# Why Entrepreneurs Are Dumping Dollar Dreams

**Better prospects at home and flawed US immigration policies are driving out entrepreneurs from Silicon Valley. At last count, 150,000 of them have returned and only a new startup visa can save immigrant entrepreneurship**

**RITUPARNA CHATTERJEE**
SAN FRANCISCO

Hours after returning from America to take care of his aging parents, Saurabh Bansal walked into a meeting of The Indus Entrepreneurs (TiE) in Delhi. He was nervous. But a bunch of energetic entrepreneurs put him at ease. New Delhi or the Silicon Valley, entrepreneurs do strike the right vibes. Five months later, Bansal has founded Finatwork Wealth Services, a Bangalore-based personal finance advisory services chain.

There are thousands like him who are deserting the US and heading back home — be it India or China, says a report released by the Kauffman Foundation, one of the world's largest foundations devoted to entrepreneurship. Immigrants are exiting the US, lured by greener pastures in their home countries, causing a reverse brain drain, the first in America's history.

The Foundation prepared the report along with Duke University, University of California-Berkeley and the Harvard University. The chief motivating factor for over 60% of Indians and 90% of Chinese respondents were the exploding economic opportunities in their home countries. While there is no mechanism to track the number of returnees, researchers estimate the number to be well over 150,000.

"These people are not returning for patriotic reasons. They are returning for practical reasons," says Vish Mishra, venture capitalist and global head of TiE (one of the world's largest entrepreneurial nonprofits). Over 60% of Indians and 90% of Chinese respondents surveyed said greater economic opportunity at home was their main motivation.

For many, like Howard Chen, family is just as powerful a tug. A PhD in electrical and computer engineering from the University of Wisconsin, Chen spent almost a decade in R&D at some of Silicon Valley's most prominent semiconductor design companies like Intel, Synopsis and Mentor Graphics. He abandoned all of that and hi-tech altogether last year and moved back home to Taiwan to help his father run the family business: a regional Toyota dealership with 21 shops and 1,000 employees. "My father is the chairman of the company and he wants me to succeed the business. That's why I'm here," says Chen.

This ideal mix of economic gains while being with family — when compared with the recession-struck US and its chain of immigration pains — makes the pastures at home, temptingly green. "America is soon going to be importing innovation from India and China. We are now exporting all that goodness," says Vivek Wadhwa, an entrepreneur-turned-academic, who co-authored the report.

"It's hard to put a date on when this reverse brain drain began, but it accelerated when we went into recession because these emerging economies were not really impacted," says Robert Litan, VP — research and policy at the Kauffman Foundation. "It's not a brain drain, but a hemorrhage," exclaims Wadhwa. "Flawed US immigration policies along with opportunities in India and China have hastened this trend." The likes of Apar Sureka illustrate Wadhwa's point. Sureka didn't even want to get into the frustrating green card loop — the holy grail for many immigrants in America because it finally gives them the right to change jobs, start businesses, take sabbaticals, and so on. After working with eBay for some years and launching his first start-up (a telecom services portal), Sureka traded entrepreneurial mecca Silicon Valley for Delhi last November.

Packing up his home and returning to another continent with his four-month-old baby last November was far from a cakewalk. But Sureka was determined to free himself from the endless visa hassles. "I wanted the freedom to work on my ideas now, and not have to wait another five to seven years," says Sureka. His education startup, tailored specifically for the Indian market, is currently in stealth mode.

"America, and more so Silicon Valley, is completely innovation-driven. But India is all about the market," says Sureka. This means you cannot create another Amazon in the US, but several Groupons (deal-of-the-day website that features discounted gift certificates) and Amazons are being created in India today.

US-returnee Kunal Bahl's company SnapDeal is India's Groupon and Amazon rolled in one. It's clocked $20 million in revenue, and is on its way to notching up $100 million next year.

The string of profitable local "me-toos" made by US-returnees which is just starting in India, has been in China for a while. Wadhwa met with several of the owners on a trip to Beijing and recounts that most of them said they felt no reason to return to the US for good. In China, their costs were 10 times lower, their markets significantly larger, and funding was more abundant.

"This is not really a reverse brain drain but a brain exchange," says Huiyao Wang, a Harvard fellow who co-authored the report and who heads the Beijing-based Center for China and Globalization. "These entrepreneurs will shuttle back and forth. Our (US, India and China) economies are so tied up now that you can no longer be in one place and create a business."

Challenges abound in both countries, which some returning entrepreneurs are learning the hard way. Bansal recounts how it took him several months to get his company incorporated. "In several countries, it takes one day to incorporate a company," he says. Bureaucracy, corruption and constant chaos mean that these entrepreneurs — used to America's cushy business climate — have to be prepared to improvise. "While Silicon Valley is more democratic, in India, the right connections are critical," says Sureka. India and China are also rapidly losing the low-cost advantage with sky-high real estate prices, inflation, and expensive salaries.

"Attracting the right high-skilled talent to a startup is a major challenge," says Sureka. "The quality of human resources here is far from what we saw in R&D offices in Silicon Valley," adds Chen. Yet neither Sureka nor Bansal nor Chen have any regrets about returning home.

Such tales should be music to the governments of these countries. More entrepreneurs mean more employment, opportunities and innovation. The Chinese government at least, is trying to woo as many US returnees as possible.

While India's focus is on its own mega market, China's focus, like the US, is leaning heavily towards innovation. "China wants to be an innovative country by 2020 and it needs both domestic and immigrant technical talent to reach its goal. So, it is trying its best to attract as many of them as it can," says Wang. Among other things — including China's famous government subsidies — China has built 150 industrial parks exclusively for returnees.

This warm welcome is working. According to the Chinese ministry of education, over 108,000 overseas Chinese — with foreign degrees — returned to China in 2009, thereby marking a rather sharp 56.2% rise over the previous year.

"This reverse brain drain is not necessarily a bad thing. In the long run it could benefit everybody including the US," says Mishra. Incidentally, Games2Win, an Indian venture funded by Mishra's firm Clearstone Ventures already illustrates this forecast.

The company built games specifically for Indian teenagers but gamers from as far as Korea and China discovered it online and were soon hooked. The company is now increasing its presence in America. "This 'reverse brain drain' is not necessarily a zero sum game where one wins and one loses," says Mishra. It wouldn't be surprising if in the coming years Bahl acquires Groupon, instead of it being the other way around. And nobody doubts him. The tables are turning and it's hard to sympathise with America — ironically a nation built by immigrants — which has troubled immigrants enough with its flawed policies.

But immigrants are getting impatient. There were 50% fewer petitions this year for the once-sought-after H-1B professional visa — with which many engineers, including Valley legend and Sun Microsystems founder Vinod Khosla landed in the US. The Start-up Visa, a new bill that is being considered by the US Congress, may yet save immigrant entrepreneurship in the US. A robotics entrepreneur in the Valley, who wants better, sums it up well: "Visas are outdated. Like free trade, we need free immigration."

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GEETANJALI

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**Valley Woes and After...**

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> *Harvard University Fellow*

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# Biz Market Plays Cloud Computing Catch-Up

**The cutting-edge of innovation has now moved to the consumer side**

**STEVE LOHR**
NEW YORK

The big spenders on technology are businesses and government agencies. They buy about 75% of the computing goods and services sold worldwide. Yet it is increasingly evident they are not driving the new ideas, excitement and powerhouse technology firms in ascent these days.

"The cutting edge of innovation is on the consumer side — digital technologies for consumption activity, play, entertainment and social-networked communication — and not in corporations anymore," observed Timothy F. Bresnahan, an economist at Stanford.

Nowhere is that more apparent than in cloud computing, the technology industry's buzz term for customers' accessing information held in big data centres remotely over the Internet from anywhere, as if the services were in a cloud.

In the early days of computers, technology advanced because of government-financed research projects and work in corporate laboratories. Hobbyists developed the first personal computers, but it was only when IBM entered the field in 1981, lending its seal of approval, that the PC industry really took off. Selling to businesses paved the way for the leading PC software and chip suppliers, Microsoft and Intel, to become giant corporations. But marquee companies of the Internet era have made their names and fortunes mainly in the consumer market — both the first-generation Web winners like Amazon and Google, and the second-generation successes like Facebook and Twitter. And they have grown big and fast by offering search, shopping and social-networking services in the cloud.

Cloud computing, though, is more than a hyper-efficient means of distributing digital services. The cloud model is animated by a set of Internet technologies for juggling computing workloads in data centers far more efficiently than in the past — potentially reducing costs by about half, analysts say.

Yet to date, the large, established technology companies — and their businesses and government customers — have trailed in cloud computing. The marketing of the cloud, analysts say, is way ahead of real offerings by suppliers and its adoption by business customers. But there are some recent signs of change. Last week, IBM, introduced a range of cloud services, including paying for computing re-sources like processing and storage on a metered pay-for-use formula, almost as if modeled on an electric utility. IBM will offer customers an à la carte menu, in which they pay for different levels of guaranteed security, support and availability.

IBM, a bellwether in the corporate technology market, forecasts that it will have $7 billion in cloud revenue by 2015. Of the total, $4 billion will be customers shifting to cloud delivery from the company's traditional software and services, and $3 billion is expected to be entirely new business. "We're moving to where the puck is going in this industry," said Steven A. Mills, IBM's senior vice-president for software and hardware. "And we're more than willing to make this transition."

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**Innovating But Not Fast Enough**

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In another industry move announced last week, Dell said that it would invest $1 billion over the next two years to build 10 new data centers and expand customer support, largely for cloud offerings. The largest single customer for computing goods and services, the United States government, embraced the cloud model this year. Vivek Kundra, the White House chief information officer, wrote a "Federal Cloud Computing Strategy" report, and identified $20 billion, or one quarter of the government's total spending on information technology, as "a potential target" for migration to the cloud.

That document has certainly caught the attention of the government's technology suppliers, like Lockheed Martin, the largest. "We're keenly focused on cloud computing," said Melvin Greer, a senior fellow at Lockheed Martin. Still, the outlook is for an evolutionary shift toward the new technology spanning several years, even a decade or more, analysts say. People set the pace of technology adoption, and corporate data centers are filled with people whose skills and livelihoods are based on older technology and ways of doing things.

But technology managers, surveys show, are also genuinely concerned about security, reliability and liability if confidential corporate data re-sides on another company's computers — and getting locked into pro-prietary clouds, controlled by one company. Standards groups are moving to set technical rules for sharing data across different clouds, including a working group established last week by the IEEE, a professional electronic and computer engineering organisation.

"Cloud computing will become the new foundation for corporate information technology — it's inevitable," said Frank Gens, chief analyst for IDC.

Yet competition in the cloud market is intensifying. And that competition is taking shape across a number of fronts. It includes vendors offering basic computing resources joined by telecommunications giants.

**New York Times News Service**

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# Mobile Hacking Sets Off Security Gold Rush

**REUTERS**
PARIS

HACKERS are increasingly aiming attacks at smartphones, touching off a race among software giants, start-ups and telecom operators seeking to cash in on ways to help consumers protect themselves.

As the previously fragmented smartphone market coalesces around big operating systems like Apple's iPhone and Google's Android, it has become a more attractive target for hackers seeking to maximize damage with one hit.

That's creating a big business opportunity for everyone from traditional antivirus players like Intel's McAfee to mobile operators like France Telecom and handset makers like Nokia.

Market research firm Infonetics forecasts sales of mobile security software will grow 50% a year through 2014 to hit $2 billion.

"The mobile security market will one day be bigger than that of computers," Neil Rimer, co-founder of Geneva-based fund Index Ventures, said at the Reuters Global Technology Summit.

"It's a no-brainer that people will pay to protect their devices, and the market will not be owned by one big player."

Rimer's fund has invested in three-year-old start-up Lookout Mobile Security, which has racked up more than 2 million users by selling its software on Google's Android Market and via partnerships with operators like Verizon. Hackers attack mobiles in a myriad of ways. They can force phones to send hundreds of texts to paying services, steal account information when a person uses their bank website, or make fake phone calls to long distance numbers.

**Sales of mobile security software is set to grow 50% a year through 2014 to hit $2 B**

The 'app' craze in which people download small bits of software to do everything from play games to search movie times has also opened up new opportunities for cyber-criminals to infect phones. Unlike Apple, which reviews and approves all the offerings on its App Store, Google's Android Market allows developers to post their apps directly. That more open approach could leave Android more vulnerable to attack, according to security experts. The first significant security breach hit the Android Market in March when hackers added malicious code, known as a Trojan, to 58 popular apps and quickly infected 250,000 phones.