

Immigrant 'Unicorn' Companies Show Why Startup Visa Needed

Business Graphics

By Laura D. Francis

March 17 2016 — Launching a new company is hard enough, but can be even more complicated when the entrepreneur behind that startup is also desperately trying to find a way to stay in the U.S.

Michelle Zatlyn, the co-founder and head of user experience at CloudFlare, had such an experience. She surmounted the obstacles and CloudFlare is now “a unicorn,” meaning a privately held company valued at \$1 billion or more.

Zatlyn described her experience during a March 17 press call sponsored by the National Foundation for American Policy. When you start a company, you're trying every day to make progress, you're “working nonstop and putting your heart and soul into it,” she said.

“When you're an early-stage company, you already have a lot of uncertainty,” Zatlyn said in response to a question from Bloomberg BNA. Then you add the uncertainty of whether you have to return to your home country, she said.

Founded Company While on OPT

Zatlyn, a Canadian immigrant who now holds a green card, first came to the U.S. to study at Harvard Business School. She was able to help found CloudFlare while working under the optional practical training program, which allows international students on F-1 visas to work for at least one year post-graduation in their field of study.

Zatlyn said she ultimately was able to obtain an H-1B highly skilled guestworker visa—but only after having her first petition denied by U.S. Citizenship and Immigration Services and getting a request for evidence on her second one. She said she doesn't know what would have happened to CloudFlare if her second petition had been unsuccessful, requiring her to return to Canada.

“It wouldn't be where it was today if I had not stayed in the United States,” Zatlyn said. “It would've been a totally different outcome.”

The San Francisco-based company works with Internet applications to ensure speed, availability and protection from cyberattacks for about 4 million customers, Zatlyn said. The company employs some 250 people and should have about 390 on board by the end of the year, she said.

Two Reports Highlighted

The press call highlighted two NFAP reports—one on immigrants' contributions to startup companies in the U.S. and another comparing legislative proposals for a startup visa.

Stuart Anderson, NFAP executive director, said the research is meant to highlight immigrants' contributions at a time when national attention on the foreign-born has tended toward the negative. "It becomes easy to lose sight of the positive contributions," he said.

The first report looks at "unicorns." Of the 87 such companies that existed as of Jan. 1, 2016, 44 (51 percent) had at least one immigrant founder, the report said. At least one immigrant also fills a key management position in 62 out of the 87 (71 percent).

Immigrant-founded companies "excel at job creation," the report added: SpaceX employs 4,000 people, while Mu Sigma has 3,000 employees and Palantir Technologies has 2,000. Uber, co-founded by Canadian Garrett Camp, directly employs 900 people but had 162,037 "active drivers" in the U.S. as of December 2014, the report said.

"Under U.S. immigration law there is no reliable mechanism for a foreign national to become a lawful permanent resident" in order to be an entrepreneur, Anderson said during the press call. A visa aimed specifically at this group of innovators "could unleash pent-up entrepreneurial activity," he said.

Two Proposals in Congress

Right now there are two proposals in Congress that would create such a visa, according to the other NFAP report: the proposed EB-JOBS Act (H.R. 3370) sponsored by Reps. Zoe Lofgren (D-Calif.), Luis Gutierrez (D-Ill.) and Judy Chu (D-Calif.) (146 DLR A-10, 7/30/15), and the proposed Startup Act (S. 181), sponsored by Sens. Jerry Moran (R-Kan.), Mark Warner (D-Va.), Christopher Coons (D-Del.), Roy Blunt (R-Mo.), Amy Klobuchar (D-Minn.) and Tim Kaine (D-Va.).

President Barack Obama's November 2014 executive action on immigration also contains administrative measures to bring in immigrant entrepreneurs through the parole authority and the national interest waiver (225 DLR AA-1, 11/21/14), but haven't yet been implemented, the report said.

A smattering of state and local programs also help entrepreneurs get H-1B visas through partnerships with public colleges and universities, which are exempt from the annual H-1B cap. Although those programs are helpful, there would have to be many, many more to even come close to the benefit of having a national startup visa, Anderson said.

Noubar Afeyan, a senior managing partner and chief executive officer at Flagship Ventures and co-founder of Moderna Therapeutics, said the immigrant mindset is particularly suited to entrepreneurship and innovation.

'Survivalist Mindset.'

Immigrants typically are escaping something or seeking something better in the U.S., and so they have a "survivalist mindset" of "no limitations, a strong urge to make a difference and taking nothing for granted," Afeyan said. Particularly in the startup world, the immigrant experience is a "vital renewal force" to "create something from nothing and overcome odds," he said.

Afeyan, who was born in Lebanon, described his own immigration as “nerve-racking.” But he said “things have gotten much harder” in the 28 years since he came to the U.S., with additional restrictions on H-1B visas and increased competition from others seeking them.

Moderna Therapeutics is a biotechnology firm that uses messenger RNA to treat disease, while Flagship Ventures funds startup companies in the field of applied science, Afeyan said. Many of the companies that Flagship funds are run by immigrants, he said.

Afeyan said the 87 “unicorn” companies highlighted in the NFAP report aren't the only ones that have benefited from immigrant contributions. There are “probably a thousand times more instances” of immigrants co-founding and running companies worth \$100 million, he said.

The U.S. shouldn't be thinking of ways to keep people out, but rather to “preserve the necessary ingredient that this group presents,” he said. “Anything that we do to particularly deny immigrants and the immigrant mindset of being an integral component of startups would absolutely, necessarily slow down that development,” he said.