



Managing Trade-offs



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Introduction

In a matrix we are often dealing with difficult choices between competing goals and priorities. This is a tool to help you understand the techniques involved in managing trade-offs between different options.

A trade-off is a situation that involves losing some element of something in return for gaining another element of something else.

In a trade-off, the two factors are usually mutually exclusive i.e. I can have a higher quality product, if I spend more money. I can deliver the project faster, but it will cost more money.

**'A decision without tradeoffs...
isn't a decision. The art
of good decision making
is looking forward to and
celebrating the tradeoffs, not
pretending they do not exist.'**

Seth Godin



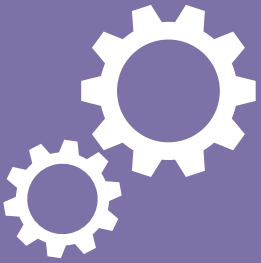
The Tool

Managing trade-offs

A trade-off is a situation that involves losing an element of something in return for gaining another element of something else. In a trade-off the two factors are usually mutually exclusive, i.e. I can have a higher quality product, if I spend more money.

If you have already reviewed the e-learning module on dealing with dilemmas – the five choices, a tradeoff moves between quadrants one, two and three.

	Factor 1	Factor 2
What are the positives of choosing this factor at the expense of the other?		
What are your concerns in only choosing this at the expense of the other factor?		
What are the minimum acceptable levels of this factor you must achieve?		
What could you live with?		



The Process

The management of trade-offs requires a thorough understanding of the upsides and downsides of each choice. There is always a cost involved, even if it is only an opportunity cost. In acquiring more of A, I cannot acquire as much of B.

Despite this, trade-offs do not have to be binary choices. For example, we can present a range of values for the trade-off between cost and speed. It does not have to be 100% of one or 100% of the other.

- > In evaluating pros and cons it is important to be as fact-based as possible – to take into account real costs and other objective measures. There may also be intangible or emotional costs involved in making a choice (for example in upsetting one of your stakeholders) which should also be taken into account in evaluating trade-offs.
- > It may be possible to define minimum acceptable standards and to make sure that, in finding the right trade-off we continue to have some flexibility.
- > In managing trade-offs, by definition, we usually end up not getting 100% of what we want. Trade-offs are rarely perfect and the key question we should ask when we reach a potential trade-off is 'can we live with it?'

What is the most common trade-off you face in your job?



The Process *continued*

Eliminate Constraints

The need for a trade-off implies **constraint**. There must be a limitation in resources, such as time or finance, which means we cannot have all of what we want and that forces us to choose.

Because trade-offs are defined by the constraint that stops you from having both, for example limits to budget or time, then if we can remove or change the constraint, we can sometimes remove the need for trade-offs.

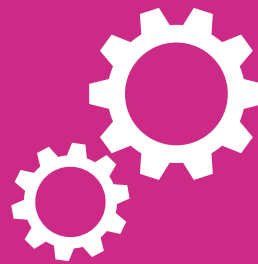
In his 'Theory of constraints' Eliyahu M. Goldratt develops his theme that the chain is only as strong as its weakest link.

He demonstrates that in many cases processes are vulnerable because the weakest person or part of the process can break or delay progress. The theory of constraints has mainly been applied to supply chain issues to identify bottlenecks and constraints and remove them to increase the capability of the whole process.

By effectively removing constraints, we may be able to get around the trade-off.

Can you eliminate or reduce the constraint to a level where you no longer need to worry about the trade-off?

Sometimes by defining the constraints and limits of an area of responsibility clearly, we can give people more freedom to operate within or around them.



The Process *continued*

Clarify sequence

A number of apparently polar opposites can be resolved by dealing with both in sequence rather than trying to achieve a constant state of balance.

Of the two factors in the trade-off

- > Is one more urgent?
- > Can I do one before the other?

Example

One of our clients has an overriding value of satisfying customer needs, but also some strong functional measures on operational efficiency.

They had a supply issue that was critical to customer satisfaction. The fastest way to solve it was one that reduced our manufacturing efficiency by creating more scrap. In the organization it is clear that the #1 priority is making sure that they do things right for the customer. However, they also know that any long-term solution needs to be efficient and reduce the cost of manufacturing too.

As manufacturing director said *'This doesn't let me off the hook but it does help me make a decision – solve the customer problem first and then work on the efficiency problem next.'*

This organization's values and priorities helped to make it simple to decide what to do first to start to resolve the situation.



Conclusion

If you are managing trade-offs in your role, try these three steps and see if they help

- 1.** Be clear about the pros and cons of each option
- 2.** Eliminate the constraints that are causing trade-off
- 3.** See if you can sequence the different elements of the trade-off

If these steps don't help then you may have a more complex decision to make such a dilemma. Later modules in this e-learning sequence will help you manage dilemmas.