

“What to do when it all goes to hell”

Escape Factory Post-Mortem

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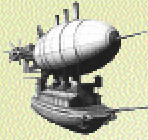
CEO, Escape Factory Ltd

Managing Director, Sprout Games, LLC



Agenda

- Key milestones & history
- Demos
- Best practices to repeat
- Mistakes to avoid
- Looking ahead
- Q & A

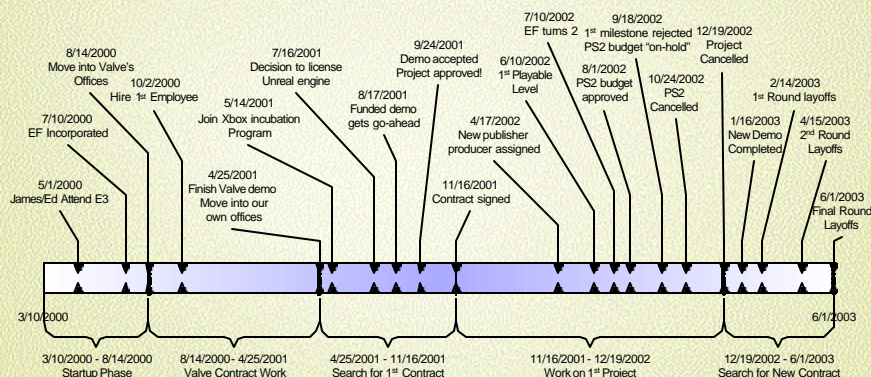


Company Founders

- James
 - 5 years at Microsoft prior to EF in program mgmt; marketing
 - College theatre background
 - Key role: build the company
- Ed
 - 5 years in Silicon Valley (SGI, Liquid Audio) as software engineer
 - Music background
 - Key role: build the games
- Good:
 - Very "process & systems" oriented
 - Strong team management background
 - Professional software development skills
 - Great relationship between two founders
- Bad:
 - No experience fostering creativity or managing creative employees
 - No experience managing external clients
 - Took for granted a certain level of corporate professionalism
 - Fairly naïve about the game industry

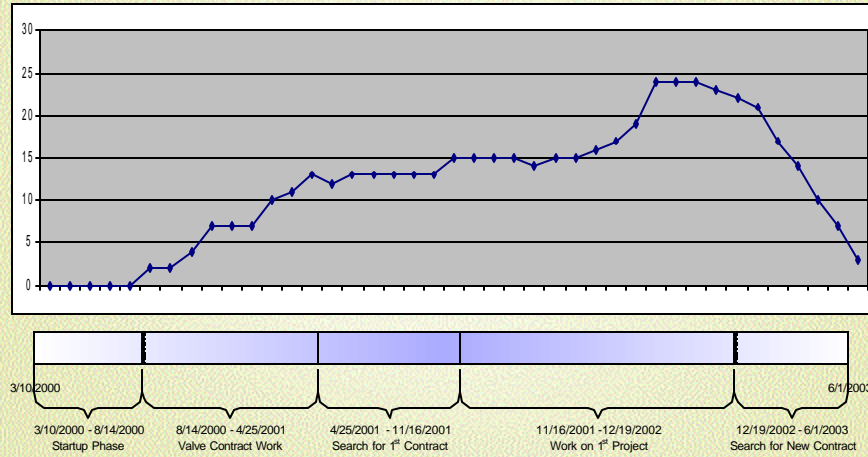


Company Milestones

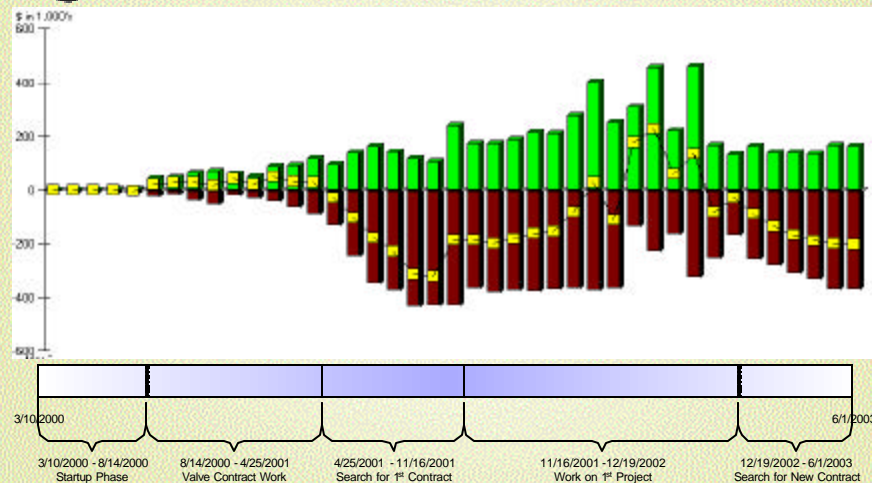




Escape Factory Headcount



Escape Factory Net Worth



Best Practices



Lots of Passion

- Passion & energy are sexy
 - People want to be inspired
 - Employees, partners, bankers, etc
 - An alternative to the “mundane”
- Create “Skywalker Ranch of Gaming”
- Controversial *Call to Action*
- Downside: hard to maintain...



Call To Action

...So what's our dream?

That we'll be the studio that finally elevates the video game into an art form where it rightfully belongs alongside film and theatre. An art form that unites epic stories, beautiful cinematography, and rich drama with the forgotten magic of childhood play.

We can't wait for the rest of the industry to do it because most developers are too deeply sunk into the culture of "by hardcore gamers, for hardcore gamers" and most publishers are too busy chasing whatever sold the most last year...



Exciting Clear Vision

- Unique time to enter game industry
 - Internet: disrupts channel, allows multiplayer games
 - Mass-market potential
 - High powered hardware = greater creative freedom
- Company goals:
 - **Break new ground**, inspire copy-cat imitators
 - Look back as most **fun, creative, productive** times in our lives
 - Entertain **millions of people of all ages & interests**
 - Cultural impact on par with *Star Wars*
- Build games that:
 - **Suck the player in** through great stories, compelling characters, addictive game-play, intuitive UI, and breathtaking worlds.
 - Encourage and reward players to **think and be creative**.
 - Provide a **social game experience** with competition and collaboration.
 - Offer players an escape from the mundane with the opportunity to **be the hero**.



Company Culture

- Reward great ideas ahead of ego or rank
- Zero tolerance for mediocrity
- Close collaboration
- Disciplined approach to development
- Ridiculous amount of fun
- Hire & retain best people in industry

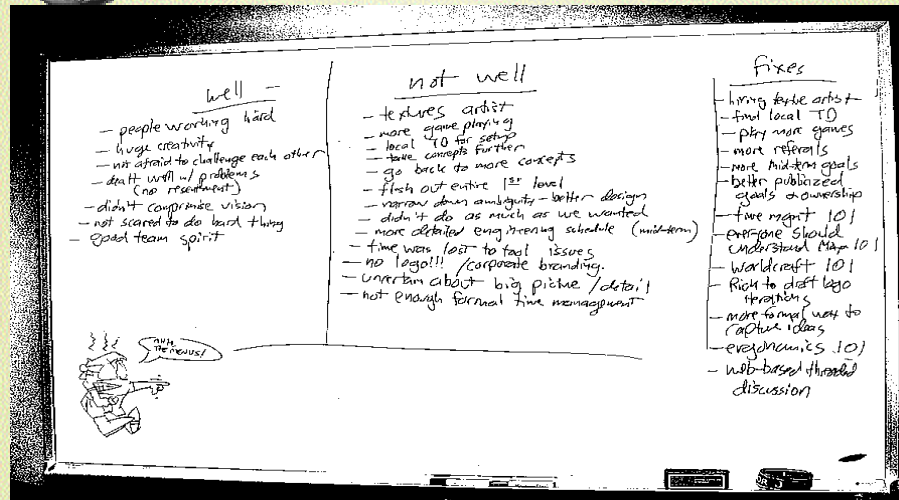


People

- Rigorous (MSFT) hiring process
 - Candidates had 1:1 interviews with 6+ people
 - Everyone else met candidate over lunch or cake
 - Consistent & simple criteria:
 - Passion
 - Effectiveness
 - Horsepower
 - Cultural Fit
 - Company-wide wrap-up – anyone could veto
- Built talented & loyal team



Regular Post-Mortems



Mistakes to Avoid



People

- Startups can't afford hand holding
 - In some cases we choose potential over experience
 - Strategy was hit or miss... and misses are expensive
- Startups can't afford personality conflicts
- Startups can't afford to change people
 - Changing people takes a very long time
 - Instead you can either:
 - Change job to match person
 - Replace person
 - Focus of performance reviews was on self-improvement
 - Should have been focused on finding right job
- Too slow to fire people when it didn't work
 - Impact of a negative person on team was tremendous



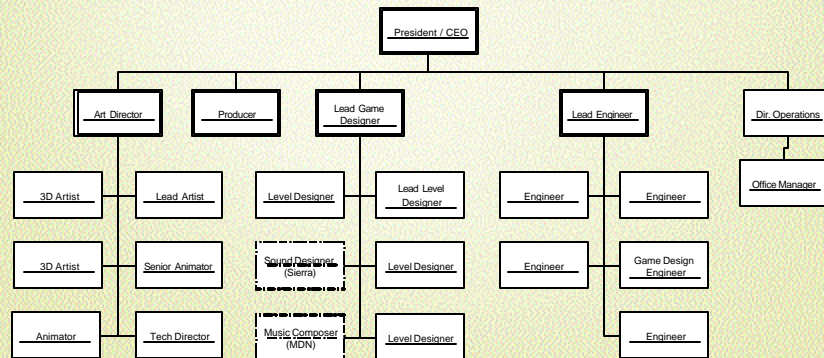
No Full-Time Producer

- Producer is absolutely a full-time job
- Finding great producer took 18+ months
 - Great producers are very hard to find
 - Joined team 2 months before project cancelled
- During search, president was also producer
 - But president and producer are both full-time jobs
 - President (optimist) not good fit for producer (pessimist)
- Lack of full-time producer caused:
 - Production pipeline inefficiencies
 - Communication gaps
 - Overly optimistic schedules



Organization Structure

- Wrong org structure is very expensive
 - Primary symptom: too many meetings
- What was wrong with our org? (discuss)



Too much debt

- Starting a company requires enormous optimism, faith, and self-belief
 - Money is place where that's inappropriate
 - Must be total pessimist when managing finances
- No debt unless you KNOW you can pay it off
 - Line-of-credit to bridge milestone payments: OK
 - Long leases for expensive h/w, s/w: not OK
 - Line-of-credit to build demo for possible deal: not OK



Hire Admin Assistant Early

- Founders' time is simply too valuable
- Good assistants are relatively cheap
- Ideally you will find someone who can:
 - Keep your financial books & pay your bills
 - Manage your office
 - Play "mom" (or "dad") to your employees
 - Sort through incoming resumes
 - Free you to focus on building a great game



Didn't Feed the Dragon

- Publisher investment driven by P&L forecast
- P&L forecast based on sales-force forecast
- Sales-force forecast based on... what?
 - Developer's reputation
 - Great playable demo
 - Sexy art & videos
 - Target platform & genre
 - Enthusiastic marketing team
 - Passionate & committed producer
- Didn't produce enough "demo" materials
 - Seemed like a waste of time...



Too much effort growing company vs. game

- We invested a lot in the company
 - Ladder levels
 - Endless process discussions
 - Performance reviews
 - Profit-sharing plan
 - 401K plan
 - Highly automated build tools
- Made a big bet on success of first game.
- Much of that can come later...



Why was project cancelled?

- “Perfect Storm” of events
 - Weak P&L
 - Platform choice: Xbox vs. PS2
 - Target Demographic: 10-12 vs. GTA3
 - Genre: “platformer” vs. Ratchet & Clank
 - Publisher slipping other projects
 - Poorly managed publisher expectations
 - “It’s the funny game”
 - Being too honest? (forecast slip very early)
 - 1st time producer on publisher’s end



What to do after cancellation?

- Figure out accurate financial picture
 - How much money do you owe?
 - How much do you have?
 - You may already be out of business...
- What is best way to spend remaining \$\$\$?
 - Start a new project?
 - Marketing/Sales blitz?
- Do you have the right team to restart?
- Do you have the energy to restart?



EF Mistakes

- Assumed we would find another project...
 - Didn't really consider alternative
- Assumed team was most valuable asset
 - "20 person team ready-to-go"
 - Didn't really check market value
 - Should have gotten bids
 - We were too expensive for available projects
- Started shopping new concepts
 - LONG, expensive process we couldn't afford
- Didn't really slash costs
 - Deferred salaries: illegal; ended up paying it anyway
 - Rent: still owe \$30K+; should have bargained up-front
- Took on new debts
 - Ran up line-of-credit to pay for team



No deals on table

- CEO's primary job is bringing in business
 - The time to sign projects is when you don't need them
 - I should have been far more actively networking while SQ was under development
- Instead I was too head's down working with the team
 - Trying to solve too many problems
 - Let the team solve more of their own issues



Looking forward

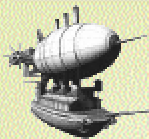
- Sprout Games
 - Casual game studio
 - True "mass market" games
 - www.sproutgames.com
- New philosophy:
 - Spend no money... Unless truly critical
 - Revenue = Profit
 - Very small partnership
- Personally satisfying
 - Actually making games vs. building company



Reading Recommendations



- <http://www.gamasutra.com/>
 - Read every article; invaluable background & “best practices”
- *Organizing Genius*, Warren Bennis
 - Insights into creating “Great Groups” (such as Disney, Apple)
- *Software Development, A Legal Guide*, NOLO
 - Critical to reducing your legal bills
- *Employer’s Legal Handbook*, NOLO
 - Eventually you’ll need to fire someone... Are you covered?
- *Managing the Professional Service Firm*, David Maister
 - Written for the traditional service firms, but highly relevant
- *Built to Last*, James Collins
 - Great survey of great companies to imitate



Thanks To:

- Gabe Newell, Valve
- Rick Goodman, Stainless Steel Studios
- Tony Goodman, Ensemble Studios
- Chris Taylor, GPG
- Ron Moravek, Relic
- Brian Fleming, Sucker Punch
- Mike Ryder, (formerly) Sierra
- Josh Davidson



Call To Action!

- Don't be afraid to take risks
- Don't be afraid of failing
- Pay someone to be paranoid
 - And listen to them!
- An articulate vision is your best asset
 - Will help hire team, attract \$\$\$, attract deals
- Know your competition
 - If you can't beat them, get out

Q&A