

# [***Inside Y Combinator s Boom Loop : The Startup Factory Goes Brasher, Leaner And Meaner***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BHB-8MX1-JBCM-F3R2-00000-00&context=1516831)

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**Highlight:** Former venture capitalist Garry Tan has slashed programs and turned up the mics in a bid to restore the famed accelerator behind Airbnb and Stripe to its full glory.

**Body**

**Former venture capitalist Garry Tan has slashed programs and turned up the mics in a bid to restore the famed accelerator behind Airbnb and Stripe to its full glory.**

**By Alex Konrad, Forbes Staff**

In the summer of 2022, Garry Tan hopped on a plane from San Francisco headed for the Cotswolds, a quiet part of England about a two hour s drive west of London, to meet with his mentor, Y Combinator cofounder Paul Graham.

A veteran of the YC program as first a founder, then a partner, Tan had flown the nest to launch his own venture capital firm with a colleague, Reddit cofounder Alexis Ohanian. By the time of their meeting seven years later, Tan had reached Silicon Valley s ranks of power: sole leader of Initialized Capital following Ohanian s departure, fixture on the Midas Listof top tech investors, host of a YouTube channel with hundreds of thousands of subscribers.

But Graham an influential dotcom era founder and essayist turned startup whisperer, who d retired to his home country with cofounder and spouse Jessica Livingston and their children in 2016 had a new mission for him: restore Y Combinator to its full glory. If you take this job, if we do this right, the future will arrive sooner, Graham, now 59, told Tan, now 42.

The gig was president and CEO of Y Combinator, the storied startup accelerator that had incubated Airbnb ($106 billion market cap), Stripe ($65 billion) and DoorDash ($53 billion), where Geoff Ralston, another longtime Graham associate, planned to step down. Taking YC s top job was a one in 10 billion lifetimes opportunity to lead the fountain of prosperity for innovation and venture, as Tandescribedit to**Forbes**when announcing his new role.

But after several years of Zoom-based batches that reached a record of more than 400 companies going through the program at one time, YC s sterling reputation had taken a few dents. At 7% equity for $125,000, with another $375,000 that converts into a future funding round, participation in Y Combinator isn t cheap especially since its educational materials are freely available across the internet. And while some would-be rivals like Techstars havepulled back, a newer wave, from the HF0 hacker house to Sequoia s Arc, are competing anew for talent. And some fledgling founders in buzzy categories like generative AI forgo accelerators altogether in favor of raising vast sums on day one.

When even the faintest perception of a wobble could prove devastating to YC s ambitions to stay relevant for hundreds of years, as Tan put it, he has appeared the perfect change agent an outsider who really wasn t. And by January 2023, he had become arguably the highest-profile VC firm leader to walk away from their firm while still on top.

For an institution that had historically promoted from within, first with Sam Altman, nowCEO of OpenAI, then Ralston, the Tan era came as a shock. Within YC, many staff had wanted Michael Seibel, the cofounder of Twitch and YC s longtime batch leader, to get the job. Multiple sources remembered longtime partner Dalton Caldwell vocalizing what others were feeling, too:**we re all just employees who work here, message received.**Seibel, meanwhile, wrote a letter to YC s board to explain his disappointment at being passed over, despite broad internal support. He vowed to support Tan moving forward, anyway. Caldwell and Seibel declined to comment on those incidents through a YC spokesperson.

In the year-plus since, Tan has worked to win them over by reshaping YC in a return to roots, as he describes it. That has meant reconfiguring its batches, from admissions to groupings and social activities, to restore its status as a mecca for earliest-stage, technical (mostly nerdy) founders to learn the basics of company-building over three months. From a new headquarters in San Francisco s Dogpatch neighborhood, Tan is projecting YC s influence within the city like never before alongside his own through a push for more public content and events, interspersed with Tan s own local political activism.

We can t have Garry full-time on Twitter representing San Francisco, and full-time on Twitter representing YC. <footer>Anonymous YC alum</footer>

And by abruptly shutting down its Continuity fund, an eight-year-old growth-stage focused group within YC which held large investments into many of its brightest alumni companies, Tan took an unusual and decisive action. Celebrated by some as a prudent strategy, it stunned others in its coldness, leaving some founders usually YC s most prized assets and advocates still disgruntled to this day.

If that s not enough: YC isn t even the only historic institution Tan wants to reinvigorate. He s simultaneously working to restore San Francisco, the city it now calls home, to a prosperity that Tan, a Bay Area native, believes it s lost. Even as Tan works to streamline Y Combinator s programs and raise its public profile, he s also been spearheading a campaign to reform the city's government under moderate Democrat leadership that s made him a hero to some (mostly other techies) and has others wishing he d focus more on his day job. (Full-on detractors don t see any of it: they ve been blocked.) As one YC alumni founder put it: We can t have Garry full-time on Twitter representing San Francisco, and full-time on Twitter representing YC.

Tan, of course, disagrees.**Forbes**spoke to him at length, and more than two dozen current and former employees and founders, investors and peers to explore his reign so far. There are a lot of strong opinions.

One founder, who said they were speaking only because they still cared about YC s mission, warned that Tan was taking YC down a more politicized and belligerent path. Others, like Brian Chesky, the Airbnb cofounder and CEO and a YC board director since 2022, said they see in Tan and his social media tussles the spirit of Graham, known to many as just PG : Garry s properly intellectual in a good way that s built around curiosity, Chesky said. He s a great storyteller. He s a real champion of founders, and a true believer. Founders gravitate to him.

Even OpenAI s Altman, whose initiatives as YC president Tan is now unwinding, said he supported Tan s refocus campaign as part of the constant experimentation of the place. Altman quoted a batch founder he d recently asked for an early verdict: YC feels very much back.

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Y Combinator cofounders Paul Graham and Jessica Livingston held court for its entire founder batch in February, answering questions on artificial general intelligence and how college dropout founders could make their parents proud.

Y Combinator

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On a Tuesday afternoon in February, a group of startup founders who have Tan as their investor and mentor ( group partner in YC speak) during this quarter s YC batch congregate in the accelerator s original Mountain View building, for office hours. Sitting in a circle around Tan and four other YC group partners, the 17 (all male) founders take turns rattling off the latest two-sentence pitch of their businesses, a unique insight that s driving their work and a status report. Tan and four other partners have heard thousands of these before; they deconstruct and rebuild them better effortlessly.

If the number is true, you should just say it, Tan tells one founder who was nervous that quantifying his market opportunity might sound presumptuously large. A sentence about traction has three ways to go: better, faster or cheaper, Tan warns another about a vague description of why people are trying their tools. When a third says he s struggling to close a key trial customer in Atlanta, group partner Brad Flora tells him to get on a plane that night. The founder thinks he s joking at first. Do some LinkedIn spelunking and socially engineer it so you re there, Tan replies. Do the work and make it there in person. It helps. The other partners, all former founders, nod. At this stage, they re buying you more than the product, Flora adds.

I ve funded 1,000 companies. It s like I m a large language model that s been trained on all this data. <footer>Y Combinator partner Dalton Caldwell</footer>

Tan says that such exchanges are YC working at its best. We re teaching engineers how to sell, he explains later. Take mostly technical people with big ideas, and you can teach them the blocking and tackling. Am I working on the right thing? What do people want? How do I work with my cofounder? How do I get users? It s basic stuff, Caldwell told**Forbes**. I ve funded 1,000 companies. It s like I m a large language model that s been trained on all this data.

Two batches of 25 companies a year, every year, per partner: It s a lot of startups to juggle. And with applications swelling into the many thousands, Caldwell in 2015 started an admissions team to screen and interview applicants. By 2021, that team had grown to five and wasusing softwareto analyze founder responses to handle the volume of 30,000-plus applicants. That year, despite the COVID lockdown, YC admitted a record 748 companies across its batches who received $125,000 each, a smaller check amount than pre-pandemic cohorts who had, until 2020, received $150,000.

It was a new direction: In 2020, Seibel then CEO of the accelerator unit, now the managing director overseeing the batch saidhe hoped YC would resemble a large and successful state university system as opposed to an Ivy League network. After all, a fully remote YC could back more international companies and ignore constraints like physical space. Ralston closed 2021 bysayinghe envisioned a future of 1,000 companies per batch, provided its quality control could keep up.

But those controls were already wobbling. Founders from those outsized remote batches like Matt Donahue, CEO of Kodex, which helps businesses manage government document requests, and Hellosaurus founder James Ruben, who sold his educational video platform in 2022, said they enjoyed their experience and would still recommend YC. Being part of one of the largest batches ever at YC, however, dilutes the significance in a way, Donahue said. If I could change anything about my YC experience, it would be the feeling that, as a one-person company, I was still important in this huge ecosystem, said Ruben.

Among the wider tech community, a perception of an adrift YC picked up in those years, punctuated by the shift of its in-person Demo Day online. The brand was a little bit damaged. People would say the quality wasn t as dense, said one investor who has backed a number of YC startups. Those times were tough for them, said a YC founder in the current batch who went through the program twice before. Added a former employee: PG felt we d strayed too far off the path.

Were swollen batch sizes the sickness, or just a symptom? In an email, Ralston told**Forbes**that batch sizes were already reduced during his last year in charge, in 2022. Simplifying the batch process, at the least from partners roles in admissions to organization to how YC keeps tabs on founders afterward were top selling points for Tan before he joined, and featured prominently in his first strategy meeting with YC s board last January, said Chesky. YC conducted a data analysis of Series A founders to break down the characteristics it should look for, and study why some did or didn t apply.

Garry was really thorough whenever we missed a company, Chesky said. What did we learn? And were we providing good service? Because YC is almost a customer service business, where the customers are the entrepreneurs.

Tan settled upon a few major fixes: group partners would lead admissions again, with the same partner serving as point-person for a company throughout its tenure from initial interview to IPO (hopefully). And YC would retreat from backing too many later-stage companies that had already raised funding and started making revenue, as well as non-software businesses.

Within the batch, Tan added Launch Bookface Live, a Friday night demo session for founders looking to soft-launch a product to the program. Such reveals have happened for years, but previously only over Bookface itself, the software directory and message board that serves as a digital town square for anyone who has passed through YC (the first version of which Tan built more than a decade ago). This new version comes with a celebratory trip to a nearby watering hole after.

And to make still-larger batches feel more intimate, Tan formalized The Sharding (a term borrowed from database engineering), which partitions YC s groups on parallel tracks. Groups already spent more time together than with others, especially in the remote years. Besides imposing more nerd speech on the program, sharding the founders formalized them in tracks, with dedicated individual dinners and events, meaning Pinterest cofounder Ben Silbermann could be addressing founders on one floor, GitLab CEO Sid Sijbrandij on another.

A record 27,000 companies applied for the most recent batch. Among the 260 companies accepted, founders some identified by Y Combinator, some contacted directly by**Forbes** generally said they were happy with their experience at the halfway point. Ka Ling Wu, cofounder and CEO of analytics startup Upsolve AI, moved temporarily from London to participate; she may stay in San Francisco now, however, after finding a community among its founders past and present. Some of these ex-YC companies, I love them, she said. And I was like, holy shit, because I have them now on my WhatsApp to randomly ping for advice.

Umur Cubukcu sold his previous company to Microsoft, and has served as a YC visiting partner advising others twice. Now, he s back with cloud infrastructure startup Ubicloud. The program is still the best place for founders to forge an early product together, he said, even if the fundamentals of business formation don t change. Then there s the ability for many YC founders to turn to their batchmates as initial customers. Between them, partners and alumni, there s tens of millions of dollars of potential, Cubukcu said.

Of course, AI founders looking to start a business straight out of Anthropic, Google or OpenAI can raise millions before leaving their jobs; they ll still be unlikely to apply, even to the new YC. But such obvious founders have never been its bread-and-butter, said Liz Wessel, a partner at First Round, founder alum and recent YC visiting partner. By going earlier-stage, and potentially younger, I think YC is now getting just as high-quality founders as when it started, she claimed.

This isn t McDonald s. This is actually The French Laundry. <footer>Y Combinator CEO Garry Tan</footer>

Now that Tan s batch tweaks are in place, YC will face the temptation to re-raise its numbers, too. It s already looking for more group partners, according to Chesky, who if typical numbers held could add capacity for dozens more participants. YC has no fixed formula for capping its batch size, said Caldwell, who dismissed the age-old batch-size question as a tedious debate. But others, including Graham, are already lamenting the program s current record-low acceptance rate. You should just accept every sufficiently good startup, he said. If you don t have enough partners, they re just going to have to really work.

For his part, Tan said he understood the appeal of Metcalfe s Law and the notion that the bigger YC s network, the better. But reminded about Seibel s state university comparison, Tan rejected the idea out of hand. This isn t McDonald s. This is actually The French Laundry, he said, invoking the exclusive Napa Valley restaurant opened by seven Michelin star-holding chef Thomas Keller. What I m trying to do with each group partner is help them realize, there are 14 French Laundries, and each one of them is their own version of Thomas Keller.

**YC'S TOP TEN**

**Y Combinator's alumni list still starts with Airbnb and Stripe. But more recent graduates like Brex and Deel are moving up its all-time highest-valued ranks.**

Among some alumni founders backed by Y Combinator s growth fund, however, there s far less enthusiasm for Tan s signature changes. His moves to reprioritize the batch and consolidate power around group partners helped precipitate the abrupt lay-off of a number of non-core staff last year, including YC s admissions, investing and research teams.

Facing what he said was pressure that the news would leak (it did eventuallyappearin**The Information**), Tan took Chesky s advice to handle the cuts swiftly and decisively. In March 2023, Y Combinator s growth fund Continuity and its related programs were all shut down. Seventeen people about 20% of its full-time staff were laid off in what Tan said was a shift in strategy, not performance.

Ali Rowghani, the fund s leader with partner Anu Hariharan, informed staff over Zoom, alongside a human resources employee. (The pair had made a last-ditch effort to spin out the fund, four sources said; such ideas were quickly shot down as impractical and the fund leaders also departed.) Tan did not attend the Zoom, and most employees never heard from him directly, the sources said, as their emails were turned off before his company-wide note about the move went out.

More damaging to YC s golden reputation was the reaction of some of the 20-odd companies that suddenly found themselves missing a board director. As reportedat the time, founders from some of YC s most prominent recent alumni including Brex, Deel, Monzo, Rappi and Whatnot signed a letter to YC s board to condemn the move and call for YC to reconsider or at least keep Rowghani and Hariharan on their boards. They were unsuccessful. Rowghani declined to comment. Hariharan did not respond to a comment request.

I would be upset about that, too, Tan said now. YC supports Anu and Ali in their next things, and fully expects to collaborate with them on an ongoing basis.

One Continuity-backed founder said the way the move and its aftermath were handled shook their faith in Tan s ability to lead such a significant organization. It felt like he under-estimated the sentiment and blowback, or he was under pressure from someone else, they said. That founder wasn t alone in suggesting that the move smacked of Graham s influence. Until 2022, YC had operated a board of overseers, playfully called BOO, that had largely left Altman and Ralston alone, one source with knowledge said, aside from the occasional email from Graham. But Tan was Graham s chosen leader, multiple sources with knowledge claimed, approved by a board of him, Livingston, longtime partner Carolynn Levy, Chesky and the outgoing CEO Ralston that had formed just months before.

Asked about those events, Tan said he alone bore responsibility. In a separate interview, Graham and Livingston said they supported Tan s decision as a necessary shift for YC to stop acting like a venture capital firm. The kind of questions a VC cares about, I can t even say that without scare quotes, because it s so boring, Graham said. If you get into that business, you start to be like those people. And they re very different people.

The boom loop begins. <footer>Y Combinator CEO Garry Tan</footer>

On Wednesday, Tan took to X, the site formerly known as Twitter, to celebrate as moderate candidates backed by non-profit GrowSF dominated party elections in San Francisco. A board director at GrowSF, which was founded by Sachin Agarwal, Tan s cofounder in his YC-backed startup 15 years ago, Tan had spent the previous few days in a flurry of posts and reposts sharing his support of its efforts to his 422,000 followers, and amplifying voices criticizing its opponents. We are winning, Tan wrote alongside a photo of himself and Agarwal from 2009. The boom loop begins.

For anyone perplexed by a boom loop : it s the natural opposite of a doom loop, which has become a sarcastic shorthand for San Francisco s crime, education and housing problems. On one side, there s pro abundance and growth-minded YIMBYs, and on the other, San Francisco s progressive NIMBYs, as Tan and allies consider them, whom they believe hold the city back from building more housing and tackling other issues like crime. Such views overlap with, but are separate from, e/acc (short for effective accelerationism), a self-describedrecent movementto which Tan subscribes, which believes that technology has a capability to remake society and create abundance, he explained on Monday. Some in the movement, Tan is quick to note, believe in extremist totalitarianism and a robot-first future. Not Tan, who prefers humans.

Public brand-building, particularly on YouTube, played a big part in raising the profile of Initialized, his VC firm. He s now running the same playbook across YC. The more you are yourself on social media, the more it works, he said. In its golden years, founders discovered YC through Graham s popular essays, Tan said, and the halo effect from its shared startup how-tos. For the X era, YC s new touchpoints are video podcasts, such as a recent series called Lightcone, in which Tan and three other partners talk about new tech trends (the first two episodes covered AI and Apple s Vision Pro release). Explained Tan: I have a brand, but I want there to be 14 PGs at YC.

But Tan s own brand hasn t avoided controversy. His personal posts may only take a few minutes per day, but when they blow up he once apologized for and deleted a message that told local political opponents to die slow motherfuckers, borrowing Tupac lyrics it s still the president and CEO of Y Combinator making headlines, even after-hours. In another incident, Tan accused the leader of another accelerator called Neo of slander for saying it had a preferable mentor ratio to YC, leading to a public fight on X.

That s given at least some in the YC community pause; a few said they no longer felt comfortable posting dissenting opinions on Bookface, where they might get mass downvoted by Tan loyalists, or on X, where Tan blocked an alumni founder from Gaza who questioned his resharing of what they felt were pro-Israel, anti-Palestinian posts (he later unblocked him). Y Combinator s official account, another founder noted, had posted only in support of its Israeli-tied members; a request by founders for the organization to share similar sentiment for the Palestinian community to Tan went unanswered, two sources with knowledge said. Y Combinator spokesperson Lindsay Amos declined to comment.

I don t think Garry being very vocal on such matters is beneficial to the brand, and to the YC name, one founder said**.** I m still a huge believer in YC, added another. But my ideal would be for Garry to pause the ***politics*** and focus on making YC better.

Tan called such arguments useful feedback, but said he had no immediate plans to heed it, even though he insisted he s not motivated by personal fame or a future run for office, which he said would cost him his marriage where he draws the line. I don t want it to be about me, but if it must be, then that s fine, he said. I ll do it. I m down for the cause.

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