



The Guildhall at Southern Methodist University
2009 Commencement Address
Michael Gallagher, President and CEO, ESA
Plano, Texas
May 16, 2009

Provost Ludden;

Executive Director Raad;

Deputy Director Cuevas;

Distinguished faculty and staff;

Proud family members and friends;

Graduating students:

Good afternoon, and thank you for the opportunity to join you in celebrating this important milestone in your lives.

To the graduates, I say congratulations for the diligent work, financial sacrifices, and – let's be honest – the frequent game playing that made this day possible. I'm sure your parents are proud. I'm also sure your friends are envious.

Speaking with you today is a challenging assignment for me. There is a time-honored formula for addresses such as these. Those of us who remember our college days only somewhat vaguely tell newly-minted graduates that today marks not an end, but a beginning; a commencement of the rest of your lives. A chance to begin carving your own path; following your hearts; and fulfilling your dreams wherever they lead. And other such clichés.

But the formula doesn't work for this group on this day. Because you've already done that. You have acted on your faith and your individual passion. You avoided the well-worn path and embraced a new and exciting profession.

And, most important of all, you have emphatically answered your parents' question – "you're going to major in **WHAT?**" – with a degree that provides a passport for entry into one of the most creative and vibrant industries in both the real and virtual worlds.

In preparing for a commencement address, it is impossible not to ponder the meaning of life. Don't worry, I didn't figure it out. So, that's one lecture – or should I say one more lecture – you won't be hearing at SMU.

But in letting my mind wander over the subject, it fell upon what I will call the "double helix paradox" of life.

The double-helix, as you may recall from high-school biology, is the structure of our DNA, which carries our genetic code. It occurred to me that the double-helix not only literally tells us how life is structured, but it also metaphorically shows us how our lives are structured.

The double-helix looks like a ladder twisted several times. One leg of the ladder represents our goals and plans, our intentions and our actions – in short, the calculated things we do in life to get where we want to go. This leg of the helix is very strong – and can be characterized by a saying you may be familiar with: “Hope is not a plan.”

I believe that plans and purposeful action create progress. Progress creates opportunities. Progress on meaningful challenges draws attention from those in search of leadership. Delivering results as a leader opens up new options and lays the foundation for new plans.

Like all of you, I did well in high school and attended a top university, in my case the University of California at Berkeley. When I entered college, I planned on majoring in engineering, but later changed my focus to law. As I finished college, I was certain that I’d get into a top law school and follow my father as a lawyer in California – not because he wanted it, but because I did.

It was going to be my personal version of “LA Law,” a popular television show of the 1980s that is probably familiar to you parents and a question mark to you graduates. I’d work on becoming a slick, and hopefully overpaid, LA lawyer; the Lakers would continue to be World Champions; the Dodgers would continue to be World Champions; the real estate market would remain on a never-ending upward trajectory and I’d live happily ever after in Newport Beach.

But, of course, there is that other leg of the double-helix, the things we don’t plan for or work toward or intend to do – in short, the things life does to us. And that leg, too, is very strong. The concept was captured very well by that noted philosopher, Garth Brooks, when he wrote that “Some of God’s greatest gifts are unanswered prayers.”

He was making the point that as much as we plan, we don’t have perfect foresight. We don’t necessarily know what is in our own best interest. And we certainly can’t anticipate the serendipity and randomness of life and the opportunities that will present themselves for no apparent reason. The chance encounter that turns a stranger into a spouse; the job offer that comes completely out of the blue.

Life, it turns out, is what happens in the spaces between the double helix.

When I graduated from Berkeley, I was admitted to law school there and waitlisted at UCLA, which was home and where I really wanted to go. Berkeley’s Law School, Boalt Hall, is one of the finest in the nation, but I wanted to remain in LA to be close to a young lady I was becoming increasingly interested in. Just before leaving home to return to Berkeley and start law school, I received a telegram---I’ll pause a second while the parents explain what a telegram is.

The telegram informed me that I had cleared the waitlist and been admitted to UCLA. I got to stay in LA, study law where I wanted, and continue to pursue that young lady who later became my wife. That intersection between the planned action and the random encounter turned into my 21 year marriage – and eventually my three children – the rock solid fulcrum of my personal and professional life.

After graduating from law school, I kept planning – and life kept happening. As I said, I intended to practice law in LA. But, another location called. My wife’s mother had moved from there to

Seattle and, as mothers do, she wanted her daughter close by. With a mind sharpened to laser-like perfection by the UCLA Law School – I carefully and precisely evaluated my perfect plan and the will of my mother-in-law and made the right decision: Off we went to Seattle where I joined the firm of Perkins Coie in twenty years ago.

Five years later, my boss, Rick White, was elected to Congress. With this stroke of partner-clearing good fortune, my path to further success was assured. I'd step into his shoes, lead the practice group, and grab the brass ring of partnership in a leading law firm. What other choice would there be? Ask Garth Brooks. My boss – the freshly minted Congressman asked me to move across country to become his chief of staff. And off I went, to the first of a series of jobs I never could have planned for or anticipated; the last of which has brought me here today to speak with you.

Looking back, it was all so simple and neat. I wanted to be a lawyer and live in Newport Beach. So naturally, I became the CEO of a leading entertainment trade association who lives in Washington, DC.

And the combination of planning and serendipity that occurred in my life is hardly unique. Indeed, it is more likely the rule than the exception. Bill Gates certainly went to Harvard with the intention of graduating, yet he dropped out to invent the modern software industry and one of the greatest wealth generating companies in history. Steve Jobs was forced out of Apple, started two other companies – one of which failed miserably – and later returned to lead Apple to personify cool and tech in a way unrivaled by others.

Hence the paradox of the double helix: By all means, have a plan. Be relentless in its execution and clear-eyed in its pursuit. But keep one of those eyes ever open to the possibilities – and the challenges – that life will place before you. You never know which of those unanticipated events and unanswered prayers will be the most meaningful twists of your life.

Today, your helix and mine intersect. I have the remarkable good fortune to lead an industry that you are now eagerly looking to join. While I can't begin to imagine what life has in store for you, I have a pretty good idea about our industry, so I will devote the rest of our time together to that.

Graduates on college campuses throughout our nation will hear the word "opportunity" a lot during their commencement exercises. I feel confident however, that here in Plano, the word carries particular weight.

After all, you seated before me soon will receive diplomas from The Guildhall at SMU. Let me take a moment and talk about what a ground-breaking program you're graduating from. I applaud and commend the Guildhall for the work they're doing and the talented, highly-motivated individuals they help produce. It should make you proud that I can stand here today and tell you that the reputation of this school and its renowned ability to produce excellence -- precede you.

You studied software development, level design, or art creation. While your educational track at one time may have caused your parents heartburn or sleepless nights, you now have the opportunity to make immediate contributions to an industry that continues to grow even during the worst financial crisis since the Great Depression. How many graduates across the country today can make that claim?

Rather than dig deep into the bag of vague, time-honored motivational clichés, I can speak specifically about the unprecedented opportunities that await you in the computer and video game industry. Consider the following facts:

- 65% of American households now play computer and video games, and 38% of American homes have a video game console;
- Overall computer and video game sales climbed to \$22 billion in the U.S. in 2008, with entertainment software sales comprising \$11.7 billion of that total figure – a 22.9% jump over the previous year;
- A recent European Union report found that video games could contribute to formal education, and even suggested that schools in Europe consider incorporating video games into curricula; and
- An ESA survey last year found that 70% of businesses currently use games to train employees.

Now, I'm willing to bet that, around the time when you applied to The Guildhall, many people still viewed video games as a niche, anti-social hobby. Statistics such as those I just mentioned either didn't exist or received little or no publicity. Think back: how often did you encounter a newspaper article or a segment on a major television network that discussed video games' widespread impact in our daily lives? Probably not often.

Given the public perception, you pursued your educational and career goals largely on faith and passion alone. For these qualities, I applaud you. Today, I am proud to tell you that you will enter an industry in which the customer base has expanded tremendously, including not only the majority of American homes, but also players of every demographic.

I credit video games' uniquely interactive experience with engendering such strong loyalty so quickly among these non-traditional gamers. Unlike less-dynamic entertainment forms – movies, music, and books – video games allow the user to feel closely connected to the rich story unfolding on the screen. Recent industry sales figures reflect the superior entertainment value that video games provide: the artistically acclaimed *Grand Theft Auto IV* grossed \$310 million during its first 24 hours on the market, far surpassing the final Harry Potter book's \$220 million day-one sales and "The Dark Knight's" record-setting \$158 million opening-weekend box office receipts.

The changing entertainment landscape has compelled traditional entertainment media to align themselves more closely with the video game industry. Hollywood increasingly adapts video game titles, such as Eidos's *Tomb Raider*, into full-length feature films. Hugh Jackman, star of the recently released, "X-men Origins: Wolverine," asked for dialogue originally written for the companion game to be added into the film. The music industry, meanwhile, has identified video games as an effective avenue for reaching new fans. The Beatles are the latest addition to the list of bands, which includes Aerosmith, Boston, and KISS that have licensed music to video games such as *Rock Band*, as a way to explore new creative outlets and expose their music to new generations amid a time of declining CD sales.

The medium itself is changing – we've come a long way from *Pong*, a game many of your parents probably remember fondly. We're no longer simply creating objective-based games with superfluous stories. With titles like *Grand Theft Auto IV*, *Fallout 3* and *Fable 2*, developers are increasingly creating expansive worlds to explore and create your own storylines with the

choices you make within the game, be they good or bad. Sony's *Little Big Planet* even put the tools in your hands, allowing you to play designer and create your own levels to share with the world.

The characters you inhabit in games have become more sophisticated with full back stories and emotions. Even the rough, hardened heroes of Epic Games' *Gears of War*, Marcus Fenix and Dom Santiago, must come to grips in the series with losing loved ones to the ravages of war and then of course, use their Lancers to rip into a few Locusts.

As the future of games, I challenge you to continue to push the envelope, not just in look or technology but in the story you tell, and make the game player think and feel in ways they never have before in a game. It's not always complexity either – even the simplest premise, like petals swirling in an apartment window in the game *Flower*, can create a breathtakingly beautiful, uplifting experience equal to standing in front of Monet's "Waterlilies" that anyone can enjoy. By elevating the artistry and depth of storytelling, you will continue to challenge the stereotypes of what a gamer is and what a video game should be. Music and movies have used their artistry to define our culture, and we are on the cusp of the same dynamic for video games and we need you to help deliver it.

Amid the significant cultural shift our industry has undertaken, the media, elected officials and other opinion leaders finally have begun to appreciate the transformation that has taken place. From their perspectives, however, video games' true value stems from the numerous social, technological, and economic contributions to our society that the industry's creativity and innovative thinking have produced.

Video games, for example, have assisted the United Nations World Food Programme in educating children about world hunger. In *Food Force*, players take on the role of humanitarian workers stationed on a fictional famine-stricken island. Only one year after launching, the game had attracted more than four million players worldwide.

During the 2008 election season, video games helped to engage voters and court their support when President Barack Obama's campaign became the first to purchase advertising space within a video game. Eighteen video games, including Electronic Arts' *Burnout Paradise* and EA Sports' *Madden '09*, featured ads that reminded players about early voting dates and encouraged them to visit a campaign Web site facilitating voter registration.

Video games have assumed a prominent role in recruiting and training employees for Fortune 500 companies. Last year, Hilton Garden Inn introduced *Ultimate Team Play*, the first interactive training game for the hospitality industry. The game places employees in a virtual hotel, where they interact with customers and field typical guest requests. Players' responses then are evaluated and rated based on Hilton's Satisfaction and Loyalty Tracking system.

Video games also have helped military veterans cope with post-traumatic stress disorder. University of Southern California researchers modified a commercial video game to create *Virtual Iraq*, which enables a life-like exposure therapy technique that helps veterans process emotionally traumatic memories.

Perhaps most importantly, video games have emerged as one of the few industries to maintain, and even grow, in this difficult economic climate. Over the past 12 years, annual software sales have more than quadrupled to a record \$11.7 billion. When you add in hardware sales, the industry generated \$22 billion in revenue last year. And PriceWaterhouseCoopers projects that

video game industry global software and advertising sales will achieve double-digit growth for the next four years and top \$68 billion by 2012.

As the video game industry's next wave of technical and artistic talent, you may understandably view this transformation as a mixed blessing. On the one hand, you now have access to a diverse array of job opportunities, the likes of which the industry has never before seen. Computer and video game companies directly and indirectly employ approximately 80,000 people in 31 states. Direct employees earn an average salary of \$92,300, generating \$2.2 billion in total national compensation.

At the same time, millions of people now place in your hands their lofty hopes for future video game titles and technologies. In addition to consumers' insatiable appetite for pioneering entertainment, governments, corporations, advocacy groups, schools, and health care facilities all now look to you to develop virtual methods for addressing the critical issues that they confront each day.

Our experiences during the last decade suggest that you will still need to expand the boundaries around game content, devise new applications for games, and address the gaming needs and preferences of people from around the world. In your case, however, you will need to apply past lessons to emerging trends such as interconnected game play, downloadable content, and mobile gaming.

The Guildhall at SMU deserves praise for recognizing the increasingly prominent role that video games play in our society, and your bright future in that process. But, with the industry's recent transformation as a guide, the opportunity now falls to you, Class of 2009, to continue to test the limits of what video games can make possible.

Will you embrace it? And at the same time, will you be cognizant of the paradox of the double helix, by both pursuing your goals and seizing the opportunities and challenges that life will place before you? I believe you will.

Game on, Class of 2009. Game on.

Thank you, and best wishes.