# M2L14. Mitigate Endowment Effect

## Slide #1Mitigate Endowment Effect

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

This concludes the subject of the endowment effect.

## Slide #2Mitigate endowment

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 #3Joint ownership strategy

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 #4Thought Experiment

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 #5Inventor from University A

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 #6Technology manager of Company X

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?