

Lesson outcome

Learners can discuss the idea of Paris becoming the next tech hub and develop a presentation to promote Paris to young entrepreneurs.

Background 1 Work in pairs. Read the background and discuss the questions.

- 1 What does the title of the article mean?
- 2 According to the article, what advantages does London offer the tech world?
- 3 What has happened since President Macron's election?
- 4 Give a synonym for the word 'afoot'.
- 5 What advantages do you think Paris can offer the tech world?

BACKGROUND

London vies with Paris in a tale of two tech cities

As London Tech Week begins, the city can take pride in its status as Europe's start-up hub. However, it is not guaranteed to retain the crown.

London has two advantages: it is the home of fintech worth £7bn and the city also provides start-ups with the best access to both venture capital and private equity funding.

But something is afoot.

President Emmanuel Macron's big tech push, including the announcement of €2bn of funding for Artificial Intelligence (AI) over five years, is working. In the past year, Google, Amazon and IBM have expanded their operations in and around Paris. In addition, DeepMind, the world leader in AI, opened a research centre there in the Spring. And when France hosted the Tech for Good summit, everybody came.

adapted from *Financial Times* (2018)



The 'Macron effect'? 2A Work in pairs. Read this quotation and discuss the questions.

"While the first generation of companies were very French, now you have a generation that thinks global or at least European from day one. The main change is the level of ambition."

Nicolas Brusson, Chief Executive, BlaBlaCar (2016)

- 1 What do you think Brusson means by 'companies were very French'?
- 2 To what extent do you believe this is true?

B Read about changes taking place in France (2016-2018). As you read, take notes on:

- Attitudes
- Funding & investment
- Education & training
- Bureaucracy & regulations
- Other relevant issues

Student A: Read the article below.

Student B: Read the article in Additional materials.

C Go to Additional materials to continue reading.

Tell your partner about the article in your own words using your notes. Compare the changes that have taken place between 2016 and 2018.

French tech start-ups find their feet

December 2016

France has attracted record levels of deals and capital invested in 2016, making it the third most significant European tech hub by number of start-ups and by investment.

While Nicolas Brusson, CEO of carpooling service BlaBlaCar, believes the country is finally thinking globally, others argue that the French market lacks visibility, is still too domestic in its focus and attracts less foreign investment than London or Berlin. “We are still a little too domestic-market oriented, not international enough,” says Fleur Pellerin, a former French minister who launched a venture capital firm earlier this year. “It’s much harder because Europe has language barriers, diverse consumption cultures and so on, so it’s not as easy as addressing the US market, and it’s changing. Maybe we are still a bit too French.”

Attracting global talent to Paris can be a challenge, says Brusson. “When looking for international executives that have experience of Silicon Valley it can be difficult.”

But there are other factors at work now — not least Brexit, which could yet push skilled workers with European passports over the channel from the UK.

The international expansion and success of companies such as BlaBlaCar and online advertising agent Criteo, meanwhile, is seen by local entrepreneurs as a psychological catalyst. There are also more funds springing up locally backed by foreign investors.

Foreign companies such as Japanese e-commerce site Rakuten and Facebook have opened artificial intelligence research facilities in the capital, while Apple plans to open a computer vision lab in Grenoble.



adapted from *Financial Times* (2016)

Go to Additional materials to continue reading.

London or Paris? 3A Work in pairs. Go to Additional materials. Read the opinions of students from top MBA business schools on the idea of Paris as the next tech hub.

B Summarise the points the students make. To what extent do they believe Paris is a suitable tech hub (Yes, No, Maybe)? How do their ideas compare to those in the articles you have just read?



4A Work in pairs. You work for an innovation hub in Paris. You have been asked to prepare a presentation to encourage young entrepreneurs to establish their start-up at your hub. Use the information in this worksheet and do your own (online) research.

Think about:

- How to attract entrepreneurs away from other tech hub locations in London, Berlin, Silicon Valley, etc.
- Finance and investment opportunities
- Regulations and visas
- Advantages of Paris as a location (way of life, schools, environment, culture, etc.)
- Other issues you consider relevant

B Prepare a 10-minute presentation, using 3-5 presentation slides about the benefits of joining your innovation hub. Deliver your presentation to the rest of the group.

5 Write up your presentation in 200-250 words as a blog post for the innovation hub website.

Self-assessment

- How successfully have you achieved the lesson outcome? Give yourself a score from 0 (I need more practice) to 5 (I know this well).
- Go to My Self-assessment in MyEnglishLab to reflect on what you have learnt.



Additional materials B2

Additional materials 2B

Student A

FRENCH TECH START-UPS FIND THEIR FEET (contin.)

After London, Paris is Europe's second talent hub for AI, virtual and augmented reality, and hardware technology. The city also has the second-largest number of professional developers in Europe. This reflects France's historic strength in areas like maths and engineering, which start-ups and investors say has been an advantage.

French business schools such as HEC have developed entrepreneurship and innovation programmes, and the tech world is luring a younger generation that once would have gone into finance or consulting. In 2015, a fifth of graduates from Insead and HEC Paris entered the tech industry.

On top of this, corporate participation in tech fundraising (the process of requesting donations from individuals, businesses, charitable foundations, or governmental agencies) is growing and now accounts for a fifth of total tech deals in France, according to data analysts CB Insights.

Student B

HOW PARIS CAN CATCH LONDON AS EUROPE'S TOP CORPORATE HUB

April 2018

French tech is on a roll, which helps explain why Paris has closed London's lead in the number of businesses it contributed to this year's FT 1000. What can the French capital do to make the top spot?

President Emmanuel Macron wants France to take the European lead on artificial intelligence to catch up with the US and China. Since his election, the so-called "Macron effect" has helped boost the country's image internationally. But there is much more work to be done.

First, talent. France has a long history of cultivating engineers in its famous grandes écoles. There are signs the tide is turning on the previous brain drain. People who a few years ago might have left France for a more dynamic jobs market in London or Silicon Valley are staying put and international talent is coming in. Last year, Mr Macron announced a special visa that offers a fast-track for international tech founders, employees and investors to obtain a four-year work and residence permit. More than 1,000 applications have been received.

The next important area is funding. French tech companies last year raised their biggest ever volume of capital and number of fundraisings, according to data analysts CB Insights. The deal activity eclipsed Germany, but lagged behind the UK. However, while start-up funding is abundant, growth capital is harder to come by, say entrepreneurs. France's start-up market has been boosted by Bpifrance, a public investment bank that has invested several billion euros in French start-ups since it was created in 2012. But it is under pressure to be more discerning, to focus on sectors where France can make a real difference – healthcare, AI, transportation and agriculture.

To focus too much on a battle of the cities, however, is to miss the point. European countries need to work together to turn promising \$1bn start-ups into \$10bn companies. The €1.5bn that Mr Macron has flagged for AI research during his term pales alongside Beijing's plan to create a \$150bn AI industry by 2030. The third area where action is needed: simplifying regulation to create a true single market. Paris-based companies should be able to open in countries across Europe without the practical necessity of setting up a new legal entity in each. Anything that can be done to smooth differences in rules, languages and taxation will make it easier to build fast growing companies in Europe. It will not matter whether they are based in London, Paris or Berlin.

adapted from *Financial Times* (2018)

MBA VIEW: IS PARIS THE NEXT START-UP HOTSPOT?

Jessica Zhang, CUHK Business School, The Chinese University of Hong Kong

Amid the Brexit storm, President Macron's pro-business reforms have definitely boosted France's status in the EU and the rest of the world. Chinese corporate giants, like Alibaba, are building stronger ties with Paris, and Chinese investors are acting on this growing confidence in France and its economy.

Marisha Naz Shakil, Saïd Business School, University of Oxford

At a time when immigration rules are being tightened in both the UK and US, France is making it easier for global tech entrepreneurs to come to their capital. But high tax rates, inflexible labour laws and the perception that non-French speakers are at a disadvantage remain issues that Paris will have to overcome to truly be a hot tech city. For now, there is a perception that it is hard to move fast in France.

Nana Manaphongphan, Rotman School of Management, University of Toronto

Paris gained a reputation as an attractive tech destination with the success of car-pooling site BlaBlaCar. The future seems promising from a policy perspective. The establishment of Station F, a €250m start-up campus, the changed tax policy and the unemployment insurance for entrepreneurs all incentivise new business founders to come to France. However, the long-lasting problem of unionised labour could stand in the way of the French mission to create a new Silicon Valley. Known for its strict labour laws, France is not the easiest place to conduct business.

Anjana Dattani, Rotman School of Management, University of Toronto

Paris' future as a tech hub looks promising, evident from announcements by Google to set up a research facility focused on artificial intelligence, Facebook to quadruple PhD funding and Amazon to create 2,000 jobs in the country this year. Incentives to attract foreign entrepreneurs to Paris have encouraged SAP, Toyota and Novartis to announce investment of more than €3.5bn. President Macron's efforts to increase the bargaining power of business owners and enable small and medium-sized businesses to negotiate with independent employees rather than unions have provided a definite push in support towards entrepreneurship. But France's administrative complexities must be addressed if start-ups are to compete in the global landscape. Reducing red tape can make entrepreneurs focus on scaling instead of selling their start-ups.

Johanna Beer, Saïd Business School, University of Oxford

In 2017, France introduced a new visa, making it easier for start-up founders, employees and investors in tech to obtain French residency status. It is too early to determine the impact of the scheme, but it shows how France is adapting its regulatory environment to attract global tech talent.

Tanja Alsheimer, Warwick Business School, University of Warwick

To maintain momentum, Paris needs to do more to lure the start-up community, which still competes with Berlin. Entrepreneurs in France are still burdened by excessive bureaucracy, complicated paperwork and high taxes. The German city offers advantages when it comes to bureaucracy, language flexibility and start-up friendly governance policies.

Elvira Vafina, Warwick Business School, University of Warwick

Mr Macron's initiatives to boost France's finance and tech industries are paying off in terms of attracting talent and capital. However, the challenge is not only to build a start-up, but also to maintain growth and mature into a company competing at a European level. The question is: should France compete with European countries to be a start-up leader? Or would it be better to co-operate with the UK, Ireland and Germany to build a competitive advantage against the US and China? Especially as China is investing many times more than France in AI.

Fernanda Torre, Stockholm School of Economics

Isolated country-specific investments in tech are not likely to dent the path of progress from Chinese or North American technology firms. The European hope may lie in strategic investments in specialised technologies. Rather than having Paris or any other city as the hottest tech capital, a much more interesting exercise for European leaders would be to allow each country to focus on core differentiation. Let Paris be the food-tech capital, Stockholm the reference for fintech, Berlin the digital-health hub and Lisbon the go-to place for cleantech.

Adapted from *Financial Times* (May 2018)



Answer key B2

- 1 London is competing with Paris as the most important tech city in Europe (or the world). The title is a play on words (*jeu de mots*) that makes reference to the Charles Dickens novel, *A Tale of Two Cities*.
- 2 London is the leader in fintech and also offers financial incentives to new start-ups.
- 3 Macron has provided financial investment for AI and major global giants (Google, Facebook and IBM) have grown their presence in the Paris region; moreover, DeepMind has opened a research centre in Paris.
- 4 "Afoot" means "going on, happening, take place".

2c (Sample answers)

Student A

Attitudes

Some believe France still focuses too much on the domestic market and lacks visibility and a global perspective.

Funding & investment

In 2016, Paris received a third more investment than any other tech hub in Europe.

Paris attracts less finance than London or Berlin, but is attracting foreign investment and interest, including an AI research centre set up by Facebook and a computer lab in Grenoble.

1 in 5 of all tech negotiations are a result of tech fundraising.

Education & training

France traditionally produces large numbers of engineers and maths graduates; in 2015, 1 in 5 Insead and HEC graduates went to work in tech companies. Various French business schools have developed entrepreneurship and innovation programmes.

Bureaucracy & regulations

Not mentioned

Other relevant issues

Brexit might force tech experts based in London to go/return to France/Europe.

Student B

Attitudes

Internationally, the image of France improved following the

election of President Macron.

Funding & investment

In 2017, tech companies in France raised the largest sum to date for start-ups from capital and fundraisings; larger than Germany, although still behind the UK. There is less growth capital available however. Major investor from public investment bank Bpifrance invested several billion euros and is now being encouraged to focus on sectors like healthcare, AI, transport and agriculture, where France can specialise.

Education & training

Graduates from the grandes écoles, for example, are no longer leaving to work in London and Silicon Valley. International talent is also being attracted to France.

Bureaucracy & regulations

Fast track visas for investors and those working in tech, leading to 4-year residence permits, encouraged 1,000 people to apply to work in France by April 2018.

Other relevant issues

European countries need to work together to compete against China for example, by creating a single market (simplifying regulation) that really functions effectively.

3 (Sample answers)

Jessica Zhang

Yes

The 'Macron effect' has increased Paris' status in Europe and the world, including China which has growing confidence in France.

Marisha Naz Shakil

No

Despite France making visa regulations easier for tech entrepreneurs to come to Paris, high tax, inflexible labour laws and the language issue give the perception of France being a difficult place to carry out business.

Nana Manaphongphan

No

Despite the success of BlaBlaCar and Station F, and the change to tax policy and unemployment insurance, France is still not

considered easy to work in due to its strict labour laws and the power of the unions.

Anjana Dattani

Maybe

Recent investments by tech giants, Google, Amazon and Facebook, as well as SAP, Toyota and Novartis, combined with Macron's introduction of incentives for SMEs are encouraging, but heavy bureaucracy is still an issue.

Johanna Beer

Maybe

New visa regulations have been put in place which demonstrates France's willingness to encourage tech, but the impact is unsure for the moment.

Tanja Alsheimer

No

France still needs to make more effort to encourage start-ups. Compared to Berlin, Paris' bureaucracy is more complex and there is also a language issue.

Elvira Vafina

No

Macron is able to attract tech talent, but is France able to develop and maintain that talent compared to other countries in Europe? Isn't it better to work together with other European countries like the UK, Ireland and Germany to compete against the US and China?

Fernanda Torre

No

China and US are major competitors in the tech industry. Isn't it more beneficial to specialise (e.g. Paris as the food-tech experts)?