

# Instead of a Business Plan, write a Thesis Plan

A replacement for the normal business plan might work for startups, where traditional planning square pegs the round hole.



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If the scientific method was good enough for her, it's good enough for you.

Startups, by definition, traffic in the unknown. Business plans are, for founders, a futile-feeling exercise in predicting the future. (“Am I trying to show my investors I’m ambitious? Or realistic? What kind of guesses do they want me to make when I still need to figure out how we’ll make money?!”)

Maybe there’s a better way: a plan which, instead of predicting your achievements and the results of those achievements, identifies the unknowns you plan to make known, aka the hypotheses you plan to validate. (Paging all you Lean Startup people…)

Call it a **Thesis Plan** (because it’s better than my original name of a Guessness Plan, which rhymes with business plan?... I’m a dad, OK).

Startups begin life with an intention — “there must be a better way to buy and sell bonds than calling up a bunch of people all day long and comparing prices?!” — and a guess as to how to act on that intention — “what if we put bond prices on a computer so

people could just look them up instantly?” Startups advance by making the unknown known, using intuition and data to validate the building blocks of a business. (For example: It’s technically possible to list bond prices and share them with people in different offices at different times... buyers want to know prices in real time... they’re willing to pay \$1K a month per person for it... sellers will buy the same list their buyers are using... and so forth until you’re a lasting, global business.)

You can describe a startup’s progress in the risks it eliminates, one by one.

Your logical brain is starting to object... *If you can’t predict the future, you should still make a plan?* “Plans are useless, planning is indispensable” still holds. Writing force-clarifies your thoughts — and clear thinking focuses doing. Hocus focus is the khyber crystal of startups. A written plan aligns the efforts of your teammates (employees, investors, etc.). And a plan might save your most precious resource — time — because it’s easier to avoid unimportant things if you know what’s important. (Sounds obvious, yet much of startup tradecraft is learning to see and avoid work that seems necessary and is in fact useless. One of the fastest-progressing startups in which we’ve invested has yet to make a website.)

*It seems like I can just use a regular business plan then, yes?*

What use are predicted goals if you have yet to achieve product-market fit? Fiction stacked on fiction.

How can you plan for alchemy? Early startup progress is, for the best founders, still a mystery. (Some repeat founders are reluctant to start over at day zero because they remember how much luck was involved.)

If you create a business plan with, e.g., regular milestones, then you open the door for investors to say silly things like “you missed your quarterly revenue target” when your business just started two quarters ago.

One modern compromise is scenario planning, aka “multiple business plans.” This is better than a business plan as an exercise in forced imagination, to help you foresee possibilities. It still gives you the false certainty of predictions — in a world of many possibilities, three possibilities is only barely better than one.

*OK, so what goes in this Thesis Plan?*

The minimum necessary. **Start with a list of guesses.** Make two columns. Label one “Guess” and the other “Burn.” Write your list of hypotheses you intend to validate, in the rough order you intend to validate them — with a burn rate for each phase.

Some of these hypotheses — or guesses, if you prefer fewer syllables — get de-risked (venture term of art alert!) in parallel, others one after another. You can group some guesses into categories (e.g., “Product-Market Fit” or “Profitable Growth”).

You’ll want metrics for your guesses (e.g., “our first customer will pay \$1K a month per person”) — these aren’t predictions, they’re hypotheses you intend to validate. You can use them for planning to test *if I hit this metric, then my business will work*. (Seeing subtle, important distinctions are motifs of the very best startups.)

Often it's useful to think in orders of magnitude — what guesses will you de-risk with your first customer? Your 10th? Your 100th?

Your immediate guesses will be in high resolution (e.g., “we’ll need to build a private network to deliver data to our first customers”). Your longer-term guesses can be in lower resolution (“after we serve bond traders, we’ll be able to serve stock traders with a similar approach”).

**Create a financial model**, if you can, focusing on two things:

(1) the hypothetical long-term economics of the business, as opposed to annual predictions of growth rates and scale. (Who knows?) A “Year X” model is fine — you’re just trying to prove to yourself (or investors) that the business obeys the laws of physics (each customer makes more money than it costs, etc.) and that the long-term business can be attractive.

(2) a near-term cashflow model to see how your burn might evolve (e.g., “if I de-risk the revenue per customer, how many customers will I need to hit breakeven?”). If you’re raising money, have the model cover spending the money you’ll raise and a bit more.

Write it all out in long form. (OK, this has nothing to do with theses — it’s just so much clearer to read full sentences than slide decks.)

One role a prospective investor can play: reacting to your assumptions about future fundraising (assuming you prefer not to get profitable). “If I can show I have a pilot customer paying \$100K and three more in advanced discussions, can I raise more money?”

*What can I toss in the trash from my normal Business Plan?*

- Projected revenue — because who knows!
- A “budget” of how you’ll spend your funds because you need to either raise more money or get profitable (well) before you run out of money, so why plan to spend it all?
- Volume-driven milestones — does reaching, for example, \$1M in revenue prove that you’ve removed some risk? (Maybe, but not necessarily. Many businesses are no less risky at 1M users than 100K users. Startup value increases as risks get crossed off your list — it’s generally related to size, but not the same thing.)
- Target dates — because who knows! (Though you do want to raise enough to cover the likely window you’ll need to prove you can raise more money, or to get profitable.)

*Would a Thesis Plan include anything else from the “normal” business plan I just spent forever writing?*

- Your vision — nothing to validate there; vision is a fact you assert (aka “you are the god of your vision”)
- Relevant facts about the problem — customer needs, market size, etc.

- Relevant facts about the problem — customer needs, market size, etc.
- Founders — because let's hope you know that :)
- Resources you need (more on how to figure that out in a second)

Now some troubleshooting...

*Cool, except [famous startup X] did fine without this, so why should I do it?)*

Dickens wrote great books without a computer; does Ta-Nehisi Coates write longhand? (If you want an example of a succeeding startup that did something like this, check out [MasterClass](#) — [David Rogier](#) was Patient Zero for this Thesis Plan epidemic.)

*I've heard about the Business Model Canvas, is this like that?*

They're complementary: the Canvas assesses your startup in total. A Thesis Plan articulates what actions you'll take in what order, and what resources you'll need to reduce risks.

*What if I never plan to raise money, is this still useful?*

I think so, though I'd love to hear from the founders who are making their startup work without investment. I admire you, and wish all founders could follow in your footsteps and still act on their intentions. Even if I'll never get to work for you.

P.S. If someone wants to write an example Thesis Plan for a famous startup (imagining roughly what it might have looked like), or publish the Thesis Plan for their own startup, I'll share the daylight out of it.



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Head of Bloomberg Beta, investing in the best startups creating the future of work. Alignment: Neutral good

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