Insights and Best Practices on Scaling up Video Game Companies

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About Interactive Ontario and Our Study Partners

Interactive Ontario

Interactive Ontario (IO) is the trade association that represents producers of video games and interactive digital media (IDM) in Ontario. We work hand-in-hand with all stakeholders to foster the economic and creative growth of our sector. Our members produce and export video games, extended reality applications (VR, AR, MR), eLearning content, and other innovative interactive digital entertainment and edutainment applications.

Through advocacy, connections, insights, resources, programs, and building meaningful partnerships with other organizations, Interactive Ontario is dedicated to positioning Ontario as a leader on the world stage.

Communications MDR

Headed by Maria De Rosa and Associate Marilyn Burgess, **Communications MDR** provides forward-looking, results-driven, strategic consulting services to the cultural industries, digital media, arts and heritage sectors in English and in French.

In over two decades serving Canadian cultural funders, policy makers, associations, and companies, Communications MDR has amassed extensive expertise in public policy, global markets, financing and digital shifts in the cultural sector. Our research, strategic insights and creative communications help our clients better understand key trends; seize market opportunities; design innovative programs and communicate effectively with stakeholders in both official languages.

Funding for this study was provided by **Ontario Creates**

Executive Summary

1. Introduction

This study provides insights, best practices and lessons learned in Canada and other jurisdictions that can inform the design of programs or initiatives intended to help Canadian video game companies scale up.

Methodology, Scope and Limitations

The study relied on an international review of literature, informant interviews and case studies of five successful Canadian video game scale-ups. The focus was to understand the factors contributing to the success of videogame scaleups and to review how videogame companies are being supported to scale up in seven peer jurisdictions: the United Kingdom (UK), France, Germany, the European Union (EU), Finland, Sweden and Singapore. The programs examined are: Games Scale Up (UK), BPI Video Games Accelerator (France), SpielFabrique (Germany), Baltic Explorers BE BIG Accelerator (Finland), Sweden Game Business and Venture Programs (Sweden), Game Hub Denmark (Denmark) and Global Top Round Accelerator and Seed Investment Programs (Singapore). The Canadian video game scaleups profiled in the study are East Side Games, Phoenix Labs, Big Blue Bubble, Digital Extremes and Behaviour Interactive.

The study was limited by the lesser availability of literature with a specific focus on scaling up videogame companies. A second limitation was the small number of programs specifically aimed at videogame scaleups. The review of literature identified eight programs, which are discussed in this report. Finally, the study did not identify literature on scaling up videogame companies led by diverse founders.

2. Findings

Videogame scaleups are unique, with specific needs and a set of factors contributing to their success. The videogame scaleup programs examined for this report are addressing these needs and enabling companies to leverage success factors through best practice program design.

Videogame Companies Are Unique Amongst Scaleups Because of their Ability to Sustain Exponential Growth

Scaling up is a stage of growth that some companies achieve characterised by a high rate of growth. Scale-ups are characterised by significant growth in revenues. They have created viable products for which there is demonstrated demand in potentially very large and global markets. They have identified scalable and repeatable business models propelling rapid growth. Their product launches often coincide with new and growing markets from the release of new game consoles and platforms, or from leveraging social media or other technologies. They are active in domestic and international markets. They have significant growth in the number of employees and have higher customer retention than other companies.

Videogame scaleups are unique in that they can achieve rates of exponential and sustained growth that makes scaleups in other sectors pale by comparison. Their unique digital creation and distribution model allows some videogame companies to achieve economies of massive scale, reaching global markets without the need to invest in extensive assets abroad.

All scale-ups begin as startups, however, not all startups will scale up. Some videogame startups design their products with the intent to scale.

As they begin to scale up, videogame companies have multiple needs.

Needs of Videogame Scaleups

1. Strategic partnerships to expand to global markets

2. Access to financing and capital to support ongoing development and growth

3. Skills and knowledge to build out their management teams with the expertise to deploy and service their games in multiple markets and secure professional business services from HR, legal and accounting experts

4. Skills and knowledge to implement more formal structures such as creating departments and defining processes

5. Leadership skills to reinforce their corporate culture and vision for the company with employees

Scaling up is both strategic and transformative. To achieve their goals, companies may make changes, such as modifying their management structure and developing their infrastructure, expanding to new lines of business, like self-publishing, pivoting to exploiting their own IP or developing new partnerships to exploit branded IP and attracting investment that may change their ownership structure.

While each scaleup journey is unique the study identified eight factors that contribute to the ability of videogame companies to scale up. These include both internal success factors – characteristics belonging to the company, and external success factors - opportunities afforded by the environment. The five Canadian videogame scaleups profiled in this report share in common their ability to leverage all of the success factors identified by the study.
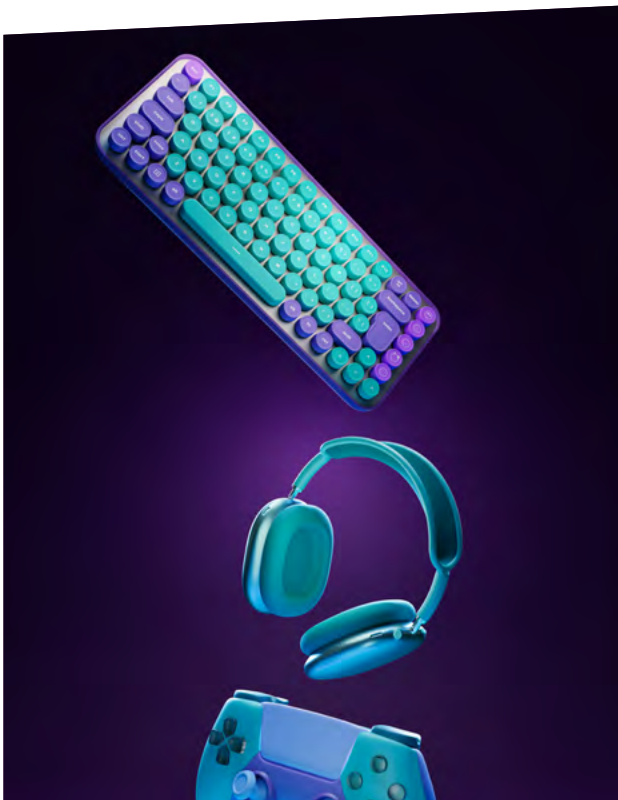
Success Factors for Videogame Scaleups

1. **Experienced founders** with the capacity to face challenges and address the risks of scaling up.

2. **The right product/market fit meeting** demand in large or growing markets with new game genres, delivered to new consoles and platforms, and leveraging social media and artificial intelligence to enhance player experiences.

3. **A scalable business model** of Games-as-a-Service, or GaaS, which provides greater predictability of revenues and is attractive to investors.

4. **Effective leadership** necessary to transform the company's internal processes and to build out its management team with the necessary expertise to service and promote their games in multiple markets. Leadership extends to paying attention to their corporate culture to unify rapidly growth in the number of employees.

5. **Access to capital** to finance their growth more rapidly. The companies profiled accessed tax credits, project funding, venture and angel investments, and revenues from self publishing. More rapid growth was also made possible by strategic investments into their companies by other video game companies.

6. **Access to talent** continues to be one of the greatest challenges facing most videogame companies. More experienced founders have the advantage of greater knowledge of and access to talent through their established networks.

7. **Innovation and innovation partners** are critical to the success of scale-ups and is evident in their innovative new game genres, their in-house development of technology to support their games and the strategic R&D partnerships.

8. **Strategic partnerships** with owners of branded IP, with publishers in the right markets and with investors are vital to the success of these companies. Their business networks also enable access to markets and financing.

The scale-up programs examined in this report provide evidence of best practice in helping videogame scaleups to meet their unique needs and leverage factors for success.

Best Practices of Scale-up Programs for Videogame Companies

1. **Focus on High Potential Video Game Companies:** The programs examined in this chapter share a focus on companies with a high potential to scale up. Most programs have minimum eligibility requirements that allow them to assess the potential of companies. Some require that a company has successfully launched a game and is generating revenues. Others may wish to see the results of a soft launch or to review a game nearing completion. Companies are expected to have a small number of employees. But ultimately, high potential comes down to founders.

2. **Select Highly Motivated Founders with Ambition to Scale Up:** The selection of companies has been described as an important factor in the success of programs. Programs aimed at earlier stage companies focus on ensuring companies will be able to launch their game. A critical criterion identified by all program representatives interviewed for this report is the entrepreneurial attitude of founders. All else being equal, the desire to succeed is paramount.

3. **Focus on Supporting the Development of the Business:** The programs have established goals aimed at supporting the development of the business of participating companies. These are offered business training and coaching, supported in the development of their networks and provided opportunities to pitch, attract publishers and investors. Ultimately, it is hoped over the long-term, they will become sustainable companies, with benefits for the companies, and for the local eco-systems in which they operate.

4. Provide an Array of Business Training, Services and Expert Advice to Reach New International and Global Markets: Through curricula tailored to the needs of companies, and ranging in duration from 3 to 18 months, businesses have access to one-on-one coaching, mentoring and advising, peer-to-peer support and networking opportunities. Peer-to-peer experiential learning between entrepreneurs is a recognized best practice characteristic of programs that successfully support high growth companies. Peer-to-peer networks promote knowledge transfer, business linkages and networking.[1]

5. Provide Management Training and Networking to Help Companies Build Out Their Management Teams: The programs provide advanced management training and business consulting services to provide founders with the skills to successfully navigate their internal growth. They also encourage the development of business networks so founders can draw on needed talent to build out their teams.

6. Continuity of Support Along the Growth Journey: Many programs are multi-staged, providing support to companies all along their growth journey. Programs are fixed term, ranging from 3 to 18 months, to provide adequate time for companies to learn as they grow.

7. Calibrated Impact Measurement: Program measurement is focused on immediate impacts that are measurable and provide evidence that companies are moving in the right direction and growing. The most important measure reported only anecdotally may be the internal transformation of the company towards a greater, more skilled and strategic focus on growth.

As the Canadian videogame sector moves forward, any new program designed to support videogame companies to scale up should 1) address the specific needs of scale ups, and 2) promote their ability to leverage success factors. We therefore offer the following considerations:

- The selection of ambitious, motivated teams with some experience in the market is critical. The design of any new program should consider the unique environment of each province.

- Tailor programs to the needs of companies at the different points along their growth journey. These needs vary by company, by type of game, by moment in the company's evolution etc.

- Support for the development of the business is critical, with proven methods such as one-one-coaching, mentoring and peer-to-peer support. Successful curricula are focused on helping companies make pitches to potential publishers, investors and other collaborators. Support in negotiating agreements is critical to ensure companies do not overly dilute their ownership before achieving success.

- Develop measures of success to ensure programs evolve strategically. Focus on immediate outcomes and the internal transformation of companies towards a business-oriented growth mindset.

- Allow the market to play its role in identifying investment opportunities. Any program that aims to accelerate companies using funding from public or private not-for-profit (i.e., from a foundation) sources should not unduly hinder the growth prospects of companies by diluting their equity at too early a stage in their development.

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1 *Characteristics of Scale Ups and the Impact of Scale-up Support Programs – a Literature Review, Prepared by the Evidence Network for Nordic Innovation, 2019.*

Introduction

1. Preamble

The video game sector in Canada is at a pivotal stage in terms of its growth and international competitiveness. A recent study, *International Review of Financing for Video Games*[2], found that more business angels and venture capitalists are investing in game companies than ever before. The current market is providing unprecedented opportunities for game development studios to scale up their companies, in particular due to the rise over the past decade of the games as a service business model that allows companies to monetize their IP over a long period. The following study is aimed at providing international and national insights and best practices to help Canadian video game companies scale up.

2. Approach and Methodology

This report draws on the findings of an international review of literature, informant interviews and case studies of five successful Canadian video game scale-ups.

The aim of the international review of literature was two-fold: to understand the characteristics of scale-ups as found in relevant literature, and to identify programs aimed specifically at helping videogame companies to scale up. The examination of programs was intended to identify the characteristics of these programs and best practices. The peer jurisdictions examined through the review of literature were the United Kingdom (UK), France, Germany, the European Union (EU), Finland, Sweden and Singapore.

Case study analysis was used to develop profiles of five Canadian video game companies that have scaled up. These yielded key insights into the factors contributing to their success. The profiles can be found in Annex IV.

To complement the review of literature and to support the case study analysis, a total of 13 key informant interviews were conducted with administrators of scale-up programs aimed at videogame companies and executives representing successful Canadian videogame scale-ups. A list of interviews conducted is in Annex II.

Scope and Limitations

The focus of this study is on video game scale-ups. One limitation to the study was the lesser availability of literature with a specific focus on scaling up in the video game sector. While the study does draw on findings from the literature on scale-ups generally, these have been validated by the other lines of evidence used for this report. A second limitation was the small number of programs specifically aimed at videogame scaleups. The review of literature identified eight programs, which are discussed in this report. Finally, the study did not identify literature on scaling up videogame companies led by diverse founders.

3. Structure of Report

This report is divided into four sections:

- **SECTION I** discusses the characteristics of scale-ups in general and the unique attributes of videogame scale-ups;

- **SECTION II** provides key insights into the success factors shaping the scaling up journeys of five Canadian video game scale-ups (these are more fully documented in Annex IV);

- **SECTION III** presents the characteristics and best practices identified in the programs developed in international jurisdictions specifically to help video game companies grow and scale up (these are more fully documented in Annex III); and

- **SECTION IV** concludes with observations on the way forward for Canada.

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2 Maria De Rosa and Marilyn Burgess, Communications MDR, International Review of Financing for Video Games, prepared for Interactive Ontario, July 2021.

I. Understanding Scale Ups in the Gaming Sector

This section describes what a scale-up is, how scale-ups in the videogame sector are unique, and the specific needs that scale-ups to support their growth.

1. Defining Scale-ups

Scaling up is a specific growth stage experienced by some companies characterised by sustained high growth. However, the "high growth" rates typically used to define scale-ups in other industries pale in comparison to the extremely high growth rates of successful videogame scale-ups.

There exist a number of definitions of scale-ups applicable to different industries, such as the widely held view, popularized by the Organization for Economic Co-operation and Development (OECD), that scale-ups are companies that have sustained periods of "high growth" (i.e., typically at a rate of 20% year over year), over several years.[3] However, this definition does not capture the uniqueness of scale-ups in the videogames sector.

The "high growth" rates typically used to define scale-ups in other industries pale in comparison to the extremely high growth rates of successful videogame scale-ups."

2. Videogame Scale-ups Are Unique

Video game companies can leverage technology to automate processes and leverage digital distribution and social media networks to achieve economies of massive scale, reaching global markets without the need to invest in extensive assets abroad, such as manufacturing or physical sales infrastructures as is done in other industries.[4]

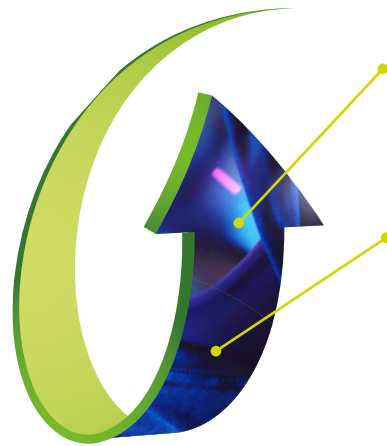Products such as software, online services, media and entertainment formats and content are

inherently more scalable than others.[5] In the video games sector, the dominant business model that has emerged as both repeatable and scalable is the "Games-as-a-Service" or GaaS model. It is not surprising then that the videogames industry has a high number of scale-ups.[6]

Figure 1 shows how the exponential growth of scale-ups differs from scale ups in other sectors.

All scale-ups begin as startups, however, not all startups will scale up.[7] Scaling up is a stage of growth that some companies achieve.

As interviewees explained, not all videogame companies are interested in pursuing a huge growth journey. While startups are looking to grow in terms of market access, revenues and number of employees, some are content with succeeding at making games with a good team. As one person explained: "It is important to understand that these businesses have been built by creatives at heart."[8]

On the other hand, some videogame startups design their products with the intent to scale.[9] To scale up, these companies will need proven concepts that can penetrate large and growing markets.[10] Often, startups may release several games before hitting their stride.[11]

Figure 1: Videogame Scale-ups Typically Grow Faster than Other Scale-ups

- • VIDEOGAME SCALE-UP
  - • Exponential growth & market development
  - • Leveraging digital distribution, automated processes and economies of massive scale in global markets
- SCALE UP
  - • 20% growth year-over-year
  - • Investment in manufacturing and physical sales assets abroad

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*3 Enterprises with average annualized growth in the number of employees greater than 20% per year, over a three-year period, and with 10 or more employees at the beginning of the observation period. Source: **Eurostat – OECD Manual on Business Demography Statistics (2008)**. www.oecd.org/sdd/39974588.pdf. Cited in: Characteristics of Scale-ups and the Impact of Scale-up Support Programmes: Literature Review, prepared by Mimosa Zhao, Margaret Dalziel, Brian Barge, Ashley Walker (The Evidence Network Inc.) for Nordic Innovation, November 2019. Source: See also, Stephen Denney, Viet Vu and Ryan Kelly, Into the Scale-Up-Verse: Exploring the Landscape of Canada's High-Performing Firms, Brookefield Institute for Innovation and Entrepreneurship, Munk School of Global Affairs & Public Policy, Innovation Policy Lab, December 2021.*

4 Michael Thiemann, "Scaling a Business: Best Strategies to Use And Mistakes to Avoid, Forbes, March 14, 2022, retrieved from www.forbes.com/sites/forbescoachescouncil/2022/03/14/scaling-a-business-best-strategies-to-use-and-mistakes-to-avoid/?sh=59e9376417f7; https://smartbusinessmodeler.com/the-magic-of-the-scalable-business-model-growth-vs-scaling/

5 Nordic Scalers: A study of drivers of growth and barriers to scaling of Nordic companies, prepared by Iris Group for Nordic Innovation, November 2019.

6 Nicole Coviello, Is High Growth Firm the Same As 'Scale-Up'?, Lazaridis Institute for the Management of Technology Enterprises, 2019; see also Is a high-growth firm the same as a 'scale-up'? (wlu.ca).

7 THNK School of Creative Leadership and Deloitte Fast Ventures, Scale-up: The Experience Game, September, 2015.
8 Interviews
9 THNK School of Creative Leadership and Deloitte Fast Ventures, Scale-up: The Experience Game, September, 2015.

10 University of Cambridge, Judge Business School, Barclays, and the Scale-Up Institute, Scale-up UK: Growing Businesses, Growing our Economy, April 2016.
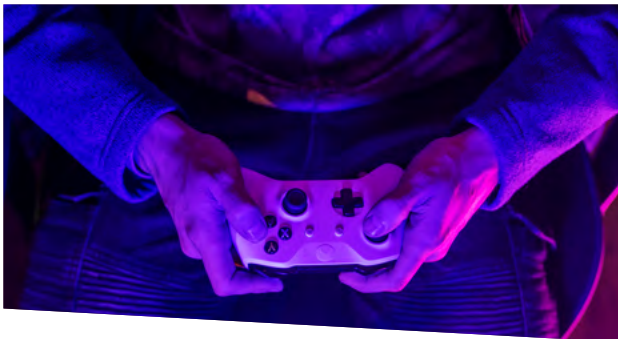
11 Interviews.

> "All scale ups begin as startups, however, not all startups will scale up. Scaling up is a stage of growth that some companies achieve."

3. Videogame Scale-ups Have Specific Needs to Support their Growth

Startups are development-stage companies that are focused on finding a product/market fit and a repeatable and scalable business model[12] while scale-ups have created viable products for which there is demonstrated demand in potentially very large and global markets. They have identified scalable and repeatable business models, those that generate increasing returns in response to the addition of new resources, propelling rapid growth.[13]

Many will have taken advantage of key industry shifts, timing their product launches with the introduction of new technologies such as the release of new game consoles and platforms, mobile devices, social media or artificial intelligence.[14] Scale-ups are characterised by significant growth in revenues.[15] They are active in domestic and international markets. They have significant growth in the number of employees and have higher customer retention than other companies.[16] These differences are important to understand as they point to different needs for each stage of growth. Figure 2 shows the characteristics associated with scale-ups.

Figure 2: Characteristics of Scale-Ups[17]

Broadening management and development of organizational structures

• **Reinforcing corporate culture**

• **Gaining access to growth and development financing**

• **Expanding to new global markets through access to capital and partnerships**

• **Developing markets and growing exponentially via strategic collaborations**

> "Scale-ups are different from startups in that they have created viable products for which there is demonstrated demand in potentially very large and global markets, with repeatable and scalable business models."

With significant growth in revenues and the number of employees, scale-ups need to access financing to support their growth and development. They need access to capital and strategic partnerships to develop their markets and expand to new global markets. It is also at this stage the companies need to build out their management teams and implement more formal structures, such as creating new departments, and defining processes and tasks.[18] They also need to reinforce their corporate culture.

The extent to which scale-ups meet their needs and get things right can have a determining impact on their success and ability to sustain their exponential growth. The next chapter examines how five Canadian videogame scale-ups succeeded on their scale-up journeys and provides insights into the factors contributing to their success.

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12 Nordic Scalers: A study of drivers of growth and barriers to scaling of Nordic companies, prepared by Iris Group for Nordic Innovation, November 2019.

13 Charlotte Reypens, Denise van Blitterswijk and Christopher Haley, Motivations to Scale: How European entrepreneurs think about growth and finance, Nesta and Startup Europe Partnership, June 10, 2019, retrieved from https://media.nesta.org.uk/documents/Motivations_to_Scale_report_36lt0O1.pdf; see also University of Cambridge, Judge Business School, Barclays, and the Scale-Up Institute, Scale-up UK: Growing Businesses, Growing our Economy, April 2016.

14 Tech Scaleup Silicon Valley – 2021 Report, Mind the Bridge and Crunchbase, 2021; THNK School of Creative Leadership and Deloitte Fast Ventures, Scale-up: The Experience Game, September, 2015.

15 The (Magic of the) Scalable Business Model: Growth vs. Scaling, Smart Business Modeler, May 27, 2019, grey literature, retrieved from https://media.nesta.org.uk/documents/Motivations_to_Scale_report_36lt0O1.pdf.

16 Nicole Coviello, Is High Growth Firm the Same As 'Scale-Up'?, Lazaridis Institute for the Management of Technology Enterprises, 2019; see also Characteristics of Scale Ups and the Impact of Scale-up Support Programs – a Literature Review, Prepared by the Evidence Network for Nordic Innovation, 2019.

17 Drawn from THNK School of Creative Leadership and Deloitte Fast Ventures, Scale-up: The Experience Game, September, 2015.

18 Nordic Scalers: A study of drivers of growth and barriers to scaling of Nordic companies, prepared by Iris Group for Nordic Innovation, November 2019, pages 9-10.

Scale-ups have multiple needs such as:

- Partnerships to expand to global markets

- Access to financing and capital to support ongoing development and growth

- Skills and knowledge to build out their management teams

- Skills and knowledge to implement more formal structures like departments and processes

- Leadership skills to reinforce their corporate culture

II. Success Factors for Videogame Scale-ups – Key Insights from the Scale-up Journeys of Five Canadian Video Game Companies

This section presents the findings of case studies of five successful Canadian video game scale-ups. These findings illustrate the success factors influencing each company's growth that have been identified in the literature on scale-ups. Success factors are both internal to the company, and external, shaped by the environment.

As each company's scale-up journey is different, the five case studies provide valuable real-world insights into how videogame companies scale up. These insights can support future program development by identifying the characteristics of companies most likely to succeed and the external factors and supports that can contribute to their success.

> "The growth journey of each scale-up is unique. However, successful scale-ups share some internal and external success factors."

1. Overview

Every company's scale-up journey is unique. As can be seen in Figure 3, of the five companies examined, three are long-standing established companies: Ontario-based Digital Extremes (1993) and Big Blue Bubble (2004), and Quebec-based Behaviour Interactive (1992). Two B.C.-based companies were founded in approximately the last decade: East Side Games (2011) and Phoenix Labs (2014). Overall, these companies employ between 75 to 900 people. Three companies - Digital Extremes, East Side Games and Behaviour Interactive - are also publishers.
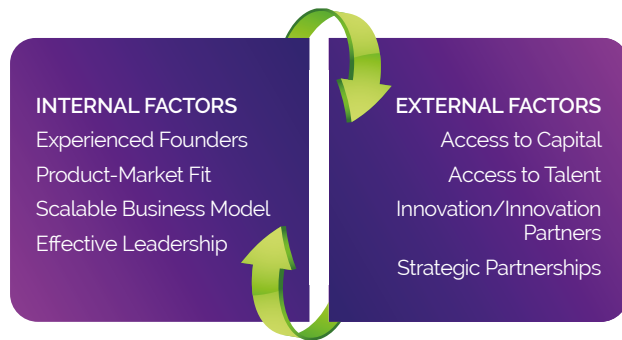
Figure 3: Five Companies Profiled

COMPANY	PROV.	YEAR FOUNDED	# EMPLOYEES	ACTIVITIES	MAJOR IP
Big Blue Bubble	ON	2004	75 - 100	Developer	Game: *My Singing Monsters* (2012) Technology: *Hydra Engine*
Digital Extremes	ON	1998	345+	Developer/ Self-publisher	*Game: Warframe (2013)* *Technology: Evolution Engine*
East Side Games	B.C.	2011	100+	Developer/ Publisher/ Technology licensing	*Games: Trailer Park Boys: Greasy Money (2017)* *The Office: Somehow We Manage (2020)* *Technology: Game Kit platform*
Phoenix Labs	B.C.	2014	300	Developer	Game: *Dauntless* (2018)
Behaviour Interactive	QC	1992	900	Developer/ Publisher	*Game: Dead by Daylight (2016)*

The growth journey of each of these scale-ups is unique. However, the companies share some internal and external characteristics that are also found amongst successful scale-ups more generally.[19] These include the experience and leadership skills of founders, their product-market fit and scalable business model, access to capital, talent, innovation and innovation partners, and strategic partnerships.[20] (See Figure 4.)

Figure 4: Success Factors of the Five Scale-Ups

INTERNAL FACTORS
Experienced Founders
Product-Market Fit
Scalable Business Model
Effective Leadership

EXTERNAL FACTORS
Access to Capital
Access to Talent
Innovation/Innovation Partners
Strategic Partnerships

2. Success Factors

2.1 Experienced Founders

The experience of founders and owners of the company are of great importance in successful scale-ups. Research has shown that scale-ups have ambitious founders with the desire to grow and scale their company from the outset. They are led by people with an entrepreneurial mindset and are often managed by larger teams with prior industry experience.[21] They see themselves as business people first. As noted by Kristian Segerstrale, co-founder of Glu mobile and former CEO of Playfish, successful video game developers "do not fall in love with product, [they] fall in love with building a really successful studio."[22]

Scaling up a video game company is not without its challenges, not least of which are shorter production cycles for game updates, finding production efficiencies, building, engaging and retaining player communities and finding and integrating new staff to

Figure 5: Previous Founder Experience

COMPANY	PREVIOUS EXPERIENCE
East Side Games	DES Games, Relic Entertainment, Radical Entertainment, Super Rewards
Phoenix Labs	Riot Games, Blizzard, Capcom, BioWare, Electronic Arts
Big Blue Bubble	Sandbox Studios, Digital Illusions Canada, and Pixel (video game magazine)
Digital Extremes	Third party developer for over two decades prior to *Warframe*
Behaviour Interactive	Third party and original IP developer for over two decades prior *to Dead by Daylight*

the existing team. If companies scale too fast, they may outgrow their own capacity. Scaling too slowly risks loss of market momentum.[23]

Experienced founders are better positioned to address the challenges and risks associated with scaling up. As shown in Figure 5, below, the companies profiled for this report are headed by experienced industry veterans.

The co-founders of East Side Games are veterans of DES Games, Relic Entertainment, Radical Entertainment and Super Rewards, which pioneered monetization on the Facebook platform.

Phoenix Labs was co-founded by former Riot Games developers, with a team that had experience working on world-class games for Riot, Capcom, BioWare and Electronic Arts. Big Blue Bubble was co-founded by veterans of Sandbox Studios, Digital Illusions Canada and other companies.

Scale-ups face many challenges, such as:

- shorter production cycles for game updates finding production efficiencies

- building and retaining player communities and

- finding and integrating new staff to their teams.

For their part, Digital Extremes and Behaviour Interactive are mature, established Canadian video game developers who pivoted from long and successful careers as third-party developers to creating their own successful IP.

Experienced founders are better positioned to address the challenges and risks associated with scaling up.

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19 THNK School of Creative Leadership and Deloitte Fast Ventures, *Scale-up: The Experience Game*, September, 2015.

20 *Nordic Scalers: A study of drivers of growth and barriers to scaling of Nordic companies*, prepared by Iris Group for Nordic Innovation, November 2019.

21 *Characteristics of Scale Ups and the Impact of Scale-up Support Programs – a Literature Review*, Prepared by the Evidence Network for Nordic Innovation, 2019.

22 "How to Scale a Games Company – Travis Boatman, Gigi Levy-Weiss, & Kristian Segerstrale, blog entry, Deconstructor of Fun, November 10, 2020, retrieved from https://www.deconstructoroffun.com/blog/2020/11/10/how-to-scale-a-games-company.

23 "What is a Scale-up?", Tech Nation, August 6, 2019, retrieved from https://technation.io/news/what-is-a-scaleup/. THNK School of Creative Leadership and Deloitte Fast Ventures, *Scale-up: The Experience Game*, September, 2015.

2.2. The Right Product-Market Fit

To have the possibility to scale up, it's important for companies to find the right product-market fit. To scale up, demand in the market must be very large, and potentially global. Finding the right product for the market may require a certain amount of creativity, experimentation and/or experience.

The companies examined successfully developed products for which there was the right product-market fit: with demand in a large or growing market.

As can be seen in Figure 6, all the companies profiled have achieved major successes with their games. In many cases, they took advantage of industry changes – launching their products on new consoles or platforms, leveraging social media or artificial intelligence.

In the casual mobile games space, Big Blue Bubble saw an opportunity early on in the then-burgeoning mobile market for games made in Java that would require less time and people to develop. With *My Singing Monsters*, the company created a successful free-to-play game that allows players to build musical worlds from individual sounds. Initially released in 2012, Big Blue Bubble has transformed *My Singing Monsters* into an award-winning franchise that now spans gaming, licensing, books, merchandising, and digital media and has been downloaded over 115 million times.[24]

For its part, East Side Games saw an opportunity in developing narrative casual games, allowing players to feel like they are part of the story. The company created games based on branded television IP, calculating that television viewers might not identify as gamers, but they would be interested in games based on their favourite TV shows. Released in 2017, *Trailer Park Boys: Greasy Money* achieved over two million downloads in less than a month and reached the #1 spot in Canadian app stores.[25] The game was also a top 100 game in over 100 countries.[26] In the same vein, *The Office: Somehow We Manage*, based on the American version of the TV show, led Apple and Google downloads in 2022.[27]

Digital Extremes and Behaviour Interactive spent decades as successful third-party developers of AAA games. Over the years, both companies tried their hand at their own IP and learned from these experiences.

Figure 6: Major Game Successes

COMPANY	MAJOR IP	GAME TYPE	GENRE	SUCCESS
Big Blue Bubble	*My Singing Monsters* (2012)	Mobile casual and multi-platform	World builder simulation	*My Singing Monsters* - Franchise spanning gaming, licensing, books, merchandising, and digital media Downloaded over 115 million times Net sales of approximately CAD $12 million in 2020
Digital Extremes	*Warframe* (2013)	AAA multi-platform	Action multi-player RPG	*Warframe* - 70 million registered users $57.5 million in revenues from *Warframe* in 2019
East Side Games	*Pot Farm: Grass Roots* *Trailer Park Boys: Greasy Money* (2017) *The Office: Somehow We Manage* (2020)	Mobile casual game	Narrative idle game	*Pot Farm* – over 5 million downloads *Trailer Park Boys* - 2 million downloads in the first month and # 1 ranked game in over 100 countries. *The Office* - led Apple and Google downloads in 2022 Over 8 million downloads of ESG games
Phoenix Labs	*Dauntless* (2018)	AAA cross-platform	Action multi-player RPG	*Dauntless* - 16 million downloads by 2019 25 million players by 2020
Behaviour Interactive	*Dead by Daylight* (2016)	AAA multi-platform	Horror action multi-player	*Dead by Daylight* - 50 million players 70 million games sold on all platforms

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24 "Big Blue Bubble," in *Craft*, retrieved from https://craft.co/big-blue-bubble; "My Singing Monsters AR Emoji Outfits to be available in Samsung's Galaxy AR Emoji Marketplace through Wind Sun Sky Partnership with Tafi," in *Gaming Investing News*, March 9, 2020, retrieved from https://investingnews.com/news/gaming-investing/my-singing-monsters-ar-emoji-outfits-to-be-available-in-samsungs-galaxy-ar-emoji-marketplace-through-wind-sun-sky-partnership-with-tafi/.

25 Scott Reyburn, Director of Content Marketing, "East Side Games on Building a Community of 25 Million – An Inside Look," in *Fyber*, June

26 East Side Games corporate website: www.eastsidegames.com/company/founders/.

27 Melody Jacobson, "Vancouver video game company tops the charts with The Office," in *CBC News* online, February 6, 2022, retrieved from www.cbc.ca/news/canada/british-columbia/eastside-games-the-office-1.6340675.

28 Danielle Partis "Warframe and the secret of longevity," in *Gamesindustry.biz*, December 14, 2021, retrieved from www.gamesindustry.biz/articles/2021-12-14-Warframe-and-the-secret-of-longevity.

Warframe was created by Digital Extremes as an effort to transition away from the work-for-hire development. The company saw an opportunity to create its own game, using player versus environment game play and the science-fantasy genre as a differentiator from the dominant player versus player model. *Warframe* was one of the first Games-as-a-Service titles to arrive on consoles, allowing Digital Extremes to leverage this growing market early on.[28] It was one of the first free-to-play games on the PlayStation 4 and Xbox One.[29] Launched as a PC title in 2013 and on PlayStation 4 later that year, revenues from the game reached over 182 million by 2018[30], and in 2019 the game earned over $57 million.[31]

With a catalogue comprised primarily of work for hire, in 2016 Behaviour Interactive released the AAA multiplayer *Dead by Daylight*, selling 5 million copies.[32] Behaviour Interactive first focused on getting the gameplay right, introducing asymmetrical game play, before layering on the game's horror theme. The company developed its ideas for game play based on its success with a previous title, *Naughty Bear,* in which they saw that players loved being the "bad guy." In *Dead by Daylight*, one player takes the role of a ruthless killer and four others play as survivors desperate to escape.[33]

Behaviour Interactive is now considered a leader in the asymmetrical battle arena genre and *Dead by Daylight* has over 50 million players.[34] In 2019 the company was named one of the fastest-growing technology companies in North America by the Deloitte Technology Fast 50™ program. Said Rémi Racine, CEO and Executive Producer of Behaviour Interactive, "Behaviour is seeing exponential growth in both workforce and revenue.[35]

The companies profiled are using the scalable player-centric business model of Games-as-a-Service, or GaaS.

GaaS provides greater predictability of revenues and is attractive to investors.

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29 Ben Kuchera, „Howo Warframe built an ethical free-to-play economy," in Polygon, January 2, 2018, retrieved from www.polygon.com/2018/1/2/16830328/Warframe-free-to-play-f2p-platinum.

30 Will Lutton, "What we can learn from Warframe," in Gamesindustry.biz, August 15, 2019, retrieved from www.gamesindustry.biz/articles/2019-08-15-what-we-can-learn-from-Warframe.

31 Evgeny Obedkov, "Leyou Technologies that Tencent bout for $1.3 billion turned into 'satellite studio," in Game World Observer, August 23, 2021, retrieved from https://gameworldobserver.com/2021/08/23/leyou-technologies-that-tencent-bought-for-1-3-billion-turned-into-satellite-studio.

32 Dean Takahashi, "Dead by Daylight maker Behaviour Interactive gets 20% investment from Gaea," in VB GamesBeat, Ocober 16, 2018, retrieved from https://venturebeat.com/2018/10/16/dead-by-daylight-maker-behaviour-interactive-gets-20-investment-from-gaea/; Ivy Taylor, "NetEase acquires minority stake in Behaviour Interctive," in GamesIndustry.biz, July 16, 2019, retrieved from www.gamesindustry.biz/articles/2019-07-16-netease-acquires-minority-stake-in-behaviour-interactive.

33 Nina Corcoran, "How Dead by Daylight Became the Ultimate Game for Horror Fans," in Wired, October 30, 2021, retrieved from www.wired.com/story/dead-by-daylight-halloween-horror-ip/.

34 "Behaviour Interactive: Developing Creativity – an interview with Rémi Racine," in Devenir Entrepreneur, October 4, 2019, retrieved from https://devenirentrepreneur.com/en/videos/objective-growth/behaviour-interactive-developing-creativity.

35 Behaviour Interactive corporate website: www.bhvr.com/behaviour-interactive-ranked-as-one-of-canadas-enterprise-fast-15/.

These scaleups created games with the right fit for demand in large or growing markets.

Each was an early entrant into the market for their particular type of game, such as mobile free to play, narrative casual, triple-A social and triple-A games as a service.

Their games took advantage of industry shifts like new consoles, new platforms, leveraging social media and artificial intelligence.

From the start, Phoenix Labs was an early entrant into free-to-play AAA multi-player games.[36] The company identified demand for deep multiplayer games with strong narratives and social play experiences that could provide players with opportunities to create lasting and memorable relationships. The enabling technology for these experiences would support cross cross-platform play. The launch of *Dauntless* benefitted greatly from growing interest in the monster-hunting genre, which the company advanced by pioneering a social layer to the gameplay.[37] *Dauntless* formally launched in May 2019 on the PS4, Xbox One and the Epic Games store. The first game to launch with true crossplay and cross-progression. For the first time, players players using a PlayStation console could play with others on an Xbox, PC or other platform.[38] Within days the game attracted four million players[39] and by the end of week it had six million players.[40] As it added platforms, the company's user base continued to grow, reaching a community of over 25 million players across PC, consoles and mobile platforms.[41]

These companies place great emphasis on the player experience, employing strategies like:

- hiring community managers
- listening to player feedback
- responding to player interaction
- building player communities through social media, and
- encouraging community-driven design

These strategies inform how they evolve their games, retain their players and successfully monetize their product.

2.3. Scalable Business Models

Digital Distribution with the Potential for Global Reach

All the companies examined developed games with scalable business models, the most obvious of which, is digital distribution with the potential to reach global markets. The games are being distributed on major digital platforms: Microsoft Xbox, Nintendo Switch, Sony Playstation and through major digital storefronts: Steam, Epic Games Store, App Store and Google Play.

Games-as-a-Service

The flagship IP games of the companies examined for this report exploit the player-centric business model of Games-as-a-Service, or GaaS. Done right, the GaaS model allows companies to monetize players over a long period, providing greater predictability of revenues and attractiveness to potential investors.

GaaS is based on a strategy of long-term content updates through a model of "live operations" or LiveOps, typically informed by data insights. Once a game is live, the company's focus shifts from its initial creative development to a business focus on product and customer relationship management. According to Behaviour Interactive, "data-informed insights can both help minimize the risks of LiveOps teams' decisions and show unseen opportunities."[42]

The companies profiled place a great emphasis on the player experience. GaaS games are mostly free-to-play and gamer-centric. Instead of moving on to develop another game, developers and their publishers focus on delivering content updates, and monetizing their clients through advertising and in-app sales. Managing relationships with players is critical to customer retention and successful monetization.

East Side Games hired a high number of community managers working in-house to engage players on its narrative casual games, such as *Trailer Park Boy: Greasy Money*.

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36 Karim Benessiah, "Montréal accueille le plus gros studio de Phoenix Labs," in La Presse, December 2, 2020, retrieved from www.lapresse.ca/affaires/techno/2020-12-02/jeux-video/montreal-accueille-le-plus-gros-studio-de-phoenix-labs.php.

37 Dean Takahashi, "Phoenix Labs' Dauntless hits 2 million players and readies big expansion," in VB GamesBeat, July 17, 2018, retrieved from https://venturebeat.com/2018/07/17/phoenix-labs-Dauntless-hits-2-million-players-and-readies-big-expansion/.

38 Pierre Denis Lalonde, "Phoenix Labs veut bâtir un studio de 250 personnes à Montréal, in Les affaires, February 7, 2020, retrieved from https://www.lesaffaires.com/strategie-d-entreprise/pme/phoenix-labs-veut-batir-un-studio-de-250-personnes-a-montreal/621714.

39 Dean Takahashi, "Sea's Garena acquires Dauntless game maker Phoenix Labs," in VB GamesBeat, January 28, 2020, retrieved from https://venturebeat.com/2020/01/28/seas-garena-acquires-Dauntless-game-maker-phoenix-labs/; Phoenix Labs corporate website: https://phxlabs.ca.

40 Mike Minotti, "Dauntless now has over 6 million players a week after official launch," in VB GamesBeat, May 28, 2019, retrieved from https://venturebeat.com/2019/05/28/Dauntless-now-has-over-6-million-players-a-week-after-official-launch/.

41 Dean Takahashi, "Sea's Garena acquires Dauntless game maker Phoenix Labs," in VB GamesBeat, January 28, 2020, retrieved from https://venturebeat.com/2020/01/28/seas-garena-acquires-Dauntless-game-maker-phoenix-labs/.

42 Behaviour Interactive corporate website: https://www.bhvr.com/making-games-liveops-behaviour-interactive-value-of-data/.

Scaling up involves transforming the company's processes and building out the management teams by hiring: senior managers with expertise in technology, distribution platforms and analytics who can service and promote their games in multiple markets, generalists like human resources or accounting experts.

For Digital Extremes, player feedback is critical to how *Warframe* evolves. Digital Extremes strives for fair game play in its monetization strategy and has even removed profitable game mechanics in response to player criticism.

Ongoing investments in *Dead by Daylight* by Behaviour Interactive has evolved the game in response to player interaction.

Big Blue Bubble sees each release of new game content as an opportunity to improve the consumer experience and ensure that players are having fun. The company pays special attention to the fun factor in all its games.

East Side Games privileges community-driven design, putting players first in how its games are built.

Phoenix Labs leverages social platforms to encourage the growth of communities around its game *Dauntless*. Key to the game's success has been a deep appreciation for player needs, learned through previous experience developing other games.[43]

2.4. Effective Leadership

Effective leadership is critical as companies begin to grow. Scaling up involves transforming the company's processes and building out the management teams. In order to meet the challenges of scaling up, companies must ensure effective workflows and sales channels, and strive to improve functionality and value for customers. They also require experienced senior managers with expertise in technology, distribution platforms, analytics, or marketing relevant to the global deployment and servicing of video games in multiple markets.[44] Successful scale-ups have effective leaders who empower these management teams to oversee operations.[45] Companies at this stage increase their expert resources in other areas as well, such as human resources or accounting.

As companies begin to scale up and hire more talent, effective leaders also pay particular attention to their corporate culture. Culture is led from the top down, making it essential for founders to understand their work culture and the type of company they are or wish to be.[46] As Kristian Segerstrale explains, this is particularly important for video game companies, "I think culture in game companies probably matters more than in any other kind of company, because no one person can see the whole picture. They can only see from the perspective of, say, engineering or design or creative or data or whatever it might be. And really senior folks can see more angles, but nobody can see all of them."[47]

As companies begin to scale up and hire more talent, effective leaders pay particular attention to their corporate culture.

It is essential for founders to understand their work culture and the type of company they are or wish to be.

Culture is all the more important as companies merge or acquire new companies. This fact was highlighted by Behaviour Interactive, which recently announced its acquisition of Seattle-based Midwinter Entertainment, with the following comment from company CEO Rémi Racine, "Behaviour was not just looking for any studio, but the right studio. Chemistry was essential and our similar values, cultures and

our commitment to creating games that push boundaries and defy expectations make Midwinter a perfect fit."[48]

Digital Extremes won the Most Admired Corporate Culture Award in November 2020. The recognition was awarded by Waterstone Human Capital for growing a studio culture that has helped enhance performance and sustain a competitive advantage.[49]

Big Blue Bubble has a corporate vision statement, "inspiring worlds of creativity," as well as a mission statement that emphasize the company's commitment to everyone to bring out their creativity through engaging experiences.

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43 Tyler Chancey, "Phoenix Labs, Dauntless, and Growth, in TechRaptor, December 4, 2020, retrieved from https://techraptor.net/gaming/interview/phoenix-labs-Dauntless-growth.

44 THNK School of Creative Leadership and Deloitte Fast Ventures, Scale-up: The Experience Game, September, 2015. See also, Characteristics of Scale Ups and the Impact of Scale-up Support Programs – a Literature Review, Prepared by the Evidence Network for Nordic Innovation, 2019.

45 Nicole Coviello, Is High Growth Firm the Same As 'Scale-Up'?, Lazaridis Institute for the Management of Technology Enterprises, 2019.

46 "How to Scale a Games Company – Travis Boatman, Gigi Levy-Weiss, & Kristian Segerstrale, blog entry, Deconstructor of Fun, November 10, 2020, retrieved from www.deconstructoroffun.com/blog/2020/11/10/how-to-scale-a-games-company.

47 "How to Scale a Games Company – Travis Boatman, Gigi Levy-Weiss, & Kristian Segerstrale, blog entry, Deconstructor of Fun, November 10, 2020, retrieved from www.deconstructoroffun.com/blog/2020/11/10/how-to-scale-a-games-company.

48 Erron Kelly, Behaviour Interactive is Acquiring Midwinter Entertainment," in VB GamesBeat, May 17, 2022, retrieved from https://venturebeat.com/2022/05/17/behaviour-interactive-is-acquiring-midwinter-entertainment/.

49 Digital Extremes corporate website: www.digitalextremes.com/news/digital-extremes-wins-most-admired-corporate-culture-award-2020.

East Side Games favours an internal culture where everyone can have ownership of their work and make an impact on the company's business. The company promotes and invests in diversity in its company and in the local industry.

Phoenix Labs also promotes diversity. Its leadership team includes women and people of colour, while the company has set a goal of gender parity for its new studios. According to the company, about 50% of its team is "comprised of folks from groups that were historically underrepresented in the games industry."[50] The company also empowers its employees to take ownership of the company's work. For example, the R&D process as Phoenix Labs is transparent and ideas can be pitched by anyone at the company.

CEO of Behaviour Interactive, Rémi Racine, is "head of culture," paying particular attention to staff work conditions to nurture employees' passion and creativity, and to the transmission of company values. He has noted that, "managers at companies like ours need to get up every morning asking themselves what they can do to make their employees happy."[51] In 2020, Behaviour Interactive was named one of Canada's Best Managed Companies by Deloitte, a designation that recognizes eligible Canadian-owned companies with revenues of more than $25 million that successfully combine strong, sustained financial results with technological innovation and a commitment to people.[52]

2.5. Access to Capital

Companies wishing to grow must provide their customers with high value and they must be able to keep up with demand.[53] For video game companies exploiting their games as a service, this can be particularly challenging. There is research that points to how companies that use external finance grow more rapidly than those that do not.[54]

In Canada, companies have access to a mix of federal and/or provincial public project financing and tax credits. Stakeholders interviewed for this report note the great importance of tax credits to enable companies to grow their teams and offer good

Companies that use external finance grow more rapidly.

The scale-ups profiled have accessed tax credits, project funding, venture and angel investments, as well as the revenues from self-publishing.

Their strategic acquisition by other video game companies has also sped the growth of some of the companies profiled.

working conditions. Project funding allows companies to innovate creatively with less risk. Publishers have traditionally financed distribution and marketing, and advanced financing to complete development. This is a role that in many cases now is being undertaken by developers themselves, or in some cases, developers are also extending their activities to publishing. Some companies also have access to angel investment and/or venture capital.

Each of the companies examined has set its own path for financing its growth. Phoenix Labs' development has been largely funded by venture investors, financing each stage of growth with new rounds of venture capital investment. Behaviour Interactive secured minority venture funding from Haveli Investments for its expansion to a new studio in Toronto.[55] For its part, East Side Games attracted early angel investment.[56] Big Blue Bubble's innovative home design game *Home Sweet Home* was developed with OMDC assistance. It was so successful that it spawned its own home decorating genre and a series of copycats.[57]

As noted above, Big Blue Bubble, East Side Games and Behaviour Interactive are also publishers. Digital Extremes has self-published *Warframe*. For its part, Behaviour Interactive originally co-published *Dead by Daylight* with Starbreeze Studios, before acquiring the publishing rights in 2018.

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50 Christopher Dring, "Best Places to Work Awards Winner: Phoenix Labs," in Gamesindustry.biz, August 3, 2021, retrieved from www.gamesindustry.biz/articles/2021-08-03-best-places-to-work-awards-winner-phoenix-labs.

51 "Behaviour Interactive: Developing Creativity – an interview with Rémi Racine," in Devenir Entrepreneur, October 4, 2019, retrieved from https://devenirentrepreneur.com/en/videos/objective-growth/behaviour-interactive-developing-creativity.

52 Behaviour Interactive corporate website: www.bhvr.com/behaviour-interactive-canada-best-managed-companies/.

53 Jenn Lisak Golding, "The Guide to Startups & Scale-ups," in Techpoint Index, May 27, 2022, retrieved from https://techpoint.org/startups-and-scale-ups/.

54 Charlotte Reypens, Denise van Blitterswijk and Christopher Haley, Motivations to Scale: How European entrepreneurs think about growth and finance, Nesta and Startup Europe Partnership, June 10, 2019, retrieved from https://media.nesta.org.uk/documents/Motivations_to_Scale_report_36lt0O1.pdf.

55 Josh O'Kane, "Montreal indie game studio Behaviour Interactive opens new Toronto office after decade-long turn-around," in Globe and Mail, April 25, 2022.

56 Angel.co website: https://angel.co/company/east-side-games/funding

57 https://ontariocreates.ca/success-stories/big-blue-bubble

> One of the greatest challenges facing video game companies wishing to scale up is access to talent.
>
> Through their networks more experienced founders have greater knowledge of and access to talent to fill senior positions. However, it is still a significant challenge.

Figure 7: Acquisitions by International Game Companies

COMPANY	ACQUISITIONS
Big Blue Bubble	Enad Global 7- $76 million
Digital Extremes	Leyou Technologies - $65 million
East Side Games	Leaf Mobile, now operating as East Side Games Group - $159 million
Phoenix Labs	*Garena, a subsidiary of Sea Ltd. – undisclosed amount*
Behaviour Interactive	*Minority sales to NetEase and GAEA Interactive Entertainment – undisclosed amounts*

Acquisitions

Acquisitions speed growth. The companies profiled have accelerated their scaling up through strategic investments made in their businesses by international game companies.

Enad Global 7 (EG7)'s acquisition of Big Blue Bubble provided the company with more investment and mentorship.

Garena, an early investor in Phoenix Labs, acquired the company, bringing its experience in mobile community building and emerging markets to the partnership.

The sale of Digital Extremes to Leyou Technologies enabled the game developer to continue to develop its game *Warframe.*

Sales of minority stakes to NetEase Games and GAEA Interactive Entertainment has financed growth at Behaviour Interactive.

East Side Games was acquired by Leaf Mobile, which became the publicly traded company East Side Games Group.

2.6. Access to Talent

Scale-ups are characterised by rapid growth in employment.

One of the greatest challenges facing video game companies wishing to scale up is access to talent.

More experienced founders generally have greater knowledge of and access to talent to fill senior positions. However, having access to a large enough pool of talent for many positions is an ongoing and significant challenge.

Companies like Big Blue Bubble and Digital Extremes benefit from their location in London Ontario, serviced by several post-secondary institutions, and with a more favourable cost of living for employees.

Phoenix Labs and Behaviour Interactive have opened or acquired studios in markets that have affordable and qualified talent pools to draw from.

For its part, East Side Games has focused on employing a diverse pool of local talent and sees opportunities for regional hires as it becomes more common for people to work from home. The company also sees opportunities for people in smaller communities who, with training, could be hired to work from home.

With over 900 employees in its Montreal and Toronto studios, Behaviour Interactive has the flexibility to allocate human resources to where they are most needed on its games at any given time.

Digital Extremes benefitted from having learned earlier on in its development how to successfully scale up the team when it needed to grow its staff as quickly as possible to support the growth of *Warframe.*

2.7. Innovation and Innovation Partners

The companies examined are innovative, both in terms of the creative design of their games, and in the development of enabling technologies underlying their games. They helped to develop innovative new game genres that allowed them to exploit new opportunities. Phoenix Labs pioneered the social aspect of AAA monster games. Behaviour Interactive broke from the traditionally linear gameplay in the horror genre to introduce asymmetrical multiplayer gameplay.[58] Digital Extremes popularized the science fantasy genre and player versus environment game play. Big Blue Bubble's *My Singing Monsters* differentiated itself through music, using sound as the basis for players' collecting activities that can build musical worlds. East Side Games pioneered narrative casual games in connection with branded TV content. The quality of game play, the narrative depth, and the communities of players enabled by the games developed by the companies examined are key to their success. These companies understand the importance of innovative and rewarding game play and place a particular emphasis on this type of innovation in their companies.

While creative game ideas come first in any successful game, technology development is often needed to enable their execution. To support the execution of their pioneering games, the companies examined also invested in technology development.

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58 Nina Corcoran, 2021, Op. Cit.

Figure 8: Innovation

COMPANY	CREATIVE INNOVATIONS	TECHNOLOGICAL INNOVATIONS	INNOVATION PARTNERS
Big Blue Bubble	World building through sound and music	*Hydra Engine*	In-house
Digital Extremes	Science-fantasy, player vs environment	*Evolution Engine*	In-house
East Side Games	Narrative idle games based on branded IP	Game Kit platform	In-house
Phoenix Labs	*Social monster game*	*Cross-platform play and cross-progression*	*Bot School Inc.*
Behaviour Interactive	*Asymmetrical game play in horror genre*	*AI applications to support sales*	*NetEase Games Academic researchers*

Innovation has been fundamental to success, including innovative new game genres, developing new technology to support a game as well as having strategic R&D partnerships.

In some cases, companies have developed proprietary game development frameworks such as Big Blue Bubble's *Hydra Engine*, East Side Games' Game Kit and Digital Extremes' *Evolution Engine*. The latter also developed the server architecture to support the game and its microtransaction system. East Side Games' founder Jason Bailey also pioneered monetization of casual games on the Facebook Platform.[59] Behaviour Interactive is undertaking R&D in artificial intelligence (AI) to support sales through machine learning. Phoenix Labs is also investing in R&D on AI applications.

Game companies, particularly those who are developing new and innovative underlying technologies to facilitate the development and deployment of their products, may also have R&D partners that can propel them to high growth.[60] This is the case with Phoenix Labs, which acquired game and platform developer Bot School Inc. to support cross-play efforts.[61] In 2019, BI announced that NetEase Games had acquired a minority stake in the company, bringing both R&D and operational capabilities to the partnership.[62] The Data Science team at Behaviour Interactive develops partnerships with academic researchers. The company also acquired a catalogue of mobile games in 2015, as a means to enter that market.

2.8. Partnerships

The founders of these companies have deep and strategic relationships with senior talent, publishers, owners of branded IP and with investors. Their business networks are critical to building out their leadership teams and accessing markets and financing.

East Side Games has developed strong brand partnerships with hit TV shows, such as *The Office*, *Ru Paul's Drag Race*, and *Trailer Park Boys*, building hit games like *RuPaul's Drag Race SuperStar* and *The Office: Somehow We Manage* based on their popular IP. In its early days Big Blue Bubble worked with game publishers in partnership with brands including Disney, Dreamworks, Scholastic, and Nickelodeon.[63] For its latest brand partnership, Behaviour Interactive partnered with and HBO and GAEA to create *Game of Thrones Beyond the Wall.*

Companies have strong partnerships with publishers. Phoenix Labs had a highly collaborative partnership with *Dauntless* publisher Epic Games.[64] Epic Games was a key partner to Digital Extremes in the development of the Unreal games franchise. Behaviour Interactive has entered into partnerships with publishers Koch Media and Starbreeze.

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59 East Side Games corporate website: https://www.eastsidegames.com/east-side-games-press-release/.
60 Characteristics of Scale Ups and the Impact of Scale-up Support Programs – a Literature Review, Prepared by the Evidence Network for Nordic Innovation, 2019.
61 Ivy Taylor, "Phoenix Labs acquires Bot School Inc," in Gamesindustry.biz, August 20, 2019, retrieved from https://www.gamesindustry.biz/articles/2019-08-20-phoenix-labs-acquires-bot-school-inc.
62 Ivy Taylor, "NetEase acquires minority stake in Behaviour Interactive," in Gamesindustry.biz, July 16, 2019, retrieved from https://www.gamesindustry.biz/articles/2019-07-16-netease-acquires-minority-stake-in-behaviour-interactive.
63 "Big Blue Bubble acquired by EG7," in Tech alliance, June 2022, retrieved from https://techalliance.ca/big-blue-bubble-acquired-by-eg7/.
64 Ian Boudreau, "Dauntless expects to triple its three million players with Epic store and console launch," in PCGamesn, March 26, 2019, retrieved from https://www.pcgamesn.com/Dauntless/Dauntless-3-million-players-epic-store.

3. Summary Observations

The five successful videogame scale-ups profiled in this chapter share a number of characteristics that have contributed to their success. These success factors are the following:

1. **Experienced founders** with the capacity to face challenges and address the risks of scaling up.

2. **The right product/market fit** meeting demand in large or growing markets with new game genres, delivered to new consoles and platforms, and leveraging social media and artificial intelligence to enhance player experiences.

3. **A scalable business model** of Games-as-a-Service, or GaaS, which provides greater predictability of revenues and is attractive to investors.

4. **Effective leadership** necessary to transform the company's internal processes and to build out its management team with the necessary expertise to service and promote their games in multiple markets. Leadership extends to paying attention to their corporate culture to unify rapidly growth in the number of employees.

5. **Access to capital** to finance their growth more rapidly. The companies profiled accessed tax credits, project funding, venture and angel investments, and revenues from self publishing. More rapid growth was also made possible by strategic investments into their companies by other video game companies.

6. **Access to talent** continues to be one of the greatest challenges facing most videogame companies. More experienced founders have the advantage of greater knowledge of and access to talent through their established networks.

7. **Innovation and innovation partners** are critical to the success of scale-ups and is evident in their innovative new game genres, their in-house development of technology to support their games and the strategic R&D partnerships.

8. **Strategic partnerships** with owners of branded IP, with publishers in the right markets and with investors are vital to the success of these companies. Their business networks also enable access to markets and financing.

In the next chapter, we examine how scale-up programs have been designed to help companies leverage these success factors.

Business networks are critical to building out teams, accessing markets and financing.

Strategic partners include owners of branded IP, publishers and investors.

III. Best Practices in the Design of Scale-Up Programs

This section presents the findings with respect to the eight scale-up programs examined. The section begins with a brief description of each program, which reveals the wide range in the approaches taken in different jurisdictions to meet the needs of local companies. They also point to some shared best practices for consideration in the development of any new programs in Canada. These are described in the best practices analysis in the second half of the chapter.

1. Eight Programs Uniquely Tailored to the Needs of Videogame Scale-ups

Our review of programs for the gaming sector has identified 8 programs in the following jurisdictions: the UK, France, Germany, Finland, Sweden, Denmark and Singapore aimed at supporting the growth of video game companies. These programs are designed to accelerate startup companies believed to be of high growth potential. In terms of terminology, the terms accelerator, scale-up and even startup are used in the titles of these programs, however the goals are clear: to assist companies to scale up. See Figure 9, below.

1.1 Games Scale Up (UK)

The Games Scale Up program was created by Creative England and the Association for UK Interactive Entertainment (UKIE) with National Lottery funding from the British Film Institute (BFI).

Delivered through the Creative Enterprise program of Creative England, the Games Scale Up supports games developers who have released at least one game that are interested in significantly growing their business. The focus of support is on business planning and strategy, financing, markets and access to angel and venture investors, and learning how to build out their teams.

Companies are supported over a six-month period through a mix of masterclasses, workshops and networking opportunities with industry-leading experts. Businesses chosen to join the cohort will develop a strategy and plan for growth; get expert advice on business strategy, business planning, funding and finance, markets, decision making in terms of how to structure teams and hire the right talent. The companies will also have the opportunity to meet angel and venture capital (VC) investors and learn directly from and build their network with proven industry leaders.

To be eligible for the program, companies must have successfully made a game, taken at least one game to market or launched a support service in the last two years; have employed at least 3 people at some point in the last two years and must have generated revenue in the last year.

Figure 9: Accelerator and Scale-Up Programs for the Video Game Sector

COUNTRY	PROGRAMS
UK	Games Scale-up
France	BPI Video Games Accelerator
Germany	SpielFabrique
Finland	Baltic Explorers BE BIG Accelerator
Sweden	Sweden Game - Business and Venture Programs
Denmark	Game Hub Denmark
Singapore	Global Top Round Accelerator Program
Singapore	Global Top Round Seed Investment Scale-up Program

Games Scale-Up Program Overview

GOAL	SELECTION CRITERIA	DURATION	DESCRIPTION
Support companies that have the potential and ambition to scale their business.	Successfully made a game, taken one to market in the last two years. Hired a minimum of 3 people (part time, freelance or full time) in the last two years. Generating revenue in the last year.	6 months	3 workshops a month A mix of masterclasses, workshops and networking opportunities with industry-leading experts. Opportunity to meet angel and VC investors

1.2 SpielFabrique (Germany)

SpielFabrique is an accelerator in the gaming sector that supports the growth of high potential videogame companies.[65]

The program is aimed at videogame companies with international commercial ambitions for sustainable growth and long-term corporate development who have high potential game concepts and prototypes to help them accelerate their successful launch and exploitation.

Companies have access to business coaching sessions and hands-on workshops to help them achieve and manage their growth. Topics include professionalized corporate management, optimizing their business strategy, enhancing their market strategy and positioning, communication strategy, and strategies to attract public and private financing.

The program has a Group on the Discord platform, bringing together all of the companies that have participated in the program since 2016. In all 90 independent video game developers have ongoing opportunities to exchange with other teams.

SpielFabrique Program Overview

GOAL	SELECTION CRITERIA	DURATION	DESCRIPTION
Support long-term corporate growth and development through a focus on producing for international markets, business and market positioning, professionalized company management, and financing.	Studios with high value-added projects and with international and commercial ambition for long-term corporate development. Studios have released one game or have a completed or almost completed prototype and pitch document.	9 months	Coaching sessions One-on-one workshops with mentors Pitch event with publishers, financiers and investors Preparation and support for trade shows Group on Discord platform provides ongoing support to companies after completion of program

1.3 BPI Video Games Accelerator (France)[66]

The Video Games Accelerator provides tailored support to meet the specific needs of videogame companies that have achieved a certain level of success and who wish to accelerate their growth to a critical size necessary to reach international markets and scale up. The program has a focus on company business models, financing, leadership and talent management, international business development and identifying market demand.

Companies must have revenues of at least €200,000 (CAD $268,580) to €300,000 (CAD $402,870), employ at least 10 people, and have control over their strategic orientations and investment decisions. The first cohort selected for the Video Games Accelerator comprised 20 video game companies with revenues between €28,000 (CAD $37,601) and €4.5 million (CAD $6 million), with on average 21 employees.

These companies had already launched a game and were looking to grow.

The Video Games Accelerator is built around three pillars: mentoring, training and networking. Mentors are matched to the needs of each company and the number of days of mentoring is determined by the volume of revenues. Business training is provided by a national business school, such as the national École des Hautes Études Commerciales (HEC). In addition, the program encourages networking through sectoral meetings on industry challenges and business meetings with private sector players and the public funding system (CNC, which provides project financing and tax credit, and Bpifrance, which provides an array of financing instruments).

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65 Creative England Accelerators for Game Developers and Games Tech & Services – Apply Today!, Women in Games, retrieved from https://www.womeningames.org/creative-england-accelerators-for-game-developers-and-games-tech-services-apply-today/; European Games Accelerator, Spielfabrique, retrieved from https://spielfabrique.eu/accelerator-program-2/.; SpielFabrique, Activity report 2021..

66 European Games Funding Guide, Creative Europe MEDIA DESK Italy and Denmark, November 2021.Bpifrance lance l'Accélérateur Jeux Vidéo, Agence française pour le jeu vidéo, February 1 2021, retrieved from https://www.afjv.com/news/10478_bpifrance-lance-l-accelerateur-jeux-video.htm.

Video Game Accelerator Program Overview[67]

GOAL	SELECTION CRITERIA	DURATION	DESCRIPTION
Support video game developers, publishers and sector service providers to gain in maturity, grow to a critical size and reach international markets.	Companies must: Have revenues of at least €200K (CAD $269K) to €300K (CAD $403K). Employ at least 10 people. Have control over their strategic orientations and investment decisions.	18 months	12.5 days of mentoring for companies with < €10 million (CAD $13.4 million) in revenues. 30 days of mentoring for companies with > €10 million in revenues. Six days of training from a Grande Ecole. Sector meetings: 4 days on sector challenges and 2 days of business meetings and networking.

Sweden Game Business and Venture Programs Overview

GOAL	SELECTION CRITERIA	DURATION	DESCRIPTION
Business and management training to help game developers to manage their game studio and high-level business and networking support to help them launch their product in a truly global market.	Have developed a game Show great entrepreneurial spirit and pitch a project with potential Teams of 1-6 people	6 months for the Business phase 6 months for the Venture Phase	Coaching sessions One-on-one workshops with mentors Pitching sessions with publishers, financiers and investors

There have been two iterations of the Video Games Accelerator: an initial 12-month program launched in 2021, and a second program lasting 18-months which began in June 2022. The curriculum designed for the first accelerator was considered too ambitious for a 12-month program and so the second iteration of the accelerator took place over a longer, 18-month period. Both iterations of the program were centred around the same three pillars: mentoring, training and networking.

Companies must pay to participate in the program., however, the national public funder, the Centre nationale du cinema et de l'image animée (CNC) subsidizes company participation in the program.

1.4 Sweden Game - Business and Venture (Sweden)[68]

The Sweden Game Business and Venture programs is an accelerator program aimed at helping game developers to manage their game studio and launch their products in a truly global market.

The program is offered in three phases over 15 months. The Business and Venture phases (phases 2 and 3) are aimed at accelerating companies over a period of 6 months each. These phases of the program offer business development support (pitch to investors and publishers), access to contacts and access to finance. During these phases, the program invests in and supports the company with business training and services, such as, coaching, participation at game industry events, activities such as one-on-one sessions with mentors, and subsidising some of their overhead costs (such as office rent, hardware and software costs). It supports high-level networking, introducing companies to domestic and international investors and publishers and assisting in the preparation of meetings with these potential partners.[69]

The program places great importance on the leadership team of the companies it supports. In selecting applicants, the program pays close attention to the abilities, motivation and business mindset of teams. Those that show great entrepreneurial spirit and pitch a project with potential are accepted into the program. Generally participating companies have team sizes that range from 1 to 6 people.

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67 BPI France website : https://bpifrance-creation.fr/entrepreneur/actualites/lancement-accelerateurs-jeux-video-cinema-audiovisuel.
68Sweden Game Arena website: https://swedengamearena.com/en/us/sweden-game-startup/.

69 The Game Incubator corporate website: https://www.thegameincubator.se/faq#FAQ_sect_Incubation.

70 Baltic Explorers corporate website: https://balticexplorers.eu/2021/01/28/transnational-accelerator-program-for-gaming-companies/.

1.5 Baltic Explorers BE BIG (Finland)

Established in 2021 by Baltic Explorers (BE), an EU funded game development hub, the Baltic Explorers BE BIG accelerator is designed to promote the development of the Central Baltic gaming cluster comprised of Sweden, Finland, Estonia and Latvia by providing extensive support for export.[70]

Baltic Explorers supports the localization, internationalization, business development and sales trips of gaming companies in the Central Baltic gaming cluster to new markets in Asia and North America.[71]

Exporting games to new markets is challenging and often requires new skills, contacts and a suitable platform to enable sales and new contracts. BE BIG organizes game industry meetings, and through its accelerator program provides mentoring, peer-to-peer support, and advisory services to help companies with testing, soft launches on new markets, and fine-tuning of the games for investor/publisher readiness at largest B2B events in Asia or USA.

BE uses the online platform Discord, to host its mentoring and peer-to-peer support. On the platform, teams have access to chat rooms and video calls as well as their own private channel.

In the selection process, Baltic Explorers evaluates the level of commitment and motivation of teams to their readiness and suitability for the program. Companies must have a game that is at least partly playable, teasers and visuals of the game, knowledge of their target audience, a business and marketing strategy, well defined business case for the company and pitch decks and one-pagers for publishers and investors.

1.6 Game Hub Denmark Growth Companies (Denmark)

Founded in 2012, Game Hub Denmark is a publicly funded accelerator for videogame companies. By providing them with support and resources, Game Hub Denmark aims to build sustainable and successful game companies.

The Baltic Explorers Be Big Accelerator Program Overview

GOAL	SELECTION CRITERIA	DURATION	DESCRIPTION
To develop the Central Baltic gaming cluster Support companies to successfully export their product in new markets	Partly playable game, teasers and visuals of the game, knowledge of the audience, Business and marketing strategy, well-defined business case for the company. Pitch decks and one-pagers for publishers and investors.	12 months	Mentoring and advisory services Peer-to-peer support on a dedicated platform Testing, soft launches on new markets, and fine-tuning of games for investor/publisher readiness. Pitching sessions with publishers, financiers and investors at largest B2B events in Asia or USA.

Game Hub Denmark Growth Phase Program Overview

GOAL	SELECTION CRITERIA	DURATION	DESCRIPTION
Help build sustainable companies by providing enhanced business support through mentoring, consulting services, international networking and matchmaking.	No formal requirement	3 to 6 months	Mentoring Business consulting services One-on-one workshops with mentors Pitching sessions with publishers, financiers and investors at global game industry conferences. Matchmaking with potential partner studios and talent.

Game Hub Denmark provides support for growth companies within its overall suite of complementary programs that also support earlier stage developers.

At the growth company phase, more experienced game developers are offered production, management and strategic level guidance, providing teams with access to additional skills and resources. The program provides companies with mentoring from experienced game industry leaders. In addition, an established network of external consultants provides legal and financial consulting services to participating companies. The program supports facilitated matchmaking with potential partner studios and talent to help companies build out their management teams to support their growth.

Companies attend global game industry conferences, where pitching sessions are organized with publishers, investors and other potential business partners. Game Hub Denmark has partners all over Europe, as well as a long-lasting relationships in China, the biggest game market in the world.

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70 Baltic Explorers corporate website: https://balticexplorers. eu/2021/01/28/transnational-accelerator-program-for-gaming-companies/.

71 Baltic Explorers – Boosting Games to New Markets, XAMK, retrieved from https://www.xamk.fi/tutkimus-ja-kehitys/baltic-explorers/.

1.7 Global Top Round Accelerator and Seed Investment Scale-up Program (Singapore)

Global Top Round is a private program established in 2015, based on an angel investment model for videogame companies. Global Top Round (GTR) runs two separate programs for high potential companies with ambitions to eventually scale their operations globally. Each program is hands on and designed to shepherd companies from initial market success to significant growth.

1.7.1 Accelerator Program

Through the Accelerator Program, companies gain access to capital and business advice to help them polish, launch, exploit and market their games in international markets.

The selection process to access this support is unique and focused on identifying the companies with the greatest market potential for inclusion in the program. GTR selects twenty game development studios each year with games from a large number of entries from around the world. The twenty companies attend the Global Top Round Conference, an annual networking event that is attended by investors, publishers and partners and allows the twenty teams involved to meet with and pitch their games to publishers, investors, and other potential business partners. GTR then selects ten companies for inclusion in its Accelerator program.

GTR guides the development of studios with capital and expert advice. Companies selected for the accelerator receive an initial investment from GTR of up to USD $40,000 (CAD $55,304). GTR provides business mentoring and expert feedback on game development, publishing and fundraising. The program's mentor and partner network spans the globe, giving selected studios the ability to get answers and information from a wide array of experts in multiple markets. GTR also leverages its global network of publishers to help studios identify partners in relevant markets.

Accelerator Program Overview

GOAL	SELECTION CRITERIA	DURATION	DESCRIPTION
Find talented teams and support their companies with initial financing and expertise for development, publishing and fundraising.[72]	Intended for high potential companies with talented teams. Games need to be at least 60% complete with a working demo, or already soft-launched. Participate in Global Round annual conference 20 companies selected to attend and pitch their games. Ten of these will be selected to participate in the program.	6 months of the program plus 3 months of publishing support	Mentoring One-on-one workshops with mentors Once GTR has confidence on the team, it will help studio access investment for global launching and next title development.

The initial acceleration program lasts from six to nine months, including a six-month development period in which to hone and launch their games, and three months of publishing support during which the company is exploiting their game live.

On completion of the nine-month acceleration period, companies may have access to a second investment of USD $60,000 (CAD $82,954) from GTR to continue to market and exploit their game. Accessing this second stage of support is based on the company's performance. After graduating from the GTR accelerator, GTR connects the company to its investment partner networks to help them raise more money for launching their game globally and for developing their next title. Overall, GTR is careful not to overly dilute the company's equity, taking a maximum of 11% equity (based on a company valuation of USD $800,000 (CAD $1.1 million)) in exchange for its USD $100,000 (CAD $138,260) investment.

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72 GXC corporate website: https://gxc.games/gtr/.

1.7.2 Seed Investment Program

Global Top Round launched its Seed Investment Program in 2022 with the aim of taking larger companies valued at between USD $3 million (CAD $4.2 million) and USD $7 million (CAD $9.7 million) to the next level of growth. These companies have released at least one game and are earning revenues. The program provides seed funding in the form of an equity investment of between USD $150,000 (CAD $207,390) and USD $300,000 (CAD $414,780) to each of five to 7 studios[73], for a total investment by GTR in these companies of upwards of USD $2 million (CAD $2,765,200).[74] This funding is intended to support growth and enable access to other sources of funding.

The program provides mentoring so that companies can succeed in global markets.[75] GTR works with the company on a three-month work plan, which is expected to evolve as the company acquires new knowledge through the program.

2. Best Practices Observed In Programs Examined

The programs examined that are aimed at supporting companies to scale up are in fact targeting companies at differing stages of development, that have the greatest potential to be the next scale up. This approach recognizes that scaling up can happen very quickly in the videogames sector and that a high number of companies in the sector do scale. These programs aim to give companies that best chances for success by providing them with access to market expertise to polish and shape their games for a large international market as well as providing privileged access to publishers, investors and broad business networks to support their successful entry into these markets.

Interviews conducted with the administrators of these programs reveal that the challenges and opportunities facing game developers are unique to the sector, requiring programs designed specifically for the game sector. The programs examined for this report have been designed to meet the many needs of videogame companies with ambitions to eventually scale up. A review of these programs allows best practices to be identified. These are discussed here.

Seed Investment Scale-up Program Overview

GOAL	SELECTION CRITERIA	DURATION	DESCRIPTION
Provide larger game companies to access venture and other sources of financing and support them with development, publishing and fundraising expertise[76]	Targeted to larger game companies with at least one game in the market that is generating revenues.	3 months to develop and implement an action plan for growth and then ongoing mentoring and other support	Business mentoring Access to business networks

1. Focus on High Potential Video Game Companies

The programs examined in this chapter share a focus on companies with a high potential to scale up. This approach recognizes the unique situation of videogame scale-ups, where growth can happen exponentially over several years. Some interviewees observed that mobile games provide a unique opportunity for smaller companies who can more easily see explosive growth in this sub-sector of the industry.[77] Once a videogame begins to see significant traction in the market the company must be prepared for potentially sustained rapid growth. Without this preparation, opportunities for scaling up may be compromised or missed altogether.

Programs focus on companies with a high potential to scale up.

To assess high potential, programs evaluate the company's games in development or soft-launched, the revenues it is generating and the number of people it employs.

Most programs have minimum eligibility requirements that allow them to assess the potential of companies. Some require that a company has successfully launched a game and is generating revenues. Others may wish to see the results of a soft launch, or even to have a game nearing completion, such as the successful completion of a game, a game that is at least

60% completed or a game prototype, with sufficient documentation to assess its potential in the market. Programs generally require companies to have some employees, typically between 3 and 10 at minimum.

For example, SpielFabrique requires that studios have high value-added projects with an international and commercial ambition for long-term corporate development. Studios must have released one game, have a prototype finished or almost finished and a good pitching document.

The UK Scale-Up program requires that companies have successfully made a game, taken one to market in the last two years, hired a minimum of 3 people in the last two years and generated revenue in the last year. Bpi France's Video Games Accelerator requires that companies have minimum annual turnover of 200,000 Euros and must employ at least 10 people.

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73 Selected companies sign an initial safe agreement. Safe agreements, first introduced by Y Combinator, creates a "pre-money" safe for startups raising money in advance of raising a priced round of financing. The safe is a simple and fast way to get first money into the company, with the concept that holders of safes are merely early investors in a future priced round.

74 Aaron Astle, "Global Top Round launches year-long seed investment programme," in PocketGamer.biz, March 2, 2022,

75 Global Top Round website: https://www.globaltopround.com/.

76 GXC corporate website: https://gxc.games/gtr/.

77 Interviews
retrieved from https://www.pocketgamer.biz/news/78282/global-top-round-launces-year-long-seed-investment-programme/.

The programs examined place a great emphasis on selecting the right candidates for their programs.

2. Programs Work with Highly Motivated Founders with Ambition to Scale Up Their Companies

The programs examined place a great emphasis on selecting the right candidates for their programs. Interviews with administrators of the programs examined reveal that the selection of companies is an important factor in the success of programs. Most of the program representatives interviewed described their interest in highly ambitious founders who are willing to work very hard, to accept criticism, to learn from experts and adapt, in short, to "do what it takes" as they have the greatest chance of developing a product with the right fit for new or growing markets where significant demand exists. As we saw in previous chapters, videogame scaleups have a focus on international markets. In a sea of opportunities, they must effectively identify and exploit their unique opportunity.

3. Programs Focused on Supporting the Development of the Business

The programs identified focus on providing business development support intended to equip companies with the needed tools, skills, networks, partnerships and financing and other supports they need to scale up. As Creative UK notes, their accelerator programs provide business support because, "there are lots of businesses out there who know how to create amazing games, innovative content and brilliant platforms but we want to help people grow the most successful business they can."[78] One administrator interviewed pointed out, "We take the premise that the gap we can fill is business knowledge. We don't deal with the creative side."

The programs offer business-related support in the form of market expertise, guidance on business development and access to the press, through opportunities for mentorship and training, peer-to-peer learning as well as networking support.

Programs prepare companies for public pitch events in which graduates pitch to potential investors and/or publishers. They programs are cohort-based programs, providing education, monitoring, and mentoring to start-up teams and connecting them with experienced entrepreneurs, venture capitalists, angel investors and corporate executives.

Many programs focus solely on business development support intended to equip companies with the tools, skills, networks, partnerships and financing and other supports needed to fit their products to target markets and manage growth.

Array of Business Training, Services and Expert Advice to Reach International and Global Markets

To scale, companies must access and find success in international and global markets.

Several programs make accessing international markets an explicit goal of their program. Bpi France's Video Games Accelerator aims to enable companies to become well-established and grow in international markets. The Sweden Game Business and Venture programs provide support to companies to launch their first products intended for a global market.

Programs provide founders with access to market expertise, mentorship to polish their games, their monetization strategies, their marketing and communications, their player engagement and retention, and their adaptation to different markets, such as localization efforts.

To find success in global markets, programs share market expertise, mentoring, and support for testing, soft-launching and fine-tuning games to get them investor or publisher ready.

The Baltic Explorers BE BIG Accelerator provides support to help companies test, soft launch on new markets, and fine-tune games for investor/publisher readiness.

The programs examined support networking with industry players, encourage access to and relationship building with publishers, with investors and other financiers. They support founders to become "pitch ready, publisher ready and investor ready." They support founders to prepare for meetings, so that companies can pitch effectively to the right players. This supports growth, as companies may need to seek financing at different points along their corporate development, as well as the development and exploitation of their product. It also sets the stage for success during the scaleup phase, when companies may more easily access financing and other business networks to support their rapid expansion.

The programs examined are flexible, tailored to the needs of the company. For example, programs will select mentors or pitch events following an assessment of the needs of the company.

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78 Ivana Karabova, "Creative Enterprise Accelerators: Spotlight on Accelerate Games," in Creative UK, December 1, 2021, retrieved from https://www.wearecreative.uk/creative-enterprise-accelerators-spotlight-on-accelerate-games/.

5. Management Training and Networking to Help Companies Build Out Their Management Teams

The programs provide advanced business training and professional consulting services to professionalize corporate management with the skills to successfully navigate their internal growth, and provide timely access to legal, HR and accounting expertise. They support the development of business networks of specialized talent that founders can draw on to build out their teams.

For example, the German program, SpielFabrique aims to professionalize the independent gaming sector with a focus on financing, business positioning and international producing. As one interviewee noted, "What we call accelerating/scaling up is actually professionalization, is really saying, okay, now I'm ready to go and be on the business side much faster than I would have been."[79] Through mentoring and business training, Spielfabrique supports companies to develop the needed expertise to produce for and position their products in international markets.

Both the UK Game Scale Up and Bpi France Video Game Accelerator are particularly focused on helping experienced game founders to develop advanced leadership and corporate management skills. Built around the three pillars of mentoring, training and networking, the Video Games Accelerator provides tailored support to meet the specific needs of each company, with a focus on their business model, financing, leadership and talent management, international business development and identifying market demand. Amongst the companies accepted into the BPI Video Game Accelerator were startups founded by former game industry executives interested in gaining knowledge on how to manage their own company. These founders had deep knowledge of the industry but sought support with early stage growth issues that could arise, such as when expanding their teams, or in dealing with legal and regulatory issues.

6. Continuity of Support Along the Growth Journey

Many of the programs examined are offered in continuity with other programs offered by the same organizations for videogame companies in earlier stages of development. The programs examined provide companies with a strong foundation on which to continue their growth journeys. Programs are multi-staged and companies move along the continuum of company support for growth. Support is provided in fixed-terms, ranging in duration from 3 to 18 months.

For example, Global Top Round provides two programs to accelerate high potential videogame companies at different points along their growth journey. Each program is aimed at accelerating growth and success in international markets, with the Seed Investment Scale Up Program intended to take companies to the next level of significant growth. Each of GTR's programs is adapted to the needs of companies based on their revenues. In the Seed Investment program, GTR is "looking at the future of multi-million dollar developments."[80]

The Bpi in France provides advanced business training and access to sophisticated financing instruments to companies with experience and revenues, as a complement to the project financing available from the Bpi's counterpart the CNC. The UK's Accelerate program was created to support developers to take their games to market, so that they would have the skills and expertise to benefit from the Scale-up program.

7. Calibrated Impact Measurement

With the exception of Global Top Round, which is a privately funded accelerator, the programs examined are supported primarily from public sources and are aligned to sector growth strategies established by different levels of government. However, while aligned to national and regional objectives, it is difficult for programs, which generally support a small of number of companies, to objectively measure impact on sectoral growth. For this reason, impact measurement is calibrated to measurable results in the short term

during and is used primarily to support the management of programs. **However the greatest impact, reported anecdotally, may be the internal transformation of companies to focus on their growth.**

Impact measurement is calibrated to measurable results in the short term such as:

- **Number of companies supported**
- **International reach of the program**
- **Number of publisher deals in new international markets**
- **Number of games released**

However, the greatest impact may be the internal transformation of companies to focus on growth.

Some programs are aligned to national objectives. France's BPI is a national public institution and its Video Games Accelerator was launched as part of the "Plan Touch!" developed by Bpifrance to accelerate the growth of the French cultural industries. In the UK, the Accelerator and Scale up programs are delivered by the Creative Enterprise program, which has been developed with National Lottery funding from the British Film Institute (BFI). The programs align with the government's aim to grow larger SMEs in the creative industries, which it has likened to 'high tech' SMEs, because of their instant or natural international reach from a very early stage.[81]

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79 Interviews

80 Global Top Round website: https://www.globaltopround.com/partners.html.

81 Creative England Investment Programme 2012-2017 – Impact Report, The Good Economy, June 2018, retrieved from https://thegoodeconomy.co.uk/resources/reports/Creative_England_Impact_Report_2018.pdf.

Some programs are aimed at supporting regional development. For example, the Baltic Explorers BE BIG accelerator was established by Baltic Explorers, an EU funded project to develop the Central Baltic gaming cluster, which includes Sweden, Finland, Estonia and Latvia. SpielFabrique was originally supported by Creative Europe, and was established in Germany to encourage Franco-German partnerships.

One program is aligned to local objectives. The Sweden Game Business and Venture programs are part of a larger initiative known as the Sweden Game Arena, a gaming hub in the Science Park Skövde funded by the Västra Götaland Region and Skövde municipality. The programs operate in close connection with the University of Skövde and is aligned to the region's aspirations to nurture a creative hub.

In general, programs measure the number of companies supported. Some measure their geographical reach. Others measure or have set goals with respect to number of publisher deals made or number of games released. Informally, interviewees also commented on the impact on companies in terms of their greater focus on growth.

Most programs measure the number of companies supported. Some examples are that since 2019, Game Hub Denmark has helped 56 Danish game studios - ranging from early-stage startups to experienced game studios – on their journeys to becoming sustainable.[82] The BPI Video Game Accelerator has provided support to 20 companies with strong development potential.

Some programs measure their international reach. The SpielFabrique accelerator has supported 36 companies since 2016, including candidates from five countries in Europe, widening its reach from the original two countries (France and Germany). Global Top Round has invested in more than 55 game companies in the last seven years in 32 countries, including the United States, the UK, Brazil, France, Germany, Finland, Sweden, Italy, Korea, and Malaysia.

Some measure the number of companies successfully finding a publisher in new international markets or the number of games released overall. It is generally perceived that while each game must demonstrate the strengths of the company, less experienced companies will launch more than one game before they find the market traction to scale up. Baltic Explorers BE BIG has set for itself a target to achieve a minimum of five publishing deals a year through its international publisher network. To achieve this it has supported the participation of 100 companies in events organized by Baltic Explorers. The Sweden Game Business and Venture programs has supported more than 100 game companies and helped release over 100 games across all platforms over the years.

Significantly, interviewees also noted the internal transformation of companies as a result of the activities undertaken to support their growth. Based on participant feedback, the programs are perceived by interviewees to have a positive impact on video game studios, particularly in terms of focusing the company on its growth aspirations. As one interviewee noted, "successful teams have a clear sense of ambition, a clear purpose, innovative business model and a solid revenue base."[83] Another interviewee pointed out that "when a company starts thinking like a big company and not like a small company, and they are thinking of the company and not the game, then this is a sign that our program is having an impact."[84] Over time, these immediate outcomes are positioning companies for greater chance at scale-up success as companies whose founders are focused on both the business and creative aspects of the company are said to be the most successful in scaling up.

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82 Game Hub Denmark: Games incubator, Creative Denmark website, retrieved from www.creativedenmark.com/cases/game-hub-denmark-games-incubator/.

83 Interviews.

84 Interviews
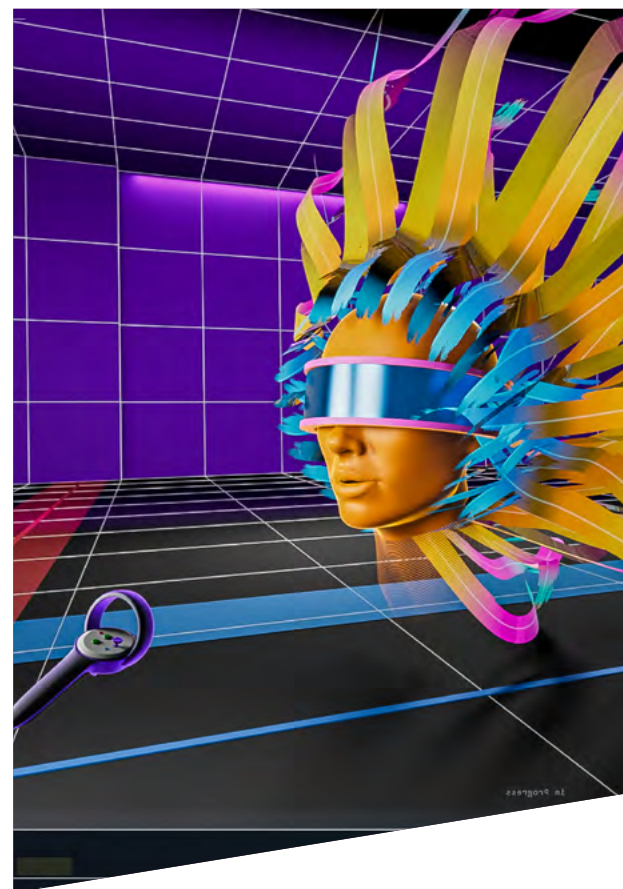
IV. The Way Forward

1. Insights and Lessons Learned From Successful Canadian Scale-Ups – Success Factors Shared by Videogame Scaleups

This study provides insights on the process of scaling-up based on a review of available literature, and analysis of five successful Canadian video game companies. These companies share a number of characteristics associated with successful scale-ups that can be called their success factors. The success factors identified in a review of general literature on scale ups were validated through the profiling of Canadian videogame scale ups. This suggests that while the product, market, strategies and tactics employed by videogame companies to scale up are unique to the industry and require that companies have access to industry-specific expertise, they also share many of the same success factors as companies in other industries.

As noted in this study, some success factors shared by scaleups are internal to a company. These have to do with the experience of founders, their leadership skills, the right fit of their products for multi-territory and global markets, and the design of a repeatable and scalable business model. Others are external, such as the quality of their partnerships, their ability to innovate by accessing the right expertise, their access to capital and to talent.

The companies profiled in this study all had experienced founders and effective leadership, the right product for the market, and a repeatable and scalable business model. They are innovative and have access to innovation partners. Each company has access to capital, through a mix of public and private funding, including tax credits, private investment and venture capital. They can access talent when they need to through extensive business networks and they have strong business partnerships.

As can be seen in the stories of each of the five companies, scaling up is both strategic and transformative. Each of the five companies examined had forward-looking growth strategies made possible by their creative innovation, technological innovation and productivity improvements. Each company had a goal to scale up and made the choices necessary along the way to support their growth.

To achieve their goals, companies made necessary changes to their management structure. New investment may have changed their ownership. They engaged in new activities, developed specific infrastructure (such as software frameworks or client management systems) to support their games, expanding to new business lines such as self-publishing or pivoting their business models from third-party service work to exploiting their own or licensed IP. They made acquisitions of other companies to increase their capacity and access to talent. In all cases, scaling up involved a deep transformation of the inner structures of their respective companies.

Ultimately, growth requires significant influx of resources. The companies examined here faced key decisions along their journey, such as whether or not to sell the company to another or to remain independent. Each option has far-reaching implications for the scale-up's strategy and management. As access to capital fuels growth, along the way, each company examined made a sale, in whole or in part, of their company at some point.[85]

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85 Scale-up UK: Growing Businesses, Growing our Economy, April 2016.

The success factors shared by videogame scaleups profiled in this study are:

- Experienced founders
- The right product-market fit
- Scalable business model
- Effective leadership
- Innovation and innovation partners
- Access to capital
- Access to talent
- Partnerships

Scaling up is both strategic and transformative. To achieve their goals, companies made necessary changes, such as:

- Modifying their management structure
- Developing their infrastructure
- Expanding to new lines of business, like self-publishing
- Pivoting to exploiting their own IP or developing new partnerships to exploit branded IP
- Attracted investment that may have changed their ownership structure

2. Insights and Lessons Learned from Programs Delivered in Other Jurisdictions -Best Practices in the Design of Videogame Scaleup Programs

The eight accelerator and scale-up programs identified in the UK, France, Germany, Finland, Sweden, Denmark and Singapore provide insights into best practices in the design of programs for the Canadian context. We note that all but one of the programs examined are publicly funded. Global Top Round is a different model in that it takes an equity stake in the companies in exchange for financial and other support.

The review of programs identified seven best practices, summarized below.

1. Focus on High Potential Video Game Companies

The programs examined in this chapter share a focus on companies with a high potential to scale up. Most programs have minimum eligibility requirements that allow them to assess the potential of companies. Some require that a company has successfully launched a game and is generating revenues. Others may wish to see the results of a soft launch or to review a game nearing completion. Companies are expected to have a small number of employees. But ultimately, high potential comes down to founders.

2. Programs Work with Highly Motivated Founders with Ambition to Scale Up Their Companies

The selection of companies has been described as an important factor in the success of programs. Programs aimed at earlier stage companies focus on ensuring companies will be able to launch their game. A critical criterion identified by all program representatives interviewed for this report is the entrepreneurial attitude of founders. All else being equal, the desire to succeed is paramount.

3. Programs Focus on Supporting the Development of the Business

The programs have established goals aimed at supporting the development of the business of participating companies. These are offered business training and coaching, supported in the development of their networks and provided opportunities to pitch, attract publishers and investors. Ultimately, it is hoped over the long-term, they will become sustainable companies, with benefits for the companies, and for the local eco-systems in which they operate.

4. Array of Business Training, Services and Expert Advice to Reach New International and Global Markets Adapted to the Needs of Companies

Through curricula tailored to the needs of companies, and ranging in duration from 3 to 18 months, businesses have access to one-on-one coaching, mentoring and advising, peer-to-peer support and networking opportunities. Peer-to-peer experiential learning between entrepreneurs is a recognized best practice characteristic of programs that successfully support high growth companies. Peer-to-peer networks promote knowledge transfer, business linkages and networking.[86]

5. Management Training and Networking to Help Companies Build Out Their Management Teams

The programs provide advanced management training and business consulting services to provide founders with the skills to successfully navigate their internal growth. They also encourage the development of business networks so founders can draw on needed talent to build out their teams.

6. Continuity of Support Along the Growth Journey

Many programs are multi-staged, providing support to companies all along their growth journey. Programs are fixed term, ranging from 3 to 18 months, to provide adequate time for companies to learn as they grow.

7. Calibrated Impact Measurement

Program measurement is focused on immediate impacts that are measurable and provide evidence that companies are moving in the right direction and growing. The most important measure reported only anecdotally may be the internal transformation of the company towards a greater, more skilled and strategic focus on growth.

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86 Characteristics of Scale Ups and the Impact of Scale-up Support Programs – a Literature Review, Prepared by the Evidence Network for Nordic Innovation, 2019.

Best practices identified in the programs examined:

- Focus on high potential companies
- Choose highly motivated founders with ambition to scale up
- Support the development of the business
- Provide training and advice to reach global markets
- Support to build out management teams
- Continuous support along the growth journey
- Calibrated impact measurement focused on immediate outcomes

3. A Scale-Up Program for Canada

It may be timely to develop accelerator and/or scale-up programs for Canada. Canada's gaming sector contributed $5.5 billion to the country's total GDP. There are now 937 active game studios in Canada employing 32,300 full-time equivalent positions (FTEs).[87]

As the Canadian videogame sector moves forward, any new program designed to support videogame companies to scale up should 1) address the specific needs of scale ups, and 2) promote their ability to leverage success factors. We therefore offer the following considerations:

- The selection of ambitious, motivated teams with some experience in the market is critical. Scaling up is hard work and only the most motivated founders will succeed. There is no shortage of talent and dedicated company founders in Canada. These companies are best positioned for success.

- Tailor programs to the needs of companies at the different points along their growth journey. As each Canadian province has its own unique video game eco-system, any new program should consider the environment in which companies operate.

- Support for the development of the business, with proven methods such as one-one-coaching, mentoring and peer-to-peer support. Successful curricula are focused on helping companies make pitches to potential publishers, investors and other collaborators. Support in negotiating agreements is critical to ensure companies do not overly dilute their ownership before achieving success.

- Develop measures of success to ensure programs evolve strategically. Focus on immediate outcomes and the internal transformation of companies towards a business-oriented growth mindset.

- Allow the market to play its role in identifying investment opportunities. Any program that aims to accelerate companies using funding from public or private not-for-profit (i.e., from a foundation) sources should not unduly hinder the growth prospects of companies by diluting their equity at too early a stage in their development.

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87 *The Canadian Video Game Industry 2021, ESAC, October 2021, Retrieved from www.nordicity.com/de/cache/work/169/ESAC_ The%20Canadian%20Video%20Game%20Industry%202021.pdf.*

Glossary

Accelerator: is a fixed-term, cohort-based program, that includes mentorship and training.[88]

Gazelles: are companies that grow turnover by 20% for three consecutive years.

Incubator: an early-stage startup support system, offering guidance, training and often office space. Support may be offered for free by non-profits or universities, or can be on a for-profit basis in return for a fee or company equity.

Product-Market Fit: means finding a good market with a product capable of satisfying that market.

Scale-up: Scaleup businesses are defined as those that are past the startup phase, but are in the execution phase of their business model, with significant growth in terms of revenues and number of employees.[89]

Super-scalers: tech companies able to raise over one billion dollars.

Series A (B, C, etc): Series A is the first venture investment round. Subsequent venture funding rounds will be named alphabetically as they increase in value, i.e., Series B, Series C, etc.

Start-up: Defined as development-stage businesses that are looking to grow in terms of market access, revenues and number of employees, but are still in search of a repeatable and scalable business model. These businesses are often innovative and tend to operate in high-tech markets.

Unicorns: are defined as privately-held growth companies that reach a valuation of over $1b. They represent exceptional cases of extreme success at the scale-up stage.

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88 Finnish Business Acceleration Network (FINAC) corporate website: https://finac.fi/accelerators/.

89 David A. Wolfe, Creating Digital Opportunity for Canada, Innovation Policy Lab, Brookfield Institute and Munk School of Global Affairs, University of Toronto, 2018, retrieved from Creating-Digital-Opportunity.pdf.
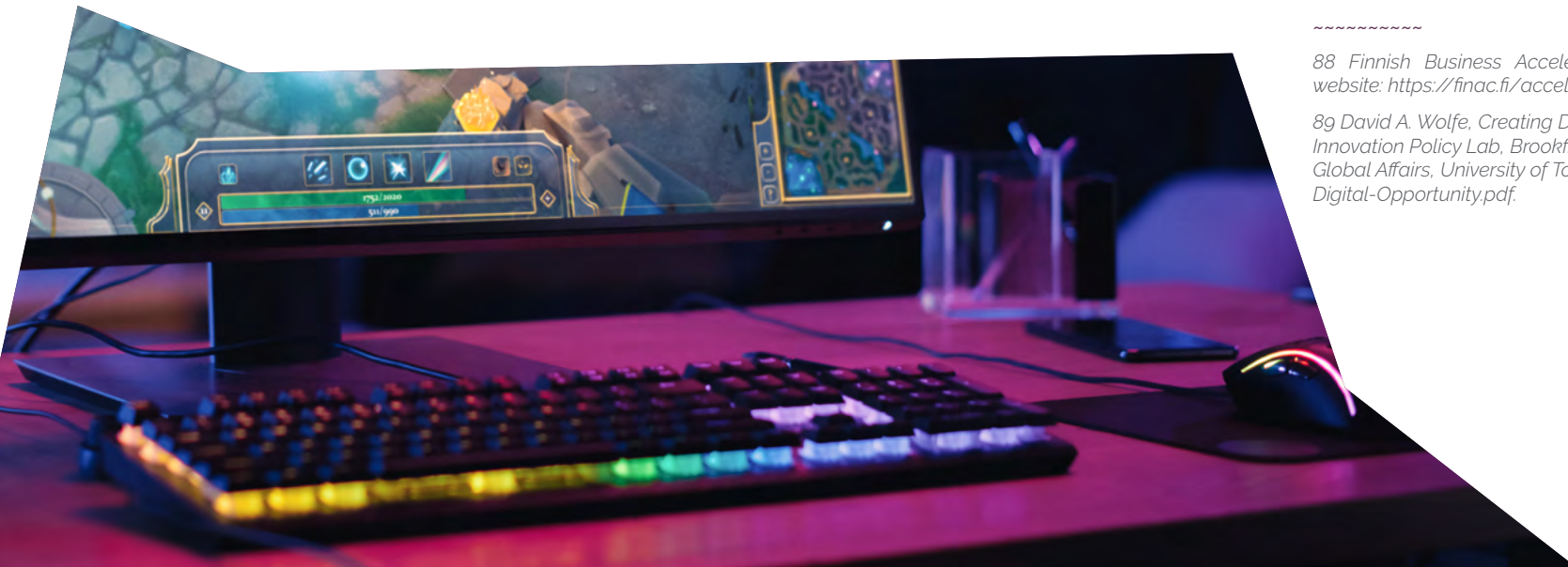
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Annex II: Interviewees

Julie Belzanne, Pôle Accélérateur Thématiques, Bpifrance Video Game Accelerator

Claudette Critchley, CEO and Co-founder, Big Blue Bubble

Feledius Mikkel, Managing Director, Game Hub Denmark

Per Holmen, Business Coach, Sweden Game Business and Venture programs

Odile Limpach, Co-founder and Mentor, SpielFabrique

Pontus Mahler, VP Global Business Development, Global Top Round

Rick Nahm, Co-Founder, Global Top Round

Josh Nilson, General Manager, East Side Games

Jeanne Marie Owens, VP Operations, Phoenix Labs

Rémi Racine, CEO and Executive Producer, Behaviour Interactive

Mike Schmaltz, CEO and Co-founder, Digital Extremes

Sabine Suorsa, Project Manager, Baltic Explorers BE BIG

Dan Wood, Games Associate, Creative England

Annex III: Background Information on Programs

1. Games Scale-Up (United Kingdom)

1.1 Background

Creative England and the Association for UK Interactive Entertainment (UKIE) developed the Games Scale Up program to support games developers to grow their businesses. The programs are delivered through the Creative Enterprise program, which has been developed with National Lottery funding from the British Film Institute (BFI).

1.2 Description

The Creative Scale Up Program was established in 2020 and builds on the success of a previous Creative Scale Up pilot program. Generally, companies are supported over six months. The program includes a mix of masterclasses, workshops and networking opportunities with industry-leading experts. Businesses chosen to join the cohort will develop a strategy and plan for growth; get expert advice on: business strategy, business planning, funding and finance, markets, decision making in terms of how to structure teams and hire the right talent. The companies will also have the opportunity to meet angel and venture capital (VC) investors and learn directly from and build their network with proven industry leaders.

In terms of eligibility, the company must have successfully made a game, taken at least one to market or launched a support service in the last two years; have employed at least 3 people (part-time, freelance or full time) at some point in the last two years and must have generated revenue in the last year.

2. SpielFabrique (Germany)

2.1. Background

SpielFabrique is an accelerator program created in 2016 for start-ups and young entrepreneurs in the gaming sector.[90]

SpielFabrique stems from a Franco-German video game initiative created in April 2015 by the French Embassy. The program is supported by the State Secretary to the French Minister of Economy and Finance. Other partners include the region of Nouvelle Aquitaine, Pictanovo, and the National Video Game Syndicate, the professional union representing French video game production and publishing companies.

2.2 Description

2.2.1 SpielFabrique

The goal of the program is to help professionalise the independent video game sector.[91]

The program helps developers with game concepts and prototypes with cultural and commercial potential to achieve their goals and, ideally, to rapidly bring their ideas to market. The program focuses on aspects such as growth management, strategy optimization, market positioning, communication strategy, and public and private financing through coaching sessions and hands-on workshops. It covers both game development and marketing, as well as financing

3. BPI Video Games Accelerator (France)[92]

3.1 Background

In April 2021, the National Center for Cinema and Moving Image (CNC) and Bpifrance joined forces to launch the Video Games Accelerator to help companies grow and reach international markets. The program was launched as part of the "Plan Touch!" developed by Bpifrance to support and accelerate the growth of players in the French Cultural and Creative Industries (CCI).

3.2 Description[93]

The Video Games Accelerator provides tailored support to meet the specific needs of each company, with a focus on their business model, financing, leadership and talent management, international business development and identifying market demand.

Companies must have revenues of at least €200,000 (CAD $268,580) to €300,000 (CAD $402,870), employ at least 10 people, and have control over their strategic orientations and investment decisions. The first cohort selected for the Video Games Accelerator comprised 20 video game companies with revenues between €28,000 (CAD $37,601) and €4.5 million (CAD $6 million), with on average 21 employees. These companies had already launched a game and were looking to grow.

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90 Creative England Accelerators for Game Developers and Games Tech & Services – Apply Today!, Women in Games, retrieved from www.womeningames.org/creative-england-accelerators-for-game-developers-and-games-tech-services-apply-today/; European Games Accelerator, Spielfabrique, retrieved from https://spielfabrique.eu/accelerator-program-2/.

91 SpielFabrique, Activity report 2021.

92 European Games Funding Guide, Creative Europe MEDIA DESK Italy and Denmark, November 2021.

93 Bpifrance lance l'Accélérateur Jeux Vidéo, Agence française pour le jeu vidéo, February 1 2021, retrieved from www.afjv.com/news/10478_bpifrance-lance-l-accelerateur-jeux-video.htm.

The Video Games Accelerator is built around three pillars: mentoring, training and networking. Companies must pay to participate in the program. The CNC provides €24,000 (CAD $32,230) in funding for each company, which must in turn contribute €16,000 (CAD $21,486). These funds are largely used to pay experts for mentoring the companies. Mentors are matched to the needs of each company.

There have been two iterations of the Video Games Accelerator: an initial 12-month program launched in 2021, and a second program lasting 18-months set to begin in June 2022. The curriculum designed for the first accelerator was considered too ambitious for a 12-month program and so the second iteration of the accelerator took place over a longer, 18-month period.

The 2022 Video Games Accelerator provides selected companies with 18 months of support, including:

- Mentoring program based to size of the company:

  - for companies with a turnover of less than €10 million (CAD $13.4 million): 12.5 days,

  - for companies with a turnover of more than €10 million (CAD $13.4 million): 30 days,

- Six days of training from a Grande Ecole (i.e. business school such as HEC)

- Sector meetings:

  - 4 days of meetings on industry sector challenges, and

  - 2 days of business meetings with the entire ecosystem of the CNC, Bpifrance and players in the sector.[94]

4. Sweden Game Business and Venture programs (Sweden)

4.1 Background

The Sweden Game Business and Venture is an accelerator program aimed at helping game developers to manage their game studio and launch their first products in a global market.[95]

This program is part of a larger initiative known as the Sweden Game Arena, located within the Science Park Skövde. Science Park Skövde is funded by the Västra Götaland Region and Skövde municipality.[96]

The Sweden Game Arena is the Swedish game industry hub for startups, education and research. In addition to having a close-knit community of professional game developers and aspiring game development students from Sweden's biggest game development education programs, Sweden Game Arena also organizes the Sweden Game Conference in Skövde.

4.2 Description

The program is offered in phases over 15 months. The business and venture phases are aimed at accelerating companies over a period of 6 months each. Overall, the company has 12 months to hone their development and business skills and find a sustainable business model.

The first phase incubator is open to developers with a game idea who wish to start their own game company to develop their prototype. During program, there are scheduled workshops and assignments.

The second and third phases offers business development support (pitch to investors and publishers), access to contacts and access to finance. The program invests in and supports the startup with services, such as, coaching, activities, game event trips, infrastructure, heavily subsidised office rent and additional resources (hardware, software etc) during the program. It helps companies prepare

for meetings with, and introductions to, domestic and international investors and publishers to discuss investment needs.[97]

In selecting applicants, the program pays close attention to the abilities, motivation and business mindset of teams. Those that show great entrepreneurial spirit and pitch a project with potential are accepted into the program. Generally participating companies have team sizes that range from 1 to 6 people.

5. Baltic Explorers BE BIG Accelerator (Finland)

5.1 Background

The Baltic Explorers BE BIG accelerator was established in 2021 by Baltic Explorers (BE), an EU funded game development hub, and is designed to develop the Central Baltic gaming cluster, which includes Sweden, Finland, Estonia and Latvia. Four organization, one from each of the four countries are involved, lead by XAMK (South- Eastern Finland University of Applied Sciences) from Finland.[98]

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94 des.fr website : https://les-aides.fr/agenda/ZRaf/accelerateur-jeux-video.html.

95 Sweden Game Arena website: https://swedengamearena.com/en/us/sweden-game-startup/.

96 Science Park Skovde corporate website: https://scienceparkskovde.se/en/about-us/science-park-skovde-en/vart-uppdrag-en/.

97 The Game Incubator corporate website: www.thegameincubator.se/faq#FAQ_sect_Incubation.

98 Baltic Explorers corporate website: https://balticexplorers.eu/2021/01/28/transnational-accelerator-program-for-gaming-companies/.

Baltic Explorers supports the localization, internationa-lization, business development and sales trips of gaming companies in the participating countries - Finland, Sweden, Estonia and Latvia - to new markets in Asia and North America.[99] Exporting games to new markets is challenging and often requires new skills, contacts and a suitable platform to enable sales and new contracts. BE BIG organizes game industry meetings, runs accelerator programs and provides mentoring, peer-to-peer support, and advisory services for the companies to help with testing, soft launches on new markets, and fine-tuning of the games for investor/publisher readiness at largest B2B events in Asia or USA.

5.2 Description[100]

The BE BIG program typically offers participants the following:

- business development support
- pitch deck development and pitching support
- game development support
- access to international mentors
- support for expanding their team
- attendance at larger events in the US and Asian markets

Mentoring and peer-to-peer support takes place on a dedicated platform, Discord, through which teams have access to chat rooms and video calls as well as their own private channel.

In the selection process, Baltic Explorers evaluates the level of commitment and motivation of teams to their readiness and suitability for the program.

The requirements for companies include the following:

- A game that is at least partly playable
- Teasers and visuals of the game
- Knowledge of their target audience
- A business and marketing strategy
- Well defined business case for the company
- Pitch decks and one-pagers for publishers and investors

6. Game Hub Denmark (Denmark)

6.1 Background

Founded in 2012, Game Hub Denmark is a publicly funded incubator/accelerator that aims to build sustainable and successful game companies. Game Hub Denmark has partners all over Europe, as well as a long-lasting relationships in China, the biggest game market in the world.

6.2 Description

At the growth phase, experienced companies are offered production, management and strategic level guidance. An established network of external consultants can be called upon to provide specific services needed by participating companies (i.e., lawyers, banks, accountants, etc.).

The program provides networking opportunities and facilitated matchmaking with potential partner studios or employees, providing teams with access to additional skills and resources. Companies also attend global game industry conferences, with access to investors, publishers and business partners.

Game Hub generally offers the following:

- Mentoring from experienced game industry leaders
- Pitch sessions at international game conferences
- Legal and financial consulting

7. Global Top Round (Singapore)

7.1 Background

Global Top Round (GTR) is a private program established in Korea in 2015. There are two programs run by GTR: an accelerator program and a seed investment program launched in 2022. These programs aim take companies to the next level of growth. Ultimately, its goal is to create companies that are successful in global markets.[101]

7.2 Description

7.2.1 Accelerator Program

The program provides access to capital and business advice to selected video game companies to help them polish, launch, exploit and market their games. In exchange for its investment, GTR takes a minority equity stake and guides the studio's development with capital and expert advice. The company also takes a 10% revenue share on the company's first game.

GTR selects 20 game development studios each year with games that are at least 60% complete with a working demo, or already soft-launched. These companies attend the GTR Conference, an annual networking event that is attended by investors, publishers and partners. The conference is a two-day affair that allows the 20 teams involved to meet with publishers, investors, and other potential business partners, and includes a day of pitches and speaker sessions followed by a day for game demos. Following this event, GTR selects 10 finalists for its accelerator program.

Companies selected for the accelerator receive an initial investment of USD $40,000 from GTR, typically to a maximum of 5% of the company's worth (based on a minimum valuation of $800K), as well as mentoring and expert feedback on development, publishing and fundraising. GTR's mentor and partner network spans the globe, giving selected studios the ability to get answers and information. With continued help and support, studios can focus on making their projects a reality.

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100 Baltic Explorers corporate website: https://balticexplorers. eu/2021/01/28/transnational-accelerator-program-for-gaming-companies/.

101 Global Top Round website: https://www.globaltopround.com/.

The initial acceleration program lasts from six to nine months, including a six-month development period in which to hone and launch their games, and 3 months of publishing support. GTR leverages their global network of publishers to help studios identify partners in the markets for which their content is best suited. On completion of the 9-month acceleration period, companies may have access to a second investment of USD $60,000 from GTR, typically valued at between 3% and 6% of the company's worth at this stage, to continue to market and exploit their game.

After graduating from the GTR accelerator, GTR connects the company to its investment partner networks to help them raise more money for global launching and next title development.

7.2.2 Seed Investment Scale-up Program

The Seed Investment Program is aimed at scaling up larger startups that have released at least one game. The program has a focus on growing companies valued at between $3 million and $7 million. It will provide seed funding of between $150K and $300K to each of five to 7 studios, for a total allocation of upwards of $2 million.[102] This funding is intended to support growth and enable access to other sources of funding.

Selected companies will sign an initial safe agreement modelled on that used by the Y Combinator, which will enable GTR to immediately begin working with them on a three-month work plan. These plans are expected to evolve as companies acquire new knowledge through the program.

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102 Aaron Astle, "Global Top Round launches year-long seed investment programme," in PocketGamer.biz, March 2, 2022, retrieved from https://www.pocketgamer.biz/news/78282/global-top-round-launces-year-long-seed-investment-programme/.

Annex IV: Case Studies of Canadian Companies that Have Scaled-Up

Case Study: Big Blue Bubble

Scale-up Journey

Company and Product

Ontario-based Big Blue Bubble has developed over 100 titles since it was incorporated almost two decades ago, for PC, gaming consoles and, most notably, mobile platforms, where it was a pioneer in the mobile gaming industry. Founded in 2004, Big Blue Bubble established itself as an industry leader in the mobile landscape, recognizing the potential for casual games made in Java.

The company creates compelling and award-winning titles that seek to "inspire creativity and encourage people of all ages to embrace their playful side". Its games have been lauded with multiple awards, from PopVox, Jamster, BAFTA and the Canadian New Media Awards. Its casual games for mobile platforms include H*ome Sweet Home, Burn the Rope, Finder's Keep, My Muppets Show*, and global game franchise, *My Singing Monsters*. With a network of hundreds of millions of users, their mobile games are available across multiple platforms, with opportunities for engagement across media and other channels.

Growth

Initially released in 2012, *My Singing Monsters* is a critically acclaimed free-to-play world-building game in which players breed and feed singing monsters to build unique melodies. Released worldwide in 2012, the game attracted millions of players early on and expanded to PC in 2013, and to the PlayStation Vita in 2014. *My Singing Monsters*

was released on Steam in 2021. Downloaded over 115 million times[103] and available in over 180 countries, the game has held top spots on the App Store, Google Play and Amazon and has held a top position amongst music games.

The company began releasing new games in the franchise as well as spinoff games in 2015. The *My Singing Monsters* franchise now spans gaming, licensing, books, merchandising, and digital media. In 2021, Big Blue Bubble premiered an interactive live limited series, *My Singing Monsters Fandemonium*, in partnership with Wind Sun Sky, the Canadian sister company to Skybound Entertainment. The company also released its first franchise console, *My Singing Monsters Playground* in that year.

The company was ranked amongst Deloitte's Technology Fast 50 and Fast 500 Lists in 2015, 2016 and again in 2017. The company saw revenue growth of 582% in 2015, increasing to 1,081% growth in 2016 and achieving 785% growth in 2017. By 2018, Big Blue Bubble had grown from a four-person start-up to team of over 70 at offices in London (Ontario) and San Francisco. Over time, Big Blue Bubble has earned over CAD $100 million, including $12 million earned in 2020 alone.[104]

Swedish games company Enad Global 7 (EG7) acquired 100% of Big Blue Bubble in 2020, in a transaction totalling $76 million.

Success Factors

Business Strategy: Early Entrant in Mobile Games

Big Blue Bubble was an early entrant in free-to-play mobile games. While its beginnings were in work-for-hire for game publishers, in partnership with brands such as Disney, Dreamworks, Scholastic, and Nickelodeon, the company had a vision to develop games smaller in scope that would be quicker to get to market and in the early 2000's it began to develop small games for the burgeoning mobile games market.

Big Blue Bubble's success is said to be found in its emphasis on the consumer experience. As the founders note, "We have built a solid foundation for rapid growth by focusing on the consumer experience first and foremost, ensuring that the highest quality products and the most immersive engagement experiences possible are consistently delivered."

My Singing Monsters is also said to exemplify Big Blue Bubble's expertise in the freemium mobile gaming model. Coins and diamonds are earned from the songs that are sung, which can be used to buy more monsters, food, decorations, structures, etc. These actions result in reaching higher game levels, where additional islands and types of monsters become available, as well as new currencies like keys and relics that unlock more content. The company is constantly launching updates with new monsters, music, worlds, and depth of gameplay. These releases are critical to retaining an active player base.

Experienced Founders and Corporate Culture

The company was founded by industry veterans Damir Slogar, who had over two decades in the industry, as lead programmer for video game companies including Digital Illusions Canada and Sandbox Studios. Damir Slogar's deep experience included stints as a media producer creating programs about the games industry, as founder and editor of video game magazine Pixel. Co-founder Claudette Critchley is a computer scientist who had also worked at Sandbox Studios.

With an eye on corporate culture, Big Blue Bubble inaugurated a new corporate logo together with its corporate vision, "inspiring worlds of creativity," in 2015. The company's mission statement emphasizes the company's commitment to bring out everyone's creativity through engaging experiences.

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103 Enad Global 7, press release, My Singing Monsters Playground Released Today, November 9, 2021, retrieved from https://news.cision.com/enad-global-7-ab--publ-/r/my-singing-monsters-playground-released-today,c3449850.

104 Big Blue Bubble acquired by EG7, press release, EG7, August 27, 2020, retrieved from https://techalliance.ca/big-blue-bubble-acquired-by-eg7/.

Innovation

Big Blue Bubble founder, Damir Slogan, attributes the company's success to its ability to stand out in a crowded market through innovation. "Well, you absolutely have to do something that no one did before. Sometimes you might be too early for that, we've had games in the past that have been very, very successful as far as the reception of the audience, maybe not commercially, but every time we had a big hit there was something that hadn't been done before. *My Singing Monsters* worked to differentiate itself through the art of music.

Big Blue Bubble has a strong focus on technological development, having developed and owning best-in-class mobile technology to support its games. Over the years, the company engineered a complete framework for cross-platform game development, with proprietary tools and technologies. In 2016, Big Blue Bubble launched a new global publishing initiative for third-party games using its game engine.

Partnerships/Acquisition

Big Blue Bubble has successfully leveraged partnerships throughout its history to support its growth. Early on, Big Blue Bubble partnered with brand owners such as Disney, Dreamworks, Scholastic and Nickelodeon and with publishers such as Nintendo, Sega and Activision. More recently, the company has entered into partnerships with media producers and with others to which it licenses its IP, such as for merchandising.

One of the challenges to growth in the games sector is finding investors to fund initiatives. EG7's acquisition of Big Blue Bubble in 2020 was characterized as providing more investment and the potential for greater leadership and mentorship. EG7 owns games development, marketing and publishing services. By controlling the value chain, EG7 aims to take the companies it acquires to the next level.

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Big Blue Bubble: *My Singing Monsters*

Case Study: Digital Extremes

The Scale Up Journey

Company and Product

Digital Extremes is an established AAA video game developer based in London, Ontario, employing about 345 staff across Canada and the US. Founded in 1993, the company was a successful developer of traditional AAA console games for two decades, when it pivoted in the early 2010's to develop and self-publish its own hit game, *Warframe*. The role-playing multiplayer third-person shooter and action game has been described by *Games Industry Biz* as, "symphonically AAA...bewilderingly complex and immensely popular. It simply does not conform to norms yet manages to be beautifully playable and endlessly fascinating."

Warframe began as a free-to-play PC title released in open Beta in March 2013 and became a launch title for the PlayStation 4 later that year - one of the first games-as-a-service titles to arrive on consoles. *Warframe* was also one of the first free-to-play games on the PlayStation 4 and Xbox One. The game is now available on Steam and the Epic Games Store for PC, PlayStation 4 and 5, Xbox One, the Nintendo Switch and Xbox Series X/S. *Warframe* currently has more than 70 million registered users across all platforms.

Growth

Warframe was the 14th-highest concurrently viewed game on Twitch in 2018. Within a month of launching on the platform in November 2018, the game gained a million new registered users. In 2020, the game launched on Chinese platform WeGame, owned by Tencent. In August of that year, the game hit a peak of 154.25 thousand peak concurrent users, as the pandemic caused more people to stay at home. In January 2022 the game reached a peak of 77.4 thousand concurrent players on the Steam platform.[105] Most *Warframe* players come from the US & China.

In the six months following the game's release on PlayStation in November 2013, Digital Extremes earned $27 million in revenue, and $8.7 million in pre-tax profit, a considerable increase over the previous year, when the company earned $24.6 million in revenue and $5.5 million in pre-tax profit.[106]

In 2015, Leyou Technologies acquired 58 percent of Digital extremes, for US $69.6 million. A further 39 percent was acquired by Leyou in 2016 for total consideration of US$134.6 million.

In 2015, Digital Extremes ranked 29th on Deloitte's 'Technology Fast 50' list, which highlights the 50 fastest growing technology companies in Canada this year. The game's revenues were estimated to have grown an average of 27% year-over-year, reaching a total of $182.5 million in digital revenues by 2018.[107] In 2019, *Warframe* earned $57.5 million from its global sales.[108]

In 2021, Digital Extremes' parent company Leyou was acquired by Chinese internet and gaming giant Tencent, about the same time that *Warframe* was set to launch on WeGame, China's largest video game portal, also owned by Tencent. Tencent also owns Riot Games, Supercell and Epic Games, among others. Digital Extremes continues to operate *Warframe* under Tencent ownership and has announced its intention to make the game playable across platforms later this year.

Success Factors

Business Strategy: Early Entrant to AAA Free-to-Play Games

Digital Extreme's success with *Warframe* is in large part attributable to the unique scalable business model developed for the game. At a time of great disruption in the video games industry, as fewer and fewer independent studios were being hired to develop AAA games, Digital Extremes chose to pivot its business model towards a free-to-play game exploited as a service. The game was an early entrant into free-to-play console games, one of the first free-to-play games on the PlayStation 4 and Xbox One.

According to studio founder James Schmaltz, "We saw the change in the industry—the ballooning of AAA budgets for games that weren't coming to independent developers. So, we needed to pivot to survive."[109] *Warframe* was created as an effort to transition away from the work-for-hire development that Digital Extremes had been doing for 15 years.

Digital Extremes is highly attentive to player feedback and has since the beginning aimed to create a community of players with attachment to the game. The monetization system for *Warframe* is described as "extremely fair", which is critical for player retention. Players can earn anything in the game needed to win the game. Players can also choose to buy anything they need, and due to collaborative game play, these purchases do not disadvantage other players. The company has also rescinded several profitable mechanics following player feedback. Players can also engage with the game at *Warframe*'s annual fan convention, TennoCon.

The company's community focus for the game also allowed it to benefit from less costly viral marketing early on in the game's development, while light launching also gave the company insight into player needs and preferences, avoiding unnecessary and costly development.

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105 Monthly number of peak concurrent players of Warframe on Steam worldwide as of April 2022, retrieved from www.statista.com/statistics/980474/Warframe-number-players-steam/.

106 Matthew Handrahan, "Digital Extremes sells 61 per cent of shares for $73 million," in Gamesindustry.biz, October 16, 2014.

107 Will Luton, "What we can learn from...Warframe," in Gamesindustry.biz, August 15th, 2019.

108 Evgeny Obedkov, "Leyou Technologies that Tencent bout for $1.3 billion turned into 'satellite studio," in Game World Observer, August 23, 2021.

109 "Warframe Documentary (Part One) - The Story of Digital Extremes". YouTube. Alphabet Inc. Retrieved July 23, 2018.

Digital Extremes: *Warframe*

The company also made the decision to build levels procedurally, randomly generating each mission inside the game.[110] This approach can let small teams build games that feel vast. It can also allow for emergent gameplay as unintended mechanics bump up against each other, resulting in unexpected scenarios. Even as *Warframe* grew, procedural approaches were maintained.

Having proprietary intellectual property allowed Digital Extremes to do more and grow more quickly, another factor to which its success has been attributed. The company took several assets from its own IP abandoned in 2004 in a game concept called *Dark Sector*, and used the company's own gaming technology, the *Evolution Engine*, also first used in the creation of the game *Dark Sector*. Alongside this, the studio developed the necessary server architecture to support the game and its microtransaction system.

Experienced Founders

One of the advantages that the company had in scaling *Warframe* was their experience in scaling up their team in previous years. As the company grew from its beginnings, it worked and learned to keep up with growth in the industry and figured out how to successfully scale up their team. This experience was valuable in knowing how to grow the studio to support any number of staff that might be needed to grow *Warframe* as quickly as possible, as was the case during a period of intense growth in 2018.

Attention to Corporate Culture

The company's corporate culture has been lauded, most recently when the company won the Most Admired Corporate Culture Award in November 2020. The company was recognized amongst ten other Canadian companies in the "Growth" category for growing a studio culture that has helped enhance performance and sustain a competitive advantage. As one company executive has noted, then CEO James Schmaltz had a lot of faith in the people working on *Warframe* and trusted them to keep working on it.

Innovation

Warframe has benefitted from numerous innovations: in the style of artwork, game design as well as in building the technology to facilitate ongoing updates and customer management. The game popularized the science fantasy genre, while the game's player-versus-environment differed significantly from other free-to-play titles at the time. After looking at the competition in the free-to-play landscape, which was dominated by player-versus-player models, the company chose to make *Warframe* a cooperative shooter. So different was the approach taken by Digital Extremes that potential publishers warned them the game would fail.

The company also innovated to make the game successful as a service. Player retention is critical for games exploited as a service. Warned that they would never be able to update the game fast enough, the company responded by ensuring that it would have sufficient capability in this critical aspect. The company embraced lean principles for game development, initially releasing "the smallest thing [they] could get out," and creating frequent updates to spur growth. The game has been described being "all about updates" and as having been designed as a frame for new content.

Partnerships/Acquisitions

Early on, Digital Extremes partnered with other successful game developers and publishers, developing the *Unreal* franchise with Epic Games (then Epic MegaGames), the *BioShock series with Irrational Games, and The Darkness 2* for 2K Games. Since creating its self-published title *Warframe*, the company has sought new partnerships.

Strategic acquisitions can provide interesting opportunities growth, as has been the case for Digital Extremes. As one company executive noted, Leyou Technologies which acquired Digital Extremes between 2015 and 2016, "gave them everything they needed" to manage and grow *Warframe*." In selecting a potential purchaser, Digital Extremes sought out a buyer who would not seek to make major changes to the running of the company, respecting that their ability to create value was largely attributable to their ability to make their own creative decisions.

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110 Each mission inside the game is randomly generated from a tile-set, with each set depicting an environment and supporting unique features. This approach gives greater replayability depth, as the same mission can feel different each playthrough. It allows for mechanics that encourage players to revisit content without it feeling like mindless grind. See Warframe wiki at https://Warframe. fandom.com/wiki/Tile_Sets.

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Case Study: East Side Games

The Scale Up Journey

Company and Product

East Side Games is a Vancouver-based mobile game developer, publisher and technology provider best known for its narrative-driven casual games for mobile platforms based on popular television shows, and its countercultural idle games. The company's early game, *Pot Farm*, popular on Facebook had over 6 million players, and was followed by *Pot Farm: Grass Roots*, which was installed over 5 million times.

In 2017, East Side Games released *Trailer Park Boys: Greasy Money*, based on Canadian television series *Trailer Park Boys.* The game quickly became a top seller in Canadian app stores, achieving over two million downloads within a month of launching. The game was also a top 100 game in over 100 countries.

In 2019, ESG launched *It's Always Sunny in Philadelphia: The Gang Goes Mobile*, which is reportedly still growing. A partnership with Netflix to bring a "premium version" of East Side Game's *Dragon Up* to Netflix's games service was announced in 2022.

In 2021, the company launched *RuPaul's Drag Race Superstar* based on the TV show of the same name, which surpassed the 1 million download mark only weeks after launch, and was a finalist in the Canadian Game Awards. *The Office: Somehow We Manage*, based on the American version of The Office TV led Apple and Google downloads in 2022. Within months the game had ranked in the top 10 games in Canada and the US and six other countries.

Since its founding in 2011 this Vancouver-based studio has become one of the leaders in the casual games space, with over 41.2 million downloads and well over half a million unique players each month across all its titles.

Growth

East Side Games made the Deloitte Technology top 500, for the fastest growing startups in North America and the Deloitte Technology top 50 in Canada in 2017 and again 2018. The company was also recognized in the Globe & Mail Report on Business – Canada's Top Growing Companies of 2019.

East side games earned over $100 million in total revenues in the decade beginning in 2011, of which $28.6 million was earned in 2021.[111] The company has grown from 14 to over 125 employees.

In 2021, the company was acquired by Leaf Mobile an estimated (CAD) $159 Million. Leaf Mobile is now known as East Side Games Group and is publicly traded on the TSX Venture Exchange.

Success Factors

Business Strategy: Multiple Revenue Streams - Developer, Publisher and Licensor of Proprietary Software

East Side Games is a game developer, publisher, and technology provider, licensing its Game Kit technology to other game developers. Business-oriented, the company has been profitable since the beginning and grown organically through licensing of its proprietary software and through its mobile games".

Game Kit is the company's core technology platform, enabling both its own games developed internally, as well as those developed through partnerships with other developers, by facilitating more efficient and effective development of new features and releases over the lifetime of products. An independent Game Kit business unit within East Side Games publishes new games under the East Side Games brand.

Experienced Founders

The company was founded by an experienced team of AAA and social/mobile studio veterans with an entrepreneurial vision. The current management team is said to represent over 150 years of combined experience across M&A, finance, technology and gaming industries. The company's co-founders are veterans of DES Games, Relic Entertainment, Super Rewards, which pioneered monetization on the Facebook platform, and Radical Entertainment.

Attention to Corporate Culture

The company strongly believes in community-driven design, making games built by fans, for fans. This focus on community has allowed it to stand out from the competition in the mobile games industry. According to co-founder Josh Nilson, "You need your community to support you, or you're done." This philosophy is baked into the company's corporate culture, whose motto is "Community is everything."

The company ensures that its dedicated and collaborative team enjoy of culture where everyone feels like they have a direct impact on the studio's day-to-day business. According to company's founder Josh Nilson, "One thing that we've always said is that everyone on the community [management] team absolutely has the power to do whatever it takes to make the player feel right."[112]

The company invests in the wider surrounding community, such as Indigenous people in tech, women in tech and the Downtown East Side in Vancouver. "This unique culture has been crucial to our success at East Side Games, and it's integral to the success and growth of the games industry as a whole."[113] East Side Games won the first ever BC Business "Business of Good Awards" in the Indigenous Prosperity category.

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111 "East Side Games Group Reports Record Fourth Quarter and Full Year 2021 Financing Results," news provided by East Side Games Group, in Cision, March 10, 2022.

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113 DigiBC website: https://www.digibc.org/blogs/featured-member-east-side-games.

Innovation

East Side Games innovated in the casual games genres and in building a technology platform allowing them to rapidly iterate their game content.

Early on, East Side Games focused on casual game development for mobile, particularly games that can be played entirely with one hand. "Once we identified that audience for a casual game you can play with one hand that's narrative and indie, then the pieces fell together fairly quickly," according to Co-founder Josh Nilson.

With *Trailer Park Boys: Greasy Money*, the developer pioneered the genre of narrative idle games: linear and episodic with a clear "end" to the game. In this way the company sought to attract a traditionally underserved audience, who don't think of themselves as gamers but who are fans of the IP and would want to become immersed in the worlds we created in the games produced by East Side Games.

The company's technology infrastructure developed in-house, Game Kit, enables the company's rapid, iterative prototyping, allowing design ideas to be released as playable game content "in days rather than months". The Game Kit technology has also been recognized by Pocket Gamer.

Partnerships/Acquisition

The company had early success with brand partnerships based on popular television series, such as *Trailer Park Boys: Greasy Money*, *RuPaul's Drag Race SuperStar*, the first of its kind in the LGBTQ space, as well as *The Office: Somehow We Manage,* was produced in partnership with Universal Games and Digital Partnerships. The company also partners with other developers, for example collaborating with Night Garden Studio on *Dragon Up: Idle Adventure,* which was launched in 2020.

The company bootstrapped its growth for over a decade before being acquired by Leaf Mobile in 2021 for (CAD) $159 million. Following the acquisition, Leaf Mobile the East Side Games Group, and started publicly trading on the TSX as EAGR, which will enable it to attract new financing. The acquisition allowed East Side Games to ramp up its slated launch of new and further scale its Game Kit partners. Following the acquisition, East Side Games secured new IP licenses and hired new talent to grow its portfolio of games. The parent company has made branded IP a key business strategy, promoting its 'Super Marquee' IP.

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Case Study: Phoenix Labs

The Scale Up Journey

Company and Product

Phoenix Labs is an independent games studio founded in Vancouver in 2014 backed by venture capital, with the aim of developing AAA multiplayer games with strong narratives. The studio launched the open beta for its first product, the free-to-play cross-platform science-fantasy role playing game *Dauntless*, in May 2018. In this massively multi-player online action game, small player teams fight monsters and forge their own legends. Exploited as a service, regular content updates continue to evolve the game and its science-fantasy world.

Growth

Two months after its open beta launch, in July of 2018, *Dauntless* reached 2 million players. Based on this success, the company raised new venture financing and grew its team to 72 employees developing new content for *Dauntless* and new game experiences for players.[114]

The game formally launched in May 2019 on the PS4, Xbox One and the Epic Games store as the first game with true crossplay and cross-progression. For the first time, players using a PlayStation console could play with others on an Xbox, PC or other platform.[115] Within days the game attracted four million players[116] and by the end of week it had six million players.[117]

In August 2019 Phoenix Labs acquired game and platform developer Bot School Inc. to support cross-play efforts, and surpassed 15 million players.[118] In September 2019, the company added the Nintendo Switch platform. By the end of 2019 *Dauntless* had been downloaded 16 million times. By early 2020, it had grown to a community of more than 25 million players across PC, consoles and mobile platforms.[119]

In December 2020, Phoenix Labs announced its multi-studio strategy, with studios in Vancouver, San Mateo (CA), Montreal and Los Angeles. While the company reportedly had grown its talent base by 40% to 140 employees working across its studios is at the end of 2020[120], it aimed to expand its team to 250 people by the end of 2021 and new studios in Montreal and Los Angeles would facilitate access to talent in these markets. The new studios would support the Vancouver studio and its game *Dauntless*, while also creating new development opportunities. There is also a plan to grow the Montreal studio to 250 employees over three years.

In January 2020, the company was acquired by one of the company's early investors, Garena, ensuring ongoing investment in the company's growth.

Success Factors

Business Strategy: Venture Capital Financing

Phoenix Labs' initial game development and growth were financed with venture capital. The company has successfully attracted several rounds of venture financing, raising raised two rounds of Series B and one round of Series C venture capital. Financing from venture investors funded the initial development of *Dauntless*, growth in the size of the team and development of new game experiences, as well as the company's expansion to four studios.

Experienced Founders

This company was founded by industry veterans, former Riot Games developers Jesse Houston, Sean Bender, and Robin Mayne, described as having "world-class and deep domain" expertise, and a track record working on some of the world's best-known game franchises. The initial team had significant experience working on world-class game franchises at Riot Games, Capcom, BioWare, and Electronic Arts. This experience enabled the company to identify and exploit a new market opportunity, facilitated fundraising, growth, and the creation of a corporate culture conducive to achieving the company's ambitions.

Approach to Corporate Culture

The company has a supportive corporate culture. Its diverse leadership team includes women and people of colour, as well as members of a new generation of game developers. It has set a goal of gender parity in the leadership of its new studios. It has also focused on creating a safe workspace: with zero tolerance for harassment and regular engagement with employees.

The company's approach to R&D is rooted in its values of transparency. The R&D process is intended to be visible and involves everyone. Ideas can be pitched by anyone, including designers, artists, programmers, community managers, and others.

Innovation

The launch of *Dauntless* benefitted greatly from growing interest in a genre – the monster-hunting game.[121] Popularized by Capcom's Monster Hunter, Phoenix Labs advanced the monster hunting genre by pioneering a social layer to the gameplay. These social play experiences provide players with opportunities to create lasting relationships.

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114 Dean Takahashi, "Sea's Garena acquires Dauntless game maker Phoenix Labs," in VB GamesBeat, January 28, 2020.

115 Pierre Denis Lalonde, "Phoenix Labs veut bâtir un studio de 250 personnes à Montréal, in Les affaires, February 7, 2020.

116 Dean Takahashi, January 28, 2020, Op. Cit.

117 Mike Minotti, "Dauntless now has over 6 million players a week after official launch," in VB GamesBeat, May 28, 2019.

118 Ivy Taylor, "Phoenix Labs acquires Bot School Inc," in Gamesindustry.biz, August 20, 2019.

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120 Brendan Sinclair, "Phoenix Labs expands to Montreal and LA, in Gamesindustry.biz, December 2, 2020, retrieved from https://www.gamesindustry.biz/articles/2020-12-02-phoenix-labs-expands-to-montreal-and-la.

121 Dean Takahashi, "Phoenix Labs' Dauntless hits 2 million players and readies big expansion," in VB GamesBeat, July 17, 2018.

Key to the success of the company was its introduction of crossplay and cross-progression, allowing players to play together even from different platforms, which had not yet been done. Prior to this, the choice of platform had been a limiting factor for friends wishing to play together online. Crossplay allowed players to overcome this limitation. With such a strong focus on innovation, the company says it took the time to iterate and playtest before launching *Dauntless*.

Phoenix Labs continues to innovate. The R&D team in the company's Montreal studio has a mandate to develop AI applications. The company is said to be developing new game prototypes that explore new genres, platforms, play styles and communities.

Partnerships/Acquisition

Partnerships have been critical to the success and growth of Phoenix Labs, beginning with a highly collaborative partnership with *Dauntless* publisher Epic Games, who worked closely with the developer.

Phoenix Labs has forged relationships with its investors, including Sapphire Ventures, Modern Times Group, Everblue Management, and Singapore-based entertainment company Garena, one of the largest digital entertainment companies in Southeast Asia, which acquired the company in early 2020. The sale of the company to Garena is financing the company's next stage of growth in global, mobile markets and the ongoing development of *Dauntless* for Switch and PC.[122] As CEO and Co-founder of Phoenix Labs Jesse Houston noted at the time, the company had reached a fork in the road and was looking beyond Western markets to mobile markets, and to Southeast Asia and China.

The sale is said to provide Phoenix Labs with access to Garena's global network and strengths in mobile community building. Garena also brings experience in user acquisition, mobile performance and an understanding of emerging markets to the partnership.

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Phoenix Labs: *Dauntless*

Case Study Behaviour Interactive

The Scale-Up Journey

Company and Product

Founded in 1992, Montreal-based Behaviour Interactive is one of Quebec's largest independent game developers, with over 900 employees and over 70 million games sold on every platform.[123] The company has spent much of its existence as an outsourcing company, producing a catalogue of over 250 games played by over 200 million people.[124]

In 2015, the company announced the acquisition of "an extensive mobile catalogue," from Saban Brands to diversify its offerings and establish itself in the mobile space.

Behaviour Interactive released its award-winning original IP *Dead by Daylight*, an asymmetrical multiplayer horror game, its first major commercial success with a self-published (co-self-published) game. By designing a game where one player takes the role of a ruthless killer and four others play as survivors desperate to escape, *Dead by Daylight* broke from traditionally linear horror gameplay. It was rewarded with sales of 5 million copies. By 2019, the asymmetrical multiplayer horror game had more than 12 million players. In that year, the developer partnered with Koch Media to bring *Dead by Daylight*™ to the Nintendo Switch™.

Growth

In 2018 and 2019, Behaviour Interactive sold minority stakes in its company to fuel its expansion. In 2018, China's GAEA Interactive Entertainment acquired a 20 percent stake in Behaviour Interactive. In 2019, Behaviour Interactive announced that NetEase Games had acquired a minority stake in the company.

In 2019, Behaviour Interactive was named one of the fastest-growing technology companies in North America by the Deloitte Fast 500 and the Enterprise

Fast 15. Said Rémi Racine, CEO and Executive Producer of Behaviour Interactive, "Behaviour is seeing exponential growth in both workforce and revenue. We plan to pursue our investments in original games and collaborations with the industry's biggest names as we expand globally into high-priority markets such as China. This award will only serve to drive us to further consolidate our position as an industry leader."[125]

By 2019, Behaviour Interactive had more than 550 employees and 70 million games sold across all platforms. In 2020, Behaviour Interactive added another 220 people to its team. Today, the company employs over 900 people at its studios in Montreal and Toronto. In 2022, *Dead by Daylight* surpassed 50 million players on all platforms.[126]

The company was named one of Canada's Best Managed Companies by Deloitte, a designation that recognizes eligible Canadian-owned companies with revenues of more than $25 million that successfully combine strong, sustained financial results with technological innovation and a commitment to people.

Success Factors

Business Strategy: Original and Licenced Games

Since the beginning, Behaviour Interactive has pursued a strategy of developing original games while doing work-for-hire AAA games. This strategy has allowed it to amass deep experience, grow its team and build its own technology, while mitigating its risks. According to company founder, releasing a game based on well-loved IP is far less costly to market and less risky for companies.

Dead by Daylight is both original IP, and a game whose case of creepy characters are based on licenced IP. One company official noted that the company has spent the decades since its founding in 1992 building the partnerships and honing the game-making chops that produced the hit asymmetrical multiplayer game.

"*Dead by Daylight* is our flagship title but Behaviour has been part of over 170 games on every platform with multiple publishers across some of the greatest intellectual property in all of entertainment and generations of consoles and video games."

According to another executive, the company's experience on over 250 other games has given it an efficiency advantage. When it needs to find talent to scale up successful projects, it can reassign staff from within its own ranks. In addition to this flexibility, the company's assets, including server and game technologies, can be reused. As one executive put it, "We're not building everything from scratch. We're always improving our tech stack."[127]

As publisher of *Dead by Daylight*, company founder Rémi Racine has commented that Behaviour Interactive has had a greater influence on the growth of *Dead by Daylight*, being able to intervene on it daily.

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Experienced Founders

Behaviour Interactive is one of Canada's oldest and largest independent video game developer and publisher. Over the years, it has built lasting business relationships and partnerships, amassed expertise in game design – and prides itself on being design-focused, developed its own proprietary backend game technology, with a data-driven live operations team, and established itself as a publisher.

Attention to Corporate Culture

Company founder and CEO Rémi Racine, is "head of culture," at Behaviour Interactive, a nod to the importance of corporate culture to the company's success. In his role, he plays close attention to employee working conditions and to the transmission of company values. As he notes, "Managers at companies like ours need to get up every morning asking themselves what they can do to make their employees happy."[128]

The company's data science lead, Julien Ceré, has spoken to the importance of empowering employees, noting that, "as a manager, you don't want to be a blocker; you want your team to have the tools and information and transparency to be self-sufficient and get the job done without you. In effect, you want them to have autonomy and a sense of responsibility that can make you seem useless! You need to be everywhere, and nowhere at the same time."[129]

Innovation

The company places a high importance on creative and technological innovation. Getting the game play right was paramount for *Dead by Daylight*, and the company spent time getting this right – making sure the game was fun to play – before layering on the horror theme. The ideas for the asymmetrical style of play came from the company's earlier success with their game *Naughty Bear,* in which they saw that players loved being the "bad guy."

Behaviour Interactive: *Dead by Daylight*

Behaviour Interactive is also investing in its machine-learning capabilities, for which it sees opportunities in having sales and offers managed by algorithms. The company can see a time when artificial intelligence "will be entirely responsible for deciding what content at what price has the best chance of conversion. This will allow game companies to be even more efficient as it will be 100 per cent player-specific."[130] As the company sees it, Sales and Offers has the most direct impact on revenues generated during LiveOps.

Partnerships/Acquisition

Behaviour Interactive has worked with some of the largest video game companies in the industry, including Activision Blizzard, Microsoft, Sony, and Ubisoft. *Dead by Daylight* was originally published in partnership with Starbreeze Studios in Sweden, before the developer bought back its publishing rights in 2018.

Its partnerships extend to some of the most recognized brands, such as Disney, Warner Bros and Google. These partnerships are still part of the company's culture. In 2019, Behaviour Interactive, GAEA and HBO announced the release of *Game of Thrones Beyond the Wall*™, a new mobile collectible strategy RPG game based on the world's most popular TV show on the Google Play and the App Store.

Sales of minority stakes in Behaviour Interactive have been made to fuel the company's growth. Seeing worldwide opportunities to expand its game sales, Behaviour Interactive sold a minority stake in the company to GAEA Interactive Entertainment to fuel its global growth on all platforms. For its part, the sale of minority stake to NetEase was intended to support the company's R&D capability, and drive sustainable, long-term growth well into the future. The developer has also partners with Haveli Investments to support its growth in global markets.

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