

**BearingPoint Opens a New Chapter**

September 29, 2011 - IDC Link

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The European-owned consulting firm [BearingPoint](#) passed a symbolic milestone earlier this month when it acquired the rights to the "bearingpoint.com" web address. From now on, "BearingPoint" 100% unambiguously refers to the European consulting and IT services organization registered in Amsterdam. Gone is any association with the US-based parent company of the same name that was once NYSE-listed but which filed for Chapter 11 bankruptcy protection in the aftermath of the credit crunch.

The "old" BearingPoint was originally the global IT and business consulting arm of KPMG, spun off in 2000 at the tail end of the dot com mania in part to appease accountancy regulators and in part to profit from investors' supposedly insatiable appetite for all things technology related. It floated on Nasdaq in 2001 and acquired other practices, mostly local Andersen Business Consulting (ABC) and KPMG partnerships. It adopted the BearingPoint brand and transferred to the New York Stock Exchange in 2002. Laden with debt from acquisitions and with no real recurring revenues (in contrast to Accenture, the former consulting arm of Arthur Andersen, which floated in 2001) and with a US-based global management that made critical mistakes, the US parent company ultimately filed for Chapter 11 bankruptcy protection in February 2009.

BearingPoint in Europe, however, fared better than the parent organization and remained profitable, allowing its managers to buy out their part of business in 2009. Although it's best known for its strength in the "DACH" German-speaking territories of Germany, Austria and Switzerland, it posts about a third of its revenues in France/Benelux and claims a top-5 consulting slot in Russia, where it has more than 300 consultants.

The European organization now has all rights to the BearingPoint brand, which it decided to retain, given its relative strength among clients in continental Europe. BearingPoint is now solidly European-focused firm, and although technically registered as a Dutch BV, it is effectively organised as a partnership with 3,200 consultants scattered across 26 offices in 15 European countries. It posted 2010 revenues of €461 million, positive margins (it was profitable and cashflow-positive before the break-up) and expects 2011 revenue growth of 10%. Revenues dipped in the 2008/2009 recession, but then they dipped for just about everyone. And although BearingPoint is still around the size it was before the MBO, its identity and ownership are firmly sorted and its forward momentum looks clear. It is strongest in public sector and financial services, with revenue split roughly 50/50 between business consulting and IT services. Top 10 customers include Siemens AG, BMW and France Telecom.

That doesn't make BearingPoint a consulting giant, or a tier 1 player in pan-European terms, but it does make it a player worth noting, particularly in German-speaking Europe, Russia and France, and it's currently recruiting in territories including [France](#).

Our basic take on BearingPoint is that has got good people and (consequently) loyal customers - we were impressed by how loyal clients remained during the difficult period following Rand Blazer's sacking as worldwide CEO and during his successor Harry Yu's failed attempt to avoid the slide into Chapter 11. Today's BearingPoint essentially a long-established European consultancy with deep local roots (the KPMG and Andersen heritage) and good finances. It logically plays on its independence, customer understanding/intimacy, and ability to "make transformation real" (as opposed to just advising clients) through its IT services capabilities.

Although BearingPoint reports good demand growth, and must be taking market share from competitors right now, we'd flag some areas where it's potentially going to be vulnerable in the near future.

First, its strong position in German-speaking territories and France has so far protected it from offshore-driven price and margin pressure, but we think that will change in the near future. IT consulting is of course vulnerable to offshore competition, and systems integration and application development are all the more so, and even parts of the business-consulting cycle are going offshore at the likes of globalization pioneers like Accenture.

Second, and connected to the first point, BearingPoint has no real presence outside Europe -- and mostly northern Europe at that. Since 80-90% of its work is local or at most regional, not global, that's not a big issue, but it needs a global partner network if only for those clients that want the work done locally by BearingPoint rolled out beyond Europe. And indeed it's building one, with West Monroe (an Andersen spinoff in North America), ABeam Consulting (a Deloitte spinoff in Japan), Bip (a Gruppo Engineering spinoff with people in Italy, Spain and Latin America) and an Australian operation to whom it's licensing the BearingPoint name. For higher-volume IT services work such as big SAP rollouts, it's using TCS as its implementation partner. Whether the TCS relationship has long-term potential, given TCS's ambitions on business consulting, is an open question. But it fills a gap for now.

Third, BearingPoint is in some ways a "good old-fashioned" consulting firm, focusing on local customer intimacy and selling customised services on a personal basis; it's thus positioned against "asset-based" consultancies that supposedly push pre-built solutions onto clients regardless of how well the solution fits the customers' needs. We agree that pushing products is the wrong way to do consulting, but the reality is that when used properly, repeatable intellectual assets such as software, process models, target operating models etc are useful to client and consultancy alike in reducing risk, accelerating time to market and cutting project costs.

Actually, BearingPoint owns some interesting assets, such as Infonova, the software and services firm producing BSS (business support systems) for telcos, media and utilities. It also markets Abacus, a banking reporting tool popular in Germany. BearingPoint makes very little noise about assets such as Infonova and Abacus; it says this simply reflects its priorities, though we suspect it might also reflect a fear that clients might over-associate the company with assets and products. In our view, there should be no fear if the role of assets is properly explained, not least because most are merely useful and reusable internal tools rather than packaged products with a lifecycle of their own. As long as the asset tail doesn't wag the consulting dog, there's no problem. While BearingPoint acknowledges a role for repeatable assets, we think it should embrace this more fully and make more of capabilities here.

It's interesting to note that although BearingPoint has shadow P&L for the vertical teams, the "real" P&L still resides at territory level. That's great for driving local client intimacy, but our view is that organizations that structure themselves around client pain points (which generally means vertical markets) that cross geographical boundaries generally perform better. They can be more aggressive in formulating strong points of view with global resonance, and they are better at identifying and moving good ideas, assets and people between territories. It's interesting to note that the "Big Four" professional firms (including BearingPoint's cousin, KPMG) are actively transforming their national practices into pan-European practices with pan-European P&Ls.

Overall, we think that if BearingPoint is to break out of its current stronghold and achieve its dream of becoming a €1 billion by 2020, it needs to position itself more clearly and loudly as an opinion-rich consulting organization that proactively drives business change among its customers. Separately, it needs to get more industrialized - like it or not - and make more use of repeatable assets. Industrialization and assertiveness actually go hand-in-hand; BearingPoint could and should be more structured and aggressive in creating and pushing out opinionated points of view.

For an organization of its size, and with its growth ambitions, BearingPoint's profile is strangely low and needs to be higher. It almost feels as if the organization has been in self-imposed purdah since 2009, keeping its head down and slightly embarrassed about the bankruptcy and subsequent break-up of the former global organization. It's time for that reticence to end.

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