

Highly educated, frustrated, immigrant entrepreneurs go home

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By Allan Maurer

DURHAM, NC—More than a quarter of technology and engineering firms started in the United States over the 1995-2005 decade had a least one key foreign born founder. But those who grow frustrated faced with delays in obtaining visas move back home to start companies, says Vivek Wadhwa, executive in residence, Pratt School of Engineering, Master of Engineering Management Program at Duke University.

A report released Monday by the Ewing Marion Kauffman Foundation that tracked the educational backgrounds of immigrant entrepreneurs who were key founders of technology and engineering companies from 1995 to 2005 shows a strong correlation between educational attainment (particularly in science, technology, engineering and math) and entrepreneurship.

Conducted by researchers at Duke University and the University of California, at Berkeley, the study is a follow-up to a report released in January (www.ssrn.com/abstract=990152) that showed that in 25.3 percent of technology and engineering companies started in the United States from 1995 to 2005, at least one key founder was foreign-born.

Nationwide, these immigrant-founded companies produced \$52 billion in sales and employed 450,000 workers in 2005. The majority of these immigrant entrepreneurs came from India, United Kingdom, China, Taiwan, Japan and Germany.

In a conference call discussing the new report, Wadhwa, a serial entrepreneur himself, said that a visa backlog too frequently causes highly educated immigrants to return home to start companies. "If you go to New Delhi or China, you'll see many CEOs who returned from the West," Wadhwa says.

These immigrants come to the U.S. primarily to study and many received advanced degrees in engineering, math and science fields. But the once three-year process for getting a green card that permits them to work in the United States now stretches to six or even 10 years sometimes, says Wadhwa. Rather than deal with lengthy delays, they take their advanced U.S. educations and go home to start new companies.

Other findings in the study include:

More than half of the foreign-born founders of U.S. technology and engineering businesses initially came to the United States to study. Very few came with the sole purpose of starting a company. Almost 40 percent of immigrant founders entered the country because of a job opportunity, with only 1.6 percent entering the country with the sole purpose of entrepreneurship. They typically founded companies after working and residing in the United States for an average of 13 years.

The study, which could serve as a wake-up call to leaders concerned about America's competitive advantage, shows that 96 percent of immigrant founders of technology and engineering companies held bachelor's degrees and 74 percent held graduate or postgraduate degrees.

Seventy-five percent of the highest degrees among immigrant entrepreneurs were in STEM fields (Science, Technology, Engineering and Mathematics). Moreover, 53 percent of the immigrant founders of U.S.-based technology and engineering companies completed their highest degrees in U.S. universities.

Technology centers with a greater concentration of immigrant entrepreneurs in their state averages include Silicon Valley (52.4 percent), New York City (43.8 percent), and Chicago (35.8 percent). Three technology centers had a below-average rate of immigrant-founded companies: Portland (17.8 percent), Research Triangle Park (18.7 percent) and Denver (19.4 percent).

Indian immigrants started the most U.S. companies, more than the next four nationalities combined, Wadhwa says, followed by those from the United Kingdom and Japan. Hispanics, he noted, "started more companies in Florida than anywhere else."

In a research and policy guide for transforming the U.S. economy toward an innovative entrepreneurial economy published earlier this year, Kauffman Foundation researchers said the nation could benefit from more enlightened immigration policies, designed to attract and retain highly skilled foreign workers and potential entrepreneurs.

Further information about the report can be downloaded at www.kauffman.org/immigrants.