IMMIGRANT ENTREPRENEURS AND U.S. IMMIGRATION POLICY

UNDERSTANDING THE PROBLEM

America is producing far fewer startup companies than it did years ago and one of the reasons is U.S. immigration laws prevent many foreign nationals with ideas and drive from starting a business in the United States. "Despite the recent positive trend, new businesses with employees -- those creating jobs for people besides the entrepreneur – are still in a long-term decline compared to levels in the 1980s," according to the Ewing Marion Kauffman Foundation.[1]

A key problem is no reliable way exists under U.S. immigration law for foreign nationals to remain in the United States after founding a company. In the pages that follow, solutions are offered to fix the problem. In addition, key facts are presented on the contributions made by immigrant entrepreneurs, along with examples of outstanding immigrant entrepreneurs.

Key Shortcomings in U.S. Immigration Law:

- There is no "startup visa" that allows a foreign national to gain lawful permanent residence (a green card) by founding a business, attracting investment and/or employing U.S. workers.

- America needs more startups to support economic growth and future job growth. Many high-skilled foreign nationals are unable to start a business because they do not have a green card that would grant them and investors the assurance of being allowed to stay in the United States while the business grows.

- Current visa categories have major shortcomings. The long wait times for employment-based green cards are significant barriers to high-skilled individuals starting a business.

- An H-1B temporary visa is not a reliable category for a foreign-born entrepreneur. Under agency guidelines, U.S. Citizenship and Immigration Services (USCIS) may be unlikely to approve an H-1B petition for an entrepreneur starting a business as the CEO or as the

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[1] *2017 Kauffman Index of Startup Activity*, Ewing Marion Kauffman Foundation.

sole founder of a company. [2] It may be possible to gain approval for an H-1B petition for a position such as a chief technology officer (CTO) if the individual has American co-founders, but there is no guarantee of an approval.

- The increase in denials (up significantly since FY 2016) makes it precarious for individuals currently in H-1B status to change employers, particularly to start a new venture. An H-1B denial, depending on the timing, could leave a foreign-born professional out of status and forced to leave the United States.

POTENTIAL SOLUTIONS

The solution is to develop one or more reliable avenues for foreign nationals to remain in the United States after founding a company.

Potential Changes to U.S. Immigration Law That Could Solve the Problem:

- Establish a "startup visa." A startup visa has been proposed in bills over the past several years. The key features of such bills allow foreign nationals to gain lawful permanent residence by meeting specific criteria. The criteria have included 1) founding a business 2) investing one's own funds or attracting investment of certain dollar amounts from venture capital firms or other sources, and/or 3) employing a specific number of U.S. workers (not close relatives of the founder).

- An additional avenue to increase the number of immigrant entrepreneurs is to fix the employment-based green card problem, since that would develop more paths for immigrant entrepreneurs. Currently, due to the low annual limit on employment-based green cards and the per-country limit, a high-skilled foreign national from India can wait a decade or much longer to gain permanent residence. Without permanent residence it

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[2] To address this problem programs have connected entrepreneurs with universities to mentor students and created jobs in Massachusetts and other states: https://www.globaleir.org/. The venture capital firm Unshackled Ventures has petitioned for foreign-born entrepreneurs to provide them a more stable immigration status from which to grow their business.

can be difficult to attract investment or be certain an individual will be allowed to remain in the United States.

- Another approach would be to establish administrative means to help foreign-born entrepreneurs. One administrative way would be to retain H-4 EADs, which are employment authorization documents for the spouses of H-1B visa holders. Since EADs allow complete mobility in the labor market, the regulation has allowed a number of the tens of thousands of such spouses to start businesses. The administration has proposed ending the H-4 EAD rule.

- Liberalizing USCIS rules on H-1B visa holders would allow more high-skilled foreign nationals to start and retain businesses while in H-1B status. The administration has made it more difficult to obtain an H-1B visa.

- Retaining the International Entrepreneur Rule, which the Trump administration has slated for rescission, would provide additional options for foreign nationals with business ideas. The rule would allow foreign nationals to be granted parole and work in the U.S if they established a new business that meets financial and employment thresholds.

THE CONTRIBUTIONS OF IMMIGRANT ENTREPRENEURS TO AMERICA

Since there is no startup visa, nearly all immigrant entrepreneurs in America first gained permanent residence as refugees or were sponsored by employers or family members. Despite the limitations under U.S. law, the contributions to America and the U.S. economy made by immigrant entrepreneurs are remarkable.

- Immigrants are "almost twice as likely" as native-born Americans to become entrepreneurs, according to the [Ewing Marion Kauffman Foundation](#).[3]

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[3] *2017 Kauffman Index of Startup Activity*.

- Research from the National Foundation for American Policy finds that 55%, or 50 of 91, of the country's $1 billion startup companies had at least one immigrant founder.[4]

- The research finds that among these privately held billion-dollar startup companies, immigrant founders have created an average of more than 1,200 jobs per company.

- The leading company for employment among immigrant-founded billion-dollar companies is Uber with 9,382 employees (in the U.S.), as well as 3 million active drivers. Other notable employers include SpaceX, which has 7,000 employees, followed by WeWork (6,000), Mu Sigma (3,500), Palantir Technologies (2,000), Unity Technologies (2,000), Houzz (1,800) and Sprinklr (1,400).

- The collective value of the 50 immigrant-founded companies is $248 billon, which is more than the value of all the companies listed on the stock market of many individual countries, including Argentina, Colombia, Peru, Portugal and Ireland.[5] Several of the companies may become publicly traded.

- The U.S. billion-dollar companies with at least one immigrant founder with the highest valuations are Uber ($72 billion), SpaceX ($21 billion), WeWork ($20.2 billion), Palantir Technologies ($20 billion) and Stripe ($20 billion).

- A 2013 study by the National Venture Capital Association (NVCA) found immigrants started 33% of U.S. venture-backed companies that became publicly traded between 2006 and 2012.[6]

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[4] Stuart Anderson, *Immigrants and Billion-Dollar Companies*, NFAP Policy Brief, National Foundation for American Policy, October 2018.
[5] Ibid. Values as of October 1, 2018.
[6] *American-Made 2.0: How Immigrant Entrepreneurs Continue to Contribute to the U.S. Economy*, National Venture Capital Association, 2013.

EXAMPLES OF SUCCESSFUL IMMIGRANT ENTREPRENEURS

Jyoti Bansal, AppDynamics – Jyoti Bansal graduated from India's top engineering school and, like many immigrant entrepreneurs, believed America was the best place for him to build his career. He wanted to come to Silicon Valley, he told an interviewer, and to work for a startup company in America.

He started working on an H-1B visa, which allowed him to be employed but also prevented him from starting a company. He knew it would be difficult or unlikely that the federal government would approve an H-1B visa for him as the owner and CEO of a new company.

"I waited 7 years for my employment-based green card and I wanted to leave my job and start a new company but couldn't," he said. "What is most frustrating about the green card process is you have no control over a major part of your life. I have friends who became frustrated with the uncertainty and after years of waiting they finally left the United States."[7]

In 2007, Jyoti received an employment authorization document (EAD) as part of the green card process and set off to start AppDynamics. The company soon employed over 900 people.

AppDynamics describes its service as the equivalent of a 24 hour/7 days a week MRI for an organization's website, picking up small problems before they debilitate a business and anger consumers. Its customers have included HBO, helping ensure a good online experience for customers, and major financial institutions.

In 2017, Cisco purchased the company for $3.7 billion. If Jyoti Bansal did not receive his green card back in 2007 it is likely AppDynamics – and all the jobs and wealth created by it – would have never came into existence.

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[7] Stuart Anderson, *Immigrants and Billion Dollar Startups*, NFAP Policy Brief, National Foundation for American Policy, March 2016.

Michelle Zatlyn, Cloudflare – After attending college in Canada, Michelle Zatlyn decided to study at Harvard Business School. It turned out to be a good decision because at Harvard she met Matthew Prince and his friend Lee Holloway. The three combined their talents to found Cloudflare. Michelle and Matthew worked on the idea for Cloudflare while at Harvard. Following graduation, Michelle obtained 12 months of work authorization under Optional Practical Training (OPT). "The best thing the U.S. government has done on immigration is OPT to allow international students a chance to stay and work for a time after graduation," she said. "It allowed me to work with Matthew on the business plan that helped create the company."[8]

After the three co-founders headed to Silicon Valley and started raising money from venture capital firms, Michelle needed the company to obtain an H-1B visa for her or she could not remain in the United States to work. At first her case was not approved. The company submitted letters of recommendations, including from investors, and ultimately the H-1B visa was approved. "If I hadn't obtained the visa I would have gone back to Canada and tried to work on Cloudflare from there," she said. "If that had happened, Cloudflare would not be where it is today. It would have clearly affected our development."[9] The company has grown significantly, going from 225 employees in 2016 to more than 800 employees in 2019, with a valuation of $1 billion. Cloudflare has more than 9 million web properties in its network, which the company provides with improved traffic, security and other services.

Dmitri Alperovitch, CrowdStrike – Dmitri Alperovitch immigrated to America as a teenager from the Soviet Union in the 1990s. He started his first company with his father while in high school. He graduated from Georgia Tech with a graduate degree in information security and went to work for a company that focused on eliminating email spam. It proved to be good experience. Dmitri learned to gather intelligence on cyber criminals, including by infiltrating underground forums. While working at McAfee, company executive George Kurtz talked to him

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[8] Interview with Michelle Zatlyn.
[9] Ibid.

about starting a new type of cybersecurity company. After adding Gregg Marston as a third co-founder, CrowdStrike was born.[10]

CrowdStrike was in the news in 2016 when the Democratic National Committee asked it to investigate what turned out to be Russian hacking of its systems. The company describes itself as "the leader in cloud-delivered, next generation endpoint protection."[11] Headquartered in Sunnyvale, CA, CrowdStrike has a $3 billion valuation and approximately 1,200 employees. "This country has been incredibly good to me," said Dmitri. "I'm a citizen and proud to contribute to the economic and national security of the country."[12]

Al Goldstein, Avant – In 1988, the United States accepted Al Goldstein's family as refugees from Uzbekistan. If not, the 2,500 jobs he has created across multiple companies in the U.S. would never have happened. Al came to America as an 8-year-old boy, adapted quickly and, while running his first company, which he started with his brother, met a pair of interns, John Sun and Paul Zhang. Both John and Paul, like Al, immigrated to America as children. John's mother was an international student, earning a master's degree in computer science from Loyola in Chicago. Paul Zhang's father was sponsored for immigration by a family member, which allowed Paul to immigrate to America. After John and Paul pursued their finance idea with Y-Combinator, they came back to Al Goldstein and the three of them started Avant.[13]

Today, Avant has over 500 employees and is valued at $2 billion. The company has a digital lending business, focusing on personal loans and credit cards for middle-income consumers, and it has a separate business line that packages its technology to large institutions (banks and non-banks) to help them digitize their services. Immigrants play an important role at Avant. Al Goldstein is CEO and Paul Zhang, born in China, is chief architect. "I think if you go up and down our company and our top executives, so many are immigrants from the former Soviet Union,

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[10] Interview with Dmitri Alperovitch.
[11] CrowdStrike.
[12] Dmitri Alperovitch.
[13] Interview with Al Goldstein.

from China, from India, from Latin American countries, you name it," said Al. "Coming to the United States gave us such an incredible opportunity as a family to receive better lives, to raise our children, to seek opportunity, and to create jobs. I think the United States is the best place in the world because you have unbelievable freedom to achieve whatever goals you want."[14]

Barry Canton, Ginkgo Bioworks – Born in Ireland, Barry attended the Massachusetts Institute of Technology (MIT) to pursue his Ph.D. in biological engineering. At MIT, he met his 4 co-founders, who together established Ginkgo Bioworks, an organism design company that replaces manufacturing processes by using biology to reprogram cells. Two of Barry's co-founders are the children of recent immigrants, including his wife Reshma Shetty, the company's chief operating officer, who sponsored his family-based green card. The company is able to program the DNA of living cells to produce a range of products. Ginkgo Bioworks is working to replace nitrogen-based fertilizers by engineering microbes for crops and designs enzymes for food and beverage production, with customers that include Cargill and ADM. Based in Boston, the company employs 200 people and is valued at $1 billion.

Adi Tatarko and Alon Cohen, Houzz – Houzz is a fast-growing, valuable company. Houzz has grown from 800 employees and a valuation of $2.4 billion in 2016 to 1,800 employees and a value of $4 billion in 2018.[15] The company was started by a husband and wife team, both born in Israel, after they tried to renovate their home. "We quickly found the process to be incredibly difficult and frustrating. We had a hard time finding good resources and inspiration to help us articulate a vision for our home and selecting the right professionals to make it a reality," according to Adi Tatarko.[16] She was surprised how little of what she needed on design and home remodeling could be found online. That is not a problem now. Millions of people visit Houzz's website.

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[14] Ibid.
[15] Houzz.
[16] Adi Tatarko, "How I Did It: Adi Tatarko, Co-Founder & CEO of Houzz, MariaShriver.com, September 25, 2013.

Eric Yuan, Zoom Video – Eric Yuan said he developed the idea for Zoom Video as an alternative to taking 10-hour train rides to visit his girlfriend as a freshman while attending university in China. He eventually married his girlfriend and started a billion-dollar company. But Eric came close to never starting the company in America because he couldn't get a visa. "I decided to come to the U.S. in the mid '90's because of the Internet, which I knew was the wave of the future," he said. "It was red hot here, but hadn't yet taken off in China. The first time I applied for a U.S. visa, I was rejected. I continued to apply again and again over the course of two years and finally received my visa on the ninth try."[17] He worked for WebEx until Cisco acquired the company in 2007 and appointed him vice president of engineering at Cisco. When he left Cisco in 2012 to start Zoom he put together a team of 40 engineers.[18] Today, Zoom Video is valued at $1 billion and the company – which would have never been founded in the U.S. if Eric Yuan had not been granted a visa – now employs 1,300 people.[19]

Sebastian Thrun, Udacity – "It took me 10 years to graduate a dozen Ph.D.'s." What happened when then Stanford professor Sebastian Thrun put the course "Introduction to Artificial Intelligence" online? "Within weeks, 160,000 students signed up," he said.[20] Not long after, Sebastian, an immigrant from Germany, started Udacity with David Stavens. Today, the company has more than 400 employees and a valuation of $1 billion. Over 160,000 students worldwide have enrolled in its classes online.[21]

Before starting Udacity, Sebastian Thrun was well-known as a founder of Google X, leading projects on Google Glass and autonomous vehicles. "Our company would not exist without immigrants," said Sebastian, who serves as Udacity's president. "Udacity employs immigrants up to the highest level of management. Among them is our Interim COO, Lalit Singh, who is an immigrant, and our VP of Enterprise, Alper Tekin, who immigrated from Turkey. I firmly believe

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[17] Yitzi Weiner, "The Inspiring Backstory of Eric S. Yuan, Founder and CEO of Zoom, Medium, October 2, 2017.
[18] Ibid.
[19] Zoom Video.
[20] Interview with Sebastian Thrun.
[21] Udacity.

that the diversity of our staff is key to our success."[22] With his skills and drive, Sebastian Thrun would be sought after in every country in the world. He came to America for a reason. "I have always loved America," he said. "I loved the freedom, the focus on individual empowerment, the history of innovation that is truly unique to this country."[23]

Lior Div, Cybereason – Lior Div, the CEO and one of three Israeli-born co-founders of Cybereason, cites his military experience as preparing him to run a company. He spent 6 years in the Israel Defense Forces, including as a commander of a cybersecurity team in the Israeli Intelligence Corps. People in Israel gain experience in cybersecurity in military and government positions but typically then move into the private sector, according to Lior. He finds the professional talent in America is excellent for running a big business and is pleased with the talent in the Boston area.[24]

Lior said Cybereason now has hundreds of customers worldwide in finance, healthcare and other sectors. It is moving to provide cybersecurity associated with the Internet of Things (physical devices with connectivity) and protecting devices. "The U.S. will be the major market that we're selling to, but right now we have a team in Tokyo, in Europe, in South Africa, South Korea and Australia," he said. "Of course, the majority of the team is in the United States." With its headquarters in Boston, the company has grown rapidly and is now up to 375 employees and a valuation of $1 billion.[25]

Amr Awadallah – Amr Awadallah, co-founder of Cloudera, earned a B.A. and M.A. in electrical engineering from Cairo University in Egypt and was accepted to a Ph.D. program at Stanford, intending to return to Egypt as a professor. "Coming in from the airport, I saw the headquarters for HP and Oracle, and just seeing them excited me about the possibilities of business," said Amr. "And Stanford inspires you with the culture of entrepreneurship, the courses, the speakers,

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[22] Sebastian Thrun.
[23] Ibid.
[24] Interview with Lior Div.
[25] Ibid.

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and how to start a company and raise money. It changed me."[26] Cloudera helps governments use data to defend against cyberattacks and terrorism. The company also aids with medical research and assists agricultural companies that want to use data to improve crop yields. After an initial public offering in 2017, Cloudera has a market value of approximately $2.2 billion.[27]

Table 1
International Students Who Became Founders of Billion-Dollar Companies

NAME	UNIVERSITY/DEGREE	COMPANY CO-FOUNDED/ FOUNDED	EMPLOYEES	VALUE OF COMPANY
Noubar Afeyan	MIT, Ph.D. Biochemical Engineering	Moderna Therapeutics	645	$7.0 Billion
Ash Ashutosh	Penn State, M.S. Computer Science	Actifio	400	$1.1 Billion
Barry Canton	MIT, Ph.D. Biological Engineering	Ginkgo Bioworks	200	$1.0 Billion
John Collison	Harvard	Stripe	1,100	$20 Billion
Patrick Collison*	MIT	Stripe	1,100*	$20 Billion
Nicolas Desmarais	Amherst, B.A. Economics & Pol. Sci.	AppDirect	700	$1.0 Billion
Louay Eldada	Columbia University, B.S., M.S., Ph.D., Electrical Engineering	Quanergy Systems	250	$1.6 Billion
Borg Hald	Stanford, MBA, U. of Michigan, B.B.A.	Medallia	1,300	$1.3 Billion
David Hindawi	U.C.-Berkeley, Ph.D. Oper. Research	Tanium	750	$3.5 Billion
Arvind Jain	Univ. of Washington, M.S., Comp. Sci	Rubrik	1,200	$1.3 Billion
Tomer London	Stanford, M.S. Electrical Engineering	Gusto	600	$1.1 Billion
Soham Mazumdar*	Univ. of Illinois, Urbana Champaign, M.S., Computer Science	Rubrik	1,200*	$1.3 Billion
Elon Musk	Univ. of Penn., B.A., Econ & Physics, Wharton School, B.S. Business	SpaceX	7,000	$21 Billion
Adam Neumann	CUNY Bernard M Baruch College	WeWork	6,000	$20.2 Billion
Dhiraj Rajaram	Wayne State, M.S. Computer Engineering, Univ. of Chicago, MBA	Mu Sigma	3,500	$1.5 Billion
Daniel Saks*	Harvard, M.A. Finance & Accounting	AppDirect	700*	$1.0 Billion
Mario Schlosser	Harvard, MBA	Oscar Health Insurance	850	$2.7 Billion
Eric Setton	Stanford, Ph.D. and M.S. Electrical Engineering	Tango	500	$1.0 Billion
Bipul Sinha*	Wharton School, MBA	Rubrik	1,200*	$1.3 Billion
Vlad Tenev	Stanford, B.S., Math	Robinhood	250	$5.6 Billion
Ragy Thomas	NYU, MBA	Sprinklr	1,400	$1.8 Billion
Andrew Thompson	Stanford, M.A., Education	Proteus Digital Health	300	$1.1 Billion
Arean van Veelen	Univ. of Washington, Software Product Management, Ferris State Univ., ISM	OfferUp	240	$1.2 Billion
Renaud Visage	Cornell, M.S. Engineering	Eventbrite	900	$1.0 Billion
Tianyue Yu*	Cornell Univ., Ph.D., nanotechnology	Quanergy Systems	250*	$1.6 Billion
Michelle Zatlyn	Harvard, MBA	Cloudflare	715	$1.0 Billion

Source: National Foundation for American Policy, company information. *Denotes second or more international students from same company. Values as of October 1, 2018 from "Billion Dollar Startup Club," *Wall Street Journal.*

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[26] Anderson, *Immigrants and Billion-Dollar Companies.*
[27] Ibid., Yahoo Finance.

RESOURCES

Research on Immigrant Entrepreneurs

Stuart Anderson, *Immigrants and Billion-Dollar Companies*, NFAP Policy Brief, National Foundation for American Policy, October 2018.

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Profiles of Immigrant Entrepreneurs

The Immigrant-Unicorn Connection
(*Wall Street Journal*, November 29, 2018)

55% Of America's Billion-Dollar Startups Have An Immigrant Founder
(*Forbes*, October 25, 2018)

Al Goldstein: From Child Refugee To Billion-Dollar Company
(*Forbes*, November 1, 2018)

CrowdStrike's Immigrant Cofounder Fighting Cyber Criminals
(*Forbes*, December 3, 2018)

Immigrant Tech Entrepreneurs Creating Thousands Of Jobs In U.S.
(*Forbes*, November 13, 2018)

Family Immigration Led To John Tu's Billion Dollar Company
(*Forbes*, December 19, 2017)

Sebastian Thrun: Udacity Would Not Exist Without Immigrants
(*Forbes*, March 14, 2019)

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