

Joint Business Plan (JBP): Joint Target Planning with Strategic Suppliers

The Joint Business Plan (JBP) is a binding business and development plan for the collaboration, developed jointly by buyer and supplier. It defines objectives, measures, responsibilities and metrics for a defined planning period and replaces one-sided performance demands with genuine cooperation on an equal footing. In practice, the JBP is typically used with strategically important suppliers and long-term partnerships.

Key facts

- A JBP is a plan developed jointly with the supplier, containing objectives, measures, KPIs and review dates, usually for one to three years.
- It is aimed at strategic suppliers with a high share of value creation or risk, not at standard C-parts.
- Typical contents are revenue and volume planning, innovation topics, sustainability targets, quality and logistics metrics and risk provisions.
- JBPs measure success through KPIs such as schedule adherence, service level targets per commodity group, innovation contributions and cost saving rates.
- Regular joint reviews, for example quarterly, secure implementation and durability of the agreements.
- A JBP only takes effect with clear governance, defined roles in procurement (RACI) and anchoring in operational processes such as call-offs.

Definition: Joint Business Plan (JBP)

A Joint Business Plan is a formally documented, joint planning instrument of buyer and supplier that structures the strategic collaboration over several years. Both parties jointly define objectives, initiatives, resources and success metrics and commit to their implementation.

Distinction from Framework Agreement and Supplier Evaluation

Unlike a framework agreement, the JBP is not a legally binding contract but a strategic target agreement that shifts legal details to separate contracts. It goes beyond a classic supplier evaluation because it does not merely measure past performance, but agrees future-oriented development measures.

Positioning within Supplier Relationship Management

The JBP is the central steering instrument of supplier relationship management for A-suppliers. It consolidates the results of risk analyses, potential workshops and quality audits into a joint roadmap and creates binding force across functions – from procurement and engineering to logistics and quality.

Objectives and Areas of Application of the JBP

A Joint Business Plan pursues several objectives simultaneously: securing supply, joint cost reduction,

innovation and risk minimisation. It is suitable wherever mutual dependency and investment requirements exist.

Typical Use Cases in Industry

In practice, the JBP is often used for strategic suppliers in series production, sole-source situations or partners with a high development share. For suppliers with critical raw material dependencies or long lead times, the JBP also creates planning certainty for both parties.

Benefits for Buyers and Suppliers

The buyer receives reliable capacity commitments, priority in bottleneck situations and access to innovations, for example via a supplier innovation challenge. The supplier receives planning certainty, a long-term order perspective and prioritised development topics. Both sides reduce coordination effort and escalation-prone ad-hoc conflicts.

Methods and Approach for Creating a JBP

An effective JBP is created in structured workshops and follows a clear process from preparation through agreement to ongoing steering. The quality of the preparation determines the value of the outcome.

Preparation and Data Basis

First, spend data, supplier evaluations, risk analysis results and quality and logistics metrics are prepared. A sound data basis is important, for example consistent vendor master data, so that both parties start from the same facts. In addition, procurement clarifies the objectives and the roles within procurement (RACI) internally before external discussions begin.

Workshops and Agreement of Contents

In joint workshops, objectives are prioritised, measures are assigned to responsible persons and deadlines, and KPIs are defined. Common building blocks are volume and revenue planning, cost saving roadmaps, quality targets, sustainability commitments such as SBTi targets or Science Based Targets, innovation projects and a risk mitigation plan for critical scenarios.

Implementation, Reviews and Adjustment

The agreed plan is typically reviewed quarterly in joint reviews. Actual values are compared with target values, measures are adjusted and, in the event of deviations, defined escalation routes are activated. The JBP should be maintained as a living document that is revised annually.

Key KPIs in the Joint Business Plan

Metrics make the JBP measurable and create binding force. A compact KPI catalogue covering delivery performance, cost, quality, innovation and sustainability, weighted by commodity group, is sensible.

Delivery and Logistics Performance

Key metrics are on-time delivery and schedule adherence based on call-offs, supplemented by delivery quantities and response times for changes. Target values of over 95 per cent schedule adherence are frequently agreed as a benchmark, whereby the service level target may differ per commodity group. For international transport, metrics such as demurrage costs may also be included.

Quality, Cost and Innovation

Typical are reject and complaint rates, return rates, cost saving contributions and the number of innovation proposals implemented. Bonus arrangements or penalty clauses can create incentives, whereby legal effect only arises through separate contractual agreements.

Sustainability and Risk Metrics

Increasingly, SBTi targets, CO intensity per component and procurement policy compliance are included in the assessment. In addition, risk metrics such as single-source share or recovery times in disaster recovery (DR) scenarios are tracked.

Risks and Controls in the Joint Business Plan

Despite clear advantages, JBPs in practice often fail due to a lack of binding force, unclear governance or one-sided design. Targeted control mechanisms reduce these risks.

Typical Pitfalls

Common mistakes are overly ambitious objectives without resource commitments, insufficient involvement of functional departments, and JBPs that only bind the supplier's sales function, not its line organisation. Confidential competitive information also requires care: non-disclosure agreements and caution regarding price-related coordination are mandatory, and a competition law assessment is advisable on a case-by-case basis.

Contractual Safeguards and Controls

Financial commitments of the supplier, such as investments or advance payments, can be secured via a bank guarantee/suretyship. Liability issues in joint developments are typically governed by an indemnity clause in the main contract. Controls are carried out via the agreed joint reviews, documented action lists and defined supplier escalation levels.

Anchoring in Operational Processes

A JBP only takes effect if it is translated into operational steering: into amended call-offs, adjusted reorder point procedures or digital processes such as cXML-based interfaces. A named data owner per KPI ensures data quality and traceability of the reviews.

Current Developments: Digitalisation and Sustainability in the JBP

Joint Business Plans are evolving from static annual documents into dynamic, data-driven steering instruments. Two drivers are the digitalisation of procurement and rising sustainability requirements.

AI and Digital Planning

AI in procurement increasingly supports data preparation for JBP reviews: anomalies in delivery performance, forecasts of capacity bottlenecks or automated analysis of supplier evaluations. Standardised data exchange formats such as cXML facilitate the continuous updating of joint metrics instead of annually maintained manual spreadsheets.

Sustainability and Supplier Integration

Science Based Targets and SBTi targets are increasingly becoming a binding component of JBPs, particularly in response to customer requirements along the value chain. At the same time, supplier

integration in development projects is increasing: the JBP then defines milestones for joint developments, prototypes and production readiness – making the supplier a genuine partner in the product development process.

Typical metrics

Schedule Adherence: > 95%

usual target value for strategic suppliers; to be agreed per commodity group

Cost Saving Contribution: 3–5% p.a.

common benchmark for joint optimisation with A-suppliers

Innovation Proposals Implemented: 2–4 per year

typical order of magnitude per strategic supplier

Joint Review Adherence: 100% of dates

review discipline as an early indicator of JBP quality

Practical Example

A medium-sized mechanical engineering company establishes a two-year Joint Business Plan for the first time with its strategic supplier of precision cast components. The triggers are repeated schedule adherence problems and a planned replacement build at the supplier, which carries capacity risks.

- Joint workshop with procurement, engineering and logistics to prioritise objectives: security of supply, cost reduction of typically 3–5 per cent over two years, CO reduction in line with SBTi guidance values.
- Agreement of a risk mitigation plan with second-source assessment, safety stocks and defined escalation levels for capacity-related bottlenecks.
- Quarterly joint reviews based on schedule adherence and reject rates, with documented action lists and named data owners.
- Anchoring of volume commitments in amended call-offs and securing of the supplier investment via a bank guarantee/suretyship.

Conclusion

The Joint Business Plan is the leading steering instrument for strategic supplier relationships: it combines target planning, metrics and operational implementation in a single joint document. Its value arises not from the paper, but from preparation, clear governance and consistent reviews. Those who run JBPs with sound data, defined roles and realistic measures reduce risks and accelerate innovation. The prerequisite is anchoring in day-to-day business – from call-offs to escalation processes. For procurement organisations with a high share of A-suppliers, the JBP is therefore less an option than a standard.

Frequently asked questions

What is a Joint Business Plan (JBP)?

A Joint Business Plan is a strategic plan developed jointly by buyer and supplier that sets out objectives, measures, responsibilities and KPIs for the collaboration. It typically has a horizon of one to three years. It is not the plan itself that is legally binding, but rather separate contracts.

Which suppliers is a JBP suitable for?

A JBP is particularly worthwhile for strategic A-suppliers with a high share of value creation, sole-source risks or significant development contributions. For standard parts with many suppliers, the effort is typically not justified. Rule of thumb: a few JBPs, but consistently maintained.

What should be included in a Joint Business Plan?

Typical contents are volume and revenue planning, cost and innovation targets, quality and logistics metrics such as schedule adherence, sustainability commitments and a risk mitigation plan. These are complemented by responsibilities according to RACI, review dates and escalation routes. The plan should remain compact and measurable.

How often should a Joint Business Plan be reviewed?

In practice, quarterly joint reviews have proven effective, supplemented by an annual fundamental revision. For critical projects or bottleneck situations, shorter cycles may make sense. What matters is that both parties use the reviews as binding steering instruments.

Is a Joint Business Plan legally binding?

The JBP itself is generally a strategic target agreement without immediate contractual effect. Binding elements such as purchase guarantees, investment commitments or bonus arrangements should be governed in separate contracts. Competition and liability law issues require legal review on a case-by-case basis.

How does a JBP differ from a supplier development plan?

A supplier development plan focuses on improving a supplier's performance and quality, usually initiated by procurement. The JBP is broader in scope and covers jointly planned business, cost, innovation and sustainability topics on an equal footing. It is therefore the more strategic and mutually binding instrument.