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Mapping Client Expectations for Better Business Design Innovation

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Abstract — This paper looks at the impacts of customer centricity (business models focused on understanding customer needs) and pull orientation (value chains whose output is dictated by end-user demand rather than producer capacity) on business design innovation in a new economy context. The key concepts are represented as client expectations. These are mapped over a business design framework, showing how they impact all aspects of the business in various ways. The result is a rich yet simple semantic network yielding relations, dependencies and synergies at a glance, based on the co-authors' Tetrahedral Business Design Framework.

Keywords — client expectations, business design, business models, innovation

I. INTRODUCTION

This paper looks at the impacts of customer centricity and pull oriented value chains on business design innovation in a new economy context. Customer centricity entails two basic premises: understanding customer needs and actually focusing the business model on reaping profits from the satisfaction of identified needs (Slywotsky & Morisson, 1998; Rayport & Jaworski, 2003). Pull orientation is the value chain configuration which most easily fits a customer centric business model, as it places customers in the driver's seat of value creation. In other words, value chain output is dictated by end-user demand rather than manufacturer capacity. A customer centric, pull oriented design relies on information and customer knowledge, something the new economy makes much easier to collect and use (Rayport & Sviokla, 1995). But how does one translate such customer knowledge into innovation? Design should be understood as the planned and emergent complexity which permeates a business endeavour. This holistic conceptualization of the new economy business helps put client centricity and pull dynamics in their larger perspective, making it easier the find leverage for innovation inside and outside the business (Hamel, 2000).

The key concepts underpinning customer centricity and pull-oriented value chains are represented as client expectations, obtained through rich business leader feedback and literature reviews. The key concepts underpinning business design are represented through the authors' Tetrahedral Business Design Framework (Caisse

& Montreuil, 2006).

By anchoring client expectations to the Tetrahedral Business Design Framework, this paper suggests a novel way to understand how customer centricity and demand driven value chains impact businesses as a whole. These insights, bound together as a nexus of interrelated and interdependent concepts, provide the seeds of better business design innovation.

The paper is structured as follows: New economy client expectations are presented and mapped generically in section II. Business design is presented and conceptualized through a framework summarized in section III. Client expectations are conceptually anchored to the business design framework in section IV, and are shown to impact all aspects of the business in various ways. The result is a rich yet simple semantic network yielding relations, dependencies, synergies and seeds for business design innovation. The paper concludes with major insights and venues for future research.

II. CLIENT EXPECTATIONS

What is an institutional buyer actually aiming for when choosing a supplier? What lurks in the mind of a Web surfer looking for a deal on the Internet? Whether in business-to-customer or business-to-business relationships, clients expect their needs and desires to be fulfilled in different ways (Pine & Gilmore, 1999). These expectations vary according to various circumstances, but common traits can be observed.

Figure 1 graphically models client expectations in a generic way, cutting across culture and industry (Montreuil 2004). What lies at the center of the figure represents expectations which need to be fulfilled first in order for the purchase evaluation process to continue. As one gradually moves to the periphery of the figure, one finds expectations which may linger well beyond purchase, but still echo those first expectations.

In the core circle of Figure 1 lie the three basic expectations which underpin the mere existence of a client-supplier relationship: Fit, Competency and Integrity. Whenever their fulfillment is felt to be lacking, the customer will likely not even consider entering into a business relationship with the supplier or will terminate the relationship already engaged. Fit refers to basic face value fulfillment: it is about function, form and style. For example, someone looking for a portable computer may see a fit with notebooks and PC tablets, but not with palmtops or handhelds. Fit allows one to weed through the market's

offers and focus one's attention on a shortlist of offers. Competency refers to the customer's evaluation of the business' ability to create the offer it presents. It is about the client's subjective evaluation of the supplier's know-how, attitude and ability. Keeping the example of the portable computer, a customer may have faith in brands which he has previously experienced with related products, or might doubt a new manufacturer's ability to make a reliable notebook. Integrity refers to one's trust in the business to actually deliver the offer it professes to be able to provide. For example, a customer might have doubts about a retailer's confidentiality statement or shipping policy. Even though part of the offer may be a fit in terms of competency, a lack of integrity is likely to stifle any business exchange.

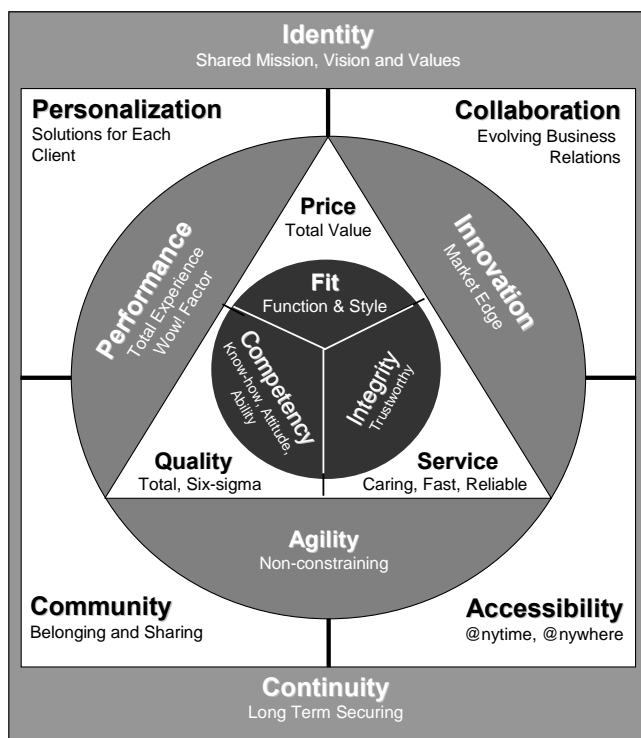


Figure 1. Client Expectations Model

In a triangle encased within Figure 1's largest circle lie the three most widely acknowledged client expectations: Price, Quality and Service. Price is a value meter, stating how much fungible value is expected from the customer in exchange of an offer. At the basic level it is a price tag comparison. At higher levels it is about total cost of doing business with the supplier and about business value propositions. Quality refers to craftsmanship and how well the offer conforms to what the customer knows to expect from similar offers. This expectation lies at the heart of business movements such as Total Quality Management and Six Sigma. Service is about how the client is dealt with by the supplier. It is about care and empathy, as well as speed and reliability. It applies prior to sale, during sales delivery and after a sale. Service expectations involve the basic evaluation of risk in an offer: if the client needs help in the future, will he find it and under which conditions?

The largest circle in the client expectation model encompasses expectations of Performance, Innovation and Agility. These can be promised, but can only be met, missed or surpassed after the customer's purchase. Performance refers to how well the value offering actually does when used. This is in sharp contrast to quality, which depends on perception and knowledge. For example, a tool of great quality may remain unused and meet the customer's expectations because he likes to own the prestigious object. Performance requires more: meeting, failing or surpassing this customer expectation requires actual use. Performance is not simply about the product or service; it is about the entire business. It is about the total experience lived by the client. It is about the Wow factor, how easy and fun it is to do business with the supplier. It is about how those little details and attentions sum up to make a huge difference.

Innovation refers to an offer's empowering features: can it give its customer a market edge, now and especially in the future? Again, this is something which can only be revealed by action. Innovation is about a supplier becoming a key factor in the client's self-realization. Innovation is about the future; from the client's perspective it is a projection of the supplier's ability and willingness to contribute significantly to the competitiveness and originality of its future offering development.

Agility refers to the supplier's ability and willingness to absorb changes and fluctuations, to meet emergent needs. It is about the supplier not being a constraint, but rather an enabler. Is the supplier capable of handling significant surges and downfalls in demand and important migrations in product mix demand repartition without complaining? Is he capable and willing to follow the client's pathway through a turbulent and competitive business environment?

The fourth group in the client expectation model is represented by a rectangle housing four expectations which the new economy makes ever easier to fulfill: Personalization, Collaboration, Community and Accessibility. These are not new; they have been the routine trade of local craftsmen for centuries, but have been somewhat muffled by industrialization. Personalization refers to tailoring offers as customer specific solutions. It is about focusing on the individual client. Personalization is widely encompassing in terms of product, service, price, financing, etc.

Collaboration represents the temporal element of information sharing and interaction between the supplier and the client. Can the offer be the foundation of richer value created in synergy over time? The more important a supplier is from the client's perspective, the more the client wants the supplier to become a partner in his value creation network. Community represents common wealth, or the belonging and sharing of expertise and wisdom. The client does not want to become isolated through his choice of supplier. Rather, he wants his relation with the supplier to grant him access to a community within which he can find help, support, comprehension and leverage. Accessibility refers to the abolishment of constraints of space and time. In other words, thanks to the Internet, the local village

craftsman can now be the global village craftsman. In fact, the aim is for anytime, anywhere accessibility to the supplier's attention, resources, products and services, be it physically or virtually depending on the client's needs.

In the fifth and last group, the outer envelope of the client expectations model includes two high level expectations: identity and continuity. These two latter expectations come to play especially in high stakes relationships with a supplier, yet they permeate ever more into everyday practice.

Expectations of identity represent value brought to play on shared mission, vision and values. Can the offer enhance who the client is now, as well as who he wants to become? Does the client want to do business with or to be associated with the supplier given its fundamental essence, its worldview and its strategic intent? Where does the supplier stand relative to his social and environmental role, and relative to salient ethical issues?

Expectations of continuity represent value brought to bear on long term safety and stability. Will the supplier be there next year? In three years? In ten years? When contracts involve infrastructural investments, long term guarantees and long lasting technological alignment, continuity of existence and persistence over the long run become very important.

The client expectations model of Figure 1, with its five-tiered fifteen generic types of client expectations has been introduced to and discussed with hundreds of business leaders. There is unanimous consensus on its thoroughness and logic. The model makes sense to them.

Unfortunately, the relations, synergies and dependencies among the expectations are less clear. How do they impact an offer's design? How do they impact the creation of the offer over time? How do they impact the stakeholders who need to be networked to provide the offer which can best meet these expectations? Above all, how do customer expectations impact the overall design of one's business?

III. TETRAHEDRAL BUSINESS DESIGN FRAMEWORK

To answer the last question, one must first conceptually represent what goes into the holistic design of a business endeavor. The authors' Tetrahedral Business Design

Framework does this by asking four basic questions: who is the business; who has a stake in the business; what do they do in the business, and; why do they do what they do? The questions and their answers are represented as poles, which impact each other in various ways. That which one pole conceptually brings to another is called a flow. The overarching concept binding a pair of poles is called a dyad, and that which sums up the relationships between three poles is called a face.

Since all poles impact one another in no particular order, the abstract geometry of the concepts and their interrelationships takes the form of a tetrahedron, with no pre-established top, center or bottom. Put in a 3D viewer, the Tetrahedron could be rotated and observed from any angle without alteration to the meaning and insights it conveys.

The current paper focalizes on client expectations. Yet in the Tetrahedron, clients are but one type of stakeholder. Expectations of employees, entrepreneurs, or investors could also be represented and discussed. Similarly, expectations are but one way to look at flows. The flows of interest for understanding client expectations are those six which run back and forth between the Stakeholders pole as Client pole and the other three poles, namely Alignment, Contribution, Engagement, Gain, Network and Role. These are bound to three dyads: Exchange, Trust and Web. Client expectations impact the other three dyads just as they impact the Tetrahedron's faces, but do so indirectly for the sake of conceptual analysis. For example, it seems obvious that understanding client expectations impacts business prosperity. The point is that such impact is felt by how other conceptual components are designed in response to such insight – how offers attract or deter clients, how creation enables client centricity, and what place is given to clients in the shaping of business character. In this example, prosperity does not come from understanding client expectations, but rather comes from business design innovations enacted upon such knowledge.

Below are described the business design concepts represented by the four poles, six flows and three dyads of direct interest in regard to deciphering customer expectations, as presented in Figure 2.

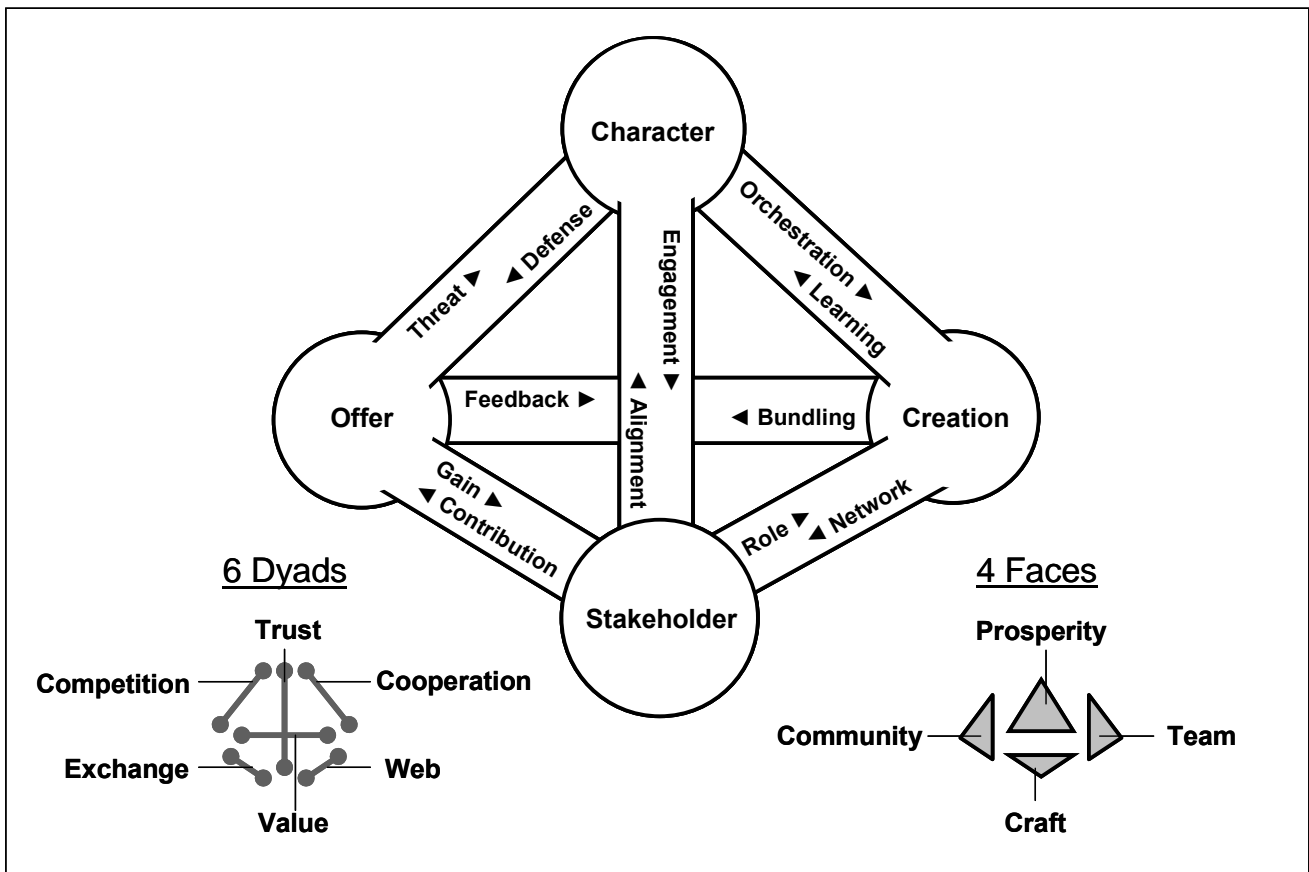


Figure 2. Tetrahedral Business Design Framework

A. The Poles: Character, Creation, Offers, Stakeholders

Character is the collective actor and its praxis. The collective actor is a constructed entity, like a multinational or an e-retailer. Both are dependent on their stakeholders to exist – they are hollow shells kept alive by human action and perceptions. Character is the seat of elusive notions like culture, will, personality, identity, and soul (Collins & Porras 1994; Collins 2001). Customers can actively mould and transform character as part of what they create when dealing with the business.

Creation is the process through which past, present and future contributions are transformed into new value potential. For customers, this can mean anything from one-time money contributions to proactive co-design and collaboration in bringing new value to the market. In a sense, the level of participation sought by customers can be conceptualized as part of the offer.

Offers are the polished, coherent result of creation, and serve as the basis upon which third parties choose to become customers. Offers are not the sum of business creation, but rather a distillate of it. Businesses only bundle part of the potential value they create in certain forms called offers (Shapiro & Varian, 1999). For every client, there exists an offer that links him to the business.

Clients are individuals, groups or organizations who participate in the business to achieve their goals and on

whom the business is depending for its existence (Näsi & Näsi 2002). Clients are but one type of the business' individual actors, like the individuals acting as employees, investors, suppliers, etcetera. What distinguishes them is their key conceptual contribution: they provide expectations. Meeting those expectations is the fundamental rationale invigorating the design of all customer centric business models. If stakeholder contributions are not reaped by the offer interface and properly channeled as feedback to the creation process, bundling value into coherent offers is essentially guesswork.

B. The Flows: Alignment, Contribution, Engagement, Gain, Network and Role

Alignment, the flow from clients to character, is how individual customer gain enhances collective stakeholder gain. For example, continued and enhanced gain are sought by most stakeholders, which is why survival and prosperity are often described as the only real goals indigenous to organizations; they are goals on which most, if not all, stakeholders share alignment.

Contributions, flowing from clients to the offer pole, are past, present and future customer inputs in the business, like money, time, talent, skills, etcetera. This flow explains why businesses seek customers – they depend on customer contributions for their existence.

Engagement, flowing from the character to clients, is how the collective actor binds customers to itself, from

informal trust to formal contracts. For example, the promotion of customer identification with the business – attributes perceived as shared by both the individual and the collective actor – is a form of engagement.

Gain, flowing from the offer pole to clients, is enabling or relieving client value creation (Normann, 2001). When offers fail to provide gain, the customer has no incentive to pursue the business relationship. This explains the motivation behind customer participation in the business.

Networks, flowing from the creation pole to clients, describe how stakeholders are related in their various roles, specifying the responsibilities of each stakeholder in relation to creation processes (Poulin, Montreuil & Gauvin 1994; Martel & Oral 1995). Networks can take many metaphorical forms, including value chains (Porter 1985, Porter 2001), virtual value chains (Rayport & Sviokla 1995), value webs (Tapscott, Ticoll & Lowy 2001), and be the subject of countless categorizations, such as formal vs. informal, internal vs. external, etcetera.

Roles, flowing from clients to the creation pole, are the masks worn by stakeholders in relation to creation networks. Such taxonomy brings clarity and insight as to what contributions are expected of each stakeholder. For example, Y Inc. could be a *supplier* of X Inc., while Mr. Z is one of its *customers*.

C. The Dyads: Exchange, Trust and Web

Exchange, the offer-client dyad, is the arrangement of the many flows of contribution and gain which permeate the business. Temporal concerns are very salient, with cash flows, delivery times and warranties as obvious examples. Time permeates this dyad because it is a universal and ubiquitous form of contribution and gain. For example, entrepreneurs may contribute large amounts of time and money to their start-up business while accepting to defer gain to a long-term future, while customers may be looking for instant gratification. Money is nearly as universal and is another form of contribution and gain, with the advantage of being fungible.

Trust, the character-client dyad, is a covenant between

stakeholders, the essence of what transforms individual actors into a collective actor. Trust can be expressed as a wide spectrum, with the absence of trust on one end and absolute trust on the other. Trust also varies between groups of stakeholders. For example, a client who relies on a given brand to promote certain attributes of his own values and identity may trust the business not to radically alter the brand's meaning along the way, even though no contractual obligation ensures that the brand will continue to embody the values that it does.

Web, the client-creation dyad, is a network of networks which evolves through time, as networks dissolve and mesh with each other and stakeholder roles are accordingly redefined and transformed. The business web extends well beyond the firm and its current creation processes. Markets and industries can be represented as portions of the web, and the "environment" as a gestalt reticular representation, encompassing all stakeholders, past, present and future. Scoping inward or outward allows for new configurations to be gleaned; "competitive radars" are metaphorical examples of this, focused on stakeholders as close, remote, or potential competitors.

Mapping customer expectations presented in section II over these conceptual business design anchors provides a novel way to understand how customer centricity and demand driven value chains impact businesses as a whole.

IV. MAPPING CLIENT EXPECTATIONS

A systematic anchoring of concepts from section II to those presented in section III reveals deep insights. Beyond a simple enumeration of expectations, Figure 1 provides a client evaluation process cascade from blunt to sharp. Figure 3 maps customer expectations to the Tetrahedron of Figure 2 with this gradation represented as customer "takes". Take 1 is a first glance at the business relation in terms of offer fit, creation competency and character integrity. Take 2 is the sharper look at salient expectations, while Take 3 embraces longer term expectations which, if met, have a deeper impact on the customer.

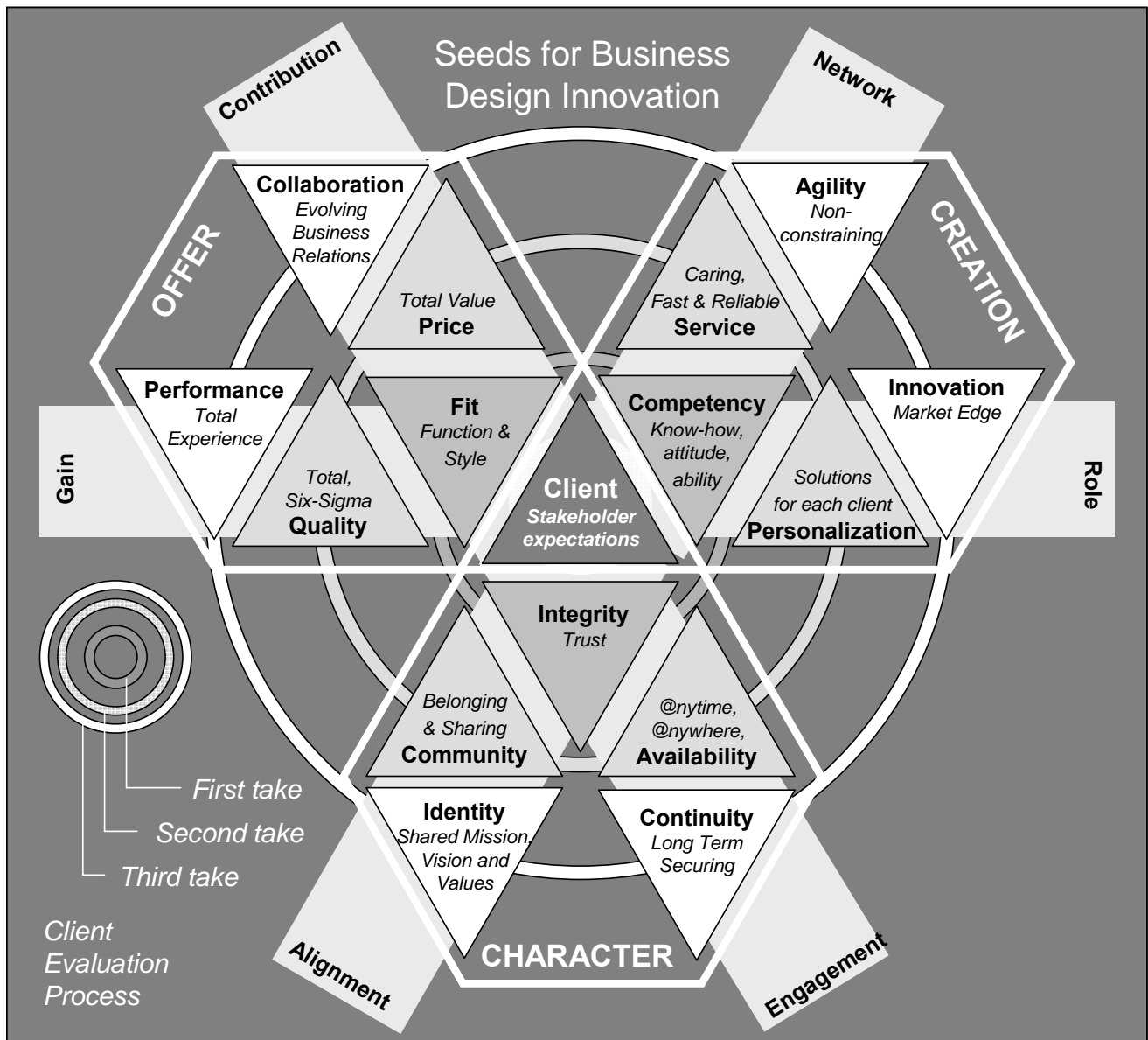


Figure 3. Mapping client expectations into the Tetrahedral Business Design Framework

A. Pole Anchored Client Expectations at Each Take

Figure 3 presents the Stakeholder pole as a Client triangle in the center of the figure, one side toward the Character pole (down), one side toward the Offer pole (left) and one side toward the Creation pole (right). Each side connects with a group of expectations. In the first take, an expectation is associated to each pole. In the second and third takes, there is an expectation related to each of the flows in the pole-client dyad.

The first take expectations are fit, competency and integrity. Fit relates to the offer pole. Is the offer a match? Competency is related to the creation pole. Is the business able to create and deliver what it promises in its offer? Integrity is related to the character pole. Is the business of trustworthy character?

In the second take, the flows with the Offer pole each have an associated type of expectation. From the

contribution and gain flows respectively arise price and quality expectations. Does the asked price reflect the potential value offered? Does the offer's quality insure that such potential value is not a mere facade? In other words, beyond the offer's fit in terms of function and style, does the price/quality ratio make sense to the client?

Beyond the competency expectation from the Creation pole, in light of roles assumed and networks accessed come the service and personalization expectations. Is the network which supports the offer able to provide caring, fast and reliable service? Is the role of client empowering enough so that solutions can be personalized and created to fit each customer? Put another way, can the client play a role in the business' value creation network if he wants to?

Under the light of alignment shared and engagement provided, trust expectations about the Character pole are extended, leading to community and accessibility expectations. Is the business relationship so compelling that the client wants to belong and share in the business'?

larger stakeholder community? Does the existence of an active stakeholder community around the supplier make a compelling argument in favor of establishing or maintaining a business relationship? Relative to the expectation of accessibility is the engagement flow. Is the relationship constrained by time and space or is availability up to new economy standards of “anytime, anywhere, online or offline”?

In the third take, the design logic of each flow is taken further. Beyond offer fit and quality, clients expect an outstanding performance, a great total experience. Beyond offer fit and price, the next contribution which goes beyond money is any object of collaboration, from shared resources to transparent information flows, effectively tying both client and business together in evolving business relationships over time. In effect, a new economy client expects a great price/quality ratio to have the potential to evolve into a great collaboration/performance ratio. Herein lays true innovation: what does one’s business design provide to move from price/quality to collaboration/performance?

The same conceptual dynamic goes for the Creation and Character poles. From a creation competence perspective, a business has the know-how, attitude and ability to create great offers and service them. The deeper expectation is one of unrestrained agility. That means having access to competency not just for the offer as it is now (ex.: troubleshooting), but also as an adaptable, evolving, improving creation process capable of facing foreseen as well as unforeseen challenges. For the role flow, the challenge is about pushing personalization and competency further: if an offer can be tailor-made to one’s needs now, can it be made to help tackle one’s needs tomorrow? Can the offer be a driver for client innovation? Can the offer give him a market edge? In essence, the seeds of business design innovation presented here are about delivering empowering offers which leave the client unconstrained to pursue his own innovation agenda. The corollary is deep knowledge of the client’s own business design and a likely meshing of value creation networks.

For the Character pole and its Alignment and Engagement flows, the third take is respectively about expectations of identity and continuity. If an offer satisfies expectations of integrity and community, the opportunity is in ever deeper client appropriation and integration. Can the offer help the client affirm his identity, achieve his mission, follow his vision and enact his values? In the engagement flow, if an offer satisfies expectations of integrity and accessibility, can the client hope for long term safety and stability? The seed for business design innovation is in the development of long term and deeply rooted commitment. Customer relationship management and relational marketing are tools to achieve such design changes.

Looking at Figure 3, it should be clear that meeting the deepest and most potent client expectations requires intent and knowledge, even though emergent value can sprout from good fortune. It requires business design

innovation on three basic fronts, each anchored to one of the Tetrahedron’s poles. It does so because all of the fifteen client expectations discussed here are actually different ways of looking at what a client expects from a business’ offer portfolio, its creation engine, and its overall character.

B. Business Design Innovation Seeds

From the supplier business perspective, all this translates into three basic seeds for business design innovation. Seed 1 starts with the client in the Stakeholder pole, then links to the Offer pole through the Contribution and Gain flows. This is summed up in the Exchange dyad as follows: *What business design can offer an outstanding collaboration/performance exchange beyond the classic price/quality fit exchange?*

Seed 2 starts with the client in the Stakeholder pole, then links to the Creation pole through the Role and Network flows. This is summed up in the Web dyad: *What business design can create agility and innovation in the client’s own creation web once the design achieves and masters competency, service and personalization?*

Seed 3 starts with the client in the Stakeholder pole, then links to the Character pole through the Alignment and Engagement flows. This is summed up in the Trust dyad: *What business design can best foster enduring trust to cement business-to-client relationships in continuity and client-to-client relationships in prosperous communities?*

Answering these questions does not come freely. It requires time, resources and competency. On one hand, every client is different. For each and every client, the fifteen expectations presented here will find unique instantiations. And for every one of them, these expectations will change over time. Moreover, thresholds of necessity, desirability and perfection in meeting expectations will also vary according to the client and unfolding circumstances. In the face of such complexity, knowledge is bound to be fragmentary and imperfect, even if the client can, wants and is able to express his expectations.

On the other hand, no business can be all things to all people. It simply lacks the time, resources and competency to satisfy everyone’s entire expectations profitably. Reaping information, gathering knowledge and nurturing wisdom about clients and their expectations requires choices to be made. One such choice concerns knowledge aggregation. Unless a business has only a few customers, clients are usually grouped in segments and markets, making knowledge more manageable but also less precise. Another choice concerns focus: Which client is worthy of the expenses of time, resources and competency required for business design innovation? What are the business’s own expectations regarding its clients?

Gaining a thorough understanding of client expectations for those who truly matter to the business thus requires outward and inward assessments: which clients does the business want to serve, and what do

these clients expect from the business, keeping in mind that lumping clients in segments and groups will come at the expense of precision and insight? The outward assessment also requires information, knowledge and wisdom about the competition. The competition should be understood as all significant alternatives available to the client to meet or to surpass one or more of his expectations. To think that competition is defined by the business is to misread Figure 3. It is client expectations which shape the competitive landscape, and it is from the aggregation of their perceptions that the business builds its worldview of competition. When the business fails to understand competition through its clients' expectations and instead presumes to know where true competition lies, the business runs a serious risk of being blindsided by competitors it does not even realize it has.

Assessment is a first step. With a clear view of key client expectations and their varying thresholds of satisfaction (ex.: unmet, met, surpassed), what can be done to surpass any given client expectation? Action aimed at leveraging improved satisfaction of client expectations in order to achieve better business performance can be taken at multiple levels (Mitchell & Bruckner Coles, 2004). A first basic level is to optimize the current business design as best as possible to meet key client expectations. This requires disciplined focus and determination.

The next levels of action are varying degrees of business design innovation aimed at better meeting and surpassing one or more client expectations, ranging from localized continuous improvements to radical transformations bringing the business into unexplored territory.

The three seeds of innovation presented above dealt with the Tetrahedron's dyads: innovation in how the client relates to the offer, how he relates to creation, and how he relates to character. Transformations enacted upon these seeds encompass more than one business design element, and more than one expectation. They radically alter an entire system of interlinked expectations. Such innovations seek far reaching improvements in how clients and a business conduct their affairs, given that the business has assessed what are the expectations of its clients and that it knows which clients it wants to delight. These innovations seek to yield a design which enables outstanding collaboration/performance exchanges; which enables agility and innovation to take place in the client's own creation web, and which enables enduring trust to cement business-to-client relationships in continuity and client-to-client relationships in prosperous communities.

These business design explorations need to run their course in order to find validation or invalidation, providing rich and precious feedback which may lead to better design and client expectation assessments and innovations. Such explorations, whether incremental or radical, need to be done because businesses are highly complex systems prone to varying stakeholder perceptions; cause-and-effect chain of events can prove

to be less than clear (Senge, 1990). The outcomes of changes to a single design element are thus seldom predictable, and even more so where multiple elements are transformed together. Effectual and causal thinking must both be allowed to enlighten the actions of entrepreneurial contingencies in the face of business design transformation (Sarasvathy, 2001; Magretta, 2002).

V. CONCLUSION

This paper shows that client expectations are varied, but logically connected to business design. They can be mapped and anchored to design elements in a progression of ever deeply rooted concepts which reinforce one another. Business design innovation can be pursued if expectations can be uncovered and understood, both in terms of what clients expect from the business and what the business expects from its clients. This paper identifies three basic seeds for business design innovation: innovation in how the client relates to the business' offers, to its creation processes and processors, and to its character.

A similar research focusing on the expectations of other stakeholder types such as investors and human resources might yield interesting results. Such research could also be a first step in order to detect deeper patterns of human action, such as understanding what people expect from collective commercial action.

Another venue for future research is matching client expectations to the conceptualization of offers, such as the interplay of commodities, goods, services, brands and product portfolios.

Business knowledge representation is a complex endeavour, most notably when dealing with twenty-eight distinct concepts as is the case here (fifteen expectations and thirteen design elements out of the Tetrahedron's twenty-six). This is but one possible way to represent client expectations and business design to uncover conceptual seeds of innovation.

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