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Title :

Case Study: Budcat Creations

A Small Company Dilemma

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Abstract

In this case study we will examine the story of Budcat Creations, a small time video game production studio created in October 2000 and the events that led to its buy out and eventual closing in October of 2010. The focus of this study is to dissect the events that led to Activision Blizzard's procurement of Budcat Creations and invite discussion into the broader issues this case brings to light.



Keyword : Budcat Creations

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Authors Note

The case of Budcat Creations LLC/Inc., to me, is much more than a simple case to be examined and dissected. It is a story... One that I had the opportunity to observe as it unfolded over the course of a decade. Many of the players, big and small, were my family and friends. The company was in my daily life. It was an ever-present entity, an on going conversation and always a source of excitement and inspiration for me as a young undergraduate at the University of Iowa. Though I wasn't on the inside I wasn't exactly on the outside either. Despite not being an employee I was privy to inside information, so much so that signed a non-disclosure agreement with their HR department despite not being an employee. Though I did not participate in any aspect of Budcat's operations, I had the privilege to watch this company from a grey space. For ten years, the entire life of this company, I was a "fly on the wall". The information presented in this paper (as well as the accompanying presentation) was gathered both from my personal experience with the company and its workers, and also from interviews conducted with Budcat co-founder, Isaac Burns and Human Resources Director/CFO, Nathan Sams.

BACKGROUND: BUDCAT CREATIONS LLC.

The Founders:

The story of Budcat Creations starts in an unlikely place. Not in the technology corridor of coastal California and Silicon Valley, or the bustling urban landscape of a major metropolitan area. The story of this successful video game production studio traces back to rural Iowa. Budcat founders, Isaac Burns and Jason Andersen were childhood friends who had grown up in the farmlands outside of Riverside, Iowa. A community of just over 700 people. Though as kids, they were video game enthusiasts, both dabbling in programming during their high school years, neither of these young men knew that their paths would later lead them into the highly competitive world of videogame production.

Shortly after his graduation from the University of Iowa master's degree program for computer science, Anderson started work in the gaming industry. In 1994, he took his skills to Orlando, Florida where he and a partner started an independent game production studio by the name of *Tiburon Entertainment*. It was (at that point) the pinnacle achievement of Andersen's programming career. Big players in the console game production field almost immediately recognized Andersen's talent and passion for programming. His reputation for quality work and fast delivery on contracts preceded him. Tiburon Entertainment quickly gained notoriety in the industry and that same year the company landed a high profile contract with Electronic Arts' (EA) sports division (EA Sports) producing their iconic flagship football title, "Madden NFL" (which remains one of the most popular and recognized sports game franchises in North America). Over the next three years, Tiburon grew rapidly. The fast success of Andersen's company culminated into the 1997 procurement of Tiburon by EA in which the firm was renamed *EA Tiburon* (and eventually *EA Orlando*). Though control over the company was now in the hands of EA Sports, Anderson remained the companies lead programmer and one of the top executives at the branch.

Like Andersen, Burns also graduated from the University of Iowa, though

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he earned a degree as an electrical engineer. Despite his knack for electronics, his skills as an engineer were superseded by his keen abilities and affinity for computer programming and software development. Straight out of college, Burns went to work for industrial technology firm, Cads Inc. developing computer aided industrial design software used in manufacturing and machining. Though not a programmer by trade, Burns had a talent for the work. He honed his skills as a high level programmer during his tenure at Cads. Unfortunately, by fall of 1998 Cads had fallen into financial troubles and was soon acquired by LMS International and the Iowa branch office was dissolved. When Andersen heard the news that his long time friend (and talented computer programmer) was on the market, he was quick to bring Burns on board at EA Tiburon. Burns' talents and strong work ethic were a perfect fit for the fast paced, competitive environment of console game development. He quickly moved into a lead programmer's role and became a member of paramount importance to the EA Tiburon team.

The Birth of Budcat Creations:

In early 2000, three years after EA acquired Tiburon, Jason Andersen began to have his reservations about staying with the company he had created. After the sellout to EA, Tiburon no longer had any creative rights or choice of projects. Furthermore, the company operated with little autonomy from the central office in Redwood City, California. Where Tiburon was once an independent contractor in an industry with endless titles and development opportunities, the firm had been transformed into the EA branch responsible solely for the development of just one title¹, the flagship *Madden NFL* game.

The monotony of programming the same game year in and year out took its toll on the Tiburon founder. By the summer of 1998 Andersen left his post. He was later quoted in a 2013 expose published by *IowaWatch* as saying "I was really tired of working on football...". His move may have been a bit sudden, but it was far from impulsive. Prior to leaving, Anderson and Burns had already set plans underway to

¹ Allocating a single title to a studio for continued, long-term development is common practice in the video game industry. (Isaac Burns, interview April 2014)

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partner up on a new endeavor. They would leave EA Tiburon to start their own independent game production company. In October 2000, Jason Andersen and Isaac Burns opened the doors on their new studio, *Budcat Creations*.

Named after Andersen's old family cat and staffed by two (Burns and Andersen), Budcat had a long way to go before they could take on projects to the scale of *Madden NFL*. Under staffed and in swimming in an industry full of fierce competition, the battle was going to be uphill. However, they brought with them a reputation for delivering quality work in almost impossibly short timeframes... a quality highly valued in their industry. Andersen had also brought with him years of networking and a rolodex full of industry connections. No company knew this better than Electronic Arts. As the pair had maintained their respective relationships with EA, some of which were in high management positions, The company made a bid to keep Andersen and Burns on the pay role as subcontractors. The executives at EA did not want two of their former top-level programmers working for their competition. Ironically, the first contract Budcat Creations was to take on was with EA Sports fixing programming errors in *Madden NFL 2002*... The exact work they had hoped to leave in Orlando.

Taking off: The early years of Budcat

Within four years after Budcat's October 2000 launch, Andersen made base in Las Vegas, Nevada and Budcat Creations had grown from two to 16 employees. Burns moved from his office in Madison to join Andersen and the team at their newly established home office in the technology corridor located in the outskirts of the desert city. With 16 employees the company was able to move away from the smaller, hand-held platform games and "issue" based contract work that had been the foundation of their business as a start-up. The company was now poised to move into full-on game development for the larger game consoles. The home office and employment boost allowed the company to again move away from the work they had been doing on *Madden NFL* and other EA Sports games and start to picking up contracts with other divisions of EA and other companies outside of the EA sphere.

Their big break came in the winter of 2004 when they were contacted by the heads of Double Fine Productions (DFP). DFP, though similar in business model to

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Budcat, was a much larger independent game development company. They specialized in contract work from major companies in the video game industry making games across multiple platforms. The studio had taken on the development of a major title for a 2005 release on the Xbox and Windows platforms. The game went by the name of *Psychonauts*. The project was contracted to DFP by the innovative game publisher, Majesco Entertainment. During development, the team at DFP realized that they needed to sub contract out some of the development work to meet their deadline. After winning the bid, the team at Budcat Creations went to work on their first major console project outside of EA. Much to DFP's surprise, the team at Budcat finished their contract well before the specified date of completion. Furthermore, the quality of work exceeded their specifications.

"2004 was really a break through year for Budcat... We were able to contract work with recognized publishers and begin to really establish a reputation in the industry..." -Isaac Burns, April 2014

In late 2004 their second big break came from the same game project... Majesco made the decision to expand the release of *Psychonauts* to include a version for Sony's Playstation 2 (PS2) platform. However, the decision for an additional release came late... So late, in fact, that most companies contacted for a bid turned down the contract under the pretext that a successful completion of the project wasn't possible under the extreme time constraints. Majesco, reluctant to release the PS2 version later than the Xbox/Windows versions, turned to Budcat. It was here that Anderson and Burns took a big risk. They put the reputation of their company and themselves on the line. The project was risky and their production staff was smaller than needed to take on such a large task. However, this was exactly the type of project they needed to make a name for themselves in the industry.

"It's one of the best platformers the system has seen, mostly thanks to its amazing visuals and downright hilarious dialogue." –GameSpy, April 22, 2005 (in reference to the 2005 release of *Psychonauts*.)

In Spring of 2005 *Psychonauts* hit the shelves of gaming stores across North

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America and Europe. Not only was the game released on schedule, it was met with rave reviews, receiving several industry awards for its innovative game play. In interview, Burns stated that *Psychonauts* was the project that really established Budcat as a go-to production studio in the industry and solidified their reputation as company that never missed a milestone or a deadline.

Rapid Growth: Iowa City

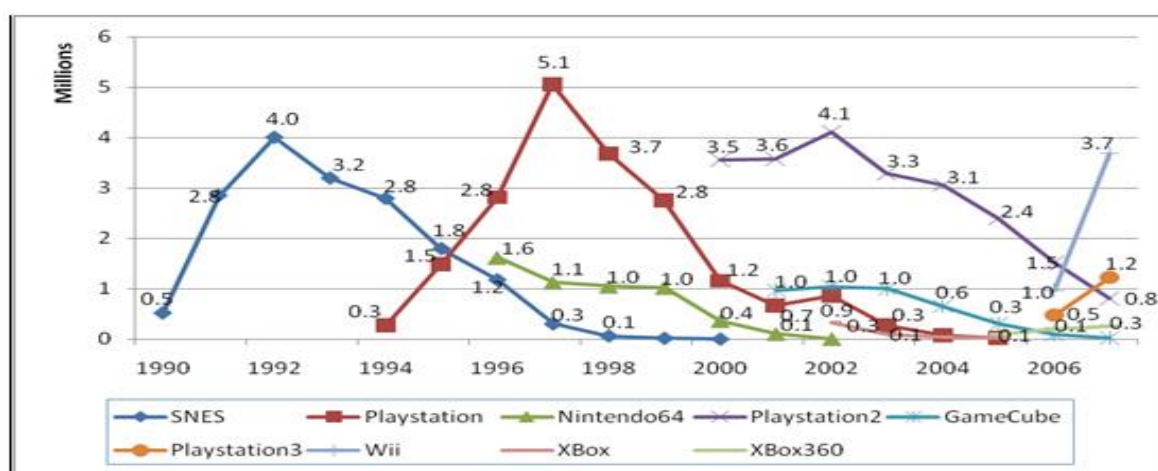
After the successful completion and release of *Psychonauts* in mid-April. Budcat was faced with another challenge. Living expenses were skyrocketing in Las Vegas as well as the cost of office space. As Budcat Creations (at that point) lacked the financial resources that other larger tech firms in the area had, employee turnover issues seemed inevitable. After careful consideration of the situation, Andersen and Burns made the decision to relocate. In the Summer of 2005 Budcat Creations moved its base to where Anderson and Burns had graduated college and started their careers: Iowa City, IA. It was here that the pair thought the company had the best opportunity for growth. Cheaper living and office expenses paired with a steady stream of talent graduating from the University Of Iowa's computer science department would give them a more sustainable situation for hiring and retaining employees. Though it was a calculated risk it didn't come without its costs. Less than half of their Las Vegas staff made the move to Iowa City. Though logistically it made good sense for their future, Budcat Creations again found themselves too small of a firm to compete in the home console market as they had in the previous year. Due to the set back in personnel they were forced to move back to their roots in portable console gaming and smaller contract projects.

The move to Iowa City, however, proved to be a well-calculated risk. Over the course of the next year Budcat had grown rapidly. Burns and Andersen were forced to more than triple the firm's floor space for to accommodate the growing staff and equipment needs. By early 2006 the company had grown to 20 employees, a larger staff than that of their Las Vegas office. That same year they gained license to develop games for the Nintendo Wii console. Andersen's brother (Jeremy), a seasoned head production manager with Neversoft Studios in Las Angeles, was

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brought on board as the company's general manager and executive producer. With a key addition to the top-level management team and solid art and development teams headed by the experienced and loyal staff that made the move from Nevada, Budcat was ready to take on their most ambitious project to date... They signed a contract with EA to produce the Wii version of the hit game *Medal of Honor*. It was another leap forward for Budcat Creations. For Burns and Andersen, their vision was coming to fruition, but they knew there were challenges ahead.

THE DILEMMA: CHOOSING THE FUTURE BUDCAT CREATIONS



Problems on the horizon: The “transition period”

As the *Medal of Honor* project drew closer, Burns and Andersen saw a problem on the horizon. The PS2 and Xbox were drawing closer the end of their product life cycle. The release of the next generation consoles, Playstation 3 (PS3) and Xbox 360 in late 2005 signaled the coming decline in older generation consoles sales (see the above figure) and thus the declining demand for games to be played on them. This is known in the industry as a “transition period”. Though the Nintendo Wii was a next generation system, the majority of Budcat's development was tied to the older generation consoles (PS2 and Xbox). Burns and Andersen knew it would only be a matter of time before those contracts would dry up. They had gone through a transition period before with the phasing out of the PS1 system years earlier.

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Banking on their sterling track record and their reputation for reliability to bring in contracts would soon become unsustainable. Burns and Andersen knew they would have to shift their focus to next generation game development. This however, was no easy task.

In order to move into the next generation market Budcat Creations had a number of obstacles to overcome. They would have to gain licenses from Sony (PS3) and Microsoft (Xbox 360) respectively. They would also need greater numbers in programming staff to support development on the new systems. As the team moved forward on furthering their technological prowess they still needed to remain working. Through his connections inside his former employer (Neversoft Entertainment) Jeremy Anderson was able to line up another high profile contract for the company. This time Budcat would be developing the the third installment for the revolutionary *Guitar Hero* franchise which had been recently procured by mega publisher, Activision Blizzard (the parent company of Neversoft). Though it was an older generation platform edition (PS2), it would keep Budcat in the limelight of the industry until they were able to clear the obstacles necessary to actively pursue contracts for next generation games.

A Fork in the Road: The Buy Out Dilemma

By late 2006 Budcat Creations was well on its way to becoming a next generation game developer. They had grown to over 30 employees and had successfully completed *Guitar Hero III* for the PS2. They had also gained the much needed licensing from Microsoft for the Xbox360 (though had yet to apply it to any contracts). However they had run into a roadblock with Sony for the licensing of the PS3 development kit. Due to a prior incident with one of Budcat's programmer more than a decade prior, Sony would not release licensing to the company. This particular employee was one of Budcat's original six employees and was a key member of their senior staff. Andersen and Burns had always prided themselves for running an employeecentric organization. To them, all of Budcat's staff were valued members of the family and treated as such. They did not like the idea of letting go of an employee to gain the license. It seemed they were at an impasse.

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It was during this licensing quarrel when Burns and Anderson were approached by executives from Microsoft's gaming division. Microsoft wanted to sign an extended game development contract with Budcat Creations that would ensure, not only 5 years of stable work for the company, but would also bring the company into the next generation world by way of game development for the Xbox360. Though the contract was enticing it wasn't without its drawbacks. By structure, the contract would have expired right in the midst of the next "transition period". Burns and Andersen knew this would leave them in an unfavorable position if they were to go back into negotiation during that time. Another big issue was that the contract effectively handed over any independent development rights to Microsoft during the duration of the contract by way on a non-compete clause. For all intensive purposes, Budcat would be under the strict direction of Microsoft's gaming division. Despite these drawbacks, Burns and Andersen couldn't ignore the positive implications of signing with Microsoft. It would, after all, give them stable work in the next generation market for years to come.

As Budcat moved forward in negotiation with Microsoft, it seemed that a deal was imminent. Microsoft had even sent a "welcome to the team" basket to the office as a sign of good will and to show their enthusiasm for the future partnership. It was at this time, however that (now partner) Jeremy Andersen received a call from Activision Blizzard headquarters. They wanted to know when Budcat could start development on *Guitar Hero: World Tour*. In an industry wracked with fierce competition, being offered too much work is never thought to be a bad thing, but this situation was not ideal for the partners (Andersen, Andersen, and Burns). To turn down Activision, the industry's second largest publisher of console games and global giant, could have dire consequences for future contract development with the company. However to leave the negotiation table with Microsoft when in the final phases of closing a deal could have equally dire consequences and could also tarnish Budcat's reputation in the process. They were between a rock and a hard place.

After careful deliberation the partners decided to turn down Activision on the basis of good faith and commitment to Microsoft. Much to their surprise, Activision

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quickly returned with an unexpected offer. They wanted to outright acquire Budcat Creations and make them the Activision studio responsible for the development of the *Guitar Hero* franchise for both the PS2 and next generation portables (Nintendo DS and Sony PSP). The deal would guarantee complete licensing of Sony PS3 development kit, and a seemingly steady stream of work for years to come. Like the Microsoft contract, however, it didn't come without its drawbacks. The partners knew that they could end up in a situation similar to that of EA Tiburon so many years ago. They would lose their ability to develop games as an independent contractor and would no longer operate to the degree of autonomy they had enjoyed for the last seven years. Furthermore, the PS2 development allocation would end Budcat's push towards next generation console development. With the clock ticking on the Microsoft deal the team knew they had to make a decision about the future of the company.

THE DECISION: BUDCAT'S FUTURE

The partners were at a loss... They paused negotiation with Microsoft to weigh their options. Take the contract with Microsoft or sell out to Activision Blizzard? During their deliberation another idea came to the board (though, at the time it was not regarded as the most feasible option). Why not remain an independent contractor and work with both companies on a less stable contract basis? After all, it had been a winning formula for seven years...

The team deliberated over the course of the next week. They had a lot to consider. On one hand they had one of the largest companies in the world offering a stable contract for years to come. On the other they had the second largest publisher of video games in the world offering to buy out and incorporate them into their organization. Both offers certainly were enticing. They both offered attractive benefits for the partners and their team. However, Burns and his partners felt that one side must be a better fit for Budcat and its (then) 35 employees.

A Done Deal: Transitioning to Activision

In August of 2007 the team had come to a decision. They broke away from

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their negotiation with Microsoft and moved into negotiations with Activision Blizzard to discuss the terms of the acquisition. The team had officially decided to sell out to Activision for yet unspecified terms. It was around this time they brought on another senior staff member, CFO and Director of Human Resources, Nathan Sams. With the upcoming deal to sell the company to Activision they needed someone to run the numbers and ready the studio for expansion. They also needed someone that could effectively navigate the more complicated issues regarding the changing of firm's employee insurance and leave benefits during the transition to Activision. Also a long time friend and respected peer of Burns and Andersen, Sams was a good fit for the position. As a finance and marketing major from the University of Iowa with several years experience under his belt, Sams spearhead the logistics and tax issues involved with transitioning Budcat Creations from a limited liability corporation to a incorporated studio of Activision. Like the partners, Sams genuinely cared about the employees and quickly took to his new position as CFO and HR director gaining top tier benefits for all of the firm's employees. Where many had been nervous about the transition, they found that it came with a raise in salary and increase in bonus and leave. It wasn't long before everyone was excited to be on board with Activision. Along with the addition of Sams to company, many others were promoted to lead positions in the firm to make room for new comers at entry level positions. The management team, quickly making use of their new-found capital resources, went to work recruiting new talent. Within a year, the company had doubled in size both in floor space and in staff. They were over 60 strong and were making short work of their *Guitar Hero* projects. Though a new addition to the Activision Blizzard studios, Burns and Andersen wanted to maintain their studio's reputation for meeting deadlines and delivering quality work. They wanted to set themselves apart as the "go-to" studio at Activision.

Working for Activision: Guitar Hero

As of October 2007, Budcat Creations had been officially acquired by Activision Blizzard². The company was no longer a small, independent studio in an industry

² Though the contract was officially signed by both parties in October 2007, the deal was not made public until November of 2008 due to prior contract obligations held by Budcat Creations LLC.

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full of big fish. They were a part of a flagship company. After the transition, the team at Budcat hit the ground running on the next *Guitar Hero* production. With the newly expanded team in place, development efforts were running smoother than they ever had. Under the new system, they were able to take on more than one major project at a time. The team was excited to develop for two platforms simultaneously and for the first time in the history of the studio they were able to develop hardware to work in coordination with their software. Things were looking good for the company. The rapid influx of projects and additional employees were exactly what the partners had hoped for when they made the decision to sign the deal with Activision. The following year, the partners (now appointed as branch President, Co-President and General Manager respectively) threw the annual Budcat Creations, Christmas party. They celebrated a fantastic first year with Activision and the successful completion and winter release of latest production of the *Guitar Hero* series. It seemed that the former partners had made the right decision.

More Problems on the Horizon: The End of *Guitar Hero*

The following year at Budcat would prove to be disconcerting for the executives (Burns, Andersen and Andersen). They had seen a significant drop in sales of the previous years versions of *Guitar Hero*. They knew that this day would come. The PS2 console had, for all intensive purposes, reached the end of its product life cycle. Console sales had plummeted to less than a hundred thousand units per year and loyal Sony gamers were making the upgrade to the next generation, PS3 system. They knew that it was only a matter of time before game development for the PS2 became obsolete. To make matters worse they found that the sales numbers for the *Guitar Hero* games were down across all platforms new and old. It seemed that shelf life of the *Guitar Hero* franchise was running out as well. The game no longer had the fanfare it once boasted. Activision had already made plans for two additional installments of the dying franchise and had ordered them into production. For the time being the studio had work, but the executives didn't know for how long. They again shifted their focus to moving into next generation game development. This time, however, they had nowhere to turn. Any games they were to develop had to be

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ordered down from Activision's headquarters in California. Burns and Andersen knew they were in a bind.

CONCLUSION:

Financial Cutbacks: The End of Budcat Creations

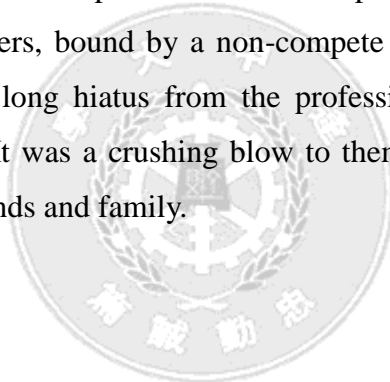
By the end of 2009 the America had fallen into full recession as a result of the recent financial crisis that had stricken the country. The sale of luxury items was at an all time low and continuing to drop. All industries, including console video games, were feeling the effects of the decline in consumer spending. Larger publishers such as EA and Activision were buckling down to whether the storm. The companies were continuing to publish games for their flag ship franchises but were beginning to halt the production new titles and "once off" campaigns. In addition to the industry's reluctance to develop new titles, the larger publishers were looking to "trim the fat". Sweeping cuts of less profitable game titles struck studios across the board. When the fifth installment of *Guitar Hero* failed to break 100,000 unit sales Activision decided to pull the plug on the franchise. The fifth installment of the once shining franchise became its final. Its meager sales numbers were only a fraction of the 1.4 million unit success that *Guitar Hero III* had sold just a few years earlier. As the production on the final *Guitar Hero* installment wrapped up the staff at Budcat grew anxious. They knew they needed another title from Activision to keep their doors open. The Budcat executives worked tirelessly trying to convince Activision Blizzard to allocate a new game to their studio. They made phone calls and wrote emails to their counterparts at Activision headquarters. They tried every avenue they could, but in the end it wasn't enough. In early November of 2010, 10 years after Isaac Burns and Jason Andersen opened the doors of the small studio they had dreamed up, a consolidation team sent from Activision's Santa Monica office arrived in the sleepy town of Iowa City. Armed with security guards and brief cases, they entered the Budcat Creations office. Their arrival was unexpected and shocking. Though the Budcat staff knew the studio was in a rough spot, no one had expected to be shut down.... Not even the executives. Burns and Andersen, the founders of the studio weren't included in that conversation. The executives in the California had

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left them in the dark. They weren't even notified of the decision until minutes before the consolidation team arrived at their doorstep.

In the End...

2010 would prove to be a bad year for more than just Budcat. Three additional Activision Blizzard development studios were shut down without warning. It was part of what the company called a "financial reductions move". In the months following the shut down, CFO and HR Director, Nathan Sams worked tirelessly to relocate as many of the staff as he could to other divisions of Activision Blizzard and other companies within the industry. For the ones he could not relocate, Sams went to great lengths to procure the best possible severance packages from Activision. Burns and the Andersen brothers, bound by a non-compete clause in their contract, were forced to go on a year long hiatus from the profession they loved and had dedicated over a decade to. It was a crushing blow to them and the staff they had long considered to be their friends and family.



Thoughts: A Class Discussion of the Budcat Case

In hindsight, things always appear clearer. We can see the error in our decisions without vale or bias. This case is no different. The landmark decisions that were made during the 10-year life of this company are easily looked back upon and dissected. However, it's important to remember that the decisions that led the eventual closing of Budcat Creations were made in real time by regular people. They were not easy decisions to make, nor were they made in haste.

So, what went wrong? That really is the question to mull over. It's easy to draw the simple conclusion that Burns and Andersen allowed an unnecessary acquisition of their company to move forward.... that they shouldn't have sold. Its easy to say that they would still be open had they chosen to sign with Microsoft, but honestly, whose to know? There are, after all, further points to take into

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consideration. Would dodging the Activision deal have ensured longevity? Or would their mentality as leaders have eventually sealed their fate further down the road? During the in class discussion of this case, my peers made had some interesting thoughts as to the answer of this question.

“They were just too nice (maybe to the point of naivety)...” As I highlighted through this case, the key players at Budcat Creations were genuinely nice guys as well as exceedingly talented programmers. This, I believe, was actually the reason they had such great success early on. Their abilities earned them a reputation within the industry where their respect and admiration for their staff earned them a reputation within the workforce. They were excellent at identifying, obtaining and keeping talent. This is very important in this industry, especially as a start up. I do agree with this thought, however. I think their employeecentric mentality got to a point in which it affected the judgment calls they made and eventually superseded what was good of the company. Where they were looking they for a stable work and a long future for their firm and their employees they found big business.

“So why didn’t Budcat take the Microsoft deal?” I think that most people (myself included) saw this to be the best option. After the contract offered was congruent to their goals of both obtaining long-term contract work and working on next generation game development. To me it seemed to be a win-win scenario despite the inconvenient expiration date of the would-be deal. However, the point was made that signing the contract would have been incongruent with the long-term interests of the staff at Budcat. It took an engineers perspective to point out something many of us in the business world wouldn’t see. To my understanding, a true engineer is excited by innovation. The chance to use new technologies presents challenges and opportunities for growth and development. Burns and Andersen were software engineers at heart, as were a great deal of their employees. To sign with Microsoft would have restricted their access to other game development technology. To sign with Microsoft would not have allowed them or their staff to fully grow in their field. As the founders of Budcat were fervently dedicated to the continued expansion of the companies development capabilities, this thought may have very

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well come into the discussion while deliberating about possible courses of action.

Why not remain as an independent studio? Why sell out or lock into a long-term contract in the first place? I think this answer relates back to the fact that they were genuinely concerned with their employees and the company's ability to keep them gainfully employed. As aforementioned in this case study, this option was briefly discussed only to be written off as not feasible. Again, Burns and Andersen were committed to their business and its employees. To turn down guaranteed work during a console transition period would have not only been irresponsible, but negligent to the duty they had as the directors of their firm. I think it was written of so quickly because they didn't want to risk having to let people go if they were forced to go for a few months without a solid contract. It was simply not a risk they were willing to take when two very attractive offers were on the table.

I have always been a firm believer in Occam's razor (the idea that the simplest, most obvious answer is usually the correct one). In this case, I think the answer was rather simple. The Founders had the opportunity to sell the company for a substantial gain, retain their positions with a higher salary while also ensuring their employees had steady work, a pay raise and better benefits. I myself would have likely made the same decision having been in their shoes. On paper it makes the most sense. This is a scenario that has played out time and time again when a large company seeks to acquire a smaller company. Its no surprise (to me) that Activision did what they did. It was a big business decision. When they signed off on the buyout, they essentially put Budcat Creations and its employees at the mercy of a large corporation. They lost their small business identity and it eventually cost them the company that they had worked so hard to build.