Plant and service order: structuring the procurement of capital goods and services

The plant and service order is an order type for the procurement of capital goods (plant, machinery, tools) as well as services such as installation, maintenance or engineering. It clearly differs from the classic material order, as it is typically project-related, requires multi-level approval and is often tied to milestones or acceptances. For buyers in the manufacturing industry, it is a central instrument for handling high procurement volumes in a legally sound, budget-compliant and audit-proof manner. The following article explains the structure, process, KPIs and typical risks of this order type.

As of October 2026 · amplifa-marketplace.ai/en/glossary/anlagen-dienstleistungsbestellung

Key facts at a glance

01 The plant and service order covers capital goods and services that do not involve direct production materials.

02 It frequently runs through a budget and approval procedure (CAPEX approval) before the actual order release.

03 Services are usually settled via service line items, milestones or time-based contracts rather than simple units of quantity.

04 Acceptances, warranty and documentation (e.g. CE conformity) form part of the order terms.

05 Typical KPIs are schedule adherence, budget compliance and the proportion of defect-related acceptances.

06 Framework agreements in procurement and right to audit clauses increase transparency in long-running service contracts.

Definition: plant and service order

A plant and service order is an order document or order type in the ERP system with which non-material goods are procured: plant, machinery, fixtures, software and all kinds of services. Legally, it is a contract of sale or a contract for work and services depending on the scope of performance and requires a clear specification of the service to be rendered.

Distinction from the material order

While the material order governs quantities, delivery dates and unit prices for warehouse or production materials, the statement of work takes centre stage in the plant and service order. Quantities and prices are often unknown or variable, for example in maintenance contracts with hourly billing. The approval process also differs: because of the CAPEX nature, additional approval levels – for example by technical management and controlling – are typically provided for.

- Object: plant, system or service rather than consumable material
- Value: frequently managed within the CAPEX budget
- Acceptance: functional testing rather than mere goods receipt

Typical use cases

In practice, this order type covers, among other things, new machinery purchases, conversion of production lines, maintenance and servicing contracts, calibration services, engineering services, logistics services and external installation personnel. Service providers for vendor master data verification or consulting for needs analysis are also commissioned via this procedure. The common denominator: the service is provided individually and requires contractual safeguarding beyond the mere order.

Structure and mandatory fields of a plant and service order

A robust order contains considerably more than requisitioner, supplier and total price. It must describe the service, period, terms and legal framework in such a way that it serves as evidence in the event of a dispute.

Statement of work and line items

The core is a clear statement of work: scope of delivery of the plant, technical specification, commissioning services, scope of training or defined hourly rates with upper limits. For services, service line items with units such as hours, days or lump sums per milestone have proven their worth. Open provisions and capacity ranges should be provided with price adjustment rules in order to avoid later disputes.

Budget assignment and approval

As a rule, each order is assigned to a CAPEX or OPEX budget, a cost centre and an investment application number. Order approval is multi-level and value-dependent; in practice, thresholds

frequently range from a few thousand to several hundred thousand euros depending on company size. Without budget approval having been granted, the order must not be released – a principle that ensures compliance and audit security.

Additional contractual terms and conditions

Plant and service orders typically contain additional terms and conditions: warranty period, response times (SLA), contractual penalties for missed deadlines, limitations of liability and a right to audit for service contracts. For services performed on the factory premises, occupational safety, confidentiality and tool arrangements must also be regulated. These clauses are often anchored via adopted standard terms and conditions or individual plant agreements.

Methods and approach in the procurement process

The process from the emergence of the need to invoice settlement runs longer and more formally for plant and services than for serial production material. A structured procedure reduces change-order risks and cost overruns.

Needs analysis and tendering

The starting point is the needs analysis: what exactly is required, which capacities, interfaces and responsibilities apply? For larger plant and framework contracts, a request for quotation or tender with a defined evaluation matrix follows. For recurring services – such as maintenance or outbound logistics – framework agreements in procurement are advisable, from which individual call-offs are made via service orders. Demand aggregation across sites can also unlock better terms and economies of scale.

Ordering, execution and control

After approval, the order is released and transmitted to the contractor. Execution is controlled via project planning tools: milestone reports, interim acceptances and budget reconciliations. For changes in quantities or scope, formal change requests rather than silent additions are standard. Material and assembly deliveries within the project can additionally be mapped via planning logic referred to as delivery schedule tolerance bands or via the despatch advice processing (ASN) as advance expenditure.

Acceptance, invoice verification and settlement

Services are formally accepted – for plant, including proof of performance, documentation and, where applicable, the CE declaration. Invoice verification is carried out against the specification and the acceptance protocol; interim payments are reconciled with milestones achieved. Final payments and retentions serve as leverage until the end of the warranty phase. A payment stop in the event of open defects should be anchored in the process.

Key KPIs for plant and service procurement

Controlling this order type requires its own KPIs, as classic material metrics such as availability or quantity scales hardly apply here. Budget discipline, schedule adherence and quality of performance are relevant.

Budget and process metrics

Key metrics are budget compliance (deviation between order value and investment budget), change order rate (proportion of change orders in the total volume) and lead time from investment application to order release. In practice, high change order rates frequently indicate inadequate statements of work or a lack of early involvement in the needs analysis.

Performance and supplier metrics

On the supplier side, schedule adherence for milestones, defect rate at acceptance, compliance with SLA response times for services and the partner's delivery capability over the course of the project all count. These values feed into the supplier evaluation and influence future award decisions as well as the risk profile in the vendor master record.

Risks and controls

Plant and service procurement carries above-average risks owing to high individual values, long terms and speculative performance definitions – from budget overruns to compliance violations.

Commercial and scheduling risks

Typical dangers are change-order costs, schedule slippage for the overall system and speculative performance by the contractor. Countermeasures are fixed remuneration models with clear performance limits, contractual penalties, flat-rate liability for delays and a documented risk mitigation plan for critical plant projects. For energy-intensive services or plant operation, price adjustment clauses analogous to the energy price surcharge should also be regulated transparently.

Compliance, bogus self-employment and audit

Where external personnel are deployed on the company's own premises, co-determination and temporary agency work risks arise; the distinction from work and services must be documented cleanly. A contractually agreed right to audit permits the inspection of calculations in cost-plus contracts. Environmental specifications such as RoHS for delivered components as well as evidence for the vendor master record also belong to the duty of verification. Legal detail questions – for example regarding the distinction between a contract for work and a service contract – should be examined legally on a case-by-case basis.

Cancellation and change management

Cancelling an order for plant services already commissioned is expensive: reimbursement of expenses,

cancellation fees and restoration claims are customary. Cancellation terms with a scale based on project progress should therefore be anchored in the order terms, and cancellations should only be processed via the formal approval process.

Current developments: digitalisation, sustainability and resilience

This order type is changing as a result of digital platforms, increased sustainability requirements and the shift in strategy regarding the supplier base.

Digital order and service processes

ERP-supported workflows automate approvals, budget controls and status tracking; supplier portals enable status enquiries and digital acceptance protocols. Marketplaces for technical subcontracted services such as CNC machining or plant components shorten the tendering phase. System integration with sales and operations planning ensures that investments in capacities are consistent with the demand plan.

Sustainability and supplier risks

Buyers are increasingly embedding sustainability requirements in plant orders: energy efficiency classes of the plant, CO reporting obligations of the contractor and, where applicable, alignment with supplier commitments referred to as SBTi targets. Supply chain due diligence obligations (broadly formulated; details to be examined case by case) extend the depth of scrutiny. Onshoring strategies relocate critical plant and service procurement back to the region and reduce supply chain risks – frequently at higher initial investment.

Typical metrics

Metric	Typical value
Budget compliance	± 5% *typical tolerance between order and actual value in plant projects*
Change order rate	< 10% *proportion of change orders in the total volume; practical rule of thumb*
Milestone schedule adherence	> 90% *proportion of project milestones achieved on time*
Lead time to order release	5–15 working days *depending on approval levels and value; usual rule of thumb*

Practical example

A mid-sized mechanical engineering company replaces an older milling machine and at the same time commissions the annual major maintenance of its press line. After the needs analysis and the investment application had been approved, the buyer bundles both undertakings via plant and service orders.

- Tender with evaluation matrix (price, schedule reliability, service capability) and linkage to existing framework agreements in procurement
- Milestone-based payments: 30% on order confirmation, 60% after acceptance, 10% retention until the end of the warranty period
- Contractual anchoring of right to audit, CE documentation and SLA response times of typically 24 hours for breakdown service
- Onboarding of the new service provider including vendor master data verification before order release

Conclusion

The plant and service order is more than a form type in the ERP system: it structures the procurement of high-value investments and services across the entire life cycle. Anyone who cleanly defines the statement of work, approval logic, milestones and acceptance reduces change-order risks and ensures audit security. Supplementary instruments such as framework agreements, a risk mitigation plan and systematic supplier evaluation increase controllability. In view of growing sustainability and supply chain requirements, this order type is gaining additional strategic importance. Buyers are well advised to treat it not as an administrative act but as a management instrument.

Frequently asked questions

? What is a plant and service order?

It is an order type for the procurement of capital goods such as machinery and equipment as well as services such as maintenance, installation or engineering. It is usually approved in relation to a budget and settled via service line items or milestones. Unlike a material order, the individual statement of work takes precedence over a simple unit price/quantity logic.

? How does a service order differ from a goods order in the ERP system?

Service orders have no physical goods receipt posting; instead, proof of performance is provided via acceptances, time recording or milestone confirmation. In addition, budget assignment and multi-level approval are usually mandatory, as these often constitute CAPEX. Invoice verification is based on specifications and acceptance protocols.

? Which mandatory details belong in a plant order?

Key elements are the statement of work with technical specification, delivery and commissioning

scope, total price or remuneration model, deadlines and milestones, warranty as well as payment and acceptance terms. In addition, contractual penalties, confidentiality and, where applicable, a right to audit should be stipulated. For component deliveries, conformity requirements such as RoHS may also be relevant.

? How does the order approval process for plant orders work?

Typically, the order passes through several stages: requisitioner, specialist department, controlling and, depending on value, executive management. Threshold values and approval levels are defined within the company and mapped in the ERP workflow. No order should be released without a documented order approval and budget coverage.

? What does cancelling a plant order cost?

That depends on the project progress and the agreed terms; in practice, reimbursement of expenses for services already rendered and cancellation flat fees become due. Especially for customised plant, cancellation costs can reach a considerable proportion of the order value. Cancellation scales should therefore be contractually stipulated and cancellations should be controlled formally via the approval process.

? What role do framework agreements play in service orders?

For recurring services such as maintenance, calibration or logistics, framework agreements in procurement are advisable, from which individual service call-offs are made. This reduces transaction costs and secures terms over a defined period. Supplementary SLAs and tolerance rules for call-off quantities increase predictability.

Find the right suppliers on Amplifa

Verified industrial suppliers in Germany, Austria and Switzerland. Describe your requirement and receive comparable offers.

amplifa-marketplace.ai