French firms should follow Israeli model

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The global enterprise software market is ferociously competitive. France has a rich tradition of technical excellence and a trove of superb technologists. So, why hasn't it produced more software winners? Mainly, it is because French entrepreneurs rarely follow "the Israeli model" of moving their front office and often the company to the United States at the earliest opportunity.

The French market is big enough for entrepreneurs to believe they are building a company for the home market. But the software market is global. France may be the best market for a *foie gras* producer to take its competitive bearings, it is not for enterprise software. By contrast, neither managers nor investors of software companies launched in Ireland, Finland and Israel are under the illusion they can create meaningful value by building for the home market.

The only market where one can be forgiven for taking one's competitive bearings from the home market is the United States, which is the must-win market for any software company. Many American companies can be faulted for not internationalizing soon enough, but they have more margin for error.

French entrepreneurs tend to view software first and foremost as a technology challenge. But for the most part, software companies do not lose because of technology faults.

André LeJeune, co-founder of Belgium-based Selligent SA says, "Our biggest challenge is to be as good as the American vendors in communication. Belgians and French are shy compared with Americans."

French software companies under-invest in sales, marketing and channel development relative to their American competitors. Moreover, global distribution, delivery and technology partnerships are more likely to be struck in Silicon Valley than in Sophia Antipolis, Toulouse or Paris. Few French companies internationalize their market-facing management and operations soon enough, if ever.

Didier Perraudin, head of sales and marketing for French customer relationship management (CRM) software supplier Marketic, says "Many German, British and American companies view French software companies as tourists." Most have not attempted to enter the American market.

Launching a software venture is inherently risky. The ability to quickly adapt and redeploy people and capital to changing circumstances is critical. French software companies ramp up more cautiously and change tack less readily than their America counterparts.

Hundreds of CRM companies have been launched. Ultimately, most will fail or be acquired. Although a slew of French CRM ventures were launched, it is almost impossible to imagine a huge company like Siebel Systems Inc. coming from Paris. Why, for instance, didn't Marketic, founded in 1988 become the CRM gorilla? If it had been transplanted to Silicon Valley, perhaps it would have been.

French management operating in France has less of an equity mind-set. This can be crippling in a hypercompetitive new venture environment. Attracting, motivating and rewarding management with a meaningful stake is fuel for building new companies. In addition, merger-and-acquisition and capital markets in France are less active and deep than in the United States. French vendors tend to raise less capital from more conservative local investors.

But the bottom line is, French software companies rarely win big because they think of themselves as French companies selling globally, rather than as global companies with roots in France.

Software companies started in France need to move their front office to the United States early on. They need to internationalize the team and to strike global distribution, delivery and technology relationships. They need to raise as much expansion capital as possible. They need to invest more than their gut tells them in product marketing. There is no reason savvy French entrepreneurs and technologists can't build great software companies if they act on the understanding they compete in a global market.

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