

Survival is our Forte

Published: November 11, 2010 - 7:48AM

Canberra's Micro Forte games development studio, which is now a world leader in massively multiplayer games, this month celebrates its 25th anniversary.

The CEO of the pioneering codeshop, John De Margheriti, today shares the highs and lows of 25 years.

The full interview can be found below...

Congratulations on 25 years, John. Could you please start by sharing with us how Micro Forte came about?

Micro Forte was established while Steve Wang, Stephen Lewis, John Reidy and myself were attending the University of NSW, all studying Electrical Engineering or Computer Science degrees. Steve, Stephen and myself were spending a good deal of our time writing games for the Commodore 64 on 16K of RAM. These games were non commercial, because we simply did not know how to sell them and to whom. I obtained a job working at Randwick's Computer 1 games store, possibly one of the first video games stores in Sydney. It was a precursor to EB. My part-time job was necessary to put me through Uni. Fortuitously I was there the day our agent to be, Gerry Gerlach, came into the store and asked if we knew of any games programmers to help develop the America's Cup sailing simulation that an investor group in Sydney had managed to get the video game rights to. Realising this was a once-in-a-lifetime opportunity, we set about proving to the Armchair Entertainment group that our team of four budding programmers were up to the task. They asked us to deliver a working prototype example in three days! We did! We did it by doing two shifts, of two teams (one coding, the other writing the code on paper) and with little to no sleep, we produced our first commercial demo. The funny thing is that we had purchased a Commodore 64 three days earlier and returned it back to the store after the demo was completed and got our money back! We were penniless and had no capital. We had to leave our university studies to do the game. Some of us left and got started, while others managed to finish their final year and jump into Micro Forte. We then had I think 12 weeks to develop this game for Armchair, and we lost something like 5 per cent of the money for every day we were late! The things we agreed on in our younger stupid years! We were highly motivated to finish on time and we did.

During development, Armchair Entertainment got into financial difficulties (basically stopped paying for the development of the game) and expected us to finish it on our time and on time otherwise we would get nothing. We did. And did not get paid. We took them to arbitration and learned our first lesson about how hard it would be to get paid doing game development projects. We received about half of the payment due, and continued to struggle. I now look to this as the years we learned the business and that making games is more of an art form than a serious business pursuit (at least it was back then).

Fortunately Gerry's brother started up a company called Beyond Entertainment (yes, that company!) and he produced a Betamax video of the game which Electronic Arts saw and picked up. The rest is history. We did three games for EA and learned that while they were very, very professional even when they were a start-up, (but) our third game was cancelled because they did not see that it would sell as much as our other two games (or some other reason we were not made aware of) and we had our first cancellation. We had the Australian rights to our games back then so we manufactured and shipped our own games across Australia and the video game stores that were popping up. This helped. We eventually took a break from video games development as the level of intensity and the lack of money all had their toll. We had to find a better way. We did. Diversification. We "restarted" the business (technically MF continued and did some minor project work after hours) and our first employee, Simon Hayes, because a founder of the new MF, with Stephen Lewis and John Reidy deciding they had enough. Hence why these days we quote Steve Wang and Simon Hayes as co-founders.

And how big is Micro Forte today?

Size has never been a major factor for us, and we have gone up and down depending on the projects we have undertaken and the state of the interactive entertainment industry. We learned this in the 80's that video games development is a lesson of riding the waves of circumstance. Today Micro Forte is about 30 people plus a few contractors. We outsource the majority of our art, and that once the proposed R&D legislation is debated and hopefully passed, we will be able to hire more Australian staff.

What have been some of the important milestones in the growth of Micro Forte?

Our most important milestone was meeting each other at university, and the hothouse intensity that developed about making video game. If you have seen *The Social Network* you will understand what I mean. The bonds of friendship developed have stayed with us through the ups and downs. The success of the America's cup game fuelled more deals with EA. Inventing a patent on online games, and subsequent Venture Capital investment by Allen and Buckeridge, and the Federal Government R&D Start program was the formation of the spinoff BigWorld.

Going through periods of adversity has made us quite inventive. Not being able to find 3D artists in Australia led us to create the Academy of Interactive Entertainment and spin this off as a not-for-profit. This gave us easy access to a pool of talent which fuelled our growth. A can-do attitude and my friends belief in some of my ideas helped.

Moving to Canberra and in essence creating a new second studio when most game studios were located in one location also proved to be fortuitous. We were able to focus each studio on different roles and projects and strengthen our management team, and turned us into a real business. The patented invention by Stephen Lewis and myself which then led Simon Hayes and Steve Wang to develop the BigWorld technology was also very significant. We created the world's first middleware for online games, and helped validate the whole massive multiplayer market at a time where no one believed it was going to go anywhere.

The deal with Microsoft to develop the MMO *Citizen Zero* not only injected significant funds into the company the assisted with BigWorld technology, but we got to talk to Bill Gates himself about our game and our technology so that is something that is still quite significant. This deal gave Netease, the largest online games publisher confidence in us, and secretly licensed the BigWorld platform. We became friends with William Ding, Netease's founder and met our second billionaire.

And what have been some of the biggest challenges over the years?

There is only one challenge. Survive change. This lead to innovation, as the state of play is in constant flux. This requires a company and management team that is nimble and willing to adopt different ideas. At times it does feel like walking on treacle, as not all managers like change. Leading people can be difficult as you have to take them with you, and their buy in is very important.

We have faced most of the challenges small businesses will face. We have had staff try to steal our projects and people, we have had staff steal substantial sums of money and almost go under. We learn that if you really want to know someone, give them power. We watched as some of our past managers implode in their ego-fuelled dictatorial style. We learned to promote with great care; competence and loyalty above all things.

Like any developer we had to learn not to put all your game eggs in one or two publisher baskets, as we saw the cancellation of various projects, even if they were near completion, due to fault of our own, or after completion as the publisher struggled to find the marketing resources to capitalize on their investment.

We have had to deal with acquisition offers that were never fully realised, or partnerships that had great promise but were based on a sham.

Why did you decide in 1989 to have a break from games development?

Around this time Electronic Arts became huge success story, and small time developers like us found it hard to get our projects picked up. Sounds familiar? We witness the great purge and realised that we did not have what it took to stay in the race. We also wanted a life. We were tired of working every day of the year on a game and having little time off. We were also tired of getting ripped off.

We got jobs in the areas we were interested in and decided to call it quits. Period. No going back. It was too hard. Not knowing when your next meal will be served is difficult. As we settled into the workforce, we realized that everything that had occurred was partly by our choice. We had free will to decide our own fate, and not let other people's actions decide it for us. So we matured. We decided to make some money during our day jobs and restart the company, but knowing that we could do anything, and that we should beat our own drum. Impossible was just a word.

How did you first get into the development of massively multiplayer games?

Stephen Lewis and I started playing Command HQ by Dan Bunten, a friend of ours. Stephen's run tactic made me realise that in the future the computer would be a medium for interaction across many people, and that playing against or with a human was by far a better experience than what was happening then, mainly AI-driven games. So I devised Gamenet, an idea that would hook up a disparate set of BBS together to allow many people to play together. This led to a patent and eventually venture capital and federal government grants. Simon decided that this was a great idea and wanted to create it. We knew absolutely nothing about scalable systems, but Simon did. There was no massively multi-player games when we started that we could experience. Later, Everquest came out which helped prove we were on the right track. So really it was about passion about an idea. We learned to follow our passions and not what others thought or taught. They guys backed my idea and with the money I had raised helped to build it.

Why has BigWorld been such a success?

We were the first. We launched our tech in an embryonic market but were there to capitalise when it took off. We had game God developers. Super developers. They could code in their sleep. They grabbed the vision and build the most robust and scalable system possible, because they believed that the industry would become massive and scalability and robustness would be king, at a time where having thousands of users was big. Our family management style and loyalty to our staff was reciprocated and we had few staff losses. Unlike our overseas competitors who had access to greater capital to suffer at the hands of ever changing investor demands, and subsequent staff turnovers, we had a stable core engineering since we began in 1999. It made it impossible for even the most well funded developer to keep up.

We recognised early how big Korea and then China would be, as the massively multi-player business model was ideal for those countries. We did not move into Korea fast enough, but we moved into China very early on, and became the de-facto middleware of choice for publishers who really knew their business, that it was not just about which 3D engine they chose, but more importantly, which server backend would be robust enough to handle their success. As more and more customers chose our technology against major well known competitors, our fame spread. As games that took many, many years to develop finally launched, our tech became proven. To this date we probably have more professionally made massively games launched or in development than all our competitors combined. Who would have ever thought that an Australian company would lead the world in massively multi-player technology? We certainly did not. We did it because we could.

What else are you currently working on?

We are currently working on a massively multi-player game, as well as looking into developing a range of smaller games for hand held devices. We have also continued the ongoing improvements to BigWorld and have released BigWorld 2.0 to our customer base. We are planning some new innovative features for BigWorld aimed at the indie

market as well as some innovative games.

Why do you think Micro Forte has been able to survive when so many other Australian studios have been lost?

This is simple and complex at the same time. Sustainability is key. We learned that the bigger you get, the more work you need to constantly do in order to maintain the status quo. Expanding just because you have work can be fatal. Growth requires capital, and then if a project is cancelled, it requires more capital to let go of staff. Growth also requires you to change your processes and beef up your management team. In an industry that is hit driven, you are only as successful as your last few games, so there may come a time that you simply cannot obtain the same amount of work as you did in the past.

We also learned in the 80's that as budgets for game ago up, publishers prefer spending their budgets on internal teams where they have more control. So growth requires an exit strategy, and sadly many developers do not realize that growth without an exit will meet an untimely death. We have only ever grown when we tried to execute an exit strategy, and when that strategy did not work, we scaled back down. We have never put all our eggs in one basket and have diversified. While we have the expertise to run much larger teams (we hit 170 employees and contractors at one point) growth is not the key. We have worked hard at trying to find a suitable exit for our investors but not to the point of disaster. We have learned that at times it's best to survive and live to have another go, than to shoot for the stars and miss. It really depends on what you are after. We prefer to continue to be in business and make measured bets. We have now made payroll for 25 years so that it something we are very proud off. We only trust the amount of money that is in our bank account and do not rely too much on promises, milestone payments or contracts.

There are many developers in Australia that are doing OK, who understand that they need to develop their own intellectual property, be it a game, middleware or something else. They understand that they are masters of their own destiny, and that they must not abdicate this responsibility to other parties.

How important has the link between Micro Forte and the Academy of Interactive Entertainment been to the success of the studio over the years?

Micro Forte has been at the heart of many things. We created the AIE, created the GDAA and appointed its first board, and created the Australian Game Developers Conference. They were all tools that were needed by us and by other developers. As we have been around a bit longer, we had the necessary experience and conviction, as well as the money to fund these things. While some both internally and externally wondered the value of creating these entities, the founders were old timers who were at the heart of the video games industry in the 80's so we pretty much knew how they did it, and we just copied. Except the AIE. That was probably a world first, or near second with Digipen.

The AIE was instrumental in our growth and pretty much the whole industry in Australia. It's had many imitators but they are there for the money. The AIE is a not-for-profit and will be there while many others will reacquaint themselves with their capital and move on to other more profitable courses and new educational titulations. The AIE is something seasonal for us. It allows us to expand when we need to, and is a perfect place to gain new talent. At times we have to compete fiercely with other companies, which is only fair. At times we are not in a hiring phase and struggling to stay alive. Knowing that the AIE is there for us when we need talent is a good thing. We know that the quality and educational practices are the best. While there are imitators, the model the AIE follows is more aligned to the way industry works and the students have already have learned some valuable lessons that we do not need to pay for. They are more rounded and realistic, as well as enormously talented and enthusiastic. Hence why we make a point of having our studios wherever the AIE is located, as we are bake to cherry pick talent as needed as well as make it easier for us to support them. It's a win for all parties.

We are fairly excited by some of the discussions we have had with the AIE and their plans to help restore the Australian games industry to its former levels. We will watch their announcements on their plans with great interest. We will be very supportive.

What do you think of the state of the Australian games development industry today?

The Australian industry today is going through change and change brings opportunities. We have seen this occur in the 80's to us, to others in the 90's like Beam, and now to some of our younger friends. It is a cycle that is fuelled largely by escalating development costs. As each new sector is discovered and tapped, differentiation causes spiralling development costs and this causes consolidation. At the same time, new opportunities occur. Right now is the best time we have ever seen for independent game developers to establish a studio and develop their own IP. This will continue for a few more years, but development costs in these new indie markets will also increase. What costs \$50k today and make a small profit, will require \$500k investment in a few years and be out of reach for most part-time developers. The GFC has also had a super impact. This is a double whammy as the rising Aussie dollar has really put pressure. The industry will spring back, largely due to the proposed R&D legislation changes, and will become much bigger than it has been in the past. Quality content is king, and Australia knows how to do this very well.

How important was government funding to the success of BigWorld?

Access to funding is everything. We were fortuitous in obtaining funding, but we had good ideas and a plan. Unfortunately the cancellation of the R&D Start grants scheme pretty much wiped out the single biggest federal government funding source available. Lack of a solid venture capital industry has meant that many companies are doing it tough. The GFC on top of that decision nearly wiped many other friends. Only the proposed R&D changes will help to beginning a restart. Without them Australia will become an innovation wasteland, and we will have to wait for a fresh wave of policy makers to water this parched land. I am very hopeful that both sides of politics realise how perilous the situation is their decision will affect Australia ability to recover once the mining boom has abided. One needs to plant future seeds while the sun is shining so hopefully we will see wisdom prevail over party politics.

What should state and federal governments be doing now to better support the games development industry?

Pass the proposed legislation! And let the innovators do their work, and get out of their way. If they are able to put in place much easier small grants/loans for start-ups, then they will see a greater level of activity. They need to focus on a restart and put in place the means for people to dream and have a go.

What do you think Micro Forte might look like 25 years from now?

One thing is for sure. It will continue. That I'm cautiously optimistic about. But not any of us can know it or predict. Times are very hard right now, but we will party and enjoy ourselves at our 25th celebrations, as you must not skip these moments, for they are the fuel of tomorrow.

All the best John, many thanks for your time.

This story was found at: <http://www.smh.com.au/digital-life/games/blogs/screenplay/survival-is-our-forte-20101111-17o1j.html>