“VALUE OF INNOVATION IN A COMPANY”
Case of Bajaj Auto Ltd

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ABSTRACT

An Innovative company can apply new thinking faster than its competitors or surprise its customers by offering products that makes the customers first realize its need and then consume it. There are substantial evidence stating the positive impact of innovation in the automotive industry; however, corresponding research is lacking on the two-wheeler industry which is growing at a healthy pace. The main purpose of this thesis is to explore the role of innovation in a two-wheeler company and to analyse its influence in the growth of such companies. Two research questions are addressed: What role does innovation play in the firms' product portfolio management? Does innovation lead to increased sales and market share for a company?

The thesis is based on a case study of Bajaj Auto Ltd (BAL). Starting with a focus on the theme and motives involved in marketing of its products, the study revolves around the trends of innovation in the core business and its contribution to BAL’s success. Central to this report is the innovative ways employed by BAL to maintain a balanced portfolio followed by the comparison of the BAL’s sales growth with the Indian two-wheeler industry over the years and also the increase in market share of BAL in the same period. The descriptive part of “Bajaj Auto Ltd” is based on interviews via e-mail with management staffs and employees plus revenue data of the company. In addition the analysis builds upon secondary data from various sources of references like, journals, news paper reports, internet and articles.

The results from the case company have been used together with a theoretical framework to explain the empirical patterns. From just taking a cue from the market trend to fine tuning a product’s operational efficiency, Bajaj Auto was not only able to sustain in the market but is able to compete with the leader in the two-wheeler segment in India. The world had a lot of offer and Bajaj gladly grabbed the opportunity by precisely managing innovation in all its business activities. Being intuitive and proactive in understanding the changing needs of the market has made this possible for BAL. Conclusively, the findings suggest that Innovation is proving to be a critical entity in a business firm and managing it effectively certainly favours the company in leaping ahead in times of competition.
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1. INTRODUCTION

1.1. BACKGROUND:

The rapid movement of businesses all over the globe is truly an emblem of unprecedented growth of globalization. BUSINESS IS CHANGING after the expansive thinking of the late 1990s; and most companies find themselves in a spot of bother following global competition. Economic studies during recent times have concluded that technology innovation contributes nearly half of the nation’s productivity, economic growth and standard of living. In the mid-nineties, the Royal Dutch/Shell Group of companies went through an organisational change based on a fundamental reorientation of its business process. It was seen as a major innovative effort. Since then, the importance of innovation is more spoken about in the business environment than before and all firms are showing increased attention to Innovation as it is seen as the only sustainable competitive advantage which gives companies increased capability to cope with change (Clegg, B., 1999). Top management of many companies believe in this; the chairman of Ford Motors, William Ford Jr., said, “from this point onward, innovation will be the compass by which the company sets its direction” and that Ford “will adopt innovation as its core business strategy going forward”. The same thoughts are showered by CEO of GE, Jeffrey Immelt and CEO of Microsoft Corporation, Steve Ballmer, who believe Innovation is imperative and is the key element in companies’ success in future. However, there is a misconception of Innovation being synonymous to only new product development or inventing something new. Many companies with this false view have tasted failure more often than not (Clegg, B., 1999). Innovation is rather a new way of doing things, which can be significant changes in products, processes or services; which eventually brings new value to customers (Morris, 2008). Echoing this was Nicholas M. Donfrio, Senior VP of IBM Corp. “It is rarely the invention itself that creates revolution; it is the pervasive application of invention that makes the difference”. Innovation creates options for business thus creating a value proposition to customers and when this doesn’t happen, innovation cannot be claimed to exist at all (Verloop, j., 2004).

1.2. SCOPE FOR THE STUDY:

In this study, Automobile industry is the major interest since it is presently one of the largest industries in global market. Being the leader in product and process technologies in the manufacturing sector, it has been recognised as one of the drivers of economic growth. Innovation proves to be the leveraging factor for firms competing in this intense environment, to differentiate product attributes and features, what with
the markets flooded with various models and firms looking to build an USP. This helps a company sustain its market by catering to wide range of demand through creative products and services so as to stay ahead in market. Several studies have been made on this front support this. “Advancements in science and technology are drivers of the future of automotive industry,” (John Clor, 2010). Improvements to the internal combustion engine still have an important role to play in reducing transportation energy needs as many automakers are incorporating new technologies into their current and future designs to ensure high efficiency automobiles by improving fuel mileage, which not only holds good for cars but also two wheelers. The two wheeler segment has played an important role in giving a push to the Indian automobile industry and if the sales and exports are by any means indicators of growth, it becomes evident of the growing importance that the two-wheeler industry enjoys in India’s manufacturing economy. Supporting this was the findings from a report, ”Indian Automobile Sector - A Booming Market”, which projected the dominance of two-wheeler industry in the Indian automobile market. It was found that India’s large middle class population, growing earning power, strong technological capability, economic growth, improving road infrastructure coupled with better financing options as the reasons for the rapid growth in two-wheeler segment sector which has brought in many foreign investments and tie-ups. In addition to these, the need for personal transportation owing to increasing urbanisation has also been driving the growth and development of this segment. This makes who-wheelers the most sought after vehicles since it is affordable by most of the segment unlike cars. According to that study, the presence of passenger car was only around 11 per 1,000 people in 2008 as against 66 per 1000 for two-wheelers\(^1\) which was at 47 per 1000 in 2004\(^2\). Studies also show that the production of two wheelers in India is expected to reach a staggering 17.85 million units by 2011-12, more than double of the current production level\(^3\).

Going by these, it is clear that the two-wheeler industry acts as a major catalyst in the Indian Automobile Industry. Hence, we strive to focus on the importance of managing innovations in two-wheeler industry since there is relatively less exposure on this rapidly growing segment. A case company is considered for the same and efforts are made to find out the innovative methods employed by the company in its business activities. The study also throws light on the role of innovation on success of certain companies so as to find the significant relationship between managing innovation and a company’s success.

This study primarily revolves around a case of Bajaj Auto Ltd. This Indian company was chosen for the study since it is the fourth largest two wheeler manufacturers in the world and the second in terms of market share in India. The innovative measures are taken by the company in all its business processes to take a leap into success and stay ahead in the market. Innovation is a complex process and needs to be managed so as to exploit its potential and take an edge in competition. Here, managing innovation takes front, as innovation has to be more effective and the process of innovation becomes more complex (Davis, T. and Milton, F., 2000). The paper is organised as follows; Overview of Bajaj Auto Ltd and a theoretical framework of innovation management and certain specific innovation tools and models. A glance on the positive effect of innovation on certain companies is then addressed, followed by the innovative moves made by BAL on each of its business processes. And finally, a correlation analysis of Innovation with Sales growth and market share is done to propose results.

1.2.1. THEORY GAP:

Several studies have been made on the importance of managing innovation and about its role in a company’s success. Most of these studies have been based on manufacturing industry and particularly automobiles i.e. four-wheelers involving giants like GM, Toyota Motors and so on. Automobile industry is presently one of the largest industries in global market. The two wheeler segment has played an important role in giving a push to the Indian automobile industry. The presence of passenger car was only around 11 per 1,000 people in 2008 as against 66 per 1000 for two-wheelers. Studies also show that the production of two wheelers in India is expected to reach a staggering 17.85 million units by 2011-12, more than double of the current production level. These findings make a study in two-wheeler industry an interesting one also with the fact that there are only a less number of studies based on two-wheeler industry.

The second important aspect which brings interest for this study is the uniqueness in the way portfolio management is handled in different companies and how innovation can be leveraged in this. The key to any Ideal Product development for a company lies in the inclusion of customer value dimension in their portfolio management (Sheila Mello, Ronald Lasser, Wayne Mackey & Richard Tait 2006). Results from “The Product Innovation Agenda Benchmark Report” claims that balancing the product development pipeline with development capacity as one of the top priorities in companies for success. The report also revealed that many of the problems that plague new product development initiatives in businesses can be directly traced to ineffective portfolio management (AberdeenGroup- the Product Innovation Agenda Benchmark
The failure was mainly due to companies reacting to customer demands while developing new products than being proactive and driving the market (Sheila Mello, Ronald Lasser, Wayne Mackey & Richard Tait 2006). This explicitly confirms the importance of Product Portfolio Management and hence efforts are made to bridge this gap by considering a case company (Morris, L., 2008). Bajaj Auto Ltd is considered because it is presently the fourth largest two wheeler manufacturers in the world and the second in terms of market share in India. With its creative business strategies and positioning, the company has been doing innovations excellently well in all its business activities and is in forefront in recent years giving the leader, Hero Honda Motors Ltd a run for all its money.

1.3. PURPOSE:

The aim of this study is to explore the role of innovation in Indian two-wheeler companies and to analyse its influence in the growth of such companies.

Research questions:

1. What role does innovation play in firms’ product portfolio management?
2. Does Innovation lead to increased sales and market share for a company?

1.4. METHODOLOGY:

The study is based on descriptive research with a proposed case on “Bajaj Auto Ltd” and explanatory building of secondary data from various sources of references. Exploratory research is used to know the projects and activities in Bajaj Auto Ltd through informal interviews via e-mail with management staffs and employees, and to source revenue data of the company. Results from the case company have been used together with a theoretical framework to explain empirical patterns.

For this research reliable, legitimate and authenticated primary sources of data are used upon collecting from the company through interviews with three staffs, two from the factory floor, Mr. Selvakumar, Production and Quality Assurance Supervisor & Mr. Ravishankar, Floor Manager and one from the management division, Mr. Ramachandran, Sales Head, South Chennai. Secondary sources of data from internet, journals and newspaper reports & articles have also been used in this study. The information on the business processes and product portfolio management was collected by different resources of the company and to understand the business functions as well. The senior trainer Mr. Vinoth Reddy was the one who made things clear in portfolio management front by providing insights of the company’s strategy and the innovative measures taken by the company in that department. These are used for interpretation
and arrive on analysis supported by the primary data. Secondary sources based on other studies might not have a direct physical relationship to the event being studied presently.

The study has utmost validity, based on the true data used and exact generalizations made through correlation of theoretical framework and the findings. The quality of data sourced from the company and relevant Research publications gain genuinely reflects the influence of the area under study. The results generalized from research will be proposed as outcome provided for external validity.

Reliability deals with the concern that study can be repeated with same outcomes and findings (Yin, 2003). In this study, it was possible to carry forward few findings made on automobiles and two-wheelers previously made and efforts were made to maintain reliable data throughout the report.

Although a high degree of validity and reliability prevails in this study, there is bound to be few limitations which are beyond the control of the researchers. The interviews with the company staffs were not a personal face-to-face interview, rather informal ones taken via mail. Hence, the response might not be credible at all levels. The study response could have been more concrete had the interviewees been with a higher cadre or staffs high up in the hierarchy than the actual interviewees who were part of middle and lower level in the hierarchy.

1.5. LIMITATIONS:

The study cannot claim to be exhaustive since the study involves only one company to find out the impact of innovation which need not necessarily represent the whole two-wheeler industry. Furthermore, focus has only been made on two key performance indicators that suggest obvious success of a company through means of innovation. However, Value of innovation is not limited to these alone, it has several attributes. Product portfolio management is becoming one of the most vital department in companies and hence, studies considering Portfolio Management of a few more similar companies can be done in the future to arrive at a more authoritative conclusion.

Terms used: Innovation, Portfolio management, market share, performance segment, networking

Abbreviations used: BAL- Bajaj Auto Ltd, OEM- Original equipment Manufacturers, DTSi- Digital Twin Spark Ignition, DTS-fi – fuel injection
2. THEORETICAL OVERVIEW

2.1. INNOVATION MANAGEMENT:

(Drucker’s, P. F., 1985), the guru of business strategy, describes innovation as "the specific instrument of entrepreneurship, the act that endows resources with a new capacity to create wealth" (Drucker’s, P. F., 1985). Generally spoken Innovation is to be defined as the successful implementation of a creation (Hewnks and Ross, 1992). Innovation Management is the discipline of managing processes in innovation. Managing innovation is very essential as it not only serves the R & D of an organisation to be efficient but also helps in developing both products and organizational innovation. The focus of innovation management is to allow organizations to respond to external or internal opportunity, and use its creative efforts to introduce new ideas, processes or products. Business innovation can be seen as the creation of substantial new value for customers and the firm by creatively changing one or more dimensions of the business system.

According to Bessant, J., and Joe Tidd, Innovation is seen as a process of turning ideas into reality (Bessant, J., 1999). It was deduced from the linear model and compared to the pervious definition that innovation is more systematic and reasonable. Three stages comprise this process which are generating new ideas, selecting the optimum ones and finally, implementing them.

![Fig: Flow of Innovation](Source: Apax Forum, 2006)
There are a range of levels of innovations a company can carry out along its business process. As can be seen from the matrix below, it ranges from incremental to radical change and from competent level to system level each of which requires unique set of skills and leverage. And for any company to succeed it should find itself moving further up in the grids.

- Derivative: Incremental changes to existing products. Needs relatively less resources.
- Breakthrough: Major changes to create entirely new product. Needs significant resources.
- Alliances and partnerships: Associations with other firms to exploit certain leverage (Wheelwright, S. C., 2003).

2.1.1 INNOVATION ADOPTION CURVE:

“Roger’s Diffusion of Innovations Theory” (Joe M. Bohlen, George M. Beal and Everett M. Rogers) which is otherwise termed as “Roger’s Innovation Adoption curve” classifies adopters of innovation into various categories as can be seen in the picture below. Each segment denotes the verge of innovation by the companies as Innovators, Early Adopters, Early Majority, Late Majority and Laggards respectively.

Roger’s categories are:

- Innovators (2.5 %)
- Early Adopters (13.5 %)
• Early Majority (34 %)
• Late Majority (34 %)
• Laggards (16 %)

As obvious there very less firms which fall into the first two segments which requires innovation at every step of the business process to try out new ideas. "The concept of adopter categories is important because it shows that all innovations go through a natural, predictable, and sometimes lengthy process before becoming widely adopted within a population" (Surry, D.W. and Ely, P.D., 2001)

2.2.1. 4-P MODEL OF INNOVATION:

4Ps model is defined by Bess. J in order to classify the innovation forms. 4Ps represent product innovation, process innovation, position innovation and paradigm innovation. These four aspects had been formulated for innovation space. Innovation can take place along all aspects of a business and process innovation is changed in many ways in which things are created and delivered. Product innovation concerns the change of what is offered by the company while Position innovation can take place by the repositioning of the company in the context. And, changes in Paradigm innovation can be triggered by many different things and concerns the underlying mental models which constitute what the company does.

Fig: 4P Model of Innovation
A more detailed picture of Innovation dimensions can be studied with Innovation Radar which constitutes 12 dimensions of innovation (Sawhney, M., 2006). It is more of a 360 degree tool that describes the innovative capability of a company. The innovation radar displays the 12 dimensions of business innovation, ranging across the offerings companies create, the segment the serve, the processes it employs and the point of presence for the business. This radar presents the dimensions through which a company can innovate.

Fig: Innovation Radar – 360 degree view

2.2. THE INNOVATION FACTOR:

In these days, the chances of any firm surviving and being successful is becoming ever more dependent on innovation (Felix. J. Hewnks, 1998). Emphasis has to be made on innovation within the firm so as to strengthen the firm and to pass through the stage of growth. For this to happen, the management needs to be oriented towards and actively pursue change (Davidson, 1989). In a 2005 study survey by Cisco Innovation, business and information technology leaders cite innovation as the most critical factor in a company’s success. 53% of the 635 respondents surveyed by the independent research firm Momentum Research Group said that innovation has the
greatest impact on competitiveness. Cutting-edge technologies are clearly on the radar screen of business and technology leaders and this certainly indicates the emerging realization of innovation on the future competitiveness of businesses. Not just for growth, innovation has become a tool as much necessary for mere survival, especially during the extant slowdown (Kaushik, M., 2009).

"We believe that P&G is designed to grow in good times and challenging times, alike. We have a proven track record in leading industry innovation and we have a long heritage of disciplined productivity improvement," A.G. Lafley, P&G chairman and chief executive officer, was quoted as saying in a New York Conference, 2008 when asked about P&G’ success. "This is important because innovation and productivity are the key drivers of profitable organic sales growth", he added. Great Plains Manufacturing, Inc., U.S.A, contributed the company’s recent success to product innovations as well. Such has been the significance of innovation in General Electric’s success, that GE has a long and rich tradition of innovation through its research initiatives and allocates substantial funding to its R&D programs.

HP stresses on one aspect, about discovering new ideas and new ways to achieve desirable outcomes. The company has a consistent and connected global approach to delivering Innovation and has excelled on it for years now. This happens to be the USP for HP over its competitors when sustaining growth in the market. Over the years, HP has successfully brought new ideas and new ways of doing things to thousands of its clients across the industry. Suparno Banerjee, Vice President, Global Government Industry, HP, says “there’s a perfect storm driving transformation in government today and innovation is key. While each of our clients has unique challenges, we look at the innovative approaches we’ve successfully implemented in one area and see if we can leverage that innovation to help another client quickly meet their current challenge”. Speed and organizational agility is increasingly vital to the auto industry, since electronics now make up some 20% of a car’s value and that level is rising. This prompted a whole new dimension to BMW models where 90% of the innovations are electronics-driven. Now automakers must ram innovation into high gear to avoid being overtaken by the competition. “Knowing the customers well and creating an experimental environment to foster creative ideas has been the core area of BMW’s success.

5 Gail Edmondson, The Secret of BMW’s Success, http://www.businessweek.com/magazine/content/06_42/b4005078.htm, 201-05-26
People talk about innovation in products, but what's underestimated is innovation in processes and organization," says Ernst Baumann, head of personnel at BMW.

2.2.1. INNOVATION - NOT JUST PRODUCT OR TECHNOLOGICAL INNOVATION:

Not only product innovation is important for success but also process innovation to maintain a flexible and durable organisation to account for a sufficient market share (Felix. J. Hewnks, 1998). NeXT Cube, a technologically sound product with innovative features, developed by Steve Jobs’ NeXT Computers was a failure as there was a problem for customers finding compatible software in the market and more so it meant complication with advancements when customers needed customer-friendly computers (Sawhney, M., 2006). Innovation is just a conception of new idea which can be exploited to succeed in a firm (West and Farr, 1990). Innovation need not be major R&D breakthroughs as suggested by Dell Computers and Star Bucks Coffee. Dell Inc. became the most successful computers manufacturers because of makings PCs easier to use and also having a “Quick to Market” concept. Time to market for a new product is more important than anything as today’s innovation may become a legacy tomorrow. Dell was able to innovate its business process by introducing JIT and direct selling. On the other hand Star Bucks didn’t actually come up with a better tasting coffee but was able to create a whole new customer experience by bringing a communal place which enabled people take time off from work and home and connect with friends. Also, Honda’s rollout of 1998 Accord refers to the speed of new product line conversions which goes as creativity in process (Ettlie, J.E., 2006).

2.2.2. INNOVATION AND COMPANY SUCCESS - THE LINK:

Various researches and studies are being done to find the extent to which a company’s success is relied on Innovation it carries out. Innovation has become an inevitable component in business economy nowadays with globalisation making the world into a small village flooded with competition and drastically changing consumer needs (Lars Lofqvist, 2010). Any company which has been serving its market well over years with standard products are facing problems of sustaining in the market, thanks to heavy competition and the high expectations of consumers (Davis, T. and Milton, F., 2000). Adding to this woe is the concept of product saturation and the inability of these companies to cope up to changing demands of the market which is one of the most critical tasks for today’s firms (Whitefield, C., 2003). As we have already discussed in the previous sections, it need not only be product innovation that leads a company to success. It can be innovative thinking of business processes which is obvious from the case of Toyota Motors. 2008 witnessed what was one of the most remarkable
achievements in automobile industry history with Toyota Motors selling more cars than General Motors for the first time ever.

For over 75 years, GM has been able to sell more cars annually than any other company in the world while Toyota had the tag of being industry’s most profitable and innovative firm and all of a sudden it appeared likely to become the industry’s leader too. One can claim that calling Toyota as an innovative firm might sound odd but still, it is only because it is not the product innovation that they relied on which is far too narrow when approaching innovation. Toyota’s innovations, by contrast, have focussed on process rather than on product, on the factory floor rather than on the showroom. But it hasn’t made them any less powerful with a tangible evidence of giving GM a run for their money in the first quarter of 2008 by leading on sales. At the core of the company’s success is the Toyota Production System – lean manufacturing which cannot be seen as an example of high technological innovation, yet it was instrumental in the company’s success.

A Toyota engineer, Taiichi Ohno turned necessity into virtue, coming up with a system to get as much as possible out of every part, every machine, and every worker. The principles were simple, even obvious—do away with waste, have parts arrive precisely when workers need them, fix problems as soon as they arise. And they weren’t even entirely new - Ohno himself cited Henry Ford and American supermarkets as inspirations. Any creative idea is not just worth left on paper, it has to be put into practice to extract full value out of it. This is what Toyota has done, better than any other manufacturing company, turn principle into practice. A lot more inventions were brought upon in Toyota production system which were simple but proved to be mighty effective. “Andon cord” meant any worker can stop the assembly line if he notices a problem, “Kanban” allowed workers to signal when new parts are needed. In other cases, it has done so by reorganizing factory floors and workspaces in order to allow for a freer and easier flow of parts and products. Most innovation focuses on what gets made. Toyota reinvented how things got made, which enabled it to build cars faster and with less labour than American companies. Soon after, Toyota’s concepts were evident in almost all the companies and it meant it has had a real effect; the auto industry as a whole is far more productive than it used to be. Even in the brim of this commonality within firms, Toyota has been able to stay ahead in the market mainly because of the distinctive element of Toyota to approach innovation as an incremental process similar to Kaizen, continuous improvements.

\[6,7,8\] Richard Florida, Does Corporate Nationality Matter?, http://www.creativeclass.com/creative_class/tag/toyota/, 2010-05-23
Another major reason for the company’s success can be comprehended from the top management’s views of rejecting the idea that innovation is the province of an elect few; instead, it is taken to be an everyday task for which everyone is responsible.

According to Matthew E. May, the author of a book about Toyota called “The Elegant Solution,” Toyota implements a million new ideas a year, and most of them come from ordinary workers. Most of these ideas are small; though not all of them work they are easier to reach. But cumulatively, every day, Toyota knows a little more, and does things a little better, than it did the day before.

2.3. PRODUCT PORTFOLIO MANAGEMENT:

Portfolio management is about allocation of resources to achieve corporate product innovation objectives. An estimated 50% of a firm’s current sales come from new products introduced in the market within the previous five years. It is a dynamic decision process wherein a list of active products needs to give way for new products to maintain a balance in the company’s offerings based on risk-return, value maximisation and so on. R&D projects are constantly revised in this process to select and prioritize new projects based on evaluation. Existing products may be accelerated, killed, or de-prioritized corresponding to the need of the market. Product Portfolio Management is found to be of great interest in recent years and despite its growing popularity, recent benchmarking studies have identified portfolio management as the weakest area in product innovation management hence giving scope for it to be studied.

Source: AberdeenGroup, July 2006

12 James, Surowiecki, The Open Secret of Success, http://www.newyorker.com/talk/financial/2008/05/12/080512ta_talk_surowiecki, 2010-05-23
Portfolio Management is a high impact, high value activity that, when implemented properly and conducted on a regular basis maximizes the return on product innovation investments, helps company maintain the competitive position by achieving balance and focus, forges a link between project selection and business strategy which is seen to be a major interest to most top performing companies. According to benchmarking studies conducted by Dr. Cooper and Dr. Edgett, some of the problems that arise due to the lack of proper portfolio management can be the poor balance between projects and the resource available, the non-sync of projects with the business strategy\textsuperscript{11}. Portfolio Management is about doing the right projects.
3. RESULTS AND FINDINGS

3.1. INDIAN AUTOMOBILE INDUSTRY:

The Indian Automobile industry comprises of commercial vehicles, multi-utility vehicles & passenger cars, two-wheelers and three-wheelers. Since the study is focussed on Bajaj Auto Ltd efforts have been made only to study the trend of two-wheeler industry which has witnessed a spectacular growth trend since the mid-nineties. In recent years, the Indian two-wheeler industry has seen a spectacular growth which has made India the second fastest growing two-wheeler market after China, which posted a 42 per cent growth followed by Germany in third with 23 per cent while the US and several European countries seeing their market shrinking. The demand for two-wheelers has been influenced by a number of factors over the years. The key demand drivers can be seen as the increase in per capita income, increasing number of models with attractive features and fuel efficiency, increase in availability of cheap consumer financing.

Technology transfer to the Indian two-wheeler industry took place mainly through: licensing and technical collaboration as in the case of Bajaj Auto Ltd and few other firms. BAL has technological tie-ups each with Kawasaki Heavy Industries Ltd, Japan and Tokyo R&D Co. Ltd, Japan for production of two-wheelers and with Kubota Corporation, Japan for diesel engines. With the two-wheeler market, especially the motorcycle market, becoming extremely competitive and the life cycle of products getting shorter, the ability to offer new models to meet fast changing customer preferences has become imperative. This has called forth the value of technology while designing new products and technology excellence and innovation has become the most critical element in differentiating companies in the market. This has prompted players to shift their focus on R&D to develop indigenous new models as well as improved technologies to cater to the domestic market. Exports contribute a significant share in the two-wheeler companies which has made the Indian original equipment manufacturers (OEMs) mindful in keeping upgraded technical capabilities so as to cater to the expectations of the international market. These relate to three main areas: fuel economy, environmental compliance, and performance. In any vehicle, the foremost thing a consumer would look for is the fuel efficiency and it obviously becomes an interest area for manufacturers what with the booming environmental concern over pollution contributing to global warming and such phenomenon; manufacturers are also accountable for the environmental compliance. It is not only that the OEMs are increasing their focus on in-house R&D, they also provide support to the vendors to upgrade the technology and also assist them striking technological alliances. Induced by
the rapid growth by the motorcycles segment of late, all the major two-wheeler manufacturers have increased their manufacturing capacities\textsuperscript{13}.

3.1.1. NICHE SEGMENT GROWTH:

Lately, there is an increased desire from customers on models with superior features and styling. Globalisation has its say to this incline since there are now loads of options for customers to choose from. With many international models in the market, the customers are made aware of the key attributes like quality and performance of a product. This has given way to rising expectations on consumers which also serve as a factor for an intense competition among firms. Hence the players have been prompted to launch models with improved attributes at a nominal price which could win them an edge over competition. In an effort to meet the distinct needs of consumers, firms are made to identify changing consumer demands and develop models catering to the same. The so called performance segment with motorcycles of engine capacity over 150cc, has witnessed significant new product launches because of the increasing demand for such products and hence it has become more competitive. The indigenously launched Pulsar 150 had an instant success and ever since there have been many such models launched by every player in the market seeking to capture the growing market\textsuperscript{14}.

These include models such as Bajaj Auto Eliminator, Yahama RZ, Yahama Enticer, Royal Enfield's Thunderbird followed by Hero Honda Karizma. The products in this segment cater to a small market where consumers seek style and performance over economy. Quite a few players are developing models combining features such as higher engine capacity, optimum mix of power and performance, and superior styling. However, the extent of shift to these products would depend on the positioning of such products in terms of price. The growth rate is forecasted to be around 21\% for the industry over the next year which augurs well for the two-heeler firms.

3.2. BAJAJ AUTO LTD:

The Bajaj Group founded in 1926 by Jamnalal Bajaj is amongst the top 10 business houses in India and now consists of 27 companies. Its footprint stretches over a wide range of industries, spanning automobiles (two-wheelers and three-wheelers), home appliances, lighting, iron and steel, insurance, travel and finance. In 1945, Jamnalal Bajaj had formed M/s Bachraj Trading Corporation Private Limited, the flagship company, to sell imported two-wheelers and three-wheelers\textsuperscript{15}.

\textsuperscript{13,\,14} Indian Two-wheeler Industry, http://fadaweb.com/two_wheeler_industry.htm, 2010-05-23
By 1977, the company saw its plant rolling out 100,000 vehicles in a single year. In another nine years, Bajaj Auto could produce 500,000 vehicles in a year. By 1994-95, Bajaj was racing to beat Honda, Suzuki and Kawasaki in the two-wheeler segment internationally. By 1997, Bajaj faced tough competition in the domestic market and its market share stood at 40.5%. Bajaj ventured into new markets and expanded its product portfolio from one brand to many. Bajaj as a brand is well-known across several countries in Latin America, Africa, Middle East, South and South East Asia. With around 500 dealers and over 1,500 authorised service centres Bajaj has a healthy business network which goes with its initiative of opening around 1,400 rural outlets in towns. The current dealer network of Bajaj is serving all these outlets. Bajaj Auto is ranked as the world’s fourth largest two and three-wheeler manufacturer and continues to be India’s largest exporter of two and three wheelers. During 2008-09, the company exported 772,519 two and three-wheelers recording a growth of 25% over the previous year. It has plants in Nigeria, Indonesia and Egypt and is also looking at Manaus, Columbia and Iran. To expand to new geographic locations, where Bajaj perceives a strong market potential, they establish a tie up with major industrial establishments that are eager to invest in the project. These investors who form alliances with Bajaj Auto are termed as “Business Partners”15.

3.2.1. PROJECT INITIATIVES AND ASSOCIATIONS:

With the dynamics in the market, Bajaj has restructured its products, channels and the project management system. The company launched an External Portal Initiative for sales through a project called “Go Live”. This meant that the existing SAP R/3 ERP being upgraded with mySAP Enterprise Portal for enhancing the IT to breed quality information. According to a study by students of Praxis Business School, Bajaj was found to have linked 380 out of its 483 dealers through this system. Also connected were 165 out of a total of 200 suppliers15. All those involved in the supply chain get up-to-date information on purchase orders and contracts, material schedules, and payment details which assist in streamlining the supply chain operation to higher efficiency. The study also brought forth information on BAL’s global delivery of products. The company tries leveraging the existing distribution network of the “business partners” in the country. As part of project “Hunting”, Bajaj Auto had set up assembling units in few of the continental hubs. The logistics for this is outsourced to third party vendors like Maersk Sealand, P&O Nedloyd and APL Saboo, A. and Almal. M., 2009). To aid in this, it creates partnerships with experts in local markets and multinational leaders.

Product Portfolio spans within three segments- entry segment (with Platina), Executive segment (with XCD and Discover) and the premium segment (with Pulsar, Avenger). All required activities and relationship among partners were coherent to the expansion and growth of each of its projects as can be implied from the exploiting of the global delivery system of Bajaj.

3.2.2. TRANSFORMATION PHASES:

The focus of Bajaj Auto Limited has been on providing the best of the class models at competitive prices. BAL has been the pioneer in stretching competition into providing latest features in the price segment by updating the low price bikes with the latest features like disk-brakes, anti-skid technology and dual suspension\(^\text{16}\). Since 2000, Bajaj Auto has gone through couple of overlapping processes of transformation. First, the company was able to create and execute basic processes of change - of the way it looked at products and design, at markets, at engineering and manufacturing and at the organisational to bring about a mind-set change. As a result, BAL has been the frontline player in two-wheelers industry since then. The company was persistently open to creating more exciting and distinctive offerings to its customers as can be interpreted from its motifs which will be discussed in the following parts. Things gave way for the company to go through two processes of transformation. The first was on promotional front and ad campaigns where it brought a completely new dimension to product design, engineering, and mind-set of the market. Moving up further, Bajaj found the mantra of change process in every aspect of its business and even experienced it with its new projects. BAL had “Hamara Bajaj” as its tag line for its geared scooters “Chetak”.

The second transformation was made; where a brand was created that inspired confidence in all of its customers. ‘Inspiring Confidence’ became the theme of Bajaj Auto which in fact yielded great results. Within a short span of three years, several exciting new models were introduced catering to various segments; product innovations came to fore and have been the order it meant Bajaj Auto’s dominance in the premium segment, and also a tough competition for other players even in other segments of the motorcycle market. Then came the next phase of transformation - that of being ‘Distinctly Ahead’. It was so symbolic of Bajaj Auto’s proceedings and offerings as it proposed that products should be distinctly ahead of the competition.

According to one of the top officials from the company, “To be ahead is important; but to be distinctly ahead even more so”. Being innovative in project initiatives was the mantra to this strategy and Bajaj excelled in it. The innovative campaigns of “Distinctly Ahead” took the company’s gross sales from Rs.47.4 billion in 2002-03 to over Rs.106 billion in 2006-07 - a growth of 124 per cent in four years.

3.2.3. PERFORMANCE SEGMENT ENTRY AND INNOVATION:

In early days, it was the fuel efficient and small segment bikes that held the major share of Indian two wheelers market. There wasn’t any hint premium segments until the launch and success of “Hero Honda CBZ” in 1999 which made known the huge demand for performance bikes. No later did Bajaj take the cue and launched the all new variant in premium segment, the “Pulsar” on late 2001. The project has been a success since its launch as it gave a new life into the Performance segment. Although not a pioneer, Pulsar made the performance segment one of the fastest growing segment in the two-wheeler market. With several variants of its Pulsar DTS-i and the Avenger DTS-i, Bajaj Auto has a dominating share (61%) in this segment. Ever since the Pulsar variant was launched, the subsequent years saw up gradations happening with sportier looks. Furthermore, the USP of these models is DTS-I. When normally every bike manufacturers were content with the conventional sparkplug ignition, Bajaj came up with an innovative idea of introducing two sparkplugs in place of one. DTS-I provides efficient fuel combustion and better performance under all conditions, with twin spark plugs and 8 bit microprocessor chip. Two sparkplugs meant more ignitions which in turn resulted in increased combustion thereby reducing the losses on combustion. It was a pilot launch which eventually turned out to be a success.

Further initiatives include new variants like the Pulsar 200 DTS-i and the Pulsar DTS-Fi (fuel injection), which came with more upgrade and was received well in the market. Unique features like projector fixed fairing, clip on handle bars and rear disc brake, diagnostic functions, digital indicators, high rigidity frame and a high performance front and back suspension system makes these models a benchmark for other players. After 4 years of stupendous success with Pulsar 200, Bajaj stopped further productions of it and concentrated more on the Pulsar 220 variants and even brought about Pulsar 135 recently. One more crucial step by the company was in matching the demand of the market, the company has also introduced the Kristal – an

automatic scooter which has many convenience features, along with a very fuel efficient DTS-i engine, the first of its kind in the its segment across the whole Indian market. ‘Distinctly Ahead’ was not a mere caption since BAL believes on the importance of being distinctly ahead. In accordance to this, an initiative in IT was carried out for Just in Time (JIT) supply and inventory which meant make-to-order for certain segments. The whole system which constitutes these vendors is networked by a single LAN, so as to enable effective information flow. The supply is triggered by E-Kanbans, and stock levels are determined by the number of vehicles and engines produced as per the demand. This makes it a vendor-managed-inventory which is more of an outsourcing (only similar and not actual outsourcing) so as to concentrate on core business.

3.2.4. INNOVAION IN PORTFOLIO MANAGEMENT:

Innovation is a collaborative and multidisciplinary activity which is no longer the purview of R&D alone (Vonortas, N. and Milbergs, E., 2004). It extends outside the walls of the company; through customers who have good ideas from experiencing the product, distributors who know the type of value proposition needed to convince customers and all other players along the business chain. Since new product concepts are developed in conjunction with customers, distributors, suppliers, and partners, innovation becomes Open Innovation. Open innovation serves as a vital element in maintaining a balanced and winning portfolio for any company. One of the key issues in managing a balanced product portfolio is the reactive nature of the innovation process, and how and when innovation is introduced into the portfolio (Vonortas, N. and Milbergs, E., 2004). Companies need to mindful of this fact and innovate correspondingly so as to succeed. What separates Bajaj Auto from other companies is the way they maintain a balanced product portfolio which follows a cannibalisation strategy. Cannibalisation is shelving off ones owns product to replace it with another product. While most firms shelf off its products due to two major reasons; One is when the products currently in production fail to meet expected revenue and earnings and secondly when products reach its saturation level and can no longer be continued, BAL believes in fixing the life time of some of its variants by itself thereby shelving off those variants well before the saturation level. In case of the Pulsar variant which has been the back bone of BAL’s success since its launch in 2000, Pulsar 200 catering to a niche market as performance segment bike has recently been shelved off even though it was reaping forecasted profits. This was made to capture part of Pulsar 200’s market and to expand the market of Pulsar 220. Company sources believe that the company is being able to achieve what they desired. To be innovative an organisation must favour interaction, networking, permanent comings and goings, all types of negotiation which
allow for rapid adaptation (Burns & Stalker, 1961; Peters & Austin, 1985) and these are all present with BAL which has made it possible to become an innovative organisation.

In Product Portfolio Management, the first step is to create a product strategy, next is to allocate required resources to the projects and finally assessing the risk-return of each of the projects (Morris, L., 2008). Bajaj involved end-users in its product strategy thereby making the marketing research more affirmative. Costumers were asked to participate in surveys. This brought in more ideas for the company on what the market expects in reality than being conventional. Hence the company was able to use mapping techniques to find out the feasible model for new launch and it proceeded further. The product portfolio can be brought into a balanced flow, with strong and innovative new concepts which is so unique in BAL. In an effort to capture lost market in the entry segment bikes, the company launched 100cc Discover in the second and the 135cc Pulsar in the third quarter of 2010 after shutting down production of Pulsar 200. According to a recent annual press meet, Mr Bajaj, Chairman of BAL is quoted as saying, “We have reinvented our marketing strategy and this has been validated by the growth in market share thanks to the Pulsar and Discover. The key lies in specialisation especially when it means addressing a bigger market”. He is believed to have further added that, the product portfolio is refined to accommodate more space for motorcycles which lets the scooters to make way. On exiting scooter segment, and on the cannibalisation strategy he has said “Sacrifice is a key part of strategy and is essential to its success. Hence, our scooters had to make way for motorcycles”. And furthermore, in order to have a diverse portfolio, the company has positioned each of its variants to particular markets; Discover for the commuter segment and Pulsar for the performance segment. “An effective strategy was finally about strong brand positioning at the front-end while keeping things simpler at the back-end comprising design, manufacturing and development”. This stressed on the competence of the manufacturing facility in possessing commonality in assembly lines and the sheer involvement of lead user while designing the products.

3.3. THE INNOVATION RADAR:

This tool holds a good measure to find out the range of innovations made by BAL. The company’s innovations are correlated against each of the 12 dimensions to see in how many dimensions BAL falls into, when it comes to innovation.

i. OFFERINGS:

BAL has succeeded in bringing new products to the market that is valued by customers. The most innovative and successful offerings from Bajaj happens to the

Pulsar variant which contributes to most of the sales BAL witnesses. It was launched in 2001 as a result of the success of Hero Honda CBZ, a performance bike. Every year saw innovations been made in the Pulsar variant ranging from the body of the bike to the core engine.

- 2003 saw an upgrade featuring newly developed DTSi (Digital Twin Spark Ignition) technology
- 2004 meant Alloy wheels replacing the conventional spike wheels and the head lamp featuring a hood.
- 2005 saw yet another upgrade which came with increased fuel tank capacity, bigger alloy wheels and Nitrox filled rear shock absorbers
- 2006 propelled further upgrades; self-cancelling turn indicators, flush LCD screen, twin-stripe LED tail-light assembly and a whole new look body
- 2007 witnessed Pulsar 220 DTSfi (Digital Twin Spark Fuel Injection)
- The Pulsar went one step ahead and launched a twin variant of Pulsar with the 180 cc model in 2009 with wide tyres and split seats.

ii. PLATFORM:

BAL relies on a common platform i.e. the assembly line for most of its products which helps the company to be economical both in terms of time and cost. Also has a set of common components which includes the DTS-i component of an engine since most of Bajaj Bikes come with this patented technology. Quantitative modifications of the common engine allow the production of engines ranging from 150 cc to 220 cc for Pulsar variants, creating enough distinctiveness between the vehicles while gaining efficiency advantages.

iii. CUSTOMERS:

BAL initially targeted teens around the age of 18-25 for its Pulsar variants but discovered that the bikes performance and efficiency attracted customers beyond that. Hence BAL made some advancement in the features of the bike to expand its target segment from 20-30 years of age. The company recently came up with Bajaj Kristal catering to the young female segment.

iv. PROCESS:

With the dynamics in the market, Bajaj has restructured its products, channels and the project management system. BAL is one among the influential bike manufacturer in the Asian market and since the company has tasted success in the pilot projects in some other parts of the world;
In addition to the uniqueness in Portfolio Management which was discussed in earlier section, the company also believed in Toyota’s way of manufacturing for its Premium segment bikes. All of the variants under the premium segment were Made-to-order, which involves Lean manufacturing and Just-in-Time inventory. This meant that there were optimal utilisation of resources with reduced waste level and an improved demand-supply match. Even though, customers had to wait a little longer for these variants than the usual ones, the lead time was taken care of the healthy distribution network which is catered by both outsourced and exclusive BAL’s logistics services. It normally takes less than a week for the bike to be delivered to the customers which is very much acceptable provided the demand and craze for these products in the market.

v. SUPPLY CHAIN:

BAL has linked 380 out of its 483 dealers through mySAP Enterprise Portal that has been implemented simultaneously with the current SAP R/3 ERP which enables seamless information flow along the business chain. About 165 suppliers out of a total of 200 are connected in via this portal to enhance information sharing. All those involved in the supply chain get up-to-date information on all the business transactions made which assist in streamlining the supply chain operation to higher efficiency. BAL has a collaborative Network planning. All required activities and relationship among partners are coherent to the expansion and growth of each of its projects as can be implied from the presence of the global delivery system of Bajaj.

vi. PRESENCE:

Although BAL has stuck with company owned exclusive outlets for its premium segment bikes as it caters to niche market, franchising has been used to for the other segment bikes. The company is fast in responding to services because of the huge service network it has in the country which is cluttered across every city.

vii. NETWORK:

A total restructuring was made on the retail network so as to enable multiple sales channels. Bajaj has kicked off a project to completely restructure the company’s retail network and create multiple sales channels. The company began setting up separate sales channels for every segment of its business\(^\text{20}\). According to company sources, the restructuring is said to involve separate dealer networks catering to the urban and rural markets as well as its three-wheeler and premium bikes segments. Bajaj Auto also plans to set-up an independent network of dealers for the rural areas.

viii. BRAND:

Brand corresponds to the promise or trust the company holds and BAL has been able to build a solid brand that resonates in every customer’s mind. In 2001, BAL, marked its domestic foray into insurance partnering Allianz, and eventually received a “goodwill” payment of INR 45 crores from the German company for using the Bajaj brand due to its hefty influence in the Indian market. The brand Bajaj Pulsar continues to be a success story for BAL. the company’s advertising goal is to promote word-of-mouth publicity through innovative approaches. Pulsar Mania, a stunt show partnering with MTV is an example of this.

The Bajaj brand is easily recognized throughout India and few other Asian markets where Bajaj has its presence. Its trademark logo with its name spelled next to its initial B was recently changed to a new attractive font. Ideally every firm wants to be innovative in all dimensions but only a few companies like BAL find themselves in a combination of these dimensions.

3.4. REGAINING LOST POSITION:

In an effort to have a marked impact in the market, BAL launched a newer version of the Discover DTS-i with a 135 cc engine in April 2007. This, along with a styling upgrade on the existing 125 cc Discover DTS-i, continued the company’s momentum in this entry segment. Bajaj Auto Ltd, the undisputed No. 2 within the industry till early 2008; however lost its position in the second half of 2008-09. The company which was focussing more on the premium segment renewed its focus on the entry-level 100-cc bike segment and it paid off for the company. The then newly launched 100-cc Discover not only helped the company regain its position, but also helped widen the gap with closest rival TVS Motors and inch closer to Hero Honda Motors, the country’s largest two-wheeler maker with a strong foothold in the entry-level segment. The company has also recently launched Pulsar 135LS in April 2009 and sold 28,000 during its very first month of launch which is an achievement in the industry. In terms of market share, this figure gave the company about 4% additional market share.

3.5. PERFORMANCE OF BAL:

Bajaj Auto Ltd is seen to be in contention for the leading player in the Indian two wheeler industry and is ably competing with the leader, Hero Honda Motors Ltd. For almost a decade now the company has managed to steadily make its way to up the ladder and is inching closer to that No.1 position. The table below shows the
comparison of the industry performance with that of BAL on sales front and also the growth trend of BAL’s market share. It’s quite obvious from the figures that BAL has clearly done well than the industry over these years with a better sales growth rate and has also significantly improved its share in the market at an average growth of around 2%.

<table>
<thead>
<tr>
<th>Year ended</th>
<th>Sales growth (%)</th>
<th>BAL Sales (mn)</th>
<th>BAL Sales growth (%)</th>
<th>BAL Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>23.7</td>
<td>0.681</td>
<td>24.8</td>
<td>21.8</td>
</tr>
<tr>
<td>2003</td>
<td>31.3</td>
<td>0.868</td>
<td>32.3</td>
<td>23.1</td>
</tr>
<tr>
<td>2004</td>
<td>14.9</td>
<td>1.024</td>
<td>27.9</td>
<td>24.7</td>
</tr>
<tr>
<td>2005</td>
<td>20.9</td>
<td>1.450</td>
<td>41.6</td>
<td>27.8</td>
</tr>
<tr>
<td>2006</td>
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<td>1.912</td>
<td>31.9</td>
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<td>2007</td>
<td>14.5</td>
<td>2.379</td>
<td>24.4</td>
<td>33.5</td>
</tr>
<tr>
<td>2008</td>
<td>7.8</td>
<td>2.140</td>
<td>10.1</td>
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</tr>
<tr>
<td>2009</td>
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</tr>
<tr>
<td>2010</td>
<td>26.4</td>
<td>2.542</td>
<td>33.4</td>
<td>32</td>
</tr>
</tbody>
</table>

Source: Company data

Fig: Indian two wheeler industry Vs Bajaj Auto Ltd

The company registered a 32% growth in the sales of motorcycles much above the industry average of 19% in 2006. Bajaj Auto emerged as a market leader in the entry level or price segment motorcycle with the Bajaj CT 100 accounting for nearly 40% of the market share\textsuperscript{21}. It also commands a 62% market share in the premium segment of motorcycles with products like the Bajaj Pulsar DTSI.

However, it’s market share on the whole (Entry segment and premium segment) is at 33.4% against 58% of the leader. Both the industry and BAL have witnessed a steady positive growth till late 2007. However, the trend became a complete contrast in the following two years when both the industry and the company suffered a decline of around 10% in sales growth which was an impact of the global recession that affected the whole world.

### 3.5.1. PROFITS DURING RECESSION:

The two-wheelers industry was growing at a steady pace and it seemed to be a upward growth for some years in succession. However, in the end of 2007, however, overall market growth slackened considerably due to global financial turmoil. The subprime mortgage crisis which eventually caused adverse consequences for banks and financial markets around the globe significantly altered the operations of many organizations. It exposed pervasive weaknesses in the global financial system and resulted in large decline in the capital of many firms. Many organisations suffered from shut down or suspended operations and worse hit was financial industry (Govindarajan, 2010). And with ever increasing globalization, this meant huge pressure on working of almost all major industries across the world with fuel price surge and decreased outsourcing. While India did not face a contraction in GDP growth like most other major countries, it witnessed a significant compression in growth rate. Though the first half didn’t cause a mammoth impact, it cannot be said for the second half when severe financial distress was felt across broad sections of Indian industry, especially the
manufacturing sectors. It is in this context that one must look at the performance of Bajaj Auto Limited. The company which registered a 4% drop in net profit at Rs 308.3 crores in 2006-07 as against Rs 321.8 crores, the previous year. However, the company’s turnover for the quarter grew 9 per cent to Rs 2,471.3 crores as against Rs 2,269 crores. Early 2007 saw the company posting a 10% rise in net profit at Rs 1,237.1 crores vs Rs 1,123.3 crores and a rise of 24% in turnover to Rs 10,076 crores. Despite falling demand in the motorcycle segment, mainly due to an unexpected hike in commodities like steel and oil, the company has succeeded in maintaining a healthy operating EBITDA margin of 13.6% of net sales and revenue on the whole has also performed well compared to the two-wheeler market.

3.5.2. RECOVERY PHASE:

After a couple of troubled fiscal, companies around the world seem to have got its acts together for a smooth and steady progress upwards and so has been the case with the Indian two wheeler market. Bajaj Auto reported a 23.6% growth in motorcycle sales during April 2008, at 203,081 units, against 164,304 units in April 2007. The company’s total sales also rose 23.08% during the month, at 203,930 units, as compared to 165,692 units in April 2007. According to a Bajaj Auto statement, the company’s sales were strong in the XCD, Discover, Avenger and Pulsar series, which together grew by 34%. The year 2009-2010, saw a monstrous leap with the sales in both cases growing over 300 %. And further positives are awaited in the following year with a forecasted growth of around 20 % for the industry. The company has been consistently selling more than 2 lakh two wheelers for the past many months and has again managed to get back its share on the market and by continuing to grow at a better rate as can be seen from the graph. Forecast estimates that it would just take 3 or 4 years for the company to attain the No.1 position provided the present trend.
Graph 2: Recover Phase

The company sold 2,33,000 units in January 2010, a rise of 112 percent as compared to 1,09,000 units, the previous year. In the process Bajaj sold 71,970 Pulsars and 92,035 Discovers which constitute more than 70 percent of the overall sales of the company. In the subsequent month the company witnessed a 78.03 per cent jump in motorcycle sales at 234,623 units in Feb 2010 as compared to 131,785 units the previous year, This was mentioned in a recent company statement by the Head of Marketing and sales who said, “Together, Pulsar and Discover are now up from 60% to 70% of our total motorcycle sales”. By using of innovation product portfolio management, BAL made it possible to sustainable, strength oriented and increased market share as well.

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22 Bajaj Bike Sales, http://www.zimbio.com/Bajaj+Pulsar/articles/27/Bajaj+Auto+ bike+ sales+ up+23+ 6pc+April, 2010-05-23
4. ANALYSIS AND DISCUSSIONS

A company’s success lies in finding the non-critical processes in the business chain and negating it to the best interest of getting efficient results. This is in turn innovation which can become a valuable business opportunity (Verloop, J., 2004). However, not all of these processes can be taken off, for it might affect the working flow of the whole system. So companies need to be creative enough to transform most of these processes into vital processes or try and suppress the negativity (Wheelwright, 1992). BAL noticed the toll caused due to its Scooter segments which weren’t inducing profitability as it were earlier. This made the company to take evasive action in shelving off its long standing scooter segment in account for rolling out more economical bikes and sporty bikes as desired by the market. In this regard, eliminating the weak links throughout the business process and efficiently transforming weaknesses into company’s advantage is the foremost need of the hour (Morrison, A., 2003). Once having succeeded with the launch of the Pulsar variants, BAL became more of a market driving company through transforming changes. The company introduced new models at will and achieved profitability without much struggle.

Innovation of any kind fosters growth of firms. However, only process innovation stimulates productivity (Heunks, J. F., 1996). The company’s ability to innovate in portfolio management process has helped BAL to take a lead over other players and in giving Hero Honda a run for all its money for the No.1 position in the Indian two-wheeler industry. Managing and maintaining innovation is never easy. The cliché of sustainable development and profitability in industry is rendered by the art of managing innovation (Verloop, J., 2004). In the present day of rapidly changing world, competitive advantage can be attained by three ways; differentiation, cost-cutting and finding a niche market (Michael Porter, 1998). It’s an irony that one finds this all in a company which is gaining strength to challenge the market leader. BAL has differentiated its products from the variants available in the market and cost-cutting was a lever in inscribing market success; effective cost-cutting lies in creativity and BAL has proved its worthiness in this aspect in all part of its business. More than this, the company stands out in having found a niche market for its premium segment bike (Clegg, B., 1999).

Part of managing innovation is creating the appropriate climate so that people can share and build upon each other’s ideas and suggestions (Scott, G.I. and Göran, E., 2010). Bajaj Auto Ltd is found to have fostered a culture that supports and rewards innovation. The deliberate management of a climate supportive of innovation is a key challenge (Scott, G.I. and Göran, E., 2010) and BAL with the support of its top
management has lived up to it. Linking innovation concepts with performance goals and planning a healthy and profitable product portfolio that is in balance with the goals of the company is so essential in any industry. It becomes even more vital when it comes to two-wheeler industry where international models with distinct features are readily available every now and again and the need for an economic and stylish vehicle gets increased. This not only makes the product life cycle shorter but also leaves wide options for customers to choose from, hence making it necessary for companies to have a healthy mix of products. Thinking out-of-the-box and refining ideas into business feasibility and transforming it into practise is the act of Innovation (Koestler, A., 1964).

Innovation doesn’t need to be involving technology to a large extent when process tuning takes place but then, some process change might induce technical change like in assembly lines of a new product. In this case, too much technology adoption might result in failure when done in a short period of time (Ettlie, J. E., 2006). Only a gradual change can give desired results for the company. BAL didn’t stick to conventional ways of doing things when it had to innovate in terms of product portfolio. Rather the company adopted technical innovations as required with time and gradually made process improvements which have now evolved into a success (Ettlie, J. E., 2006). Innovation is much more than technology – many other complementary resources are essential for market success like simple market understanding and working a way out to meet customer demand by offering clean solutions (Vonortas, N. and Milbergs, E., 2005). In order to effectively manage process and product transitions, BAL intimated knowledge of the relationship between technological systems and administrative systems. This can be implied from the way the company had its ERP linked to both the vendor side and the dealer side with updated information sharing.

There is always a dilemma for companies on the level of investments made on improvements of processes. It is up to the companies to decide on which projects need to be funded at the right time so as to be effective as per the changes in the market (Christensen, C.M., 1997). Having healthy financial projections alone might not lead to a product’s potential market success for companies. There is much more than meets the requirements in attaining success in a competing market. Success mostly relies on a healthy mix of products that can cater to market needs thereby giving customers the solution they need. The key to achieving this lies in changing the business focus of portfolio management from financial metrics to customer value thereby driving the market (Mello. S., Lasser, R., Mackey, W. and Tait, R., 2006). Hence, giving importance to customer value data while designing a portfolio is so vital and can in fact result in better financial performance and positive market share. Handling such winning portfolio can at times require high investments which is justifiable only when the product in line
offers a high customer value. BAL did just this in the case of introducing Bajaj Pulsar and to a certain extent, the other premium bike Avenger by entering into a new market which was hugely untapped and in fact dominated it.

BAL visualised innovation as a funnel as claimed by many researchers, getting every single person of its business chain to pour in ideas and thoughts and thereby filtering the most effective and feasible ones so as to build an innovative system in all aspects (Morris, L., 2008). BAL leveraged innovation in portfolio management to support the company’s strategy which was to stay ahead in competition. The company managed this by using a cannibalisation strategy well before the end of maturity of products thereby not letting them into the decline phase which most of the other companies do. On doing this BAL was able to deliver total solutions to customer problems which were two wheelers with upgraded features and perceived value. Adding to this leverage was BAL’s strategy to bring in new variants every year to compete within its product line which not only increased the profitability and sales of the company but also let other players in a spot of bother. Since 2003, Bajaj introduced new models every year which as seen as an unusual tactic in the market where other players were sticking on to the same portfolio (Milton, 2000). This leverage helped Bajaj stay ahead in the market and eventually close in on the big player Hero Honda. By virtue of this Bajaj was able to maintain a healthy balance of its products than its competitors which served as the differentiation factor. It is hence clear that BAL has a very unique way of handling its product portfolio which makes it distinct from its competitors and which eventually lends the company the competitive edge. The innovation strategy opted by the company helped it shelf-off its earlier successful product – Scooters and offer the market with exciting variants as good as the international models. This can be implied from the success of the Pulsar and Discover variants which is respectively holding the number one position in terms of sales across the industry for the power segment and economical segment.

Though there are not enough firms to have an impact on embedding innovation in an organisation, Bajaj started off as Early-adopters by taking cue from Hero Honda to venture into performance segment and eventually succeeded in it. Falling within the range of Roger’s Innovation curve to classify the company as being Early Adopters and Innovators was exactly the study made on Adoption and Diffusion (Surry, D.W. and Ely, P.D., 2001). Being stubborn with business operations and sticking to constant processes over time is not advisable for any company since there is always an external force which transforms the way market is shaped. Hence there needs to be a source of constant creativity that can stimulate success for a modern organisation. BAL has created a fluid system which possesses a level of flexibility that enables the company to
go with the changes in the market (Khan, M.R. and Al-Ansari, M. (2006) and Bajaj was not content with that, forcing new ideas one after the other in both marketing and product development, made Bajaj more of the Innovators in offering new things to the market. This implies that Bajaj falls within 16% of companies that dare to come up with new ideas and implementing it to perfection as in the Roger’s Innovation/ Adoption curve. Companies can normally be innovative in any or few of the four parameters as projected in the 4P model by Besant and Tidd i.e., innovation on Product, process, position and paradigm. It is with this view that BAL stands apart from its competitors as the company finds itself in all the four segments of innovation. Few of the examples; the dts-I patented engines and the unique features of Pulsar stands for the product innovation, exploitation of common platform and having a JIT for its premium segment variants denotes the process innovation, creating a niche market for its performance bikes implies positioning while building a mind-set among customers that the company stands for successful firm is the Mental paradigm achieved. With the innovation Radar perspective, Bajaj Auto Ltd stays ahead in terms of innovation as the company finds itself in 8 of the 12 dimensions; Offerings, Platform, Customers, Processes, Supply Chain, Presence, Network and Brand which has definitely contributed to the company’s stupendous success. This implies the exploitation of technical capabilities that is prevalent in the Indian two-wheeler industry which accounts for the sector’s rapid growth. Innovation in almost all parameters of business activities by Bajaj Auto Ltd reiterates that innovation doesn’t only mean a product innovation or an innovation but goes beyond that (Vonortas, N. and Milbergs, E., 2005).

By being an innovative company, BAL has managed to follow an increasing sales trend capturing increased share in the pie which is conclusive enough of the value fostered through innovation in the company. This is clear from the Graph: Sales growth – Market Vs BAL, where it shows BAL’s dominance in growth which is indicative of almost outperforming the industry growth every year. The most inspiring thing for the company is the way it has managed to double its market share from 17% in 2009 to 35% in 2010. Bajaj made a radical change of creating a new mind-set in the market. Although lot of bike take the persona of Macho bikes, Bajaj Pulsar was more oriented towards being "sexy", positioning Pulsar to be a masculine-looking model with an appeal to the performance sensitive customers23. The biggest enemy for realising innovation for success is poor decision making and the feasibility issues of the creative ideas which was ably handled by BAL (Morrison, A., 2003). The results are there for everyone to see with the capture of significant market share. The Big Idea was to position the bike as World’s first bike endowed with Masculinity and power. Thus, born the classic campaign of all times "Definitely Male", which together with the design and performance of the bike catapulted the brand into stratospheric sales level. Starting
with “Definitely Male” through “Digital Biking” for Pulsar variants, Bajaj moved on to “Inspiring Confidence” which significantly helped bring about increased trust in the brand. And further up, “Distinctly Ahead” symbolised the proactive measures of Bajaj to stay ahead of the competition through cannibalising its products and thereby having a healthy balance in its product portfolio in every stage of expansion. This corresponded to increased sales for the company. The innovative campaign of “Distinctly Ahead” took the company’s gross sales from Rs.47.4 billion in 2002-03 to over Rs.106 billion in 2006-07 - a growth of 124 per cent in four years. Also contributing to this, was the upgradation of Pulsar 200 which helped the sale of the Pulsar range grow to 40,000 vehicles per month in 2006- an increase of 24 per cent over the previous year. These, in addition to the success of Pulsar 180 cc helped Bajaj to increase its market share from 17 % to 28% which currently stands at 44%.

However, one can claim that a company in growth phase tends to experience these positives, but in the case of BAL, the subsequent innovations on product front i.e. Bajaj Pulsar and Bajaj Discover, brought desired results for the company which constitutes more than 70% of the company’s overall sales (Source: Company data). Bajaj Pulsar with its unique features and performance has virtually redefined biking in India. The bike, launched in 2001 is the market leader in the 150 cc (performance) bike segments. The instant success of Bajaj against the leader, Hero Honda CBZ was a boosting factor for the company to go further up and develop innovative features to add to its demand. Pulsar gave a new life into the Performance segment. Although not a pioneer, Pulsar made the performance segment one of the fastest growing segment in the two wheeler market with its sales being the best in the industry in its segment since its launch. In late 2008, BAL had to regain lost ground when it lost the second position in the market to TVS Motors. The company strived on giving cost value to customer by launching a new product in Bajaj Discover 100 cc. It was just a platform innovation since the company already had Bajaj Discover 125 cc, and the economic value customers saw in the product both in terms of money and fuel made it a success and Bajaj was able to regain its undisputed No.2 position in the market. According to the Society of Indian Automobile Manufacturers (SIAM), the difference in the number of two-wheelers sold by Bajaj Auto and TVS Motors had gone up from a mere 5,000 units in April 2008 to over 1,20,000 units in October 2008 following the launch of Bajaj Discover 100 cc in the corresponding period. At the same time, the volume difference between Hero Honda and Bajaj Auto came down from nearly 2.5 lakh units in April to 1 lakh units in October. This was mainly due to the sale of Pulsar and Discover variants which accounted for 70% of the company’s sales. When almost all the firms in the industry were finding it difficult to sustain their share of hold in the market, BAL was able to show sustained growth in its market share which was a reflection of the major changes in its products,
technologies and processes. The changes were meant to create more exciting and distinctive offerings for its customers. Despite fallings sales during recession, BAL was able to maintain a positive turnover rate which the other companies couldn’t. All these served the company in capturing a big share of the pie thereby making it quite difficult for the companies in close proximity to withstand. Over a decade BAL was able to up its market share by over 10% from 21% to 32.4% presently. Being an innovative organisation implies the quality of the firm to be flexible enough to adapt to changing conditions (Caroline Whitefield et al., 2003) and this was evident in the case of BAL.

The innovations that a company engage in, is proportional to R&D, involvement from people, and the degree to which large firms study and comprise the industry (Zoltan, J. et al, 1998). Bajaj never held back from studying the changing market and comprehensively learnt ways to innovate and strived on healthy projects for its NPD. Rather than breakthrough projects, Bajaj believed in Derivative projects where incremental changes were made gradually to existing products to bring about a new dimension to its products’ positioning each time by enhancing performance through advancements (Drucker’s, P.F., 1985). Pulsar variant serves as a good example for this. This meant that they catered to the market, a whole new generation of bikes (performance) with patented technology. The transformation phases not only comprised of creative ad campaigns but in setting up a common platform/assembly line for most of its products to ensure cost and time efficiency which clearly was one of the factors in increasing trend of the company’s overall turnover.

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5. CONCLUSION

Researches and practices within the spectrum of innovation in companies provide clear support for the importance of innovation in a company’s success. It is evident from the findings that, it is the innovative culture which was ingrained in Bajaj Auto’s system; in addition to the understanding of the change a process that has helped Bajaj set new standards in all projects it was venturing into. The picture that emerges here is the management of innovation to exploit its potential and BAL is seemed to have managed a unique way of handling its product portfolio through innovative measures across the enterprise to improve product profitability which differentiates it from its competitors. The key to success lies in delighting customers by delivering total solutions by being proactive and BAL has just did that through its innovative portfolio management. The company’s success showcases the dominance of Indian two-wheeler industry within automobiles in recent times and its growing trend by Innovative capability thereby showcasing the value that innovation offers a company.

“As the saying goes, more opportunities come through listening than telling” and Bajaj has seemed to have listened to what the market needed and eventually has excelled in its offerings so as to succeed in all of its projects by means of a tough entity called “Innovation”. Increased sales and increase in market share came along the ride and the company is now giving the leader, Hero Honda Motors all the run for its money for the No.1 position. This takes the view that innovation as part of a company’s business culture is seen as a dynamic engine for both its own growth and that of the industry’s as is evident from the case of Bajaj auto Ltd and the Indian two-wheeler industry.
6. REFERENCES

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