

# Chapter 10

## The Red Hat Enterprise Linux Business Model

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### ABSTRACT

*Red Hat, Inc. is a leading software company known worldwide for pioneering the FOSS industry. Its history offers a concrete example of a successful open-source business model. Red Hat Enterprise Linux (RHEL), taken as a study case, is one of the most successful commercial Linux distributions, thanks to its components' stability and company support. This chapter brings a brief historical perspective of the several Red Hat distributions and their communities, highlighting how decisions have impacted the enterprise product. The chapter also introduces the open-source model behind Red Hat's Linux development flow. For this purpose, the Linux kernel provides an excellent example of collaboration that goes through all distributions, maturing to their final destination. The discussion presents some aspects of quality, security, and testing that make RHEL one of the most reliable and secure distributions.*

### 1. COMPANY HISTORY

In the literature, there are several books, documents, reports, and all kinds of material telling the story of Red Hat in the most varied ways. Even so, it is important to present the key aspects of this chronology that led and transformed the business model of the company that people know today. Red Hat was founded in the early 1990s by Marc Ewing and Bob Young. At that time, Linux was a newly created project by Linus Torvalds that had already crossed the ocean, reaching several universities including Carnegie Mellon. As the Unix source had been closed for

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some years and with Tanenbaum's Minix being more of a teaching project than an expandable one, there were many enthusiasts of that new, promising, and totally open-source system. Many Unix user orphans started to use that project because they had similar compatibility.

Due to this fact, many students who tried to use the new operating system ended up facing various technical problems. However, as an accomplished computer expert, Marc Ewing always ended up collaborating with other enthusiastic students at Carnegie Mellon. More so, as he wore an old red lacrosse hat of his father, such adornment became his reference for students who didn't know him and looking for some help. That way, when someone had a problem, all they had to do was look for the student with the "red hat". That's how he and Bob Young met at university. Bob Young even tells an issue of Red Hat Magazine that Marc used to name his college projects with his trademark, just incrementing the number of each project: Red Hat 1, Red Hat 2, etc. Another interesting coincidence also mentioned by Bob in this interview is that during some revolutions, his revolutionaries wore red hats as a symbol of their libertarian ideals (Mears, 2006).

In the mid-90s and already getting to know each other, Marc and Bob opened two different companies, Bob's was called ACC Corporation, and Marc's, Red Hat obviously. Both provide versions of the new system called Linux. Later, in 1995, ACC purchased Red Hat and went under the name Red Hat, Inc. as default. From that moment, the company already had a very stable version of the operating system, offering support to its customers via email. The only problem with this model was that the computers were just inoperable due to failures. Therefore, it would not be possible to send emails requesting new support. Thus, the company later adopted telephone support and the subscription model used until today.

It has been noted so far how a symbol and supportive behavior have guided the company's culture and its project models for years. Also notice the emphasis on words such as reference, specialist, collaboration, freedom, and revolution. Today, Red Hat has some products in its internal portfolio, however, it is often said that the company does not sell software, but high-level support as well as innovations in the area. For this, it needs to have both experts who are references plus the freedom of discussion and collaboration. And yet, it is a company that has a massive and unparalleled presence in relevant projects of the free software community. The fact that the company itself sponsors two very important distributions for part of its success: Fedora and CentOS.

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