

Tech talents from India, other countries leaving Silicon Valley

By Jon Swartz,

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SAN FRANCISCO — At a time when the U.S. could use all the tech jobs it can get, Kunal Bahl is creating hundreds of them — in India.

The rub is he wanted to stay in the U.S. and build a company here, but visa issues forced him to leave and start SnapDeal in his native country. Four hundred employees later, he's ready to take on Groupon.

"Some things happen for the better," says Bahl, 28, whose H-1B visa permitting him to work in the U.S. expired in 2007. "I see huge opportunity in India because there are no mature companies, like Google and Microsoft, over there. The feeling is like in the U.S. in 1999."

The numbers speak for themselves: SnapDeal, with \$20 million in annual revenue, is on pace to top \$100 million next year, he boasts. It is hiring 70 people a month.

"Rather than dreaming about being acquired by Groupon, (Bahl) dreams of acquiring it. This kid is building the Amazon.com of India," says Vivek Wadhwa, a visiting scholar at University of California-Berkeley who released a report on immigration in late April, reflecting the trend.

What's happening is the nation is experiencing a brain drain.

"For the first time, immigrants have better opportunities outside the U.S.," Wadhwa says. Indeed, nearly half of 264 immigrants surveyed by Wadhwa said they wanted to start companies back home.

Silicon Valley may be the cradle for tech start-ups, but some foreign-born executives, engineers and scientists are leaving because of better opportunities back home, strict immigration laws here and California's steep cost of living.

President Obama highlighted the quandary in a speech Tuesday in El Paso. He pointed out that immigration reform is essential and that Intel, Google, Yahoo and eBay were all founded by immigrants.

There are no hard data available, but authorities agree the number of foreign-born workers returning to India and China annually is in the tens of thousands. The Chinese Ministry of Education estimates the number of Chinese who returned to China last year was a record 134,800, up 25% from 108,000 in 2009.

The Valley's loss is apparently India's gain. Once a haven for top-flight software engineers yet lagging in Internet use and e-commerce, India is now flush with Internet service companies vying to become the country's version of Amazon.com, Groupon or Expedia.

In China, where billions have been invested in research and development with limited success, American-educated and trained Chinese are returning home and playing a key role in helping major R&D labs innovate, Wadhwa says.

At the same time, the IPO market for tech companies in China is simmering. RenRen, the country's largest social-networking site by page views, surged in trading during its stock market debut this month. NetQin Mobile, an Internet security software developer, filed for a public offering this month.

The combination of limited visas for foreign-born engineers and a dearth of college-educated engineers in the U.S. could help create a new wave of billion-dollar tech companies in India. Entrepreneurs such as Bahl are relocating to India and elsewhere to fulfill their start-up dreams — and compete with the very companies they once worked for in the U.S.

The reverse brain drain is thick with irony: While talented engineers return home to India, China and elsewhere by choice or by law, U.S. tech companies are furiously looking to hire engineering and tech-related talent.

The mini-exodus has also fomented a thriving industry of Valley-based investments in India-based tech start-ups. Vinod Dham, often called the "father of the Pentium chip," is founder of NEA-Indo US Venture Partners, which has put money into SnapDeal and other Indian start-ups.

Naren Gupta, co-founder of Nexus Venture Partners, has invested heavily in India-based tech firms, including PubMatic. The 5-year-old start-up, which helps publishers maximize their online ad revenue, was established in India and the U.S. but maintains its 100-person development team in India. "It is easier to find and retain engineers in India," says CEO Rajeev Goel, who has dual Indian and U.S. citizenship. "And it is more affordable."

"This market definitely has a lot of potential for technology professionals," says Amit Somani, 39, who earned a master's at the University of Wisconsin and worked at IBM for 12 years before returning to India in 2007. He's now chief product officer at MakeMyTrip.com, India's largest e-commerce company.

Eric Diep hasn't given up entirely on the U.S. But most employees at his Redmond, Wash.-based social-gaming start-up, A Thinking Ape, are in another office in his native Canada. The 3-year-old company is shifting people to Vancouver, where it says engineering talent is more affordable, the government is more supportive and work visas are less hassle.

"It is super hard to hire talent in the U.S.," says Sabrina Parsons, CEO of Palo Alto Software, which provides business-planning software and Internet services to small businesses. The 50-person firm is struggling to fill four openings for Java developers.

A national issue

With tech workers in such high demand yet visas in short supply, Obama is committed to an overhaul of the nation's immigration laws and wants to push Congress to pass a bill. Often, a lack of work visas blocks foreign talent from staying. In the early 2000s, the national cap on work visas was 195,000. Today, it is about 65,000.

"If we bring high-skilled immigrants to come here, why wouldn't we want them to stay?" Obama said during a town hall meeting at Facebook in April. "They are job generators. We don't want them starting an Intel in China or France. We want them starting it here."

The talent-exodus problems don't end there. Fewer foreign students are coming to the Valley to earn engineering and science degrees, according to the Silicon Valley Index, which takes the economic pulse of the Valley each year. Obama said he is confident about passage of a federal education law by 2012 to help schools "do a better job of math and science education for women, Hispanics and blacks," the president said, to loud applause at Facebook. "We have to lift our game up for the Internet, math and science."

Previous research by Wadhwa revealed 52% of Silicon Valley start-ups were launched by immigrants, many of them highly educated products of Stanford, UC-Berkeley and other schools.

"It makes no sense (that) we put up barriers to talented people," says Brad Feld, a tech venture capitalist and co-founder of Startup Visa Project, a grass-roots initiative.

Feld's organization has helped shape the Startup Visa Act of 2010, reintroduced this year by Sens. John Kerry, D-Mass., and Richard Lugar, R-Ind. It would grant immigrant entrepreneurs a two-year visa if they have the support of a qualified U.S. investor for their start-up venture.

"We want to establish a way for the smartest and most entrepreneurial individuals in the world to come to the United States and create jobs," Lugar says. "Many are already here studying at our great universities. Helping them stay to invest in their ideas and create jobs benefits all Americans."

But things are good enough economically in India and China that there is little incentive for many foreign-born to come to the U.S. — let alone stay.

Rather than worry about his job status, Bahl returned home and in short order built one of India's fastest-growing companies. SnapDeal — which sells travel packages, consumer goods such as shoes and electronics, and services for restaurants — has blossomed into the No.1-rated e-commerce site in India, according to Dataquestmagazine and Sapient. SnapDeal is also listed among the top 1,000 sites in the world, says DoubleClick, an online advertising company owned by Google.

"E-commerce is growing four times faster than retail in India," says Bahl, who studied at the University of Pennsylvania and spent 2006-07 at Microsoft. "There is a general propensity to buy things online in India for convenience and access to aspirations."

Most of SnapDeal's hires are from India, where the company doesn't have to compete with Google and Microsoft for workers.

"After Groupon implodes, we will buy them," he says, laughing.

Irony abounds

Many employers note the irony of competing with the very people they wanted to retain or hire.

"That great engineer you want? He or she has easier access to capital and (is) starting companies with their friends, who are also top talent," says Michael Morell, managing partner at executive-recruiting agency Riviera Partners. Morell has helped place 200 developers at tech start-ups over the past year.

"A great engineer is 10 times more valuable than a good engineer," Morell says. "There is a war for top 10% talent."

Start-ups have adopted a number of strategies to cope with the dearth of top-flight workers.

Business data-sharing service Box.net is spending a chunk of the \$50 million in funding it landed in February to hire 40 people in the first quarter. It plans to double its workforce, to up to 240, this year. "Google has more money than God, so we need cash to compete," says Aaron Levie, CEO of Box.net.

The cap on H-1B visas has prompted Meebo to use Skype and interactive whiteboards to collaborate with its six workers overseas, says Sandy Jen, Meebo's co-founder and vice president of engineering.

Many tech companies simply are going offshore to hire talent. The Praetorian Group, an online media company for first responders such as police officers, firefighters and paramedics, has outsourced about 14% of its 70 jobs to Web developers in Russia.

Ooyala, an online video-content service that works with Disney, Yahoo Japan and others, has a hybrid solution: 100 hires over the past year, most of them in the U.S., with pickups of engineers, support staff and salespeople in Mexico, Australia, Japan and the U.K. The 130-person company plans to add 50 more engineers this year.

In the end, talented tech workers who remain in the U.S. can expect to reap the benefits. The confluence of more start-ups, a tech-hiring binge and limited visas has set off a furious bidding war for talent — whether for folks looking for work or those comfortably employed.

"The winners are clearly those being wooed — here and abroad," says Rob McGovern, CEO of Jobfox, an online job service that has placed employees in the U.S. and helped outsource work to Pakistan and the Philippines. "The surprising number of people returning to India also reflects rising salaries there."

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