Making Your Business Plan A Real One By Establishing Milestones

** Dr. K. Kasinath Sastry*
*** Dilip H.R.*

WHAT IS A MILESTONE?

In a layman's term, we can say that milestones are the reference points of significance. They are also the time-bound target oriented decisions taken at the beginning of the financial year. If you are building a house, the first milestone might be drawing a blueprint. This allows you to progress on to the next step, which might be laying the foundation.

Milestones are *points* or *deliverables* in your plan that help you to know that you are making progress and are moving in the right direction. Otherwise, without them, you really don't know if things are happening the way they're supposed to. In general, a *'milestone'* refers to a level of completion of a task. In business, you could divide a task into steps, and completing each step would be a milestone. The Milestones should be one of the most important sections of the entire business plan.

Let us consider the marketing and sales-related program; the plan should be listed in the table and explained in the accompanying text, along with relevant details. Let us say that, you want to cement your sales strategy with programs that make it real. How is this strategy to be implemented? Do you have concrete and specific plans? How will implementation and success be measured?

Put some thinking into your plan and management by listing specific actions to be taken for the above questions. Then each action becomes a milestone. This is where a business plan becomes a real plan, with specific and measurable activities, instead of just a document. For the organizational motivation and development, establishment of the milestones is necessary. Once the milestones are established, the management and the employees will know about the goal that has to be attained. In fact, vision and mission of the organization also indicate in one way, a milestone the company has to reach. Missions and visions are useless if they can't be put into action. Hence, much care has to be taken while establishing the mission and vision. The mission and vision established should be attainable for an organization. Mission is the written expression of the goal to be reached by any individual or an organization. Earlier, mission statements were mere statements, and much attention was not given to them. They gathered dust in the shelves and were symbolic. However, now, things have changed. Now, the mission statement of the organization's culture gives life to the mission and makes the organization to achieve its goal. Organizational competitiveness depends on its past effectiveness in carrying out its operations against its goals. This effectiveness or the performance of the organization in moving towards the mission can be effectively measured in terms of milestones.

For example: Scoring 12000 runs in international test cricket was a mile stone in the cricket career of Rahul Dravid.

In the same way, number of employees working for Infosys exceeded 100000 in the year 2009, which was a big milestone for Infosys.

These milestones are used to show or establish the supremacy or achievement of an organization or an individual. These milestones may indicate the supremacy of one, but they do not reflect upon the performance of a company. For example, Rahul Dravid might have scored 12000 runs and achieved a level, but it will not say about or show his performance. In fact, many other players have already scored the same score in less number of test matches played by them.

The concept of milestones can be effectively used for a business model also; estimates and the actual over a common period are compared to know where the company stands. Furthermore, milestones can be used to set targets, so the organization or individual should aim at achieving that target. Developing milestones for a business has now become a crucial and important strategy for any organization. The challenge is how to develop the milestones for the business.

* *Director,* Shridevi Institute of Management Studies, Sira Road, Tumkur - 572106, Karnataka.
E-mail: kasinathshastry@gmail.com
** *Lecturer,* Shridevi Institute of Management Studies, Sira Road, Tumkur - 572106, Karnataka. E-mail: diliprajhr@gmail.com

Because developing milestones is nothing but fixing the targets for each activity of each department of the organization.

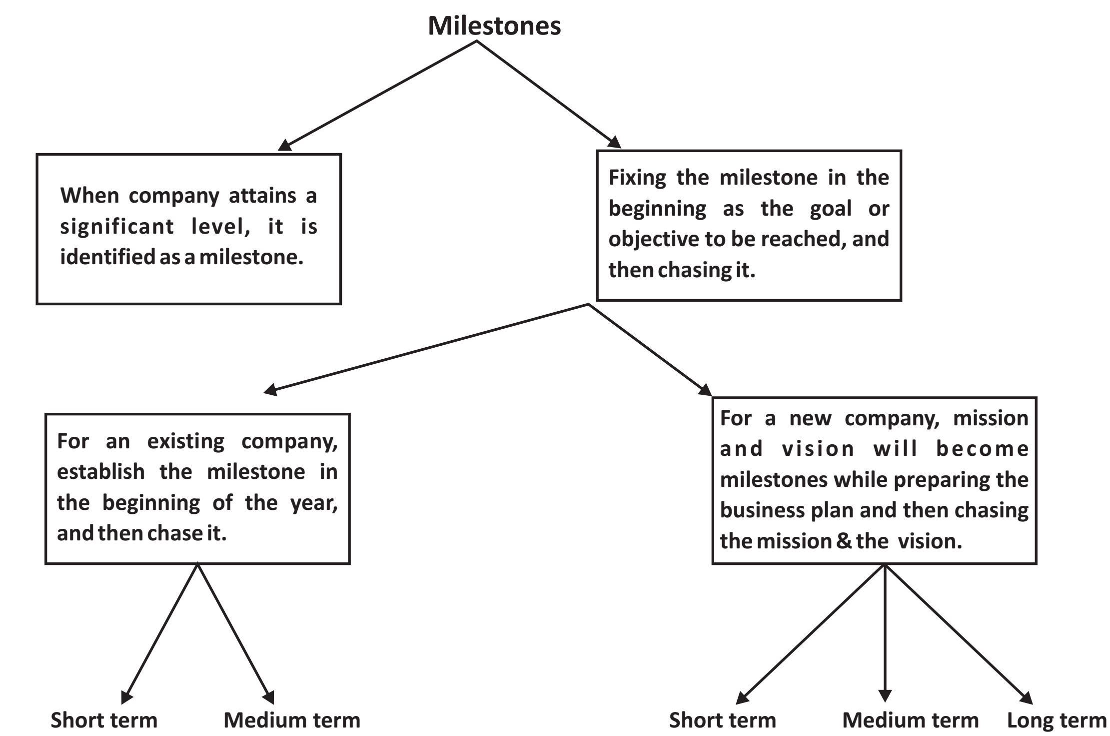
Fixing the targets is based on the forecasts in terms of the number of units of the products to be produced or expected sales revenue for the coming year. Since there will be a difference between the actual and the forecasted values, the milestone values play a very important role in the overall performance of the organization. If the milestones are under fixed or over fixed, the organization will suffer. If the milestones are under fixed, then the resources are underutilized and hence, the cost of production may increase and if the milestones are over fixed, the company may not be able to reach the milestone, due to which the company will suffer. Hence, fixing of the milestones has become crucial for companies.

The significance of milestones came into being only after Liberalization, Privatization & Globalization (LPG). The importance of milestones can be analyzed during the three periods namely pre - independence, after independence but before the LPG, and after the LPG period.

During the pre - independence period, the manufacturing processes and businesses were very much limited and agriculture was the primary sector of significance in India. Hence, there was no necessity for fixing the milestones. After independence and before LPG, very few industries existed in India, with very few competitors, and a highly protected market existed in India. Hence, the importance of milestones was never felt. However, many companies, when they reached their specific target, announced that they had reached a milestone. For ex: In 1952, at the request of Pandit Jawaharlal Nehru, the Tata group started manufacturing cosmetics in India with the brand-name - Lakme. This was later sold to Hindustan Lever. So, the Tata group announced that their company had reached a milestone of entering into the cosmetic industry in 1952. The period after LPG (1991) is of great significance for our country. During this period, many MNCs entered into the Indian market. Hence, the Indian businesses started feeling the heat of competition from inside and from outside. In this situation, good planning and spot decision making became very important not only to survive, but also to be in the forefront. So, setting a target and achieving it became crucial for any organization. In this era, the act of establishing milestones took its birth.

When the investors are assessing the viability of a business venture and investment opportunity, they want to see a

Figure 1 : Categorization Of Milestones



clearly outlined plan for the direction and growth of a company. They want this presented in terms of milestones that clearly outline and mark each phase of the company's growth. Milestones can be categorized by the way in which they are considered. The Figure 1 explains the categorization of milestones. In the first case, the milestones are not established and there is no time bound on the activities of the organization. Here, the milestones are only identified when the company reached a significant level. For example, when Infosys opened its subsidiary in Latin America in 2007, they called it a milestone, again in 2009, when its workforce reached more than 100,000, they claimed it to be a milestone.

In the second case, the milestones are established in the form of goals or objectives of the company. Here, the milestones or objectives of the company are time bound. Under this case, we can again categorize milestones under two sub categories as- for an existing company and for a new company. If it is an existing company, the targets or the milestones for the coming year are fixed based on the past performance of the company. Here, the milestone will be fixed for a short-term or medium term . For example, the existing company may fix a target of sales revenue of ₹ 50 crore for the coming year. This sales revenue will become the short term milestone for the company. In the same way, the expansion in the capacity of a company may become a medium term milestone.

In case of a new company, the mission and vision statements may become the milestones of the company, as the mission and vision are the written expressions of the long-term goals of an organization. For example, establishing the company branch at a different location within a time period will become the long term milestone.

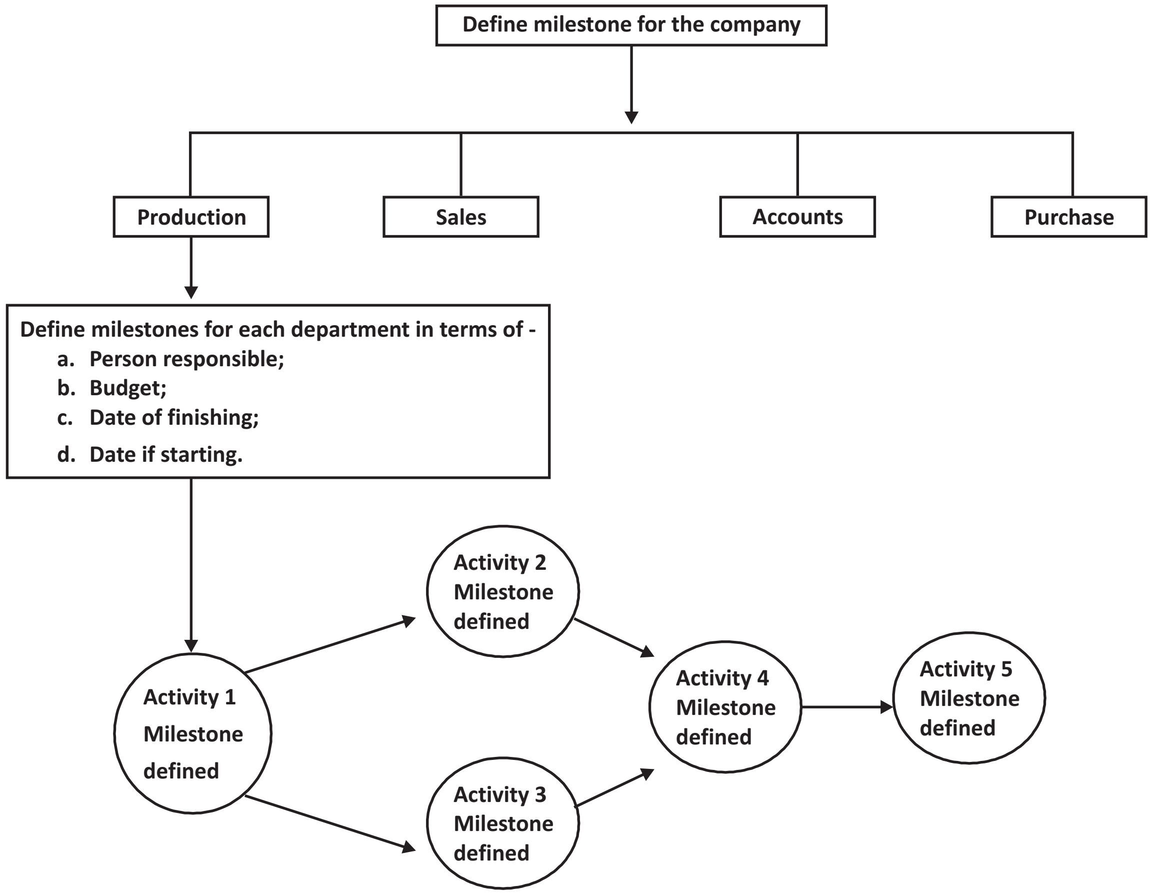
Let us explain how the targets fixed by the company are considered to be the milestones.

For example, let us assume that a task is to be started on 1/1/12 and should be over before 1/4/12. Then, this period of completing the task becomes the time period milestone for the company. In other words, it says that the task should be over before 1/4/12 after starting it on 1/1/12.Let us say an estimated budget for a particular task is fixed ₹ 3500000 for the year 2012 as an investment. Then, this amount will become the cost milestone for the company. So, the milestone chart for each activity of each dept. is established before starting of the production. Extra care should be taken while establishing these milestones, because over or under estimation of a parameter of an activity may affect the performance of the company. For example: if a budget of ₹ 50 lakhs is fixed for an activity as a milestone, and if the actual expenditure comes to only ₹ 30 lakhs, then the company is paying extra money, reversely, if the milestone is fixed at ₹ 30 lakhs, and actual expenditure comes to about ₹ 50 lakhs , then also the production may get affected. However, the estimate ought to deviate from the actual, and this difference should be very small. Monitoring or required corrections are made as and when it is required during the process of production . The process of continuous monitoring is carried out to see that the economy is attained in the use of resources for completing the activities of a project. For the development milestones of a company, it is very much necessary that the milestones of each dept., and each activity are to be established. The milestones of the activities of a department are integrated to have the milestone of the particular Department. Similarly, the integration of the milestones of different departments will lead to the milestone of the organization. This is clearly shown in the Figure 2. Now, each department will have a set of activities to be carried out on a timely basis. These set of activities of a dept., when integrated with each other form a project. The Critical Path Method chart is prepared and Early Start Time (EST), Late Start Time (LST), Early Finish Time (EFT) and Late Finish Time (LFT) for each activity is calculated. These data will give the crucial information for each activity to be finished, so as to reach the milestone of a department. The same procedure is carried out for other departments also, and then the milestones of each department are consolidated to get the *milestone* or the *target* of the organization.

Let us consider a manufacturing concern for developing the milestones for a business. Usually, a manufacturing concern consists of the following important departments :

- Purchase;
- Materials;
- Production;
- Sales and marketing;
- Human resource;
- Finance

Figure 2 : Procedure For Fixing The Milestones Of A Company



To start with, the company has to fix the milestones for the company as a whole, in terms of usually the annual sales and the profits based on the previous year's performance, and the predictions by the sales and marketing department. Then, the overall milestone for each department is established based on the milestone of the company. The milestones for the production dept will be expressed in terms of the expected production of the number of units of the job per annum. In the same way, the sales dept. has to fix this target in terms of expected sales based on the environment and the previous year sales. Like this, the target for each department is fixed.

After this, the targets for each dept. are sent to all the different departments to develop their individual milestones. The production department then develops its milestones in terms of quantities of material requirement, their due dates of supply etc. The Human Resource department now gets the information about the workforce requirements from other departments. Based on these requirements, the H/R department prepares their requirement - the milestones in terms of the workforce requirements for the HR dept. The purchase department will prepare its milestones of material requirement and procurement due date, after looking into the materials available in the stores. The finance/accounts department prepares the milestones for the amount of finance required, and when it is required and at what stage it is required. The fixing of the milestones for the accounts department plays a very important and crucial role, as an error in fixing the milestone will affect the functioning of all the other departments of the company. So, utmost care has to be taken while fixing the milestones for the finance/accounts department. The sales and the marketing department will fix their milestones after getting the relevant information from the production department. The milestones for the marketing department will begin in terms of how much to sell, when to sell, and at what price to sell. These milestones serve as reference levels for each department of the company for the company to reach its goal.

A sample of milestones is presented in the Table 1. By using this milestone table, we can identify exactly where the problem lies, who is responsible for the same, and how much variations are there etc. After knowing this, corrective measures are taken to see that the actual values come nearer to the estimated value.

Table 1 : Sample of Milestones

Milestone	Manager	Planned Date	Department	Budget ₹	Actual Date	Actual Cost	Date Variance	Budget Variance
Advertising	Ram	16/02/11	Marketing	115,000	06/03/11	100,000	+18	+15,000
Delivery vans	Shrinevas	25/01/11	Service	12,500	26/02/11	nil	+32	+12,500
Business plan review	Jakson	10/01/11	GM	nil	23/01/11	500	+13	+500
Production of 100 units	Raju	02/02/11	Production	100,000	31/01/11	99,000	-2	-1000

The difference between the milestone value and the actual value should be very small and if the difference is significant, it indicates that something has gone wrong.

1. If this value is positive, then the reasons may be any one or the combination of the following reasons.

a. The target fixed itself may be infeasible or very high.

b. It may be due to the failure in the performance.

c. The company might have underutilized its resources.

2. If this difference is negative, then it indicates that the actual is more than the estimated or (milestone value). The reason for this may be

a. The milestone fixed itself is very low.

b. The company has over utilized its resources.

c. May be combination of these two.

To conclude, establishing the milestones is a very important and critical function for any organization, and it has to be fixed with utmost care. Hence, by establishing the milestones, we will be able to clearly identify the organization performance and identify where exactly the problem is, if there is any. Establishing the milestone is not only an important function of the organization, it also becomes critical in the assessment of the performance of individuals or activities of the organization.

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