Customer Focus, Marketing and Planning

for

Red Hat, Incorporated

EE4M Management Module Report

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Table of Contents

Executive Summary

In this report the open source software company Red Hat Incorporated is assessed for it's customer focus, marketing and planning methods, looking at it's company structure, its major stakeholders and it's user and customer feedback and evaluation methods.

Acknowledgements

I wish to thank all at Red Hat for being an accountable, transparent and open company committed to Free and Open Source Software.

Red Hat, Incorporated

Red Hat, Inc., shortened to Red Hat, are a leading Free/Open Source Software (FOSS) company that offers commercial support, installation, training and development for enterprise customers through it's Red Hat Enterprise Linux products, and a freely available, community supported and developed product called Fedora.
Founded in 1993, it has grown to be the leading FOSS commercial enterprise, now trading from over 58 offices in 28 countries.
Red Hat prides itself on it's company values of "courage, freedom, commitment, accountability", utilising the ideals of FOSS development models to create a sustainable and open business.

Business relationships

Red Hat is currently the largest supplier of FOSS and is steadily expanding it's operations and customer base to meet increasing demand.
The net profit for last year was $76.7 million, up from $59.9 million in 2006, and increased its customer base including major companies as Amazon, VeriSign, New York Stock Exchange and AOL.
With a comparatively high profit margin and a growing but modest customer base, the business relationship Red Hat has currently is a proactive one, as shown below in Table 1;

Profit Margin

		High	**Medium**	**Low**
Number of Customers	**Many**	Accountable	Reactive	Basic
	Medium	***Proactive***	Accountable	Basic
	Few	Partnership	Accountable	Reactive

Table 1: Relationship Matrix

Since Red Hat's business focus is on servers, middleware and support, it's primary e-commerce drive is a business to business type, selling support, middleware and services to other businesses in order for them to support their customers.

Life Cycle of Red Hat Enterprise Linux

Red Hat Enterprise Linux (RHEL) is the primary product and supported service offered by Red Hat for businesses to use.
RHEL is a comparatively new product introduced in 2003, but is already widely used by businesses as the standard server and services platform, using commodity FOSS supplemented with Red Hat developed software.
As the software Red Hat supports is FOSS, other vendors can use the same software and offer a alternate support package in competition with Red Hat's own offering; Oracle and CentOS offer such alternatives. Red Hat also compete with similar Linux based products from Novell, Canonical or Xandros, UNIX derivatives from IBM, HP or Sun, and Microsoft. With these competitors, Red Hat has to differentiate itself from others by providing a better service at a lower cost, utilising it's brand recognition as the leading Linux company and early majority to sell its product and associated services; as such, this product is in the third phase of it's life cycle.

Red Hat's Structure

Red Hat has a hybrid company structure, combining both a functional structure and divisional structure, as outlined in Illustration 1 below.
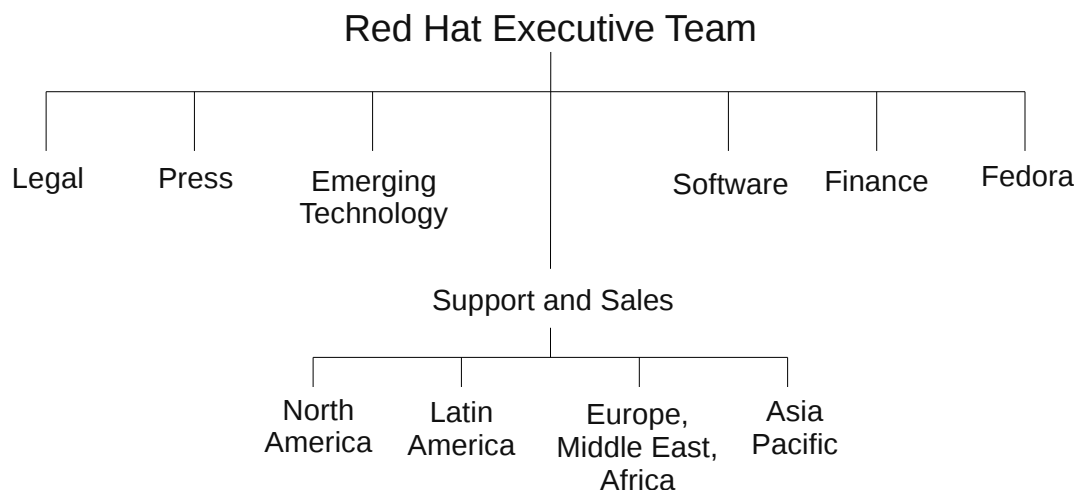
Red Hat Executive Team
- Legal
- Press
- Emerging Technology
- Software
- Finance
- Fedora
- Support and Sales
  - North America
  - Latin America
  - Europe, Middle East, Africa
  - Asia Pacific

Illustration 1: Red Hat company structure

The "top" layer, immediately below the Red Hat Executive Team, are functionally based around each major area of Red Hat's business; the standard legal, press and finance, supplemented by the Emerging Technology department, which specialises in research and development of Red Hat employee's ideas or internal projects, a department to work with the Fedora community and the main software department working on the code base.
The support and sales staff are split across offices around the world, located in the countries they primarily support and sell services to.
This hybrid model is stronger than utilising a purely functional or divisional structure, as it allows other functional departments to be added or removed easily (such as a Healthcare stack or a global Government based sales department) to respond to changing customer demands or FOSS developments, and the regional based divisional structure provides the best support for local business in a greater understanding of local business custom and language skills.
The inherent flaws of both the functional and divisional structures are not manifest in Red Hat; it is part of the working ethos that all employees are allowed to make suggestions, float ideas and work with others both inside and outside the company if they believe it will benefit the customer, improve the software or improve the process.
Since information is freely available between each section, and all employees have the option to provide input to any other area, conflicts, responsibility, co-ordination and diversity are all handled quickly and transparently.

Red Hat's Mission

Red Hat's mission as stated on their website is;

"*To become the defining technology company of the 21st century, and through our actions strengthen the social fabric by continually democratizing content and technology.*"

To achieve this, Red Hat sets the following as it's values;

"*Courage, freedom, commitment, accountability.*
We have the courage to challenge traditional ideas when we think we have a better one, and we have the freedom to act on our convictions. With this freedom we must always have the commitment to follow through with our goals. And we are accountable in everything we do to our customers, shareholders, partners, and the open source community."

The ultimate goal of the company however is stated as simply;

"*We don't want to kill our competitors. We just want to be the best.*"

Red Hat's Stakeholders

Red Hat as an international, open source based company has a differing mix of stakeholders to that of a "traditional" global company.
The stakeholders are listed in Table 2 below in order of relative importance.

Internal	External
Employees Red Hat Executive Team	Customers FOSS Developers Shareholders FOSS Users Partners Suppliers

Table 2: Stakeholders by relative importance (highest to lowest)

The "standard" stakeholders for a publicly owned company (customers, partners, shareholders, suppliers, board and employees) are supplemented by the FOSS community.
The FOSS community have a large influence in the direction of Red Hat as a company; the FOSS developers may not work on an area important to Red Hat's business, necessitating them to divert internal developers away from supporting their product line to developing new software. Similarly, if users of Fedora don't submit bug reports, feature requests or evangelise about Fedora, or shun Fedora for another product, Red Hat has lost important testing and publicity components for it's revenue earning products and services.
Whilst the FOSS community play a large and important part in the direction of Red Hat, it states that it's primary focus is on delivering the needs of the customer, regardless of the company hierarchy; "what's best for the customer is what's best, and chain of command comes second".
Red Hat's partners, including IBM, Dell, HP, Oracle and AMD, principally work with Red Hat to improve FOSS or to develop Red Hat's products and services for specific hardware,

such as Red Hat and HP's work on providing a high performance computing solution using Red Hat's software stack and HP hardware. In effect, by using FOSS, Red Hat is partnering with any company, individual or group who has worked on any software Red Hat uses in it's products.

Suppliers in the external list here refer to ancillary supplies, such as office supplies, food, insurance, contractors and items necessary in any business, and not to suppliers already mentioned (such as FOSS developers supplying software, partners providing hardware, etc.).

Internally, Red Hat values it's employees and their ideas the most; any employee can make a suggestion or float an idea for consideration. The most prominent example of this is the Emerging Technology group, where Red Hat's employee's ideas are expanded, tested or opened up to the FOSS community for further work. Employees are encouraged if they have "a good idea, run with it. Just ask. You'll get the support and the tools to do something new, something innovative. Thought of a great new application, a patch, a better strategy? Go make it happen."

Red Hat is a "*risk positive*" company, in that it will back an employee or a project, even if it may seem to be counter productive, duplicating effort elsewhere or a risky proposition. The Executive Team are there to ensure that the employee's expectations are met and their learning and involvement is encouraged, and that the customer's needs are being exceeded, rather than to micromanage all the aspects of the business.

Meeting the user's needs

Red Hat engages actively with it's customers and with it's users, by providing a variety of ways to request new features, submit bug reports, request support and update documentation.

From a customer's and partner's perspective, they work with a technical account manager at Red Hat who will provide initial support, take customer complaints and translate them into useful actions, advocate for their interests within Red Hat, submit bugs and feature requests to the software department and handle issue escalation on their behalf. The account manager is also expected to gather information about their customer's computing environment, such as network topology, hardware distribution, backup systems etc. to better provide initial support and subsequent follow up support.

For Fedora users and the FOSS community, Red Hat provides a primarily community supported feedback system, consisting of a bug tracking service, community edited documentation and forum systems, and feature requests for every release of Fedora. Fedora is in essence a test bed for RHEL releases; new features are added based on user feedback from both the FOSS community and Red Hat's customers.

A release of Fedora is then commented on, bug reports filed and fixed, documentation written and expanded, errors fixed and problems removed primarily by the FOSS community; the next RHEL will then be based on this Fedora release, utilising the accumulated knowledge and experience of the FOSS community to provide a well supported and stable software product for Red Hat's customers. Similarly, the results and feedback from the customers will feed into the next Fedora release, and the cycle continues.

Release schedules outline what features will be implemented in each release, and adding milestones to this schedule encourages bugs found in the testing releases to be fixed before the release date; Red Hat uses Bugzilla to track these bugs and generate milestone targets for these bugs to be removed, providing an accurate way to monitor which parts of the release are slipping or need more work.

Conclusions

Red Hat is not the average technology company; when it was conceived in 1993, it was utilising a radical new way of developing software, in the shape of FOSS.
Although the idea of sharing information freely wasn't new, it was unheard of that a commercial software company, which by definition is there to make money, could succeed if it's perceived major asset, it's source code, was freely available to anyone who wanted it.
Red Hat however did succeed in providing the best support services, complimenting it's FOSS based products.
Over the past 15 years, Red Hat has managed to successfully be both a profitable company and FOSS advocate and supporter, winning accolades from both the business community and the FOSS community for their work.
It is entirely possible that another company could provide better support, software and services using the work Red Hat has done and put Red Hat out of business; as is stated on why they use FOSS in the first instance, they think that the benefits using FOSS drastically outweighs the possible loss;

"... the open source model often builds higher quality, more secure, more easily integrated software. And it does it at a vastly accelerated pace and often at a lower cost.

The open source model is built on the premise that companies like Red Hat must consistently serve customers through extraordinary value, performance, and ease of integration and management. Or they can choose another vendor."

References

Company information was taken from www.redhat.com between 27/11/2008 and 05/12/2008.
Profit information was taken from Google Finance, http://finance.google.co.uk/finance?fstype=ii&q=NYSE:RHT, on 04/12/2008.
Bugzilla, bug tracking database information, www.bugzilla.org, on 04/12/2008

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Reflective Statement

<u>What did I do well in relation to this subject?</u>

1) I was able to thoroughly research an organisation that does not conform to the taught management theory and present the findings in an informative way.
2) Work well with my peers in a fake management setting.
3) Understand that parts of management seem to be self perpetuating and self fulfilling, seemingly not contributing anything useful to a business.

<u>What did I not do so well in relation to this subject?</u>

1) Understand the purpose of this module in relation to business in any meaningful way.
2) Keep spotting management buzzwords from the year 2000.

<u>What have I learnt from this experience?</u>

That I will hire in a management team to do this work in future projects to preserve my sanity and let me concentrate on engineering and software problems.