

MINI-CASE STUDY: VIVID SKY EMPLOYEE WAVE

It was 2006 and Vivid Sky's sole product, SkyBOX, had survived its pilot test. Designed as an in-stadium information service for fans, SkyBOX offered video feeds, statistics, infographics (like graphics of the last 10 pitches, last 10 hits, etc.), maps, live chats and voting, and in-seat ordering. All of this was delivered by wireless PDAs (think of a Palm Pilot) "hardened" to withstand dropping and spilled liquids.

SkyBOX got to this stage because of three different waves of employees. Founder Tim Hayden was tech savvy, but lacked the skills to write the code that would meld all of these different streams of data into one application. The first wave of programmers worked with Tim at his full-time employer. They shared Tim's love of sports and passion for using technology to revitalize the stadium experience. Together they created the overall design of the program and an interactive demo to show potential investors. These employees worked nights and weekends with no expectations. Since they couldn't put more time (and money) into the project, they decided to move on to other projects once Tim had a working model.

Tim used the local network he built as SkyBOX developed to recruit the next group of programmers. This group was even more skilled, and they were able to dedicate the time to build a "basic" application. For this, Tim was able to pay them a small amount as he continued to bootstrap the company.

Unfortunately, they found that they lacked the time to take the SkyBOX to the level of refinement customers and investors were asking for. Lacking equity in the business, they left on their own when Tim asked them to.

The third wave of programmers had more time and wanted to take the "basic" SkyBOX to the next level. This group, recruited from across the country based on Tim's SkyBOX promotional trips, created a highly interactive application that was used for Vivid Sky's first stadium deployment. Because of their dedication, Tim decided to give the developers a bonus in the form of equity.

But the third wave of programmers faced two major challenges. Vivid Sky was receiving requests from numerous sports properties for national and international events, and the current development team couldn't keep up with the new opportunities. Also the current programmers were untested developers for the iPhone and iPod touch platform, which was the future of the company.

Tim faced the prospect of asking the third wave of programmers to leave Vivid Sky and give up their salaries and equity. He wasn't sure all of them would do this voluntarily, and he wasn't sure he could afford to share more of his own equity with a fourth wave of programmers. On the other hand, he knew his current programmers couldn't handle the conversion to the new platform. If he fires the programmers who don't go voluntarily, will it hamper efforts to recruit the fourth wave of programmers?

CASE DISCUSSION QUESTIONS

1. What were the differences in the sources of employees for Vivid Sky as it developed?
2. What are the benefits and problems of using equity to compensate employees? What about using pay?
3. How could Tim have managed the third wave of employees if he had hired them right off the bat?

4. Should Tim replace the third wave of programmers? If yes, how do you recommend he go about this doing this? Can you find a way for him to protect his share of the equity he has in the business?