

38 Studios' Downfall: The Gamasutra Report

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In the wake of 38 Studios' collapse, insiders are at last speaking out. Speaking under condition of anonymity, multiple Gamasutra sources say the characterization of 38 Studios as a heavily-funded studio that bungled its resources at taxpayer expense is not entirely accurate.

They tell us founder Curt Schilling -- the former pro baseball star with a love of MMORPGs like EverQuest and World of Warcraft -- was a kind patron and supportive leader.

But his naive optimism, backed by millions in taxpayer-backed bonds and Schilling's personal savings, was exploited and manipulated by executives and politicians, sources claim.

Former employees both at headquarters and at its acquired arm, Kingdoms of Amalur developer Big Huge Games, say the company relied too heavily on getting dollars crucial to continue development of its MMORPG codenamed Copernicus, a game that would never be completed -- leaping without enough rope, and crashing when no more rope arrived.

"I don't think it was a matter of having all the money necessary and just burning through it too quickly or irresponsibly. It was a matter of working overtime to make sure we continued to acquire funding sources, such as the Rhode Island-backed loan," a source from 38 Studios says.

"I can say that the company didn't spend money extravagantly at all," he adds. "We didn't have giant statues in the halls, or supercomputers with 30-inch monitors at every desk. We had what we needed to work on the game and that was it."

But to continue meeting those needs, partnerships with investors were necessary, and politics played a huge role in why funding dried up, outraged sources say.

Caught in a political crossfire

Two years ago the company forged a key funding partnership with the state of Rhode Island to the tune of \$75 million in taxpayer-backed bonds. The loan, which lured 38 Studios from its original Maynard, Massachusetts headquarters to Providence, was intended to create hundreds of new tech jobs in the area.

But the amount of the loan was viewed controversially by Rhode Islanders, amid media scrutiny of the major risk inherent in releasing a major MMO in the crowded fantasy genre. Schilling has claimed current governor Lincoln Chafee used that taxpayer anxiety to his advantage.

Employees who are now out of a job, out of healthcare, and who have every reason to resent their management for the poor preparation, support Schilling's allegations. They say Chafee centered his re-

election platform on criticizing the previous governor for financial decisions, a tactic to which the 38 Studios deal had been central.

"I don't know how feasible [Copernicus] ever was, but it seemed to have modest expectations it would be able to achieve," says one former Big Huge Games employee. "Once things went bad, Chafee's office started leaking any information it could to make 38 Studios look like it had been a bad deal... unfortunately, a lot of these leaks involved partial and complete misinformation."

A 38 Studios employee corroborates, pointing out some of what he says are Chafee's most egregious acts of misinformation: Calling a private loan effectively cosigned by the state "taxpayer money" makes it appear that the state has already paid the cost, instead of being responsible for it in the event of failure.

And the highly-publicized million-dollar payment wasn't a loan payment as Chafee claimed, states the employee: "It was actually a weird extra fee to the board he was on, which had nothing to do with payments and interest -- [which was] already handled by setting aside a full third of the loan for that purpose," he adds. "This made it seem like we had somehow burned through all \$75 million, including the money set aside to do this."

Chafee also publicly claimed 38's first release, the single-player RPG Kingdoms of Amalur: Reckoning, "failed," artificially deflating its sales numbers and suggesting it was a commercial flop -- which it wasn't. It's true that the game didn't sell enough to fulfill a clause whereby publisher Electronic Arts would start paying a cut to the studio, but employees say potential profits for Reckoning were never part of the budgeting plans for 38.

Most importantly, employees say Chafee's public statements about possible solvency issues for the 38 Studio teams in the first place caused potential investors who might have given teams the funding to continue development to distance themselves. In a funding scheme that relies on continually forging investor partnerships, employees believe this might have been the most damning act.

Bad press about supposedly-poor Reckoning sales, potential insolvency, and a demand for an audit -- even though a regular audit process was conditional to the loan -- are thought by employees to be the reason no investors emerged and why those in talks got spooked and left the table.

"As a result of all of the negative publicity and misinformation, the publishers we were talking with ended up distancing themselves from us and letting us collapse," says a Big Huge Games employee. "In a real way, Chafee's political maneuvering is responsible for the lost jobs of 107 entirely blameless professionals in Maryland [where Big Huge was based]."

Schilling is 'one of the good guys'

Although Schilling is being portrayed in the media as a sports star who tossed money at his dream project without thought of how to succeed, employees don't agree with this view, describing a kind and enthusiastic patron whom they believe did much to try to make things work out.

"We never would have survived to make Reckoning if he hadn't bought us," says a Big Huge Games source. He describes Schilling's "kindest, most generous" intent in the early days of the MMO, and says Schilling "went to lavish personal expense" for his teams, buying customized jerseys and other morale perks.

"But in the end, his optimism turned out to be naivete, and it slowly killed us," the source continues.

Employees never had warning when the company was going to miss its payroll because apparently Schilling had been all but certain another investor was coming through, up to the last minute. Employees say they later learned that on two occasions the threat of being unable to make payroll had been alleviated by savior investors, so on that third occasion, Schilling had just been counting on something to manifest -- and that didn't happen in time.

"Even so, for the next seven days, he insisted that they were just about to get a new investor who would solve everything, and we hoped and slowly collapsed," the employee continues. He even says he's worried about Schilling's well-being and how he's taking the failure of 38 Studios.

"At the end, he stopped talking to us at all -- which is a shame, because he honestly loved the setting and both teams, because they were personal dreams of his... He was a naive sucker, and I think his VPs played him, but he always had the kindest intents for everyone, and was never malicious or manipulative. He deserves that much to be known."

"I know this scandal has been painting Curt as a hypocritical idiot, but he is absolutely one of the good guys," another source at 38 Studios agrees. "[Schilling] often said that if there is anything he or the company can do to help in times of crisis or need, that he would be there, and until this mess, he was always able to back that up."

Misinformation and inaccessibility at the top

The company took as many pains as it could to insulate employees from any worries about the company's situation -- unfortunately, a desire to enable devs to just concentrate on their work led to them being "completely blindsided" in the company's final week, and to a perceived opacity about the higher-ups, whose roles sources say were unclear and led to jokes about a profusion of unnecessary VPs at 38.

What infuriates many former employees most about the collapse is that they're forced to scramble to find health care; even an employee who was a cancer survivor was abruptly left with chemotherapy sessions to cover. Bill Thomas, president and COO was the author of the infamously-terse 11th-hour layoffs email.

But other execs proved similarly unavailable at the end, says a Big Huge Games source. "In the last few days, 38 refused to even answer the phone calls of [Big Huge Studios'] head," the source claims.

In the studios' final days, employees at both headquarters and Big Huge Games portray an environment of sorrow and denial that eventually gave way to a deep sense of betrayal. A 38 Studios employee says staff were told that speaking to the media would only harm their circumstances. All the while, negative publicity proliferated in the press, fanned in part by political factors that drove misinformation no one seemed to be stepping up to correct.

Employees questioned the public relations advice apparently keeping execs from making statements to combat the misleading news stories: "There was an immense amount of frustration around the fact that the company was not clarifying or addressing any of these blatantly inaccurate accusations," the employee says. "It's been a terrible couple weeks for over 200 families, and seeing the negativity out there, largely based on inaccurate information, is extremely painful."

Team unity, project love in the final days

During the final "tearful" rollercoaster when employees feared the worst and wondered if they'd ever see a paycheck, employees at both headquarters and BHG banded closely together. Both attest that team bonds were incredibly strong.

"While the average company salary has been quoted around \$86,000, many many individuals were making far less than that, and living paycheck to paycheck," says a 38 Studios employee. "When we didn't get paid, it immediately became very difficult for a number of people, but they continued coming in and working anyway. As it seemed like things were not being resolved, people started bringing in extra food and leaving it in the kitchen for anyone who needed it to grab."

Both teams also had incredible faith in their projects -- Copernicus in particular was closer to readiness than many believed, and an employee says that misunderstanding about long beta cycles for MMOs also contributed to premature doom predictions about the game.

"I have worked on a number of projects in my career, and I can say without reservation that Copernicus [had] incredible potential to be a blockbuster MMO," he says. "It wasn't completely revolutionary in terms of gameplay, but it took existing conventions and refined or improved them across the board, not unlike Blizzard's approach with WoW. The idea that this imminently playable, triple-A, beautiful MMO that had millions of dollars and man-hours poured into it is heartbreaking."

At Big Huge Games, Reckoning 2 was underway, and employees are disappointed to lose the opportunity to address the things they wanted to fix about the first installment. "Our view of Reckoning was that even though it wasn't a perfect game, it was a vital stepping stone to making our ideal game, addressing the things we knew were weaknesses in the first," says the employee.

"Now we may never have an option to make that better game, or even work together with our second families ever again, all because of the people far above us," he reflects.

[Jen MacLean, former CEO of 38 Studios, informed Gamasutra after this report was published that she had left the company a couple months before the end: "I left 38 Studios on an indefinite leave of absence on March 23, 2012, and resigned from my position as director, officer, and employee on May 17. I was not involved in any day to day company operations after March 23." - Ed.]

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