

5 questions with Y Combinator's Michael Seibel

Michael Seibel has been involved with Y Combinator (YC) - Silicon Valley's most prestigious start-up incubator - for about a decade, first as a start-up founder and now as chief executive of its accelerator programme. YC, based in Mountain View, California, funds technology start-ups and provides mentorship to company founders who join its programme. Economics Correspondent Chia Yan Min speaks to Mr Seibel, who will be in Singapore on Sept 14 as a guest speaker and grand finals judge at the Lee Kuan Yew Global Business Plan Competition, organised by the Singapore Management University's Institute of Innovation and Entrepreneurship. Start-ups will also be able to sign up for office hours with Mr Seibel on Sept 15.



Mr Michael Seibel sees Singapore as a hub from which it is easy to reach founders from all over South-east Asia. He has found his interactions with firms from Indonesia, the Philippines, Vietnam and Thailand eye-opening. PHOTO: COURTESY OF MICHAEL SEIBEL



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Q: What are some of the core tenets of YC's approach to helping start-ups?

Mr Seibel: Typically when you want to raise money, you have to know rich people.

When you look at the number of people who know rich people and those who are talented - there might not be much overlap. We want to make sure that anyone who's talented can start a company.

This means entrepreneurship should not be limited to just business people or those with MBAs.

Technology - as opposed to who you know - should be the key differentiator.

One thing we look closely at is whether the company is building its own product and whether there's a strong tech leader on the team.

I often meet founders who lack a technical co-founder. I advise them to find a friend who likes to write code and recruit them, instead of paying an outsourcing firm.

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Another major tenet is learning by doing.

The thing we're helping with the company is advice, not operations.

We're not providing them with a co-working space, computers, a place to live or any of those things. A good founder can find any of those things on his own.

There are many things that founders have to do by themselves and learn.

We've standardised the legal paperwork, process of incorporating and so on. But we won't sit down and teach them how to do marketing, for instance.

All of the people who are investing in start-ups at YC have been involved in start-ups. We have experience working with almost 1,500 start-ups and our experience having done it ourselves.

What makes YC valuable is our non-intuitive advice - when we give a piece of advice that seems to make no sense, that's actually where you're getting true value.

Q: Has YC been working with more foreign founders?

Mr Seibel: YC has invested in foreign founders for almost its entire history.

There has been this perception that you couldn't get into YC unless you're in the United States or target the US market, which is not the case.

So we have started being a lot more public about reporting how many foreign founders we take in. In the last batch, 28 per cent of the founders were international.

This isn't a new policy, it's just us being a lot more public with what we're doing.

Success stories over the years

Since YC was set up in 2005, it has spawned more than 1,400 companies that now have a combined valuation of US\$80 billion (S\$108.6 billion). Success stories include Dropbox, Airbnb, Reddit and Stripe.

Mr Michael Seibel went through YC's programme twice - as the co-founder of video broadcast platform Justin.tv and the co-founder of Socialcam, a mobile social video application.

Both companies eventually sold for a total of more than US\$1 billion.

Q: YC is known to be extremely selective. What is the acceptance rate?

Mr Seibel: I hate the idea that accelerators are being seen like colleges.

A lot of people compare the YC acceptance rate to that of an Ivy League school.

But most people don't apply to Ivy League schools. In contrast, YC is an open application with no prerequisites. It's not comparable.

Besides, an accelerator is not a required step in building a start-up. The majority of billion-dollar companies have not gone through an accelerator.

Our tally is that there are about 3,000 accelerators around the world, and 10 billion-dollar companies which have been funded by accelerators. All 10 came through YC.

People often think they should apply to a whole bunch of accelerators, but it's not like college.

You need to go to college to get a good job but you don't need an accelerator to do well.

I'm also in favour of applying to an accelerator closer to home because it's very beneficial to be part of a local start-up community.

But before applying, founders should look at their numbers and talk to alumni. There are many good local accelerators but there are also accelerators that aren't helpful.

So I would advise founders to go in with their eyes open.

Q: What prospects do you see in Singapore and the region?

Mr Seibel: I see Singapore as a hub from which it is easy to reach founders all over South-east Asia.

I've interacted with a lot of companies from Indonesia, the Philippines, Vietnam and Thailand and it's been eye-opening to me.

The initial impression in the US is that the companies dominating in China would also be dominant in South-east Asia.

But both from the language perspective as well as from the geography perspective, start-ups in South-east Asia have unique challenges.

Another factor is the growing population and the growing middle class.

Q: Should Silicon Valley still be viewed as a model for ecosystems around the world? Should all start-ups be aiming to go there?

Mr Seibel: The valley is a great place to raise money for an early-stage start-up.

There have been enough start-ups in the valley for long enough that most early-stage investors have said no to a billion-dollar company - which makes people more open to the possibility that the next company that pitches to them is a billion-dollar company.

Silicon Valley also has a lot of rich people that have made money from tech and start-ups.

It's easier to pitch to investors that have made money in the industry that you are in.

But the downside of people looking to Silicon Valley is this idea that start-ups need to be a version of an American company in their own country.

A lot of times, products are going to be different, because markets and cultures are different.

One of the things that we very much look for at YC is how well founders know their market.

Copycats come in different flavours.

There are going to be payment companies in many countries - you're not necessarily a copycat by creating a payment company. But you are if you want to copy exactly how (US payments company) Stripe grew.