



Indians lead the startup race!

Immigrants started more than half of America's startup companies valued at \$1 billion or more...

AZIZ HANIFFA reveals the findings.

India is the leading country of origin by far for immigrant founders and entrepreneurs of billion dollar startup companies in the United States, a new study by a highly regarded research organization has found.

An accompanying study by the National Foundation for American Policy — an Arlington, Virginia-based non-profit, non-partisan, public policy research organization focusing on trade, immigration and related issues — also pointed to the potential job creation effects of a startup visa.

With 14 entrepreneurs on the list, the NFAP study had India at the top of the list as the leading country of origin for the immigrant founders of billion dollar companies, followed by Canada and the United Kingdom with 8 each, Israel (7), Germany (4), China (3), France (2), Ireland (2) and 12 other countries with one.

According to the report, immigrants have started more than half (44 of 87) of America's startup companies valued at \$1 billion or more and are key members of management or product development teams in over 70 percent of these companies.

The NFAP research found that among the billion dollar startup companies, immigrant founders have created an average of approximately 760 jobs per company in the United States, and that the collective value of the 44 immigrant-founded companies is \$168 billion, which is close to half the value of the stock markets of Russia or Mexico.

'Immigrants play a key role in creating new, fast-growing companies, as evidenced by the prevalence of foreign-born founders and key personnel in the nation's leading privately-held companies,' says Stuart Anderson, the author of the study and executive director, National Foundation for American Policy.

'The findings help illustrate the increasing importance and contributions of immigrants to the US economy,' he added.

Immigrants and Billion Dollar Startups, Anderson explained, involved conducting interviews and gathering information on 87 US startup companies valued at over \$1 billion — as of January 1, 2016 — that have yet to become publicly traded on the US stock market and are tracked by *The Wall Street Journal* and Dow Jones VentureSource.

The companies, all privately held and with the potential to become publicly traded on the stock market, are today each valued at \$1 billion or more and have received venture capital (equity) financing.

Besides India being the leading country of origin for these immigrant founders of these billion dollar startups, the other key findings were:

- *The research finds that 51 percent, or 44 out of 87, of the country's \$1 billion startup companies had at least one immigrant founder, which showed an increased influence in immigrants at major startup companies.

- NFAP noted that a 2006 study conducted with the National Venture Capital Association identified an immigrant founder in 25 percent of venture-backed companies that became publicly traded between 1990 and 2005. A 2013 NVCA study found immigrants started 33 percent of US venture-backed companies that became publicly traded between 2006 and 2012.

- The NFAP study was one of the first to examine the role immigrants play in the management or product development teams in leading private companies in information

technology, health, energy, financial services, and other sectors.

- The research found 62 of the 87 companies, or 71 percent, had at least one immigrant helping the company grow and innovate by filling a key management or product development position.

- Chief technology officer, CEO and vice president of engineering are the most common positions held by immigrants in these billion dollar startup companies.

- It also found that these billion dollar startup companies with an immigrant founder excel at job creation and listed the leading companies for employment as SpaceX (4,000 employees), Mu Sigma (3,500 employees) and Palantir Technologies (2,000 employees), AppDynamics founded by Indian immigrant Jyoti Bansal (900 employees).

- Uber, co-founded by a Canadian immigrant, directly employed at least 900 people but reports having 162,037 'active drivers' (completed at least four trips) in the United States as of December 2014.

- Entering the United States as an international student, according to the study was shown to be a good avenue for starting successful US companies. Nearly one-quarter (20) of the 87 billion dollar US startup companies — and almost half of the companies with an immigrant founder — had a founder who first came to America as an international student.

- California was the headquarters of 32 of the 44 immigrant-founded companies, followed by New York (6), Massachusetts (4) and Illinois (2) and among the outstand-

ing immigrant entrepreneurs profiled in the research included Elon Musk, founder of SpaceX; Garrett Camp, co-founder of Uber; Noubar Afeyan, co-founder of Moderna Therapeutics and 37 other companies, primarily through Flagship Ventures, the firm he heads.

- Bansal, who waited seven years for his employment-based Green Card to start AppDynamics, which besides employing 900 people, provides the equivalent of a 24/7 MRI for company websites; Amr Awadallah, co-founder of Cloudera, which allows organizations in various fields to profit from their data; Michelle Zatlyn, co-founder of CloudFlare, which uses the power of its global network to help Web sites with traffic and security; and several other immigrant entrepreneurs.

- The study also found that companies with immigrant founders have produced a variety of useful products and services to benefit American consumers and make US companies more productive. Uber had transformed travel in American cities, while SpaceX aims to enable Americans to travel to Mars. Gusto make it easier for employers to administer payroll, while ZocDoc allows patients to find in-network neighborhood doctors and book appointments online. Stripe, started by two Irish immigrant brothers, facilitates online payments for businesses and their customers, while AppDynamics, Cloudera, CloudFlare, Tanium, Actifio, Mu Sigma and others help US companies to maintain strong information technology systems to compete in the global marketplace.



STEVE JENNINGS/GETTY IMAGES

Startup company tables at the TechCrunch 9th Annual Crunchies Awards in San Francisco, February 8, 2016.



Startup Visa Proposals Job Creation, the National Foundation for American Policy's accompanying report, made a strong case why such a visa category would be a panacea to grow the US economy and creating several thousand American jobs.

Despite the achievements of these immigrant founders and their companies, a startup visa to enable foreign nationals who start companies and create jobs would be an important addition to the US immigration system, since currently it can be difficult for foreign-born entrepreneurs to stay around and nurture their business due to the absence of a reliable immigration category.

The low quota on H-1B temporary visas, the study points out, made it difficult for startup companies to hire new personnel in their fast-growing businesses.

Under US immigration law it explains there is no reliable mechanism for a foreign national to become a lawful permanent resident (a Green Card holder) by starting a US company that creates jobs.

Temporary visas, including H-1B visas, according to the study, are ill-suited for entrepreneurs and could be disallowed for use by a foreign national who controls a

company.

Since startups have been shown to be responsible for much of the net increase in employment in some recent years, It argues this means it is in the interest of policymakers to encourage both native-born and foreign-born individuals to start new businesses in the United States, which establishing a startup visa would help accomplish.

Analyzing startup legislation circulating in Congress — both in the House and Senate — the report says HR 3370, 'The EB-JOBS Act of 2015,' could create 1 million to 3.2 million jobs over the next decade if enacted into law.

The bill would provide a two-year conditional Green Card for an entrepreneur and the possibility to have the conditions removed and gain permanent residence if certain job creation and/or investment or revenue thresholds are met.

Meanwhile, S-181, 'The Startup Act,' could create 500,000 to 1.6 million jobs over the next 10 years if it becomes law.

'A key reason,' the report points out, 'a startup visa could create many new jobs in the United States is it would help unleash

pent-up entrepreneurial activity — those eager to start new businesses but unable to do so because they are waiting in the employment-based immigrant backlog or in a visa status, such as an F-1 status, that does not allow an individual to manage a new company.'

'Hundreds of thousands of skilled foreign nationals are currently waiting in the employment-based immigrant backlog,' it adds.

Administrative reforms the Obama administration plans to introduce in 2016 could make it easier for foreign-born entrepreneurs to stay in the United States after creating a business, including by use of a 'national interest waiver' and the federal government's 'parole authority.'

'State initiatives, such as the Global Entrepreneur in Residence Pilot Program in Massachusetts, can provide a way for foreign-born business founders to stay in the United States by helping them obtain H-1B status through university affiliations. However, it would take many such programs across the country to have any-

where near the impact of changes to federal immigration law.'

All entrepreneurs, the study acknowledges, face the challenges of raising capital and developing and marketing new ideas, but foreign-born entrepreneurs had to meet the additional burden of dealing with an immigration system that is not designed to facilitate startup activity.

'Despite the importance of entrepreneurship to the US economy, it will remain difficult for foreign nationals to gain immigration status for founding a startup company without new legislation,' the study argues, and adds, 'That means immigrant entrepreneurs must continue to rely on gaining permanent residence by being sponsored by an employer or family member or, at best, be hired in a lower-level position in a company they founded.'

'Improving the legal structure to allow immigrant entrepreneurs to found businesses, stay in the country and grow their companies,' the report reiterates, would improve job creation in the United States.'

— AZIZ HANIFFA

Needed Urgently: A Startup Visa!

AZIZ HANIFFA

"It was important to look at some of the positive contributions of immigrants because it becomes very easy in America because of the way the news culture works — no offence to any journalists — but often bad news or conflict often gets all the attention," says Stuart Anderson, Executive Director, National Foundation for American Policy and the author of the respective studies.

"That's just human nature and in that context, it becomes easy to lose sight of the positive contributions — the kind of things that immigrant entrepreneurs are doing on a daily basis but isn't necessarily newsworthy," Anderson, a former head of policy and counselor to the Commissioner of the erstwhile US Immigration and Naturalization Service, tells *India Abroad*. His observations:

■ "By examining this group of extremely successful companies and seeing how they were founded and not only how they were founded, but also who are the other key people in the companies that makes the companies grow — because any founder of a company would say that it takes more than one person for a company to be successful — I found many immigrants in these other positions as well."

■ "Examining the contributions of immigrants and a unique set of companies — which are privately held companies valued at \$1 billion or more based in the United States," and the catalytic role they play in growing the US economy and generating American jobs, hopefully would alleviate the toxic anti-immigration debate permeating the Presidential election primaries.

■ Immigrants, including those from India, who lead the number of these billion dollar startups in the United States, Anderson says, "play a key role in creating these fast-growing companies, which are sometimes called Unicorns and are not traded in the stock market, but maybe in the future."

■ He pointed to the staggering role of these immigrants in creating "these new fast-growing companies" and starting up more than half of these companies — 44 out of 87 — and in 62 or the 87 companies researched, accounting for 71 percent by virtue of being indispensable for their growth by either being a co-founder, chief technology officer, chief executive officer, or being the key person behind product development or innovation.

■ While "entering the United States as an international student had been shown to be a good avenue for starting these successful US companies, with nearly one quarter of the 87

billion dollar startups had a founder who first came to America as an international student," the H-1B visa category which was dominated by highly-skilled Indian professionals, was also a significant conduit, points out Anderson.

■ Asked if it were the Indians and others who came as international students or those who came on H-1B visas were more successful and if the ratio of companies they founded were comparable, he says, "I found that it was a combination of people who came as international students and people who came directly on H-1Bs."

■ "But even for people who came as international students, you would generally need to transition from international student eventually to an H-1B. You have to get an OPT (*Occupational Practical Training*) visa, but then that's only for a short period of time and you would have to transition to some other kind of visa."

■ Anderson argues that the entrepreneurial enterprise shown by these immigrants needed to be institutionalized and needed a permanent fix through startup visas and hoped that legislation introduced by lawmakers in both the House and Senate would see the light of the day.

■ He predicts that if these bills were enacted, "it could create 1 million to 3 million jobs over the next decade," and reiterates that "the reason that it is important is that under current US immigration law, there is no reliable mechanism for a foreign national to become a lawful permanent resident by starting a US company,"

■ Unless these successful immigrant entrepreneurs profiled who had founded these billion dollar startups had been sponsored by a family member or employer, Anderson points out they never would have been able to stay on in the US and be responsible for helping to grow the US economy and generating thousands of jobs.

'Immigration bills could create 1 million to 3 million jobs over the next decade'



Stuart Anderson, Executive Director, National Foundation for American Policy

■ Jyoti Bansal, an Indian-American entrepreneur profiled in the report, founded AppDynamics, which now has more than 900 employees and a valuation of \$1.9 billion. Bansal waited for seven years for his employment-based Green Card and had wanted so much to leave his job and start a company, but couldn't. Because, if he had, he would have lost his H-1B status and jeopardized his chances of starting a company. Under its interpretation of current law, the US Immigration and Citizenship Services rarely approves an H-1B for a foreign national as a CEO of a startup company.

■ A "separate issue is that the low quotas on H-1B temporary visas can often make it difficult for startup companies to hire new personnel," adds Anderson.

■ "The startup visas could unleash pent-up entrepreneurial activity. Hundreds of thousands of skilled foreign nationals are waiting in the employment-based immigrant backlog and while many

are eager to start new businesses, are unable to do so because of immigration law."

■ "Because there are per-country quotas within the Green Card system — there is a 40,000 annual employment-based Green Card limit — someone from India or China could wait many years longer for the third preference, several decades. And, even in the employment-based second preference, the wait could probably be eight, nine, 10 years."

■ "There are literally hundreds of thousands of people who have all these skills and because they can't get Green Cards, if they were today to start a business, they'll be put in a very precarious situation, because they would have to get some kind of a new H-1B possibly and in a new scenario with a new company, and that would be very risky."

■ "So, pretty much all these people I talked to, wait till they get a Green Card before they start a company because of all these limits. The simplest answer is that there is a lot of pent-up demand and a lot of companies that would start if this was corrected either through a startup visa or at a minimum, more employment-based Green Cards."