

Au Revoir, Entrepreneurs

By LIZ ALDERMAN
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Guillaume Santacruz is among many French entrepreneurs now using London as their base. He said of his native France, “The economy is not going well, and if you want to get ahead or run your own business, the environment is not good.”

Credit Andrew Testa for The New York Times

Guillaume Santacruz, an aspiring French entrepreneur, brushed the rain from his black sweater and skinny jeans and headed down to a cavernous basement inside Campus London, a seven-story hive run by Google in the city’s East End.

It was late on a September morning, and the space was crowded with people hunched over laptops at wooden cafe tables or sprawled on low blue couches, working on plans to create the next Facebook or LinkedIn. The hiss of a milk steamer broke through the low buzz of conversation as a man in a red flannel shirt brewed cappuccino at a food bar.

A year earlier, Mr. Santacruz, who has two degrees in finance, was living in Paris near the Place de la Madeleine, working in a boutique finance firm. He had taken that job after his attempt to start a business in Marseille foundered under a pile of government regulations and a seemingly endless parade of taxes. The episode left him wary of starting any new projects in France. Yet he still hungered to be his own boss.

He decided that he would try again. Just not in his own country.

Global Tech Hubs

French entrepreneurs have been fleeing to other countries, especially England, which some 350,000 now call home. London is a favorite destination for tech entrepreneurs, but other cities have attracted the French as well.

Silicon Valley



Andrew Testa for The New York Times

Need we say more? The technology hub is now home to 50,000 French nationals and companies like Facebook. Above, Facebook's headquarters, which consist of a cluster of 11 buildings enclosing a Disney-like pedestrian square and a two-way promenade.

New York



Chang W. Lee/The New York Times

One of the more prominent hubs of technology companies, it is home to companies like Tumblr, above, Foursquare and BuzzFeed. Almost 500 of the start-ups formed in the city since 2007 have received outside funding, according to the Center for an Urban Future.

Berlin



Gordon Welters for The New York Times

The New York Times

More than two decades after the fall of the Berlin Wall, the German capital is one of the fastest-growing start-up communities. The vibrant tech scene includes companies like EyeEm, whose co-founder, Lorenz Aschoff, is seen here. Football App recently secured a funding round that included Union Square Ventures, a New York venture firm.

Bangalore



Vivek Prakash/Reuters

Wipro and Infosys, an outsourcing company that employs more than 160,000 people worldwide, are two of the behemoths to occupy this Indian city. Texas Instruments and a host of other American companies also have offices here.

Tel Aviv



Baz Ratner/Reuters

The city has one of the highest densities of tech start-ups in the world, according to the Startup Genome, and many prominent American tech companies, including Microsoft and Cisco Systems, have offices there. Google, which has an office in the city, last year acquired a social mapping service from there called Waze for \$1 billion.

“A lot of people are like, ‘Why would you ever leave France?’ ” Mr. Santacruz said. “I’ll tell you. France has a lot of problems. There’s a feeling of gloom that seems to be growing deeper. The economy is not going well, and if you want to get ahead or run your own business, the environment is not good.”

In the Campus London basement, Mr. Santacruz, who is 29, squeezed into one of the few remaining seats. Within hours, he was to meet with an entrepreneur he identified only as Knut, to discuss an investment in the company that Mr. Santacruz was trying to build. He called it Zipcube, and was pitching it as a sort of Airbnb for renting office space online.

The New York Times

From 80 to 90 percent of all start-ups fail, “but that’s O.K.,” said Eze Vidra, the head of Google for Entrepreneurs Europe and of Campus London, a free work space in the city’s booming technology hub. In Britain and the United States, “it’s not considered bad if you have failed,” Mr. Vidra said. “You learn from failure in order to maximize success.”

That is the kind of thinking that drew Mr. Santacruz to London. “Things are different in France,” he said. “There is a fear of failure. If you fail, it’s like the ultimate shame. In London, there’s this can-do attitude, and a sense that anything’s possible. If you make an error, you can get up again.”

Mr. Santacruz had a hard time explaining to his parents his decision to leave France. “They think I’m crazy, maybe sick, taking all those risks,” he said. “But I don’t want to wait until I’m 60 to live my life.”

France has been losing talented citizens to other countries for decades, but the current exodus of entrepreneurs and young people is happening at a moment when France can ill afford it. The nation has had low-to-stagnant economic growth for the last five years and a generally climbing unemployment rate — now about 11 percent — and analysts warn that it risks sliding into economic sclerosis.

Some wealthy businesspeople have also been packing their bags. While entrepreneurs fret about the difficulties of getting a business off the ground, those who have succeeded in doing so say that society stigmatizes financial success. The election of President François Hollande, a member of the Socialist Party who once declared, “I don’t like the rich,” did little to contradict that impression.

After denying that there was a problem, Mr. Hollande is suddenly shifting gears. Since the beginning of the year, he has taken to the podium under the gilded eaves of the Élysée Palace several times with significant proposals to make France more alluring for entrepreneurs and business, while seeking to preserve the nation’s model of social protection.

His deputy finance minister for business innovation, Fleur Pellerin, a dynamic 40-year-old credited with schooling Mr. Hollande on the importance of the digital economy, has been busy pushing initiatives to turn Paris into a “tech capital” to rival the world’s most active start-up hubs.

Those initiatives, however, have not yet closed the spigot on the flow of French citizens to other countries. Hand-wringing articles in French newspapers — including a three-page spread in *Le Monde*, have examined the implications of “les exilés.” This month, the Chamber of Commerce and Industry of Paris, which represents 800,000 businesses, published a report saying that French executives were more worried than ever that “unemployment and moroseness are pushing young people to leave” the country, bleeding France of energetic workers. As the Pew Research Center put it last year, “no European country is becoming more dispirited and disillusioned faster than France.”

Next month, the National Assembly will convene a panel to examine the issue.

Today, around 1.6 million of France’s 63 million citizens live outside the country. That is not a huge share, but it is up 60 percent from 2000, according to the Ministry of Foreign Affairs.

The New York Times

Thousands are heading to Hong Kong, Mexico City, New York, Shanghai and other cities. About 50,000 French nationals live in Silicon Valley alone.

But for the most part, they have fled across the English Channel, just a two-hour Eurostar ride from Paris. Around 350,000 French nationals are now rooted in Britain, about the same population as Nice, France's fifth-largest city. So many French citizens are in London that locals have taken to calling it "Paris on the Thames."



Axelle Lemaire, a lawmaker, says France should enhance competitiveness but not compromise its social model.

Credit Andrew Testa for The New York Times

In the past, most of these people would have gone back to France after some adventure and experience. That may still be true of some in the French diaspora, but nearly 40 percent of French people abroad now say they plan to stay there for at least 10 years, according to the report by the Chamber of Commerce and Industry. Many are quietly saying that they may not return.

Taxes, Frustration, More Taxes

Mr. Santacruz grew up in his parents' small, tidy home in a suburb of Aix-en-Provence in the south of France. During one of his summer breaks from college in Bordeaux, he visited a cousin who had become rich working in finance and lived in a sprawling residence in the Luberon Valley. When Mr. Santacruz drove up to the entrance, electronic gates opened to a vast garden.

The New York Times

“It was crazy,” he said. “I drove five minutes just to reach the house. That’s when I thought, ‘I want to make it like him.’ ”

“Making it” is almost never easy, but Mr. Santacruz found the French bureaucracy to be an unbridgeable moat around his ambitions. Having received his master’s in finance at the University of Nottingham in England, he returned to France to work with a friend’s father to open dental clinics in Marseille. “But the French administration turned it into a herculean effort,” he said.

A one-month wait for a license turned into three months, then six. They tried simplifying the corporate structure but were stymied by regulatory hurdles. Hiring was delayed, partly because of social taxes that companies pay on salaries. In France, the share of nonwage costs for employers to fund unemployment benefits, education, health care and pensions is more than 33 percent. In Britain, it is around 20 percent.

“Every week, more tax letters would come,” Mr. Santacruz recalled.

The government has since simplified procedures and reduced the social costs for start-ups. But those changes came too late for Mr. Santacruz, whose venture folded before it could get off the ground.

His parents were relieved when he took a job in Paris at the boutique firm NFinance. But he knew that it was a way station. He quickly turned to drawing up blueprints for a new venture.

“I asked myself, ‘Where will I have the bigger opportunity in Europe?’ ” he said. “London was the obvious choice. It’s more dynamic and international, business funding is easier to get, and it’s a better base if you want to expand.”

Diane Segalen, an executive recruiter for many of France’s biggest companies who recently moved most of her practice, Segalen & Associés, to London from Paris, says the competitiveness gap is easy to see just by reading the newspapers. “In Britain, you read about all the deals going on here,” Ms. Segalen said. “In the French papers, you read about taxes, more taxes, economic problems and the state’s involvement in everything.”

French officials have sought to play down such stories. Their takeaway is that migration — which has grown 4 percent a year since 2000 — is hardly new, so the outflow is nothing to lose sleep over. Bernard Emié, France’s ambassador to Britain, even argued that it was something to celebrate.

“The French are expatriating themselves more and more, but this is encouraging,” Mr. Emié told me. “We are not worried about it. They get experience, create wealth, and then they will bring that back to France.”



President François Hollande of France with Fleur Pellerin, second from right in foreground, his deputy finance minister for business innovation, visiting San Francisco last month.
Credit Alain Jocard/Agence France-Presse — Getty Images

Mr. Hollande's government is now trying to re-brand itself as business-friendly, especially for start-ups. Ms. Pellerin recently cut the ribbon on a large-scale technology incubator in Paris. She unveiled initiatives to free up venture capital and encourage digital entrepreneurship, including a "second chance" program intended to remove the cultural stigma attached to failure.

Defeat is seen as so ignominious that France's central bank alerts lenders to entrepreneurs who have filed for bankruptcy, effectively preventing them from obtaining money for new projects — a practice that Ms. Pellerin would halt.

A pledge that Mr. Hollande made in January included a "responsibility pact" — a promise to relieve businesses of some of the burden to finance France's welfare state. In February, he announced additional measures to lure investors back to France, unveiling plans to stabilize corporate tax rules, simplify customs procedures for imports and exports and introduce a tax break for foreign start-ups.

These changes were welcomed by business, but the more than 20 French expatriates I interviewed said their country was marked by a deeper antipathy toward the wealthy than could be addressed with a few new policies.

"Generally, if you are self-made man and earn money, you are looked at with suspicion," said Erick Rinner, a French executive at Milestone Capital Partners, a British-French private equity firm, who has lived in London for 20 years.

The New York Times

Mr. Hollande's election, and especially his proposal — since ruled unconstitutional — to impose a 75 percent tax on the portion of income above one million euros (about \$1.4 million) a year, have only reinforced that perception.

“It is a French cultural characteristic that goes back to almost the revolution and Robespierre, where there's a deep-rooted feeling that you don't show that you make money,” Ms. Segalen, the recruiter, said. “There is this sense that ‘liberté, égalité, fraternité’ means that what's yours should be mine. It's more like, if someone has something I can't have, I'd rather deprive this person from having it than trying to work hard to get it myself. That's a very French state of mind. But it's a race to the bottom.”

Sharing Space, Waiting Tables

Mr. Santacruz's efforts to get Zipcube off the ground were full of fits and starts. While London had opportunities, living there was tougher than he had imagined. His apartment in Paris had been spacious, with tasteful modern furniture and French windows overlooking the gold statues atop the Paris Opera. After work, he would go to places like the Hôtel Costes or Le Forum, a bar on the Right Bank, to talk and to sip cocktails.

In London, he had none of that. Without a steady income, he was renting a room in a leaky group house with three roommates. He had also taken a night job as a waiter at Momo, a Moroccan restaurant near Oxford Circus, earning 6.50 pounds (about \$10.80) an hour to make ends meet. He would come to Campus London every day to work on Zipcube, but by 4:30 he had to leave to be on time for his shift at Momo, which ended at 2 a.m.

Embarrassed, he hid the restaurant job from his family for two months.

“Sometimes I do ask myself if I'm making the right choice,” he acknowledged. “But if you don't take risks, there will be no reward.”

Another French entrepreneur I met in the Campus London basement, Emilie Bellet, 30, had a more inspiring story. In less than a year, she had raised a half-million pounds to finance her venture, SeedRecruit, which finds talent for other start-ups. With two partners, she hired four more people.



Diane Segalen moved most of her executive recruiting practice to London from Paris. In France, she says, “there is this sense that ‘liberté, égalité, fraternité’ means that what’s yours should be mine.”

Credit Andrew Testa for The New York Times

“In London, every day is a fight,” she said. “But then you get rewarded. I don’t think this would have been possible in France.”

Such convictions are a challenge for officials like Axelle Lemaire, a lawmaker who represents the French population in Britain and Northern Europe in the National Assembly of France.

The growing number of French people settling in London is a sign that France needs to enhance competitiveness, Ms. Lemaire told me one afternoon in her office near Camden Market. But Anglo-Saxon-style capitalism was not the solution if it would compromise France’s social model, which she sees as protecting citizens from the ravages of the free market.

In Britain, “it has been surprising to see the level of deprivation of some of my fellow citizens,” she said. “When things fail here, they can wind up without a penny in their pockets, living on the street. That’s the part of the story you don’t hear.”

At the same time, she said, France’s generous safety net could not continue unchanged without risking further economic malaise. “Socialist politicians all agree on that now,” Ms. Lemaire said.

Back in France, Mr. Santacruz’s parents were still trying to grasp their son’s decision. Having spent her career at the state telecom company, his mother, like many others in her generation, assumed that her children’s main aspiration would also be lifelong job security.

The New York Times

“It’s 35 hours a week, good vacation, a pension and protections,” she told me. “O.K., it’s not very interesting, and I don’t get paid much. But it’s stable. I thought that’s a dream that our young people would want, too.”

His father saw Mr. Santacruz’s move as courageous but felt vexed to have invested in his son’s degrees, only to see him leave his country in a state of disillusionment.

The elder Mr. Santacruz had grown up poor, but eventually got a job as a government customs official.

“France gave me an opportunity to make a life,” he said. “The French Republic formed me, and it also formed Guillaume. When I hear young people disparage the country as they leave, I don’t like that. The children of France should not forget that the state has given them a lot.”

France? Maybe for Retirement

Guillaume Santacruz was grateful for the benefits that his country gave him. But he wanted something else — to innovate. By September, his project was not where he wanted it to be. Yet he maintained that he was better off pursuing it outside France.

He had incorporated Zipcube and had bites of interest from an executive at Booking.com, a website for booking hotel rooms. But Knut, the investor, was not willing to invest after all, and Mr. Santacruz was again seeking financing.

Even if Zipcube fell apart, he told me one chilly weekend at his Kensington flat, where paint was peeling off the walls, “I would not change my mind and head back to France; I see only cons to doing that, no pros.” He was skeptical that the government’s recent offensive to spur France’s entrepreneurial environment would quickly bear fruit.

Several of his French friends in London felt the same way. “I asked them, if things don’t work out, will they go back? Not one of them would,” Mr. Santacruz said. “Maybe for retirement. But not for work — we’d rather go to the United States or Asia before returning.” France seemed to have lost another citizen in the prime of his productive working years.

By February, though, Mr. Santacruz’s foray to England was finally paying off. He had a new programmer and a partner who was handling marketing and sales. Zipcube was selected by Sirius, a British start-up accelerator program, for a grant of £36,000, and he had recently started to reel in some clients. Though he still needed to build the business, he felt he was on the right track.

And while the bar to succeed was high, “I’m confident I’m going to make it,” he declared.