The Class Reminiscences of Nov 21!!!

After the Graham Bell's invention advent, the telephone was spread through networks increasing the telecommunication value to the square of the number devices interconnected, as the Metcalfe's law asserts.

The **network effect** exemplifies those qualities that a consumer extracts from a product and how that demand scales as a **positive feedback**. Even though, there is a distinction between a **direct and an indirect** network effect, namely the increase in usage and the increase in complementary goods correspondingly. Then, the adoption of such inventions can still increase proportionally to the current amount of buyers, if potential customers hope on the **bandwagon** of the best option available. So, at first sight the price is not the only reason to choice. Consequently, the positive feedback can be favourable for stronger competitors and the opposite for weak competitors. For instance, the VHS and betamax battle was won by the **virtuous** VHS, so the **vicious** Betamax became obsolete losing the videotape format. In order to resist such competitiveness it is needed a **critical mass**, or that point when the value obtained is greater or equal than the price paid for the good or service, then ¿How to attract users prior to reaching the critical mass?. Probably, the **early adopters** are the chosen ones, and from those first interested plan an expansion in the future. Therefore, we need to think about user retention, and such strategy can vary from an **easy migration path** to a **revolutionary strategy**. Hence, the strategy can be either **open** to assure the necessary features available **or controlled** to maintain the control power in the proprietary system. Nonetheless, through the technological switching the users are exposed to **vendor lock-in** due to the substantial costs. For instance, the smart phone vendors lock-in the user to avoid the migration of the customer to another brand, or the case of SAP where the purchases are tie up to trainings.

From another stance, as we can infer the buyer's **decisions** are not strictly rational. Thus, since the price is not the only factor of influence, and the bandwagon behavior is explicit then the reputation is relevant. Nonetheless, a certainty environment where the analysis is not needed and neither a choice, can induce to an **Olympic decision making** following a linear sequence of actions. Conversely, it is still possible to find a **global optimum** from such sequence if the probabilities are given in order to estimate **risks**. Then if the risks are identified the choices must be judged and the entrepreneurial mindset can decide in terms of a win and loss context. Yet, if we need to find the probabilities and make assumptions in **uncertainty**, the decision will be the best according the evidence available. For instance, the Cuban missile crisis between URS and US where the information gathered was decisive in the conflict. Moreover, the decisions including ambiguity offer the opportunity to create new environments by induction of novel ideas, since I know nothing I select randomly. On the other hand, a **retrospective decision making** is supported by proved experiences. So, there is space to act first and justify later, as a Doctor must do under an emergency, although there is still a degree of uncertainty. Lastly, from the garbage can theory (Cohen, March an Olsen), it is stated that there is a continual incoming and outgoing flow of problems, solutions, participants and choice opportunities. Then, the problems are stick to solutions by a matter of chance, although decision makers must recognize all the implications before make a rational decision. So, do you think the fox did make a rational decision in the Fox and the Grapes fable?

Hope this helps! All the best,

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