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Clean financial dashboard illustration showing startup metrics including burn rate and LTV

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The Finance Fundamentals Nobody Teaches in MBA Programs (But Every Founder Needs)

A Practitioner's Report for Early-Stage Founders and Growth-Stage Operators

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About This Report

This report was developed by the Altivus Consulting team based on extensive work with early-stage and growth-stage founders across India and Southeast Asia. Our practice advises startups from pre-seed through Series B on financial strategy, fundraising readiness, and operational finance. In the course of that work, we repeatedly encounter the same gaps - founders who are smart, technically capable, and product-savvy, but who lack the financial fluency that determines whether their company survives its first two years.

This report is our attempt to close that gap in a structured, practical way. It is not a textbook. It is not a lecture series. It is the financial curriculum we wish founders had before they came to us - so that we could spend our time together on strategy rather than first principles.

We hope it is useful.

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Executive Summary

MBA finance programs are optimized for the wrong problem. They teach you how to analyze, value, and manage mature businesses with stable cash flows, predictable customers, and multi-year track records. These are valuable skills - but they are almost entirely irrelevant for a founder navigating the first 18 months of a startup's life.

A startup is not a small company. It is a temporary organization in search of a repeatable, scalable business model. Until it finds one, the rules of corporate finance do not apply. The metrics that matter are different. The decisions that are existential are different. The failure modes are different.

This report identifies eight financial concepts that are routinely absent from business school curricula but that determine, in our experience, whether a startup lives or dies in its early years:

1. Default Alive vs. Default Dead
2. Burn Rate and Runway
3. Bookings vs. Revenue
4. Unit Economics (LTV:CAC)
5. Gross Churn vs. Net Churn
6. The Hiring Trap
7. Cap Table Basics
8. Working Capital and Cash Flow

For each concept, we explain what it is, why it matters, how to calculate it, and where founders most commonly go wrong. We close with a practical framework for building a founder financial dashboard - a single set of numbers you should be tracking every month.

The founders who internalize these concepts don't just survive longer. They make better decisions, raise capital from a position of strength, and build businesses that can actually scale.

Section 1: The Gap Nobody Talks About

Walk into any top business school finance class and you will learn how to build a discounted cash flow model, calculate WACC, structure a leveraged buyout, and analyze a decade of financial statements for a Fortune 500 company. These are genuinely rigorous skills - and they are genuinely useful in the right context.

The right context is managing or advising an established business with stable cash flows, predictable customers, known competitors, and a multi-year operating history. For a CFO at a listed company, these tools are essential. For a management consultant advising a conglomerate, they are indispensable.

For a founder in the first 18 months of a startup, they are almost entirely irrelevant.

This is not a criticism of business education. MBA programs are designed for the careers most of their graduates will pursue - roles in consulting, investment banking, corporate strategy, and general management of established organizations. The curriculum reflects that design. The problem arises when founders enter with an MBA and assume that their finance education has prepared them for the specific financial challenges of building a startup from scratch. It has not.

The core difference is this: MBA finance is fundamentally about analysis - how do you understand, value, and optimize a business that already exists? Startup finance is fundamentally about survival - how do you keep a business alive long enough to find out whether it can exist?

These are different problems. They require different tools.

> "Good metrics aren't about raising money from VCs - they're about running the business in a way where founders know how and why certain things are working (or not)." - a16z, 16 Startup Metrics

The finance fundamentals founders actually need are specific, practical, operationally grounded, and almost entirely absent from standard curricula. The following sections cover each of them in depth.

Section 2: Default Alive vs. Default Dead

What It Is

"Default alive" and "default dead" are terms coined by Paul Graham that describe the most fundamental financial question any startup founder should be able to answer: **on your current trajectory, will your company reach profitability before it runs out of money?**

If yes, you are default alive. If no, you are default dead.

This is not a question about whether your business is good. It is not a question about whether you will raise your next round. It is simply a question about the math: do the curves intersect in time?

> "The startling thing is how often the founders themselves don't know. Half the founders I talk to don't know whether they're default alive or default dead." - Paul Graham

Why It Matters

The reason this question matters so much is that it determines what decisions you should be making right now. A default-alive company has options. It can choose when to raise capital, whether to hire, how

aggressively to spend on growth. A default-dead company has far fewer options - and the window to exercise them narrows every month.

The danger is not being default dead. Plenty of excellent startups are default dead at some point in their journey, and they go on to build extraordinary businesses. The danger is being default dead **without knowing it** - because then you cannot make the deliberate choices that could change the outcome.

We see this pattern repeatedly in our work at Altivus: founders who have a general sense that "things are going well" or "revenue is growing," but who have not done the explicit math to determine whether their current trajectory gets them to profitability before their cash runs out. By the time it becomes obvious that they are in trouble, the window to fix it has narrowed dramatically.

How to Calculate It

The calculation requires three inputs:

- **Cash on hand:** The actual balance in your bank account today.
- **Net monthly burn:** Total monthly expenses minus monthly revenue. This is the amount by which your cash balance decreases each month. (Note: net burn, not gross burn. Revenue matters.)
- **Monthly revenue growth rate:** Your actual average growth rate over the last three months. Not your projection. Not your aspiration. The actual number.

From these three inputs, you can construct a simple model that projects your cash balance and your revenue forward month by month. The question is: do you reach the month where monthly revenue equals monthly expenses before your cash balance hits zero?

If yes: default alive.
If no: default dead - but with a specific date, which gives you something to work with.

Common Mistakes

Using gross burn instead of net burn. Founders often calculate "how long can we survive" by dividing cash by gross monthly expenses. This ignores revenue and overstates the urgency. More importantly, it obscures the role that revenue growth plays in extending runway.

Using aspirational growth rates. The model only tells you the truth if you use your actual historical growth rate - the average over the last three months, not the rate you hope to achieve or the rate you achieved in your best month.

Not updating the model monthly. Default alive/dead is not a one-time calculation. It is a monthly check-in. Revenue changes. Expenses change. Hiring plans change. The model needs to reflect current reality.

Two-line chart showing 'Default Alive' (cash curve meets profitability before zero) vs 'Default Dead' (cash hits zero first)

Section 3: Burn Rate and Runway

What It Is

Burn rate is the speed at which a company is consuming its cash. Runway is how long the company can continue operating at that burn rate before running out of money.

Gross burn is total monthly cash expenditure - salaries, rent, software, marketing, everything that leaves the account. **Net burn** is gross burn minus monthly revenue. Net burn is the number that determines survival.

Runway (months) = Cash on hand ÷ Net monthly burn

Why It Matters

Every startup operates on two resources: ideas and cash. Ideas are unlimited. Cash is not. Runway is the clock that governs every other decision. Hiring decisions, fundraising timelines, product bets, partnership negotiations - all of these decisions should be made with full awareness of how much time is left on the clock.

Founders who do not track runway precisely tend to make decisions that would look different if they knew exactly how much time they had. They hire one month too early. They spend six months on a fundraise when they have three months of runway. They make a product bet that requires twelve months to validate when they have eight months of cash.

Graham's concept of the **"fatal pinch"** describes the endpoint of this pattern: you are default dead, growing slowly, and you have less than six months of runway left. By the time it is obvious that you are in the fatal pinch, there is usually not enough time to raise capital, cut costs, or grow revenue fast enough to escape. The path out has closed.

The antidote is not optimism. It is precision. Run the numbers every month. Know exactly when the cash runs out. Build a plan that does not depend on investors rescuing you.

The Fundraising Implication

Founders often think of fundraising as something they do when they need money. This is exactly backwards. The best time to raise capital is when you do not need it - when you have 12–18 months of runway, strong metrics, and leverage in the negotiation. Founders who wait until they have three months of runway lose all of that leverage.

The practical implication: if raising is in your plan, start the process at least 9–12 months before you need the money. If you wait until the fatal pinch to begin, the terms will be terrible and the outcome is often failure.

> "By default do they live or die? The startling thing is how often the founders themselves don't know." - Paul Graham

Always have a plan B that does not require investors. Plan B might mean cutting costs to extend runway, pivoting to a revenue model that generates cash faster, or finding a customer that can anchor the business. Investors are an option, not a lifeline.

Section 4: Bookings vs. Revenue

What It Is

Bookings and revenue are different numbers. This distinction trips up a surprising number of early-stage founders - sometimes honestly, sometimes because they have a reason to present the more favorable figure.

Bookings is the total value of contracts signed in a given period. When a customer signs an annual contract worth ₹24 lakhs, your bookings for that period increase by ₹24 lakhs.

Revenue is recognized when the service is actually delivered. Under standard accounting principles (and under what sophisticated investors will expect to see), that same ₹24 lakh annual contract generates ₹2 lakhs in revenue per month for twelve months - not ₹24 lakhs on day one.

Why It Matters

The difference between bookings and revenue can look trivial in year one of a business, when most of your contracts are new. In year two, the divergence becomes significant - and founders who have been tracking bookings as revenue suddenly face a confusing picture where their "revenue" appears to have grown slower than their sales activity would suggest.

More importantly, investors who have seen hundreds of companies can immediately tell when a founder is presenting bookings as revenue. It signals either financial naivety or intentional misrepresentation. Either one erodes trust, and trust is the foundation of a successful fundraise.

> "Bookings is the value of a contract... Revenue is recognized when the service is actually provided." - a16z

Related Distinctions

Several adjacent distinctions cause similar confusion:

Letters of intent vs. bookings. A signed LOI is a commitment to negotiate a contract, not a commitment to buy. It is a positive signal worth tracking as a pipeline metric, but it is not revenue and it is not bookings.

Professional services revenue vs. product revenue. If your company generates revenue from implementation, customization, or training in addition to the core product, these need to be tracked and reported separately. Professional services revenue does not scale without proportional headcount. Investors model product and services revenue very differently, and blending them misrepresents the economics of your core business.

ARR/MRR vs. total revenue. Annual Recurring Revenue and Monthly Recurring Revenue should exclude one-time fees, setup charges, hardware, and professional services. These are by definition not recurring. Including them inflates ARR/MRR and gives a misleading picture of the predictable revenue base.

Section 5: Unit Economics - The Engine Test

What It Is

Unit economics asks the most fundamental question about your business model: **do you make money on each customer you acquire?** If yes, more customers mean more profit and scaling makes sense. If no, more customers means more losses and scaling accelerates failure.

The core metric is the **LTV:CAC ratio** - Lifetime Value divided by Customer Acquisition Cost. The general benchmark across SaaS and subscription businesses: 3:1 or better over a 12-month payback period. A ratio below 1:1 means you lose money on every customer. A ratio of 2:1 is marginal. A ratio of 3:1 or above means you have a business that can compound.

Calculating LTV Correctly

Most founders calculate LTV wrong, and the error consistently overstates how attractive the economics are.

Common (wrong) calculation: LTV = Average Revenue per Account × Average Customer Lifespan

Correct calculation: LTV = **Contribution Margin** per Account × Average Customer Lifespan

Contribution margin is revenue minus all variable costs directly tied to serving that customer - cost of goods sold, hosting, support, customer success, payment processing. If a customer pays you ₹1,200/month and it costs you ₹400/month to serve them, your contribution margin is ₹800/month, not ₹1,200/month.

The difference matters enormously. Using revenue instead of contribution margin can make your LTV look 50–200% higher than it actually is, which makes your unit economics look far more attractive than they are. If you are making acquisition decisions based on inflated LTV, you are systematically overspending on sales and marketing in ways that will not generate the returns you expect.

Calculating CAC Correctly

Blended CAC averages the cost of all customer acquisitions - organic (essentially free) and paid (expensive) - together. This creates an artificially low average that makes paid channels look more efficient than they are.

Paid CAC is the cost of acquiring customers specifically through paid channels: ads, sales team salaries, outbound tools, etc. This is the number that actually governs scaling decisions. If you want to know whether you can double your paid marketing budget and generate proportional returns, you need to know whether paid CAC specifically is profitable - not whether the blended average is okay.

Bar chart showing CAC (shorter gray bar) vs LTV (taller blue bar, 3x height) with the healthy 3:1 ratio labeled

The Scaling Problem

Unit economics that look healthy at current scale may not hold at 5x or 10x. As you grow, you exhaust the cheapest acquisition channels first. The first hundred customers often come through founder networks, PR, or word of mouth - essentially zero CAC. The next thousand require paid channels. The next ten thousand require even more expensive channels or a salesforce.

Before scaling aggressively, stress-test your unit economics at 5–10x current acquisition volume. Model what happens to paid CAC as you saturate your current channels. If the model still works, scale with confidence. If it doesn't, find the acquisition channels that will work at scale before you commit to the burn rate that scaling requires.

Section 6: Gross Churn vs. Net Churn

What It Is

Churn is the rate at which customers stop paying you. For subscription businesses, it is the most important leading indicator of business health - more informative, in many cases, than revenue growth.

Two measures of churn are commonly used, and conflating them leads to serious misdiagnosis:

Gross churn: MRR lost from cancellations in a given month ÷ MRR at the start of that month. This measures customer attrition directly.

Net revenue churn (or net churn): Takes gross churn and subtracts MRR gained from upsells and expansions to existing customers. A company that loses 6% of its MRR to cancellations but gains 7% from expansions has a net churn of -1% - meaning the existing customer base is growing even as some customers leave.

Why the Distinction Matters

Net churn can look excellent - or even negative (a good thing, called "negative churn") - while the business has a serious customer retention problem hiding underneath.

Consider: a company losing 8% of its MRR to cancellations each month while expanding existing accounts by 9% has a net churn of -1%. The headline looks great. But the customer base is eroding at 8% per month - meaning nearly half the customer base is turning over each year. A business with that level of customer loss is spending enormous resources replacing customers rather than compounding them.

> "The difference between gross churn and net revenue churn is significant. Gross churn estimates the actual loss to the business, while net revenue churn understates the losses." - a16z

Use gross churn to diagnose product health. If gross churn is high, customers are not finding enough value to stay. That is a product problem, and no amount of upselling will fix it permanently.

Use net churn to understand revenue health. If net churn is negative, your expansion revenue is more than covering your cancellations, and your revenue base can grow even without new customer acquisition.

The Compounding Effect

5% monthly gross churn sounds manageable. Annualized, it means roughly 46% of your customer base has churned by the end of the year. You must replace nearly half your customers just to stay flat. A business at this churn rate is running very hard to stand still - and any reduction in new customer acquisition creates an immediate revenue decline.

The benchmark for healthy SaaS gross churn is typically 1–3% per month (12–30% annualized), with best-in-class companies below 1% per month. For annual contracts, this translates to gross churn of 5–10% at renewal.

Cohort Analysis

Aggregate churn figures hide important patterns. The right tool is cohort analysis: tracking retention by the month (or quarter) in which customers signed up. This reveals whether:

- Your product is getting stickier over time (later cohorts retain better than earlier ones)
- A specific product change or pricing change affected retention

- Specific customer segments churn at very different rates
- Your best customers have a different profile than your average customers

Build your cohort analysis early. Once you have 12–18 months of data, it becomes one of the most powerful tools for understanding where your business is actually going.

Section 7: The Hiring Trap

What It Is

The hiring trap is the pattern by which startups accelerate their own failure by hiring in response to slow growth. It is, in our experience at Altivus, the single most common cause of preventable startup death.

The logic that leads to it is seductive: growth is slow, the team is stretched, hiring more people will help us grow faster. This logic is wrong, and the data is unambiguous about it.

Paul Graham and Sam Altman are unequivocal:

> "Don't hire too fast. Hiring too fast is by far the biggest killer of startups that raise money." - Paul Graham
>
> "I think you should make the hiring point more strongly. One of the marks of a great founder is being able to resist this urge." - Sam Altman

The Pattern

The hiring trap follows a predictable sequence:

Flow diagram showing The Hiring Trap: Raise money → Hire aggressively → Growth stalls → High burn → Fatal pinch

Stage 1: The startup raises capital. The product is compelling enough to get funded - good traction, an interesting market, a credible team.

Stage 2: The founders assume that growth requires scale, and scale requires people. They hire aggressively - engineers, salespeople, marketers, customer success - often faster than they can onboard and manage them effectively.

Stage 3: Growth does not accelerate. It was never about headcount. It was about whether the product genuinely solves a problem people are willing to pay for at scale. Headcount cannot fix a product that hasn't found product-market fit.

Stage 4: Burn has increased significantly. The company is now spending much more each month than before the hire, but revenue growth is flat or

decelerating. The runway that looked comfortable at the time of raise is now shrinking fast.

Stage 5: The fatal pinch. Default dead, slow growth, insufficient runway to fix either. The founders go back to investors - but now from a position of weakness, with metrics that have deteriorated and a story that is harder to tell.

Why Hiring Doesn't Fix Slow Growth

> "In practice there is surprisingly little connection between how much a startup spends and how fast it grows. When a startup grows fast, it's usually because the product hits a nerve, in the sense of hitting some big need straight on." - Paul Graham

Growth is a function of product-market fit. If your product hits a genuine need in a compelling way, it will grow - often with a relatively small team. If it doesn't hit that nerve, hiring more people will not create the fit. It will only increase the cost of discovering that the fit doesn't exist.

The Airbnb example is instructive. After their Y Combinator batch, the Airbnb founders waited four months before hiring their first employee. The team ran everything themselves during those months - customer service, operations, product development, business development. That period of intense, understaffed execution is when the product evolved into the form that drove Airbnb's explosive growth. The constraint was not a bug; it was a feature.

The Hiring Rule

Hire when you have so much revenue-generating work that not hiring is demonstrably the bottleneck on growth. Not when you think growth might accelerate if you had more people. Not when investors suggest you should scale. When growth is already happening and the constraint on more growth is clearly capacity, not product.

This means: delay hiring as long as you can without failing to deliver for existing customers. It means operating lean, sometimes uncomfortably lean, until the product has genuinely found its market. It means resisting the psychological pressure - from investors, from peers, from your own sense of ambition - to build a large team before you have earned it.

Section 8: Cap Table Basics

What It Is

A capitalization table is a record of who owns what percentage of a company at any given point in time. It tracks founders, investors (at each round), employee stock option pools, advisors, and anyone else who holds equity or rights to equity.

Most founders treat the cap table as an administrative document - something the lawyers maintain and that gets updated occasionally before a fundraise. This is a significant mistake.

Why It Matters

Your cap table is a live financial instrument. Every time you issue options to a new hire, close a funding round, issue convertible notes, or grant advisor shares, the cap table changes. These changes have real consequences for who owns the company, what the economics of future fundraises will look like, and what everyone will receive in an exit.

Founders who do not track their cap table actively often discover, mid-fundraise, that they have diluted themselves further than they realized - or that the structure of their option pool or convertible notes is going to complicate the new round in ways they did not anticipate.

Key Concepts

Dilution: Every new share issued reduces the percentage ownership of all existing shareholders. If you own 70% of the company and issue new shares representing 30% of the post-issuance total, your stake falls to 49% (70% of the remaining 70%). The math compounds across rounds.

Pre-money vs. post-money valuation: When an investor says "we'll invest ₹5 crore at a ₹20 crore valuation," clarify whether that ₹20 crore is pre-money (before the investment) or post-money (after). The difference determines how much of the company the investor is buying. Pre-money means they are buying ₹5 crore of a ₹25 crore total (20%). Post-money means they are buying ₹5 crore of a ₹20 crore total (25%).

Option pool: Investors typically require a 10–15% option pool for future employee equity grants as a condition of their investment. This option pool is usually carved out from the founders' stake before the investment closes - meaning founders are diluted before they receive any cash.

Fully diluted shares: The total share count if all outstanding options, warrants, and convertible securities were exercised. This is the number that governs valuation math. When investors say "we're investing at a ₹X crore valuation," they typically mean on a fully diluted basis.

Pro-rata rights: An investor's contractual right to participate in future funding rounds proportionally to maintain their ownership percentage. Understanding which of your investors have pro-rata rights - and at what threshold - affects how you structure future rounds.

ESOP (Employee Stock Option Plan): A structure that allows employees to participate in company ownership through options. Well-structured ESOPs are a powerful tool for attracting talent. Poorly structured ones (wrong vesting schedules, confusing exercise terms, poorly managed pools) create problems at exit.

Tools like Carta or LetsVenture (in the Indian context) automate cap table management and allow you to model dilution scenarios before you sign anything. Build your cap table from day one. Update it after every equity event. It is not paperwork - it is your scoreboard.

Section 9: Working Capital Basics

What It Is

Working capital is the difference between a company's current assets (cash, receivables, inventory, short-term investments) and its current liabilities (payables, short-term debt, accrued expenses).

Working Capital = Current Assets − Current Liabilities

Positive working capital means the company has more liquid assets than near-term obligations. Negative working capital means the opposite - and if sustained, it can produce a cash crisis even in a profitable company.

The Profitable-but-Broke Problem

Many founders learn this the hard way: a company can be genuinely profitable on paper while simultaneously running out of cash.

Consider a common scenario: you sign a large enterprise client on net-90 payment terms (they pay 90 days after invoicing). Your team payroll is due monthly. Your software vendors want net-15. You have built a business where money flows out steadily - and comes in in large, infrequent lumps.

Your revenue is real. Your gross margins are healthy. Your income statement looks excellent. But your cash account is draining every month as you wait for receivables to convert. This is a working capital problem, and it can kill an otherwise healthy business.

This problem is especially acute for:
- B2B companies selling to large enterprises (long payment cycles, net-60 to net-120 terms)
- Product companies with meaningful inventory or supply chain costs
- Any business with significant upfront delivery costs (implementation, onboarding, professional services) before revenue is recognized

The Levers

Collect faster. Shorten payment terms where you can. Offer early payment discounts. Invoice the moment work is completed. Follow up on receivables proactively - many companies will pay faster if someone actually asks. Consider requiring upfront payment or partial advance payments for large contracts.

Pay slower. Negotiate payment terms with suppliers and vendors. Net-30 instead of net-15, net-45 instead of net-30, where the relationship allows. Annual software subscriptions sometimes offer discounts that, when weighed against the cash flow impact, are not worth taking.

Manage inventory tightly. For product companies, inventory is cash that is not moving. Excess inventory ties up capital that could be deployed elsewhere. Build supplier relationships that allow flexible ordering, and use demand signals to minimize the cash locked in stock.

Use credit facilities strategically. A working capital line of credit can smooth cash flow timing mismatches without requiring you to dilute equity. Set it up before you need it desperately - banks lend most willingly to companies that do not urgently need the money.

Monitor working capital monthly. When you see it trending negative as the business scales, that is the signal to renegotiate terms or arrange a facility - before the crisis, not during it.

Section 10: Building Your Founder Financial Dashboard

Eight concepts is a lot to hold simultaneously. In practice, the founders who navigate early-stage finance well do not hold all of it in their heads simultaneously. They build a simple dashboard that surfaces the numbers that matter and review it monthly with discipline.

A minimal founder financial dashboard looks like this:

Metric	What It Tells You	How Often
Cash on hand	The absolute constraint	Weekly
Net burn rate	How fast cash is shrinking	Monthly
Runway (months)	When the clock runs out	Monthly
Default alive/dead	The fundamental survival question	Monthly
MRR / ARR	Recurring revenue trajectory	Weekly
Gross churn	Product health signal	Monthly
LTV:CAC ratio	Whether acquisition scales	Quarterly
Working capital	Cash vs. profit gap	Monthly
Bookings vs. revenue	Health of the pipeline	Monthly

None of these metrics require sophisticated financial modeling. A well-maintained spreadsheet is sufficient for most early-stage companies. What they require is honest arithmetic and the discipline to look at the numbers without flinching - every single month, without exception.

Building the Practice

The founders who do this well share a few common habits:

They separate facts from projections. The dashboard always shows actuals for the period just closed, not projections for the period ahead. Projections live in a separate model. The dashboard is the scoreboard; the model is the planning tool.

They review with someone who will push back. Whether that is a co-founder, a board member, an advisor, or an external consultant - the monthly numbers should be reviewed with someone who will ask hard questions. Self-review creates confirmation bias. External review creates accountability.

They act on what they see. A dashboard that is reviewed but not acted on is just a ritual. If gross churn spikes, the next conversation is about why. If runway drops below 12 months, the next conversation is about what to cut or when to fundraise. The numbers exist to prompt decisions.

They do not round or smooth. Presenting numbers rounded to the nearest round figure, or smoothed to hide a bad month, defeats the purpose. The dashboard should show reality - uncomfortable months included.

> "By default, do they live or die? Half the founders I talk to don't know." - Paul Graham

Make sure you are in the other half.

Section 11: A Note on the MBA vs. Founder Gap

This report is not an argument against business education. An MBA sharpens analytical thinking, builds professional networks, and opens doors that would otherwise be closed. Many of the best operators we work with at Altivus have MBAs, and it shows in how they think about complex organizational problems.

But there is a real and significant gap between what MBA programs teach and what founders need - and that gap has consequences.

MBA finance curricula are designed for a stable context: historical data to analyze, mature cash flows to discount, competitive dynamics that have played out over years. The analytical frameworks are powerful in that context.

A startup has none of that. It has a hypothesis, a small team, a clock, and a pile of cash. The decisions that matter in the first 18 months - whether to hire, when to fundraise, how to structure contracts, whether to pivot - are made under uncertainty, with limited data, in real time. The tools for those decisions are not DCF models and WACC calculations. They are burn rate calculations, unit economics models, and a clear-eyed assessment of whether you are default alive or default dead.

The gap is not about intelligence or analytical capability. It is about curriculum design. Business schools are designed for the careers most of their graduates will pursue. Founders who want to be well-prepared for the specific challenges of early-stage company building need to supplement their education - and this report is our contribution to that supplementation.

Closing the gap does not require another degree. It requires learning eight concepts and building the habit of applying them honestly, every single month.

The math is not hard. The honesty is.

Frequently Asked Questions

What is the most important finance concept for first-time founders?

Default Alive vs. Default Dead is the most critical. It asks: will your startup reach profitability on its current cash runway, or will it run out of money first? Answering this one question forces you to face your burn rate, revenue growth, and runway realistically. Most founders we work with have not run the calculation before we ask them to - and it changes how they think about every major decision.

What is unit economics and why does it matter for startups?

Unit economics measures whether your business makes money on each individual customer. The key ratio is LTV:CAC - lifetime value divided by customer acquisition cost. A healthy ratio is 3:1 or better. If it costs you ₹30,000 to acquire a customer who only ever generates ₹20,000 in contribution margin, you cannot scale your way to profitability. Understanding this early prevents you from building a business model that structurally does not work.

How is startup finance different from what MBA programs teach?

MBA programs teach finance in the context of mature, stable companies - DCF models, WACC, capital budgeting, ratio analysis. Startup finance is about surviving the next 18 months while searching for product-market fit. The skills are different: burn rate calculation, runway math, unit economics, churn analysis, and understanding whether you are default alive or default dead. MBA curricula rarely cover these directly.

What is the difference between gross churn and net revenue churn?

Gross churn is the MRR you lost from cancellations, divided by your MRR at the start of the month. Net revenue churn blends those losses with revenue from upsells to existing customers. Net churn can look positive - even negative, which is actually good - while the underlying customer attrition is a serious problem. Always track gross churn to understand the real health of your customer base.

When should a startup founder start building a cap table?

Day one. Every equity grant, every convertible note, every option award changes the ownership structure. Founders who neglect the cap table until their Series A often discover they have diluted themselves more than they realized, or have structural issues that complicate the new round. Tools like Carta or LetsVenture make it easy to maintain from the start.

What is working capital and why do profitable companies sometimes run out of cash?

Working capital is current assets minus current liabilities. A company can be profitable on paper but cash-poor in reality if it collects revenue slowly (long receivables cycles) but pays expenses quickly. This is especially common in B2B businesses with enterprise clients who pay on net-60 or net-90 terms. Monitor working capital monthly and negotiate payment terms aggressively.

How do you know when it is the right time to hire?

Hire when you have so much revenue-generating work that not hiring is demonstrably the bottleneck on growth. Not when you think it might help. Not when your investors suggest you should scale. When growth is already happening and the clear constraint is capacity, not product-market fit. Over-hiring before fit is the single most common cause of startup failure that we see.

About Altivus Consulting

Altivus Consulting is a strategy and financial advisory firm working with early-stage and growth-stage companies across India and Southeast Asia. We help founders build financial fluency, structure fundraises, design go-to-market strategies, and navigate the operational complexity of scaling a business.

Our team brings experience across venture-backed startups, private equity, and management consulting. We believe the best advisory relationships are built on candor, not validation - we will tell you what we actually think, even when it is uncomfortable.

If this report raised questions about your own business, we would be glad to discuss them.

Get in touch:
- Website: www.altivusconsulting.in
- Email: hello@altivusconsulting.in

Sources

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2. Paul Graham, "Default Alive or Default Dead?" - https://www.paulgraham.com/aord.html
3. Sam Altman's blog - https://blog.samaltman.com
4. Carta (cap table management) - https://carta.com
5. Altivus Consulting - https://www.altivusconsulting.in/
