



Flash

Buoyant BearingPoint Sets Eyes on €1 Billion Mark

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IN THIS FLASH

This IDC Flash provides our impressions from the BearingPoint analyst event held in April 2014.

SITUATION OVERVIEW

In April 2014, we spent a couple of days in Paris with BearingPoint's top executives and some of its partners and customers. The European consulting firm was in a pretty buoyant mood. Growth in revenues returned in 2013, reaching €553 million – up 8.9% over a flat 2012. In addition, the company said that it had also increased the bottom line more than the top line – and this is a key focus for BearingPoint's leadership: to continue to increase profitability while growing revenues. The ambition is to add another 9% growth in 2014 and reach a landmark €1 billion by 2020, which in reality would mean an annual average growth rate of 9% over the period. In addition, the company is looking mostly to do this through organic growth – no small task.

So, what has BearingPoint changed in the past year to kick-start both revenues and higher profits? The company says that it has become much better at leveraging its internal capabilities and has seen good traction from working with its partners, what it terms its global network, such as ABeam in Japan and APAC and WestMonroe Partners in North America. In fact, it claims that having the partnerships have led to work in 26 multinational companies in 2013 that would not otherwise have happened. BearingPoint claims that there are five key drivers behind the better financial performance:

- **Focus on clients.** The concept of client centricity is being pursued by most vendors, with some better at implementing this than others. However, the focus on understanding the customer and addressing the organization's needs with the right skills levels and expertise were mentioned by all the reference clients present as a key reason for choosing BearingPoint. This also came to the fore when we talked to reference clients a year ago. So, the company is doing something right here and some of this is likely due to the way that it has set up its partner operating model (see below).
- **Investing in asset-based consulting and innovation.** This is a big strategic bet for BearingPoint, which is creating or buying a series of real software assets, such as the ABACUS suite for regulatory reporting, and HyperCube, a Big Data analytics tool. Many of the assets are developed as part of client engagements and then productized and rolled out across BearingPoint and the partner network, but BearingPoint is also keeping an eye on potential acquisitions to enhance the portfolio. In January it acquired RiValue (specialized in software solutions for risk management and regulatory reporting in the financial services industry and fitting with the Abacus product) and Trinity Horne (an operational performance consultancy that came with Active Manager, a methodology for workforce optimization).

- **Consolidation and better managing supply and demand.** At the end of 2013, BearingPoint had fewer employees than it did in 2009 (but €120 million more in revenues). So obviously, the company has had some success in adjusting its skill base, standardizing tools, methodologies, and processes, where applicable – and taking advantage of the aforementioned assets in delivering solutions and services to its clients.
- **Focus on higher-value services.** One could be excused for thinking that a business consulting firm only offers higher-value services. But what BearingPoint has aimed at is positioning itself with its clients as being able to execute change and focus on achieving business results – i.e., supporting clients as they look toward the "growth agenda" of increasing top-line growth rather than only driving cost efficiencies. Part of this is to push forward solutions and expertise around digital customer management (more on this later).
- **Leverage internal capabilities and partnerships.** This is really about the operating model of BearingPoint. The company has gone back to basics in the sense that its 130 partners are now much more embedded in the client relationships and pulling together the expertise and capabilities together (from countries, service lines, industry segments, and alliances) to serve the client. This again comes back to the notion of client centricity. As part of this operating model, there is a clearly defined matrix of what can be decided by a partner or by a country – and a clearly defined escalation process in case of dispute. In addition, each partner has two partners that are "performance coaches" to drive a collaborative and cohesive approach across the firm. This operating model has been very successful in changing behavior internally, and BearingPoint believes it is at the core of why the company has performed so well in the past 12 months.

FUTURE OUTLOOK

So, where does BearingPoint go from here? Well, clearly the company has some ambitious growth targets set already. But how does it plan to achieve these? Obviously, the operating model that seems to have been so successful in the past decade will continue to be honed and improved. This, BearingPoint believes, will help it differentiate itself with its customers through the way it interacts with clients and brings to bear the capabilities of its organization. This is one of those "soft" differentiators that are hard to judge from the outside but part of the proof will be in whether the company can continue the good profitable growth trajectory from 2013.

Asset-based consulting is a clear strategic imperative for BearingPoint going forward. The target is that 20%-25% of the company's revenues should come from asset-based consulting, so include license fees and maintenance, SaaS revenues, and managed services around these products. This would essentially mean €200 million by 2020. BearingPoint is quite clear that developing a product business is very different to its traditional approach, so it is considering how best to set up the operating model to drive a product and R&D business within a consulting firm. One example how this is a different discipline is the product portfolio management that is required – in the sense of making sure that the solutions it decides to productize will scale easily and are focused on big enough bets to drive incremental high value add consulting revenues.

The global network of partners will also play a major role for BearingPoint to reach its growth targets unless it decides to increase its own geographical footprint. It has opened offices in Italy, China, and in Chicago (actually in partner WestMonroe's offices) but it still relies on expanding its partner network for the global reach and wants to build a global member type operation like the Big Four consulting firms. The network is constantly expanding – it has added Grupo Assa in Latin America, Arete Consulting in Turkey, and Cumbria in Spain. It claims that its network now covers 35 countries with 8,600 people and has achieved consolidated revenue in excess of \$1.4 billion.

The intention is that it will explore more common branding and joint investments to pull the network even closer. In our opinion, this is important. Too many networks or alliances become purely opportunistic and lack coherence in the approach to the customers. This can easily become a weakness in a competitive situation against a larger service provider that has its own footprint in the countries or regions where the customer operates or wants to go.

BearingPoint also realizes that it has to focus on delivering innovation to its customers. Again, this is something we hear from most service providers these days. A key question of course is how well innovation is built into the internal DNA and how well it is applied to customer engagements. BearingPoint has established a formal innovation award program internally, which it claims has already been successful in driving new customer solutions and development of IP assets that can be reused with other customers (and support the asset-based consulting strategy) – again close management of ideation (if that word exists) to product generation will be critical. More and more European organizations want and request that services providers bring proactive innovation to the table. Service providers that can effectively manage, drive, and maintain an innovation value chain/cycle that can ultimately be leveraged across multiple clients will win.

A key area that the company is looking at for growth is around digital transformation. These are concepts that can cover a whole host of activities – and it does for BearingPoint. A strong reference for the company is Jaguar Land Rover and its work with this customer on driving the Connected Car project. This was a comprehensive project that includes the Internet of Things, creating connected ecosystems, and designing the customer experience.

In fact, customer experience projects seem a strong point for BearingPoint. The company has created a practice on Digital Customer Management (which IDC would call customer experience IT), strongly focused on transforming organizations' understanding and interaction with customers. What the company calls its Digital Architecture comprises four core elements:

- **Digital Vision.** This is where BearingPoint is trying to push through leadership around customer experience, with a strong focus on customer insight (data and analysis) and agility (ability to implement fast and effectively).
- **Digital Offerings.** These pull from all of BearingPoint's six service lines to develop a complete and comprehensive portfolio from digital strategy and operating models, business analytics, smart billing, rapid prototyping and agile development, through social supply chains and multichannel marketing and optimization.
- **Digital Marketplace.** BearingPoint is pushing several digital assets here, including HyberCube (analytical tool for Big Data), and Infonova R6 (order to cash platform) and what it terms digital accelerators, essentially methodologies and frameworks, for example, for optimizing the in-store experience.
- **Digital Ecosystem.** Finally, the company is developing an ecosystem of alliances centered around the digital experience and transformation, including media agencies and co-creation of solutions with the likes of Groupon and Pinterest. However, its closer partners are also playing key roles in developing these new solutions. WestMonroe, for example, has worked closely with BearingPoint to develop the thought leadership around "Darwinism in a Consumer-Driven World."

In summary, we think BearingPoint has made good progress in the past year both financially but also in crystallizing some of its strategies. It seems that it is now a company very much in execution mode – and if it can do that well, its ambitious growth plans could be achieved.

Two slight question marks remain: will the reliance on a network of independent companies to deliver seamlessly to global or multicountry customers work in the long run? And how easy will it be effectively to incubate a software house within a business consulting firm with the very diverse cultures needed to drive the two forward? Time will tell – and the proof will be in continued strong financial performance.

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