

USING IT TO OPTIMIZE CORPORATE STRATEGY FOR DUTCH NOTARIES

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ABSTRACT

This research provides new insight in the application of IT to optimize the corporate strategy of notaries in the Netherlands. Since the forced liberalization of prices and the freedom of establishment introduced by the 1999 Notary Act, notaries have become entrepreneurs. Notaries are forced to adopt a competitive corporate strategy. This has brought new opportunities for the application of IT. This paper outlines the possibilities for IT to support a competitive corporate strategy. We will provide insight in the willingness of notaries to change their corporate strategy and to adopt IT. This can be contributive to the software vendors and other third parties targeting the notarial domain, as they can adjust their business strategy based on the results of this study. We will suggest a notarial strategy optimization method to transform generic corporate strategies into situational strategies, and assemble solutions into situational strategy advices. This method can be used to compose situational corporate strategy advices, and is a starting point for further research on mixed corporate strategies and corporate strategy maturity.

KEYWORDS

Corporate strategy, Latin notary, Shared Service Center, Outsourcing, Customer Relationship management, competitive advantage, Value disciplines model.

1. INTRODUCTION

For ten years now, forced liberalized prices and freedom of establishment are applicable to the Dutch notarial system. The Dutch notarial system is one of the least regulated in Europe. Whereas in other Latin notary systems prices of services are fixed, and the number of notaries is regulated, in the Netherlands there is an open market. Since the introduction of the 1999 liberalization, notaries are forced to become entrepreneurs that need to adopt a competitive corporate strategy in order to survive in the market. The liberalization created new opportunities for both the notarial entrepreneurs and third parties. It made notarial entrepreneurs open up for new possibilities, like the ones provided by the application of IT. Especially when IT can contribute to the competitive advantage or efficiency, notaries are willing to adopt IT solutions. These solutions include small changes like software to automatically generate quotations, but also more substantial changes like the adoption of a shared service center (SSC).

Little research has been performed on the influence of the liberalization on corporate strategy. The positive and negative effects of the liberalization are studied by theoreticians and politicians, as the trend in Europe is to liberalize markets in order to open them up for international competition. On the practitioners' side, a new group of notarial companies that provide standardized low costs services is arising. This cost leadership strategy could not exist in the Dutch notarial market before the 1999 Notary Act. This fundamental change in the market rises the question if and how notarial corporate strategies have changed and how they can be optimized.

In their search for new innovative solutions to gain competitive advantage, notarial companies are confronted with IT related concepts like outsourcing, shared service centers (SSCs), and customer

relationship management (CRM). In order to be competitive, companies need to be open towards the adoption of concepts that fit their corporate strategy, and above all optimize their corporate strategy. The clarification of a corporate strategy is therefore essential to identify possibilities for the application of IT.

With this study we want to provide insight in the possibilities IT can provide for notaries in the Netherlands and particularly in what way it can help to optimize their corporate strategy.

The research question is: In what way can IT support a corporate strategy for the Latin notarial profession in the Netherlands, in order for notarial companies to be more competitive?

2. THE NOTARIAL DOMAIN

The Latin notary system is used in most European countries (80%), and also in the Netherlands. In the United States of America, the United Kingdom and most Scandinavian countries the notary public system is used, also called the Anglo-Saxon notary system. The Latin notary system is the more regulated variant of the two used notary systems (Nahuis, et al., 2005; Kuijpers, et. al, 2005).

The main difference between the two systems rests in the status of the notary profession. A Latin notary has a more dominant position than a notary public. A Latin notary is a legal professional, a notary public is not (Nahuis, et al., 2005; Kuijpers, et al., 2005). The two different systems are the result of the two different law systems. The Latin Notary system is the result of the Civil Law system. The Notary Public system is the result of the Common Law system. The notarial system used in a country corresponds with the law system used in that country.

This study focuses on the Latin notarial profession in the Netherlands. A Latin Notary is: A private legal professional, who advises and drafts legal documents for private parties, maintains a permanent record of the transaction and has the authentication power of the state delegated to him (Malavet, 1995).

In general, notarial processes are similar for all notarial companies. This is partially forced by law. The processes are performed relatively efficient. There are not many possible improvements for the notarial processes with respect to efficiency, as most actions are driven by law. The competitive advantage gained by process optimization will therefore be limited. This study therefore focuses on corporate strategy optimization. For understanding of the notarial process we will describe the generic notarial process composed based on the interviews in this study. The modeling is done using the meta-modeling technique (Weerd, Brinkkemper, 2008).

As displayed in figure 1, the process immediately forks into family services and other services. For both paths, the customer will be invited for a conversation, but for family services the customer will talk to the notary. For the other services the customer will talk to the referrer. For family services, the notary fills out a questionnaire during the conversation. For the other services, a questionnaire is sent to the customer by the notary, filled out by the customer, and returned to the notary. This conversation together with the questionnaire clarifies the customers' wishes.

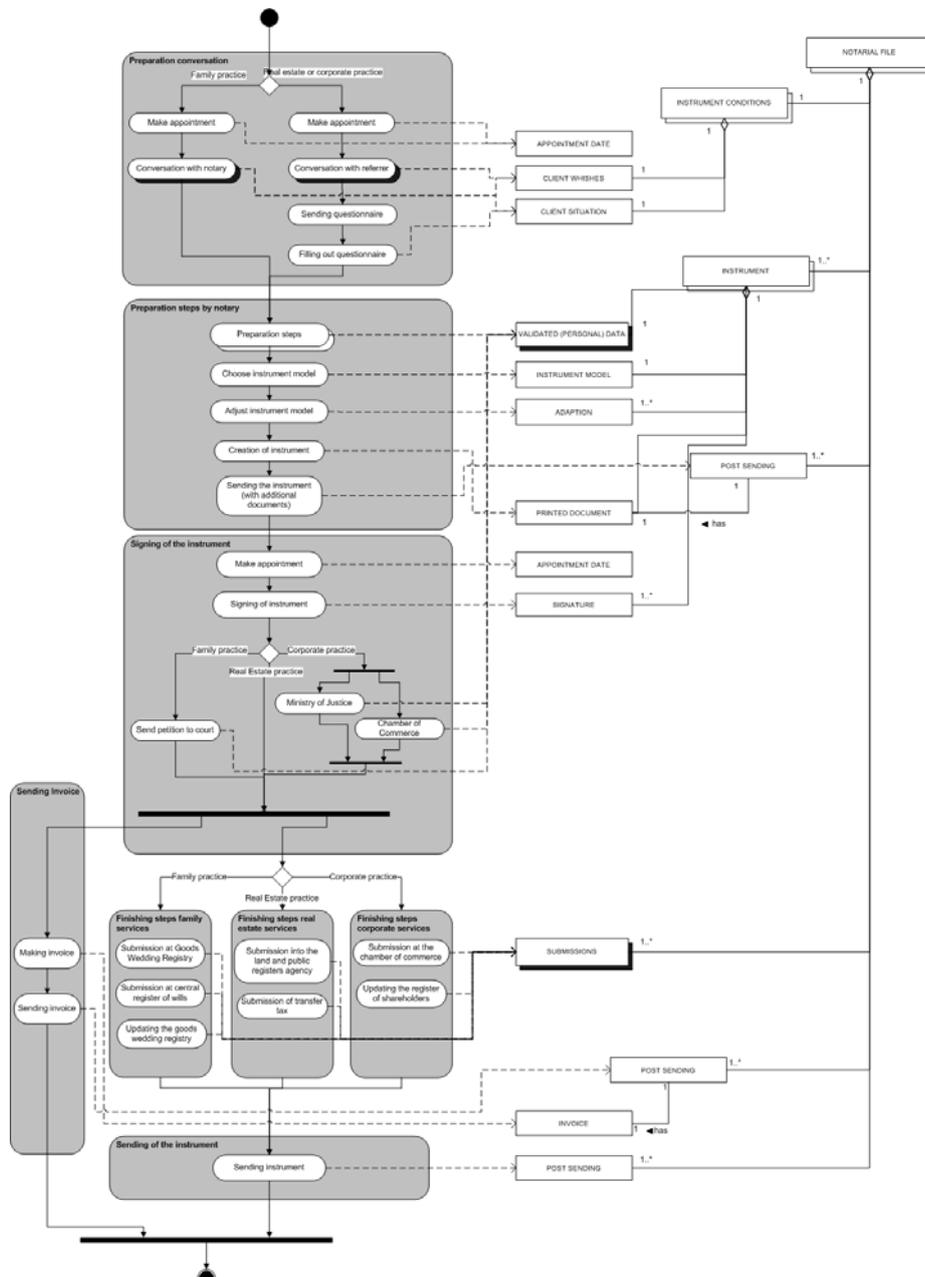
In the next phase, the notary performs several preparation steps, depending on the service. Preparation steps can include: checking properties at the land and public registers agency; checking if there is a mortgage for the property; checking if the property is registered as a monument;

Next, the notary chooses or composes an instrument model. This model is adjusted with the data of the customer. When complete, the notary finalizes the instrument. This instrument is sent to the customer and possibly other involved parties.

In the next phase, the signing of the document, the notary makes an appointment with the involved parties to sign the instrument. Next the instrument is signed by the parties and the notary. The invoice is sometimes sent before the signing of the document, and sometimes at the end of the process. Some notaries ask their customers to pay at the appointment.

Depending on the service, the notary performs finishing steps. These finishing steps are submissions to multiple registers. Depending on the kind of service, the registers are updated by the notary. After completing the finishing steps, the notary sends a copy of the instrument to the customer.

Figure 1: The generic process of a Dutch (Latin) notary



3. CORPORATE STRATEGY OPTIMIZATION

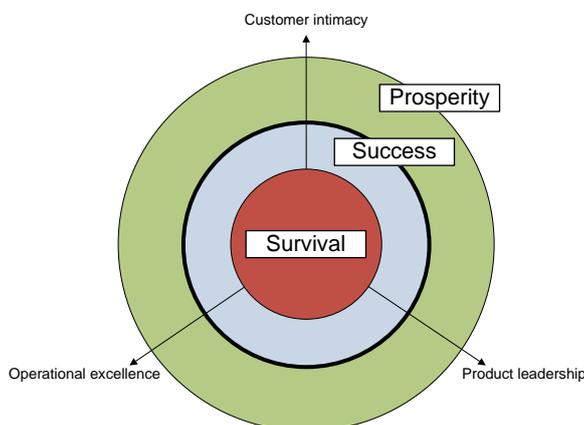
For this study we have determined the corporate strategy of multiple companies. A comprehensive definition of corporate strategy is provided by Andrews & David (1987): A corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers, and communities.

We studied multiple corporate strategy models. Notaries are restricted by law to exclude offering specific notarial services. Notarial companies have to be full service. A corporate strategy of targeting a specific group of customers with a specific group of services is therefore not applicable. The classification scheme of Porter (1985) cannot be used for notarial companies, because the strategies “cost focus” and “differentiation focus” have a narrow target scope.

We found the Dimensions of competence strategy model of Treacy and Wiersema (1993) well suited for the notarial market as the described paths to market leadership do not take into account targeting specific groups. The three paths Treacy and Wiersema describe are: “customer intimacy”, “operational excellence” and “product leadership”. The model is displayed in figure 2. A corporate strategy can be positioned on the model. When there is an unclear strategy or no strategy, companies remain in the middle and struggle with survival. A more explicit distinctive corporate strategy is positioned closer or beyond the success line, indicating these are more profitable companies.

The customer intimacy strategy is about targeting a specific market of market segment. Products and services have to be tailored to the needs of the customer. The operational excellence strategy is about enabling product and services to be obtained reliably, easily and cost-effectively by customers. With the product leadership strategy, companies aim to achieve a continuing product innovation, to meet the customer needs. As mentioned earlier, we see a group of operational excellence notaries arising in the Netherlands.

Figure 2: Dimensions of competence model



4. RESEARCH APPROACH

Explorative research is chosen due to the scarcity of empirical research on notarial strategy determination. The Dimensions of competence model of Treacy and Wiersema (1993) is translated into a situational corporate strategy model for the notarial domain by translating each of the three generic strategies into situational strategies. The situational strategy characteristics are assembled to construct a framework that is used to determine the strategy mix of notarial companies, and map them on the Dimensions of competence model.

We performed a field study at twenty notarial companies, the supplier of a notarial shared service center (SSC) and an outsourcing vendor. The field study is split up in two phases, each containing ten notarial companies. The companies are randomly selected based on size and urbanity. Table 1 shows the selection of companies for the first phase. Size 1 stands for one or two notaries, size 2 is three to six notaries, size 3 is seven or more notaries. U stands for an urban area over 100.000 inhabitants, N stands for a non-urban area.

Table 1: Selection of companies

Company	A	B	C	D	E	F	G	H	I	J
Size	2	1	1	1	2	2	3	2	1	2
Urbanity	U	U	N	U	N	N	U	N	N	U

The first phase aims to identify the notarial processes and strategies, and innovative solutions in the field. This is used to compose advices with possibilities for strategy optimization. The second phase aims to validate the proposed notarial strategy advices.

The strategy solutions identified in the field during the first phase are grouped into three generic strategy advices for notarial companies. The solutions include both IT and non IT solutions that notaries use in order to excel in one of the three paths of market leadership mentioned by Treacy and Wiersema. The advices are supplemented with solutions found in literature that are not found during the field study in order to provide comprehensive advices that include solutions that are new to the notarial domain.

After determining the current strategy mix of a company, we determined the desired corporate strategy of the company by discussing each of the three paths to market leaderships and their implications of the notarial domain. The difference between the current strategy and the desired strategy results in the desired strategy change. The advice corresponding with the desired change is provided to the company and validated on usefulness.

5. RESULTS

We found a division of notarial companies into all three strategies. The two main strategies followed are customer intimacy strategy and the operational excellence strategy. Only few notarial companies follow the product leadership strategy. Some companies were struggling with excelling in any of the strategies, and remained in the middle. According to Treacy and Wiersema, these companies are struggling with survival. We did not find many companies extremely excelling in one strategy. At all notarial companies there was room for improvement and redefining the corporate strategy. Many companies wanted to excel more in product leadership by adding product leadership to their existing strategy mix. The application of IT for product leadership is limited, as the product leadership strategy is about engineering the decision making process for speed in order to develop new services.

Most product leadership initiatives come from collaborations like unions of notarial companies, or from third parties like software suppliers. A good example is NetWyse, a notarial shared service center (SSC) owned by Netwerk Notarissen, a large collaboration of over 150 notarial companies. In the SSC, the companies share an IT infrastructure and generic instrument models to create notarial deeds. The willingness of organizations to cooperate with notaries outside a union is very limited.

According to the Value disciplines model, notaries should excel more in one of the three strategies. When companies are stuck in the middle of two or three strategies, changes have to be made in the corporate strategy of notarial companies, in order to survive. There is an exception for companies that have managed to excel in two strategies, when these companies are leading in both of the strategies. This study does not include specific advices for mixed strategies.

For the operational excellence strategy we identified the strategic solutions mentioned in table 2 under the column 'advice element'. The other columns are the results of the validation phase. Two companies that want to excel in operational excellence validated the advice elements as shown in the table.

Table 2: Validation of operational excellence advice elements

Advice element	Identified at company OE1	Identified at company OE2
1. Reduce (tangible) mail by using email;	Adopted	Adopted
2. Send documents to the customer by a secured online environment, not by tangible mail;	Maybe	Adopted
3. Perform personal data checks in batches at predefined moments, or automate these checks;	Will not	Will adopt
4. Use standard company models to create instruments, not different models per notary;	Adopted	Adopted
5. Generate quotations automatically based on clients data provided on the website;	Will not	Adopted
6. Send invoices automatically when the case is closed;	Maybe	Adopted
7. Do not combine cases, combined cases are not standard;	Maybe	Adopted
8. Use standard workflows to eliminate unexpected obstacles;	Will not	Adopted
9. Let customers track changes of their file status online, do not call them;	Maybe	Adopted
10. Family services: sign the instrument within one hour after the first appointment in	Maybe	Maybe

order to save costs.

11. Reduce the costs of employees by answering the phone only three hours per day;	Will not	Adopted
12. Use tactical CRM software to lower transaction costs of communication (e.g. automatic emails);	Maybe	Maybe
13. Use an outsourcing vendor to outsource administrative steps like financial services, this must be a cost efficient back office;	Maybe	Will not
14. Use software to spread manuals to employees, do not print manuals;	Maybe	Adopted
15. Use standardized interactive models to create instrument models fast;	Will not	Will adopt

For customer intimacy, we identified 9 strategic solutions, showed in table 3. They are validated at three companies that want to excel in customer intimacy.

Table 3: Validation of customer intimacy advice elements

Advice element	Identified at company CI1	Identified at company CI2	Identified at company CI3
1. Do not use standard workflows in order to remain flexible;	Adopted	Adopted	Adopted
2. Create or check the quotations by hand in order to provide the treatment the customer wants;	Adopted	Adopted	Adopted
3. Combine cases in order to provide a personal treatment that fits the customer needs;	Adopted	Adopted	Adopted
4. Use strategic CRM software to keep track of customers and build a long term relationship;	Will adopt	Maybe	Will adopt
5. Call customers to confirm or update a status change of their file;	Adopted	Not applicable	Adopted
6. Inform the customer of all the steps being performed by the company;	Will adopt	Maybe	Adopted
7. Let customers choose the way of communication (e.g. email or tangible mail);	Will adopt	Will not	Will adopt
8. Use questionnaires to get better insight in the customer needs;	Will not	Will adopt	Adopted
9. Use "Call me back" feature on the company website;	Maybe	Will not	Maybe

The key of the product leadership strategy is to create an organization where there are many opportunities for new inventions. This advice consists of innovative solutions found in the field study. Adopting these solutions does not make the company a product leadership company. The product leadership strategy is about coming up with new inventions and solutions. Examples of innovative solutions found in the field, and the validation of five notarial companies is shown in table 4.

Table 4: Validation of product leadership advice elements

Advice element	Identified at company PL1	Identified at company PL2	Identified at company PL3	Identified at company PL4	Identified at company PL5
1. Link IT systems to each other (e.g. financial system to document management system);	Adopted	Will adopt	Will adopt	Adopted	Maybe
2. Bundle strength with other companies for IT needs by sharing an IT infrastructure;	Will adopt	Will adopt	Maybe	Adopted	Maybe
3. Share models and experiences with other companies/locations to create a best practice model;	Will adopt	Will adopt	Will not	Maybe	Maybe
4. Cooperate with third parties outside the notarial domain to get strategic advantage and additional knowledge (e.g. e-commerce transactions);	Maybe	Will adopt	Will not	Maybe	Maybe
5. Store instrument model fragments in a database in order to manage the knowledge in the models;	Will adopt	Adopted	Maybe	Adopted	Adopted
6. Store working procedure fragments in a database in order to manage changes and knowledge in the working processes;	Will adopt	Will adopt	Will adopt	Adopted	Maybe
7. Use a centralized back office with other companies to store knowledge and develop innovative working procedures and instrument models;	Maybe	Will adopt	Will not	Maybe	Maybe

The willingness to adopt the suggested changes is variable for the advices. This could be due to the nature of the advice elements or due to the nature of the notarial companies. The operational excellence companies wanted to adopt changes with a short return on investment. The adoptability of changes that do not contribute to saving time or money was found to be low, as is shown by the many “will not”. We found many of the customer intimacy advice elements to be already adopted. The willingness to adopt the advice was relatively high, maybe because the elements are already adopted or easy to adopt. The willingness to adopt changes was the highest for product leadership companies. These companies were very open towards changes.

6. CONCLUSIONS

The adoption of IT in the notarial profession is found to be relatively low. No companies were found with significant tactical or strategic CRM. The adoption of SSC and outsourcing arrangements is mainly driven by costs considerations, and therefore adopted by operational excellence companies. There is room for product leadership and customer intimacy companies to look into these concepts, as they can also be beneficial for these companies. Notarial companies can use these concepts to enlarge their competitive advantage.

The willingness to adopt changes in the corporate strategy was found to be relatively high. Especially companies that want to excel in product leadership have a high acceptance of corporate strategy changes. The willingness to adopt changes was found to be lowest for operational excellence companies, as these companies were only willing to adopt changes when they are cost effective on the short or medium term. The willingness to adopt corporate strategy changes does not automatically result in a high willingness to adopt IT solutions.

IT solutions for the notarial profession should be explicitly usable for one or two of the notarial strategies. Sending automatically generated offers only fits the operational excellence strategy, where video intake meetings can fit both the customer intimacy strategy when used as an additional service for the customer, and the operational excellence strategy when used to save office costs. IT suppliers should be aware of the strategies of their notarial customers, as the adoption of IT is generally low, but can become high when it can be used to gain more competitive advantage.

IT will be playing an increasingly more important role for the notarial profession in the future, as it does already. Notaries can use IT to excel in a strategy. However IT could become a force that pushes notaries in the same direction. This phenomenon is described by Porter (1985) as the bargaining power of buyers and suppliers. Notaries should be aware of this force and keep a critical attitude towards new IT developments. Therefore the role of IT will be important and supportive, but will not substitute the notarial profession completely.

7. DISCUSSION AND FURTHER RESEARCH

For both the explorative field study as for the validation phase, the number of companies included in this study was relatively limited. In order to gather sufficient data for validation, the number of companies should be above 15 to 20 per strategy, per validation round. The proposed method can be time consuming.

Treacy and Wiersema (1993) indicate that some companies can have a mixture of two strategies. For companies that want to follow a mixed path, this study does not provide a suitable advice. More research is needed on the positioning of the advice elements in order to be able to create a mixed path strategy. When the advice elements are stored in an advice elements matrix, an advice might be composed by using the starting point of the company, the path to be followed, and the positioning of the advice elements. When the advice elements are positioned in a matrix, it may be possible to describe a to be followed path that results in a dynamic advice for the company. The new positioning into dynamic advices instead of three generic advices may raise new challenges for the validation of the results. More research on this way of composing advices is needed.

In this study we found that there are big differences in the strategy maturity level for each company. We did not take into account the maturity of the companies. Companies that are in the survival area of the Value

disciplines model, and want to excel in one of the strategies, may need a different advice than companies that are already excelling in one of the strategies and want to excel further or move to another strategy. These different approaches are not taken into account in this study. More research is needed on this area.

During the validation phase of this research, some companies indicated they were not willing to adopt some of the advice elements. It remains unclear if this was due to the nature of the advice elements or because of the willingness for the organization to change. When performing the proposed method, an additional study on the willingness for organizational changes must be performed. This area was beyond the scope of this study and therefore not taken into account.

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