisation Act.

Source: Banque de France – FIBEN database, November 2012

## 4. French MSEs in the crisis – Equity



Scope: Non-financial enterprises, as defined by the Economic Modernisation Act.

Source: Banque de France – FIBEN database, November 2012

## 4. French MSEs in the crisis – Investment recovery

### Change in investment

	Operating investment			o/w acquisition through leasing			Self-financing		
	2009 /2008	2010 /2009	2011 /2010	2009 /2008	2010 /2009	2011 /2010	2009 /2008	2010 /2009	2011 /2010
SMEs	-18.6	-14.0	2.8	-25.2	-10.1	22.8	-18.8	10.5	-3.1
MTEs	-19.4	-2.8	3.8	6.4	-36.1	-9.6	-23.4	14.9	-8.4
LEs	-14.4	-12.9	7.8	-22.3	-0.2	n.s.	-16.8	24.0	-17.0
<b>Total</b>	<b>-17.4</b>	<b>-9.9</b>	<b>5.1</b>	<b>-16.8</b>	<b>-18.0</b>	<b>4.0</b>	<b>-19.0</b>	<b>18.8</b>	<b>-12.1</b>
<i>o/w Manufacturing industry</i>	-20.8	-0.6	4.1	-6.5	-24.3	-3.6	-27.1	51.3	-28.6

Source: Banque de France, FIBEN, November 2012.

Scope: Non-financial companies as defined by the Economic Modernisation Act (loi de modernisation de l'économie – LME)

Note: Variations are calculated based on a sample of companies whose balance sheets are recorded in FIBEN for two consecutive years (sliding sample).

## 4. French MSEs in the crisis – What has changed?

- Better conditions for access to various sources of financing for SMEs, but the return of the financial crisis has created a difficult climate for businesses.
- Significant decrease in the proportion of rejected loans even if an increasing share of French business owners say they have noticed a deterioration in the banks' willingness to provide loans
- more restrictive conditions for accessing public financial support, including guarantees
- Decrease in the cost of credit for small businesses (for loans under € 1 million). It is about 11 % higher than for larger enterprises (which generally need loans of over € 1 million), but this gap has diminished significantly since 2010.
- Fewer cashflow problems due to the loss of payments from bankrupt customers
- Policy measures to improve the financial situation resting upon institutions responsible for public funding : OSEO, CDC Entreprises, the Strategic Investment Fund ('Fonds stratégique d'investissement'), Ubifrance, the credit ombudsman and various regional bodies