Specification of works: The foundation for unambiguous procurement and award

The specification of works (Leistungsverzeichnis, LV) is a structured, complete description of all services that a supplier or service provider is to render. It forms the contractual and technical basis for tenders, bid comparisons and order execution in industrial procurement. A well-drafted specification of works reduces potential for disputes, makes bids comparable and creates the basis for a robust product cost calculation on the supplier side.

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

Key facts at a glance

01 The specification of works describes the nature, scope and quality of the service to be procured in documented form.

02 It distinguishes between functional specification of works, performance-based design and construction bill of quantities depending on the degree of specification.

03 Legally, the specification of works is frequently deemed an essential component of the contract and a key interpretive document.

04 Quantity information should be realistic so that bidders can calculate on the basis of correct assumptions.

05 Deviations between the demand specification and the specification of works are a common cause of variation claims and additional costs.

06 In procurement, the specification of works supports bid evaluation, order monitoring and subsequent acceptance.

Definition: Specification of works

A specification of works is a register structured by line items of all individual services that a contractor must render, including quantities, units, execution requirements and acceptance conditions. It originates from construction (the German Construction Procurement and Contract Regulations, VOB)

and is now used in many industrial sectors for procurement, logistics and external manufacturing. It combines technical and commercial requirements in a single document.

Distinction from the demand specification

The demand specification describes what the internal user department needs, often still function-oriented and non-binding. The specification of works translates this demand into market-appropriate, bid-ready line items with quantities and quality requirements. In practice, the demand specification can serve directly as a basis, but should be reviewed and standardised before tendering to avoid unnecessary additional costs from over- or mis-specification.

Types of specification of works

Depending on the task, different types are used, which control the bidder's latitude:

- Functional specification of works: describes only the result; the supplier optimises the solution themselves
- Construction bill of quantities: detailed specification of individual work items and sub-services
- Performance-based design: specification of key parameters, with the remainder left to the bidder's execution
- Hybrid forms with technical minimum requirements plus optimisation latitude for the market model

Structure and content of a specification of works

A practical specification of works follows a clear structure so that bidders can assess scope and risks. Typically, one or more line items per service element are used with units of measure, execution notes and references to standards, drawings and inspection rules.

Essential components

At its core, the document should contain quantity information with units, technical specifications, quality requirements, timeframes and acceptance criteria. In addition, provisions on materials, documentation, packaging and transport as well as references to supplier audit programmes or audit rights for critical services clarify open points. Framework conditions such as delivery schedule call-offs or call-off quantities under framework agreements should also be described in binding form.

Line items and quantity structure

Each line item receives a unique number, short description, quantity and unit as well as price requirements for the bid structure. A clean quantity structure enables bidders to build a comprehensible product cost calculation or clean-sheet calculation. Lump-sum pricing is possible but complicates subsequent quantity changes and variation valuation.

Requirements for SLA-relevant services

For services such as maintenance, logistics or documentation, service levels with measurable key

figures belong in the specification of works. Here, the specification of works links with service credits (SLA): falling below defined service levels triggers defined remuneration reductions. Without clear measurement metrics in the specification of works, an SLA remains legally and practically ineffective.

Methods and approach for preparation

Preparation follows a proven process from demand assessment to publication in the tender. Procurement manages the process, while technical content is provided by design, quality, production and logistics.

From demand to line item

First, the demand is structured: which parts, services or works are needed in what quantities and by what deadlines? For new products, early supplier involvement can help to incorporate manufacturability and realistic requirements at an early stage. The requirements are then translated into line items with unambiguous scopes, ideally with reference to the order history for repeat purchases.

Normalisation and standardisation

In practice, standard texts and standardised line item catalogues have proven effective, for example by supplier service type or work category. They reduce errors, speed up preparation and make bids comparable. For standard components, a compact demand specification is often sufficient, whereas special services require detailed line items.

Involvement of specialist departments and quality

Before approval, the specification of works should be reviewed by engineering, quality, production and, where applicable, legal. Supplier qualification and existing supplier data provide indications of which requirements are market-appropriate. An overly demanding or incomplete specification of works leads to queries, divergent bids and, in the worst case, repeated tenders that jeopardise security of supply.

Important KPIs for the specification of works

The quality of specifications of works can be measured, typically via error rates, variation order shares and deadline adherence in the subsequent project. Controlling in procurement uses these metrics to continuously improve preparation processes and award outcomes.

Quality of the document

Key metrics are the rate of subsequently added or changed line items and the number of bidder queries per tender. In practice: the lower these values, the more precise the specification of works. High query rates indicate gaps, contradictions or unrealistic quantities.

Impact on costs and deadlines

Also relevant are the variation order rate, price level relative to reference calculations and the

contractor's adherence to deadlines. For delivery services, delivery date commitments and their fulfilment complete the picture. Unambiguous specifications of works frequently lead to narrower bid ranges and thus to better negotiable and comparable outcomes.

Risks and controls

Errors in the specification of works directly affect costs, deadlines and the legal position. Typical risks can be significantly reduced through structured checks in the preparation and award process.

Typical sources of error

Common problems include duplicate or contradictory line items, missing quantities, unclear acceptance criteria and over-specification beyond actual demand. Gaps in responsibilities, for example regarding material provision or tool maintenance, also lead to additional costs. For outsourcing arrangements, an outsourcing potential analysis should clarify in advance which services are to be awarded externally at all.

Contractual safeguards

The specification of works should be referenced as an essential component of the contract, including a precedence rule in the event of contradictions with other documents. For critical projects, an audit right, defined complaint and returns process routes and, for high advance payments, a performance bond can be added. All such provisions are to be understood as general guidance and should be legally reviewed on a case-by-case basis.

Managing supplier risk

An unambiguous specification of works reduces supplier risk on both sides: the contracting entity knows the scope and price basis, the supplier knows its obligations. Residual risks such as insolvency or capacity bottlenecks are addressed through supplier risk assessments and alternative sources of supply. For ongoing deliveries, delivery schedule call-offs and ordering processes synchronise the specification of works with day-to-day operations.

Current developments: digitalisation and dynamic procurement

Specifications of works are increasingly migrating into digital tendering and marketplace environments. Structured data formats replace text documents, making analysis, price comparisons and automation easier.

Structured data and templates

Modern systems maintain line items as data objects rather than static tables. This enables reuse, automatic price comparisons and faster bid comparisons. AI support for preparing and reviewing enquiries is establishing itself in practice as an aid, but does not replace professional approval by procurement and engineering.

Call-off models and availability control

For framework agreements with call-off logic, the specification of works links with concepts such as Capable to Promise (CTP) on the supplier side: availability commitments are made on the basis of actual capacities. Dynamic payment terms such as dynamic early payment discounts can additionally be combined with service and payment milestones. Shipping and delivery terms such as CIF are also assigned bindingly in the specification of works.

Typical metrics

Metric	Typical value
Bidder queries per tender	fewer than 5 *low values indicate a precise specification of works*
Variation order rate	typically below 5 % *relative to order volume; higher values indicate gaps in the specification of works*
Line item accuracy	> 95 % *share of line items without subsequent changes*

Practical example

A mid-sized machinery manufacturer awards several hundred contract manufacturing line items to suppliers each year. Previously, informal enquiries led to divergent bids and frequent additional costs from variation orders. After switching to standardised specifications of works with standard line items, defined acceptance criteria and clear quantity structures, bidder queries fell significantly and the bid range for comparable parts narrowed.

- Introduction of a line item template with mandatory fields for quantities, units and quality requirements
- Linking the specification of works to the order history for realistic quantity assumptions
- Anchoring of audit rights and documentation obligations for safety-critical parts
- Establishment of variation order controlling to measure specification quality across projects

Conclusion

The specification of works is the central steering document between demand, tender and contract in industrial procurement. Its quality determines the comparability of bids, cost reliability and smooth execution. A well-considered structure, standardised line items and clear acceptance criteria significantly reduce variation orders and disputes. Digital, structured specification formats further improve speed and evaluability. Companies that treat specification of works preparation as a process with defined responsibilities and metrics achieve sustainably better award outcomes.

Frequently asked questions

? What belongs in a specification of works?

It should include all individual work items with quantities and units, technical specifications, quality and inspection requirements, deadlines as well as acceptance and documentation provisions. In addition, references to standards, drawings and responsibilities clarify open points. The more complete the document, the more comparable the bids.

? What is the difference between a specification of works and a requirements specification?

A requirements specification describes the requirements of the contracting entity from a user perspective, while the specification of works translates these into bid-ready, quantity-accurate line items. Functionally, the requirements specification is often a preliminary stage, while the specification of works is the tender document. In some industries, both sets of content are merged into a single document.

? Who prepares the specification of works?

Typically, procurement manages the document as a process, while technical content is provided by engineering, design, quality and logistics. For complex projects, project or specialist planning often handles the technical breakdown, with procurement reviewing market feasibility. Final approval is granted before publication in the tender.

? How detailed must a specification of works be?

It depends on the type: a functional specification of works gives the bidder latitude, whereas a construction bill of quantities prescribes every work package. As a general rule, it should contain everything that needs to be binding without restricting the bidder in details they could better optimise themselves. Experience shows that gaps lead to variations and price surcharges.

? Is the specification of works legally binding?

As a rule, yes, if it is referenced as a component of the contract, particularly for awards under VOB/B in construction. It then serves as an important interpretive document in disputes. The specific effect depends on wording, referencing and precedence rules and should be legally reviewed on a case-by-case basis.

? How do you negotiate prices using a specification of works?

Unit prices per line item form the negotiation basis, supplemented by lump-sum prices, surcharges and fee approaches for additional quantities. A clean-sheet calculation or reference calculation helps to contextualise bid prices. Quantity flexibilities, payment terms and SLA incentives can be used as negotiation levers.

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