Silicon Flatirons'
Annual Mile High Tech Entrepreneurship Conference

The Role of Place: Entrepreneurial Immigration, Iteration and Innovation

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On Thursday, March 18, 2010, the Silicon Flatirons Center hosted the Annual Mile High Tech Entrepreneurship Conference at the Wittemyer Courtroom in the University of Colorado Wolf Law Building. The conference focused on the relationship between location, start-ups, and innovation.

Panel I—Entrepreneurial Immigration Policy

The first panel focused on geography and immigration. Clare Huntington, Associate Professor at Colorado Law School, moderated the panel. Recent research underscores the economic impact of immigrant entrepreneurs. One study concluded that immigrants founded one-fourth of U.S. venture-backed companies that went public over the past 15 years and another credited immigrants with founding over half of Silicon Valley's start-ups from 1995 – 2005, but existing visa rules tend to make immigration difficult for foreign nationals. Vivek Wadhwa, Senior Research Associate in the Labor & Worklife Program at Harvard Law School and Adjunct Professor at the Pratt School of Engineering at Duke University, presented the results from a number of surveys on immigrants and immigration in technology sectors. These surveys showed how — even before the recession — highly educated foreign nationals were personally faring better on a number of metrics, except for size of monetary compensation, if they returned to their home country after receiving their degree instead of staying in the U.S. He felt the U.S. was quickly losing the people who “may create the next Google.”

Lance Nagel, Partner at the law firm of Morgan, Lewis & Bockius LLP, pointed out how it was not just the U.S. “losing” these people, but their home countries were actively reaching out and trying to convince these highly educated individuals to come “home.” The difficulties and backlog with the H1B visa process are hurting U.S. companies as well, he said, because the problems were preventing domestic companies from reaching the “talent.” Also, Nagel felt the characteristics and requirements of the H1B visa keep many of the talented employees from starting their own companies because leaving the company where they started their visa application would run the risk of losing their place in line for a “green card.” Brad Feld, Managing Partner at the Foundry Group, discussed how various reform efforts — the “Startup Visa” for example — are currently moving through the House and Senate in order to make it easier for highly educated and entrepreneurial foreigners to stay in this country, but only if the individuals are actively starting companies and creating jobs. While it will take time for the U.S. “entrepreneurial ethic” to demise, according to Feld, it will certainly suffer if nothing is done. In order to succeed, from a political perspective, each of the panelists agreed it is important to de-link the Startup Visa discussion from illegal immigration.

Panel II—Place and Iteration: Lessons from Storage

The second panel focused on location and sector-specific entrepreneurial iteration, using the storage industry in the Denver/Boulder area as a case study. Brad Bernthal, Associate Clinical Professor at Colorado Law School, moderated the panel. The panel addressed the innovation resulting from the cycle of spin-offs, reconfigurations of founders and talent in the industry, as well as the repeat activity of investors and service providers.

John Aweida, a Founder of StorageTek, described how most of his fellow founders were immigrants. He addressed the many spin-off companies spawned by StorageTek employees and how the company culture was favorable to employees leaving to start their own company. This mix of foreign and U.S. founders along with a spin-off supportive company culture was echoed by other panelists. Kyle Lefkoff, General Partner of Boulder Ventures, pointed out how the Boulder area is unique in how all the stakeholders in the community — venture capitalists, entrepreneurs, and service providers — were fairly open and wanted to get along. He also pointed to the "massive" number of peripheral businesses that benefitted from the success of the storage industry in Boulder and called it an "ecosystem" which included lawyers, public relations firms, and even metal working businesses (for the casings and hardware involved). John Spiers, a founder of LeftHand Networks, highlighted some of the relationships in this ecosystem by detailing the story of LeftHand Networks. Lefkoff also felt the large number of "serial" entrepreneurs like Spiers in the area were very important as well; he felt they are a "scarce" resource whereas the money for funding is "fungible." VCs, he said, are often not the reason a company succeeds or fails. Jim Linfield, Partner at the law firm of Cooley Godward Kronish LLP, pointed out how, historically speaking, having local VCs in the area was helpful to the nascent Denver/Boulder storage industry. Though funding is more difficult to find right now, he said, the good companies are still getting funded.

Panel III—Innovation and the Architecture of Geography

The third panel discussed broader lessons and insight into the role of place, regional architecture, and innovation. A major focus of the panel was how entrepreneurial creativity occurs in companies situated within creative communities and the panelists questioned whether geography would persist as a driver of innovation in a broadband world that allows for a distributed work force.

John Barbour, Director of the Aeaea Corporation and Senior Instructor of Planning & Design Architecture at the University of Colorado, moderated the discussion and began with a presentation. He pointed out how innovation had strong "inertia" when it came to geography or type of industry, and the culture of innovation takes a long time to change. He made several predictions: (1) cities will remain strong engines of innovation (versus less densely populated but also "wired" areas); (2) industry centers will relocate slowly; (3) companies will become more and more "mobile"; and (4) highly skilled workers will continue to work remotely more and more often and they will choose their geographic locations on an amenity-based perspective instead of industry-based. Barbour rhetorically asked if place is becoming less important. He felt it was still very important, but there is a growing trend separating place from expertise.

Joe Zell, General Partner at GroTech Ventures, began the panel proper by pointing out how technology has allowed people to do their work anywhere and anytime, as well as allow start-up companies to iterate more quickly, but there has yet to be a completely distributed "virtual" startup. He felt there was still a strong role for place because technology has not replaced the need to pick good teammates — it is about having an "ecosystem" of the right talent, mentors, and resources. Other panelists echoed his comments and some felt technology has helped companies to scale, but it is not replacing physical professional networks, and is still generally lacking the ability to allow for fully distributed collaboration.

Sharon Matusik, Associate Professor and the Director of the Doctoral Program in Strategic, Organizational and Entrepreneurial Studies at the University of Colorado, talked briefly about "urbanization economies." She felt bringing a large number of people together in a small place brings out new ideas. There are so many “serendipitous” interactions driving innovation and new ideas, according to Matusik, that it is hard to see how technology can really replace these.

From the audience, Brad Feld asked whether the importance of geography is an artifact of the generational gap and pointed out how none of the panelists had been raised in the digital age. He wondered if the next generation would grow up without this geographic “block” because they had lived the entirety of their lives with more distributed interactions. Feld cautioned against the view that things “must” be physically close and interactive in the “real” world.

All panelists said they had yet to see a fully distributed model and generally wondered what the managerial tools for such a model would look like. Many also felt there was likely a bias, all other things being equal, towards funding a physically close startup company versus a fully distributed model, at least for now. They also felt that while there was general movement towards a more distributed model for certain business functions, geography still played a significant and important role.