



Business news

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Venture capitalists betting on immigrant

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SAN FRANCISCO — Venture capitalists hoping to strike it rich are increasingly betting on the entrepreneurial skills of U.S. immigrants — a melting pot that has already cooked up more than \$500 billion in shareholder wealth, according to a study to be released Wednesday.

Immigrants launched nearly one in every five U.S. startups that relied on venture capital before turning to the stock market during a 35-year period ended in 2005, based on data compiled by two research groups, the National Foundation for American Policy and Content First.

The lucrative partnerships between immigrants and venture capitalists have become even more prevalent in recent years, the study found.

Since 1990, one in every four venture-backed companies that have completed initial public offerings of stock had at least one immigrant founder, including Internet stars like Google Inc.'s Sergey Brin and Yahoo Inc.'s Jerry Yang.

"Yahoo would not be an American company today if the United States had not welcomed my family and me almost 30 years ago," said Yang, who immigrated from Taiwan. "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."

The National Venture Capital Association, a trade group, paid for the study as part of its effort to persuade federal lawmakers to allow employers to hire more foreign-born employees under H-1B visas — temporary permits that allow foreigners to work in the United States for up to six years.

The cap on H1-B visas currently stands at 65,000 annually. The venture capital group is backing proposed legislation that would raise the annual quota to 115,000.

The list of immigrant-driven success stories includes five Silicon Valley heavyweights — Google, Yahoo, Intel Corp., eBay Inc. and Sun Microsystems Inc. Those five companies alone have a combined market value of about \$375 billion.

All told, the study concluded that venture capitalists helped finance 730 U.S. companies that remained public through 2005. Of that total, just under 20 percent had at least one immigrant founder.

The 144 immigrant-influenced companies identified in the venture capital study have a combined market value of more than \$500 billion and employ more than 400,000 workers worldwide, including about 220,000 in the United States.

The companies backed by immigrant entrepreneurs and venture capitalists represent a sliver of the overall IPO market during the period covered by the study. More than 11,300 companies went public from 1970 through 2005, according to Thomson Financial.

Venture capitalists and immigrant entrepreneurs appear to be hooking up more frequently because of a common affinity for high technology, said Mark Heeson, president of the National Venture Capital Association.

Nearly 90 percent of the immigrant-founded startups cited in the study are involved in high-tech manufacturing, information technology, life sciences or electronic commerce.

That high-tech focus has turned California — home to the world's biggest venture capital firms as well

as Silicon Valley _ into the hot spot for immigrant entrepreneurs. Nearly two-thirds of the publicly held companies cited in the venture study are based in the nation's most populous state.

Startups founded by immigrants also tend to blossom more quickly than companies launched by U.S. entrepreneurs. It has taken an average of 6.8 years for an immigrant-founded startup to complete an IPO, the study found, compared with an average of 9.3 years for companies launched by U.S. entrepreneurs.


Making it to an IPO is a crucial rite of passage for venture capitalists because the stock market provides them with a way to realize potentially huge profits from their investments.

The number of immigrant entrepreneurs teaming up with venture capitalists appears to have grown in recent years, the report said, setting the stage for even more IPOs during the next few years.

Just under half of the 342 privately held startups that responded to a survey taken as part of the study had at least one immigrant founder.



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