

**Marlboro Safety Group (MSG) Inc. Goes to France**

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### **Abstract**

My thesis, Marlboro Safety Group (MSG) Inc. Goes to France, is a theoretical international expansion of my formerly owned company into France. This research explored internationalization strategy, accounting principles and a comparison of cultural dimensions between the United States and France. The purpose of this expansion would be to utilize our experience within the world of OSHA, specifically the procurement of OSHA 30 and 10 hour cards within the construction sector and focus on the greater New York City area, and donate our administrative services to the filing of the Carte BTP, the OSHA card equivalent, in France. Findings suggested that the creation of a subsidiary would be the most beneficial for the undertaking of this expansion with emphasis placed on finding a contact person who can both speak French and has experience with French policy and government. Once established as a subsidiary, accounting principles call for the subsidiary to be deemed an LLC and in France it is a SARL de famille due to the fact that there is more than one owner and MSG is a family-owned business. When taxed as an SARL de famille, income is subject to personal income tax and when filing income taxes at home, a tax credit is given in the amount of tax withholdings paid to the French government so that income made abroad is not taxed twice. Finally, cultural differences are imperative to acknowledge when creating a work environment that is both appropriate and comfortable for those working under our guidance in France. For this evaluation, research of Hofstede's Cultural Dimensions evaluated topics such as acceptance of the business hierarchy, individualism, factors for motivation, uncertainty avoidance, adaptation to or acceptance of change and indulgence. In addition to Hofstede's dimensions, general culture norms were explored in order to give a baseline of accepted behaviors when doing business in France.

*keywords:* accounting, international business, French, internationalization, taxation, cultural dimensions

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**Business Proposal**

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### ***OSHA Operations in the United States***

As a company, Marlboro Safety Group (MSG) Inc. specializes in the procurement of OSHA 10- and 30-hour and SST Cards, site safety auditing and health and safety planning consultations. For the purpose of this proposed expansion, focus will be directed to the services provided by MSG for the distribution of OSHA cards and how this function will be utilized for the processing of France's OSHA card equivalent known as the Carte BTP given that each card requires similar administrative attention.

OSHA was created "to ensure safe and healthful working conditions for workers by setting and enforcing standards and by providing training, outreach, education and assistance" (United States Department of Labor). For the purposes of MSG, which specializes in the construction sector, OSHA provides the guidelines for which public works projects must operate. Within a public works projects, OSHA aims to certify that each individual providing labor on a construction project have the necessary safety training to work on their designated project.

MSG was created to provide training to individuals working in the construction center by offering classes designated to both the OSHA 10- and 30-hour card. OSHA cards are identity cards given to individuals who successfully complete designed OSHA training courses and are required to be carried at all times when entering or operating on a construction site. Classes must be taught by OSHA certified trainers, whom MSG employs regularly, and are offered to various companies whose employees require either an initial OSHA course or a refresher. After the completion of each course, which is acknowledged after a passing grade is obtained for the OSHA 10 or 30 test given at the end of the either 3- or 5-day session, filing for an OSHA card is done through the school for which the OSHA trainer had been certified through. MSG trainers are certified through Rutgers and therefore classes are registered for the OSHA card through Rutgers Outreach Training site.

Although the card has no given expiration date, employers often encourage their employees to have their OSHA cards renewed through OSHA refresher classes every 3 to 5 years.

Given the administrative work MSG experienced when filing for OSHA cards, by maintaining records of class rosters and sign-in sheets, completed OSHA exams, and photocopies of the OSHA cards once processed and received, MSG has great potential to be capable of serving as a third party entering the French construction sector to provide administrative relief to companies and individuals in need of filing for their OSHA card equivalent, the Carte BTP.

### ***OSHA Card Equivalency in France: The Carte BTP***

In France, the Carte BTP is the equivalent to the OSHA card in the United States. The Carte BTP is an identity card and is required to be obtained by those who "carry out, direct or organise, including on an occasional, secondary or ancillary basis, construction work or public works" and is applied for by their employer (The Carte BTP). Similar to the OSHA card, the

Carte BTP was designed to ensure that individuals employed on public works projects are legally allowed to be there, putting up a fight against any illegal work and its workers are also obliged to have it on their person at all times while on a construction site. Specific jobs that require the Carte BTP include “excavation works, earthworks, sanitation, construction, assembly and disassembly of prefabricated parts, interior or exterior fixtures and fittings, restoration or renovation works, demolition or conversion, dredging, maintenance or servicing of works, refurbishment or repair, as well as the painting and cleaning involved with these works and all directly-linked ancillary operations” (The Carte BTP).

In terms of filing for the Carte BTP, this is done entirely online, much like the filing for OSHA 30 cards. To have access to the request for Carte BTP’s, a company must “create an account on the Cartebtp.fr site” and can begin filing once registered and verified. This is done by the company directly employing individuals on projects which require the identify card. For a third party to have access to the filing, “The company represented simply needs to authorise the third-party declarant to create an Administrator account delegating to the latter the authority to request Carte BTP” (The Carte BTP).

Filing of the Carte BTP is done differently and is determined on the basis on employment status. For companies established in France, employees are required to have a renewed Carte BTP at the termination of a working contract; however, if a contract is extended with the same employer, a new Carte does not need to be filed. In this case, for an employee working for a company, or companies, established in France, their identity card is renewed each time they enter a contract with a new employer. For companies established outside of France, their employees must have the Carte renewed for each contract, even if it is extended with the same employer. For temporary workers, the Carte BTP is only valid for 5 years and must be renewed upon its expiration.

### *Strategy for International Expansion*

Given the growing infrastructure and public works projects in France and the prevalence of obtaining the Carte BTP, “many foreign companies are forming subsidiaries in France to offer the service of representation and declaring third-party” (2021). In other words, due to the time required for filing for the Carte BTP and the constant updates in the legislature governing the various aspects of the Carte BTPs, it has been beneficial for construction companies established in France to hand off the administrative duties to third parties who are better equipped at handling these secondary tasks. It also appears to be a growing segment for companies to enter with plenty of market share to be had as public works projects increase and with that, the number of individuals and companies who will require the filing of the Carte BTP.

Key components of a successful French subsidiary, especially in the case of a subsidiary handling the filing of Carte BTPs includes the hiring of a French national who fluently speaks English or an English-speaking employee who is also fluent in French. This individual must also “needs to have worked for a number of years in company law and to be familiar with dealing with the French authorities” (2021).

With the formation of a subsidiary being the most common strategy for a foreign company to enter this sphere, it is proposed for MSG to follow the same trend of international expansion.

### *Subsidiary Formation in France*

In the United States, MSG was created as an S Corp for both its limited liability and tax benefits. As an S Corp, MSG has the option of forming a subsidiary as “a limited liability company (LLC), a C corporation, or a qualified subchapter S subsidiary (QSub)” (S corp subsidiary: Upcounsel 2021). For the purposes of maintaining similar benefits enjoyed by its parent company and the translatability an LLC has within France, it is advised that the subsidiary created by MSG for the purpose of offering administrative assistance for the filing of the Carte BTP be an LLC.

In France an LLC is referred to as a “Société à Responsabilité Limitée” or SARL (Limited company structure France Eurl, SARL). Being a family business, MSG can further elect to become a SARL de famille in order to claim the benefits of having company profit be distributed as a salary, which is deductible from profits, to its owners where it will then be taxed as personal income tax by electing “a form of partnership taxation, called le régime des sociétés de personnes” (Limited company structure France Eurl, SARL).

Additionally, under a SARL de famille, a “gérant” or an individual who has “formal legal responsibility for the running of the company” and is often one of the owners of the company (Limited company structure France Eurl, SARL). Luckily, none of the shareholder percentages for the owners of MSG exceed 50% and therefore additional taxation rules for a situation that includes the categorization of a majority shareholder do not apply.

### *Taxation Rules for Foreign Income*

Due to the fact that the respective owners of MSG will have a subsidiary in France earning income abroad and whose selected company setup deems all profits made from both MSG at home and its subsidiary in France personal income, there are some taxation rules to be aware of when repatriating this income and filing taxes in the United States.

Between the United States and France exists a tax treaty wherein “The general definitions of the treaty establish that a “person” includes, but is not limited to, an individual or a company. An individual resident or company of one of the contracting states will be one that has the domicile, residence, place of management or place of incorporation in one of the states. Permanent establishments can be: offices, branches in France or in the U.S., factories, workshops and others” (USA Double Tax Treaty). Moreover, the tax treaty “covers double taxation with regards to different types of income tax and capital gains tax, however, as already mentioned, the benefits are limited for American expats living in France. The treaty does ensure though that no one will pay more tax than the higher of the two countries’ tax rates, and it also defines where

taxes should be paid, which normally depends on where the income arises” (US expat taxes for Americans living in France: Bright!tax).

Under the terms of the treaty, because of its attempt to limit double taxation, MSG would be able to claim “US tax credits to the same value as French income taxes that they’ve already paid” which is incredibly beneficial and limits the income MSG owners would have to forfeit in withholdings when filing their personal income taxes (US expat taxes for Americans living in France: Bright!tax).

### *Cultural Dimension Comparisons*

When analyzing habits or behavioral patterns that relate to cultural experiences for a country, Hofstede’s Cultural Dimensions often serve as a baseline for what to expect. These dimensions include an analysis of power distance, individualism, masculinity, uncertainty avoidance, long-term orientation and indulgence.

The first cultural dimension is power distance, which describes “the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally” (Country comparison). While the United States enjoys decentralized professional environments where upper levels of management are easily accessible and input from all levels of a company are welcome, Frenchmen respect the professional hierarchy and accept the fact that upper management is often inaccessible and have special privileges.

Second is individualism. Individualism is defined as “the degree of interdependence a society maintains among its members. It has to do with whether people’s self-image is defined in terms of “I” or “We”,” (Country comparison). France has a unique combination in having high scores for both power distance and individualism. This translates into a slight contradiction where even though an individual might respect and show deference to their boss face-to-face, they may do the opposite of what they were told to do behind the back of their superior; because power distance is high and upper management is deemed superior, their subordinates struggle in expressing opposing ideas and with their sense of individualism, this disagreement is represented in their two faced nature of ultimately performing in the way that they think is best.

Following individualism is masculinity which measures “what motivates people, wanting to be the best (Masculine) or liking what you do (Feminine)” (Country comparison). France scores low on masculinity, meaning that they are unlike the US in how we find happiness in material success and achievements that allow us to boast to others. We often “live to work” (Country comparison).

Uncertainty Avoidance is the fourth cultural dimension that evaluates “the way that a society deals with the fact that the future can never be known” (Country comparison). In France, this manifests itself as their need to have structure and planning. They like to have all information when making decisions and many times require time and room for discussion in order to generate a throughout gameplan. This might also translate to the French’s dislike of

having to abruptly switch from one task to the next without having finished this first; instead, they like to complete tasks from top to bottom before moving onto something new. This is unlike the US where rules are often seen as a suggestion and workers find it commonplace to work as they see fit even if it is not what they are 'supposed' to do.

Next is long-term orientation which is associated with "how every society has to maintain some links with its own past while dealing with the challenges of the present and future" (Country comparison). In other words, whether the culture is accepting of societal changes or if time-honored traditions are held closely. France's long-term orientation is quite high meaning that they are receptive to changes and do not care too much about the importance of presentments or outdated traditions. This, however, is not quite the case in terms of France's relationship to the French language; within this aspect of society, the French are often stubborn to include changes to their language, even colloquial slang that is used daily or the recent use of plural pronouns to describe an individual. While the United States has conservative groups that are keen on maintaining the status quo and use traditions to dictate the way things are done, Americans are generally very receptive to new information and the search for what is right or true.

The final dimension is indulgence which describes "the extent to which people try to control their desires and impulses" (Country comparison). It can be said that the United States is known for its highly indulgent nature where we 'work hard and play hard' whereas the French are less indulgent. Although the French enjoy their leisure, this is not done ostentatiously or in excess.

### ***General Professional Guidelines: Doing Business in France***

Aside from the cultural dimensions, there are other things to keep in mind when doing business in France in terms of what is expected in the professional environment.

Firstly, as touched upon within the dimensions, the French place a lot of emphasis on cultivating long-term business relationships.

Additionally, logic-based discussions are highly valued in France. When having an argument or an open conversation, it is not uncommon to be faced with probing and straightforward questions. The point of having a back and forth is to discover any flaws in an argument and thoroughly examine each side of an issue. This can lead to lengthy debates, requiring patience in decision making and an understanding that this may come from an intense discussion that may include personal ideologies which requires sound logic-based arguments.

Moreover, when attending a business meeting or event, appearance is key; the idea of casual dress for France never includes sweats and instead may imply jeans paired with a sweater or sportscoat. Not only is appearance highly valued but good posture and eye-contact go a long way.

When greeting one another in France, although a handshake is accepted, it is more common to kiss on either cheek. It should also be noted that while Americans enjoy their personal space and often stand an arm's length apart to speak to one another, the French interact closely with one another and it is not uncommon for them to tap or lightly pat you while speaking.

### ***Cultivation of a Workplace in France: What We Want to Emphasize***

Given the aforementioned cultural dimensions and generally accepted business etiquette tips for France, it is important for MSG to highlight what approach will be taken when cultivating a work environment for their subsidiary in France.

Keeping in mind the high level of respect attributed to the professional hierarchy, it may be uncomfortable and appear unprofessional for an MSG subsidiary in France to totally follow a United States model of accessibility, decentralization and the inclusion of all levels of the company in decision making. Therefore, MSG should employ the use of a respected hierarchy where distinctions are made among management levels in terms of accessibility and privileges given.

However, due to the issues that can arise from France's individualism score, it would be helpful for MSG to encourage employee expression when disagreements arise. It could be included in training that although management is superior, it is better to speak up than silently disagree and disobey; having an employee that does the opposite of what they are told while giving management the impression that things will be done their way can cause miscommunication and for an American executive, a feeling of disrespect and animosity. To combat any 'two-faced' behavior, MSG could employ the use of team meetings and introduce small doses of accessibility between management and middle-level employees.

Finally, it is important for any American MSG manager to allow French employees to work on one task at a time, giving consideration to France's high level of uncertainty avoidance. Creating a rigid design for positions and workload could allow for employees to operate from top to bottom with little interruption or surprise assignment as they are able to work on their assigned portion of work which will contribute to a successful collective.

As with any international expansion, cultural training is key and it is essential for MSG to provide training of this nature to any American expats going to work in their French subsidiary. This is where employees or management can learn French phrases, acceptable business attire, common greetings, physical interaction tendencies or meeting styles.

### ***MSG Inc Goes to France: Conclusion of Proposal Attractiveness***

Given the growing potential to offer its service to a large number of French companies requiring the filing of the Carte BTP and its experience in administrative duties for obtaining and filing of OSHA cards, international expansion of MSG Inc. to France is attainable and attractive.

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