Ethical analysis of the video game

Our group chose the video game software development industry as our target industry to examine. We chose this industry because it has had a very interesting dynamic of financials versus ethical issues in the past. First, the institutional investor should be very interested in this industry financially for several reasons. It is a $25 billion industry as of 2011. 49% of U. S. households own a game console, with the average household owning at least one console, smartphone or PC. Eight video games are purchased per second in the United States (esa). Research into an industry leader gathered that Activision Blizzard (ATVI) has been grossly outperforming the market for the last 10 years. With healthy earnings, a substantial profit margin, a modest dividend yield, and a manageable price to earnings ratio, this stock will easily be a welcome addition to any institutional investor's portfolio.

However, our group suggests that ethical and social issues should also be taken into account when choosing to invest in an industry and a particular stock. Specifically, there is speculation of links between video games and violent crimes, obesity, anti-social behavior and a variety of health problems. The link to violent crimes hits especially close to home in relation to the speculative link between the 2007 Virginia Tech shooting and the video game Doom. In addition, there has been news regarding unethical treatment of development employees. All these will be scrutinized below and must be contrasted with several benefits games afford the community such as high profits and gainful employment for the business. Video games can also produce the benefits of increased attention, positive psychological conditioning, and an outlet for aggression and stress in its players. Following

this analysis we will conclude as to whether an institutional investor can feel justified ethically and financially in investing in the video game industry.

Ethical Issues and Pressures facing the Gaming Industry

The gaming industry battles several ethical dilemmas. These are moral and social choices that have to be made that may or may not conflict with achieving higher profits. These ethical issues could be subdivided into different categories. There are issues pertaining to the nature of the product or game itself, the effect this product has on the consumer engaging in the game, as well as the ethics related to game development such as workplace ethics and developer employment practices. Therefore, there are a vast amount of ethical issues and pressures facing the industry in general that could be addressed, and to cover each and every one of them would far exceed the scope of this analysis. As a result, we will only focus on those ethical issues pertaining to the industry that we believe are especially important for an institutional investor to take into account when making an investment decision for this industry.

One ethical issue pertaining to the nature of the game is the ethics of representation. Many activists have criticized video games for being misrepresentative of real demographics. Games like Grand Theft Auto have been criticized for not only misrepresenting minorities as criminals, but also for promoting race violence. In addition, the University of Central Florida concluded that video games vastly misrepresent females. This study chose 33 games and found 41% to contain no females, 28% portrayed women as sex objects, 21% portrayed violence against women, and 30%

misrepresented females in terms of their body as well as their positions as '
damsels in distress' or insignificant participants (Dietz, 1998). Do video
game manufacturers have a social responsibility to portray population
demographics as accurately as possible? If so, does that limit their ability to
make riveting gameplay? What is known from previous litigation is that the
First Amendment protects gameplay development as free speech and
manufacturers are free to create gameplay as their want.

Another aspect of the ethics of representation is the portrayal of realism. The
more realistic the gameplay the better the user experience, but can being
too real be going too far? Recently, seven Navy seals were disciplined for
divulging " classified tactics and procedures" to a Medal of Honor video
game. The video game makers, Electronic Arts, state on their website that
this game gives the player an " authentic experience that puts the gamers in
the boots" of a soldier (Lerman, 2012). Being too realist can not only divulge
secret information to the public, but it also could be seen as training gamers
for real situations like that in the game. Examples of this are games like
Grand Theft Auto made by Rockstar games. Video game activists, led by Jack
Thompson, have been exerting pressure to limit the violence in games,
labeling violent games as " murder simulators" (Jack Thompson (activist)).
Violence in video games is seen to be worse than violence in movies, TV or
music because games are interactive. Each play gradually desensitizes and
emotionally hardens (termed operant conditioning in psychology) the players
to the graphic violence. A 2005 American Psychology Association study
corroborates that by stating that there is a causal link between violent video
games and teen aggression (Committee led by Elizabeth Carll, 2005). In

addition, the games give players weapons training and procedural tactics to carry out maximum damage in the real or virtual world. A much publicized example is Eric Harris and Dylan Klebold, the assailants in the Columbine High School purportedly being frequent players of the id Software game Doom (Video game controversies). There is much speculation as to whether these games actually influenced and aided these brutal crimes, as there is the larger debate as to whether things such as the realism of violence, gore and sex have a causal link to mimicry of these activities in the real world.

Another major ethical issue arises from the fact children are a large part of the video game consumer base. 18% of the video game population is boys under the age of 17 (esa). This statistic may not seem significant but the next few are: studies have shown that 97% of children play video games and that 50% play video games every day (Irvine, 2008). Parents have been concerned about the violence, murder, and crime that many games promote, and their effect on their children – especially when they spend long hours every day engaging in these games. One large organization focused on this is MAVAV: Mothers against Videogame Addiction and Violence. If there is physical and psychological harm being done by video games, children are very much in harm's way. Because of this, the Entertainment Software Review Board (ESRB) exerts pressure to regulate the exposure of certain games to people of certain ages.

Apart from the adverse effects that violence, gore and sex in games can have on the players, there is a link between overplaying of games and several health issues. The physical issues are many: repetitive strain injury, skin problems, muscle stiffness, vision problems, dizziness, headaches, and

so on all the way up to even death (Video game-related health problems). Some muscle and skin problems related to video games have been playfully termed PlayStation thumb, Nintendinitis, Wii fractures and so on. In addition, there is a link between video game overplaying and sleep deprivation, nausea and obesity. There is also a list of non-physical effects like addiction, anti-social behavior and increased aggression.

Most of the ethical issues discussed so far are tangible to the consumers, and publicly felt because they have a somewhat direct effect on the players. However, there is very little revealed about the " behind the scenes" developer employment practices that take place before a game is made available to the market. " Crunch Time" is one of the major reasons developers' employment practices and work ethics are subject to a lot of scrutiny. Crunch Time is defined as " the period in a games development cycle where the developers have to shift their working patterns into the highest gear in order to ship a game on time" (Xbuttonkill, 2011). This has led to developers working as long as 12 hours a day, 7 days a week. In fact, Mike Capps, President of Epic Games, said on an industry panel that he wouldn't hire someone if they weren't willing to work 60 hours per week. When developers use crunch time as an employment condition, and force their employees to work long hours, their only concern is to get the game released on time and make millions. In other words, they tend to depend on crunch time to decrease the risk of competition. They do not seem to care about the physical and mental health problems unreasonable hours have on their employees. The risks of crunch time span even beyond physical and mental health problems. Studies show that overworking affects marriages,

and causes children to lose attachment to their parents, because developers get to spend less time at home (Groen, 2011).

Corporate Social Responsibility in the Gaming Industry

In order to combat such ethical issues and pressures, companies in the gaming industries have outlined certain Corporate Social Responsibilities (CSR) which they take upon themselves. Part of this initiative includes ensuring that the video game's content is appropriate in terms of health care and promotes an educational message. Video games such as: Bully, Grand Theft Auto, Call of Duty: Modern Warfare and World of Warcraft (Blizzard Entertainment) have been scrutinized for many years for the violent and sexual content involved in the games (Leigh, 2011).

Both video game developers and the government have recently been taking actions to create a social impact. Governments of many countries have also been involved in activities to control video game threats. For instance, the Chinese government has restricted the number of hours a person can play a video game. The Thailand government banned GTA 4 after a cab driver got carjacked in the similar fashion shown in the game (The Telegraph, 2008). Various countries, due to violent content, have also banned video games such as Wolfenstien, Carmageddon, and Fallout 3 (Leigh, 2011). Many companies have already done much to improve the social and environmental impact of their activities through the creation of programs to tackle the issues of game content. These companies also create games to promote education and participate in events to encourage social awareness and development.

Blizzard Entertainment, producers of one of the most famous video games, World of Warcraft, has introduced a function known as " Parental Control", which allows parents to control the hours played by their children. Many other games including World of Warcraft have also been promoting ' Screen-warning messages' to control the excessive use of gaming and promote the effects of gaming on health. Some of the World of Warcraft's screen messages were: " Take everything in moderation (even World of Warcraft)" and " Bring your friends to Azeroth, but don't forget to go outside of Azeroth with them as well" (Martinez).

Games for Change (G4C) is a non-profit organization that has been promoting education and valuable messages through its video games. According to the company, video games are one of the most innovative and powerful learning tools for people any age in 21st century. According to the Mr. Asi Burak, Co-President of Games for Change, video game developers should not consider the quantity of the games sold but should consider the behavioral change that the game could provide (Rowley, 2011).

The Entertainment Software Association (ESA), which is exclusively dedicated to serve the business and public affair needs of video game producers, took another CSR initiative recently in the gaming industry. ESA introduced the Entertainment Software Rating Board (ESRB) that assigns rating to the video games so that the parents and buyers can make an appropriate and informed decision. The rating gets divided into three categories: A.) rating categories, which suggest the age appropriateness and divides games into categories of Early Childhood, Everyone 10+, Mature etc. B.) Content descriptor, which reveals the content that may have triggered

the rating or may be the interest or concern for the parent such as crude humor, alcohol reference, blood, nudity, intense violence etc. And C.) Interactive elements tell the user about the interactive aspect of the product like explaining the game's ability to share your personal information, location and ability to interact with others (ESRB).

Some organizations help gaming companies get involved with Corporate Social Responsibility through charity. Gamers Outreach Foundation is one such charitable organization that uses interactive entertainment through video games to help others. The company focuses on three initiatives: Project Go Cart, Fun for Our Troops and Gaming for Others. With these initiatives the company collects donations that are eventually used to provide entertainment in the form of video games to people such as U. S Troops and patients in hospitals (Gamers Outreach).

The above is just the tip of the iceberg in the endeavor that several firms and organizations of the gaming industry have done to improve its social and environmental impact of its activities. Some firms have done more than others. Rockstar Games, which produces Grand Theft Auto, in our opinion, does not live up to the efforts of other companies. As mentioned above, even though some governments have banned GTA 4, the company is launching GTA 5, with similar if not more violent and sexual content.

Regardless of some firm's disregard for social responsibility, there are companies which, in our opinion, have made an unprecedented effort to improve the impact of its activities and increase social awareness. One of these companies is Sony Computer Entertainment Inc. (SCE) who has done

much to improve the social and environmental impact of their activities. Throughout numerous countries and various initiatives, SCE carries on activities to encourage a strong, healthy and productive social environment. In Japan, they have set up company visits where students can visit the headquarters as part of an integrated studies system and career education. Along with gaming classes held in schools with the objective of providing media literacy to students, SCE supports several schools in their e-learning approaches. One such program uses PSP's in classes in order to support individualized learning and motivation for scholastic proficiency. In North America, SCE provides joy to families in need as part of their ongoing Holiday Giving program. They host an annual ' Nite to Unite' (NtU) benefit dinner, which is an unparalleled effort by the interactive entertainment community to make a difference in the lives of America's kids. NtU is an auction supported by members of the association and the interactive entertainment industry, raising funds for the ESA Foundation. SCE employees participate devotedly in such charities along with other community programs and partnerships for the independence and development of disadvantaged children. Since 2007 they have expanded their " PSP in Education Program" where PSP has been used extensively at more than 400 educational and training institutions in the UK, as its exceptional ability to capture and play educational digital content has made it a gripping new mobile learning program. In Asia, the SCE also actively participates in innumerable charities working to increase education and provide media literacy to students, reducing the gaming industries carbon footprint, and achieving basic goals of ending poverty and hunger in society. Leading by example, SCE offers job opportunities to low-income workers during the annual Asia Game Show; it

also has a game console-recycling program in various shopping centers (Sony Computer Entertainment Inc.).

Virginia Tech's Investment Strategy

Before we even look at whether Virginia Tech should invest in the gaming industry, we need to look at how Virginia Tech invests when it comes to social and ethical issues. First, we need to look at whether Virginia Tech should take corporate social responsibility (CSR) and ethical issues pertaining to industries into account in its investment decisions. We also need to see if these reasons for taking CSR and ethical issues into account are purely financial or ethical. We believe that Virginia Tech should definitely take CSR and ethical issues into account when investing in industries. The reasons for this are both financial and ethical. The ethical reason for whether or not Virginia Tech should invest in specific industries has to do with core values. According to their core values, Virginia Tech promotes personal and institutional integrity: " integrity demands that all members of the university…engage in continual civil discourse and ethical behaviors… integrity demands maintaining standards of personal and professional behavior of the highest order" (Virginia Tech). If Virginia Tech promotes integrity among all members of the university and wants them to engage in ethical behaviors, they should want to invest in industries which promote similar values as well as engage in ethical behaviors themselves. The financial reason for whether or not Virginia Tech should invest in specific industries has to do with examples from the past. We have seen companies such as WorldCom (2002), Tyco (2002), Enron (2001) and Madoff Securities (2008) crash due to poor ethical standards. Even though all four of these

examples would have been excellent financial investments before they crashed, that did not stop everyone who invested in these companies to lose almost all of their securities. If people researched the CSR and ethical cultures of these companies before they invested, they could have possibly avoided a poor investment.

The point is that we believe that ethics and financial success cannot be separated from each other. This is why we believe that it would absolutely be appropriate for Virginia Tech to sacrifice some expected financial return for ethical reasons. The reasons for this have mostly been covered already. First, Virginia Tech needs to be corporately responsible even if others are not. It is in Virginia Tech's core values to hold themselves to high standards especially when it comes to integrity. If Virginia Tech does not act according to its core values, it should not be looking at investing in the first place. Second, we believe that good ethics will result in long-term success. If Virginia Tech wants short term returns, it could invest in companies such as WorldCom, Tyco, Enron or Madoff Securities: companies which get high returns at the cost of ethical standards. However, if they are focused on long-term financial success, they would see that those firms who have solid ethical standards will obviously be the better choice.

Lastly, we need to look at whether or not Virginia Tech should invest in other industries or businesses for reasons other than maximizing financial return. We believe that there are multiple reasons to invest in industries or businesses other than financial return. One reason is to increase jobs in your home county/region/state. Virginia Tech, being a public institution of Virginia, should want to improve their home state's economic state by investing in

Virginia businesses to increase jobs. Virginia Tech should also want to invest in their alumni. If there was a business that had an alumni running or working for it and another business which would have a slightly higher financial return, Virginia Tech should invest in the first firm to portray kindness to their alumni. Lastly, Virginia Tech should invest in industries or businesses to create goodwill. The financial gain from goodwill can hardly be measured since it can lead to inside tracks for other deals as well as near infinite good press. These are only three reasons for Virginia Tech to invest in other industries or businesses, there are likely many more. In all examples, it is important to remember that financial considerations need to be made as we need to make a profit in everything we do. However, the main thing to realize is that there are other considerations that need to be taken into account including corporate social responsibility, ethical issues and alternate investment purposes.

Should Virginia Tech Invest in the Gaming Industry?

According to the aforementioned reasons, and based on our gaming industry analysis and the ethical and CSR issues facing it, it is evident that an investment decision in the gaming industry by Virginia Tech is not as clear-cut and unambiguous as it seems. In other words, there are several conflicting factors that need to be taken into consideration prior to making such a major decision. These include but are not limited to ethical and financial issues, and whether these match with the institution's social and ethical investment policy.

If Virginia Tech only desires to consider the ethical issues pertaining to the gaming industry, there will be a lot of strong reasons to support its decision not to invest in the industry due to a clear contradiction with its core values and virtues. Based on our ethical analysis for the gaming industry, we have seen how developers portray a lot of violence and racism through their games, not to mention the portrayal of realism, and the effect this has on the children and adults engaging in the game. The health problems that consumers suffer resulting from addiction and the long hours spent playing these games is also a serious issue that can never be taken for granted. Last but not least, we can never understate the unethical employment practices deployed by most developers, forcing their employees to work unreasonable hours of crunch time for the mere sake of making money and increasing the company's profits.

Apart from the ethical issues, there are other reasons why Virginia Tech might not consider investing in the gaming industry. We believe that Virginia Tech's investment policy should include investing in an industry that would increase employment in its home state. And since Virginia is not a state where the gaming industry has a stronghold, such an investment will not directly create a positive effect on employment and job creation in the state. In addition, there are not many alumni involved in this industry for Virginia Tech to support through its investment. Many organizations have shown significant effort in promoting corporate social responsibility and goodwill within the gaming industry. Gamers Outreach Foundation and Games for change (G4C) are two examples of gamers working for the greater good.

However these organizations are usually non-profit third parties that do not relate specifically to the gaming industry.

In addition, a publicity test might further support Virginia Tech's decision not to invest in the gaming industry. The institution might be heavily criticized for becoming a major stakeholder in an industry that was suggested to blame for the tragic massacre that took place on its campus five years ago by a " video game fanatic". While there might be some evidence that the Virginia Tech shooter was actually influenced by video games, we believe that if Virginia Tech invests in certain firms in the gaming industry, the institution will be making a stance against ethically inept video game companies. Since such an investment should not be in the industry as whole, we would suggest limiting the investment to those firms within the gaming industry that have proven to be more socially responsible than others.

For example, unlike most game developers, Sony Computer Entertainment Inc. (SCE) is an ethically strong and socially responsible firm that has used its products and activities to promote a productive and healthy social environment. Realtime Associates is another videogame developer that has exercised its corporate social responsibility through producing " serious games". They have also worked with Hope Lab, a non-profit organization, to develop and produce games that " improve the health and quality of life of young people with chronic illness" (Hope Lab). These included the videogame Re-Mission, which was specifically targeted to young adults and children with cancer. As a result, investing in the gaming industry through socially responsible firms like Sony and Realtime Associates will not only

guarantee a high financial return on investment, but will also meet the objectives of the institution's investment policy and core values.

Conclusion

Although the ethical issues and pressures facing the gaming industry might not at first seem to be in line with Virginia Tech's investment policy, we believe there is a considerable investment opportunity for an institution like Virginia Tech in this industry. However, we do not consider that such an investment should be made in just any firms inside the gaming industry. From our research we have found that the industry is quite diverse and there are several firms pioneering strong ethics and social responsibility in this industry. In our opinion, Virginia Tech should favor these firms with a proven track record of high ethical standards and social responsibility.