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Study: Many tech firms launched by immigrants

By Robert Weisman, Globe Staff | November 15, 2006

Immigrants have fueled the US entrepreneurial economy, starting one in four venture-backed companies since 1990 and two in five in high technology, according to a study being released today by the National Venture Capital Association trade group.

The study, which is set to be hand-delivered to members of Congress this morning , marks the group's first attempt to quantify the contribution of immigrant executives and engineers. It comes at a time when start-ups are clamoring to hire more talented employees from overseas and to boost the cap on the H-1B visas used by companies to hire foreign-born professionals, often from US college campuses.

"Skilled immigrants are huge multipliers for the United States economy," said Vinit Nijhawan , an Indian-born serial entrepreneur who is now a venture partner at Key Venture Partners in Waltham. "Venture capitalists like to fund big ideas. And you could argue that immigrants are risk oriented and like to take on the big ideas."

The study said California had the most venture-funded public companies founded or cofounded by immigrants, followed by Massachusetts, New Jersey, Washington state, and Texas.

Foreign-born founders have come from over three dozen countries, led by India, Israel, and Taiwan. They include well-known Silicon Valley figures such as Hungarian-born Andy Grove of Intel Corp., French-born Pierre Omidyar of eBay Inc., Taiwan-born Jerry Yang of Yahoo Inc., and Russian-born Sergey Brin of Google Inc.

In Massachusetts, the list includes Russian-born Samuel Geisberg of Parametric Technology Corp. in Needham; Indian-born Jeet Singh of Art Technology Group in Cambridge; Gururaj "Desh" Deshpande of Sycamore Networks in Chelmsford, and Lebanese-born Nassib G. Chamoun of Aspect Medical Systems in Newton.

Taken as a whole, the venture-backed public companies started by immigrants have a market value exceeding $500 billion and employ about 220,000 people in the United States, the study said.

Commissioned by the venture capital association, based in Arlington, Va., the study was prepared by Stuart Anderson , the executive director of the National Foundation for American Policy, a policy group that focuses on trade and global competition, and Michaela Platzer , the president of Content First, a research group. It drew on a massive historical database of venture capital investment information compiled by the Thomas Financial research firm.

Mark Heesen , president of the venture group, said it launched the study last winter to gain ammunition in its lobbying for immigration reform. While much of the debate this year has focused on illegal immigration, venture capitalists believe restrictions on legal immigration may put the United States at a competitive disadvantage in incubating the next generation of start-ups.

The cap on H-1B visas granted to US employers has dropped to 65,000 a year, from 195,000 in 2000 and 2001. Under a so-called "skill bill" backed by the venture group, part of immigration reform legislation before Congress, the cap would be lifted to 115,000 a year, plus exchange students working on graduate degrees at US colleges.

"As we expand globally, the greatest difficulty we're having is bringing the most talented people in from overseas," said Said Hilal , a native of Lebanon who founded Applied Medical Resources in Santa Margarita, Calif. "I would love to see the pool of talent opened up."

But an opponent of the H-1B program said the venture group's study, by focusing on immigrant entrepreneurs and chief executives, masks the fact that most of those hired on the visas are lower-paid programmers and software engineers who are displacing American workers. "It's a misguided and counterproductive program," said Alan Tonelson , research fellow at the United States Business & Industry Council, a group representing small manufacturers. "There's no shortage of native-born technology workers. They just want cheap labor."

Venture capitalists, however, said the issue is important because, in addition to the leaders of technology start-ups, a large share of their key technical staffs are foreign-born, said Morgan Jones , a general partner at Battery Ventures in Waltham. Jones said three of the last five Battery-funded companies that were sold or went public were founded by immigrants, most recently Optium Corp., a Chalfont, Pa., telecommunications equipment company started by Israeli entrepreneur Eitan Gertel , which had an initial public offering last month.

"These people are generally technical and tolerant of risks," Jones said. "And that's the combination you need to succeed in high technology start-ups."

Robert Weisman can be reached at weisman@globe.com. ▪