Bajaj auto limited - case study analysis

Business

In 1959. Midlands one of the largest two-wheeler manufacturers and dominant players until 1990. The two wheeler Industry grew by 1 1.

6%, being unit production increasing from 5. 05 million to 5. 64 million. Identification of Problem. The market share of Baja declined from 49.

% in 1994 to 38. 9% in 1999, though the industry growth rate increased. Due to Increasing levels of Income, people started opting for motorcycle Instead of scoters. Identification of concepts Optimal input combination to maximize the output and minimize Costa firm needs an optimal combination of inputs to minimize the cost of production 0 Returns to scale- Refers to the degree by which output changes as a result of a given change in the quantity of all inputs used in production.

If quantity of all inputs is increased by a given proportion, we have constant returns to scale, increasing returns to scale and decreasing returns to scale.

0 Application of the concept Constant returns Increasing returns to scale Measures adopted to overcome the problem- Small is Better Baja Auto Ltd adopted the strategy to reduce its headcount first in 1998 and then in 2001 by more than 3, 000 persons. 0 Offered IVR for the staff to compact its employee strength by 9, 384, resulting in the reduction of 70. 6 Cry p. . In its wage bill.

0 Also R&D department focused on upgrading current products, developing new scooters, and cost reduction In entry-level segment. 0 Employee-output Statistics year 1997 1998 1999 2000 2001 2002 2003 2004 NO. Of

employees 21, 273 18, 589 18, 585 17, 215 13, 819 13, 482 12, 348 11, 531 output/Employee/Year 67. 7 72. 9 74. 3 83.

2 If strategy was a Success ? By doing this, company’s output/employee/year showed an increase of almost 50% in 7 years. The productivity also increased from the level of 67. Vehicles per employee/ year to the level of 132 per employee per year in the year ended 2004. In terms of growth, company witnessed a sharp increase of 55. 4% in its sale in the year 2002 as compared to market growth of 40% during the previous year. The company was able to offset its high raw material cost due to increase productivity of its employees which led to reduction in labor cost as a % of net sales from 5.

7 % to 5% Questions IQ) What is the difference between returns to scale and law of variable proportions?

Q) What other alternatives Baja] Auto Ltd could have opted to overcome this problem? Summary The company identified the problem at a right stage and took appropriate measures to overcome the same. It not only focused on the productivity but also showed concern towards their employees by offering IVR schemes. By following this strategy, the company had a reduction of 70. Car p. A.

In its wage bill. The company witnessed an increase of 55. 4% in sales against market growth of 40% during the previous year.