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Integrative Thinking: A 'Deep Dive' with Bob Young

The *Rotman Integrative Thinking Seminar Series* resumed in September, with **Bob Young** (BA '76), founder and CEO of **Lulu Inc.** and co-founder and former chairman and CEO of **Red Hat Inc.**, making a record seven appearances at the School throughout the fall — the first-ever 'deep dive' into an integrative thinker's approach to business. A group of 10 second-year MBA students followed the series for an independent study course examining how entrepreneurs like Young think.

Young kicked off the series by discussing his early days, when he worked out of his wife's sewing closet to get his first venture — a Unix software catalogue — up and running. A few things soon became obvious to him: that every single person who used a computer needed an operating system for it; that 486 computers required a better operating system than the ones currently available; and that one of his suppliers' products (Red Hat co-founder **Mark Ewing**) was vastly outselling the rest of the products in his catalogue.

Young offered to buy all the soft-

ware Ewing had produced — 300 copies — and quickly developed a better way to sell it. The two joined forces, and the company morphed into Red Hat Software and then Red Hat Inc. The rest is history: Red Hat went on to become the world's most trusted provider of Linux and open source technology.

The decision to give Red Hat's software away for free on the Internet was an easy one for Bob, who recognized that there was money to be made supporting the software — though his staff wasn't convinced at first. "Unix is a highly-modular architecture, with updates coming at a fast clip — sometimes three per day. Organizations couldn't keep up with them, so firms like **Merrill Lynch** wouldn't use our product unless we offered them some serious support," he says. "If you have a Ford, you can get it fixed by any dealer — but a Ford dealer knows the product best."

His approach to business is simple, says Young. "Basically, I spend too much time daydreaming about the future. What I saw was that the shrink-wrapped CD approach would make more money today, but that the 'free' approach would do better down the line, because

we would have captured more of the market."

Successful business people ask the right questions, he says. "They've seen patterns develop over time. They understand customers better than the customers understand themselves." Why take the risk of starting up a new business? "Because big corporations like **Microsoft** are already doing everything they can do," he says. "Smaller companies can switch directions regularly — and are better for delivering customized solutions."

Young left Red Hat in 2000 to start Lulu (www.lulu.com) — a North-Carolina-based marketplace for digital content including books, images, and music, where 80 per cent of the royalty goes to the creator. "Basically, it's publishing without a middleman," he says. Lulu's revenue model is based on receiving a percentage of content purchase as well as fees for a line of planned additional services, such as editing and formatting.

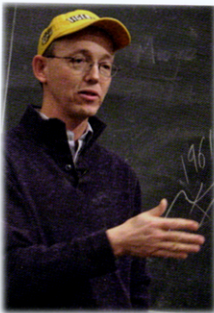
Lulu isn't his only current venture: on October 7th, it was announced that Hamilton-born Bob had bought the **Hamilton Tigercats** CFL football team. "My biggest challenge will be

reconnecting the community with the franchise," he says. "The Ticats have a solid core of fans who attend games, but we need to branch out into communities like Oakville, Burlington and St. Catharines and create a buzz about the CFL in those areas."

Defining how successful entrepreneurs think is tough, he says, because each one is different.

"In the end, it's not about what you do, it's about *how well* you do what you do: the people who execute best win."

—by *Karen Christensen*



Bob Young