What Trade-Offs Are You Building Into Your Strategy?

Understanding the nature of the trade-offs in your market will illuminate the strategic choices you are making.

A trade-off exists where getting better at one thing means getting worse at another. These trade-offs exist at three levels – product, brand and corporate trade-offs.

Trade-offs are easiest to spot at the product level. If you want more battery life, you have to make the mobile phone heavier. Yes, improvements in technology will continuously push back the boundary, but the fundamental trade-off will always be there. When one product does different jobs for different customers, some features will be over-or under-served for each customer. Do you focus on one job or live with the compromise?

Even if you design different products to perfectly match these different jobs, another trade-off is created if you put them under the same brand. The trade-off is the loss of clarity for customers if one brand does multiple different jobs for them.

Separate products and separate brands can overcome these limitations. Then, the strategic trade-off happens at the corporate level. Your whole organization is perfectly aligned to deliver a specific value proposition. Any change to the organization to deliver a different value proposition at the same time will make it worse at the original. For example, the same organization will find it hard to be competitive at high value branded innovation and low cost commodity product at the same time.

Trade-offs are at the heart of strategic choice. Understand them explicitly will tell you how far you can stretch your business.