



Human Resources Benchmarking

- A Study of International Best Practices -

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www.igda.org/biz

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The IGDA Business Committee

The International Game Developers Association is the independent, non-profit association established by game developers to foster the creation of a worldwide game development community. The IGDA's mission is to build a community of game developers that leverages the expertise of our members for the betterment of the industry and the development of the art form.

The IGDA Business Committee's mandate is to empower the development community with business knowledge and in the process allow developers to make better games.

The goals of the Business Committee are as follows:

- Enable developers to build stronger, more successful companies
- Provide knowledge and business support resources
- Increase the perception of game development as a credible business and raise the profile of game developers as viable companies
- Improve the publisher/developer relationship
- Improve the retailer/developer relationship

Additional information on the IGDA and the IGDA Business Committee can be found at

<http://www.igda.org/biz/>

<http://www.igda.org/committees/business.php>

http://www.igda.org/committees/business_members.php

Introduction

It's all about people...

Rapid growth in the games development sector is fantastic and brings a number of new challenges for individual development companies - managing the new opportunities and their consequent impact on the business can be difficult. The IGDA is working hard to support the development community through the provision of best practice business knowledge to allow game developers to concentrate on making better games. A big part of the management conundrum is about people – knowing what you need, how to find the best people and help them achieve their best potential for the benefit of the business. That's where this survey fits in – we were interested to learn about the best people-practices that are currently happening in the sector, to be able to share this knowledge with the wider community.

Around 50 companies worldwide were asked to participate by completing a comprehensive and confidential survey, which tackled a whole range of HR issues. Responses were received from companies based in the US, Canada, UK and France.

We hope that you find the results interesting. While we do not claim they are representative of the sector as a whole, we do feel that there is much that would be of interest to every video game company, whatever their own stage of business development.

We would like to thank the participating companies for their contributions, which have been invaluable.

Lindsey Claydon
www.PeopleDynamics.co.uk

Note: The IGDA's Business Committee compiled industry best practice reports based on roundtable sessions at the annual Game Developers Conference. HR was one of the subject areas covered and readers are encouraged to download that report as well:

http://www.igda.org/biz/best_practices.php

Key Results

Here is a summary of our key observations – a more detailed review of the data is contained later in the report.

- A total of 46 companies were contacted. 7 companies responded, located in the US, Canada, UK and France. The companies vary in terms of size (employing between 7 – 185 employees) and in terms of the time that they have been in business (ranging from 3 – 12 years in business).
- The responses reflect an important issue for the industry as a whole: that of trying to achieve a better male/female balance in the workplace. The male/female ratio reported by the companies in the survey varied between 85%-99% male, to 15%-1% female. This compares with companies such as Electronic Arts who report a 73%/27% ratio, male to female.
- All companies are reporting future growth plans.
- Just over half the companies are currently outsourcing non-core (in terms of IP) areas and they envisage that this practice will increase in the future.
- All companies report a strategic and proactive approach to HR, even the smallest of companies.
- All companies reported having documented HR procedures, including recruitment processes.
- All companies are clear about their own identity and the “value proposition” they can offer as employers. These included opportunities for development, good team spirit, open and innovative culture.
- All offer development and training opportunities to their employees, although all companies reported some challenges as far as dealing with skills gaps is concerned – mostly in the areas of general management and business skills.
- Culture is seen as an important strategic tool and in the majority of cases the culture of the organisation is developed consciously, rather than through natural evolution.
- Most companies in the survey favour recruiting employees direct or through referrals. The UK-based companies reported more use of recruitment agencies compared with other regions. All companies will recruit outside their own national boundaries and will have formal and varied recruitment processes to aid selection of the right people.
- Low staff turnover is reported by all respondents

- Work-life balance – there is evidence from survey that there is some flexibility around working arrangements, but there are limitations for companies as there is a heavy focus around production schedules, with rewards given (time off) at the end of the production cycle.
- Employee relations and communications – companies approach these issues in a variety of ways in which they ensure employees are getting information about the company, performance and issues that affect their work. The UK companies rely on staff meetings, while the US and Canadian companies use a variety of additional opportunities to involve people.
- All companies report being open to employee suggestions about improvements in the way the business can operate and give recognition of these ideas. None reward ideas adopted through financial means or through awarding a non-cash benefit.
- The majority of companies have formal pay structures and salary review processes, most paying market rates. 3 companies have formal job evaluation processes to ensure internal fairness.
- The majority of companies have some form of incentive pay, based on a mix of individual, team and organisation performance. The UK companies exclude administration and support staff.
- The things that make the companies great places to work – responses concentrated not on the financial rewards, but the people-oriented aspects such as consistency of management, opportunities for working on exciting projects, commitment to people, a listening environment, feeling valued.
- The things companies would do to make their company an even better place to work – there were a mix of responses to this question, ranging from practical issues about the physical environment to improving certain operational processes.

Background Issues

After gathering up the responses, we were keen to review the results in consideration of a number of background contexts, namely:

Small and Medium Sized Businesses (SME's)

By and large the independent games development sector comprises SME's of all shapes and sizes. As SME's represent the majority of businesses in US, Canada, UK and France and employ over half the workforce in those countries, games companies are important contributors to each national economy. With SME's ranging from the micro business to companies of 250 people, there will be an equally wide range of approaches to people processes.

- We were interested to explore whether the larger SME's in the sample group were more developed in terms of HR processes and practices, expecting to find that the smaller businesses would either not see HR issues as a priority or have the ability to invest much in this area. *This was not borne out in the results!*

Move over generations X and Y – make room for the Games Generation....

Core values and motivation – those old chestnuts that have had psychologists and employers baffled over the years. What makes people do what they do at work? What makes some people excel where others fail? Demographics have shifted over recent years and the expectations of people coming into the workplace are real drivers of their behaviour. In Marc Prensky's book "Digital Game based Learning" – Prensky suggests that the Games Generation learned from growing up with video games. If you put in the hours and master the game, you will be rewarded – with the next level, with a win, with a place on the high scorer's list. What you do determines what you get, and what you get is worth the effort you put in". It is suggested that this new generation does not have patience for what doesn't pay off in the end. If that is true, then the pressure is on for businesses to create the right environment and management processes, as well as meaningful rewards in the work environment to meet this new motivations and expectations.

- We were interested to see if, against this backdrop of evolving work ethics, the games sector had innovative ideas for managing and retaining employees – lessons that would be useful to other sectors. *Yes it has!*

Value-added HR....

Globally HR is changing – it is much more about strategy, value-add and bottom-line than administration and reacting to change – at least this is the language of larger and successful companies.

- We were interested to see whether companies in the games sector were following this lead by recognising the strategic value of HR and incorporating it into core business activities. *Yes, they do!*

Summary of the Results

Although the survey attracted a small response, the data allowed us to make a number of interesting observations. All the companies that chose to participate are looking forward to growth with confidence and optimism, report low rates of staff-turnover and overall, perhaps with the exception of the UK companies, do not seem to have significant problems in recruiting the people they need for the business. So what are they doing right?

- The companies all show a very proactive approach to people management and have placed HR in a strategic position within the business, whatever the size and age of the business.
- All companies have written policies in the core HR areas, recognise the value of training and development and are keen to ensure that they maintain a variety of options for communicating and involving employees.
- As expected, we found that the larger companies are able to offer a more diverse range of benefits than the smaller companies, but even the smaller ones have taken an innovative approach to reward their employees.
- All the companies manage performance and use a variety of metrics to help keep on track as far as HR priorities are concerned (e.g. managing absence, monitoring the return on training spend, etc).
- There is a heavy emphasis on core values and creating an environment that reflects quality, development of opportunity, knowledge sharing, aspects of social responsibility to the community at large and a commitment to people.
- One of the key observations from the survey is that it is clear that innovative and forward thinking HR policies are not just the domain of the large corporate organisations in the industry. Whilst we would expect large successful companies like EA and Microsoft to appear at the top of the rankings of best companies to work for (as they do, both in the US and the UK), there is evidence that the smaller, younger companies in the video games sector are getting it right too. Even in the small sample of responses in our survey, we saw that whether small or micro, the companies all took a proactive approach to HR – not necessarily in terms of allocating budget, but through a “state of mind”. For example companies like Radical, employing 185 staff, have been recognised as being one of the top employers in their region, as a consequence of their business and people practices and where “taking care of employees gets as much consideration as taking care of business”. As far as they are concerned, “the two are inextricably linked” (MacLean’s Magazine, March 2001). This is also borne out by the responses from other companies in the survey.

Some the challenges faced by development companies seemed to be common among the survey respondents. For example, the ability to continue to attract talent; to achieve a better male/female balance and the enhanced dynamic that this can bring to the business; resolve skill gaps relating to general management and business skills.

External studies are now providing evidence that HR is not just a bunch of soft skills and that getting it right with people at work helps to get it right when it comes to the company's bottom line. For example:

- The consultancy firm PriceWaterhouseCoopers recently conducted a global study, which shows that companies with documented HR strategies had more effective reward systems, better performance management and reduced absenteeism. This seems to be borne out by the companies contributing to this survey. PriceWaterhouseCoopers also concluded that companies with documented HR processes show 35% higher revenue per employee compared to those without.
- Watson Wyatt's Human Capital Index reveals that excellence in recruitment and retention translates into nearly 8% return on shareholder value and that shareholder returns are 3 times higher at companies with superior HR practices.
- Recent research by Gallup International, a survey of 2500 business units in North America, concluded that the highest level of "engagement" by employees resulted in 25% more profits, 10% less turnover and were 50% more likely to create higher levels of customer loyalty.

With employees' values and work ethics changing from generation to generation, for the new generation of employees, more than ever, the underlying core values of the organisation need to be genuine. If values are aligned, there is a better chance that people will stay and develop with the organisation. What they need in return – opportunities for growth and development, a sense of community, work/life balance, partnership and trust. Looking back, this is no so different from any other generation, only in that these days for the new generation of employees these are definite expectations and they will have no qualms about moving on from organisation to organisation to satisfy themselves. Previous generations have only hoped for these as some kind of work-place nirvana. Perhaps the video games sector has an advantage in this respect over other more established sectors, particularly within the independent companies. Shared values go a long way to producing great results.

What has been encouraging from our survey is that it has shown that there are companies in the video games sector that are getting great results through their people practices. Obviously, given the size of the response, we haven't been able to draw strong conclusions, nor to assess how common these practices are in the sector as a whole.

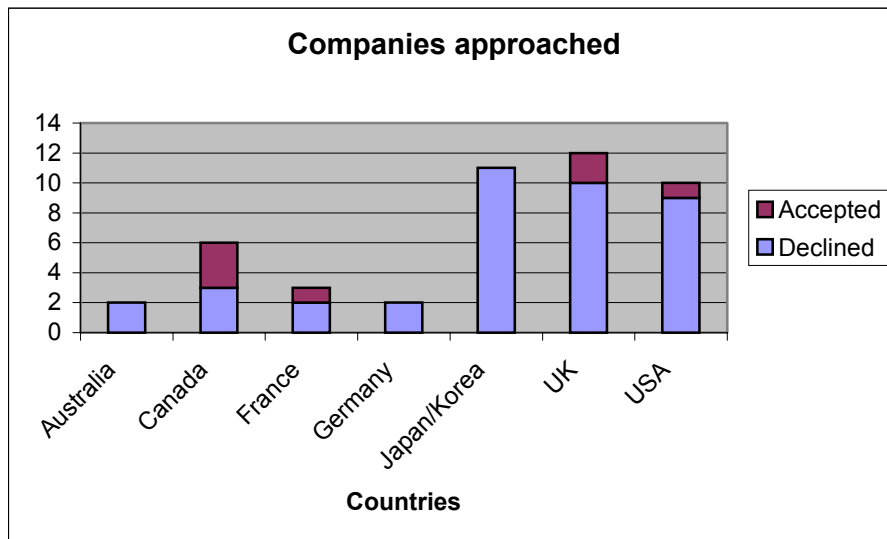
Nevertheless, we hope that you have found this review of interest and will take some of the ideas that are new to you and incorporate them into your own business. You may have even better practices that you may like to share. If so, then please contact IGDA who will be happy to find a way to disseminate them.

"Tell me and I forget. Show me and I remember. Involve me and I understand"
- Lao Tze, 600BC

Benchmarking Study – Key Data

- 46 games companies were approached in US, Canada, France, UK, Germany, Australia, Japan and South Korea. Mostly SME’s (up to 200 staff) although had included three of the large publisher-linked development studios. Responses received from 7 companies (15% of target audience) with a spread across Europe, US and Canada. Best percentage response was from Canada (50%).

Region	Invited	Responded	%	Games/Applications
Australia	2	0		
Canada	6	3	50%	Consoles, PC, online
France	3	1	33%	Consoles, PC
Germany	2	0		
Japan/Korea	11	0		
UK	12	2	16%	Consoles, PC
USA	10	1	10%	PC
	46	7		



- In terms of size of company, 3 (42%) companies employ 0-100 staff (European and North American), 2 (28%) companies 100-150 staff (UK and North American), 2 (28%) companies 150-200 staff (UK and North American)
- There is a heavy “gearing” towards male employees – the respondents report between 85%-91% of their headcount is male. To put this in context – Electronic Arts (both in US and UK) report a ratio of approximately 77% male and is working on bringing more female staff into the business.
- The respondent companies are between 3 and 12 years old.

- The companies report very small numbers of part-time workers – their staff are mostly full-time.
- All report the use of temporary workers, although by and large, the numbers of temporary workers seems mostly insignificant in relation to overall company headcount. However 2 companies report relatively high levels - one NA company reports 10-20% workforce temporary workers, one European (the youngest and smallest company under 10 core workers) reported 400% temporary/contract workers.
- 5 out of 7 report the use of temps as a specific strategy for keeping the business flexible.
- All recruit their temporary workers direct, only UK companies also using recruitment agencies.
- In respect of the key areas of business for which temps are used – top of list is Sound/Music, then Programming and Graphic Artists. The remaining areas nominated are a mix of programming, QA and Testers
- 3 out of 7 currently outsource in the areas of art and audio. 3 companies foresee a likelihood of increasing their use of outsourced services.
- In terms of management structure, companies are mostly taking on a matrix-management and flat structure, describing themselves as democratic, inclusive, adaptable, teamwork, upturned pyramid. (But then these are the bosses!).

HR Context

- 6 out of the 7 companies have some form of formal HR representation (either through an HR officer or HR manager). 5 out of the 7 have HR representation at senior management or board level.
- All 7 have written HR policies and believe that HR adds value at a strategic level to their business. Not the norm for SME's generally.
- All companies use some form of HR metrics in the management of their businesses – all monitor staff turnover, 3 measure productivity and recruitment costs, 1 monitors how they are doing in respect of diversity.
- Staff Turnover - all companies report low staff turnover and regard turnover as stable and not a particular problem for their businesses.
- Culture – all see their culture as a competitive advantage in respect of recruiting and retaining staff. 5 companies (the larger and more established respondents) consciously work to develop and protect theirs, 2 see their culture as evolving naturally.

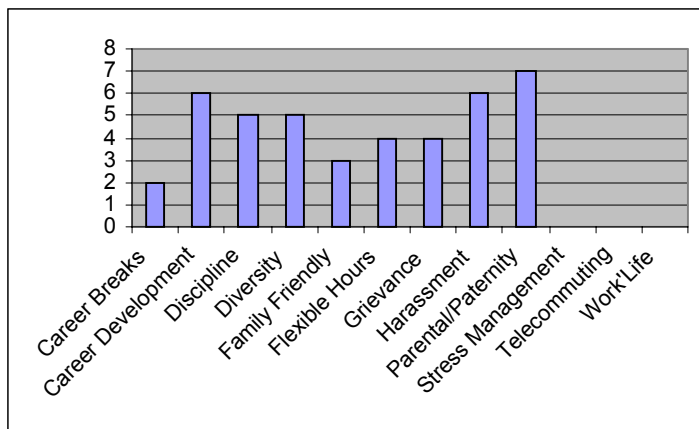
Recruitment & Selection

- Value propositions reported (ie what do companies offer staff apart from salary) – in spite of the companies being at different stage of their life cycles, there are a range of common value propositions, including:

- Creative opportunities – the chance of working on great projects
 - Opportunities for personal development
 - Team spirit/good morale
 - Good communications
 - Good staff benefits
 - Culture
- Others include free food, gymnasium, great physical working location, 2 pay reviews per year.
 - Only the UK developers reported significant difficulties in recruitment, although the majority of companies reported some difficulty at times in recruiting artists and programmers.
 - 6 out of 7 companies are looking to expand their headcount in the next 12 months.
 - All responding companies recruit outside own national boundaries. North American (US and Canada) will look to recruit from each other's territories, Europe, North Africa, India and SE Asia. The European companies will look mainly within Europe and the US for talent.
 - All report formal recruitment and selection strategies, although only a minority report that employees involved in the process are trained in recruitment techniques.
 - Companies were asked to report on which methods they use in recruitment and how effective they are. Most often used and considered most effective are the direct forms of recruitment (referrals from staff, direct applicants, applicants via the company website and their own advertising). The least effective approach is the use of head-hunters and search companies. The use of recruitment agencies predominantly features in the results for the UK companies.
 - In terms of processes used for selecting staff, all use CV's, references and work examples. 4 companies also use ability testing. No companies use personality or psychometric testing (reasoning, verbal, abstract reasoning etc).
 - All use interviewing, 4 using structured interviewing techniques, 1 using behavioural interviewing techniques.
 - 3 companies will interview the candidate more than twice.
 - As far as induction processes are concerned, all companies report having an induction process for new staff – mostly through a structured process of meeting people. 2 companies reported structured ongoing induction programmes. 5 companies reported the use of "buddy" systems for helping new staff, mostly on an informal basis.

Working Practices

- All companies have formal written terms and conditions of employment – even the smallest company, which is, in my experience not the nor for a small business.
- Regarding working hours, 4 companies offer flexitime and all companies report that staff work longer than their contracted hours.
- In Europe, one company reported that their staff waive their rights under the working time regulations.
- Only one company (a UK company) reports staff regularly working from home.
- A range of working practices were surveyed:

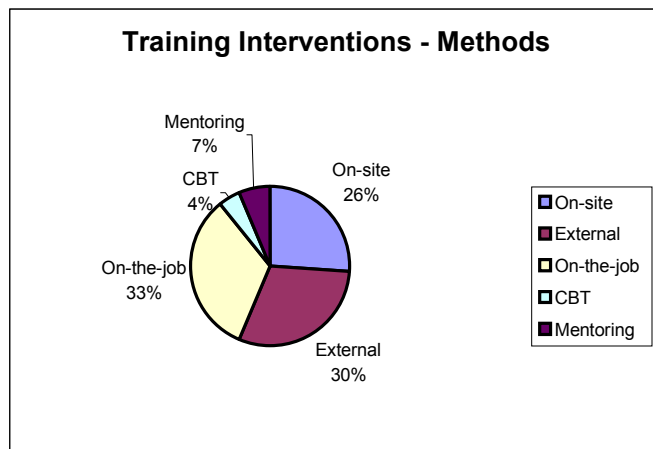


- Working in teams is the norm, we were interested in the survey to find out whether companies moved people around teams as a rule or try to keep well-performing teams together. 3 companies report that teams are kept together on a project by project basis, 3 report keeping well-performing teams together for as long as possible (from project to project).
- All but one company have formal job descriptions
- In terms of management style, companies mostly reported this as being open, collaborative and based on trust. One commented that their management style is “reactive”.
- All have report the use of a performance appraisal process, with only two companies reporting that the focus for this process is for determining pay. All companies report some form of self-assessment as part of the process and that Training & Development issues feature in the discussions. 4 companies report the use of 360° feedback instruments (mostly for managers and above).

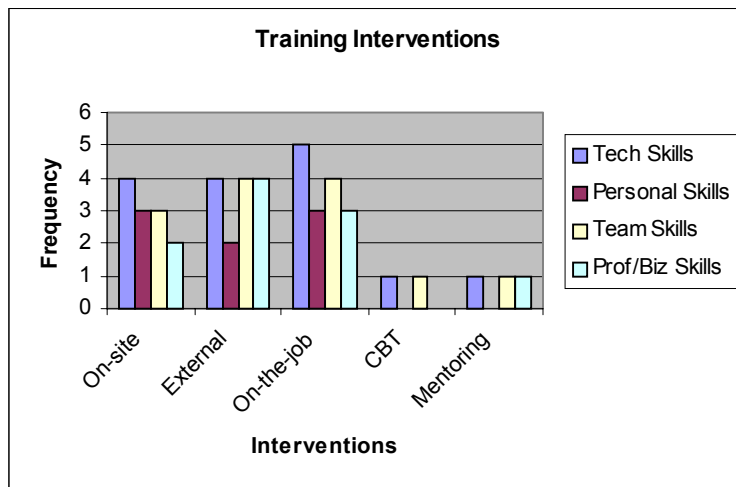
- 5 companies have formal processes for dealing with unsatisfactory performance. (In the UK this will shortly be enshrined in employment rights legislation).

Training and Development

- 4 companies report having a formal process for identifying training needs (mostly the performance appraisal process).
- 5 companies report having a training budget. 1 company gives staff a personal allowance for training purposes, but no time off.
- 3 companies (the larger ones in the group) evaluate the effectiveness of their training spend.
- Average training days per year per employee – 3 companies report between 0-4 days per year. One company reports between 8-12 days for managers, 3-8 days for other staff, which represents an investment that outstrips the norm. *Comment about this....*
- Regarding the types of training interventions used, “on-the-job” and onsite learning is favoured over off-site training:



- Areas of training currently being undertaken:



- More emphasis on training of technical skills, followed by Team Skills and Business skills.
- Companies were asked to nominate their current skills gaps priorities. Top of the list were general management skills including team leadership, people management and problem-solving. Two companies nominated technical skills.

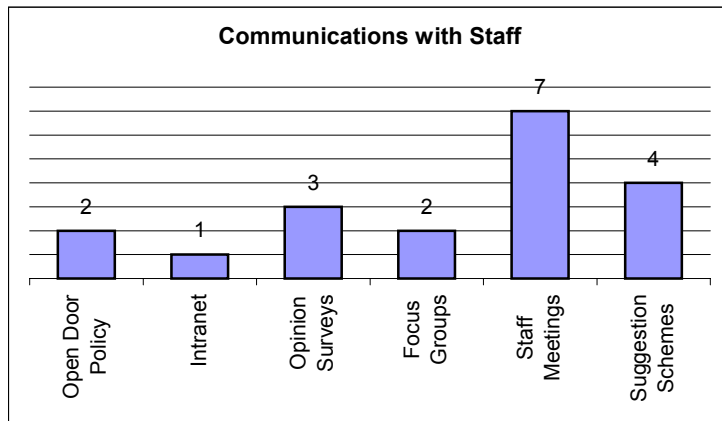
Apparent contradiction at some companies between current gaps and the training actually being undertaken.

- Study leave – 2 companies have policies on sabbaticals.
- Most companies will informally groom people for more responsible work rather than use a formal policy on succession. 2 companies report having a formal succession policy.

Participation/Employee Relations/Communications

- No companies in the survey reported trade union involvement. UK and European countries have legislation that requires companies to recognise a TU if workers request this.
- All companies reported that they ensure opportunities for employees to have a say in decisions that impact on their jobs – range of level of involvement. All companies have staff meetings. While UK companies favour staff meetings as their way of communicating, US and Canadian companies show a variety of methods – including focus groups and a wider range of staff meetings, with one company holding annual meetings for cohort groups (staff meet up according to their year of joining the company).

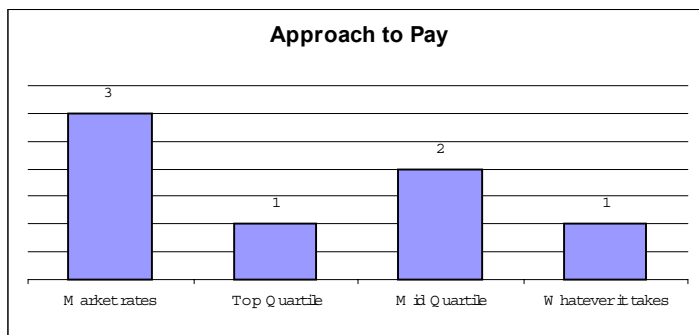
- Other methods of involving and communicating with employees include:



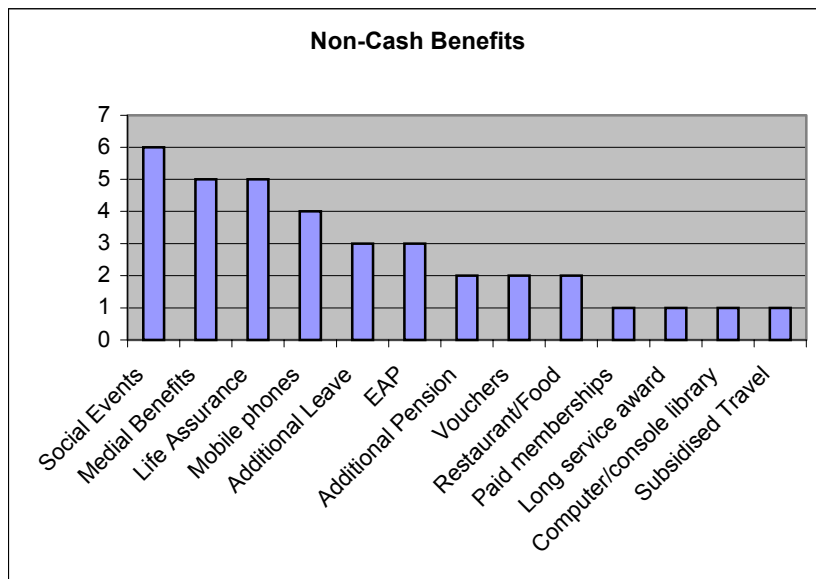
- All nominate open door policy and majority staff meetings. 5 have opportunities for staff to meet outside their normal departmental day-to-day activities, 1 through offsite meetings.
- 4 companies run suggestion schemes, all companies report acting on suggestions from employees, none are rewarded financially.
- All companies conduct exit interviews with staff leaving the company.

Pay/Benefits

- 5 out of the 7 companies have a formal pay structure and 6 out of the 7 have a formal salary review process. Not surprisingly, the exceptions to this are the companies that employ fewer than 50 staff. Salaries are mostly reviewed annually, with one company reviewing them on a 6-monthly basis.
- External pay relativities - in terms of determining pay rates, most respondents base salaries on market rates – although, in addition, 4 companies all reported having to pay what it takes on occasion to get the person they want.



- Internal pay relativities - 3 companies operate a formal job evaluation process to ensure internal relativities are managed. As expected these were mostly larger companies, although one of the largest of the respondent organisations does not operate a formal job evaluation process.
- Incentives - 5 companies (across all sizes and ages) have some form of incentive pay; in 2 cases this is contractual, for the others it is discretionary. 3 out of 5 award incentive pay to all staff – the 2 exceptions are European companies who do not include support/admin people.
- 2 companies base their incentive pay on a combination of individual, team and organisation performance, 1 on company performance only, 1 on individual and company, 1 on individual performance only.
- 4 companies offer cash and share options (small and large companies), 1 company offers cash, share options and shares (large), 1 company offers cash only (large).
- Non-cash benefits:



Community

4 companies support voluntary/charitable projects – all Canadian respondents and one UK. Support in a variety of ways – making facilities available for fundraising events, donations to local charities.

What makes this a great place to Work?

- Listen to needs and concerns.

- Level of strategic growth.
- Calm progress.
- Strong buy-in to company's mission statement.
- Open environment.
- Focus on quality – products and workplace.
- Focus on what's important.
- Consistent behaviour.
- Casual work environment (re dress code)/informal culture
- Only hire motivated people with a sense of humour.
- Top benefits.
- Visible development structure.
- Successful company, exciting projects.
- Focused business development plans.
- Commitment to staff.
- Occupational health advisor.
- Social events.
- Opportunity to get involved in the creative process.
- Small team.
- Valued staff.

More about the environment created for people to work within, than the physical issues and pay. Also important is the onward development of the business which drives this.

Magic Wand?

- Make recruitment easier!
- Thorough documentation of HR policies.
- Tracking data which could better measure effectiveness of HR policies.
- More flexibility.
- Family friendly policies.
- Cafeteria benefits.
- Improved communications across the organisation.
- Increase to the T&D budget.
- More rest areas.
- Improved communications.
- More social events.
- Onsite social facilities (gym/bar etc)
- Nothing!

Companies Invited to Participate

Australia

Infogrames Melbourne House
Micro Forte

Canada

EA Canada
Radical Entertainment
Ubi Soft
Relic
BioWare Corp.
Microïds

France

Microïds
Ubi Soft
Arkane Studios

Germany

JoWood
Blue Byte

Japan/Korea

Bandai
Koei
Konami
Ninelives
Sega
Sony
Capcom
Namco
Square
Nexon
NC Soft

United Kingdom

Rare
EA UK
Rebellion Developments
Argonaut
Lionhead Studios
Warthog
Kaboom Studios
Kuju
Vis Interactive
Blitz Games

United States

Nintendo
Microsoft Xbox
Blizzard Entertainment
Gas Powered Games
Ensemble Studios
Valve Software
Naughty Dog
Oddworld Inhabitants
Sammy Studios
Ion Storm
Surreal

About the IGDA

The International Game Developers Association is the independent, non-profit association established by game developers to foster the creation of a worldwide game development community. The IGDA's mission is to build a community of game developers that leverages the expertise of our members for the betterment of the industry and the development of the art form. Do the right thing and join the thousands of members, studios and partners that help make this mission a reality.

Personal Membership

The IGDA membership is made up of programmers, designers, artists, producers and many other development professionals who see the importance of working together to advance games and game development as a craft. Your involvement is critical to the success of your career, the IGDA and our industry.

By joining the IGDA, you join a worldwide community of game developers that shares knowledge, insight, and connections. From local chapter meetings, to online discussions, to committee output, the IGDA provides invaluable information and resources.

Studio Affiliation

Your team is your most valuable asset. As a Studio manager, you can reward and inspire your development team by affiliating with the IGDA. By joining the Studio Affiliation Program, a studio provides all of its employees with personal IGDA memberships, allowing them to connect with their peers and grow professionally and personally. In addition, Studios receive their own unique benefits and discounts, all while showing support for the community. Refer to the back cover of this report to see all the great Studios that are part of the IGDA.

Industry Partner

Your organization is essential to game development. Make a difference in the community you've helped to create by becoming an IGDA Partner. Send the message to game developers that your organization supports the growth and development of games as an art form, and backs the community at its roots. Gain exposure with IGDA members for whom game development is a way of life. The IGDA upholds the common agenda of game developers and the game industry. Be a part of that agenda by becoming an IGDA Partner.

Make a difference:

www.igda.org/join