

TECHNOLOGICAL UNIVERSITY DUBLIN

A Case Study on Valve Corporation

by

Hayden Carr

A case study submitted in partial fulfillment for the
IT Business Management Module



in the
School of Digital and Data
Department of Informatics and Cyber Security

March 2024

Declaration of Authorship

I, Hayden Carr , declare that this case study titled, ‘Case study on Valve Corporation’ and the work presented in it are my own. I confirm that:

- This work was done wholly or mainly while in candidature for a research degree at this University.
- Where any part of this thesis has previously been submitted for a degree or any other qualification at this University or any other institution, this has been clearly stated.
- Where I have consulted the published work of others, this is always clearly attributed.
- Where I have quoted from the work of others, the source is always given. With the exception of such quotations, this thesis is entirely my own work.
- I have acknowledged all main sources of help.
- Where the thesis is based on work done by myself jointly with others, I have made clear exactly what was done by others and what I have contributed myself.

Signed: Hayden Carr

Date: 15/3/24

Contents

Declaration of Authorship	i
1 Introduction	1
1.1 History of Valve	1
1.2 The founder of Valve: Gabe Newell	2
2 Valve's Products and Services	3
2.1 Products	3
2.2 Services	3
3 What makes Valve unique	5
3.1 Structure	5
3.2 Financial Position	5
4 A SWOT analysis of Valve	6
4.1 Strengths	6
4.2 Weaknesses	6
4.3 Opportunities	6
4.4 Threats	7
4.5 Summary of the SWOT Analysis	7
5 Key Competitors	8
5.1 Former Competitors	8
5.2 The beginning of Epic Games Store	8
5.3 How Epic Games Competes	9
5.4 Why Epic Games Fail to Compete	9
6 Jobs being advertised	10
7 Target Market	11
8 Conclusions	12
9 References	13

Chapter 1

Introduction

Valve is one of the biggest companies in the digital games market and have created some of the most popular and critically lauded video games ever made such as Half-Life, Portal, Team Fortress 2 and more. Valve also has the most successful and popular digital gaming storefront called Steam which is the most popular choice of storefront in the PC gaming market.

1.1 History of Valve

Valve Corporation founded in 1996 by Gabe Newell and Mike Harrington is a global leader in the video game industry. Gabe Newell and Mike Harrington were employees at Microsoft before they left to pursue a new endeavour with the creation of Valve Corporation using the wealth that they accumulated during their stints at the Microsoft. Valve was created with the goal of being a video game development company though neither Newell nor Harrison had any experience in the field of video games, only leveraging their software development knowledge and connections to id Software for knowledge on how to create a successful company (Fortress,).

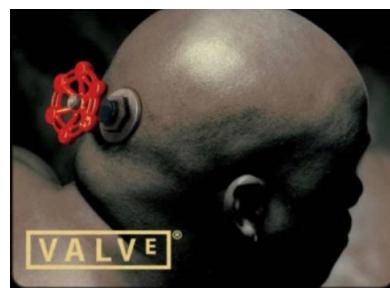


FIGURE 1.1: Valve logo used in many games from Google

1.2 The founder of Valve: Gabe Newell

Gabe Newell born on November 3rd, 1962, in America attended Harvard University in the 80's to study computer science. Newell worked at Microsoft for thirteen years after graduation where he picked up valuable experience and knowledge that he would use to create Valve after leaving in summer 1996 as a new millionaire with his friend he made at Microsoft Mike Harrington (, 2021)



FIGURE 1.2: Image of Gabe Newell from Google

Chapter 2

Valve's Products and Services

2.1 Products

Valve makes is the creator of many video games such as Half-Life, Team Fortress 2, Counter Strike, Portal etc. Half-Life launched in 1998 to critical success winning more than 50 game of the year awards and going on to sell over 9 million copies lifetime (Mike Harrington and Gabe Newell, 2023). They also create hardware such as the Steam Deck, Valve Index, Steam Controller etc. The Steam Deck is Valve's latest piece of hardware released in February 2022. The goal of the Steam Deck is to bring PC gaming to the handheld market (Valve Software, 2024).



FIGURE 2.1: Image of the Steam Deck from Google

2.2 Services

Valve's main source of income is the lucrative Steam distribution platform, announced in 2002 and released on September 12th, 2003, and was one of the first digital storefronts originally used as a way for Valve to patch Counter-Strike and provide Anti-cheat precautions. Steam's storefront has come a long way, originally only selling Valve

games such as the game that propelled the services popularity “Half-Life 2” until 2005 when they first allowed third party games to be sold on their store such as “Ragdoll Kung Fu” and “Darwinia” which marked the beginning of Valves PC gaming dominance. Steam now dominates the PC gaming market with 337 million registered users and over 120 million monthly active users. In 2020 Steams estimated revenue was estimated to be 4.3 billion dollars. (, 2021)

Chapter 3

What makes Valve unique

3.1 Structure

Valve has a team of over 400 employees that work in a non-hierarchical organisational structure which is quite an unorthodox way to organise such a large and successful company. Valve themselves call their structure flat and every employee can choose what they work on which leads to high satisfaction and high-quality work from every project. (Jha, 2020)

3.2 Financial Position

Valves Financial position is that one of the richest companies in media with an estimated value of over 10 billion dollars which comes from their various successful projects. Almost every new product or service they release grosses millions of dollars that adds to their already extremely secure position as a private company. (Jha, 2020)

Chapter 4

A SWOT analysis of Valve

4.1 Strengths

Valve is one of the biggest gaming companies in the whole world and runs the most powerful storefront in PC gaming, they have a great brand image that is beloved by gamers worldwide that have a connection to the brand due to them having very little controversy in their over 20 years of existence in the industry. Valve have financial security and high engagement in almost all released projects.

4.2 Weaknesses

Valve's biggest weakness are a high reliance on few extremely successful products such as Steam and the ever so popular Counter-Strike brand and DOTA that are their 3 biggest assets Valve might have an issue of too many eggs in too little baskets. Valve also might suffer from a lack of direction due to the flat hierarchical structure they use in the company.

4.3 Opportunities

Expansion into the booming handheld PC gaming market that has shown heavy growth over the last few years. The rising growth of E-Sports which Valve have always invested heavily in for their major IP's.

4.4 Threats

Valve has no severe threats as of right now though that could change quick if Epic Games Store or GOG fit more into changing consumer preferences. Piracy is a threat to all online media and could threaten Valves future plans though they have an outlook on piracy that most companies don't as they believe that piracy is caused by a failure to provide good service.

4.5 Summary of the SWOT Analysis

This table is an overview of what we discussed in the SWOT above.

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> • Steam • Active Player-bases • Quick updates 	Slow to release games, Reliance on Steam, Make most of their game revenue from a small amount of games.	Handheld gaming markets rise and their Steam Deck. E-Sports growth.	Epic Games Store and other popular storefronts such as GOG. Piracy.

TABLE 4.1: Swot Analysis

Chapter 5

Key Competitors

5.1 Former Competitors

Valves Steam storefront for the longest time lacked any competitors that could challenge their spot on the throne of video game distribution examples being Origin created by Electronic Arts and Uplay created by Ubisoft, the reason they could not compete was due to their decisions to only allow select third-party games to be distributed on their stores and lacking many community driven features that make Steam such a beloved part of many games daily lives such as game mods and user profile customisation. (Bernevega, 2019)

5.2 The beginning of Epic Games Store

In 2017 Epic Games released the hit game Fortnite earning them billions of dollars in revenue and using this massive amount of money they decided to invest in a new project. Epic Games launched the Epic Games Store in 2019 with the goal of being a competitor to Valves Steam storefront their first goal was to get developers to use the new storefront, they did this by only taking a revenue cut of 12 percent which is really appealing as Steam's revenue cut is more than double that at 30 percent and this was compounded even further by Epic then choosing to remove the 5 percent fee for using their Unreal Engine for developers that publish on Epic games store. (Bernevega, 2019)

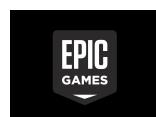


FIGURE 5.1: Image of Epic Games Store Logo from Google

5.3 How Epic Games Competes

Epic Games store tries to be better than Steam for the users by them using the billions they earned from Fortnite to not only pay for store exclusive games, but also giving away 1 and sometimes multiple free games every week to every user, though this is simply Epic trying to bribe users into using their store to make them a bigger platform faster. (Bernevega, 2019)

5.4 Why Epic Games Fail to Compete

Modern gamers look for more than just the game itself when choosing which storefront to buy their games on and this is where Steam remains the king of digital game distribution. Epic Games Store is only as good as the service they can offer therefore most PC gamers tend to stick with Steam due to its vastly superior collection of features that Epic has not introduced or even considered. Epic Games Store lacks such basic features as a shopping cart, forums, customisable user profiles and so much more. (Bernevega, 2019)

Chapter 6

Jobs being advertised

Valve is quite a unique company in the way they handle job listings, Valve hires for all positions all year round the only catch being they only want the best in the industry to work for them. For IT jobs Valve hires Software Engineers, Game Development Engineers, Audio Engineers and more similar jobs. Valve also accept open applications from highly skilled people who may not see a suitable listing but believe that they have the skills to make a difference at Valve. (Valve, 2024)



FIGURE 6.1: Image of Valve's Office Lobby from Google

Chapter 7

Target Market

Valves Target market is gamers who seek high quality community driven features such as highly customisable profiles, easy to use storefront, community mods for games and also boundary breaking gaming experiences that innovate and lead the gaming industry into the future.

Chapter 8

Conclusions

When Valve was founded it started off small but grew into a massive giant that monopolised the digital PC gaming market. Valve is one of the most innovative and highly successful companies and well respected in the gaming and media industry. Valve lead the competition in their respective industry and show no signs of slowing down.

Chapter 9

References

- Bernevega, A. (2019) 'Epic Games Store's Struggle to Become a Platform'. Fortress, T. 'No Title'. Valve Corporation, .
- Höglund, N. (2014) 'Digital Distribution of Video Games for PC: A SWOT Analysis'.
- Jha, S. (2020a) 'Organization without Hierarchy: A Case Study of Valve Corporation'. Review of Management, Vol. 10 (1/2) 19-24.
- Jha, S. (2020b) 'Organization without Hierarchy: A Case Study of Valve Corporation'. Review of Management, Vol. 10 (1/2) 19-24.
- Thorhauge, A.M. (2023) 'Valve Corporation and the Steam Platform' In Games in the Platform Economy, Anonymous : Bristol University Press, 56-62.
- Thorhauge, A.M. (2022) 'The Steam Platform Economy: From Retail to Player-Driven Economies'. New Media Society, 14614448221081401.
- , (2021) 'Valve: The History of Success'. , 218.
- (OFFICIAL VALVE SOURCES)
- <https://www.youtube.com/watch?v=TbZ3HzvFEtoab> channel = ValveSource : Half-Life25th Anniversary Documentary : Mike Harrington and Gabe Newell, 2023
- <https://www.valvesoftware.com/en/about> Source: Valve Software, 2024