

MATTHEW SZULIK

ORAL HISTORY

COMPUTERWORLD HONORS FOUNDATION INTERNATIONAL ARCHIVES

Transcript of a Video History Interview with
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Chairman, CEO & President,
Red Hat

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DSM: Let's start with the basics. When were you born? Did you grow up in New Bedford?

MS: I did.

DSM: Tell me about your parents and what it was like growing up in one of the more famous whaling towns in the whole universe.

MS: I was born in November of 1956. I'm a Sagittarian, which may explain a lot of my pursuits. I'm the hopeless romantic. Growing up in New Bedford was a tough place. My father was a chemical engineer, which is a very interesting story because he was a graduate of North Carolina State University, class of 1938. As you know, we are sitting on the campus of North Carolina State today. So what serendipity that I would marry a woman from North Carolina, whose father was the retired Dean of the School of Design at North Carolina State, who designed the campus of which Red Hat's buildings and headquarters are now located on.

DSM: Your father-in-law designed the Centennial campus?

MS: Right, and he and my dad were in the class of 1938. So the serendipity of all of this is really quite remarkable.

Back to New Bedford, when I was growing up it was your classic old New England town filled with immigrants. I grew up in an immigrant neighborhood. When I took my son home with me, he had never seen a three family home before. So that was new. We called those tenements growing up, but you don't see those unless you are part of an inner city these days. So I grew up with a house that had three families living in it. I was a Polish kid growing up in that kind of neighborhood, and growing up with an immigrant family. So I had a chance to watch and learn from people who had a wonderful love for America.

DSM: Were there lots of kids in the neighborhood?

MS: Lots of kids, we played stickball, all those classics. I remember listening to the Red Sox, Curt Gowdy, Ken Coleman. At night I watched my uncle sit on the porch stoop as they called it, drinking Narragansett beer on a hot summer night. I was a seven, eight year old kid sitting down and being enraptured by the sound of those voices.

DSM: While doing my research I found a Matt Szulik who had worked for C.E. Beckman company, and had retired after 73 years. He's your uncle?

MS: He was my uncle.

DSM: How many of these brothers were there?

MS: There were five. That's a great story. That man worked in the same job for 73 years. He said he never had the three biggest headaches a man could have. He was never married, never had children, and never drove a car. He had traveled all over the world and until he died, lived in the house he was born in.

It's a great story. He worked on the waterfront at a marine electronic supply store called C.E. Beckman. He was a great gift to me, to have a chance to grow up with a character like him. I think he really was a very positive influence on me just about having a need to laugh and not taking life too seriously.

DSM: So did he let you play with radios and things?

MS: Yes. He was a big gambler. He would go down to the local bookie, which they don't have anymore, and he would bet five dollars, or ten dollars, have a Narragansett beer, and always bet against the Boston sports teams, which broke my heart (laughter) broke my heart! I don't know why. To the day he died he never really explained why. He just did not like the Boston sports teams, whether it was the Celtics or the Red Sox – he was quite a colorful man.

DSM: Did you go to grammar school in New Bedford?

MS: I went to parochial grammar schools, and got a good formative experience there. Growing up in a mill town, in a manufacturing town filled with ethnic kids, it was a great orientation to the diversity of life and understanding how diverse life can be.

DSM: I was a November child as well, and for me that meant I was almost seven when I started school, and I remember very distinctly things like learning to read. Did you read before you went to school?

MS: I did. I did. I did. I don't have negative experiences with school. My neighbors were plumbers, and I remember getting commuted to school from my neighbor's plumbing truck. You know, you pile on five or six kids in the back inside of the truck because that was the only way to get to school.

School buses back then were not as popular as they are now. I just remember the collegiality of it all, and the toughness of it all, having to deal with difficult circumstances.

DSM: Did you go to high school in New Bedford as well?

MS: I went to high school in Fall River, another...

DSM: ...famous place. What was that like, favorite teachers, experiences?

MS: High school wasn't necessarily formative for me. I traveled about 45 minutes each way. New Bedford did not really have a strong public high school at that time. So I tried to pursue a higher quality education, and I commuted 45 minutes each way in a very small van. In hindsight I think that limited my access to a lot of things had I gone to school closer.

DSM: This is your dad, your mom, driving this?

MS: I actually commuted in a van, a small van. I can remember being the only freshman in the van my first year. That was not a good position to be in, not a good position. The rights of initiation were very difficult for me.

DSM: Were there teachers that you remember from this period that made a difference?

MS: Actually during that period in my life, there was a very successful basketball coach in New Bedford by the name of Jack Nobrega. Jack was an old school basketball coach who took one of the smallest high schools, Holy Family High School in New Bedford, and year after year, had it compete against the Division One schools like Durfee High, which was one of the big, better high schools in the state, or New Bedford High. These were schools that had thousands of kids. Holy Family High had less than 200 kids in the entire school. Jack Nobrega repeatedly was in the finals or semifinals of the state basketball championship. He and his wife befriended me, and were a tremendous influence on me in my high school years.

DSM: So you were a basketball fan before you came to this hotbed of basketball?

MS: I was, I was. But the real ticket for me in New Bedford, Mass., were two things, and seeing that I have 25 years of posterity on this – when I mention that growing up in New Bedford was tough, my mother suffered from a very difficult disease known as lupus. She had an incredibly formative role in my life because she used to be a professional model. She was that Katherine Hepburn, 5-foot-10, 6 feet tall, beautiful, beautiful Irish woman, with that ruddy complexion, good looks. Right after she got married, she came home one day and thought she had a bad sunburn, and it turned out to be the early stage of this disease called lupus.

So the irony is that I eventually went to school on an athletic scholarship, which was golf. She had never seen me play because one of the hazards of lupus is you become allergic to the ultra violet rays of the sun. So there was an odd twist of fate there. But she reinforced with me the importance of living every day. So when you see this central figure in your life who one day had everything going for her - she was on the covers of magazine, just a very beautiful woman - to all of a sudden have all of that taken away without any warning and then you notice the impression she made on me. She taught me about living life to the fullest, and treating people that way, most important, treating people with respect every day. That was a very, very formative period of my life. When she became infirmed during my high school years, Jack and Barbara Nobrega were very, very influential on me during that period of time.

DSM: Did you have brothers or sisters?

MS: I have an older brother and an older sister. My older sister has been living in Asia for the last 14 years, and her husband is a retired IBM executive. My older brother lives here in Raleigh.

DSM: What were your first jobs when you were in high school or growing up?

MS: The job that I have referenced to people that was incredibly formative on me was, my father took me to the private golf club when I was 8 years old, and dropped me off at the entrance. He said, "Tell the man at the end you wanted to caddy." I didn't know anything about anything. I sure didn't know anything about caddying. In his own way my dad explained to me that golf was a good game. It is a game that you can play for a lifetime. You can earn some money and be out of doors. So I remember walking that long road to the private gold club and finding the caddy master, and I was a scrawny little kid...

DSM: You were 8?

MS: I was 8. I remember it just like yesterday. I sat on the wall waiting for a caddy job the entire day. And I remember walking all the way back out at the end of the day and my father said, "So how did you do?" And I had tears streaming down my face. I can remember saying, "I didn't eat lunch. I'm so hungry. I wasted my whole day." And he said, "That's okay, you'll get a job tomorrow." It was an old school lesson. I went home to my newspaper job. I was delivering newspapers. So I think my father made a very good decision to encourage me to participate in a sport that I think he understood in his own way that is a portable sport, a game for a lifetime, and one that I really developed a love and an attraction for.

DSM: There's a great movie about that called *A Gentleman's Game*. Have you ever seen that?

MS: No.

DSM: Oh, it's great. It talks about precisely what you are describing, young kid learning about golf and trying to make a living at it.

Okay, early technologies. You were born in the 1950s and were watching television in the early 1960s?

MS: It was black and white.

DSM: 1963, you would have been 7 years old when John Kennedy died?

MS: That's right.

DSM: Do you remember that?

MS: Yes, and JFK being assassinated.

DSM: Where were you?

MS: I was in my living room of my home. My mother was crying.

DSM: A Catholic family..

MS: Absolutely, and just crying and all of the hysteria that came with that, especially growing up in Massachusetts. So it was profound, the impact on the local community.

DSM: It was that way in Virginia. I was in college. I can only imagine what it must have been like in Massachusetts.

Did golf take you to Saint Anselm?

MS: It did. Golf was a way to get out of New Bedford, Massachusetts. It became increasingly poor as the mill towns and the manufacturers began to shut down. There was little opportunity. So golf was a good way to get out, and I seemed to have developed a capability, and earned a scholarship to place in Anselm.

DSM: What did you shoot?

MS: I was pretty good back then, pretty good.

DSM: When did you know that you were going to be good at golf, and was there somebody that brought you along?

MS: It was like many things you develop a passion for, it was out of doors, all the things that my dad had predicted came true. You could play outdoors. You didn't have to have a dependency on other kids to play. I met incredibly large numbers of nice people. I had a chance to travel, which for a kid from New Bedford was a big deal. You grow up in the northeast and you think there is a large fence around the state of Massachusetts.

DSM: Isn't there?

MS: I don't know why that happens. So I did not want to be one of these kids who stayed in New Bedford. Most of the kids I grew up with are either working on fishing boats now or they are in jail. It was that kind of place. So golf gave me access to a whole world that I just didn't know existed.

DSM: Manchester is just like a jewel.

MS: Now it is. It wasn't then.

DSM: So what was it like?

MS: I don't know. I didn't get a chance to see much of it.

DSM: Because of your golfing?

MS: No, no, I was trying to get a college degree. I was playing college basketball, and played college golf. I guess from the upbringing that I had, I developed an aptitude early that I wanted to get out of college. I wanted to study medicine. I entered school and graduated with a science degree. So between studying, having a real major, and competing in intercollegiate sports, I didn't have a lot of free time.

DSM: Your degree was in science?

MS: Science, Natural Science.

DSM: So you graduated in 1997 or 1978?

MS: 1978.

DSM: So first real job, newly minted science graduate from a Benedictine college of 2,000 students, what did you think you were going to do, and then what did you wind up doing?

MS: That's probably the only regret I have in life, is that I wish I had applied myself harder and gotten into medical school. 1978 was a tough time for a kid to be applying to medical school. I did not get into medical school, and it certainly gave me the impetus to reflect on things I could have done differently in my life.

I was very fortunate. I was hired by Gulf & Western Industries into a corporate training program. I'm sure many people don't remember Gulf & Western Industries anymore, but it was the king of the conglomerates run by Charles Bluhdorn, God rest his soul. I was a young kid. I was 21 years old. You were assigned a vice president and you worked with him in one of the divisions for two or three months, and then they rotated you into division after division to get exposure to finance, to get exposed to marketing, to get exposed to other disciplines. Then after 18 months they would put you in a full time assignment.

DSM: So you had all that exposure. Did you find them, or did they find you?

MS: They found me. They found me through on-campus recruiting.

DSM: Do you remember who your first boss was there?

MS: I do. His name was George Lillis. He made me grow up in a hurry. George was just was a tremendous sales executive. He had great powers of persuasion. He taught me a lot about the importance of communications skills. He was one of those classic sales executives that did not know what “No” meant. He always looked for new, oblique angles to get around problems. He was a very creative guy, and for a 21 year old kid who didn’t know anything about anything, he made a very big impression on me.

DSM: So you were 21, about how old was he?

MS: He was about 50.

DSM: And you became a salesman for this company?

MS: No I just got attached. I think he saw this very green kid who didn’t know anything about anything, and he spent that next year sort of shepherding me on the harder issues of life

DSM: I didn’t know about Gulf & Western. I did know that you went to Exxon.

MS: I did.

DSM: Was that after...

MS: That was after Gulf & Western.

DSM: I know Exxon because of early on they called a product the “Intelligent Typewriter.”

MS: That’s right, Qyx. That’s very good. That’s the division that I was with!

DSM: Are you kidding?

MS: That’s right.

DSM: Okay tell me how you got hired, and for graduate students 300 years from now, describe what this was.

MS: This is a wonderful story. This goes back to the caddying story. You remember the oil embargo in the late 1970s. Exxon was the worlds largest oil company, and you may recall that they were on the cover of *Business Week*. They showed the Exxon tiger, and I remember clearly it said, "Exxon's next prey: Xerox and IBM." Exxon was trying to diversify out of the oil business. One of the ways they saw doing that was creating Exxon Enterprises, which created somewhere close to 30 to 40 very successful technology companies. Zilog, which was the developer of the Z80 microprocessor. Qwip, which was the first facsimile machine. Videk, was the first full page word processing product. Qyx was the very first communicating typewriter.

I had always had an interest in technology and things that were scientific. Exxon went out and when they started to build their business they started to hire ex-IBM executives to come in and lead these divisions. As an undergraduate I interviewed with IBM. IBM had suggested that I take a selling job in mid-town Manhattan as a salesperson for their office products division. I eventually turned that down. I didn't think that I had the wherewithal to exist in mid-town Manhattan at the age of 21. So I decided on Gulf & Western. But a year went by and I saw growth in the technology industry. Wang Labs, Digital Equipment, there was all this activity, very similar to what was going on in 1995 and '96, and it was happening in Massachusetts.

I was in Chicago at the time working for Gulf & Western. I had called one of their regional managers and enquired about a sales position. He repeatedly told me, "Forget about it. We're not hiring kids." So it was late on a Friday afternoon, and after four or five months of trying, I contacted him yet again. Part of it was homesickness. I wanted to get back to Massachusetts. I was in the middle of a horrible winter in Chicago. It was one of the very, very bad winters that cost then Mayor Bilandic his job because the snow removal was so horrible.

DSM: Coming from Massachusetts, it must have been a bad winter.

MS: I had never seen snow like that before. I was driving a car that had no reverse. As a trainee I had, I'm sorry this story is going to bore a lot of people, but I had no money. I bought a car that had no reverse. I remember telling my wife about that. She said, "What did you do on dates?" I would park very far away in big parking lots and I would tell dates that I wanted the exercise.

So I called up this regional manager and said I would be front of him the next day. I was going to hop on a plane and have him make that choice at that time whether I was qualified to sell for him. I had no money. I remember the only flight back to Massachusetts in Boston was a first class ticket. This was an all or nothing. This was the Hail Mary. When I got in front of him it was quite funny. He was an ex-basketball star in Massachusetts. I didn't know that. He was about 6 foot seven, six foot eight inches tall. So when we met we were very close in height.

DSM: Do you remember his name?

MS: Jack McGloin. He was a cult figure in the technology business in Massachusetts, in the sales and distribution side. He gave me a really hard time in the interview, really roughed me up a little bit. At the end of the interview I remember him saying, "Listen, if we can come together I would like to figure out a way to get you a trainees position here. When can you start?" I said, "I think you are moving too fast. Let me think about it." (Laughter.) He was very upset. I remember this very clearly. When I eventually took the job he gave me the worst sales territory in the district.

DSM: Where did he send you?

MS: He sent me to Roxbury, Massachusetts.

DSM: You were selling?

MS: That's how I started, with the Qyx electronic typewriter, which I had no experience with.

DSM: Tell me, was there training to sell this thing?

MS: No.

DSM: Again, this is a world that most people don't know anything about, and 300 years we know they won't. So tell us about his experience.

MS: They gave me a black typewriter and a carrying case, very similar to luggage you would use to carry on the airlines now. I had never done this before. I can remember Jack taking me through the streets of Roxbury, Massachusetts, which is a very difficult place, very low income place. It was tough. I remember him taking me through the streets and saying, "All this I yours." I didn't know very much about anything. I looked up and saw these buildings, and said boy this is great!

Of course in those days it was door-to-door. Nowadays that stuff doesn't happen as much. So I am lugging this black typewriter around with this Exxon business card, and of course most people think of Exxon and oil. I was trying to show people a communicating, one-line display electronic typewriter. It was a very competitive sales office. I'm now with real professional people. This was not a hobby for them. This was their family's income. There were all of the challenges that come with that as a 22-year old kid who knew nothing about anything.

DSM: Do you remember your first sale?

MS: I do.

DSM: Who did you sell to?

MS: Donald Freeman who was an attorney. I still have the sales order.

DSM: My first sale was to Bill's Barbeque. I was in advertising. I know exactly what you're saying.

So you became product manager for Unix systems within Exxon?

MS: I did.

DSM: So not Unix system, but a Unix division within Exxon. So this was your first exposure to product management, but the whole Exxon experience was your first exposure to information technology.

MS: That's true.

DSM: So what were you doing as product manager, and describe that division.

MS: During that period of time Exxon eventually had merged three of its large divisions. We had described them earlier; Qwip, which was the facsimile division, Qyx was the typewriting division, and Videk was the large word processing company. In total there were somewhere close to 1,500 to 2,000 salespeople that they were going to merge together. They selected me to go around the world and to lead a group of people to technically cross train these salespeople on how to sell these technologies to the enterprise marketplace.

How I got selected to this day is beyond me, because once again I was just very young in the job. So getting I was getting exposure on the integration effort, getting people to collaborate, work together as teams. Most people were coming from large companies like Xerox and IBM. Some how the management of the company at that time saw that I did things creatively, or thought I had a technical orientation through the instruction style that somebody identified and thought I would be pretty good in product marketing and product management. They thought I was technical, understood the role of the customer. So they promoted me at the end of that experience to be a Product Manager for Unix based applications.

DSM: At that time Xerox and IBM were known for the intensity of their training.

MS: That's right.

DSM: And you had come out of an environment in which you were given a box and told to sell it. Do you think you were successful because of your basketball experience? Where did this talent come from?

MS: New Bedford, Massachusetts. It was either get out or die.

DSM: Okay, enough said. Let me ask you about the influence of the ex-IBM managers who were brought into Exxon, how did that impact the entrepreneurial spirit?

MS: Exxon Enterprises had invested in some brilliant technologies. Verbex is another name that comes to mind. Verbex was one of the very first voice recognition companies. Zilog, which I mentioned, is still a successful microprocessor company. The Unix based product that I managed was one of the first companies that took the AT&T, Bell kernel, Unix kernel and created the Unix operating system. There was no shortage of brilliant R&D capabilities in the Enterprise group. But somehow they got it into their minds that if they were going to build a professional entity they were going to have to go out and get professional managers, and in doing so recruited quite heavily from IBM. So these IBM managers came into this wild west entrepreneurial culture and immediately smothered the culture with a lack of entrepreneurs, and with process, with reports, with meetings, all the things that you would suggest brought an encumbrance to what was a very fast moving and entrepreneurial environment. It ended up killing the entity.

DSM: We were also talking earlier about some of the other people of that generation who managed to escape.

MS: These were the days of Wang Laboratories, Prime Computer, Data General, Edwin DeCastro, guys that came out of that era. Joe Tucci came out of that era. John Chambers came out of that era. Many tech executives today, if you trace their work history, I bet those of us who are 50, or approaching it, or slightly older, you will find that they have some lineage. Ed Zander worked for Apollo Computer during those days.

So that was a that time where you really learned how to hustle. You got exposed to wildly creative people. There was nothing in front of you except your imagination. There was nothing standing in your way if you had the drive and the initiative and the creativity to do interesting work.

DSM: That was a tremendously exciting period.

MS: Absolutely!

DSM: But you seem to have enthusiasm about what you are doing now.

MS: This is a special opportunity I am involved with now.

DSM: We talked a little bit about, when we were going through your childhood, about your interest in technology. Did this come from your dad and your uncle?

MS: It clearly came from them, and I also think that as I mentioned earlier about my mother, being exposed to physicians weekly, I think I developed a strong influence in the sciences and that area.

DSM: Any stories about you as a child that were sort of precursors of what was to come? So many of the people that I have interviewed were in their youth, just wonderfully bad kids, blowing up things, or electrocuting things, getting into trouble or doing wonderfully experimental things. Are there stories told around the able about you as a child?

MS: If the stories were to be told, they would be around initiative and drive. I'm not sure it was necessarily it was creatively electronic or scientific at that age. It was initiative and drive. I always had a job. I was always working. I was always involved in sports. I always had an eye to the future.

DSM: Your first trip to North Carolina, I know your dad had gone to school here, had you been to North Carolina with your dad? Or was your first trip when you went to Sapiens?

MS: The real life changing experience was meeting my wife Kyle. I had just won a sales award, and at the time the regional manager said, "Why don't I take you out to dinner to recognize your achievements, and oh by the way, would you like the new receptionist to join us?" So he took us to Jimmy's Harborside that night. For those who are Bostonians, they know it.

I remember halfway through the meal he got up and said he had to go to the men's room. That men's room visit was about a two-hour visit. That was truly a life changing moment for me. I have been married now for 24 years to that woman, and we have three children. There was no doubt in my mind that if I had not married that woman I wouldn't be sitting in front of you right now.

DSM: You married her two years later?

MS: Two years later. We were married in 1981.

DSM: You have three children, is the oldest a baseball player?

MS: The oldest is a 19-year-old. She's a freshman at Elon University here in North Carolina.

DSM: In Burlington, I know it well. So when you came to work with Sapiens International in Cary, that was sort of a double homecoming in a sense for you and your wife. Tell me about making that decision.

MS: I hope I'm not boring you with these stories.

DSM: No these are great stories!

MS: Five weeks after the birth of our third child, my wife was diagnosed with a rare form of meningitis. It was one of those situations where I was working with the Greylock Company, that we had just taken public. On paper you have a degree of wealth that you say, "Boy this is wonderful." And I am sitting in the intensive care unit at Albany Medical and the physicians are asking me how my life insurance is. It was at that moment that I made a phone call and told that the people that I was with that I was going to move. My wife is from Raleigh, North Carolina and I was going to pick up and leave my position and move to Raleigh. When this whole episode regarding her health cleared up I was going pick up and leave.

I didn't have a job. I didn't know anybody. She was from here certainly, but professionally I didn't have any relationships here at all. The strangest thing happened. I got a phone call from Tel Aviv, Israel. Out of the blue. I don't know anybody in Tel Aviv, Israel. There was a company called Sapiens International that was a successful IPO that developed mainframe application development tools. They had gotten themselves into some financial hot water, and there was a subsequent class action lawsuit for defrauding investors. One of the founders of the company said, "I understand you have skills that can help us. It's a turnaround. It's a troubled situation, but I understand that you can help us do this." I said, "I don't know very much about mainframe computers." He said, "That's okay." I said, "Where is your business based?" He said, "It's in Raleigh, North Carolina." I'm up in Troy, New York.

So this was my first experience at general management, getting involved with a turnaround, with a company that is based in Tel Aviv, Israel, and I had an opportunity to do work here in the Triangle by pure fate, by pure luck.

DSM: And you were closer to the university hospitals here.

MS: That's right. The decision to come down here was to be close to my in-laws. I was traveling over to Tel Aviv every six weeks to help out this management team and these founders restore their reputation and get this company back on good footing.

DSM: What an extraordinary tale!

MS: Unbelievable, for a kid from New Bedford, Massachusetts to get a chance to see the Middle East and to see the wonderful nation of Israel up front, with Israelis.

DSM: And at that time!

MS: Absolutely.

DSM: So you were with them for how long?

MS: I was with them for about 18 months, and her illness recurred. I retired at that moment from that experience and took a year. I spent a year with her.

DSM: She came through?

MS: Not really, not really.

DSM: It's a terrible...

MS: It is. It is. So I did that and did some work for a very successful family here in North Carolina, the Spangler family. Their daughter, and her husband Tom Nelson have a very successful venture capital fund here. They asked me to do some research and due diligence on that. I was helping them with one of their portfolio companies when my friend Bill Kaiser had phoned me about Red Hat.

DSM: Tell us about Bill Kaiser.

MS: Bill Kaiser is a very successful venture capitalist from Greylock out of Boston. When you ask about people who have had a positive experience on me, and a formative experience on me, certainly Bill would be right up there. He is just a fantastic human being and a brilliant technology investor.

When I was in Massachusetts I spent a lot of time at MIT and listened in to some of the lectures, particularly to Richard Stallman regarding Open Source software and Free Software. People thought that I was crazy, but I would make predictions about what I thought it could be, etcetera, etcetera. This was way before 1995. So Bill called me and said, "We're thinking about making an investment in this company called Red Hat. It's that free software stuff you like. It's got some crazy young kids there working. I think you would get along really well with crazy people." He said, "Look we would feel much better if you took a look at this opportunity for us, and maybe you might want to get involved with it. Would you mind meeting one of the founders?" The founder was Bob Young.

DSM: So Kaiser calls, you meet Bob Young, and you've been through an extraordinary career, because we haven't talked about all the others. It's so diverse, from Exxon to Sapiens, to MapInfo, and Interleaf, which is desktop publishing, back up to Relativity Technologies here. These are turnarounds, these are companies that make money in the traditional way. How did he explain to you about making money off free software?

MS: They didn't. First of all my recruitment to Red Hat was a very funny story. This was subsequently published in the *Wall Street Journal*. The decision to come to Red Hat was really my family's decision, not mine. When Bill called me, and after meeting Bob Young, which was an interesting story unto itself, I came and said to my family, "This will be a 7 day a week, 24-hour-a-day job. This is an opportunity to redefine an industry and to really do great things for our state of North Carolina, because I do believe if successful, it will irrevocably change the relationship between the customer and the software developer." So in making the pitch to my family that it would be 7 days a week, 24 hours a day, the view was that everybody had a vote.

There are five of us in our family and I would not do this unless I had their support because of the challenges that our family has been through. So everyone agreed that it would be a good thing for me to do except my son Brendan.

DSM: And he is how old?

MS: He is a 16-year-old now. He wanted to meet and interview Bob Young himself. I went to Bob's home on a Sunday afternoon and my son Brendan, a 9-year-old boy, sat for two and a half hours with Bob Young, interviewing him on my future to come to Red Hat.

DSM: You were there, right?

MS: I was not.

DSM: You were not?

MS: No, I left him alone. I was on the trampoline with Bob's three daughters.

DSM: Are we betraying any confidences if I ask you what questions were asked?

MS: I think he wanted to know a lot about how this man was going to treat his father. I think he asked a lot of insightful personal questions that, even to this day he has not volunteered a whole lot. A year later Bob Young just said, "Keep an eye on that kid. He's a smart kid." Afterwards we went and got ice cream and he said, "Dad, I think you should do that."

Right after I had joined Red Hat, there was a *Wall Street Journal* writer named Bernie Wysocki who contacted me. I told him the story and he didn't believe it. He said, "Come on, you tech guys, you jump from employer to employer for a buck." I said, "Why don't you investigate it?" So he subsequently wrote the article. If you go into the *Wall Street Journal* archives you will see it. It's really a tribute to my family more than me, because without their support I wouldn't be here.

DSM: A great tribute to your family and also to Bob.

MS: Yes, Bob did something most entrepreneurs didn't do. I am glad you noticed that because Bob from the day I came to Red Hat, said to me, "I don't know how to do this." When I joined Red Hat it was a magazine publishing business. To your question about how to make money out of free software, it was publishing magazines.

DSM: Describe Red Hat.

MS: In 1998, '97, the company was publishing a magazine. Bob would put a Linux CD in the back of the magazine, and it was called Red Hat. The name Red Hat came from one of the co-founder's grandfathers who wore a red lacrosse hat. There is no significance to the name.

So Bob and Mark were the founders. Bob was the magazine publisher. Mark was somewhat of a technologist. They would take code off the Net, put it on a CD, label it Red Hat, put it in a magazine and sell it. That's when I joined the company. I came with the investors, which were Benchmark out of California, and Greylock out of Boston.

DSM: So it was a subscription in a real different sense of the word?

MS: The subscription was not applied to the business model at that time.

DSM: Well, you were subscribing to the magazine.

MS: That's right.

DSM: So describe what you were brought on to do and the challenges you faced doing it.

MS: It was unbelievably wild when I came here. It was filled with young kids. Bob is a great entrepreneur. He has an idea a minute, but you might imagine a 40-person company filled with mostly 19 and 20-something year old kids who were being paid to do their hobby. There was no expectation of building a commercial enterprise, or being a publicly traded company.

There was a great deal of contempt when I walked in the door, because the view was, "Here comes the guy who is going to screw this up. Here comes this capitalist who is going to force us to make money. This is Open Source. We just want to have a great time."

DSM: You were the IBM corporate guy.

MS: Absolutely!

DSM: This is unbelievable!

MS: I was the bad guy, everything is going to get screwed up now. It was kind of funny because the first challenge that Bob had given me of course was, "How you going to get these people to buy into you?" These were kids.

DSM: How many of them were there?

MS: There were about 35 or 40. The customer support department was my first eye opener. These guys were playing with model HO cars, the ones you put on tracks. And I would be watching them doing this all day. I would say, "When do you find time to service the customer?" They would say, "Don't worry about it. Don't worry about it." Boy that's different.

I have told this story many times and I hope I don't offend anybody by it. When we were raising money, going the venture capital route, Michael Dell's organization came in. The guy who was running customer support came in with a t-shirt that said, "I'd rather be masturbating." So I've got Michael Dell's executives sitting around the table thinking about investing in us, and the manager of customer support is sitting across the room has half his hair blue, and this t-shirt. This was 1998. This was very common.

DSM: I was going to say, in 1998 that could be an asset.

MS: It was considered to be cool and hip. My hair by the way was not this short. This was something this company did to me was to shave my head. But that was the attitude. It was very young kids, very creative kids that didn't really have an expectation of commerciality.

DSM: And I think of you as being very young when you were doing this. You were in your early 40s.

MS: I was very young, very young. I used to be young, now I'm old.

DSM: Yeah, right. So you were there a year when you did the IPO?

MS: Right, I was there for a year. It was very easy to see during the frothy times of the NASDAQ that we were on a sprint to figure out how fast we could commercialize the entity, and knowing that if we could take the company public that it would give us the opportunity to be able to potentially sustain the business for an extended period of time, years hopefully.

In doing so, Bob was willing to go out and be the great advance man. I called him “The Great Communicator.” That allowed me to do all the behind the scenes activity, get the bankers, and get the company ready to go public.

DSM: Was there a moment in this process, a deal that was cut, a meeting that was held, a decision that was made, when you knew it was going to work?

MS: Not until just recently. (laughter)

One of the most brilliant things that happened to me was Bob Young’s decision, as I mentioned earlier he said to me, “I don’t know how to do this. So you just tell me what you want me to do and I will be fully in support of you.” That is highly unusual for an entrepreneur to take that position, especially with his company. He put trust in me, and subsequently the management of the company, to build this venture that he remains very passionate about. It was very unusual, and I think in many ways Red Hat is around today because of that decision. I think Bob’s confidence to not be meddlesome, to not stick his nose in areas that he knew very little about, to get involved in international expansion, to take the company public twice, to really be highly supportive and be a positive influence on that transition. I remember being on the trading room floor on the day of the IPO, and I remember Bob looking up at me saying, “Look at what you have done to my nice little company.” I could hear a little bit of melancholy in his voice, because it was gone. That cute little company in Raleigh that was a lifestyle company, and people could come and go as they wanted, and if the lights went on it was great, it was all of a sudden becoming, rapidly becoming a mature business.

DSM: There are some great stories of people who ran stock prices up in that period. Your stock price went up to what, \$140, \$150 a share?

MS: Yes. I didn’t like that period very much. It was a very difficult period for me because everybody was selling out. The guys who recruited me decided to pick up and leave. So the capitalist, the guy who was coming in to screw everything up, the guys who accused me of being a capitalist, were the guys who sold their stock and left. So now the grown-up is the only guy who is left.

DSM: But the big difference is, you actually made a profit. By June of 2001, unlike so many of these companies that ran their stock prices up and went bankrupt, you actually figured out a way to have a positive cash flow.

MS: I still took care of the money.

DSM: Tell that story, why were you so different. How did you manage to do that in a period in which so many people were just taking people' money, selling out and escaping into the woodwork?

MS: One of the more compelling ones is the vision for the long term, which was I think part of my reason for joining Red Hat. I think when you look at geographic and economic development over the last 25 years, 35 years, if you look at the Pacific Northwest, the economic development that has taken place in and around Seattle, and the technology business can be attributed to what Gates and Ballmer have done for Microsoft and the jobs they have created. If you look at the Bay area of Northern California, you look at the great work that Intel and Fairchild did.

Here it was very clear to me that here in the state of North Carolina, you had a fantastic university system, just a great public university system. You had an opportunity to recruit a very young and competent and able workforce. Our opportunity for Red Hat was to build a defining company here in the Southeast, and do for this part of the world, which had not had that kind of commercial technology exposure, the publicly traded entity, of global proportion. I believe that we could do that here, and create the economic opportunity for our community, the same way Microsoft did it for Seattle, and Intel and Fairchild did it for the Bay area.

So that was always the driving vision of me coming to Red Hat. It was not doing something and selling out in 15 minutes and getting a house on an island. That was not very interesting to me. So Bob and the company were willing to fall into that. Then of course when the stock hit \$300 it was a great leadership challenge because as people were exiting and selling stock and showing up the next day with Porsches and telling friends about buying real estate on the coast, a large part of the workforce was looking at me and saying, "When are you leaving? You're equity is worth something. When are you out of here?"

DSM: What did you say?

MS: There was no decision. It was the easiest decision. I'm here. We're going to build the defining technology company of the 21st century.

DSM: Why do you think they believed you?

MS: I never knew if they did. It was just something that I voted with my actions, and voted with my presence as opposed to my feet. I've continued to remain here and do those kinds of things, and hopefully recruit quality people, and build a value system into our organization in pursuit of that goal, largely motivated by the opportunity of what Open Source software and Free Software can mean to society.

DSM: One of the questions I usually ask at the end is about your sense of honor and integrity and where it comes from. Some people will look at what you just described as a matter of honor and integrity, not leaving people high and dry. Others might look at it and say, "He's just crazy." The other is that you love the technology and its promise. Was it primarily a matter of honor for you not to do this?

MS: I didn't think much about it. You have been given this responsibility by two people that you trust a great deal; Bob Young, Bill Kaiser.

I watched my father-in-law build the Centennial Campus here from Kudzu, and I watched his vision being manifested, and deal with incredible challenges through that period. For me, who has been building toward this moment professionally, I chose to step away from what could have been a pretty easy life to get involved with a bunch of kids to build a profitable Open Source company. But I really believed in the industry and the opportunity for customer success, and to really challenge the incumbent thinking around information, and who really owned that information, and what the 21st century would really look like. In my heart of hearts, I was given that platform and I treat that with incredible care and dignity and respect that I think it deserves. A lot of people gave me that opportunity, and I felt in some small way if I could return that and give that back and create employment, that through my relationships, through hard work and through better leadership, then that would have a profound impact on our industry. So that was the motivator for me.

DSM: What is your great fear, what do you see as the biggest obstacles standing in the way of where you want to take Red Hat?

MS: What I have learned through this experience is that technical change happens a lot faster than cultural change. I wish I had known that 8 years ago, because I think that the United State economically, and educationally, and certainly commercially is at a crossroads. That opinion has been formed after countless trips outside our borders of the United State and the Atlantic and Pacific Oceans. That concerns me a great deal. I look at the campus that we are on right now, North Carolina State University, which has watched its tuitions go up 43% in the last 4 years. You begin to ask yourself, how will the next generation of leaders afford to be able to go to a quality public school to be able to create the kind of competitiveness that this nation will need in the 21st century on a global scale?

You can travel across this state, or across a lot of states and you still find that young people don't have access to technology, don't have access to computer skills, don't have the quantifiable resources that they need to be able to build the skills and resources to compete against the Chinese or the Japanese, or the Germans, the Indians, etcetera. I really believe that what Tim Berners-Lee and the other visionaries regarding the Internet had in mind was it was supposed to be the great equalizer. It doesn't know race. It doesn't know creed. All it knows is a good idea. I believe that the best chance of that promoting itself was the level platform of Open Source software. That being free and being in the public domain would encourage people to participate. There are no licenses that would have to be violated. You wouldn't go to jail if you looked at somebody's source code. You actually could produce better products at the lowest possible cost to the consumer. It was a contemporary approach I believe is similar to perhaps Ellington with music, or Jackson Pollack, or the Bauhaus movement in architecture. I believe that the opportunity was ripe. It just needed a little chutzpah, and it was my goal to try to bring some of that to our organization to let these young people see the asset that they had at their fingertips. What was required was just a little hard work, and some patience.

DSM: It strikes a chord when you talk of the power of technology and education to change people's lives. I owe my life and career to public universities, and it makes me profoundly sad to see them ignored. That's why it is wonderful to hear you talk that way.

MS: I have been influenced heavily by my father in law, by people like William Friday, the former President of the University of North Carolina.

DSM: And of North Carolina State.

MS: Yes, my father's graduating class ironically. I speak about this when I speak at universities. Without their support I wouldn't be here. So you begin to ask yourself, who will honestly look out for the next generation? Or are we going to pull up the bridge and have everybody else down on the other side? Our state right now is going through a very difficult issue concerning immigration - should children of illegal aliens in this country and this state, receive instate tuition? These are very thorny issues for the state to think about, especially for the large amount of immigrant population that we have in the state. But I guess to the point is, when you travel, you go to India, and you go to China, you can see the investment that is being made by these nations to raise and educate their young people to prepare themselves for the 21st century workforce.

I watched 25 years of ideals, and I watched our lack of technical education of our workforce really put the United States at a competitive disadvantage. You have to ask yourself, what will become the next equalizer, where industry doesn't look at education as a market, they look at it as a responsibility. So that has continued to be a driver for me in my thinking, and what I believe the role of not just Open Source software, but Open Source content can mean to create a fertile ground and Open Source can be a platform to innovation.

DSM: Signs of hope out there? Are there things that you see?

MS: Every day.

DSM: What are the things that make you hopeful?

MS: Think about it from my perspective, if I look first of all at the commerciality of Open Source software, by the fact that there is a company that bright young minds can point to and say, "If they can do it, we can do it." Who ever thought of creating a business on something that is free? I hope it gives great inspiration for entrepreneurship, because I think when you look at the amount of GDP that entrepreneurship has create for this nation in the last 30 years, there has been no peer in the course of history that has created such commercial success as entrepreneurship. So at a time where there are less and less large entities, and the nation is requiring greater innovation, greater creativity, my hope is that Red Hat is one small example that young people can point to in saying, you can do this, "If they can do this, we can do this."

DSM: That's a natural transition into another question that I try to ask everyone during these oral Histories. For me, entrepreneurship is a kind of creativity, a kind of innovation. It is different from scientific innovation, but it is innovation. The question is, where of you think innovation and that kind of creativity come from? Is it bringing together people in an environment like Raleigh Durham, Chapel Hill? Is it great problems? Is it the availability of combination of the thrill and the engagement of the new technology? Where does innovation come from?

MS: I think it's cultural. I think you have to create the environment that gives people the repeated opportunity to fail, that continues to push the margins hard. And I think it is increasingly difficult as an organization gets larger, because the tolerance for risk in some cases becomes smaller and smaller. It starts with outstanding recruitment, so that you can get those highly educated and creative minds.

For Red Hat, those are not conventional people. These are not your traditional hires historically that have gravitated toward Open Source software. These are people I think who see, and share the vision of what the potential of Open Source can be, and its impact on society. It's not the quote, unquote, "Let's sell a bunch of this and get public and get a house a the beach." Some of our most young and brilliant minds, like Havok Pennington as an example, who heads up freedesktop.org, Jonathan Blandford, Owen Taylor, the work that these young men are doing is just incredible, and I'm sure that they would be able to monetize their skills elsewhere if they ever chose to. Their passion is in the power of collaboration and the impact of what Open Source can mean to both science and to help others. When you are around people like that, it is highly motivating, highly motivating.

DSM: You obviously love what you are doing.

MS: I'm the luckiest guy you ever met.

DSM: One of the harder questions I traditionally ask is about their legacy and role in this technology revolution. In one period it could be argued that this revolution created more wealth than had ever been seen on the face of the earth since the Spanish discovered the Inca gold, and that in terms of technological innovations, it was one of the greatest revolutions since steam power and the industrial revolution of the 18th century. Your playing a role in that, and you have three kids, we hope will all have children, and their great grand children who will look back at this time and place and your work. How would you like for them to think of you and your contributions?

MS: Most important – that I was a good father and a good husband – most important. As far as my professional experience, I hope they would sit back and ask me what proprietary software was. Because if the nation is truly going to move forward, no one can own all the good ideas, whether it's medicine, whether it's media, whether it's software technology. The notion that these ideas can be owned by one person is really insulting to the generations that came before us, and I think would create an enormous liability for the ones that come after us. So my hope is that the things we are doing are raising the consciousness of the electorate, raising the consciousness of future educational leaders - that this idea about collaboration, about sharing intellectual property, about thinking about new ways to solve complex problems through collaboration, may be a benchmark for 21st century economic models, to collaborations between nations, scientists, technologists. And they have a great reference point to point to, to this company that is in the tobacco fields of North Carolina called Red Hat.

DSM: Are you going to run for office?

MS: Never.

DSM: What a pity. One last thing then I will let you go. Talk is cheap, but you're actually doing those things here. Describe some of the projects, things like Fedora, that are real world manifestations of what you said.

MS: I'm not sure if in these days, especially at these times if Sarbanes Oxley and pressure on quarterly earnings, that if somebody went to their board and said, "We want to cannibalize a multi-million dollar revenue stream, and we're going to replace it with something that is free, totally free." that the Board would look at you and say, "That's a good idea." So we're going to take all of our intellectual property and put it back in the public domain with this project called Fedora. We really want to create a think tank if you will, a think tank of ones and zeroes, that allows the world to freely contribute, and continue to use this product at no charge. They can go to redhat.com because we believe that we can continue to impact future software development in a collaborative way. And the company took the risk to do this at a time when we were heckled and laughed at, and people said that the company is going in the opposite direction.

I had a great experience a month ago. I was in Bangalore. I was speaking at one of the large consulting firms there. It was late on a Friday night. I looked out at this sea of faces. I said, "All right, how many of you have every heard of the Fedora project?" Everybody is raising their hand. I said, "How many of you are using it?" Almost everyone raised their hand. I looked at that moment and I just said, you know, we're making progress.

DSM: I would say so. What a great moment.

MS: Great, great motivating moment for me.

DSM: This has been an honor to interview you. Great pleasure. I thank you for giving us your time.

MS: No, no thank you for your hospitality.

DSM: A real inspiration. I wish I was 40 years younger.

MS: Thank you.