Rapid Response Transcript – Cristiano Amon

"Scaling when you're already at scale"

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BOB SAFIAN: That's Cristiano Amon, CEO of Qualcomm.

As computer chips are increasingly imbedded in every appliance, every manufacturing effort, every part of business and life, chipmakers like Qualcomm are at the heart of how our modern world functions.

I'm Bob Safian, former editor of Fast Company, founder of the Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk to Cristiano because as the global chip shortage has crimped supplies for all sorts of goods, companies like Qualcomm have become central in determining how broadly democratized technology can become.

Qualcomm was a company mired in controversy not long ago – crossing swords with Apple, with the FTC, its back against the wall.

But as Amon explains, the company continued to lean into its creative side – to pivot its products toward the future.

Even now, as semiconductor supplies have been constrained, Qualcomm has relied on the creativity of its engineers to find manufacturing solutions.

Qualcomm is way too big and too established to be anything like a startup. But the entrepreneurial spirit – within Amon and at Qualcomm overall – is what drives its strategy and its impact.

Scaling once you're at scale still requires constant evolution. It's both a lesson and a reminder.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with Cristiano Amon, the CEO of Qualcomm. Cristiano is coming to us from Qualcomm's headquarters in California as I ask my questions from my home in New York. Cristiano, thanks for joining us.

AMON: Happy to be talking to you, Bob.

SAFIAN: Yeah, I'm glad. Did I pronounce your name right? Amon, did I do that right?

AMON: Yeah, you did.

SAFIAN: I did it okay?

AMON: Yeah.

SAFIAN: I know you're Brazilian. Now when the Olympics or the World Cup come around, do you root for Brazil or do you root for the U.S.? Or like, what do you do?

AMON: I think both. I've been living in this great country for probably over 27 years now.

SAFIAN: So dual loyalties, not divided loyalties, dual loyalties, right?

AMON: Yeah. But, if it is soccer, then of course Brazil.

SAFIAN: Well, even I can understand that. You probably have more games you can root for in the World Cup.

There's so much for us to talk about, about the technology and mobility impact shifting, expanding internet of things, implications of 5G. There are your leadership insights as a new CEO. You took the helm at Qualcomm last summer. So scaling in this new perch, in this era.

But first, I want to ask about the semiconductor supply situation. Our listeners aren't necessarily chip experts, but even casual business observers have heard about shortages and the ripple effects that that can have.

Can you set for us, like, what's going on in the industry? How far through this bottleneck are we, or is it a bottleneck? What will it take to resolve?

AMON: Right. I would be shocked if you didn't ask me a question about the semiconductor supply chain. Well, let's just go into it. It's really important to understand what got us here.

There is a process of digital transformation of the economy, and that is going much faster. Finally we saw video telephony becoming the killer application. People have been trying to do that for years. You saw people upgrading their infrastructure in their home with faster broadband, new wifi systems. You see people buying 5G phones, buying new computers.

So you have this pandemic induced, as we start to think about working from anywhere, increase of consumption of semiconductors. And then you have a digital transformation of virtually every industry.

There are chips in everything, as you talk about the internet of things, but also artificial intelligence in all of those devices.

And then the last part of it is some industries, for example, the automotive industry, thought "we have the pandemic, people are not going to buy any car." So then you brought the scale down and then you have to bring everything back up as you actually have demand.

So we had a perfect storm. And the reality is you have incredible demand for semiconductors, and we are now catching up in having capacity being built. Now here's the good news. The good news is there's a lot of investment going to semiconductors.

There's a lot of investment in trying to build a resilient semiconductor supply chain, because it's not about solving the problem today, it's about making sure we have chips for the next few decades. And I think there's this new sense of understanding of the importance of semiconductors. People realize that chips are important, and chip companies like Qualcomm are important companies. So if anything, that's the silver lining.

SAFIAN: We had a guest on in a very different industry recently who talked a lot about how these supply chain issues have them rethinking diversifying sources and building capacity closer to each market and things like that. Are there any specific adjustments that Qualcomm has made or is considering about how your supply works?

AMON: We have done better than some of the other semiconductor companies, because we were able to tap into our incredible engineering capability.

And we will be able to redesign our products to every available semiconductor manufacturing capacity out there.

Even with advanced technology, we're one of the few companies that have multi-sourcing the leading node semiconductor. The other thing that we did is we made long-term capacity investments with our suppliers.

Qualcomm, we had done well doing those things. Having said that, I still have more demand than supply. I wish I had more chips, but we're starting to see incremental supply coming into 2022. And over time, things are going to get better.

SAFIAN: And, if I understand your point at the beginning there, there was capacity in certain kinds of chips and you sort of shifted through engineering the kinds of chips that you could produce from that source. Is that right? So you could get the higher value chips from the places where you had capacity.

AMON: That's exactly what we did. We're one of the largest fabless companies. We design our chips, and we outsource manufacturing. This is since the beginning of our company.

And we have many suppliers from TSMC in Taiwan to Samsung in both Korea and the United States. We have UMC, we have MIC and global foundries and so forth. So we pretty much work with everybody.

As we started to see shortages in a particular semiconductor technology, we quickly designed the products in that Foundry into a different technology where we could find capacity available. I think what set Qualcomm apart from the other companies is the speed that we could redesign our products to tap in every possible capacity we could find. All the credit goes to our incredible engineers.

SAFIAN: So since you became CEO last July, you've been emphasizing this sort of broadened demand for chips across automotive and retail areas. You've been pushing into as well as the core mobile handset market, and you power most of the AR and VR headsets behind the emerging metaverse. What do you think people most misunderstand about how chip technology and this wave is going to impact business and culture?

AMON: So the first thing is we are connecting everything to the cloud 100% of the time. Look, when we set ourselves to design 5G, we knew that this technology was designed to be the fundamental last mile, connectivity technology, not only connecting people, but connecting everything.

We made an analogy saying 5G's like electricity, and people didn't understand that. And we said, "Look, when electricity started, you have a conversation about use cases, and you talk about it. Maybe I can have a light bulb. I can power a motor." Now you don't talk about use cases. You just assume it's there. You just assume electricity will be there. And that's how we should be thinking about connectivity to the internet, connectivity to the cloud. As we build this connected society, and as we look, for example, just look at the Wall Street valuation of the mega cap companies, some of the hyperscale cloud companies, whether it's Microsoft and Azure, Amazon, AWS, Google. Why is that?

Because more and more data is going to go to the cloud, the current projections are 35% year over year, and we are going to have everything connected to the cloud. Well, for that to become a reality, you need somebody else on the physical world connecting all of those devices to the cloud. And as you connect those devices to the cloud, you start to see the benefits of artificial intelligence from coming from the cloud to your device, or from your device to the cloud. The devices become smarter. They have contextual data. You see federated learning, when one device learn from the other. You see advanced computational capabilities coming.

Semiconductor is not only required for you to power the data centers, but advanced semiconductors for those billions of devices out there. So the demand will continue to increase. Semiconductors are going to be part of this fabric that is going to allow everyone and everything to be connected to the cloud.

Now, the next thing it's about Qualcomm, and what do people misunderstand about Qualcomm? Behind the invention of every digital generation of wireless from CDMA to G to 3G, to 4G, to 5G. This is the company that had an interesting adventure with Apple But it's a mistake to define Qualcomm as a mobile company. It's really a mistake. We can no longer be defined by a single market or a single customer relationship. We're actually providing the semiconductor technology for all of those billions of devices on the other side of the data center that are being connected to the cloud.

You're starting to see Qualcomm becoming an automotive company, supplying technology to the automotive car, becoming an internet of things company, whether it's consumer, industrial, networking, and to the new future computing platform of augmented reality devices that will lead us to the metaverse.

SAFIAN: You've talked about one technology roadmap and the need to simplify and crystallize. And at the same time, you talk about how broad Qualcomm's opportunities are in almost every industry. And I'm curious, how do you prioritize when you've got both of those things going on?

AMON: Yeah. I'll give the answer the people don't want to hear. I don't because we have way too many opportunities, and we're in a hurry. But the reason we can do this is because of this one technology roadmap. We developed one set of technology and

products. That's the elevator pitch in Qualcomm: everything wireless connectivity and everything high performance computing for low powered devices. And we are applying this one technology roadmap to each and every one of those opportunities. So that allows us to go to a large number of end markets all at once.

SAFIAN: You alluded to this earlier a little bit. Qualcomm came through a real crisis in the period just before you took over. I know you were at the company for it. You were in a significant leadership role. But there were legal challenges, antitrust challenges, fracas with Apple, some existential challenges. What did you take away from that period?

AMON: I've been running the semiconductor business of Qualcomm, and became president in 2018. And I honestly think that crisis actually gave us purpose and focus, and what I was really focused on doing is make sure we talk about what is the next Qualcomm. And we were in the middle of the crisis. We accelerated 5G by one year. We made technologies that people thought would never work, like millimeter wave to work on a mobile device. We deliver 5G commercial devices ahead of the infrastructure, and we created the foundation that would allow this technology to go to other industries and with that diversify Qualcomm. So I'll tell you: crisis gave us focus.

SAFIAN: I have to ask you, when you bring up 5G there's this dispute, I guess you could say about 5G at airports and whether it's safe or not, and whether phones could be safety concerns for airports. And we hear from phone networks on one end, and airline companies on the other. I'm curious if you can give us some context here. What's going on? What is the risk for real? And whose responsibility is it to deal with it, if it's there?

AMON: All right. It's a complicated matter, but I'll give you a simple answer.

SAFIAN: Great.

AMON: At the end of the day, the technology has been developed to coexist with different use cases. And there are mechanisms that make you coexist with legacy systems, as well as new systems.

It's all about the FCC and the FAA working together in determining the rules. This is not new to any generation of wireless. This is absolutely not new. You have situations where you have maximum power that you can transmit in certain locations. You have maximum height of the antennas. The industry has been working with those things for a long time. It's all about getting the technical data in the table, following the recommendations that are available in the standards, and it's going to work, and it's not going to be a problem.

SAFIAN: This isn't something to be scared about. It's not a scary thing. It's just clarifying what the rules are and who's making each of the rules in each of the places?

AMON: That is correct. I think it's because it's new. It's something that has happened with different technology. I'll give you an example. At some point you had a lot of conversations when you started to bring 4G into a band that was called CBRS. There's a lot of debate about whether they will interfere with wifi, or wifi when it interferes with 4G, and people work it out, and it's going to be the same.

SAFIAN: That's what new technologies are. We have to work out those wrinkles.

Before the break we heard Qualcomm CEO Cristiano Amon talk about the semiconductor supply chain, how chips are moving into every industry, and how a time of crisis helped Qualcomm become more relevant.

Now he talks about his struggles to find work-life balance, what makes his new role as CEO different than his old job, and how mobile can help bridge the digital divide. Plus how Qualcomm is making the transition from a B2B company to a consumer brand in a very different way than Intel did. And Amon's simple tips for getting everyone in the organization aligned around a single strategy.

One of your colleagues said to me, Cristiano, he never takes his foot off the accelerator. I'm curious whether you have the same expectation of those around you. A lot of leaders and managers are struggling right now with how to balance a demanding, high-performance work culture with this rising stress and mental health concerns among their team. I'm just curious how you balance that? How do you manage your team with their stress? How do you manage your own stress? Or maybe you don't get stressed.

> **AMON:** That's a very good question. It's a complicated question. Let's just talk about work-life balance. I am still a work in progress in the area. We have a lot of opportunities, in the forefront of innovation, everything's new, everything's always changing, we see new opportunities, we have to move fast, but at the end of the day, we also need time for ourselves, for our family. This is a constant work that I have been doing with my own life and trying to find balance.
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> It got a little bit more hectic as I became CEO, but I'm sure we're going to find a balance. At the end of the day, we all need to take vacation. We all need to spend time with our family, and loved ones. We need to do things that take our mind off work, get us to recharge our batteries, and this is exactly when you find that balance, that's where you really find a high performance team.

SAFIAN: Yeah. I understand that you got a puppy during COVID, your family, that you take it for a walk each morning. I'm curious if walking is a meditative moment for you? You're clearing your head and doing deep breathing? Or is that a time when you're getting yourself pumped up for the day and preparing, in your head, the things you're going to get to?

AMON: Yeah, I have to confess it's the latter. Sometimes, I use the time to think about: how should I plan my day? What are the things that I'm behind? What do I need to do? How do I prepare for meetings? It's that quiet time that is helpful as well.

SAFIAN: Sometimes, I say the most important thing I'm going to do today is decide what it is I'm going to do today.

AMON: Absolutely.

SAFIAN: What have you found that's different about being a CEO than the previous positions you've held?

AMON: What is different is you do feel the burden on your shoulders of the CEO position. It's an incredible responsibility. Given how smart our employees are. There's an expectation from you, not only from the outside, but also from the inside. How do I deliver on those expectations? That's a change.

I think the second change, which is more of a moment that the company is going through right now. I am in a hurry. Not because there is any problem with Qualcomm. We're in a hurry, because we have an incredible opportunity to establish the company in this new area and prepare ourselves for the next few decades. As such, we have more things to do then we have time available, and how do we scale, and basically execute on all those fronts? That changed, too, and, we're working on trying to get ourselves ready to do that, including myself.

SAFIAN: You've been beating the drum that we're one Qualcomm. The structure of the company was maybe a little more diffused. There was less crossover in ideas, traditionally. How do you make that happen? How do you get the internal culture to adjust when there's been a different legacy, which you grew up in yourself, and were part of, too?

AMON: It's about breaking out the silos, and making sure that we really have one company, one team. We win or we lose together. First of all, I spend a lot of time, and I do it over, and over, and over, communicating the strategy. I communicated the strategy from a higher level, as well as in detail, and I communicated to everyone.

The other thing that I do, I produce – in a large maybe an A2 to an A3 size – strategy on a page. All the different business, the products, the technology. Everyone will be able to look at that page and say, "I understand the strategy. I understand how I fit into the strategy." That gets distributed to every one of our employees. It makes everybody feel "I know from a bigger picture where we are going, I know where I fit, and I know how I can make it better."

It's proven to be a very powerful tool. When you empower people, people will actually build on the strategy and do much better.

SAFIAN: I love that you're saying you say it over, and over, and over again. Sometimes leaders feel like they've said something, and people should get it already.

AMON: I feel sometimes repetition is helpful, because not only it provides consistency of the communication, but it allows people to see how it evolves. You have, now, proof points. You can always go back to the original message, repeat it, and show the proof point so people really internalize it. I'm not shy of over-communicating it.

SAFIAN: What's at stake for Qualcomm right now?

AMON: We have a number of key technology transitions ahead of us which are substantial. When I was in New York presenting our vision at our Investor Day, that said, "We don't have one, we have four major, I think, technology transitions."

Number one is we are going to see the full convergence of mobile and personal computing. That creates an incredible opportunity to think about the evolution of mobile platforms. We saw it with the work-from-anywhere that all of us have been doing for the past few years.

The second one is what's going to be the next computing platform. We have been investing in the metaverse before it was popular. We have more than a decade invested in fundamental technology that allow you to wear glasses that will be able to connect you with your digital twin, whether it's virtual reality or meta reality. As this evolves over the next decade, it could be the new phone. It will be the next computing platform. That's number two.

Number three is this broad concept of industry 4.0, when you're going to have smart manufacturing, smart retail, smart cities, and then the car becoming a connected computer on wheels. Those are four major, I think, technology transitions, and how we're going to do in those areas, it's going to define the future of our company.

SAFIAN: As you're talking, Qualcomm has historically flown under the radar in some ways. Certainly compared to, say, Intel, which spent a ton of money getting its name out. Is an under-the-radar position an advantage, or is that something that you're really looking to change?

AMON: I'm going to tell you something that I think surprise everybody. This surprise us a bit.

Qualcomm has been more of a B2B company. We have been very well known by governments, regulators, and the telecom industry. Now, we're very well known in the

car industry. We have not been, in the past, a consumer company. Not a lot of consumer advertisements. However, we have a mature smartphone society today. People care about what's behind the screen of their phones and want to know about it. Just last year, in the last quarter of the year, we launched our latest Snapdragon, Snapdragon 8, gen 1. We have an event in Hawaii when we launch the new chip.

We had 50 million views. That's not a small number. So, over time, you should expect to see us a lot more visible because the Snapdragon and the Qualcomm fans want us to do that.

SAFIAN: For you, strategically, is it a strategic advantage? Is it important to be more out there in that consumer space, or is that just a representation?

AMON: No, it's important. I am convinced this is important, because it also creates an incredible channel for Qualcomm to continue to drive technology. By having a direct access to the end customers of our technology, not only it's good feedback for Qualcomm, but more important is they will be aware of what's available, and they can demand the technology we create.

SAFIAN: Well, this has been great, Cristiano. Is there anything that we haven't talked about that we should have?

AMON: We always knew in our company that people want telecom. People want connectivity. People want fast internet. When we talk about the digital divide, the smartphone, which is mankind's largest development platform today, it's been the number one tool in connecting people to the internet. Emerging markets, you know, I was born and raised in Brazil, and the internet developed faster in mobile than the desktop.

The other thing is the smartphone incorporated every other consumer electronic device out there. You don't carry your digital camera anymore. That's your phone, your portable video player. It's an endless list. That also had an incredible impact in sustainability and reducing power consumption.

With 5G, we believe we're going to democratize computing. And as you can run computation in the cloud, you will be able to make computational power available to any device and everyone. I think that's going to be another big transformation that we're going to see in bridging the digital divide, and we're very excited to be part of that change.

SAFIAN: Well, Cristiano, thank you so much for making the time. We really appreciate it.

AMON: Likewise, Bob. Great talking to you.