

National Foundation for American Policy

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Contact: Stuart Anderson, 703-351-5042, press@nfap.com

New Research: Immigrants Have Founded Nearly Half of the Top Venture-Backed Companies in America; Immigrant Founders Have Created an Average of 150 Jobs Per Company

Immigrants Also Play Key Management and Product Development Role in Almost 75 Percent of Leading Cutting-Edge Companies, Research Shows

Arlington, Va. – Immigrants have started nearly half of America’s top 50 venture-funded companies and are key members of management or product development teams in more than 75 percent of our country’s leading cutting-edge companies, according to a new report released by the National Foundation for American Policy (NFAP), an Arlington, Va.-based policy research group. “Immigrants are increasingly important in driving growth and innovation in America, as evidenced by the role played by foreign-born founders and key personnel in the nation’s breakthrough companies,” said the report’s author Stuart Anderson, who is NFAP’s executive director and former head of policy and counselor to the Commissioner of the INS (August 2001-January 2003). The research finds that among the top venture-backed companies, immigrant founders have created an average of approximately 150 jobs in the United States per company.

“One of the lessons of the research is that America wins when we are open to talented individuals,” said NFAP’s Stuart Anderson. “Policies that help retain talent in the United States are likely to yield both more startup companies and the personnel needed to create more jobs and innovation in America.”

The report, “Immigrant Founders and Key Personnel in America’s 50 Top Venture-Funded Companies,” and a companion report, “America’s Tradition of Rewarding Talent,” can be found on the NFAP website at www.nfap.com.

The research on the top 50 venture-funded companies involved conducting interviews and gathering information on the companies, which were ranked in 2011 by the research firm VentureSource. The companies, all privately-held and with the potential to become publicly traded on the stock market in the years ahead, are today each valued at less than \$1 billion and

have received venture capital (equity) financing within the past three years, an important indicator of the promise seen by investors.

The research finds that 48 percent, or 24 out of 50, of the country's top venture-funded companies had at least one immigrant founder. (Note: Figure updated to 48 percent after initial release of report based on additional information from a late responding company.) This illustrates the increasing importance and contributions of immigrants to the U.S. economy. A 2006 study conducted with the National Venture Capital Association identified an immigrant founder in 1 in 4, or 25 percent, of publicly traded venture-backed companies created between 1990 and 2005.

This study is the first to examine the role immigrants play on the management or product development team in leading private companies in information technology, health, energy, business and financial services, and other fields. The research found 38 of the top 50 companies, or 76 percent, had at least one immigrant helping the company grow and innovate by filling a key management or product development position. (Note: Figure updated to 76 percent after initial release of report based on additional information from a late responding company.) Chief technology officer, CEO and vice president of engineering are the most common positions held by immigrants in the top 50 venture-backed companies.

The most common country of origin for an immigrant founder of a Top 50 venture-backed company was India, followed by Israel, Canada, Iran and New Zealand. Other founders and co-founders were born in Italy, South Africa, Greece, Norway, Germany, the United Kingdom, Singapore, Switzerland and France.

Interviews pointed to the uniqueness of America's entrepreneurial culture, with many believing it remains the country's greatest economic strength. Dr. Stefan Kraemer, who founded EndoGastric Solutions, said he came to the United States specifically to start a company. "In Germany, people would have told me, 'What are you doing, you're a surgeon, why do you want to do anything else, like start a company?'" said Kraemer. "To me, America is about having a dream and being able to realize it."

The stories of how the companies were founded carry a uniquely American feel. In true "only in America" fashion, two former students at Sharif University of Technology in Tehran ended up in San Francisco and established Zoosk, an online romantic social network that is considered a top destination for singles. The men had to abandon another company they started years earlier after

an immigration attorney informed the pair it was almost impossible for a foreign national to gain a visa as the founder of a startup company.

Israeli-born Ofer Shapiro didn't listen to those who said it was impossible to provide high quality video conferencing over an Internet platform. But today his company Vidyo is growing fast and upending a multi-billion dollar video conferencing industry.

If there is one overarching theme among these top 50 venture-backed companies it is how combining foreign-born and native-born talent creates a win-win situation that create jobs and important innovations in America. When Olav Bergheim brought a young relative to see Dr. Richard Hill for glaucoma treatment, Dr. Hill told Bergheim, who was born in Norway, that he had an idea for a new approach. Bergheim said he would back the idea financially and they brought in Iranian-born Mory Gharib, an engineer, who developed the prototype for the "first human implant of a micro-bypass stent" to treat glaucoma patients for their new company called Glaukos.

While it is often large companies cited in media accounts supporting liberalized immigration rules for highly-skilled foreign nationals, Eric Lekacz, a native-born co-founder of ExteNet Systems, which provides network infrastructure for wireless providers, points out that hiring the right person can be even more critical for newer companies. "When in the emerging growth phase you have to get the best person without regard to race or ethnicity," he said.

"For me, America was a magnet, I wanted to take the chance to work in Silicon Valley," said Jef Graham, the British-born CEO of RGB Networks. "In the rest of the world, when someone presents an idea, the response is often, 'Here's why you can't do it.' In America, the response is 'great idea.' That is a unique strength as a nation."

The second study released by NFAP, "America's Tradition of Rewarding Talent," points out that startup businesses are the lifeblood of the U.S. economy, introducing new ideas and innovations, and bringing competition that can improve productivity, aid consumers and provide new opportunities for both investors and workers. However, the study explains, "U.S. immigration policy does not look kindly on foreign nationals who seek to create businesses in America."

Current policy is unfortunate, since American history is fueled by the story of entrepreneurs, the study finds. Today, it is possible to gain a green card by investing \$500,000 or more in an existing project but it is difficult to obtain even a temporary visa, never mind permanent residence, by starting a business that will employ U.S. workers. Simply put, current U.S. immigration law does

not conform to the reality of how most businesses begin in America. The average entrepreneur starts his or her company with only about \$31,000, according to the Kauffman Foundation.

A number of bills have been introduced that would establish entrepreneur visas. The study finds that to the extent those or other legislative measures place less emphasis on the amount of capital a foreign national invests and more on the talent the new business owner brings it would fit within the best traditions of American history and entrepreneurship. It is less important the exact formulation Congress decides upon for creating an immigrant entrepreneur visa than that policymakers move forward on the concept itself. The study concludes, "The status quo of rewarding cash but not talent is a rejection of America's heritage as a nation of immigrants and a nation of entrepreneurs."

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About the National Foundation for American Policy

Established in the Fall 2003, the National Foundation for American Policy (NFAP) is a 501(c)(3) non-profit, non-partisan public policy research organization based in Arlington, Virginia focusing on trade, immigration and related issues. The Advisory Board members include Columbia University economist Jagdish Bhagwati, Ohio University economist Richard Vedder, former U.S. Senator and Energy Secretary Spencer Abraham and other prominent individuals. Over the past 24 months, NFAP's research has been written about in the *Wall Street Journal*, the *New York Times*, the *Washington Post*, and other major media outlets. The organization's reports can be found at www.nfap.com.

2111 Wilson Blvd., Suite 700, Arlington, VA 22201
phone: (703) 351-5042 fax: (703) 351-9292 www.nfap.com