



National Venture Capital Association

Contact: Emily Mendell, NVCA, 610-565-3904, emendell@nvca.org
Channa Luma, The Weiser Group for NVCA, 202-641-6959, cluma@weisergroup.com

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**IMMIGRANTS HAVE FOUNDED 1 IN 4 PUBLIC VENTURE-BACKED COMPANIES IN U.S.
SINCE 1990, FINDS FIRST-EVER STUDY**

**47 Percent of Current Venture-Backed Startups Surveyed
Have Immigrant Founders**

Two-Thirds Surveyed Say Starting American Companies Is Harder for Immigrants Today

November 15, 2006, Washington, DC – Immigrant entrepreneurs have had a profound impact on company creation, innovation and market value in the United States, according to a first-of-its-kind study, “*American Made: The Impact of Immigrant Entrepreneurs and Professionals on U.S. Competitiveness.*” The study found that over the past 15 years, immigrants have started 1 in 4 (25 percent) U.S. public companies that were venture-backed, representing a market capitalization of more than \$500 billion. Moreover, a survey of today’s private, venture-backed start-up companies in the U.S. estimated that 47 percent have immigrant founders. However, the study also found that two-thirds of the immigrant founders surveyed believe that current U.S. immigration policy hinders the ability of future foreign-born entrepreneurs to start American companies today.

The study was authored by Stuart Anderson of the National Foundation for American Policy and Michaela Platzer of Content First, LLC and commissioned by the National Venture Capital Association (NVCA) as part of its MAGNET USA initiative (Maximizing America’s Growth for the Nation’s Entrepreneurs and Technologists).

“A key lesson of the study is the importance of maintaining a more open, legal immigration system,” said Stuart Anderson, co-author of the report. “Few of these impressive immigrant entrepreneurs could have started a company immediately upon arriving in the U.S. - many were just children, international students or H-1B professionals - but it’s clear that America helped shape them into entrepreneurs as much as they have helped shape America..”

Public Company Value Creation

The study found that 25 percent of the venture-backed, public companies that were established in the last fifteen years were started by one or more immigrant founders. Within the high technology sector, that percentage rises to 40 percent. The aggregate market capitalization of these companies, which includes Intel, Google, Yahoo!, Sun Microsystems and eBay, exceeds \$500 billion.

Jerry Yang, co-founder of Yahoo!, came to this country from Taiwan at the age of ten and went on to Stanford University where he and David Filo developed the concept for the world's largest global online network, now headquartered in Sunnyvale, California.

"Yahoo! would not be an American company today if the United States had not welcomed my family and me almost thirty years ago," said Mr. Yang. "We must do all that we can to ensure that the door is open for the next generation of top entrepreneurs, engineers and scientists from around the world to come to the U.S. and thrive. Whether they arrive as children, students, or professionals, we want the best and the brightest here. Our immigration policy should reflect that or these talents will go elsewhere."

While immigrant founders of U.S. public companies come from across the globe, the most common countries of origin are India, Israel and Taiwan. When aggregating countries into regions, immigrants from Europe represented more than 25 percent of all company founders.

The study also found that immigrant founders are responsible for building a high percentage of the most innovative American companies, with 87 percent operating in sectors such as high-tech manufacturing, information technology and life sciences. These companies are headquartered across the country but are concentrated in five states: California, Massachusetts, New Jersey, Washington and Texas.

Of the more than 400,000 worldwide jobs created by immigrant-founded ventured-backed public companies, 70 percent (more than 280,000) are in the high-tech manufacturing sector. Given the high-tech nature of the businesses started by immigrant entrepreneurs, these companies often pay higher salaries but employ fewer people overall than companies in other sectors.

The Next Wave of Innovation – Immigrants Critical to the Start Up Economy

Immigrant entrepreneurs have an even stronger presence among today's start up companies. Given the lack of public data available for these private companies, the authors surveyed more than 340 venture-backed start-ups and found nearly half (47 percent) were founded by one or more immigrants. The trend is likely to continue in coming years as almost two-thirds of these immigrant entrepreneurs intend to start or have already started additional businesses in the United States

Private start-up companies mirrored their public counterparts in location and industry concentration. Fifty-six percent of the emerging companies founded by immigrants were headquartered in California, followed by Massachusetts and New York. Sixty-two percent of the companies were in the high technology or life sciences sectors. India was the most prevalent country of origin with 28 percent followed by the United Kingdom (11 percent), China (5 percent), Iran (4 percent), and France (4 percent).

Nearly half of the immigrant entrepreneurs in the survey (46 percent) arrived in the U.S. as students. More than half of the founders started their businesses within 12 years of entering the United States. They hold an average of 14.5 patents. Sixty-nine percent of these individuals have become American citizens.

"As a nation of immigrants, the United States has harnessed the intellectual power of the best and brightest minds from abroad for 300 years. Foreign-born entrepreneurs have contributed significantly to our economy and our global leadership in innovation. It's time that we recognize their achievements," said Mark Heesen, president of the National Venture Capital Association. "There is no question that the U.S. must remain a magnet of foreign-born talent if we are to maintain our competitive edge. However, current quotas on highly-skilled immigrants are insufficient and these great minds are beginning to look elsewhere to build their businesses," Heesen added.

The Need to Reform High Skill Immigration

American Made revealed an increasing concern that current U.S. immigration policy is jeopardizing our ability to attract and retain critical talent from across the globe. More than two-thirds of immigrant entrepreneurs agreed that U.S. immigration policy has made it more difficult than in the past to start a company in America.

Two-thirds of the private companies surveyed who use H-1B visas (temporary visa to hire skilled foreign nationals) say that current immigration laws harm U.S. competitiveness. Forty percent stated that current immigration policies have negatively impacted their companies when competing against other firms globally. One-third of the private companies said that the lack of visas had influenced their company's decision to place more personnel in facilities abroad.

“The current quota on H-1B visas of 65,000 has not been sufficient to meet the demand for highly skilled professionals,” said Chad Waite, general partner at OVP Venture Partners in Seattle and NVCA Board member. “In nine of the past 11 years, employers have exhausted the entire quota of H-1B's prior to the end of the fiscal year. In the past three years, the quota was used up prior to the start of the fiscal year. Perhaps equally troubling, the wait in skilled green card (permanent residence) categories is five years or more, sending a signal to current and future outstanding professionals and researchers that America may not be the place to make a career and raise your family.”

Methodology

To conduct the research, the authors examined the Thomson Financial database of all publicly traded venture-backed companies founded since 1970. After eliminating those that had merged, been acquired, or were otherwise no longer publicly-traded (or in business), they used public records, Internet research, e-mails, and phone calls to identify the nativity of the founders for the remaining companies. Since information on privately-held venture-backed companies is not as readily available as it is for public companies, the authors conducted a survey through the NVCA, which targeted its member firms' portfolio companies, and through the American Entrepreneurs for Economic Growth. More than 340 responses were received.

Please contact Emily Mendell, Vice President of Strategic Affairs for the NVCA for a complete copy of the study. emendell@nvca.org or 610-565-3904

About the Study Authors

Stuart Anderson, National Foundation for American Policy

Stuart Anderson is executive director of the National Foundation for American Policy, a non-profit, non-partisan public policy research organization in Arlington, Virginia focusing on trade, immigration, and related issues. Stuart served as executive associate commissioner for policy and planning and counselor to the commissioner at the Immigration and Naturalization Service from August 2001 to January 2003. He spent four and a half years on Capitol Hill on the Senate Immigration Subcommittee, first for Senator Spencer Abraham and then as staff director of the subcommittee for Senator Sam Brownback. Prior to that, Stuart was director of trade and immigration studies at the Cato Institute in Washington, D.C., where he produced reports on the military contributions of immigrants and the role of immigrants in high technology. He has an M.A. from Georgetown University and a B.A. in Political Science from Drew University.

Michaela Platzer, Content First, LLC

Michaela Platzer is president of Content First, LLC, a full-service public policy research services firm in Washington, D.C. that utilizes a unique process of melding solid research and analysis with presentation and communication to bring advocacy data, industry statistics, and policy research to life for trade associations, businesses, law firms, consulting firms, and the public affairs community. Michaela brings more than 20 years of public policy research experience to her firm as vice president, research and policy analysis for the American Electronics Association (AeA), manager, European affairs, for the U.S. Chamber of Commerce, and international economist for the Embassy of the Republic of South Korea. She has authored numerous publications including recent economic and policy reports for the Transatlantic Business Dialogue, the Representative of German Industry and Trade, the Organization for International Investment, the U.S. Chamber of Commerce, and the Korea-U.S. Business Council. Other publications authored by Michaela include AeA's *Cyberstates*, *Cybernation*, and *CyberEducation* reports and the U.S. Chamber's policy studies on the European internal market program. Michaela holds an M.A. from The Johns Hopkins School of Advanced International Studies and a B.A. from the University of California at Davis.

About the National Venture Capital Association

The National Venture Capital Association (NVCA) represents approximately 480 venture capital and private equity firms. NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy, and support entrepreneurial activity and innovation. According to a 2004 Global Insight study, venture-backed companies accounted for 10.1 million jobs and \$1.8 trillion in revenue in the United States in 2003. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit www.nvca.org.

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