

Composing your Theory

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THEORY

Beliefs

Common

What are the deeply held orthodoxies and beliefs in the industry about technology, consumer tastes, production, distribution, governance and so forth?



Contrarian or Uncommon

What do you believe that others don't? Can you imagine beliefs that are contrarian to the industries common beliefs? How might you think differently about how to organize, the future of technology, consumer demand?

Core Problem

What core problem prevents the realization of your uncommon belief?



Subproblems

What three to five key subproblems must be solved to solve your core problem?



Causal Logic

(expressed as if-then statements or hypotheses)

IF Attempt to capture your central hypothesis in an if-then statement of the following form: if we solve these subproblems, then we solve this core problem that enables us to introduce the following value.

THEN

ACTIONS

Run Experiments

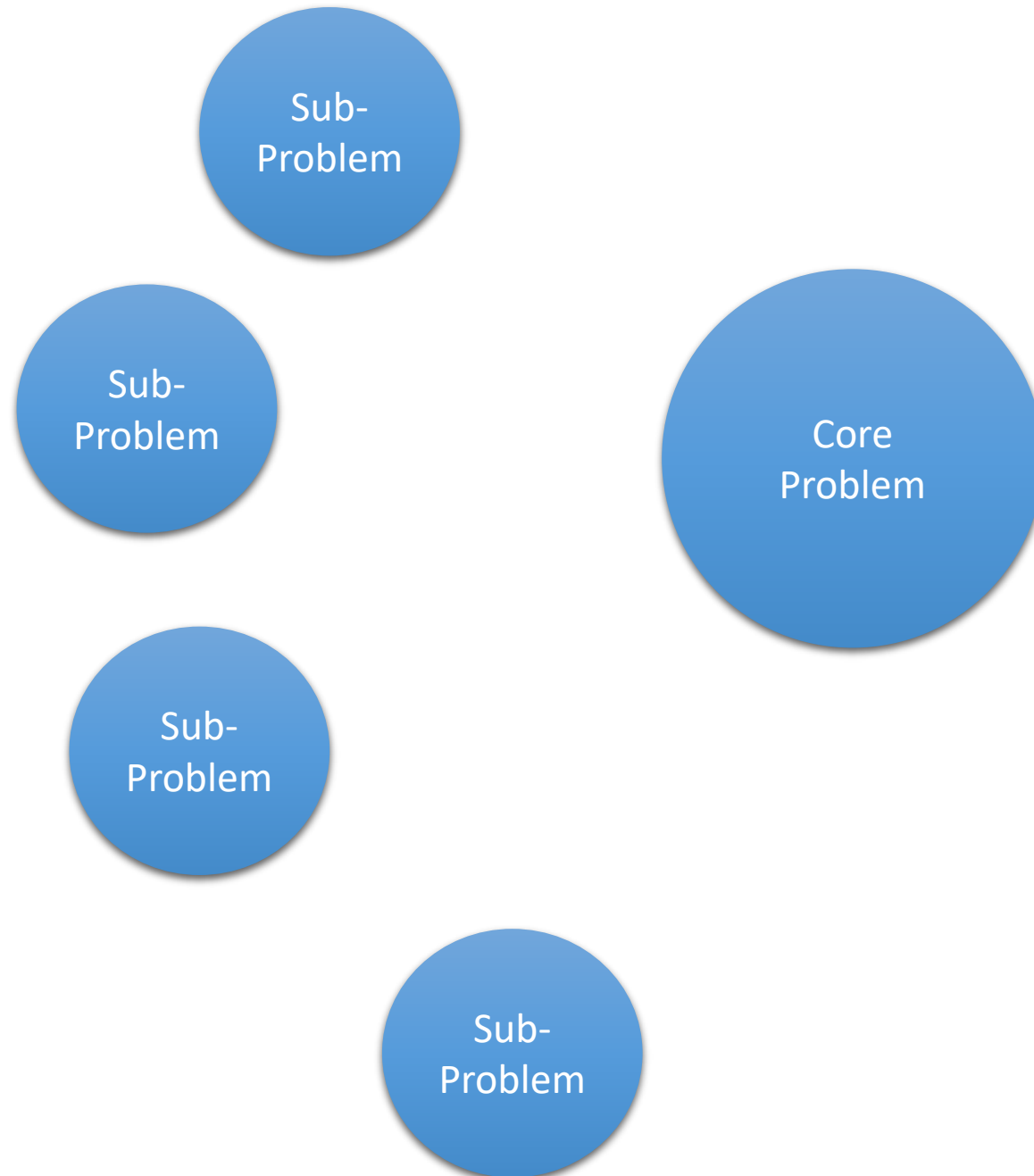
What experiments would test the central tenets of the theory? What must we prove to be true?

Shop for Investments

What assets, technologies, and skill sets does the theory reveal as currently undervalued?

Search for Solutions

Where can we search for solutions to subproblems? Who has solved closely related problems already (perhaps in a different industry)?



A Verbal Expression:

If we can solve these subproblems, then we solve our core problem.

A THEORY

Belief



There is vast reservoir of personal vehicles (and drivers) which could satisfy the unmet demand for taxi service

Problem

How do we provide fast, reliable taxi service, especially at times when taxis are difficult to secure?

Theory (in words)

If we can efficiently connect drivers to riders, enable riders to feel confident in the timeliness of service, and both riders and drivers to feel safe, then we can tap this vast reservoir of personal vehicles to address unmet taxi demand.

Sub Problems

Managing Payment and Tips

Arrival uncertainty/reliability

Efficient matching system

Driving with Strangers

A THEORY

Belief

Problem

Sub Problems



Computers can be a useful product for the masses

How do we make personal computers that are easy to use and reliable?

Theory (in words)

If we can make personal computers **easy to use and reliable**, then masses of consumers will purchase and purchase at a premium price.

Clumsy, non-intuitive OS

Mismatch between screen and printed output

Integrating peripherals and new software

Reliability/system stability

A THEORY

Problem



How can we broker safe, reliable and efficient access to idle hotel capacity, offering a lower cost, more personalized hospitality experience?

Belief

Many prefer a varied hotel experiences with a local flavor.

There is vast idle hotel capacity in private accommodations.

Theory (in words)

If we can develop an efficient and reliable matching system, provide sufficient information to facilitate confidence in a purchase, and a means of secure payment, then we can unlock vast hotel capacity and provide an unrivaled hotel/property rental system

Sub Problems

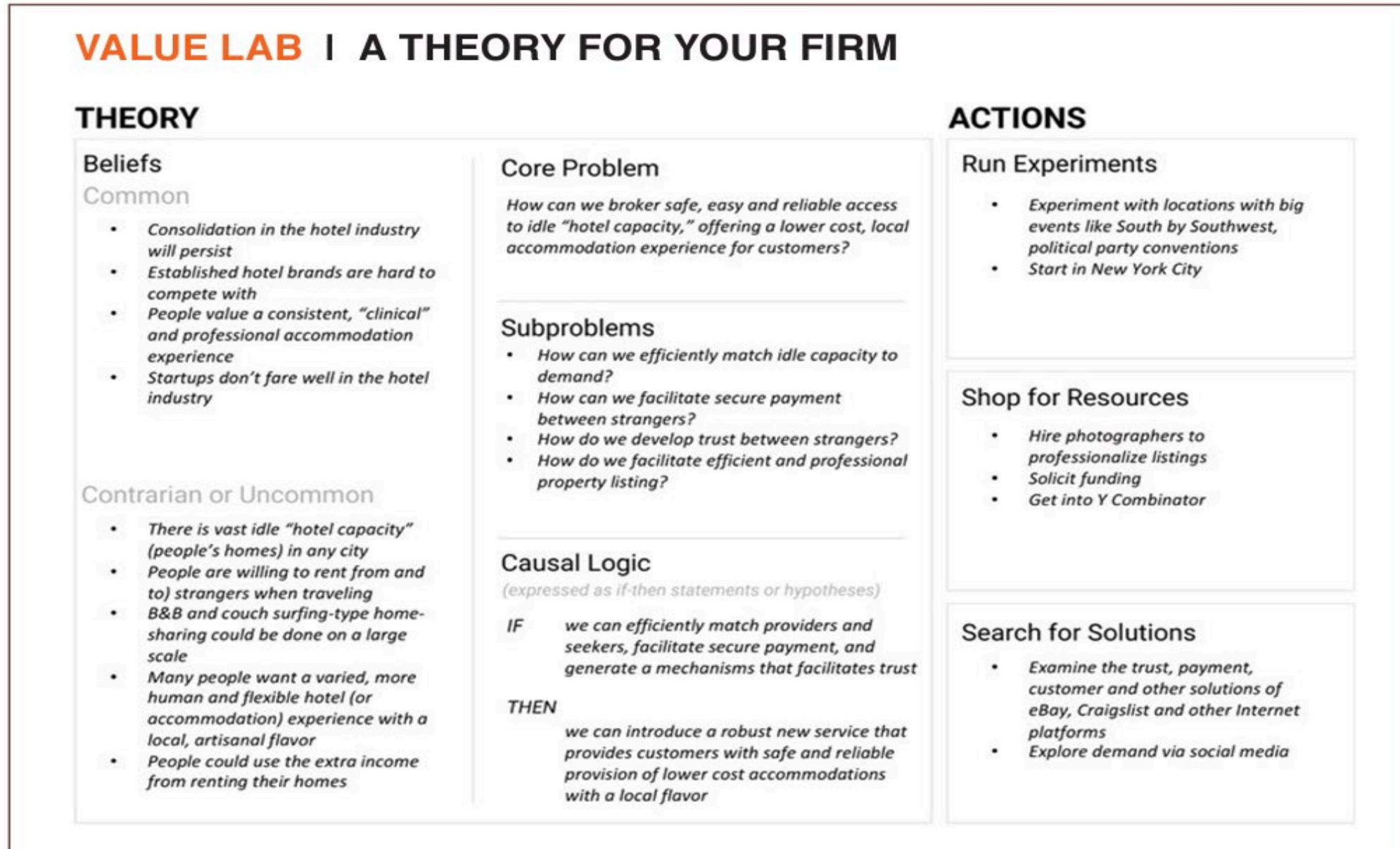
How do we efficiently match idle capacity to demand?

How do we facilitate trust in transacting with strangers?

How do we facilitate secure payment?

How do we facilitate informationally efficient professional listings?

FIGURE 3: an informal example of a filled-out framework.



Let's test our capacity to theorize...

TRADER JOE'S

The SpaceX logo is centered within a light gray rectangular box. The logo itself consists of the word "SPACEX" in a blue, sans-serif, all-caps font. The letters are closely spaced, and the 'X' has a distinctive shape with a diagonal stroke that extends downwards and to the right.

SPACEX

THEORY

Beliefs
Common

Core Problem

People hate grocery shopping;
accessible unique grocery
products at low price

Subproblems

Create vibe; make easy and
accessible; treasure hunt

Contrarian or Uncommon

People will buy unique, high
quality products, not name
brand

Buy directly from suppliers
Treasure hunt
Focus

Vibe

Causal Logic

(expressed as if-then statements or hypotheses)

IF

THEN

ACTIONS

Run Experiments

Shop for Investments

Search for Solutions

THEORY

Beliefs
Common

Contrarian or Uncommon

Core Problem

How do we make space
travel/transport efficient?

Subproblems

Causal Logic

(expressed as if-then statements or hypotheses)

IF

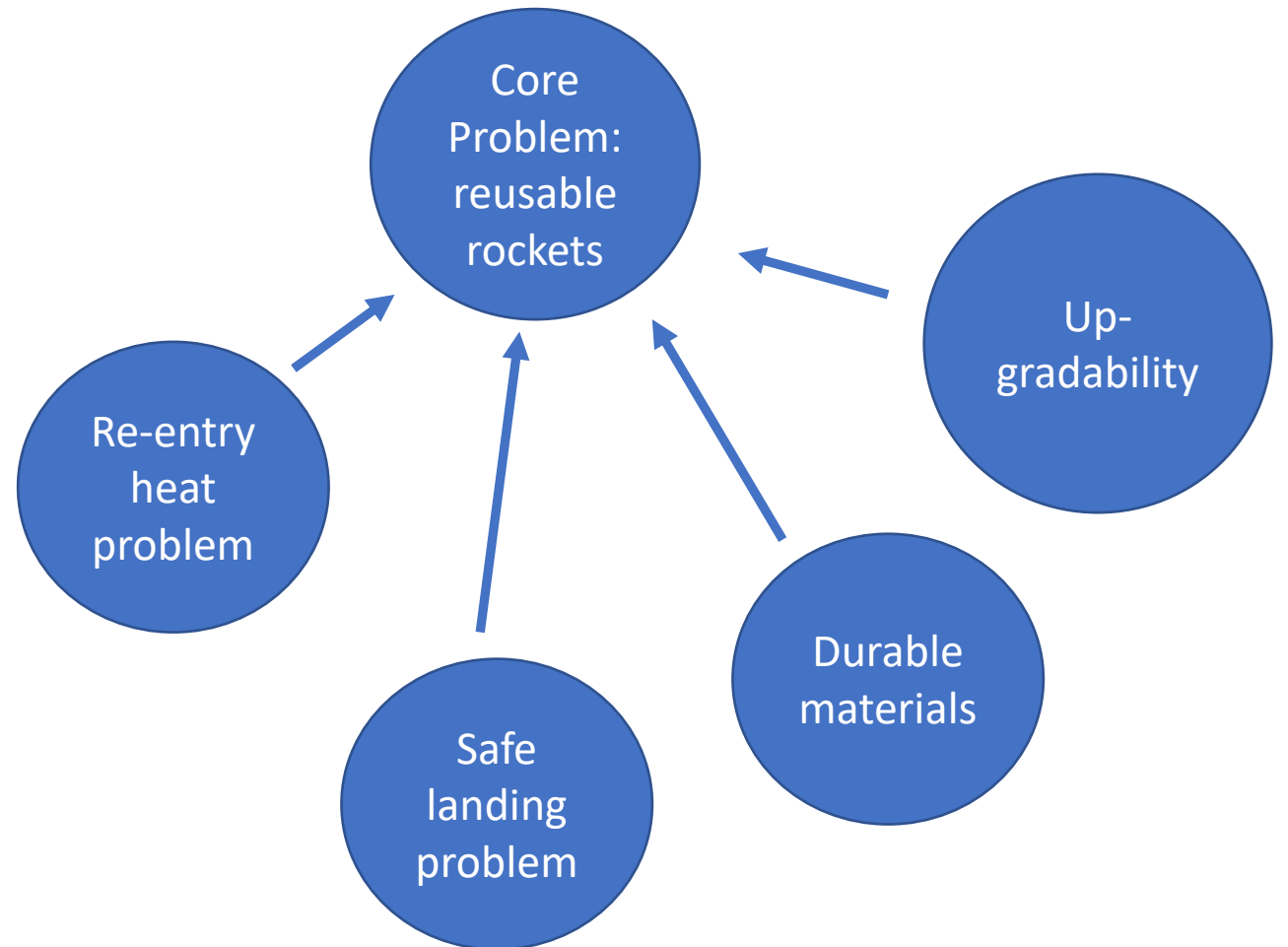
THEN

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Exercise

Using your subproblems and core problem as a starting point, capture your theory of value in words with an “if-then” structure.

Keeping the fundamental logic within this “if-then” structure, recraft your theory of value into a more accessible form, perhaps beginning with:

[My venture] seeks to create value by....