SIMPLIFIED P&L

Revenue	1,000,000	
COGS	(800,000)	
Gross profit	**200,000**	**20%**
SG&A	(150,000)	
EBIT	**50,000**	**5%**
Taxes & interest	(18,500)	
Net income	**31,500**	**3%**

Good *business?*

Most rooms say no. My keynote at Plug and Play's Tirana Expo started here.

But what if...

SCENARIO 1

Competitors run a 15% gross margin and 3.5% EBIT.

"We're beating the benchmark."

SCENARIO 2

The whole market is shrinking.

"Best ship in a sinking fleet."

SCENARIO 3

A startup, year one, in a market growing 16.75%.

"Now every VC here leans in."

TAKEAWAY

Same P&L, opposite meanings. The only honest answer: *"I don't know. Let's find out."*

The P&L is *last* in the causal chain.

THE CAUSES

- Customer problem
- Segments
- Value proposition
- Solution
- Channel
- Sales
- Team

→

WHAT WE LOOK AT

P&L

Revenue · COGS · SG&A

TAKEAWAY

The P&L reports results. It can't tell you what caused them. AI makes checking the causes easier than ever, *if you want to.*

Iridium: $5 billion. *No signal.*

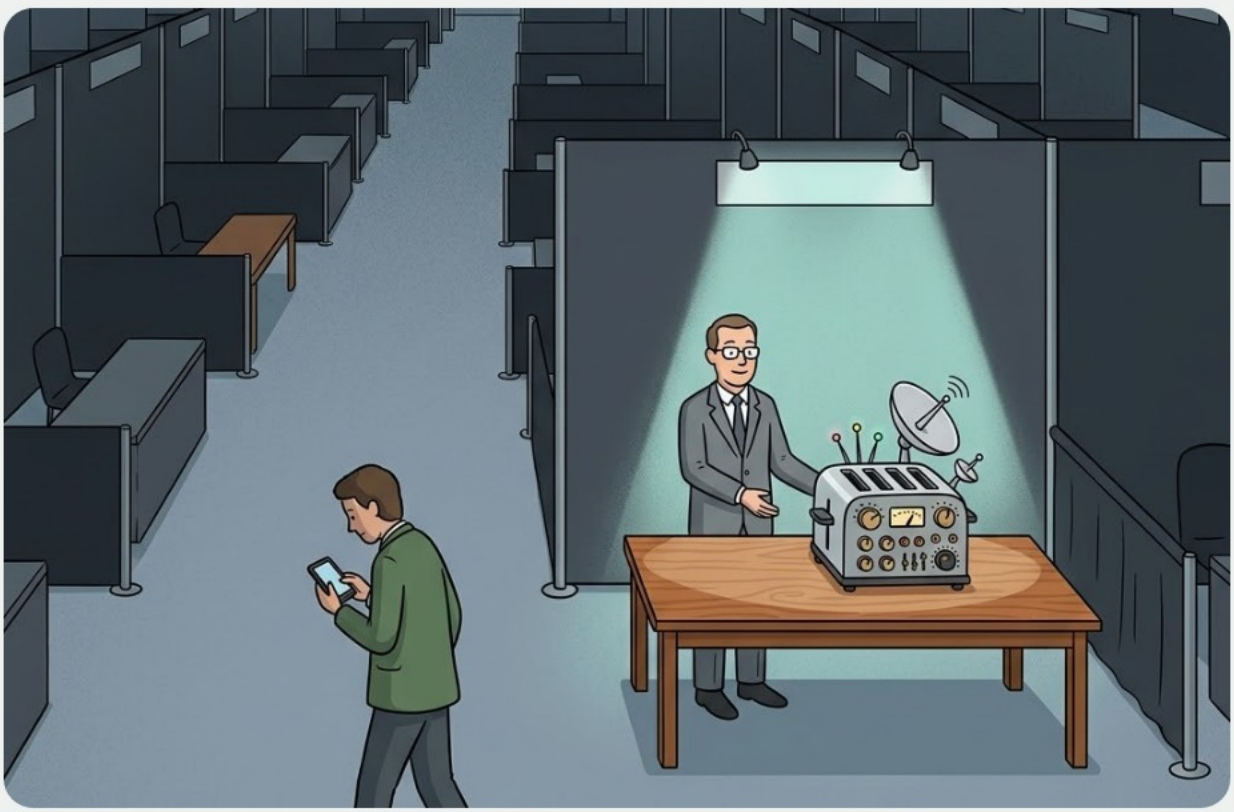




TAKEAWAY

The technology worked. Nobody checked whether customers could use it where they needed it.

Nobody wants your *technology.*



TAKEAWAY

Customers want their problems solved in the contexts where they actually have them. Innovation without a customer problem is *R&D theater.*

“Great product!” is *not evidence.*



The costliest error is the false positive: keeping a venture alive on compliments and sporadic traction.

TAKEAWAY

AI makes false positives more convincing. Start from “this won’t work” and let evidence do the talking.

Deterministic plans. *Stochastic markets.*

DETERMINISTIC

If we do X, we get Y.

- ✔ Annual plan and fixed budget
- ✔ One forecast number
- ✔ Variance = execution failure

STOCHASTIC

If we do X, we *may* get Y.

- ✔ Hypotheses and tests
- ✔ Probabilities, not fixed forecasts
- ✔ Variance = information

TAKEAWAY

If you can't fail, you can't learn. If you can't learn, you can't innovate. If you can't innovate, *your strategy is doomed.*

Nobody fails on LinkedIn. *Reality disagrees.*

65–90%
of startups fail

70–75%
of acquisitions fail

~95%
of product launches fail

62%
of VC funds trail public markets after fees

TAKEAWAY

In a deterministic world these are execution failures. In a stochastic world, *they're the base rates.*

Sources: Fatal Abstraction; Kauffman Foundation, "We Have Met the Enemy… and He Is Us" (2012)

1,000 seed rounds. *Five unicorns.*



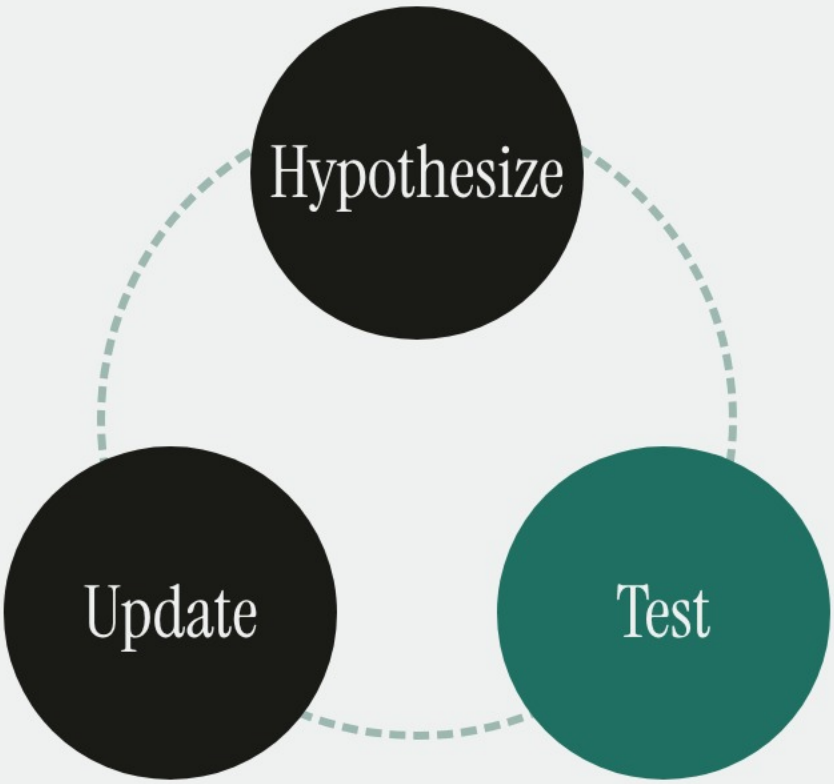
0.5% P(unicorn) at seed stage

TAKEAWAY

Funding rounds don't make the odds rise. They reflect odds that *already* rose.

Source: Ilya Strebulaev, Stanford GSB

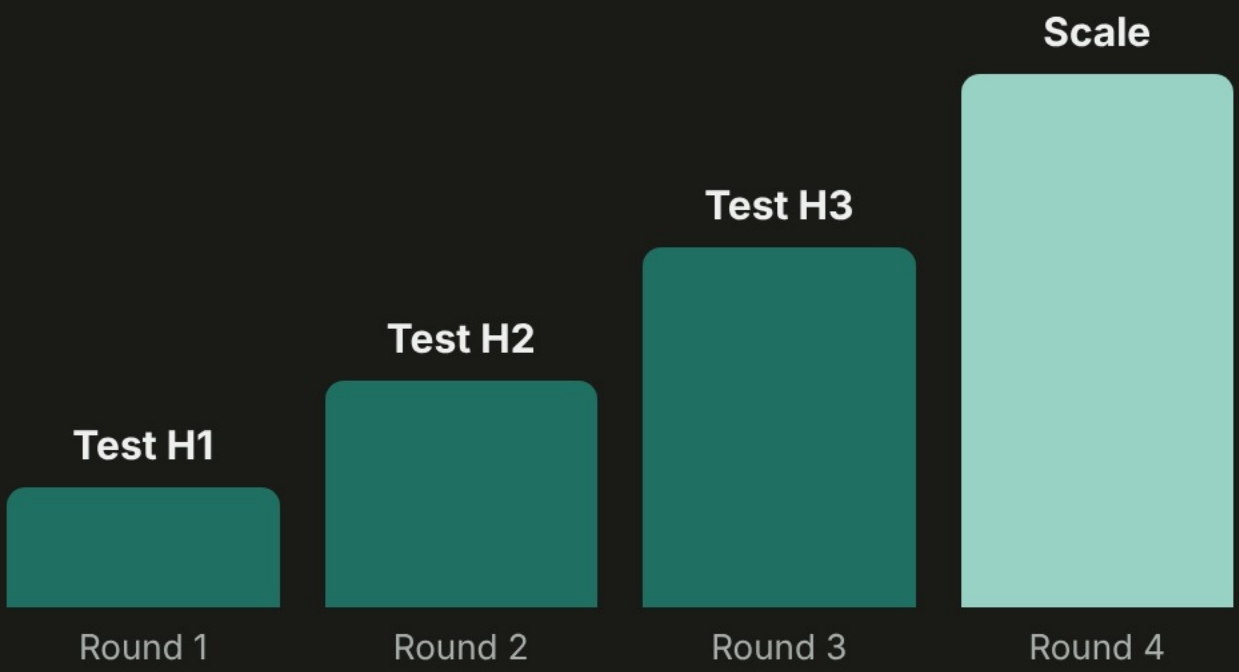
Direction *beats* speed.



TAKEAWAY

Point AI at your causal model, not your plan. Otherwise you're polishing the deck of a *sinking ship*.

Buy the *right* to find out.



1. Pay a little to test the riskiest hypothesis.
2. Fund the next round only if the odds rise.
3. Stop when they don't.

> TAKEAWAY
>
> An idea isn't true at inception. *It becomes true with traction.*

The *Venture Model.*

01	**Customer–Problem Fit** Problem · Segments · Value proposition · Market size	≈5% P(SUCCESS)

▲ DESIRABILITY GAP

02	**Customer–Solution Fit** First MVP · Stickiness · Willingness to pay · Team	≈10% P(SUCCESS)
03	**Business-Model Fit** Solution · Go-to-market · Revenue model	≈15% P(SUCCESS)

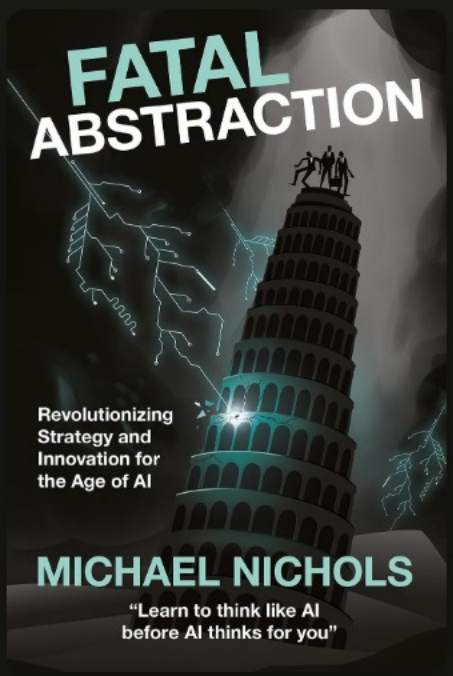
▲ VALLEY OF DEATH

04	**Organizational Fit** Repeatable sales · Industrialization · Organization	≈30% P(SUCCESS)

TAKEAWAY

Know which stage you're really in: *by evidence, not by deck.*

Probabilities are illustrative stage-level odds from Fatal Abstraction.



THE FULL METHOD

Fatal Abstraction

Includes the complete Venture Model.

#1 New Release on Amazon Aug–Sep 2026

Scan to get the book
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