

## TRADEOFF Vs COMPROMISE

It was my privilege to learn under the guidance of Mr.V.V.Naik, who introduced the subject of Business Policy through entirely different perspective. In one of his class he made us to solve a case study taken from Harvard Business Review having title same as the above "T Vs C".

Below I have described the in-depth representation of the above topic and its implications on our LIFE (from my perspective). I shall be borrowing few assumptions from my previous article titled "[Why Do Irrationality Prevails](#)".

Let me start with the basics of **Choice** versus **Decision**. We hear people saying so casually that we had no choice for a particular situation and hear them saying, "**I have made a Choice**", which is fundamentally wrong statement for the final outcome for a particular situation in hand. Fundamentally correct statement would be "**I have taken a Decision**". To explain this difference let us first understand the system, which governs the choices and decisions.

Any situation or an event warrants certain inputs. The inputs are nothing but the choices supposed to be **RELEVANT** to the situation in hand.

Hence,

$$I = \{c_1, c_2, \dots, c_n\}$$

Where

I = **MUTABLE** Input Set

$c_1, c_2, \dots, c_n$  = **RELEVANT** as well as **IRRELEVANT**  
Choices

Now the moot question is “**From where did these choices originated**”

To understand this, imagine a situation in terms of a problem you have to deal with. Eg. “After SSC what stream one should be opting for?”

As one would recollect we develop many **options**, which are nothing but the **choices**. We develop these choices through the **RATIONAL** as well as **IRRATIONAL DOMAIN** visited by ourselves and by the others whose help we seek to understand what to do (Since they have already gone through this phase of life **THEIR EXPERIENCE CREATES CHOICES FOR US**).

The basic assumption of a **RATIONAL DOMAIN** is **RELEVANCE** similarly our choices created through RATIONAL DOMAIN are RELEVANT CHOICES and same is the case with the choices created through **IRRATIONAL DOMAIN** which are IRRELEVANT to the situation.

Now this Input set is non- static in nature. In other words initially the Input set is just a preliminary generation of RELEVANT/IRRELEVANT CHOICES making up a SUPER INPUT SET.

Once the processing of this initial input set starts taking place with respect to our own SET OF ASSUMPTIONS, the number

of elements in the set starts either to increase or decrease making it MUTABLE in nature.

One can say that the initial elements making up the set are like default CHOICES available to us. After this initial step the iterative process begins creating a MUTABLE INPUT SET finally resulting into outcome generation.

Now life has endowed us with minimum of two choices namely YES and NO. Hence any situation in its atomic form provides with minimum of 2 choices.

Thus,

$$I = \{\text{Minimum 2 choices and above}\}$$

While a decision is a BINARY outcome wherein only ONE choice element is selected as the outcome in the form of LOGIC 1 and the rest of the choice elements is LOGIC 0.

$$O = \{C_1 = 0, C_2 = 1, \dots, C_n = 0\}$$

Hence when anyone says, “**I have made a Choice**” he has fundamentally created a new element in the input set.

Therefore final outcome is a decision in a binary form resulting from a given Choice Set.

Now coming back to the main topic, what exactly is a Tradeoff & Compromise.

If one refers Oxford Dictionary, Tradeoff = Compromise.

Further in terms of the above discussion both are in reality a Decision and not a Choice.

But a distinction certainly exists when one consider our discussion in our **colloquial** world (which is the reality).

The main distinctive element that differentiates these two words is the emotional content.

**Compromise is heavily loaded by the emotional factor as against Tradeoff.**

Hence the **opportunity cost/expected loss** associated with a compromise is far greater than it being with a tradeoff.

Also the choice's from which the decision is taken are mostly perceived to be externally created in case of a tradeoff as against a compromise. This is due to the fact that situation warranting a tradeoff itself is of lesser significance to an individual and hence he/she does not feel to give enough thought to create better choices for himself/herself and accepting views mostly from others as the final choices.

From a Game Theoretical perspective the intentions of the players in case of a tradeoff are explicitly know and hence secrecy is avoided leading to an expected value, which is

acceptable and mostly pertaining to only the current event, there is minimal spillover effect wherein the outcome of this tradeoff marginally affects the choice generation for future events. The tradeoff game is played mostly in a sequential manner.

In case of a compromise the intentions are hidden and hence expected value is pretty high (leading to higher expected loss). The format of this kind of a game is mostly simultaneous in nature leading to huge amount of spillover in the subsequent events. Hence emotional attachment to the outcome is not transient in nature and is highly erratic.

Tradeoff is normally considered as a win-win outcome but compromise to a larger extent is perceived to be a win-loss kind of an outcome.

**That is why tradeoff as a decision takes minimal amount of time as compared to a compromise.**

The learning from this discussion can be summarized as:

In any interaction more importantly in negotiation avoid a situation which will lead to compromise for any player. This will improve the value of interaction in the current as well as in the future games. Also since compromise has an emotional

content associated with it the chances of an irrational behaviour are more in a compromise than in a tradeoff.

Hence in effect both Tradeoff & Compromise are a Decision but both has distinct ramifications on our as well as on others life.

Thank You.