



Managing uncertainty

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Understand what you don't know!



1

Clear enough
future



2

Alternative futures



3

Ranges of futures



4

True uncertainty

“Opportunity is often delivered in the fog of uncertainty” – Kahlil Gibran

Defining uncertainty

Understanding uncertainty is important

A situation where the current state of knowledge is such that:

1

The order or nature of things is
unknown

2

The consequences, or
magnitude of circumstances,
conditions, or events is
unpredictable

3

Credible probabilities to
outcomes cannot be assigned.

“Uncertainty is an uncomfortable position. But certainty is an absurd one.” —Voltaire

Defining uncertainty

Understanding uncertainty is important

Ticket to play

Known “knowns”

Identify what you know or is clearly evident through trends, mega trends or other credible data sources.

Known “unknowns”

Identify what you could know if you spent time to analyse, research and seek to know

Head in the sand

Unknown “knowns”

Things we may understand but are not aware of

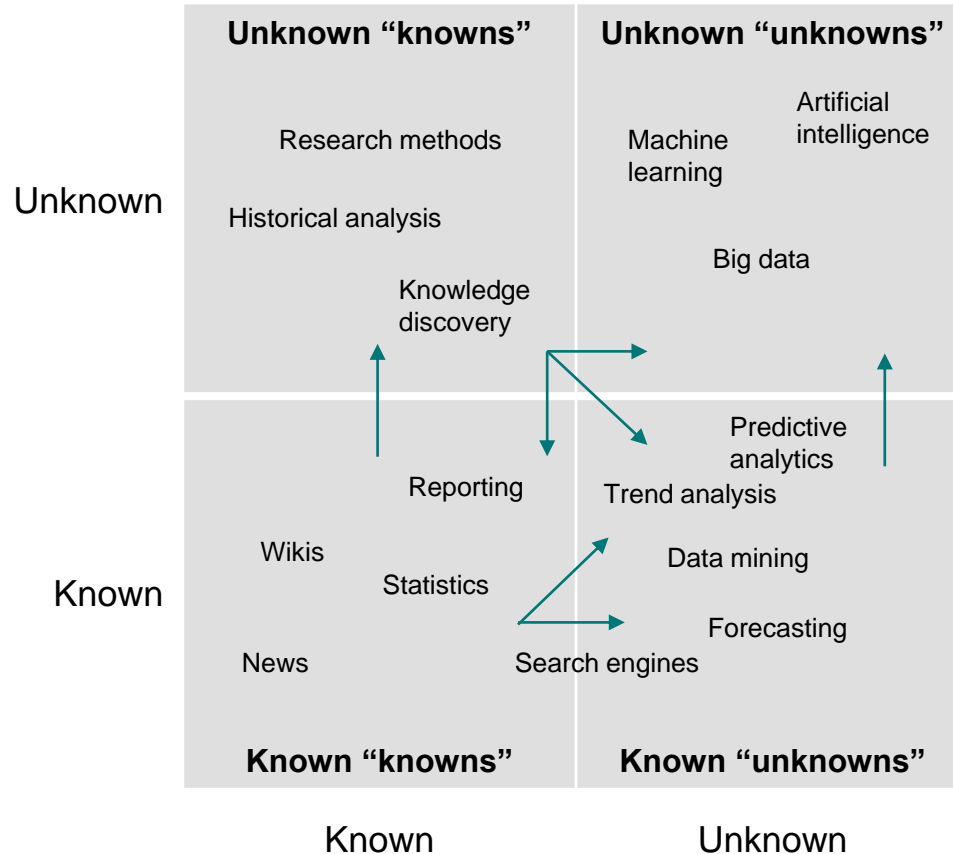
Unknown “unknowns”

Future circumstances, events, or outcomes that are impossible to predict, plan for

***After figuring out what you know, and what you ought to know...
the residual is true uncertainty...***

Known “unknowns”

Analytical and research methods and tools



These tools and this type of analysis help you to:

- Understand more about what you know
- What you don't yet know
- Seek to reduce the level of uncertainty

Four levels of uncertainty



Level 1: a clear enough future

What can be known

Little residual uncertainty that would impact on the outcomes

A narrow range of possible outcomes that the uncertainty doesn't impact on strategic decisions

Able to forecast the likely within a narrow range

Analysis and tools

Standard strategic analysis:

Market research, competitor analysis, Porter six forces framework

Standard discounted cash flow modelling, and budgeting

Examples of environment

Market not prone to external shocks or internal upheaval

Regulatory environment stable

New competitor but no disruption

Slow technological change

Four levels of uncertainty

Level 2: alternative futures



What can be known

There is some residual uncertainty

A few discrete outcomes that define the future

Unable to identify which outcome is likely to occur

Forecasts assessed around likelihood of outcomes

Important key is to identify possible trigger points

Analysis and tools

Standard strategic analysis:

Decision analysis frameworks –
i.e. Decision Trees

Game theory

Comparative budgets and financial analysis; what if

Examples of environment

Change in the:

Procuring approach of Government

Regulation regarding buses

Disruptive technology

Four levels of uncertainty

Level 3: a range of futures



What can be known

There is significant residual uncertainty

Unable to identify which outcome is likely to occur

A range of possible outcomes

No natural probability of an outcome occurring

Analysis and tools

Standard strategic analysis:

Scenario planning

Monte-carlo analysis, real options

Complex financial models - scenario analysis; best case, mid point, worst case

Examples of environment

Two options regarding economic environment

Various regulatory impact options

Significant political investment considerations into competing modes of transport

Multiple emerging technologies

Cheaper car technologies

Four levels of uncertainty

Level 4: true ambiguity



What can be known

There is true uncertainty around possible future options

No real basis to forecast the future

Analysis and tools

Standard strategic analysis:

Decision driven scenario modelling

Artificial intelligence and machine learning

Non-linear dynamic modelling

Examples of environment

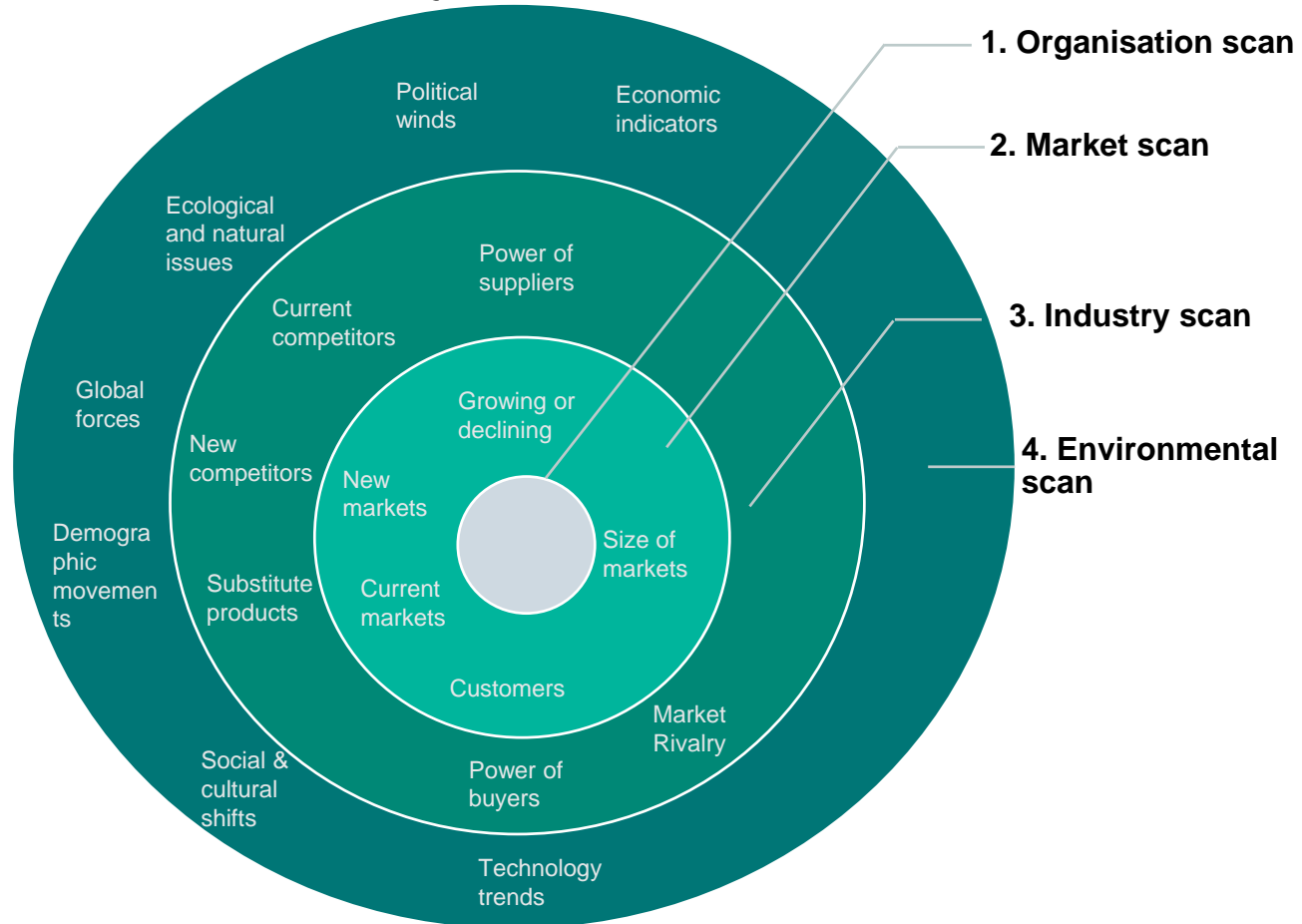
Despite analysis, unable to ascertain where the industry is going

Unable to assess market conditions or political environment

Market demand is extremely uncertain

Scanning your environment

Assess levels of uncertainty



Defining your environment

Based on your environment scan assessing uncertainty

| Considerations | | Level of uncertainty |
|----------------------------|---|------------------------------|
| Demand for services | ▶ | Low to Moderate uncertainty |
| Type of or mix of services | ▶ | Moderate to high uncertainty |
| Impact of technology | ▶ | Moderate uncertainty |
| Impact of socio-economic | ▶ | Moderate uncertainty |
| Market dynamics | ▶ | Low uncertainty |
| Impact from regulation | ▶ | High uncertainty |

Level 2 or level 3 depending on ability to identify likely outcomes



Managing through uncertainty

Managing through uncertainty

Strategic intent in the face of uncertainty



Strategic intent and posture



Reserve your right to play

Invest to stay in the game but avoid premature bets.



Be ready to adopt a direction when the future when clear

Organisational speed, agility, flexibility and adaptability to capture opportunities.



Help shape the industry and your market

Setting standards; creating demand

Managing through uncertainty

Have a portfolio of actions that you can take



Based on level of investment and return

No-regrets decisions

Positive impact regardless of scenario.

Options analysis

Options that are likely to result in a positive impact in scenarios and a small negative impact in other.

Big bets

Focused strategies with big pay-offs in one or more scenario but negative effects in others.

Managing through uncertainty

Intent and action...



Strategic objectives

- Seek to set industry standards to govern unregulated technology based market entrants.
- Capture new on-demand market, end-of-trip.

Posture: shape the industry and reserve the right to play

Portfolio of actions

- Lobby for regulatory intervention government
- Seek to set standards across the industry
- Invest in technology for on-demand services
- Enter different geographic markets

Actions: a combination of both no-regrets and options.

Business model canvas

Apply the business case to different scenarios that you identify

| | | | | |
|--|--|---|---|---|
| <p>KEY PARTNERS</p> <p>Who are the organisations key partners and suppliers</p> <p>Which key resources are we acquiring</p> <p>Which key activities do our partners perform</p> | <p>KEY ACTIVITIES</p> <p>What are the key activities required to support our goods and services</p> | <p>Value proposition</p> <p>What value do you deliver to the customer</p> <p>Which customers problem are we solving</p> <p>Which customers needs are we satisfying</p> | <p>CUSTOMER RELATIONSHIPS</p> <p>What is the relationship between the customer(s) and the organisation</p> | <p>CUSTOMER SEGMENTS</p> <p>Who are you creating value for?</p> <p>Who are the most important customers?</p> |
| <p>COST STRUCTURE</p> <p>What are costs associated with the business model and what key resources and key activities are most expensive</p> | | <p>REVENUE STREAMS</p> <p>What are the customers willing to pay; what do they currently pay; how are they paying and how would they prefer to pay?</p> | | |

– Alex Osterwalder

Business model canvas

Increased focus on regulation and investing in on-demand

| | | | | |
|---|---|--|---|--|
| <p>KEY PARTNERS</p> <p>Lobbyists</p> <p>Transport Associations</p> <p>Regulators</p> <p>Community Action Groups</p> <p>Technology partners</p> | <p>KEY ACTIVITIES</p> <p>Demand driven flexible scheduling</p> <p>Limited transaction friction</p> <p>Easy communication</p> | <p>Value proposition</p> <p>Certainty over availability</p> <p>Vehicle options that meet all your needs</p> <p>Lower cost than an Uber</p> <p>A part of the local community</p> | <p>CUSTOMER RELATIONSHIPS</p> <p>Public consumer but segmented</p> <p>Aged care/ Schools</p> <p>Local councils/Local community</p> | <p>CUSTOMER SEGMENTS</p> <p>School services</p> <p>Route services</p> <p>Charter services</p> <p>On-demand services</p> |
| <p>COST STRUCTURE</p> <p>The cost of technology, specialist IT support, licencing, lobbyists, increased management</p> | | <p>REVENUE STREAMS</p> <p>Standard rate, rate per kilometre, subscription model</p> | | |
| <p>KEY RESOURCES</p> <p>On-demand technology specialists</p> | | <p>CHANNELS</p> <p>Direct channels</p> <p>Social media</p> <p>Aged Care Providers</p> | | |

Key takeaways

Managing uncertainty for your business

Understand the uncertainty landscape

Spend time to capture knowledge

What you know, and probably should know

Undertake systematic environmental scanning

Identify the level of uncertainty

Assess the level of uncertainty that you are operating in and consider those tools that make sense for your environment

Remember most likely to be operating in level two or three

Consider your strategic intent and various options

Consider what your strategic intent is

And then consider those options that will add value given various outcomes and reduce the likelihood of costly outcomes



Thank you





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