

The dynamics of French Born globals: Public support systems still in need of improvement

Flora Bellone - GREDEG – Université Côte d'Azur – CNRS, Catherine Laffineur (GREDEG – Université Côte d'Azur – CNRS) et Sophie Pommet (GREDEG – Université Côte d'Azur – CNRS)

What public assistance schemes could be improved in France to support the growth of the most innovative young companies? One important lever could be to adapt some of these schemes in a way that is more favorable to so-called "*born globals*", defined as companies that become intensely international in their early years.

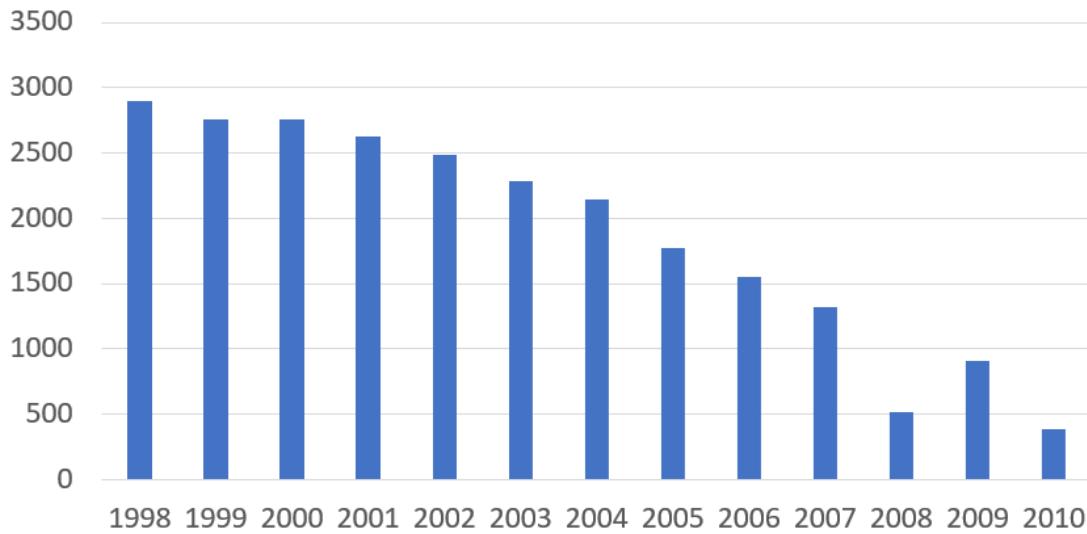
In a study just published in [Economics and Statistics](#) (September 2023), we examine the link between various public aid schemes granted by the public investment bank Bpifrance and the performance of young exporting companies in France.

To carry out this study, we combine data from INSEE, Customs and the public investment bank, Bpifrance. These data cover the French manufacturing sector from 1998 to 2015. They have the dual advantage of providing exhaustive, detailed information on the production and export activities of companies operating in this sector, as well as comprehensive information on public financial support, including innovation subsidies, innovation loans, internationalization loans and investment loans granted to these companies.

Is the phenomenon of Born globals widespread in France?

The context of the 2000s in France was one of a downward trend in the number of new companies created in the manufacturing sector (Chart 1). For all the cohorts of companies we can track for at least 6 years, i.e. those created between 1998 and 2010, we have seen a drastic reduction in the number of entries in our database.

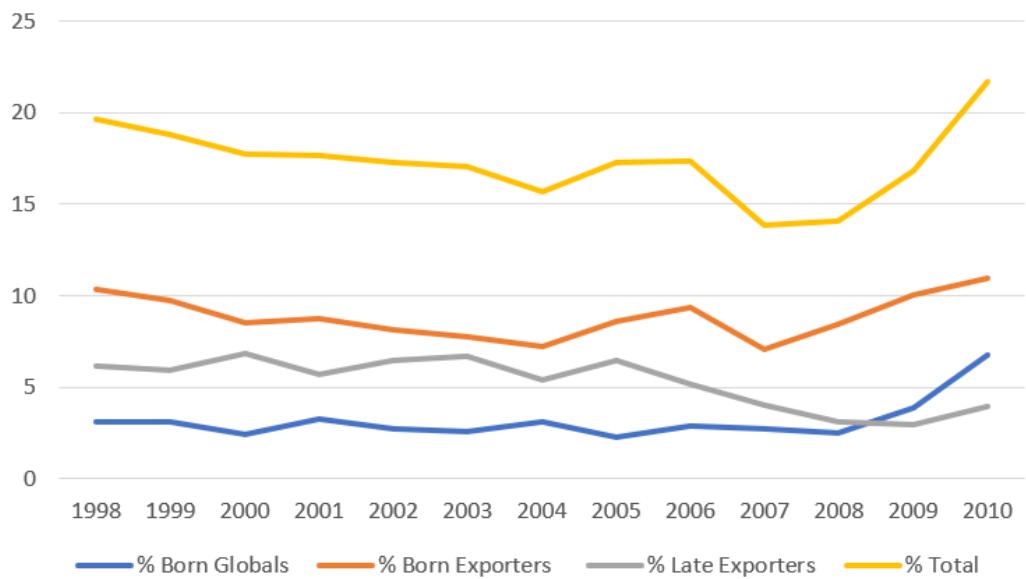
Chart 1. Number of new companies.



Data source: INSEE, DOUANES, Bpifrance. Sample: all newly-created companies in the French manufacturing sector that have survived at least 6 years.

Over the same decade, the phenomenon of Born globals appears both limited and relatively stable over time (Chart 2). Specifically, over the period 1998-2008, companies that exported intensively (at least 20% of their sales) and early (within their first 3 years of existence) represented an average of 3% of newly-created companies. The vast majority remain non-exporters, representing 83% of our sample for all years. The remaining 14% are either companies that become exporters early but less intensively than Born globals (*Born exporters* in our terminology), or companies that become exporters later (*Late exporters* in our terminology).

Chart 2. Exporters, in % of new companies.



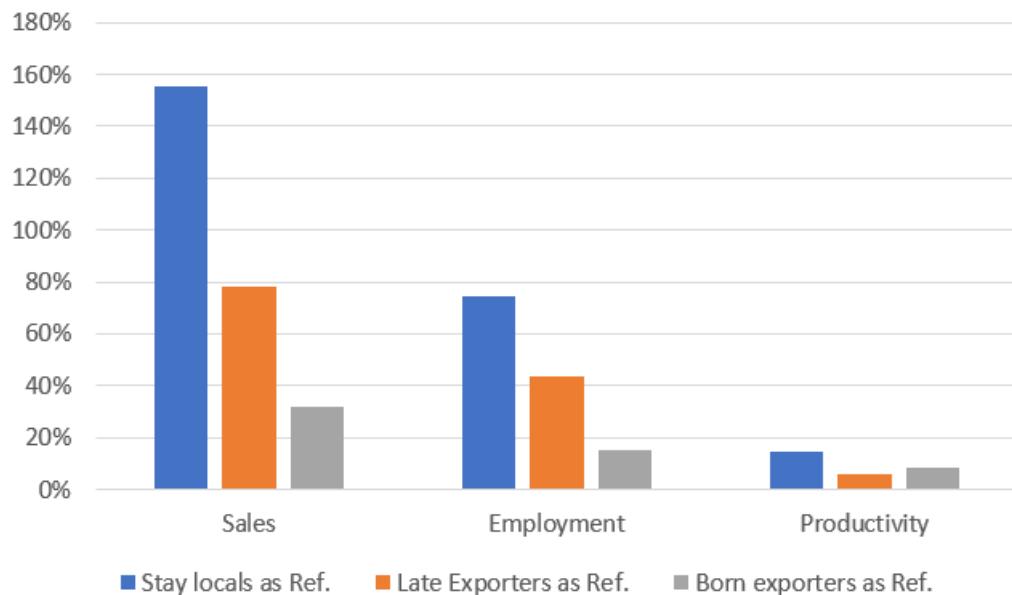
Data source and sample identical to graph 1. The total corresponds to the total number of exporting companies.

Significantly, the percentage of *Born globals* and *Born exporters* increases drastically in the last two entry cohorts (2009 and 2010), while the overall number of entries is at its lowest for the observation period. This fact alone could justify special attention from the public authorities to *Born globals*, which by virtue of their early international insertion could be better placed to stem the loss of competitiveness in the French manufacturing sector.

Do born globals perform better than the average?

Economic theory teaches us that, due to the existence of entry costs on export markets, it is the companies with the best *ex ante* performance - for example, the most efficient or the most innovative - that will export the most intensively and the farthest. An analysis of the performance of *Born globals*, first comparatively to non-exporting companies (*Stay locals*) and then comparatively to the other two categories of exporters (*Born exporters* and *Late exporters*) (Chart 3) confirms the theory. Our 3 economic performance indicators (sales, employment, productivity) are systematically higher for the *Born globals* category. Unsurprisingly, the performance gap is widest as regards non-exporting companies.

Chart 3. Relative performance of Born globals, in % of reference category



Note: This graph plots the estimated coefficients of *Born globals*' performance premiums when *Stay locals*, *Late Exporters*, and *Born Exporters* are alternately taken as reference category. These coefficients are estimated with industry, year and cohort fixed effects and firm-level control variables (asset size and group membership). The graph can be read as follows: *Born global* companies generate, on average, around 155% more sales than their counterparts who do not export, 80% more than their counterparts who start exporting later, and 30% more than their counterparts who export early but less intensively.

As far as trade performance is concerned, [our study](#) also confirms the theory. *Born globals* have more diversified product portfolios and destinations, and exhibit, on average, a higher level of quality in the goods they export than *Late exporters* or *Born exporters*.

Do they use the aid granted by Bpifrance more frequently?

Les entreprises *Born globals* se différencient des autres catégories d'entreprises dans la manière dont elles ont recours aux différentes aides octroyées par Bpifrance. Dans notre étude, nous analysons la probabilité qu'ont ces entreprises d'obtenir différents types de fonds publics : des subventions à l'innovation, des prêts publics ciblant des projets spécifiques d'innovation, des prêts publics ciblant des projets internationaux, et enfin des prêts non ciblés soutenant l'investissement dans les capacités productives de l'entreprise. Nous établissons que les entreprises *Born globals* ont une probabilité plus forte de recevoir des aides à l'innovation et des aides à l'internationalisation, mais qu'elles sont en revanche moins susceptibles de recevoir des prêts d'investissement.

It may seem paradoxical that companies seeking to expand rapidly into numerous international markets should make less use of investment loans aimed precisely at expanding productive capacity. One hypothesis would be that these companies have less need to finance the expansion of their productive capacities with public aid. However, the literature documents that these companies, which seek to internationalize quickly and early, have, on the contrary, a strong need for external financing.

An alternative explanation is that these companies face more financial constraints than their counterparts who expand internationally more gradually. This explanation is consistent with the fact that *Born globals* are by nature less able to offer domestic collateral than companies that first establish themselves locally before expanding abroad. They may therefore be the least able to provide the collateral needed to access external financing, including public loans.

If this interpretation is correct, it would mean that, despite the State's willingness to support these companies, public aid schemes, for which the demand for collateral is high, remain biased against *Born globals*.

What is the impact of public aid on the performance of Born globals?

In order to determine whether a reallocation of investment loans to Born global companies would be likely to generate beneficial effects for society, we calculate the return on this aid granted by Bpifrance to *Born globals*, particularly in terms of employment. We show that this return is high. This last result reinforces our view that these companies, despite their domestic collateral deficit, should benefit from better access to investment loans and not just to loans targeted at their innovation or internationalization projects.

Find our more

Bellone, F, C. Laffineur, and S. Pommet (2023), Public Aid and the Performance of Born Globals, *Economie et Statistiques/Economics and Statistics, preprint*

A presentation on the results of this research is also planned as a Keynote at the "Fifth International ZEW Conference on the Dynamics of Entrepreneurship (CoDE)" to be held at the ZEW in Manheim on October 12-13, 2023