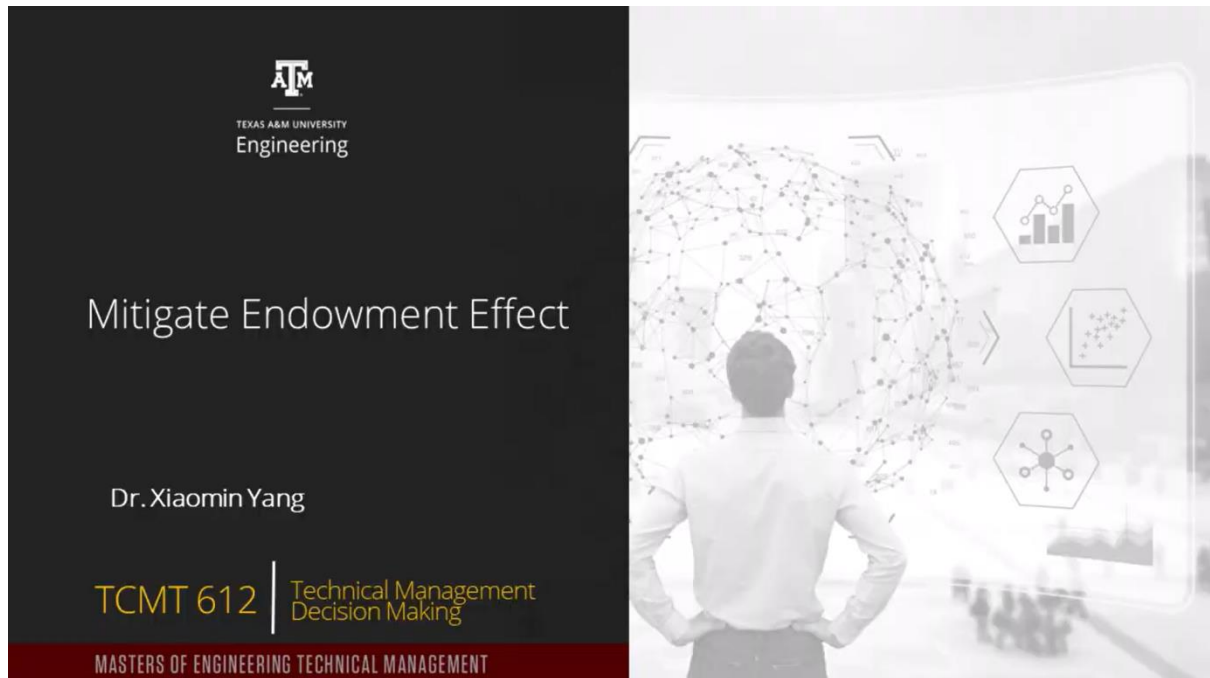


M2L14. Mitigate Endowment Effect

Slide #1



In this topic, we will discuss how to mitigate the endowment effect in technology.

This concludes the subject of the endowment effect.

Slide #2

Mitigate endowment effect in R&D outsourcing
jointly develop the technology,
co-own the outcome.

Technology buyers & technology providers
jointly contribute,
collectively bear risks,
share outcome of joint venture.

Technology buyers develop similar level
emotional attachment to service
as technology providers.



One strategy to mitigate the endowment effect in research and development outsourcing is to jointly develop the technology and co own the outcome.

By doing so, technology buyers and technology providers jointly contribute to the development of a solution, collectively bearing risks associated with the project and sharing the outcome of the joint venture.

Through the joint development, technology buyers also develop a similar level of emotional attachment to the service as the technology providers do.

Slide #3

Joint ownership strategy

Joint venture
marketing



Product
distribution



Manufacturing
outsourcing

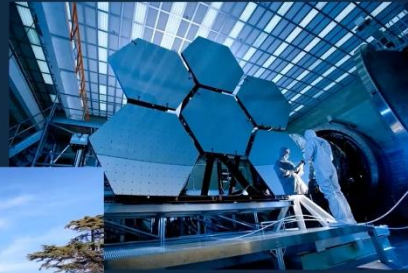
The joint ownership strategy can also be used to mitigate the endowment effect in other situations such as joint venture marketing, product distribution, and manufacturing outsourcing.

The key point of this strategy is the shared ownership.

Slide #4

Thought Experiment

Licence patented invention
from University A



Sponsor research program at University B

Imagine a company needs a new technology and there are two options a company can choose from.

One is to license a patented invention from University A.

The other is to sponsor a research program at University B to develop a similar technology.

Slide #5

Inventor from University A

Spent \$100,000 developing the technology,
filing the patent applications.

How much do you want to charge the company
for exclusive license to the invention?



You are the inventor from University A.

You have spent 100,000 dollars developing the technology and filing the patent applications.

How much do you want to charge the company for an exclusive license to the invention?

Slide #6

Technology manager of Company X

Estimate will cost \$100,000
sponsor University B research labs
to develop the new technology,
get a patent application.

How much do you want to pay University A for a
license?



Or let's say you are the technology manager of company X.

You estimate it will cost you 100,000 dollars to sponsor University B research labs to develop the new technology and get a patent application.

How much do you want to pay University A for a license?