

Developing organisation for producing high-tech sport equipment - Psyko

Leadership in organisations, Assessment 3, Context and structure

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Psyko is a new company with plans for entering the newly developed market of high performance kitesurfing fins. Using contemporary management theories of Thomson, Strickland, and Gamble (2007) and Miller (1986) the environment will be analysed and an optimal business strategy and corresponding company structure will be formed.

I. INTRODUCTION

Kitesurfing is a fastest growing water sport in terms of practitioners. From the start of the sport in 1994 to 2011 the sport has been adopted by 250,000 surfers worldwide. Notably the sport has been selected for the 2016 Olympics in Rio instead of windsurfing.

"Psyko" is a young startup company I'm part of that focuses on development and production of fins for kite surfing raceboards, see figure 1. The goal of this text is to apply and display the theory of structure and strategy in organisations in management terms to the company.

II. HISTORY OF KITESURFING

Kitesurfing is a sport where the surfer controls a specially designed kite that allows him/her to sail on a small board. Kitesurfing has come a long way since its initial roots in 1994 where the first delta kite were developed

and coupled with a pair of water skis. The first major innovation came in form of the inflatable kite in 1997, which increased water relaunch ability. Since then major technical innovations include 4 line control system, which allowed for better power regulation. An emergency release systems for increased safety. The boards used have also evolved over the years into several different categories. Twin-tips being optimised for flat water sailing and wakeboard like tricks, kite surf boards taking their inspiration from shortboard surfboards and can give the feeling associated with paddle wave surfing. The latest development is kite raceboards with the first production board being the 2009 North Kiteboarding LTD edition Bryja (2008). Since then, the kite racing scene has developed into two directions. Big unresponsive boards with large fins that's optimal for competition racing and more mainstream smaller easier to handle free ride boards for cruising in light winds or great distances.

III. MARKED CHARACTERISTICS

The environment that will be investigated is the market for fins (vertical wings mounted under the board) developed for kite racing boards for both competition used and recreational use. Using the framework of Thomson, Strickland, and Gamble (2007) the major economic features of the industry are

- The fins of a kite board is very important to the overall efficiency of the racing equipment. Since marginal improvement of fin performance can be the difference between winning and losing in racing - there is a natural push towards **rapid product development**. The International Kiteboarding Association (IKA) has specified very open rules in regard to fin design and since the class is so new - there is massive room for improvement. However as seen in the golf industry, introduction of regulations to slow down driver design can cause major disruptions in the industry. Thomson, Strickland, and Gamble (2007). Since the olympics generally tries to move focus from technology to the athlete, as seen with the technical swimsuits during the late 2000s (Mayes, 2010), there is a **high chance regulations will change**.



FIG. 1. Rider: Adam Koch, Typical kite raceboard courtesy of Tobu Bromwich, PKRA.

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- **Small marked size** of under 25.000 (rough estimate) based on most equipment manufacture has a limited offer of kite race equipment - Usually 1 kite/board out of 10 which is targeted kite racing - however the **marked is growing rapidly** from 'no one' pre 2008 to being an olympic discipline in 2016.
- The number of rivals is high with at least 7 different fin companies having their products available through online retail stores. KitesurfingFins (2012) The large number of producers is partly is a response to the **low learning curve effects** in the area, where it's still possible to create good results with basic composite material and hydrodynamic knowledge. As the marked matures the barrier to entry will become significant higher as the technology matures and become more advanced.
- Due to the current production methods of composite materials (of which all fins are made) It's not possible to mass produces them through the used of advanced machinery / robotics. This means that there is **no significant economy of scale**. However since the production is labour intensive there is cost advantages of moving the production of mainstream (free ride) fins to the east (typically China). This is only cost effective beyond a certain level of production.

In the article *Configurations of Strategy and Structure: Towards a Synthesis* Miller (1986) suggest certain strategy and structures fits or work in response to certain environmental conditions. The conditions using his synthesised terminology is best described as

- Medium advanced products,
- Low concentration ratio
- Low barriers to entry
- Extreme competition.
- Very high uncertainty
- Rapid growth possibilities.

IV. STRATEGY AND STRUCTURE

Knowing the business environment it's possible to adapt the strategy thereafter. This is supported by the study carried out by Miller (1986)

"Recent literature on the population ecology of organisations (Hannan and Freeman, 1977; Aldrich, 1979; McKelvey, 1981) contends that the environment selects out various common organisational forms. There are only a rather limited number of possible strategies and structures feasible in any type of environment."

The environment outlined in the previous section leads to two possible business level strategies - *Niche differentiation* or *Innovative differentiation*. It is possible that a company can fall in between or combines configurations (environment, strategy and structure), but in general one configuration reflect a cohesive set of factors that's belong together, and multiple configurations is not mixed with great outcome. Without being too dramatic it's seems reasonable to believe we are in the middle of a shift in convergence from simple and small fin producers to more high tech oriented corporations with larger development teams and focus.

For our business it important to realise that technological advancements are most critical and with an insufficient development team the game is lost. In a marked where the main differentiating features are of an innovative performance enhancing type, marketing becomes less important. Enthusiastic buyers will seek out different products for ultimate performance, meaning that money is better spend on product development than on marketing. It will be important to the organisation to keep the decision making decentralised to stimulate innovative ideas and strategic sensitivity (Doz and Kosonen, 2008). The authority becomes situational an experience based.

Right now company structure is that of a self organising team, being three engineering students with slightly different areas of expertise including composite materials, fluid mechanics, computer modelling, management and entrepreneurship. While the management engineer primarily sets the goals, the direction - control is very loose. The decision making is lateral and decentralised as it should be and the primary workforce is innovative engineers, which fit's well with the strategy. The general mood in the team is transformational with clear a clear vision to disrupt the current kite racing fin marked with radical technical innovations.

As the competition is high and the pace of development is rapid it will be extremely important to maintain strategy agility (Doz and Kosonen, 2008). In general it should not be a problem to maintain strategic agility in a small company like Psyko, but it's important to keep in mind that it naturally decays, and plans to stop it should be in place. One way to keep the strategic sensitivity (one of the three key meta-capabilities) can be through ongoing engaged product development with external kite racers. These can not necessarily be trusted to reveal sensitive information about other manufactures; if it it's in their own interest to keep tight. It's therefore important that they feel they gain an advantage by working with you the (exclusive testing possibilities and so forth). These testers will hopefully help pick up major developments in the industry early.

V. CONCLUSION

The kitesurfing environment has been determined to be in a transition phase between a low barrier of entry,

diversified, highly competitive environment and a innovation driven marked. Because the kite fins is a competition racing product a product differentiation strategy and innovation based structure will be optimal, however due to the low volume of the marked, there will still be a lot of resembles to more simple organisations or even teams.

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