

## Analyzing the Procurement of Knowledge

Researchers Interview More Than 300 Experts on the Procurement of Knowledge-Intensive Services and Determine a High Cost Reduction Potential



*Knowledge-Intensive Services make up about 10% of the purchase volume of German enterprises – with an upward trend (Photo: KIT)*

**Procurement of Knowledge-Intensive Services – for instance, consultancy or IT – is a big challenge faced by German enterprises. This is the result of a study presented by the KIT Karlsruhe Service Research Institute (KSRI). The scientists interviewed more than 300 procurement experts of various industries. Poor communication among departments and lacking control of results were identified to be major obstacles to cost reduction and quality improvement.**

Knowledge-Intensive Services, such as management consultancy, market research, PR and marketing, or IT services, are of increasing importance to economy. They have a share of about 10% in the procurement volume of German enterprises, and this proportion is expected to increase further. Interviews of 300 representatives of e.g. automotive, pharmaceutical, and media and entertainment industries by KSRI scientists have now produced the following result: So far, Knowledge-Intensive Services have hardly been purchased using differentiated concepts that have been standard in the procurement of production materials or other physical goods for a long time already.

**Dr. Elisabeth Zuber-Knost**  
Press Officer

Kaiserstraße 12  
76131 Karlsruhe, Germany  
Phone: +49 721 608-7414  
Fax: +49 721 608-3658

**For further information,  
please contact:**

Jonas Moosmüller  
Public Relations and Marketing  
Phone: +49 721 608-8120  
Fax: +49 721 608-3658  
E-mail: [jonas.moosmueller@kit.edu](mailto:jonas.moosmueller@kit.edu)

The scientists found that the biggest problem lies in the poor coordination between departments using these services and the central purchasing department that is under the pressure of concluding contracts at minimum costs. Another problem is the typically lacking control of success. 90% of the experts interviewed answered that quality is a central criterion in the procurement of Knowledge-Intensive Services. Upon completion of the project, however, quality was measured in less than 50% of the transactions.

The improvement potentials in this field, however, also offer enormous chances. As Knowledge-Intensive Services presently are hardly transparent and difficult to compare by the procurement departments, the experts interviewed see a cost reduction potential of about 20% of the contract volumes. Also internal processes that were considered problematic by nearly half of the interviewees might be executed with up to 30% efficiency gains. Professor Gerhard Satzger, head of the KSRI research group "Service Innovation & Management" and initiator of the study adds, "Enterprises that are good in the selection, purchase, and control of Knowledge-Intensive Services have a considerable competitive advantage".

The Karlsruhe Service Research Institute (KSRI) founded in 2008 is an inter-faculty institute funded jointly by KIT and IBM Deutschland GmbH. The KSRI Service Innovation & Management research group focuses on the conception and implementation of new types of services. Further information is available at [www.ksri.kit.edu](http://www.ksri.kit.edu).

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