

## Case Study:

### THE GREMLIN GROUP

#### **Ian Stewart's Gremlin Group, the computer and video games publisher, owes its success to a bunch of schoolboys:**

ENTREPRENEURS cannot always predict the direction their business will take. When faced with a choice, the successful ones are those who have the foresight to choose the right path.

Ian Stewart was faced with such a decision in the early 1980's. He had taken a risk by leaving his job at Lasky's, the hi-fi and Video retailer, to start one of the first computer games shops.

But the crunch came when he noticed that many of the schoolchildren that visited his shop in Sheffield were actually creating potential commercially viable games in their bedrooms, and using his shop and machines as a meeting place to refine them.

Stewart realised the standard of some of the games was so good he could produce and sell them, and took the decision that his future lay in producing software and not in retailing.

He started Gremlin in a room above his shop, and now it has a market value of £28.7m on the Stock Exchange. He still employs some of the original schoolchildren.

The break that launched his business arose during the miners strike in 1984. He was having difficulty persuading distributors to sell his games when Peter Harrap, one of the schoolchildren, whose father was miner, created a game that caught the customer's imagination.

It involved the players assuming the role of a mole to collect as many ballot papers as possible to be able to over throw a character called King Arthur. The concept was so topical it was featured in the final spot on the national television news and suddenly distributors were falling over themselves to sign a deal with Stewart.

He set up Gremlin in 1984 with three partners, whom he later bought out. "The mole set up the company" he said "We started with three programmers and grew to ten, and made a small profit on three games in the first year. They were Monty Mole, Suicide Express and Potty Pigeon, a game that involved manoeuvring birds to release their droppings on car windscreens." The business grew by 30% each year and by 1989 Gremlin was making £25,000 on sales of £2m, and was exporting games to 60 countries.

The company was generating 10 new products a year and had made two acquisitions of small software operations.

It floated last year, reporting profits of £3.4m and sales of £15m. It also signed a deal in December with Fox television to brand sports games. Stewart said he did not have to think twice before deciding to leave Lasky's.

He says: "The personal computer boom brought a major opportunity for supplying software because supply simply could not keep up with demand." The seed to set up my own business came when I was an area manager with Lasky's.

"One product, Arcadia, sold 200 copies in one day, and I could not convince the powers that be to let me have more shelf space. This was just one product and I thought we were missing out on so many others – people were forced to buy by mail order.

Stewart started researching the viability of setting up his own retail outlet. He felt that Lasky's was missing an opportunity, so he was determined to fill it himself.. He raise £8,000 by selling his home and moving some where smaller and his father loaned him £1,000. He found a site in a Sheffield back street and called it Just Micro, installed some computers and purchased some software.

It started to make a profit from day one, but Stewart realised early on that while he was successful at selling the software, other people were making money from designing it.

Stewart says: "I built up a relationship with some of the school kids who came in the shop. Some were creating impressive demo's at home and we started to think about doing this ourselves."

"I new some guys at a software house called Imagine and thought we could be just as good as them. We looked for talents designers and employed the kids. The games business grew out of the shop"

Stewart grew up in Rose Hill near Sutton in Surrey, and went to Forest boys school in Horsham, Sussex where he says he only did well at sport. He left school at fifteen and took an apprenticeship at Lintott Engineering- both his father and brother were engineers.

After five years, Stewart left and joined Lasky's as a trainee manager. He thrived. Within six months he was promoted to assistant manager and two years later was move to Sheffield to open up a superstore for the company. He was the made area manager.

He say: "I developed a good enthusiasm and good understanding of the computer games market and trusted my instincts on leaving a secure job to concentrate on software sales."

He says that success from getting the right advice and sticking to what you believe in. "What is important is to identify your weaknesses and surround yourself with people to compensate for that. Nothing can replace hard work and initiative," he says.

"These days graduates believe they are owed a living and expect jobs to be handed to them on a plate, but I have found tremendous strength in being self taught."

**The case highlights the typical entrepreneurial personality and background commonly referred to in textbooks. From the case identify as many Entrepreneurial/Managerial characteristics we have come accustomed to and the market openings to grow the business empire**