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A Qualitative & Quantitative Analysis: Qualcomm, Incorporated VS VisaSat, Incorporated

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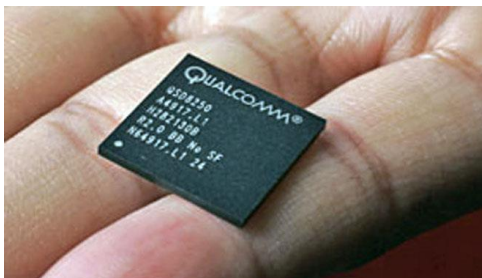
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A Qualitative & Quantitative Analysis

Qualcomm, Incorporated VS ViaSat, Incorporated
QCOM VSAT



Qualcomm



ViaSat

Daina Migdel
Section # 3417
Security Code: 6008

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I. Introduction:

Qualcomm History

Communication is a vital aspect of everyday life. Regardless of job position or location, people are in constant contact with one another. A man by the name of Irwin Jacobs was very interested in communication innovation having developed quite the reputation for solving challenging problems in the fields of information and communication during his time at M.I.T. After receiving his degree from M.I.T., Jacobs was asked to consult on numerous government and industry projects so frequently he decided to form his own consulting firm, LINKABIT. Once LINKABIT became controlled by a larger company, Jacobs left and met up with six of his former colleagues, Franklin Antonio, Adelia Coffman, Andrew Cohen, Klein Gilhousen, Andrew Viterbi and Harvey White, who brainstormed an idea in order to enhance “Quality Communications.”

In July 1985, all six colleagues sat in Jacob’s den at his home in San Diego, CA and outlined a plan that has taken the world by storm evolving a small, start-up company into one of the most innovative and successful telecommunication corporations in the world – Qualcomm Incorporated. Qualcomm, Inc. began by simply providing developmental services and contract research, with miniscule operations in product manufacturing. Three years after its inception, Qualcomm successfully accomplished its early on-set goal of developing a commercial product known as OmniTRACS. Since that time, OmniTRACS has become one of the largest satellite-based commercial mobile systems for the current transportation industry. This very early success also paved the way for an exceptional data product and wireless technology that forever changed global

wireless communications known as the Code Division Multiple Access (CDMA).

Currently, Qualcomm plays a vital role in the implementation and increasing growth of 3G and next-generation global wireless technology.

Why Qualcomm?

As an Information Technology Management major, I find technology and communication to be extremely interesting topics. There's rarely anything more exciting to me than finding out about a new technological gadget or breakthrough with which I can become fascinated and research. Considering how vital communication and technology are in driving this society forward, I knew I wanted to perform an in-depth analysis on a company that has truly impacted societal communications and technologies. After researching innumerable companies within the technology and communication industries, one look at Qualcomm's credentials, background, accomplishments and numerous other factors definitely made this company the most enticing.

Considering the enormousness of the technology and communication equipment industry, there were an infinite amount of companies from which to choose as a comparison to Qualcomm. I ultimately chose ViaSat, Inc. to use as my benchmark company because, comparatively speaking, ViaSat seemed to be the most qualified company with which to compare Qualcomm with similar characteristics to Qualcomm in terms of production and history. Not only are both companies in the same industry with similar trends in stock prices and the overall management of the company, but both companies were created in the same manner having a group of people come up with an idea in a garage or den; both incorporated people with similar backgrounds in areas including, but not limited to engineering and finance. Not to mention both companies are

successful, high-growth leaders in innovation; therefore VisSat seemed the ideal choice to use as the benchmark company.

Top Corporate Officers

Top Corporate Officers	<u>Position</u>
Dr. Paul E. Jacobs	Chairman of the Board and Chief Executive Officer
Derek K. Aberle	Executive Vice President, President of Qualcomm Technology Licensing
Steven R. Altman	President, Qualcomm
Andrew Gilbert	Executive Vice President, European Innovation Development
Margaret I. Johnson	Executive Vice President and President, Global Market Development
William E. Keitel	Executive Vice President and Chief Financial Officer
James Lederer	Executive Vice President and General Manager, Qualcomm CDMA Technologies

Board of Directors

The current Board of Directors at Qualcomm contains of a total of 13 persons consisting of 2 woman and 11 men. Ranging in age from 47 to 84 with an average age of 68.5, the Board of Directors is comprised of 2 inside board of directors with 11 outside board of directors, 2 of whom are educators. In addition, there are 7 outside directors with experience in either finance or accounting. Similar to ViaSat's Board of Directors, there is CEO & COB duality in which Dr. Paul E Jacobs, son of founder Dr. Irwin Mark Jacobs, serves as both Chairman of the Board and Chief Executive Officer. In terms of the outside directors, the youngest member joined Qualcomm in December 2008 while the eldest member has been a part of the company since December 1994. In comparison, ViaSat's Board of Directors consists of ages 37-76, ranging from members who began in 1986 through 2007, with an average tenure of 13 years in which the shortest tenure is 1

year and the longest tenure is from the creators serving 26 years. Similar to other companies, the inside board of directors at Qualcomm consists of 2 family members in the Jacobs family. The father, who helped found the company in July 1985, has been on board since Qualcomm's inception while his son joined in June 2005 and later became Chairman of the Board in March 2009. Although the board members have various backgrounds, there is a commonality in which numerous members studied engineering or finance with additional experience in leadership. Though women may seem underrepresented with only 2 females serving on the Board of Directors at Qualcomm, in comparison with its benchmark, Qualcomm at least has these women serving on its Board. Please refer to Exhibit 1 for more specifics on Board of Directors.

The External Environment

The external environment is a vital aspect that requires much consideration on the part of Qualcomm. As a leading innovator in the technology and communications equipment industry, it can be difficult to stay at the forefront of constant technological changes. Another important factor to consider is globalization. The same technique used in one country may not work in another global location. In terms of the general environment, Qualcomm definitely needs to take into consideration the needs of its consumers. Through careful observation and strategy, Qualcomm studies the socio-cultural, demographic, political/legal, economic and especially technological factors imposed by each Qualcomm location. In order to also focus on its competitive environment, Qualcomm must notice and inquire about reactions from customers, suppliers, unions, associations, new entrants, interest groups, substitutes, competitors and creditors. Awards and recognitions such as being named "#1 World's Most Admired

Company” displays the positive impact Qualcomm has made on society, yet we cannot overlook negative publicity Qualcomm has endured including a judge’s statement explaining, “Qualcomm improperly withheld from Broadcom tens of thousands of documents that contradicted one of its key legal arguments” (Norton).

Key Trends and Events in the Communications Equipment Industry

Due to the fact technology is always transforming, there are constant changes in trends and events. Some of the most important trends displayed throughout the past year include environmental awareness, virtualization, outsourcing, Real World Web, Information Security, tablet computing and an increase in the younger generation pursuing expertise in technology. Considering the type of industry in which Qualcomm is thriving, trends change practically daily and events can occur several times a day. In order to gain a competitive advantage above its oppositions, Qualcomm is constantly performing research and studying societal and technological trends and events.

General Information About Qualcomm

Qualcomm is a company that is publicly traded through the second-largest stock exchange on the United States National Association of Securities Dealers Automated Quotations (NASDAQ) Global Select Market and is a component of each of the S&P 500, the NASDAQ 100, and the NASDAQ Industry. Founded in July 1985, Qualcomm is headquartered at 5775 Morehouse Drive, San Diego, CA 92121. As a world leader in innovation and next generation mobile technologies, Qualcomm is constantly developing and improving wireless innovations connecting people not only to information, but also to one another. Over the last five years, there has been a fluctuation in stock prices

beginning at \$52.56 five years ago and going down to their low of \$30.17 three years later; they then came up to their highest yet in February 2011 at \$59.19, but eventually fell back down to their current \$53.63 at the end of the 2011 fiscal year. As you continue to see the quantitative effect Qualcomm displays to society, you will notice the increases or decreases based on ratios of Qualcomm is a major conglomerate that supplies various communication equipment such as handsets and micro-chips to a variety of companies; many of Qualcomm's devices are very well-known among the public including Motorola, Sharp, LG and Samsung just to name a few. As publicly displayed on its website Qualcomm is continuing to bring "minds and ideas together" through its innovations and achievements. Co-founder and former CEO, Irwin Jacobs leaves his legacy of inspiring a culture in which Qualcomm serves as an industry-leading innovator. Qualcomm also continues to accelerate mobility into next generation networks, devices, applications and services. The innovation developed by Qualcomm includes the CDMA Revolution. All of its developments have allowed Qualcomm to transform the way in which the people of the world interact and communicate.

II. Central Content:

A. Quantitative (Financial)

1. Profit, Equity, and Share Value management

Ability to manage profit, equity, and share value is vital in a company. Poor management can lead to a financial downfall while proper management may lead to achievement and sustenance in order to gain a competitive advantage and receive higher than average returns. Though both Qualcomm and ViaSat are in the same financial

industry, is interesting to note the immense difference in earnings productivity. As displayed by Exhibit 2, while Qualcomm increased its amount earned for each \$1 of revenue from last year's 0.153 to this year's 0.295, ViaSat actually decreased from its .061 last year to this year's 0.045. It is clear that there has been an improvement in Earnings Productivity for the 2010 year at Qualcomm.

Similarly to Earnings Productivity, Qualcomm also increased its Return on Stockholder Investment from last year's 0.078 to this year's 0.156 while ViaSat decreased from last year's return on investment of 0.084 to this year's 0.041 as shown in Exhibit 2a. Continuing to review equity financials by taking a look at Exhibit 2b, I noticed Qualcomm is increasing its earned capital from 0.582 last year to 0.671 this year while decreasing the contributed capital as paid by investors from last year's 0.418 to this year's 0.329. The opposite result displayed by ViaSat is again a clear indication of Qualcomm's improvement in equity management over the past year. Taking a look at the last aspect of share value management according to Exhibit 2c, Qualcomm is again improving based on the increase in earnings per share from \$0.96 last year to this year's \$1.98 compared to ViaSat's \$0.31 decrease from last year to this year.

While Qualcomm had seemed to be improving in the profit and equity area, it appears that over the past year Qualcomm has remained relatively constant in share price, as presented in Exhibits 2d and 2e, from a share price of \$44.70 last year to \$44.55 this year while ViaSat had an increase from \$22.81 to \$34.58. Though Qualcomm only had a \$0.15 decrease in its stock price, the \$11.77 increase in ViaSat's stock is a clear display that despite the recession and possible decrease in demand, companies may still have certain parties interested in increasing the demand of the company and therefore increase

the price of the share. This begs the question of why Qualcomm's stock price remained relatively the same over the past year, but based on the overall communications equipment industry and the overall large decrease in stock price, it is rare to have an increase in stock price; therefore Qualcomm seems fortunate to have consistent stock prices during these economic times. Considering the relatively reliable stock price, it is not surprising that, as shown in Exhibit 2f, the dividend payout ratio has been reduced from last year's dividend payout of 0.688 to this year's payout of 0.384, but considering that ViaSat does not provide its clients with dividends at all, the payout from Qualcomm is a clear attempt to give back to their shareholders despite the consistency and relatively small decrease in stock price. Interestingly enough, Exhibit 2g displays the dividend yield increase indicating an increased value to make the stock more desirable to equity income investors in anticipation of higher dividends. Based on an increase in dividend yield to make the company seem more valuable and attractive to its shareholders or future investors and the decrease in the dividend payout ratio, Qualcomm is saving cash for future corporate plans, which appear to include an increase in penetration of smartphones/3G connections and tablets. Specifically, Qualcomm expects to begin commercial production of a multi-mode chipset in order to enable mobile phone users to transition from 3G to Long Term Evolution (LTE) technology. As the *International Business Times* explains, Qualcomm is expected to be a primary beneficiary in the growth and use of 3G/4G networks as the top supplier of integrated chips and hold a position of leadership to LTE. Qualcomm's investment bank, Piper Jaffray, is not hiding the fact that "...as fear of supply disruptions subside and royalty revenues wane, we believe FQ4 will be a soft quarter."

By preparing the public and shareholders for a not-as-profitable quarter, Qualcomm is clearly not trying to hide any financial hindrances and explains, “We believe the current valuation is an excellent buying opportunity in this large cap growth franchise.” As mentioned in its annual report, Qualcomm’s dividends are increasing every quarter and are “subject to capital availability and periodic determinations that cash dividends are in the best interests of our stockholders.” Qualcomm further explains, “Future dividends may be affected by...our views on potential future capital requirements, including those relating to research and development, creation and expansion of sales distribution channels and investments and acquisitions, legal risks, stock repurchase programs, changes in federal and state income tax law and changes to our business.” As long as investors actually read the fine print, as I did, they will notice Qualcomm is not hiding any relevant information that should be known to the public while it continues to explain its reason for future consistency rather than a quick increase and continues to reassure investors and stockholders. Qualcomm’s decrease in the dividend payout ratio is a clear indication of the cash Qualcomm is using to supply these LTE chips while increasing the dividend yield in hopes that the future of these chips will provide the high pay-off expected.

2. Debt Management

Debt management is vital in sustaining a company’s long-term survival by incorporating recent financial needs while considering the overall future impact of its debts. Qualcomm has done well to manage their debts and prepare for the future by satisfying the current financial requirements, providing shareholder returns and continuing to facilitate corporate expansion and growth. Unfortunately, in the past couple

years most companies in the communications industries, including Qualcomm and Intel, have had revenue declines during the recession.

As shown in Exhibit 3, Qualcomm has slightly increased its short-term debt from 0.395 to 0.593 while decreasing long-term debt from last year's 0.605 to this year's 0.437. This is a clear indication on Qualcomm's part to continually shrink long-term debt through a slow decrease over time in order to become more profitable and maintain business in the future. This is especially a positive outlook in comparison to the benchmark in which the opposite effect occurred. While Qualcomm had a slight increase in short-term debt and slight decrease in long-term debt indicating this trend to continue to pay off debt in the future, ViaSat had a sharp decrease in short-term debt and a sharp increase in long-term debt.

Similarly to debt structure, Qualcomm's Exhibit 3a displays a slow decreasing ratio from 0.458 to 0.397 over the past year in terms of short-term assets used to pay-off bills and short-term debts while increasing the long-term assets from last year's 0.542 to this year's 0.603 in consideration of improving the revenue producing resources. In accordance to ViaSat's asset distribution with a sharp decrease in short-term assets and a sharp increase in long-term assets, Qualcomm appears financially sound with their slight increases and decreases where appropriate. Moving onto the number of times earnings can cover financing costs, Qualcomm appears extremely strong, particularly when compared to their benchmark ViaSat. As displayed in Exhibit 3b, Qualcomm increased their earnings multiple by nearly 50% beginning with last year's 9.944 and ending this year with 17.601 in comparison to ViaSat's very sharp decline of 89.654 last year to

5.973 this year! Qualcomm is clearly able to cover its financing cost very well based on the TMT's strategic abilities.

As Qualcomm has clearly displayed its ability to manage its long-term debts and assets, Exhibit 3c shows Qualcomm is not as easily adaptable to short-term finances including its internal financing ability measuring the current cash coverage ratio.

Qualcomm, in preparing for future returns, needs to better control its management of cash to finance day-to-day operating activities. While it is important to effectively manage short-term debt as ViaSat does considering its 0.166 increase in capability of managing short-term debt, Qualcomm is more focused on paying off long-term debts and continually putting its money into producing the 3G chips, therefore decreasing the internal ability to pay short-term debts.

Though Exhibit 3d appears to have slightly increased over the past year, despite the negativity correlated with an increase in creditor leverage, ViaSat also had a large increase in creditor leverage; though two wrongs do not necessarily make a right, it does not seem uncommon for the communication/technology industry to have an increased presence by the creditors. As outlined in Amir Sufi's article, creditors often exert more control over companies than most believe. According to Mr. Sufi, it is possible that there are lenders who would ordinarily act as cash hoarders and not necessarily make decisions in the interest of the shareholders. With greater creditor influence, those lenders will definitely focus on decisions that increase both profit for the company along with making decisions that also benefit the shareholders, because without the financial backing of the shareholders, a sudden pullout of stocks would cause a very sharp decline and ultimate downfall in any company. Also, greater creditor influence has been shown to reduce firm

violations on the part of the company or “actions taken by creditors on average increase the value of [a] violating firm” (Nini, Smith, and Sufi). Qualcomm, in addition to other communications equipment companies, is taking into consideration the shareholder’s interests and long-term corporate viability through incorporating a greater amount of creditor interest as presented by the increase in creditor leverage. Overall, there is a clear indication of increased creditor influence and focus on the part of Qualcomm towards the long-term goals with not as much focus on the short-term effects.

3. Cash Management

Often overlooked, there is a need within every company to maintain a sufficient level of cash in order to pay off short-term debts and service the immediate needs of an organization. As previously mentioned, Qualcomm has shown its ability to better manage itself in terms of long-term financial goals and it is therefore not surprising that there is a decrease in the amount currently available to service short-term debt as displayed in Exhibit 4 in which Qualcomm decreased 2.25 from last year’s current ratio similar to ViaSat’s decrease in the measure of a firm’s strength to pay current bills on time. Unlike ViaSat’s increase in cash from operations to reveal how much cash is produced by normal business activities, Qualcomm has decreased this year by nearly half of the cash it earned from operations last year as displayed in chart 3.23. This was foreshadowed by the creditor influence considering the necessary assets Qualcomm needs in order to satisfy creditor obligations and is therefore borrowing more money.

At this point and time, Qualcomm is paying for certain assets now to increase productivity in the future, which may account for the lack of liquidity at Qualcomm. Though Exhibit 4a displays a decrease in flexibility at ViaSat, there is a 0.017 increase

from last year indicating an increase in flexibility on Qualcomm's part comparing its firm's assets to total assets. It is also important to ensure a high credit rating for the company along with a decrease in the quick and current ratios in order for an outcome high enough to maintain a good credit rating. In order to increase the quick and current ratios, the company may wish to hold onto more money rather than investing most of it. By not giving back as much in dividends as they have in the past, Qualcomm is starting to gain liquidity, though the company still needs to find its healthy liquidity balance. In the past the company has been too liquid, but as of the decrease over the past year as shown in Exhibit 4b, Qualcomm could stand to become a little more liquid.

Though Qualcomm appears to handle its cash poorly and is not considered a liquid firm, Qualcomm does not want to be considered too liquid in the sense that it may lose opportunity or increase its risk of hostile takeover. By limiting its liquidity, Qualcomm has reduced its means to lose opportunity by taking its cash and putting it into a productive asset such as the production of the 3G chips in which Qualcomm is currently engaged. By limiting its liquid assets, Qualcomm is at virtually no risk to be taken over, as there is not an abundance of cash lying around to be used or stolen.

4. Asset Management

Controlling the levels of assets such as inventory and accounts receivable is vital in sustaining an organization. If assets are poorly managed, low balances may impede revenues while high balances may become costly and burden operations. As displayed in Exhibit 5, there has been a slight decrease by 0.02 over the past year in comparison to ViaSat's 0.476 decrease from last year. Though it has been difficult for Qualcomm to

increase its return on sales, it has been even more difficult for companies within the communication industry such as ViaSat to manage its return on sales.

Considering the economic downturn and current management plans imposed by TMT's, the decrease in asset productivity is a result of an impending increase in the future. Also, in comparison to its competitors, Qualcomm's decrease is not surprising nor is the decrease of its competitors such as ViaSat. Though performing better than their competitors, Qualcomm did have a decrease in the past year that cannot be overlooked. The decrease could be a result of numerous noncurrent assets considering Qualcomm's plans for the future. This may also tie-in the lack of liquidity not currently held at Qualcomm.

As productive and prepared Qualcomm is for the future, there is the lack of readiness to handle short-term debts and assets. In order for Qualcomm to better handle its assets, it should start with looking at accounts receivable, inventory, marketable securities, deferred tax assets, property, plant and equipment, goodwill, and intangible assets. Though Qualcomm has consistently increased its accounts receivable, inventories and deferred tax assets, it does need to work on improving the loss incurred over the past year in marketable securities, property, plant and equipment and goodwill. Qualcomm has been doing well in increasing total asset turnover by selling inventories and collecting accounts receivables as quickly as possible, but management in these areas is very difficult. By decreasing the previously mentioned assets, Qualcomm wants to invest these securities rather than invest and earn money at a bank that can have a very low rate of return, but at the same time the inability to pay bills on time will incur high financing charges or possibly even lead to financial insolvency. In order to increase marketable

securities, Qualcomm can begin to use more short-term tax-exempts, commercial paper, certificates of deposits or various other suitable marketable securities used in short-term allowances. Qualcomm may also want to incorporate Operating Asset Effectiveness (OAE). OAE is a comprehensive metric intended to determine asset utilization improvement combining throughput, utilization and acceptance while monitoring the impact of an asset productivity program. Through OAE, Qualcomm could achieve the highest sustainable throughput rate at the lowest possible price. Though asset productivity has decreased over the year, it is interesting to note the increase of return on assets. As there was less revenue generated from each dollar invested in assets compared to last year, Qualcomm was thankfully able to effectively support operations of its assets.

As a manufacturing company, the value placed on return on assets is very important and therefore the increase over the past year is not only desirable, but also necessary in the competitive communication and technology industry. As displayed in Exhibit 5a and by the benchmark, Qualcomm's increase in relation to ViaSat's decrease in regards to return on assets is remarkable. This increase on the part of Qualcomm does give it the upper hand considering it is gaining more profit out of each dollar of inventory. ROA measurements also include assets that arise from liabilities to creditors, contributions by investors and evaluating the benefits of either investing in new systems or expanding current systems. An increased return may also indicate the company's clientele finding new products more valuable than other older products or more valuable than competitor's products. Additionally, TMT's may have possibly invigorated the sales force through new management plans in order to get ahead of the competition. Often an increasing return on assets results in an increase in stock price as shareholders begin to

realize the profitable future that lies ahead based on the company's future assets. ROA provides insight into net margins and asset turnover, which are the two key performance drivers allowing an easier analysis for investors to recognize stock opportunities and minimize future unknown occurrences.

B. Qualitative Analysis

Organizational Citizenship

An organization cannot thrive, let alone survive, without proper management of its organizational citizenship. As shown in Exhibit 6, Qualcomm has done a great job of interacting throughout the various aspects of organizational citizenship. It has especially done well with the government, environment, community, and stockholders in terms of communication. There are certain aspects on which Qualcomm should spend more time cultivating its relationships including relations with its employees, competitors, directors, customers, persona and vendors. Though Qualcomm has performed very well over the past year there is always room for improvement.

Employee Relations

Qualcomm has an excellent rapport with its employees, though every relationship does require, at the minimum, maintenance in order to either preserve the great relationship or continue to build and improve the relationship. At Qualcomm, employees believe there is a good balance between work and home with great benefits and excellent living situations. They find the company to contain an impressive line of products in a stable work environment seeing innumerable intelligent and hard-working employees

with great compensations. Positions are often seen as flexible and innovation is always looked upon in a positive fashion. Qualcomm additionally offers lifestyle activities in the work place such as an onsite fitness center and daycare center. There is also the option to work from home with immense stock options, onsite doctors, promotions, free drinks, multiple cafeterias, a library, free shuttle service, stock grants and bonus compensation with little politics involved. In addition, the tech area is not as crowded as most technology corporations and it viewed as a smaller company compared to other chip competitors. As explained by an employee, “Management makes sure to listen to employee concerns, needs, and wants, in order to improve working conditions as well as work-life balance. At times, they are even proactive about introducing new ideas to make working at Qualcomm better” (Glassdoor). Qualcomm employees may work individually as well as in groups with fellow experienced workers in the field of wireless communications. As in most companies, Qualcomm allows its employees opportunities to grow. As briefly mentioned before, innovation is a key element for success at Qualcomm and therefore employees receive a sneak-peek at upcoming technologies along with the opportunity to create new technologies.

In the past couple years, Qualcomm has received the Employees’ Choice – 50 Best Places to Work from 2009-2011. It has also been named to the 100 Best Companies to Work For in *Fortune* magazine as #9 in 2010, #7 in 2009, and #8 in 2008. In 2009 alone, Qualcomm earned the #7 spot in 100 Best Companies for Minorities, Top 100 Best Places to Work in IT, Barron’s 500, 50 Best Manufacturing Companies, India’s Best Companies to Work For, Training Top 125, Top Intern Employers, Top Entry Level

Employers and Top Master's Employers. Its credentials speak for itself as a highly revered company in which employees wish to work.

As not one company is perfect, there are aspects of the job on which Qualcomm could stand to improve. For example, some employees find in certain areas of the company there are fewer opportunities for growth and it can be a struggle to earn a promotion or greater compensation. Also, more attention should be paid to mentoring and allowing more time when assigning tight schedules. Schedules are based on calendar days and not work days that may cause a project to fall on a holiday possibly forcing the employee to sacrifice his/her family time or holiday vacation plans. An especially negative aspect of working for Qualcomm as one current employee states is, "Qualcomm chipsets power a huge range of devices in the worldwide market. In order to stay competitive, the pipeline is always filled to the brim. This means that there's very little time for good software practices and much of the effort, at least from a SW perspective, is spent porting and patching. This gets tiresome after a while and doesn't provide for much satisfaction with one's job as actual innovation often needs to take a backseat. In addition, because there are so many engineers involved, getting things done is often difficult because there's always some team you'll need to get support from in order to get the job done, no matter how simple the task. The overhead is exhausting" (Glassdoor). One last negative is the fast paced environment caused by industry competition that may trickle-down causing pressure on part of the employee. To counter some of the drawbacks to working for Qualcomm, there are some activities management may wish to impart on its employees such as encouraging the employees to develop skills across business units and focus on people management and training.

Though Qualcomm is quite generous in providing for the welfare of its employees at the work place, Qualcomm may wish to impose certain cutbacks including the recent reductions in water bottles and coffee stations. Proper management of customer expectations and scheduling is necessary considering the amount of overselling done throughout the divisions that has caused customer unrest. Additionally, allowing more opportunity for career growth by possibly dismissing low performance workers as well as providing more feedback and guidance to their interns and trainees may improve employee relations. It will also be in the best interest of the company to invest more time and energy into software development or opening new divisions for digital radio, wired and optical communication by bringing more technology from abroad to the states.

Customer Relations

In order for a business to survive, a manufacturing company, such as Qualcomm, must develop positive customer relations in order to build clientele and thrive as a business. Customer relations incorporates customer satisfaction, reputation and the service of the department. Qualcomm has numerous positive interactions with its customers to keep them happy with Qualcomm's products such as training sessions offered directly from their website. There is a link that sends the customer to another website allowing the customers to sign-up for these webinars. These sessions vary from learning about hours of service to installation to dispatcher portals, interactive Qualcomm for Transportation and Logistics, and many others. In addition, Qualcomm offers support all day, every day. Recently, Qualcomm customers have adopted a new application called Qualcomm Hours of Service (QHORS) not only to efficiently increase safety and compliance regulations, but also to improve productivity and efficiency provided by the

application. For Q-Lab customers, Qualcomm also offers carrier-authorized labs in which the carrier will receive approved test results thereby eliminating the need to repeat the same test, faster time-to-market in which issues are addressed prior to the certification cycle, testing of new technologies, a better defined process and enabling customers to certify the majority of modern-layer functionality for major international markets in order to reduce testing costs.

Despite these positives, there are some negative aspects to customer relations according to the customers including the constant need to pay for an upgrade every time a new version of a product comes out. As a new version of software is introduced, customers do seem frustrated that the software does not necessarily have free upgrades, but rather that Qualcomm contacts the customer informing him/her of a new software upgrade for a certain fee. Also, in August 2009, Qualcomm was sued for allegedly inflating the price of cell phones and cellular services based on Qualcomm's licensing practices. This class action suit under California's antitrust and unfair competition laws was dismissed twice for the same charges. Though having never been convicted of antitrust charges, Qualcomm does need to ensure proper management of licensing practices either through better and more thorough research in patents or ensuring the customer knows exactly why prices are increasing. The plaintiff in the case sued feeling there was an injustice in price inflation on a product and if Qualcomm had thoroughly explained the reasons for increasing the price this case might not have occurred. Though only having had 1 class action in most recent years, ViaSat does not appear to have had any class action lawsuits recently indicating Qualcomm does need to ensure clearer, defined laws and expectations on the part of the company to ensure satisfied customers.

Competitor Relations

In an innovative and new telecommunications industry with a constant change in technology, competition is a definite factor in the workings of Qualcomm. Though usually able to compete in a healthy manner, Qualcomm has encountered some instances of tough battles with fellow competitors. Dating back to 2007, Broadcom and Qualcomm have been in an endless patent battle in which Broadcom sued Qualcomm for infringement on patents in addition to numerous other charges. Though Qualcomm was found guilty for infringement in 2009, Broadcom continued to badger Qualcomm with various lawsuits and continued to steal Qualcomm customers such as Verizon until April of 2009 when the lawsuit was finally settled. In this settlement, Qualcomm offered to pay Broadcom for certain damages, but in return Broadcom must have its customers pay for Qualcomm's cell phone technology. This agreement not only settled this disagreement, but also stated the prevention of future patent battles. Qualcomm had yet a similar dispute with Nokia beginning in 2006 in regards to Qualcomm patents when Qualcomm first sued Nokia in November 2005. By 2008, Qualcomm reached a fifteen-year agreement with Nokia allowing Nokia a license to use Qualcomm patents in addition to paying Qualcomm upfront with future royalties. The most recent competitor issue was in regards to a major fine imposed on Qualcomm by the Korean Fair Trade Commission (KFTC). KFTC, having been investigating Qualcomm for three years, found Qualcomm licensing practices to be anti-competitive and claiming Qualcomm used its position of power to discriminate against companies that used other manufacturer's chips in mobile devices. This \$208 million fine, in addition to ceasing all unfair practices, has caused an uproar throughout the presence of Qualcomm in the South Korean Qualcomm office.

Despite these allegations, Qualcomm has continued to make their South Korean presence known in a positive manner through various programs such as the Self Quality Care project to benefit chronic disease patients in South Korea by providing participants with educational health information, reminders to help manage chronic diseases and live in a healthier manner. Also, Qualcomm has won the Hewitt Associates: Top Ten Best Employers in Korea. Though time consuming and a hassle, these lawsuits ultimately bring the companies together and do appear to come out with positive results for everyone involved. As former CEO, Irwin Jacobs explains, “We believe that the current reduction, combined with other cost-cutting measures, is necessary to assure our competitive position in the rapidly growing wireless communications market.”

Relationship with Directors

A company’s Board of Directors is a vital aspect in terms of responsibility of an organization. Communication with the board of directors is necessary to ensure adequate management of a company and Qualcomm does have a positive connection throughout its Board of Directors. In order to fulfill their duties in addition to other responsibilities, the Qualcomm Board meets at least 4 times a year and considering the amount of outside directors, there is an additional meeting held after the initial meeting of the Board for an executive session. In order to further assist the Board in fulfilling responsibilities, committees such as the Governance Committee Charter were created to assist the Board with executive development and succession matters along with specification of the scope of authority and responsibility of the Committee. Lastly, Qualcomm received the TMT Financial & Investment Middle East: Technology Provider of the Year-2009 clearly displaying a great relationship with Qualcomm’s TMTs. Overall, the Board of Directors

at Qualcomm incorporates a large number of external directors and maintains an interactive relationship with these directors.

Government Relations

For over two decades, Qualcomm has dedicated an entire sector of its company to the government, intertwining Qualcomm with its Government Technologies division (QGOV). QGOV allows governmental customers to realize significant technology enhancements and excellence during mission performance. QGOV also serves as the federal and state government portal to Qualcomm technologies and services by modifying and adapting commercial products to provide specialized capabilities for the government. QGOV develops special products based on its wireless satellite and terrestrial communication technologies for the federal, local, foreign and military governments. It has also led to enabling solutions, technology enhancements and products in areas including situational awareness, next generation wireless, tracking and locating and secure communications. For local, federal and state government personnel, situational awareness is a primary focus in order to save lives and better protect assets. For example, real-time situational awareness allows data feeds from devices, personnel, vehicles and other assets to be sent to commanders, mobile units and emergency operation centers in real-time allowing users the ability to make quick decisions, which can be necessary in certain governmental positions.

Another aspect to governmental technologies is the need for federal, state and local governmental personnel to communicate in relation to aligning next generation wireless development efforts with an emergency response to a community's need for critical communications. Improving VoIP technologies through streamlining

compatibility throughout users of devices and infrastructure allows government organizations to supplement existing radio networks with next-generation, data-rich commercial cellular applications. Tracking and solutions are also important governmental aspects Qualcomm has continued to improve upon including the previously mentioned introduction of OmniTRACS that has been proven to provide two-way satellite-based position tracking/reporting systems and mobile data communications. Lastly, Qualcomm continues to improve secure communications for the government through the Code Division Multiple Access (CDMA). This digital technology works by converting analog information including speech into digital information and transmitting that radio signal over a wireless network.

Environmental Record

Qualcomm is “committed to enriching the...planet that sustains us” (Qualcomm). Through numerous efforts improving energy efficiency, addressing global climate changes and efficient methods to reduce and re-use resources, Qualcomm has won various environmental awards including Recycler of the Year Award, Waste Reduction awards Program Winner, Director’s Recycling Award, Environmental Sustainability Award, Blue Sky Award, Green Restaurant Certification, Energy Star Award Building WB and Energy Efficiency Award just in the past two years alone! Qualcomm has become more energy efficient through numerous implementation systems including cogeneration systems and use of hybrid vehicles for corporate shuttle services. From its inception in 1992 and the implementation of over 350 separate projects, Qualcomm has saved approximately 12 million kilowatt-hours of electricity and 525,000 terms of natural gas each year which, in total, saves Qualcomm around \$1,464,000 in annual energy costs.

Continuing its initiative in protecting the planet, Qualcomm's Plant in Building P combined with cogeneration plant in Building W accounts for nearly 90% of electricity used at the two campuses. In addition, the new environmentally friendly shuttles continue to reduce fuel emissions while improving efficiency. Qualcomm has also earned the recycling award by recycling nearly 2 million pounds of recyclable material including paper, cardboard, plastic, mixed metals in addition to other materials. At Qualcomm's San Diego campus alone, nearly 2 million pounds of materials have been recycled through a comprehensive recycling program. Qualcomm continues its reduction plans with Facilities Maintenance donations of unused, latex paint to the United We Paint Coalition and the Building Services cleansing program reducing chemical packaging to the landfill by 97%! Qualcomm has also satisfied the requirements to become a constituent of the FTSE4Good Index Series. FTSE4Good is a financial index series designed to identify and facilitate investment in companies that meet globally recognized corporate responsibility standards. Qualcomm is also continuing to reduce waste, increase recycling, protect habitats, and reduce carbon emission in the worldly facilities. In Korea, Qualcomm facilities collect and recycle used printer cartridges and mobile phones; it then uses those funds to support "Child Fund Korea" programs for disadvantaged children. At the Canadian offices, Qualcomm eliminated bottled water and distributed reusable water bottles and coffee mugs to every employee while also replacing Styrofoam cups with compostable paper cups and installing composting stations and bins for used batteries. In the past year, offices in Georgia, New Jersey, North Carolina and Texas encouraged employees to bring in their used TV sets, cell phones, computers and other electronics recycling a total of over 35,000 pounds of personal e-waste in the U.S.

Qualcomm continues to protect habitats by planting trees in locations such as Bangalore and Hong Kong and planning environmental cleanup projects as part of their annual Global Volunteer Week. Lastly, Qualcomm was introduced to the Cool Planet Program in which customers are rewarded for installing significant energy-efficiency projects by providing assistance with measuring, managing and reducing their carbon footprint. The Hong Kong Office has recently enrolled in the Low-Carbon Office Operation Program that adopts managerial and technological best practices in order to change behavior and reduce carbon footprint on the part of management.

Community/Cultural Sensitivity

Qualcomm has taken numerous initiatives in order to benefit the community including philanthropy and volunteerism. Qualcomm strengthens communities worldwide through education for under-represented students, improving living conditions through serving basic human needs and enhancing welfare and by also being a creative and positive force in protecting the global environment.

As an innovative company, Qualcomm encourages cultural enrichment opportunities along with youth innovation and development. Qualcomm also has a program called QCares, Qualcomm's corporate volunteerism program, which created innumerable opportunities for employees, families and friends to participate in various charitable events. From helping people with disabilities to feeding and clothing the homeless to also caring for animals, QCares organizes volunteer team building projects as opportunities for internal departments to foster team building along with making large contributions to society. QCares also serves a variety of non-profit organizations by providing services for strategic planning, information technology, accounting, financial

management, marketing and public relations. QCares has impacted the global community including education for students in the UK, distributing food to the less fortunate in San Diego, encouraging citizens in India to exercise their right to vote, constructing affordable housing in Korea and stimulating interest in science and math in India just to name some examples. Last year alone, Qualcomm contributed to the educational and social initiatives in India through local non-governmental organizations. Lastly, at the San Diego headquarters, Qualcomm's Irwin M Jacobs Qualcomm Hall was dedicated for use by non-profit organizations and qualifying arts organizations that focus on promoting education, health and human services, culture and the arts.

Stockholder Satisfaction

Though inconsistent in market price, stockholders do appear satisfied with the overall market position and stock of Qualcomm. In fact, just last month Atheros' stockholders approved a merger with Qualcomm knowing the quality and worth of Qualcomm stock. Qualcomm has also been awarded Institutional Investor, All-America Executive Team in which it was ranked in the Top 3 CEO's, Top 3 IR Professionals and Top 3 IR Companies. In 2005, Qualcomm extended stockholder rights by extending its Stockholder Rights Agreement through September 25, 2015 and adjusted the price of the Stockholder Rights. The extension of this document is an effort to "guard against the potential use of coercive takeover tactics designed to gain control of QUALCOMM without paying full and fair value to all stockholders" (Davidson). Qualcomm also does as much as it can to ensure the inclusion of stockholders, for instance inviting stockholders to attend Qualcomm's annual meetings.

Communication with the Public

Qualcomm is a very open company with no intention of hiding information from the public. It is a company willing to share information by providing press releases after incidents. Even Intomobile mentioned that Qualcomm is often one of the first companies to provide knowledge to the public in regards to any new information that has surfaced either after disasters or introductions to new technological devices, informing the public of stock splits and answering any questions as best they can. The company also often has question and answer sessions and asks for 360 feedback from its customers, employees and anyone else with whom Qualcomm has had relations. During lawsuits, Qualcomm makes sure to keep the public in the loop with the happenings regardless of a positive/negative outcome. This is a clear indication of the openness and honesty Qualcomm shares with the public.

Public Persona

As a company that runs on consumer usage, public persona is quite important for any technology company. Qualcomm's public image is impeccable despite some of the lawsuits, which have all been resolved at this point in time. Qualcomm is also well known throughout various popular companies such as Nokia, Verizon, Microsoft, Netflix and Hewlett-Packard and have products placed in a variety of devices in which the public interacts everyday including LG and Samsung cellular phones as well as tablets such as Ipads. Between the "Going Green" initiatives, volunteerism, popularity, and countless awards and recognitions for the quality of the company, Qualcomm has a truly remarkable public persona.

Vendor Relations

Qualcomm does have fairly good relations with its suppliers though the company itself acts more as a supplier than a consumer. Qualcomm ensures close communication with its suppliers through various initiatives such as the PDM system. This PDM system allows required program management personnel to manually extract data from the Qualcomm product data management system and reassemble it prior to sending it to the supplier. Also, Qualcomm improves the processes for assembling, distributing, and sharing documents with suppliers by providing them with a common, secure portal to linking directly to data released in the PDM system. Though doing its best to communicate with its suppliers, Qualcomm must also look at economic supply and demand in this day and age; from this view, we can see that power has mostly shifted to suppliers, but considering Qualcomm is a supplier itself, this is both a negative and positive for Qualcomm. Qualcomm does limit its choices from whom to receive parts, but as a supplier itself along with its unique innovation, Qualcomm is also in high demand.

Strategic Positioning

Effectively managing, crafting and implementing strategic plans are of vital importance within a functioning organization. Demonstrating vision, imagination, ingenuity, adaptability and, especially in the technology industry, innovation are essential functions necessary to perform well in a company. In addition to performing well in the area of organizational citizenship, as displayed by Exhibit 7, Qualcomm has done exceptionally well in the areas of the vision and mission statements, plans and progress, responsiveness to the general environment and definitely innovation. Qualcomm should pay more attention to its competitive advantage if it plans to advance in this industry.

Vision and Mission

As a leader in innovation, Qualcomm's vision statement is clearly presented in a visionary manner. Upon entering the website there is a clear label at the top entitled innovation in which a drop down box follows when the mouse scrolls over "Innovation." The drop down box has a tab labeled future outlook and when you look at the future outlook, Qualcomm's vision explains, "From the lofty heights of dreams, we can see the future." Qualcomm further explains its vision as "...your vision of what tomorrow might hold inspires us... So while no one can be absolutely certain what tomorrow will bring, we have a pretty good idea. After all, with your help, we're building it." Qualcomm is clearly explaining that their vision is to allow innovation and creativity within the company, but with the help of society. They also explain that "we lay the foundation for a new world of wireless communication" incorporating those creative and innovative ideas into constructive products that help shape the view of the future. Under the same "Innovation" tab is the mission statement under the title "Pathway to Innovation." The mission statement focuses on innovation in terms of the research and development necessary to foster each individual's imagination. Qualcomm's mission further explains that nurturing and partnerships are two valuable assets that will lead to success. As Qualcomm clearly explains, "...let's explore the possibilities. Let's never stop discovering. Working together, the pathway to innovation can go as far as our dreams will take us" (Qualcomm).

Competitive Advantage

It is imperative for technologically innovative companies such as Qualcomm to gain a competitive advantage considering the industry in which Qualcomm is listed. Though Qualcomm needed to work on its competitive advantage years ago, it is currently developing a strong rapport with its primary customer base and becoming much more well-known. The various programs it offers are expanding its market share and its innovative aspect are continually growing and expanding. Qualcomm is also taking a new approach by targeting the newer technological tablets including smartbooks, Ipads and netbooks. Furthermore, Qualcomm planned to team up with AudioVox to put live TV in the back seats of cars. Considering the recent merges and compromises reached in terms of the lawsuits, Qualcomm has a very strong position handling competition.

Environment: External

Preparing for the external environment is one of the most difficult precautions a company should take into account. As co-founder Irwin Jacobs explains, “Global economic uncertainties have slowed the growth we were previously expecting, causing us to lower our expectations for CDMA handset sales to approximately 80 million units in 2001 versus the 90 million units on which we had previously planned” (Jacobs). Though Qualcomm does deliver above satisfactory ways in which to provide arrangements should unforeseen incidents occur, Qualcomm is not a company without its flaws. In the previously mentioned court case involving Qualcomm and Broadcom, Broadcom sued Qualcomm for deceptively failing to disclose patents reasonably necessary to practice the Joint Video Team standards. Unfortunately for Qualcomm, both Federal Circuit and

district courts found Qualcomm's conduct "inconsistent with the expectations of disclosure that existed among JVT's members." By failing to appropriately comply with these standards, Qualcomm was barred from enforcing relevant patents against any user or manufacturer of certain products using this standard.

A year later in regards to the ongoing battle between Broadcom and Qualcomm, U.S. Magistrate Judge Barbara Major sanctioned Qualcomm in January 2008 for failing to turn over 46,000 documents in that previous patent infringement trial. In addition to the damages Qualcomm was paying before, Judge Major ordered five in-house Qualcomm lawyers and six outside attorneys to undergo a "comprehensive" program in order to prevent future trial abuse. In addition, Qualcomm paid \$8.5 million in legal bills. Though "Qualcomm's legal team maintained that it had never acted in bad faith and apologized for neglecting to turn over the e-mails" (Association of Records Managers & Administrators), this was a devastating hit to Qualcomm that appears to have influenced future relations with its competitors including future compromises. In order to avoid some of these mistakes, Qualcomm could have used a checklist to develop standard discovery protocol, ensure understanding of how and where clients maintain paper files and electronic information as well as the client's business structures and practices. Qualcomm should have also physically visited the locations where information is maintained rather than simply relying on the word of a client. Qualcomm should ensure all witnesses have already provided where and how evidence was maintained and if need be, bring in company IT staff to the client's locations. Lastly, documentation of all steps should be taken in order to comply with all protocol.

Though Qualcomm has had its feuds with other companies in the past, it is moving forward after having worked out compromises with all competitive enemies including Broadcom and Nokia. Qualcomm has also done very well in adapting to changes in the environment. Economic forces such as earthquakes or tsunamis are rarely thought about prior to the major impact created. Thankfully, Qualcomm has been shown to react quickly and in a helpful manner during these times of need. When the Japanese earthquake caused a major impact on society, certain companies such as Toshiba were forced to temporarily shut down and repair its factories, Qualcomm ensured the public, prior to analyst speculation, through a press release soon after the event that “Qualcomm acknowledges it has an adequate back stock of components and geographically diverse suppliers to help it manage any slowdown from Japan” (Intomobile). Qualcomm has additionally aided in relief and recovery projects in Japan by donating \$1 million to the philanthropic US-based charity, Give2Asia.

Also, in response to Hurricane Katrina, Qualcomm donated a deployable base station for disaster relief to the International Telecommunication Union in order to assist countries in preparing for disasters and to strengthen response and recovery mechanisms. This deployable base station is “bridging the telecommunication gap” in responding to unknown threats. Additionally, Qualcomm’s Stadium served as a center for approximately 10,000 people seeking shelter after wildfires had swept through the region. In anticipation of disasters within the company itself, Qualcomm has provided all employees with wireless-enabled notebooks maintaining constant data access regardless of location enabling the company to continue global operations even during the wildfires when headquarters are shut down; in this sense, Qualcomm is consistently meeting

deadlines and delivering products in a timely manner even during times of crisis; additionally, Qualcomm is creating a command center and issuing critical messages to all employees while maintaining business systems. Despite the difficulties Qualcomm has encountered, its ability to continue strengthening anticipation of unknown events continues to keep Qualcomm ahead of its competitors. As author Mark Caine writes, “The successful always has a number of projects planned, to which he looks forward. Anyone of them could change the course of his life overnight.”

Innovation

Qualcomm is renowned for its technological innovation. It prides itself on the innovativeness of its employees and has received several awards on behalf of its innovation including the Wall Street Journal 2009 Innovation Award, CES Innovation Design and engineering Awards 2008 and EDN Innovation Awards: Embedded System Technologies 2009. Most recently, Qualcomm was named #7 as The World’s Most Innovative Companies in 2010 for its creative model and progressive culture having shipped 450 million 3G handsets in 2009. Qualcomm always encourages its employees to engage in “exciting and technically challenging projects” pushing the realm of possibility in order to better society. In the past couple months, Qualcomm has created various innovative technologies including a device called Flashlinq allowing mobile devices to automatically connect with one another if a friend, family member or anyone else in his/her address book is nearby. Qualcomm has also recently enhanced the personal emergency response services (PERS) directed at elderly allowing anyone in the world who has fallen to push a button triggering the closest response team to respond quickly and with appropriate medical attention. Qualcomm has also created one of the most

innovative technologies, Snapdragon, which allows users to multitask on their mobile devices by performing actions such as talking with friends, tweeting and finding directions all at the same time, on one device and with minimal effect on performance and battery life. In its most recent stages, a Qualcomm employee has developed a suite of 3G-enabled products to help manage diabetes including wireless glucose meters connecting family members and physicians in hopes to continue creating these products for other chronic diseases. Studies have shown to save the user nearly \$3,400 per person in annual healthcare costs. These are just some of the most recent innovative technologies developed by Qualcomm with much more in store for the future. Qualcomm constantly encourages research and development to increase potential for new discoveries and innovation and continues to succeed through these processes.

Plans & Progress

Developing technologies is an ongoing process in which Qualcomm intends to remain a prime supplier. CEO Paul Jacobs has several ongoing plans for Qualcomm and, as previously mentioned, innovation is key and continually encouraged for the creation of new technologies. One of Jacobs plans for the future includes creating a new market for Qualcomm's wireless chips and intellectual property into gaming systems. Qualcomm has recently teamed up with AudioVox in order to put live TV in the back seats of cars and hopes to, in the near future, stream live television to cell phones. As explained in Qualcomm's annual report, various types of technologies including CDMA and OFDMA will be updated in the coming years using LTE technology. Also mentioned in the report are restructuring plans for other types of technology such as FLO TV and Disaster Recovery all of which are feasible and clearly outlined. Qualcomm provided mobile

products and services to Universal Music Group allowing them to use Qualcomm technology to sell merchandise such as ringtones and wallpapers that are normally purchased through carriers. Also, Telcare plans to integrate the wireless Internet of Everything Module in Qualcomm's glucose meter in order to allow patients and their caregivers to monitor and respond to changes in a patient's glucose level. These are just some of the ways in which Qualcomm is progressing towards future wireless technologies. Qualcomm often makes public announcements about anything happening at Qualcomm including both the positives and the negatives. From new technologies to quarterly reports, Qualcomm is in constant contact with their followers including an online feature called Qualcomm Live! in which views may stream events live from their individual computers. By and large, Qualcomm has done very well in progression towards and plans for the future. Success in creation of planned technology is rare as there are innumerable possibilities that can create flaws and cause projects to go awry, but Qualcomm has succeeded in the creation of all the technologies they plan to create or have created new technologies they did not even plan. All in all, Qualcomm has successfully planned and progressed for the future.

III. Summary:

Twenty-six years ago a group of six people had an idea that has since transitioned into a major conglomerate employing over 16,100 employees. Qualcomm has lucratively succeeded in becoming one of the world's most innovative and rewarding companies transitioning the entire wireless communications and technology industry. Dr. Irwin Jacobs initially created a company called LINKABIT with a primary focus on governmental and industrial projects until he got together with six peers and founded

Qualcomm. Jacobs and his team successfully created CDMA, commercialized Code Division Multiple Access cellular technology. Though introducing new and innovative technologies, Jacobs has not lost sight of his primary goal hoping to improve society and the world. Qualcomm has received countless awards in various areas including being named FORTUNE's World's Most admired Companies since 2002, Fortune 500, FORTUNE's "100 Best Companies to Work For," Computerworld "100 Best Places to work in IT," Hewitt Associates: Top Ten Best Employers in Korea, Training Magazine: Training Top 100, Fast Company: The World's Most Innovative Companies 2010, "Nifty Fifty" –Qualcomm Fuel Manager, PC Magazine: 2008 Technology Excellence Awards: displays- Mirasol, Wall Street Journal 2009 Innovation Awards Winner, California Climate Action Registry – Climate Action Leader, 2010 Higginbotham Corporate Leadership Award, Computer World Magazine: Top 12 Green IT, and Human Rights Campaign – Corporate Equality Index 2010 just to name some of the more recent awards.

Clearly a vibrant corporation as displayed by their numerous awards and recognitions, there are some key aspects on which Qualcomm does need to focus a bit more. In terms of managing profit, equity and share value, the decrease in the dividend payout ratio and increase in dividend yield cannot be overlooked. Based on an increase in dividend yield to make the company seem more valuable and attractive to its shareholders or future investors and the decrease in the dividend payout ratio, Qualcomm is saving cash for future corporate plans, which appear to include an increase in penetration of smartphones/3G connections and tablets. Specifically, Qualcomm expects to begin commercial production of a multi-mode chipset in order to enable mobile phone users to transition from 3G technology to Long Term Evolution (LTE) technology. As the

International Business Times explains, Qualcomm is expected to be a primary beneficiary in the growth and use of 3G/4G networks as the top supplier of integrated chips and hold a position of leadership to LTE. Qualcomm's investment bank, Piper Jaffray, is not hiding the fact that "...as fear of supply disruptions subside and royalty revenues wane, we believe Q4 will be a soft quarter." By preparing the public and shareholders for a not-as-profitable quarter, Qualcomm is clearly not trying to hide any financial hindrances and explains, "We believe the current valuation is an excellent buying opportunity in this large cap growth franchise." Qualcomm further explained in its annual report, "Future dividends may be affected by...our views on potential future capital requirements, including those relating to research and development, creation and expansion of sales distribution channels and investments and acquisitions, legal risks, stock repurchase programs, changes in federal and state income tax law and changes to our business." Qualcomm is not hiding any relevant information that should be known to the public while it continues to explain its reason for future consistency rather than a quick increase continuing to reassure investors and stockholders. Qualcomm's decrease in the dividend payout ratio is a clear indication of the cash Qualcomm is using to supply these LTE chips while increasing the dividend yield in hopes that the future of these chips will provide the high pay-off expected.

Qualcomm has also done well in managing long-term debt despite the increase in internal financing ability current cash coverage ratio and creditor influence. As Qualcomm has clearly displayed its ability to manage its long-term debts and assets, it is not as easily adaptable to short-term finances including its internal financing ability measuring the current cash coverage ratio. Qualcomm, in preparing for future returns,

needs to better control its management of cash to finance day-to-day operating activities. In order to better serve these day-to-day operations, Qualcomm may consider investing in a company such as Approva that automates control over cash flows. In doing so, Qualcomm would improve control and management visibility across cash and bank processes, reduce fraud and risk of mistakes across these processes and improve its efficiency. Automating and controlling certain processes in the cash flow process might help manage the short-term debt that seems to be giving Qualcomm more of an issue than long-term debt.

In terms of creditor influence, those lenders will definitely focus on decisions that increase both profit for the company as well as are beneficial to the shareholders, because without the financial backing of the shareholders, a sudden pull-out of stocks would cause an increased decline and ultimate downfall in any company. Also, greater creditor influence has been shown to reduce a firm's violations on the part of the company or "actions taken by creditors on average increase the value of [a] violating firm" (Nini, Smith, and Sufi). Qualcomm, in addition to other communications equipment companies, is taking into consideration the shareholder's interests and long-term corporate viability through incorporating a greater amount of creditor interest as presented by the increase in creditor leverage.

One primary focus for Qualcomm should be cash management. Having done quite well in managing other areas including assets and debts, Qualcomm has recently decreased in the amount currently available to service short-term debt and deterioration of a firm's credit rating. Credit ratings take into account the level of liquid assets in the firm (quick ratio and current ratio). An adequate supply of cash helps keep the firm's

current and quick ratios high enough to maintain a good credit rating. At this point in time, Qualcomm is paying for certain assets now to increase productivity in the future, which may account for the lack of liquidity at Qualcomm.

It is also important to ensure a high credit rating for any company and the decrease in the quick and current ratios should be high enough to maintain a good credit rating. In order to increase the quick and current ratios, the company may wish to hold onto more money rather than investing most of it. By not giving back as much in dividends as they have in the past, Qualcomm is starting to gain liquidity, though the company still needs to find its healthy liquidity balance. In the past the company has been too liquid, but as of the decrease over the past year, Qualcomm could stand to become a little more cash equipped. Qualcomm also does not want to be considered too liquid in the sense that it may lose an opportunity or increase its risk of hostile takeover. By limiting its liquidity, Qualcomm has reduced its means to lose opportunity by taking its cash and putting it into a productive asset such as the production of 3G chips in which Qualcomm is currently engaged. By limiting its liquid assets, Qualcomm is at virtually no risk to be taken over, as there is not an abundance of cash lying around to be used or taken.

Qualcomm also has great relations with its employees, directors, government, stockholders, the environment, community, communication, and public persona, though it could work more on its customers, competitors and vendors. Qualcomm has room for improvement in those three areas. Offering a good balance between work/home with flexibility, stock options, onsite doctors, promotions, a work from home option, free drinks, multiple cafeterias, a library, free shuttle service, stock grants and bonus

compensation, one employee explained, “Management makes sure to listen to employee concerns, needs, and wants, in order to improve working conditions as well as work-life balance. At times, they are even proactive about introducing new ideas to make working at Qualcomm better” (Glassdoor).

Having gone through several rough patches with its competitors, Qualcomm does need to ensure proper management of licensing practices either through more thorough research in patents or ensuring the customer knows exactly why prices are increasing. The plaintiff in a case sued feeling an unjust increase in a product price and if Qualcomm had thoroughly explained the reasons for increasing the price this case might not have arisen. Though only having had 1 class action suit in recent years, ViaSat does not appear to have had any class action lawsuits recently indicating Qualcomm does need to ensure clearer laws and expectations on the part of the company to ensure satisfied customers. Governmental relations are important to Qualcomm bearing in mind the government is a primary reason that Qualcomm and Dr. Jacobs’s idea of LINKABIT was created.

Though inconsistent in market price, stockholders do appear satisfied with the overall market position and stock of Qualcomm considering it does as much as it can to ensure the presence of stockholders including inviting stockholders to attend Qualcomm’s annual meetings and other such events. Qualcomm is also a very open company with no intention of hiding information from the public. It is a company willing to share information by providing press releases after incidents, informing the public of stock splits and answering any questions directed its way. This clear indication of the openness and honesty Qualcomm shares with the public was even noticed by Mr. Mumford, a writer, who explained Qualcomm is one of the first companies to publicly

respond and address issues including the impact of the Japanese earthquake. Qualcomm's response was not only quick but clearly indicated the necessary precautions being taken by the company with little impact on the company itself.

Public-persona is very important as well and considering the amount of popular companies that use Qualcomm technologies including Nokia, Verizon, Microsoft, Netflix and Hewlett-Packard, it is not surprising that Qualcomm is becoming more and more widely recognized or at least displaying its presence. Actually, weeks after choosing my target company, I looked down at my phone and noticed one of the plastic covers still left on the top part of my phone where antennas used to be, there was written, in tiny white letters, "Digital by Qualcomm." Qualcomm technologies can be found anywhere including in your own pocket.

Competitively speaking, in the previous battle between Broadcom and Qualcomm, U.S. Magistrate Judge Barbara Major sanctioned Qualcomm in January 2008 for failing to turn over 46,000 documents in that previous patent infringement trial. In addition to any damages Qualcomm was paying before, Judge Major ordered five in-house Qualcomm lawyers and six outside attorneys to undergo a "comprehensive" program for preventing future trial abuse. Additionally, Qualcomm paid \$8.5 million in legal fees. Though "Qualcomm's legal team maintained that it had never acted in bad faith and apologized for neglecting to turn over the e-mails" (Association of Records Managers & Administrators), this was a devastating attack to Qualcomm that appears to have influenced future relations with its competitors, both positively and negatively, including future compromises. In order to avoid some of these mistakes, Qualcomm could have used a checklist to develop standard discovery protocol, ensure understanding

of how and where clients maintain paper files and electronic information as well as the client's business structures and practices. Qualcomm should have also physically visited the location where the information is maintained rather than to simply rely on the word of the client. It should also be sure to have all witnesses provide where and how evidence was maintained and, if need be, bring in company IT staff to the client's location. Lastly, it should document all steps taken to comply with all protocol.

Having dealt with such legal situations as the previously mentioned Broadcom versus Qualcomm lawsuit, Qualcomm learned to adapt and has since created a compromise along with other companies such as Nokia in order to ensure healthy competition. Ever since the past incidents, Qualcomm has also ensured better protection on its copyright laws and lists all suppliers and innovators in the Qualcomm patent portfolio directly on their website under Licensing.

Investing in any company is always a risk, but based on my findings, I truly find Qualcomm to be of better value if you are willing to take that risk. The previous research, though indicative of some decreases in certain areas including the dividend payout ratio with an increase in dividend yield, has shown Qualcomm is on top and ahead of its industry and its competitors. Through both a financial and qualitative analysis, Qualcomm has performed exceptionally well in comparison to its competitors and though every company has its flaws, this company has all around done very well over the past year. Qualcomm began as a tiny company founded by one man and, with the aid of his fellow cohorts, it has become one of the most successful and innovative corporations the world sees today. As co-founder and former CEO Irwin Jacobs explains, "This year we continued to focus on improving profitability while investing in areas of future growth.

Central to our strategy is the belief that CDMA-based wireless data and Internet access applications will fuel industry growth for years to come.”

Exhibit 1

Board of Directors



Barbara T. Alexander

Age: 61

Outside Director

Ms. Alexander has served as a director of Qualcomm since July 2006. She earned her B.S. and M.S. degrees in theoretical mathematics. In addition to her membership of the Audit Committee and Governance Committee, she has held numerous prestigious titles beginning in 1992 through 1999 when she positioned herself as a managing director of Dillon Read & Co, Inc. From 1999 until 2004, she held the position of a senior advisor at UBS. In addition to her presence on the Board of Directors, Ms. Alexander has also been serving as an independent consultant since 2004. Through her experience serving as a director for several public companies, Ms. Alexander continues to add value to the Qualcomm Board through her understanding of corporate and board functions and processes. In addition, she has work experience as an analyst and investment banker coupled with experience in operational, strategic and financial planning, and her service from her time spent on the board of Centex Corporation and serving as director of Freddie Mac.



Stephen M. Bennett

Age: 55

Outside Director

Mr. Bennett has been a member of the Qualcomm Board as of August 2008 and currently serves as Chair of the Compensation Committee. After receiving his degree in finance and real estate, Mr. Bennett served as President and CEO of GE Capital e-Business, then five months later switch to President and CEO of GE Capital Vendor Financial Services, and later became the executive VP and member of the board of GE Capital. Years later Mr. Bennett took on the role of CEO of Intuit, Inc. as well as the director of both Intuit, Inc. and Sun Microsystems, Inc. prior to serving on the board of Qualcomm. Mr. Bennett has been an asset to the Qualcomm Board through his extensive leadership, knowledge of the consumer industry and technical experience,



Raymond V. Dittamore

Age:66

Outside Director

Retiring after 35 years of service as partner of Ernst & Young in June 2001, Mr. Dittamore served first as director of Life Technologies Corporation, then one year later served as director of Gen-Probe Incorporated, and finally became director of Digirad Corporation during which he began serving as a director Qualcomm. His knowledge of the technology industry and service as a director and partner also makes him quite the asset to the Qualcomm Board.



Sir Donald G. Cruickshank

Age:67

Outside Director

Prior to his roles as a member of the Finance committee and Governance committee serving on the Qualcomm Board in June 2005, Sir Cruickshank has served as the chairman of Audioboo LTD, the Chairman of Clinovia Group Ltd. and Formscape Group Ltd, and was a member of the Financial Reporting Council. His knowledge in finance has helped lead him to his role as the Chair of the Audit Committee. He earned an M.A. degree in law and an honorary L.L.D degree in addition

to an M.B.A. He is also very experienced in European regulation and telecommunications, which is quite valuable knowledge to an international corporation such as Qualcomm. Sir Cruickshank has also served as the Chairman of the London Stock Exchange plc.



Thomas W. Horton

Age:48

Outside Director

Prior to serving as a director of Qualcomm for the past three years, Mr. Horton has previous experience serving as the President of AMR and American Airlines, Inc. In addition, he served as Executive Vice President and Chief Financial Officer of AMR and American. Mr. Horton also served as the Vice Chairman and Chief Financial Officer of AT&T Corporation, after having earned his M.B.A and degree in accounting. He is currently a member of the Audit Committee considering his depth of knowledge in the area of accounting.



Dr. Irwin Mark Jacobs

Age:76

Inside Director

A founder of Qualcomm, Dr. Jacobs has served both as a director as well as Chairman since the beginnings of Qualcomm in July 1985 through March 2009 and is a member of the Qualcomm Finance Committee. He served as the Chief Executive Officer also beginning in July 1985 until June 2005. In addition to his roles at Qualcomm, Dr. Jacobs is Chair of the Board of Trustees of Salk Institute for Biological Studies and Chairman of the National Academy of Engineering. His incredible knowledge and understanding of the industry has earned him prestige through numerous industry business and education awards including the National Medal of Technology in 1994 and a Woodrow Wilson Award for Corporate Citizenship in 2004. As is common for companies to have familial relations, Dr. Mark Jacobs is the father to Chairman and Chief Executive Officer, Dr. Paul Jacobs.



Dr. Paul E. Jacobs

Age:47

Inside Director

Dr. Jacobs has served as Chairman of the Qualcomm Board since March 2009 and has served as both Chief Executive Officer and the company director since July 2005. Prior to these roles, in July 2001 he became Group President of Qualcomm Wireless & Internet Group from July 2001 until June 2005, before which serving as an executive vice president for five years. Similar to his father he earned an electrical engineering degree in addition to his computer science degree, and has a Ph.D for both educational areas.



Dr. Robert E. Kahn

Age:71

Outside Director

Prior to his position on the board in February 1997 and as a member of the Finance Committee, Dr. Kahn was a senior scientist with Bolt Beranek and Newman until 1972 and was then employed from 1972 until 1985 at the U.S. Defense Advanced Research Projects Agency, where he served as Director of the Information Processing Techniques Office. After joining Qualcomm in 1985, Dr. Kahn founded the Corporation for National Research Initiatives for which he serves as the Chairman, Chief Executive Officer and President. Earning a B.E.E., M.A. and Ph. D. in electrical engineering has qualified Dr. Kahn to win numerous awards for his work on the Internet such as the 2008 Japan Prize, the 1997 National Medal of Technology and the

2005 Presidential Medal of Freedom. In addition, he holds a considerable amount of honorary degrees and is also a member the National Academy of Engineering and an inductee of the National Inventors Hall of Fame.

Sherry Lansing

Age:65

Outside Director



Ms. Lansing has served as a director since September 2006 and is the current Chair of the Governance Committee. She is also the founder and Chair of the Sherry Lansing Foundation. Prior to these roles, Ms. Lansing served as Chair of the Motion Picture Group of Paramount Pictures, operated Lansing Productions (her own production company) and was appointed President of Production at 20th Century Fox becoming the film industry's first female to oversee all aspects of a studio's motion picture production. She also has positions as a chair, trustee and advisory with Friends of Cancer Research, the American Association of Cancer Research, the Carter Center and Stop Cancer and serves as Chair of the University Health Services Committee at the University of California. She earned her B.S. degree in speech, with a minor in both mathematics and English. Her prestigious awards include the 1982 Distinguished Community Service Award, the Alfred P. Sloan, Jr. Memorial Award, an honorary doctorate in fine arts from the American Film Institute, the 2003 Woodrow Wilson Award for Corporate Citizenship and the 2004 Horatio Alger Humanitarian Award.

Duane A. Nelles

Age:66

Outside Director



As Chair of the Finance Committee, Mr. Nelles has extensive knowledge in the fields of economics and mathematics, especially after earning his M.B.A. in both educational areas. Prior to serving as director in August 1988, Mr. Nelles was a partner in Coopers & Lybrand LLP before serving as a director of WFS Financial Inc. from 1995 to 2006, during which time he also served as a director for Westcorp Inc.

Dr. Francisco Ros

Age:59

Outside Director

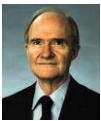


Prior to serving as a director in December 2010, Dr. Ros was Secretary of State of the Government of Spain from May 2004 until July 2010. While currently the President of First International Partners, S.L, he had served as senior director of business development of Qualcomm from July 2003 until April 2004. His knowledgeable background includes an engineering degree and Ph.D. with an advanced management degree from Spain in addition to an American Ph.D. in electrical engineering and computer science.

General Brent Scowcroft

Age:84

Outside Director



Having earned a B.S. degree in engineering and a M.A. and Ph.D. in political science, General Scowcroft serves as a member of the Compensation Committee at Qualcomm and has been a director of the Company since December 1994. He is also the current President of The Scowcroft Group, Inc. and the President of The Forum for International Policy. His previous service includes Assistant to the President for National Security Affairs for President Bush and President Ford from January 1989 until January 1993. A retiree of the U.S. Air Force, Lieutenant General Scowcroft served in many national security posts in the Pentagon and the White House.



Marc I. Stern

Age:65

Outside Director

Prior to joining as a Qualcomm director in February 1994, Mr. Stern has served as Vice Chairman of the TCW Group, Inc. as of October 2005 and Chief Executive Officer since July 2009 after serving as President of TCW from 1992 to 2005. Mr. Stern has also served as Chairman of Société Générale Group's Global Investment Management and Services in North America since October 2005. From 1988 until 1990, Mr. Stern served as President and a director of SunAmerica, Inc., prior to which he was Managing Director and Chief Administrative Officer of The Henley Group, Inc. Mr. Stern's educational background includes a M.A. from the Columbia University Graduate School of Public Law and Government as well as a J.D. from Columbia University School of Law.

Exhibit 2 Earnings Productivity

Qualcomm, Inc.



ViaSat, Inc.



Exhibit 2a

Return on Stockholder Investment

Qualcomm, Inc.

ViaSat, Inc.

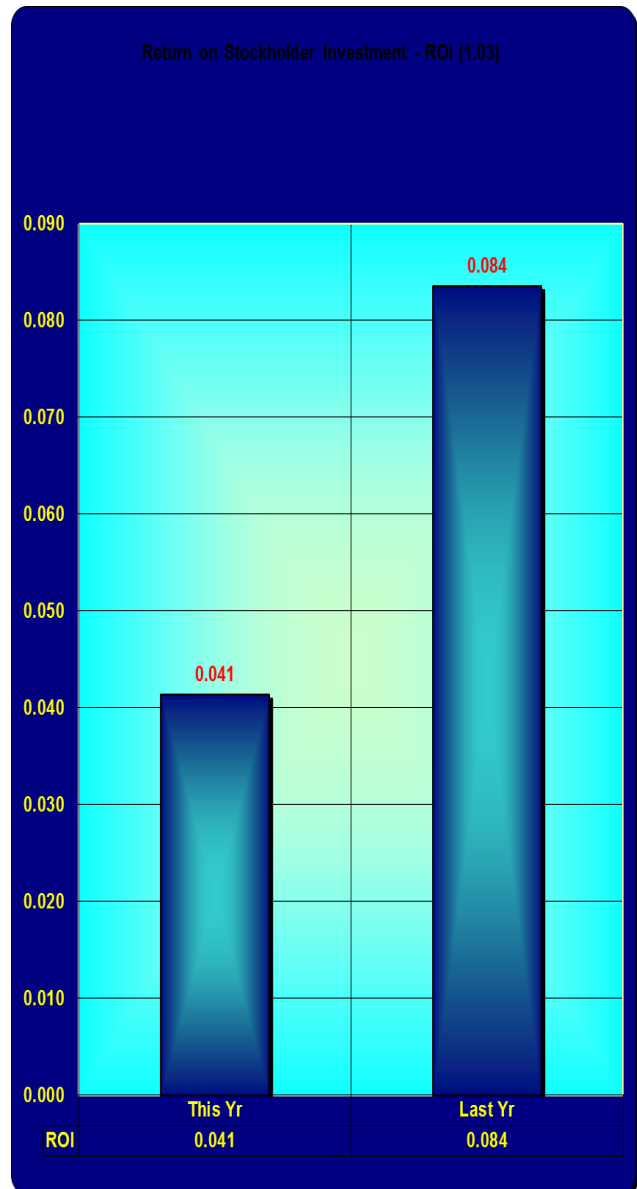
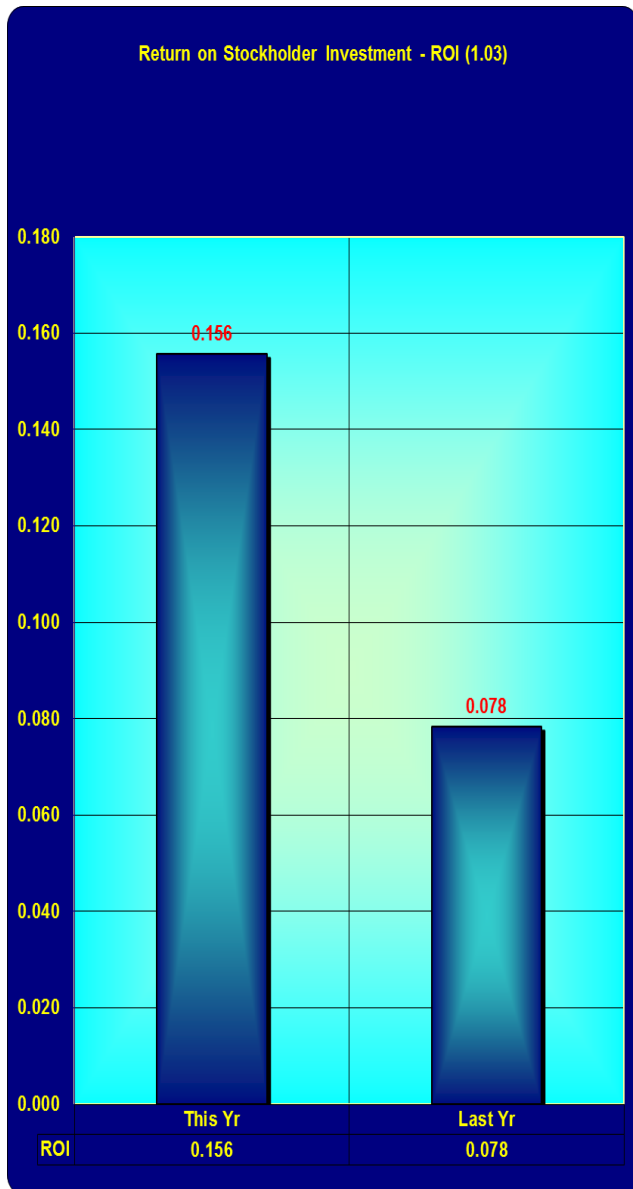


Exhibit 2b

Derivation of Financial Worth

Qualcomm, Inc.

ViaSat, Inc.

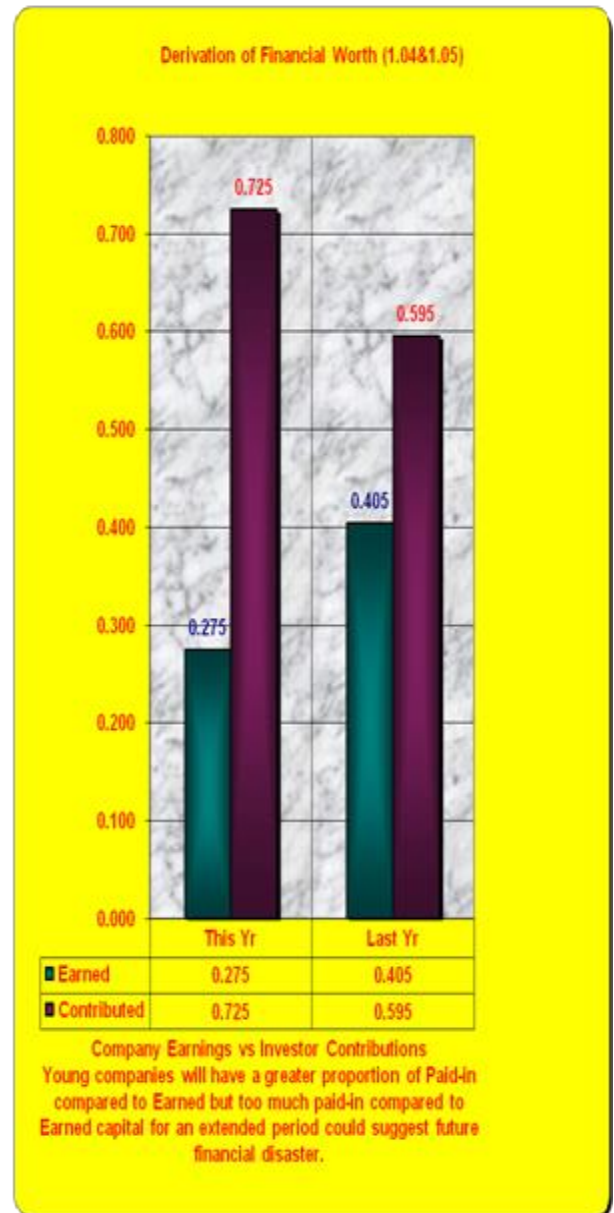
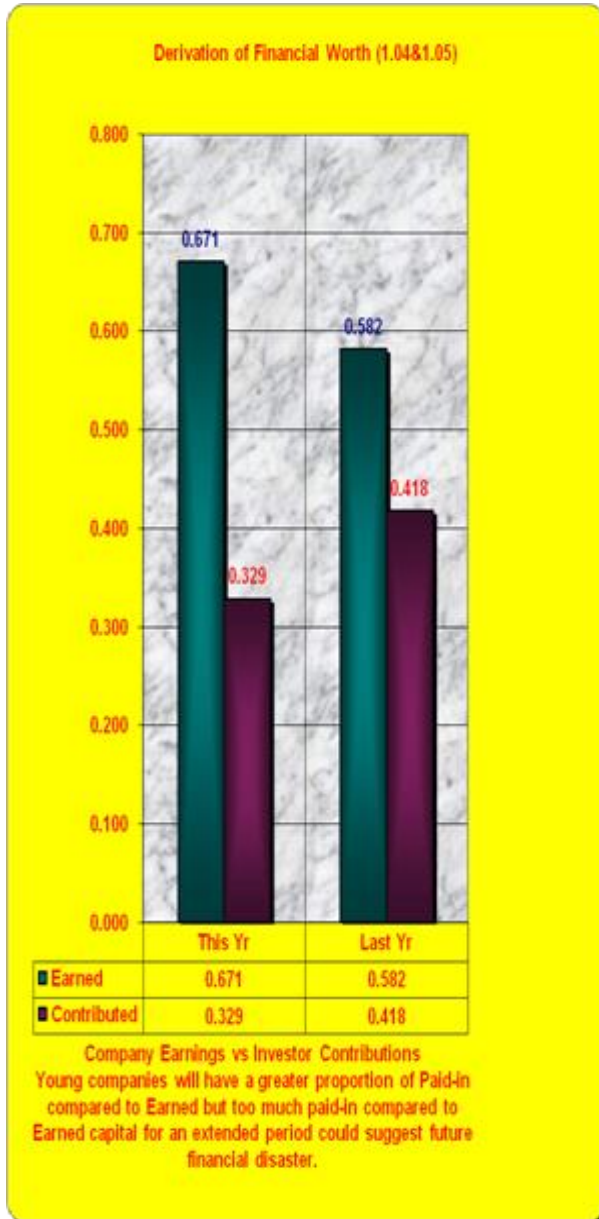
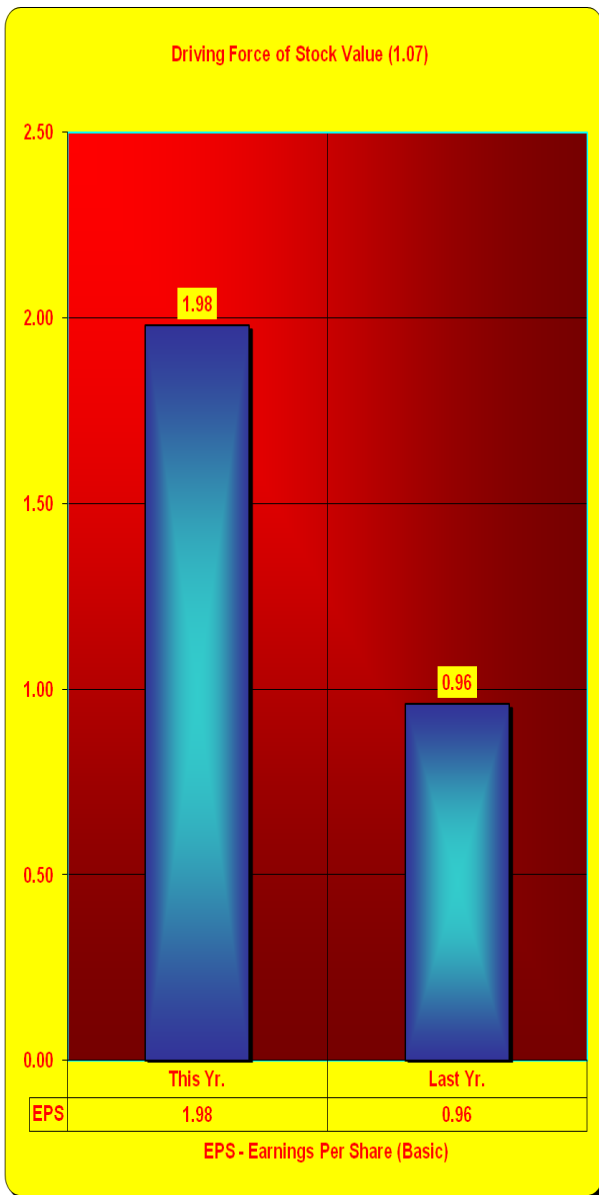


Exhibit 2c

Driving Force of Stock Value

Qualcomm, Inc.



ViaSat, Inc.

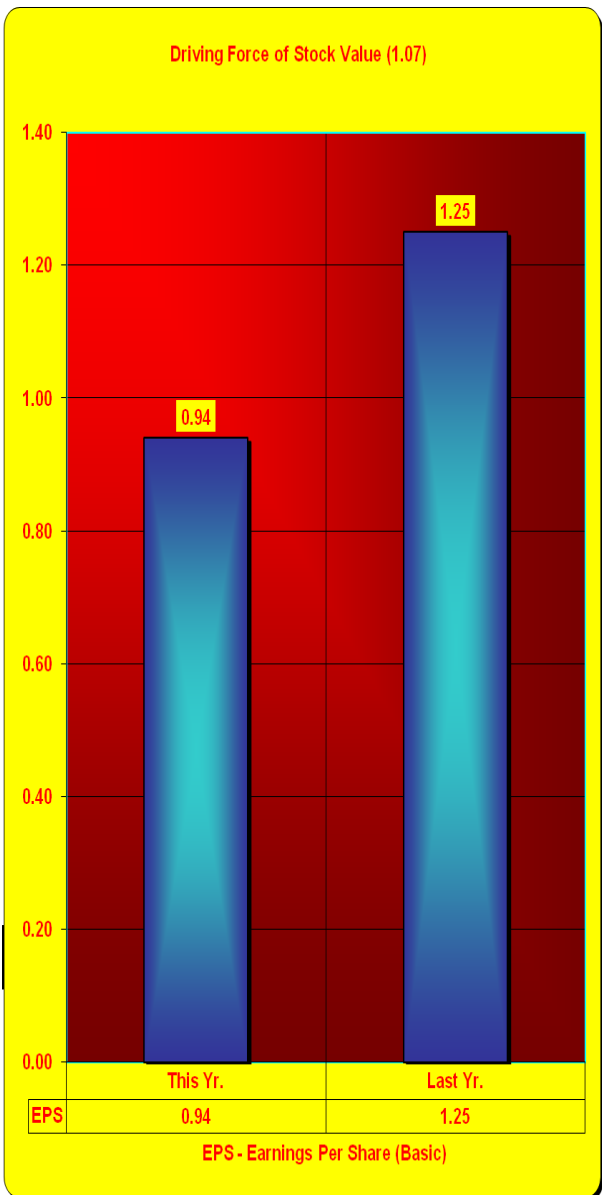


Exhibit 2d

Market Value of Stock

Qualcomm, Inc.

ViaSat, Inc.

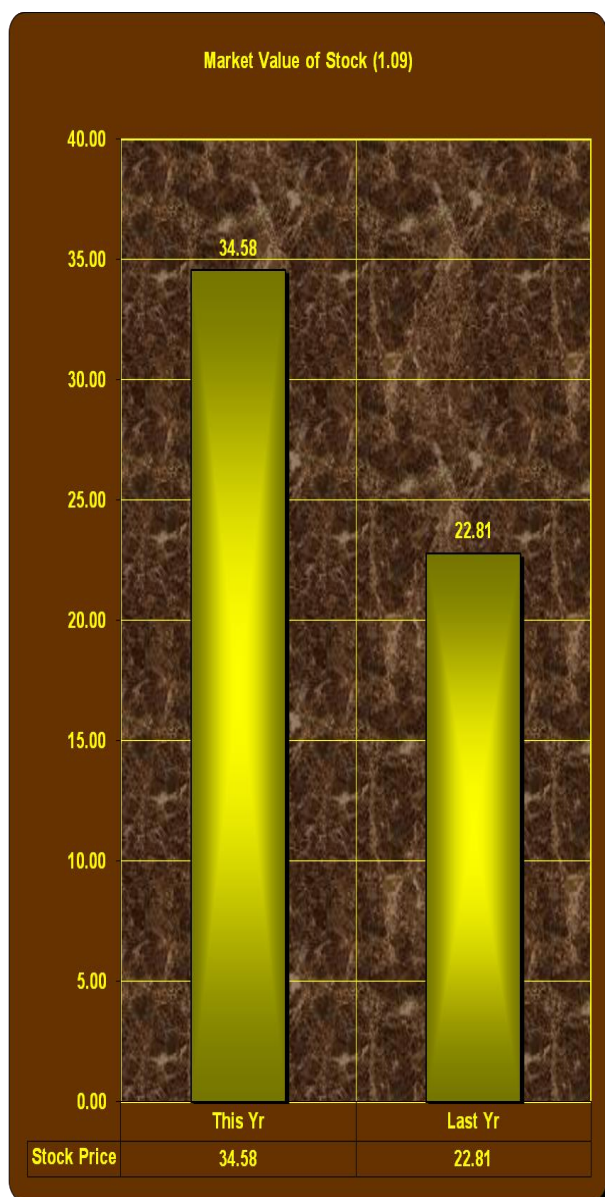
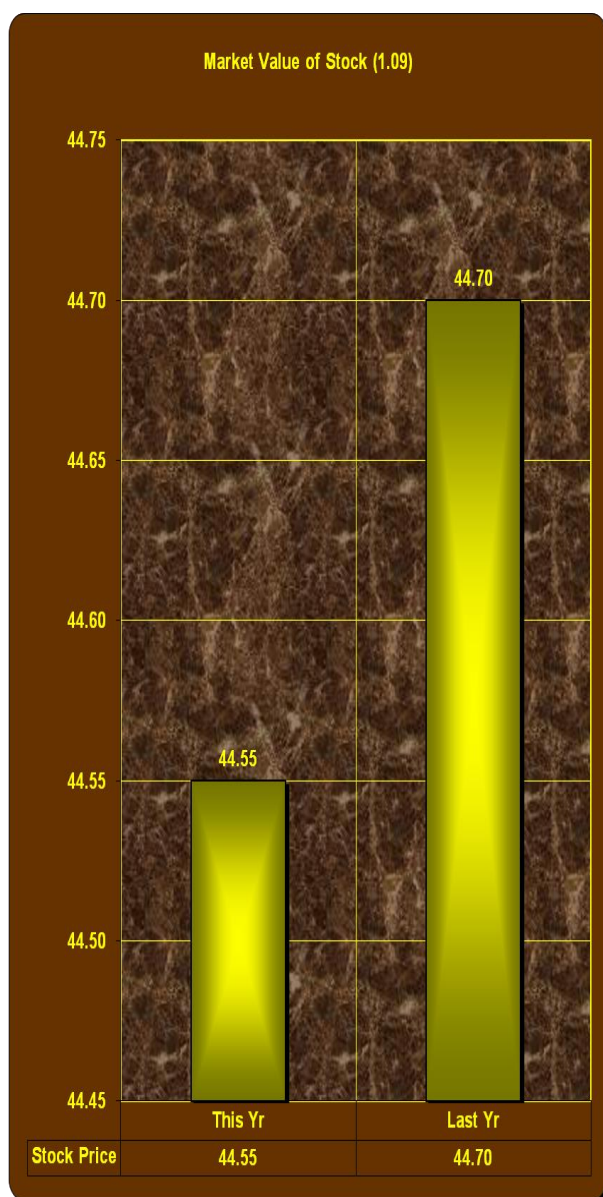
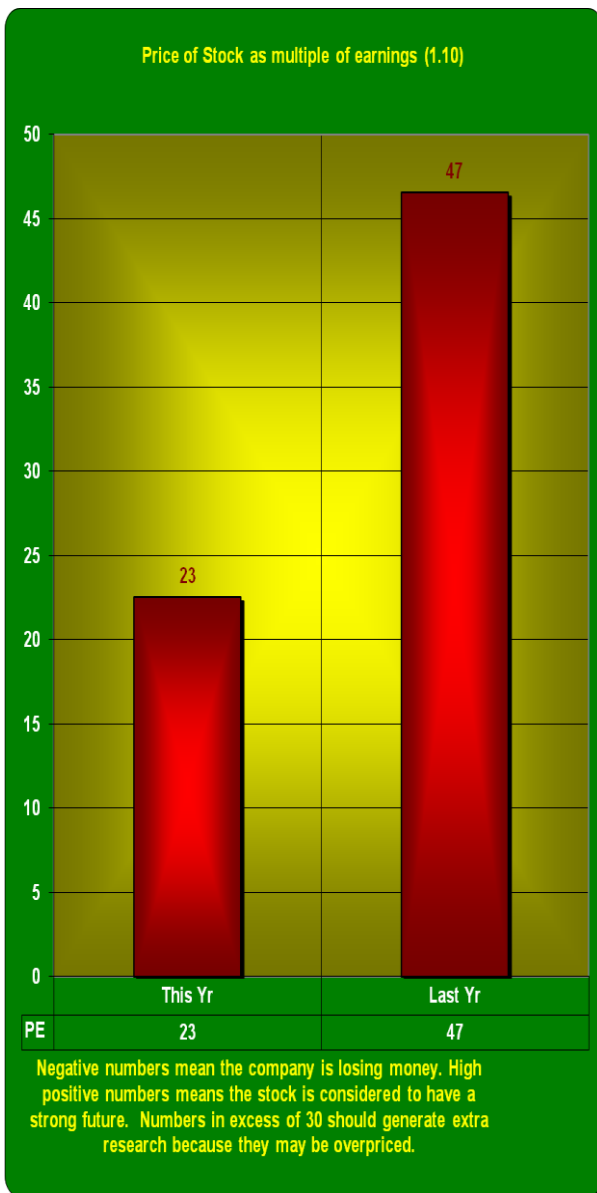


Exhibit 2e

Price of Stock as Multiple of Earnings

Qualcomm, Inc.



ViaSat, Inc.

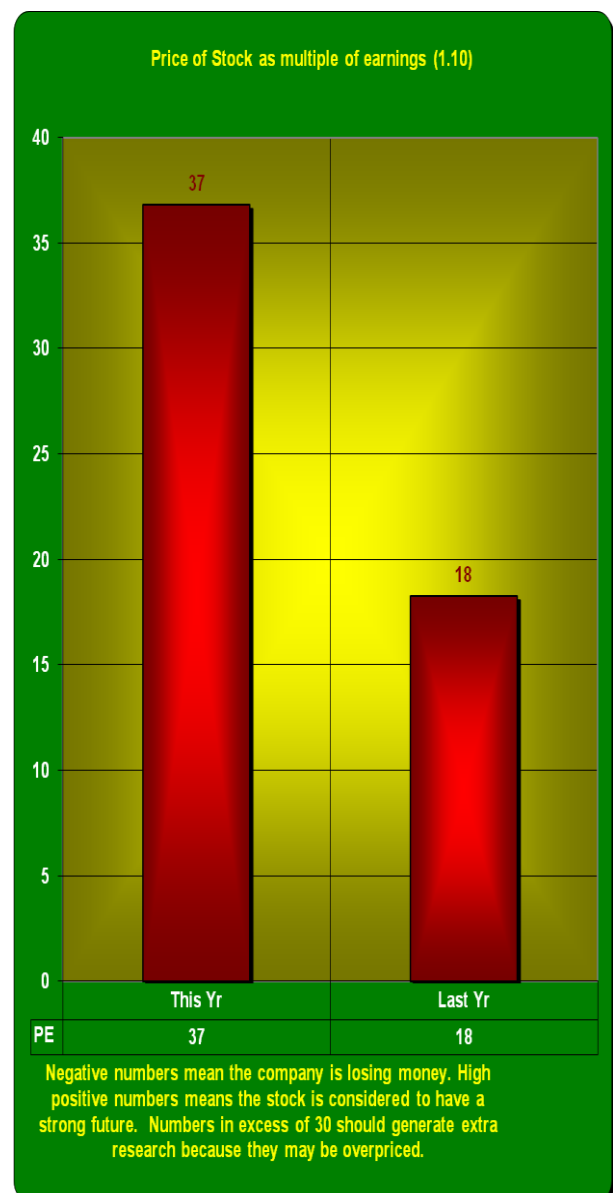


Exhibit 2f Dividend Payout Ratio

Qualcomm, Inc.

ViaSat, Inc.

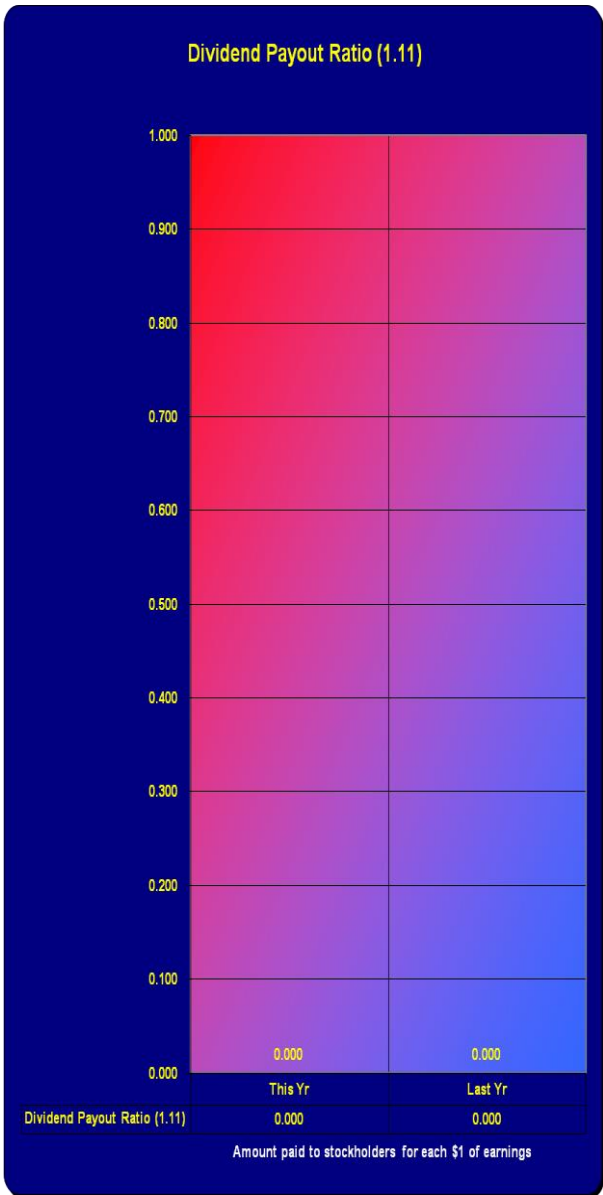
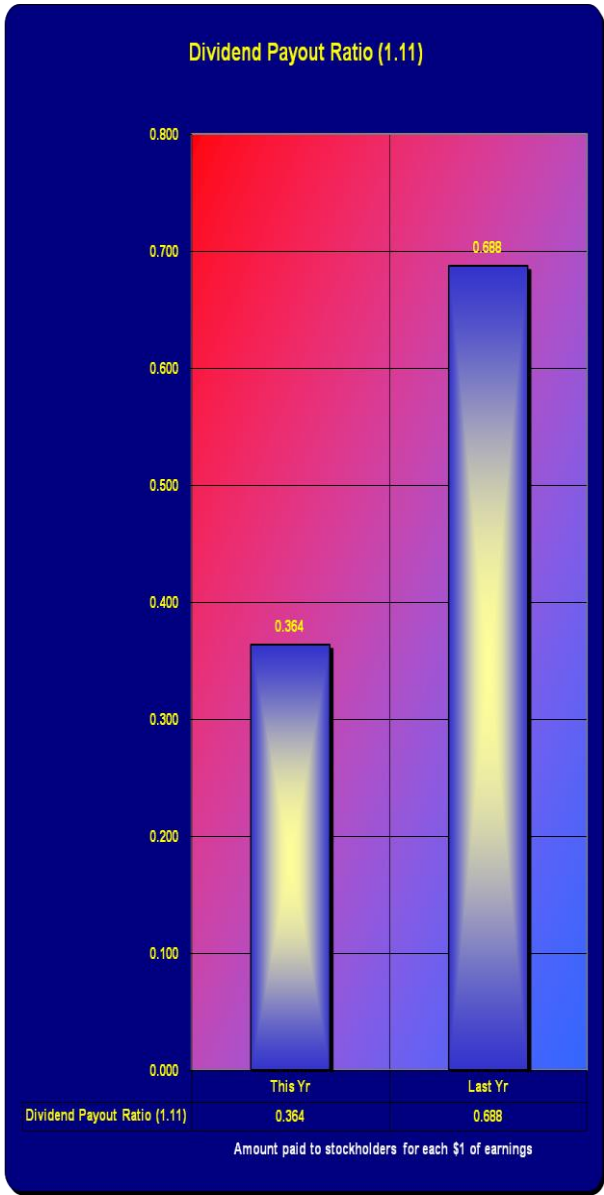
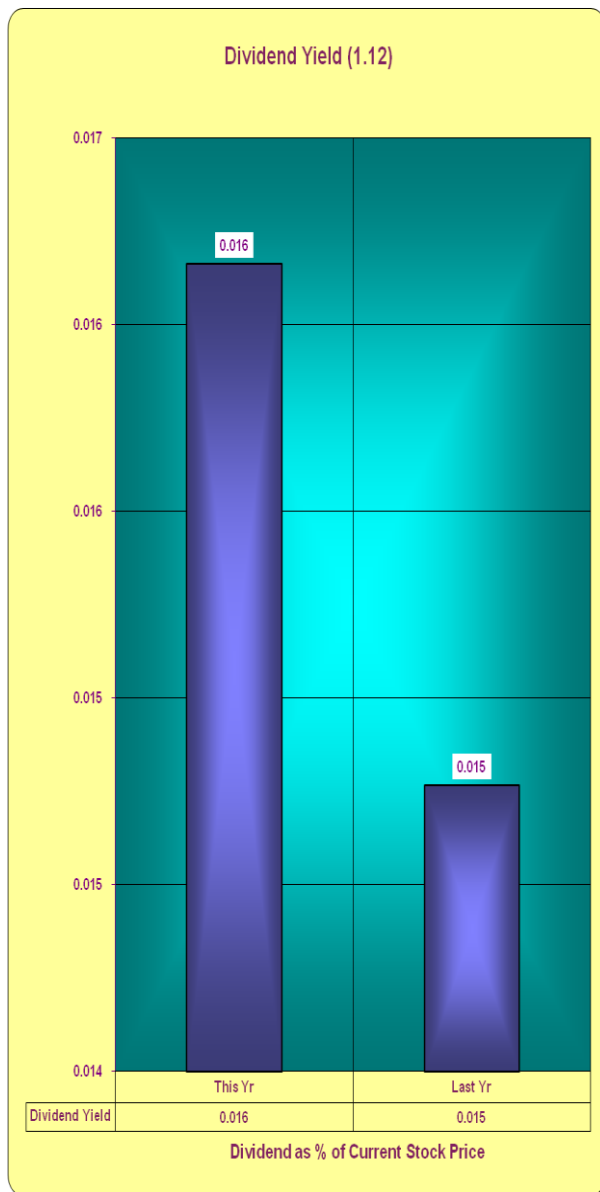


Exhibit 2g

Dividend Yield

Qualcomm, Inc.



ViaSat, Inc.

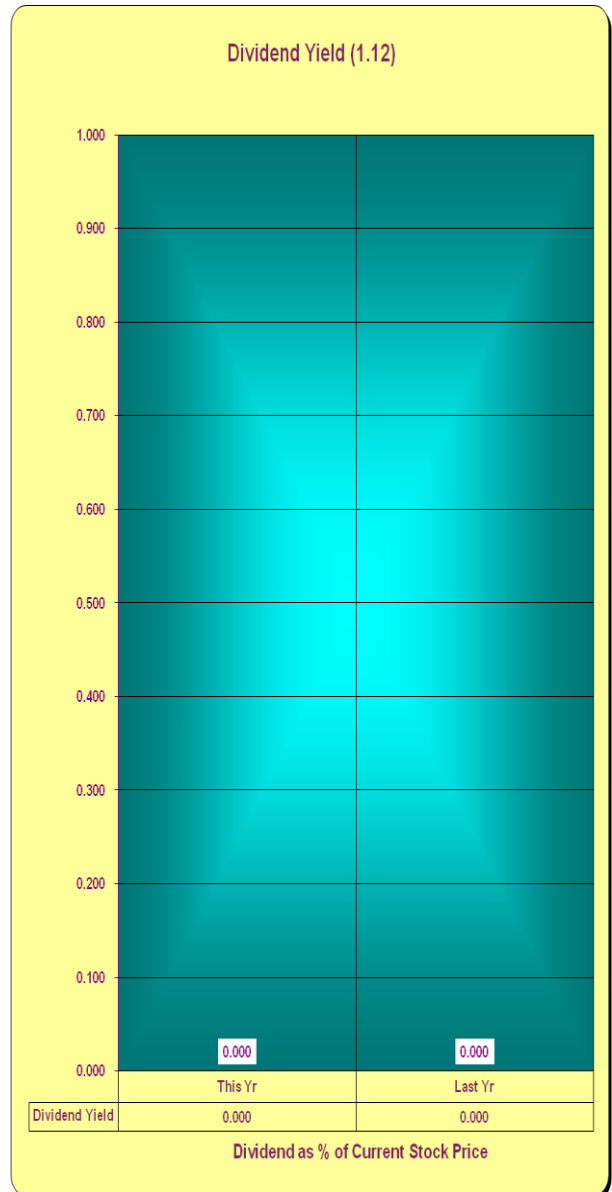


Exhibit 3

Debt Structure

Qualcomm, Inc.

ViaSat, Inc.

Debt Structure
(2.13 & 2.14)
STD = Short-term Debt
LTD = Long-term Debt

Compare Debt Structure to
Asset Distribution (2.15 & 2.16)

Debt Structure
(2.13 & 2.14)
STD = Short-term Debt
LTD = Long-term Debt

Compare Debt Structure to
Asset Distribution (2.15 & 2.16)

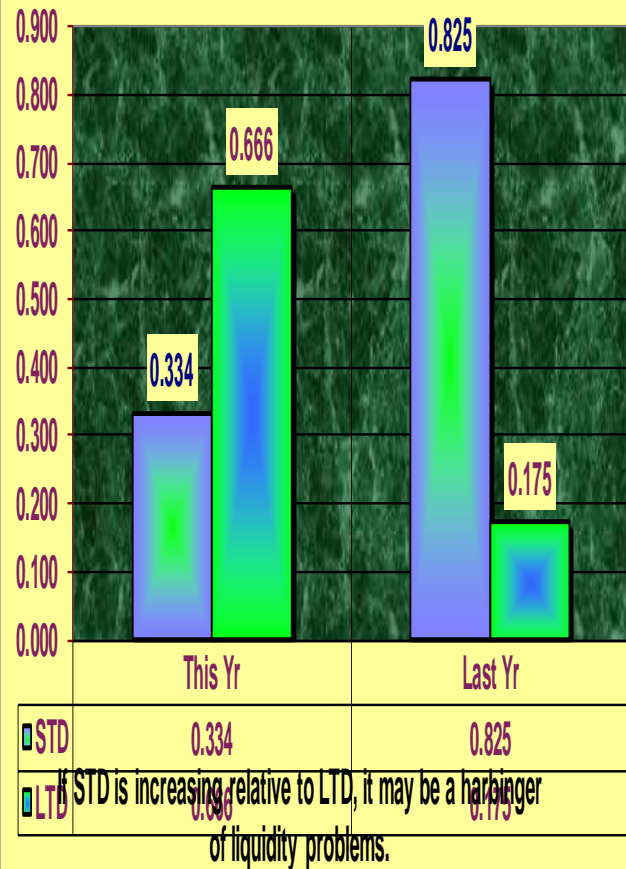
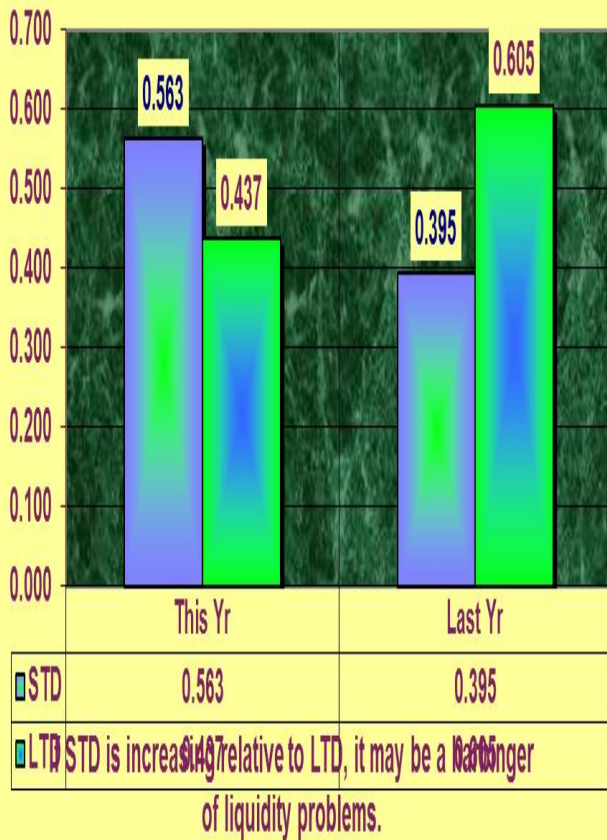


Exhibit 3a

Asset Distribution

Qualcomm, Inc.

ViaSat, Inc.

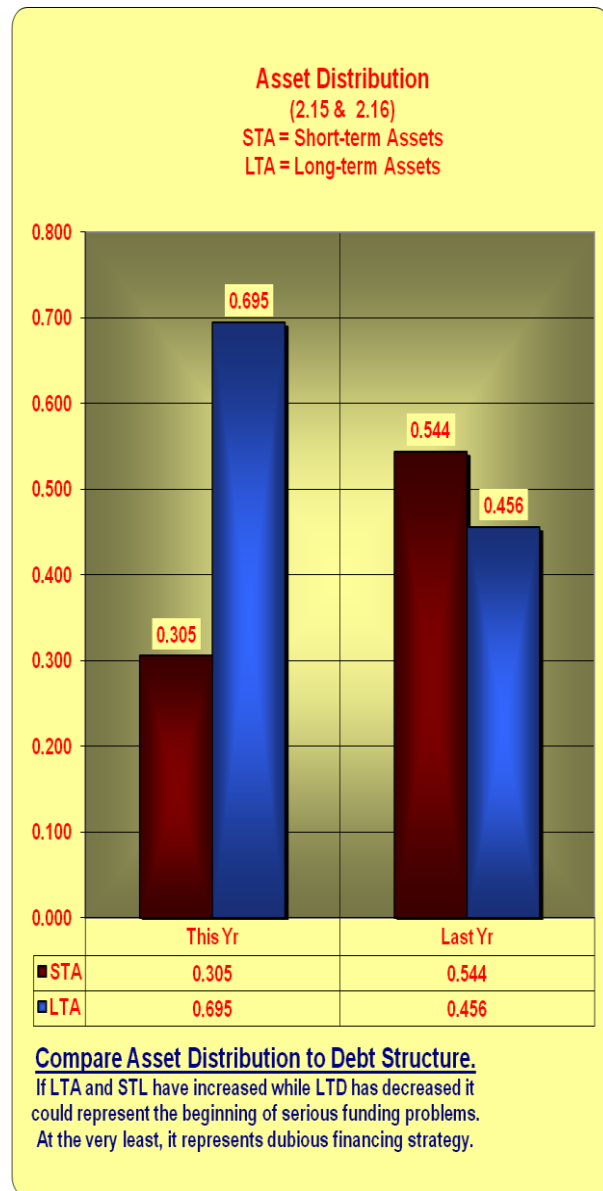
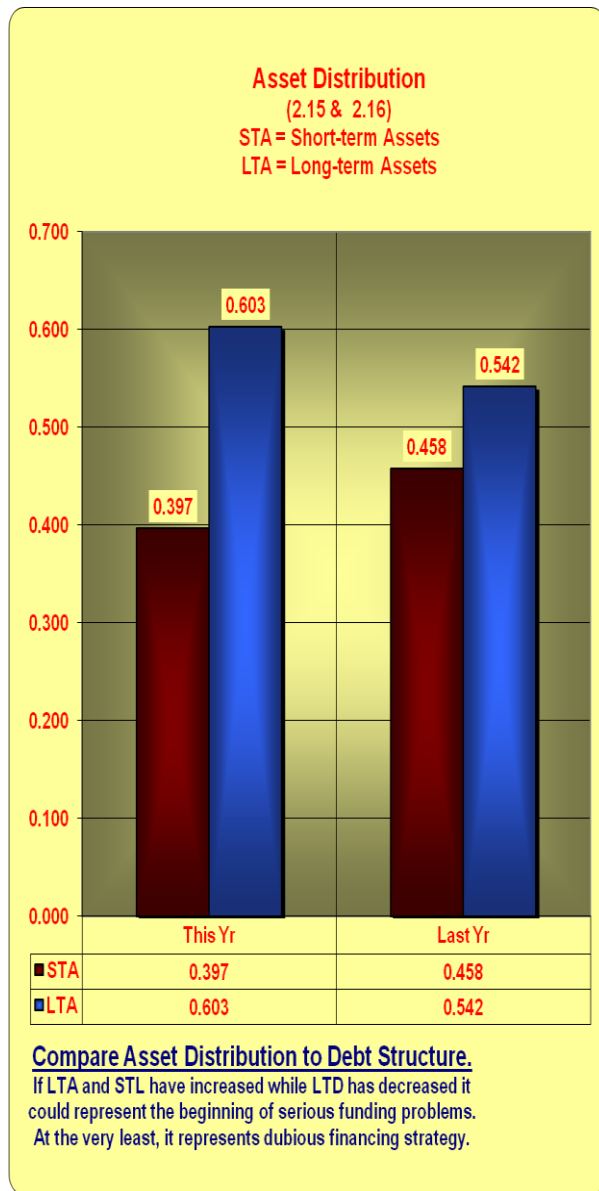


Exhibit 3b

Number of Times Earnings

Qualcomm, Inc.

ViaSat, Inc.

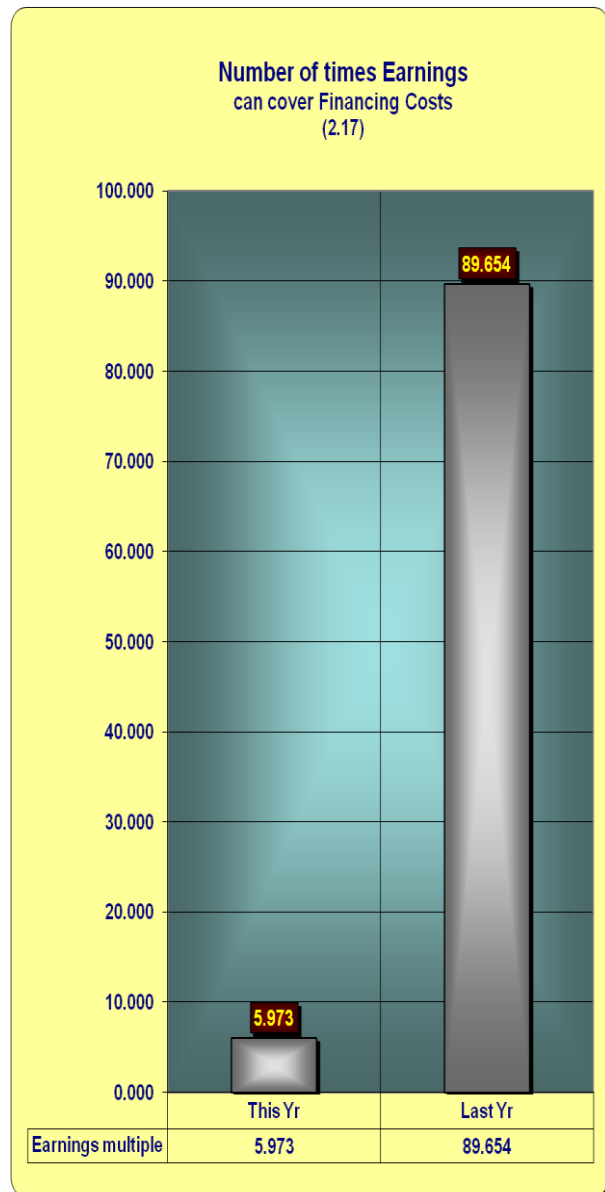
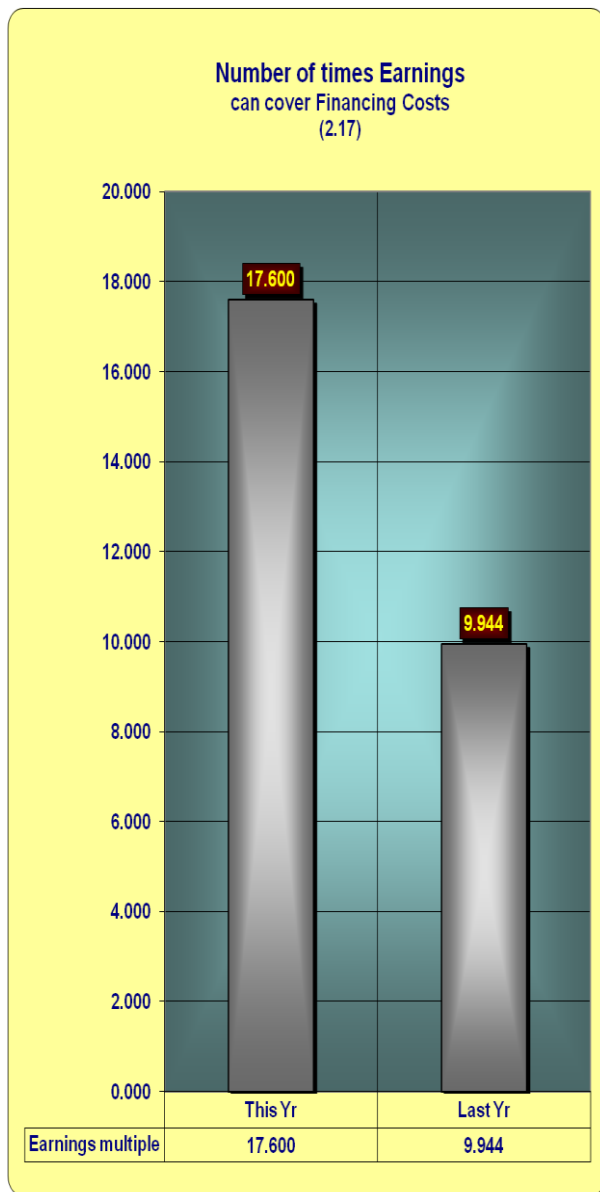


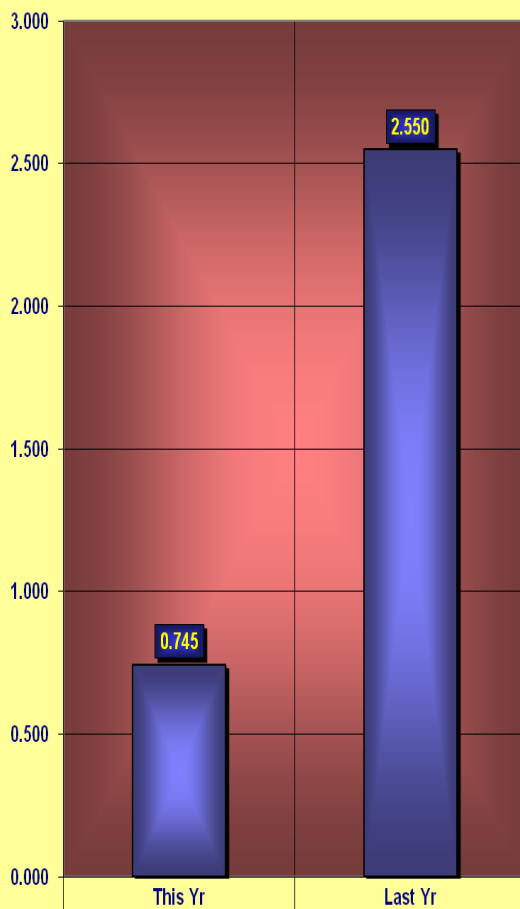
Exhibit 3c

Internal Financing Ability

Qualcomm, Inc.

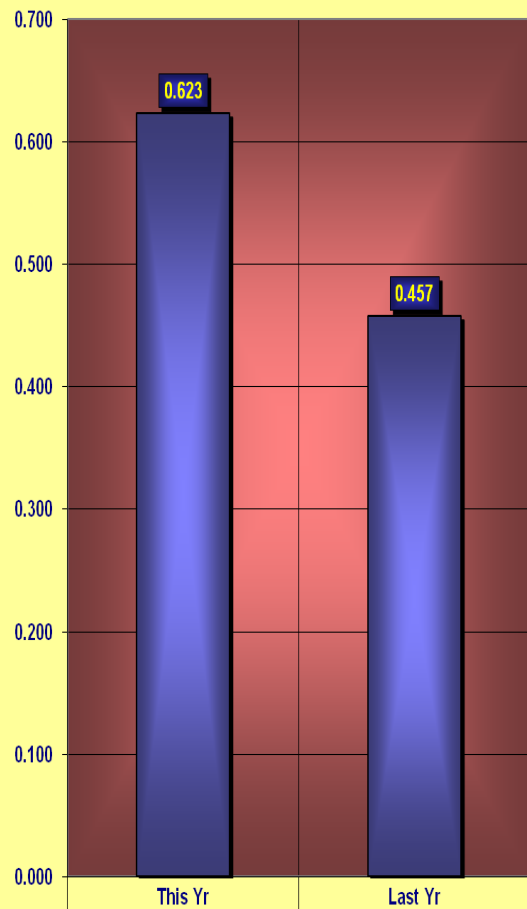
ViaSat, Inc.

Internal Financing Ability
Current Cash Coverage Ratio (2.18)



Self-funding
0.745 2.550
Currently due debt compared to the current cash produced by operations.
Increasing numbers suggest an increased ability to pay short-term debt.

Internal Financing Ability
Current Cash Coverage Ratio (2.18)



Self-funding
0.623 0.457
Currently due debt compared to the current cash produced by operations.
Increasing numbers suggest an increased ability to pay short-term debt.

Exhibit 3d Creditor Leverage

Qualcomm, Inc.

ViaSat, Inc.

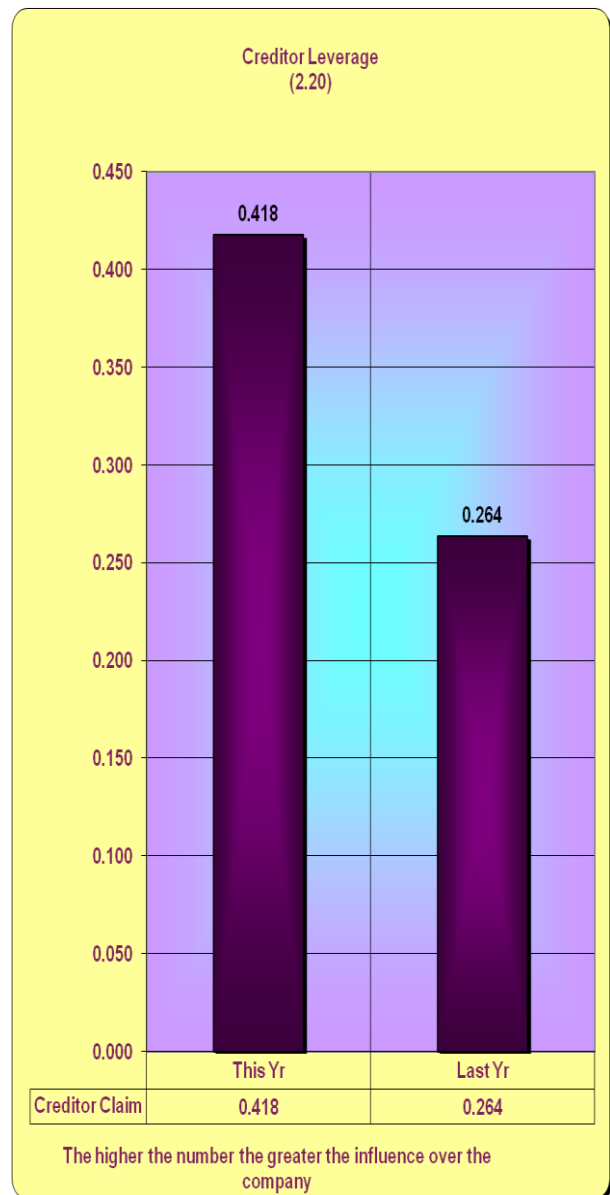
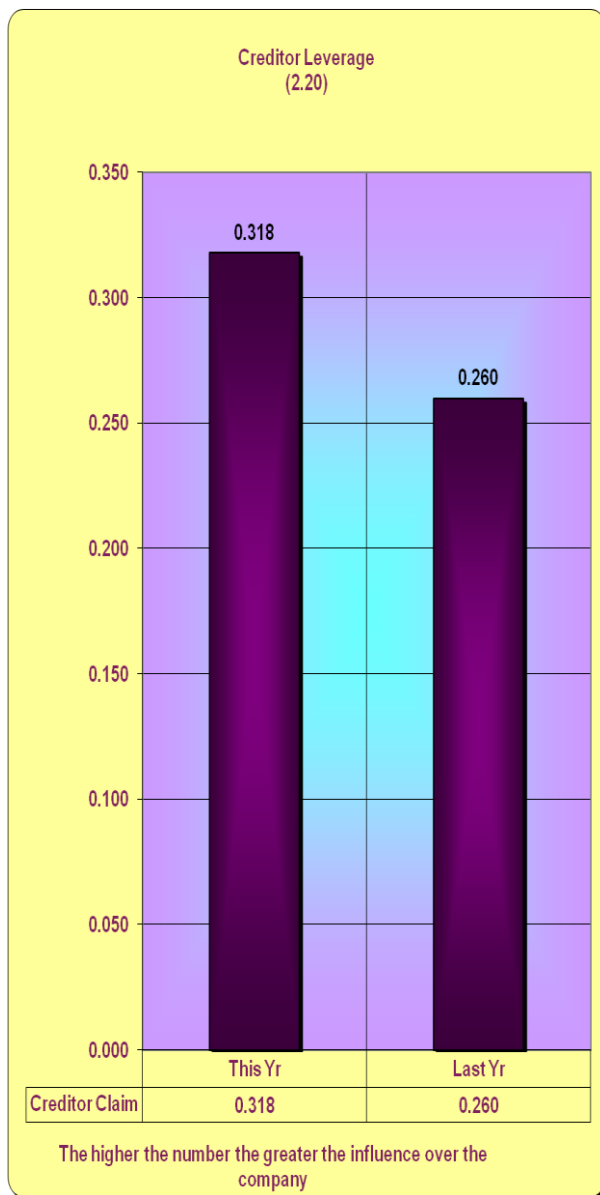


Exhibit 4

Amount Currently Available to Service Short-Term Debts

Qualcomm, Inc.

ViaSat, Inc.

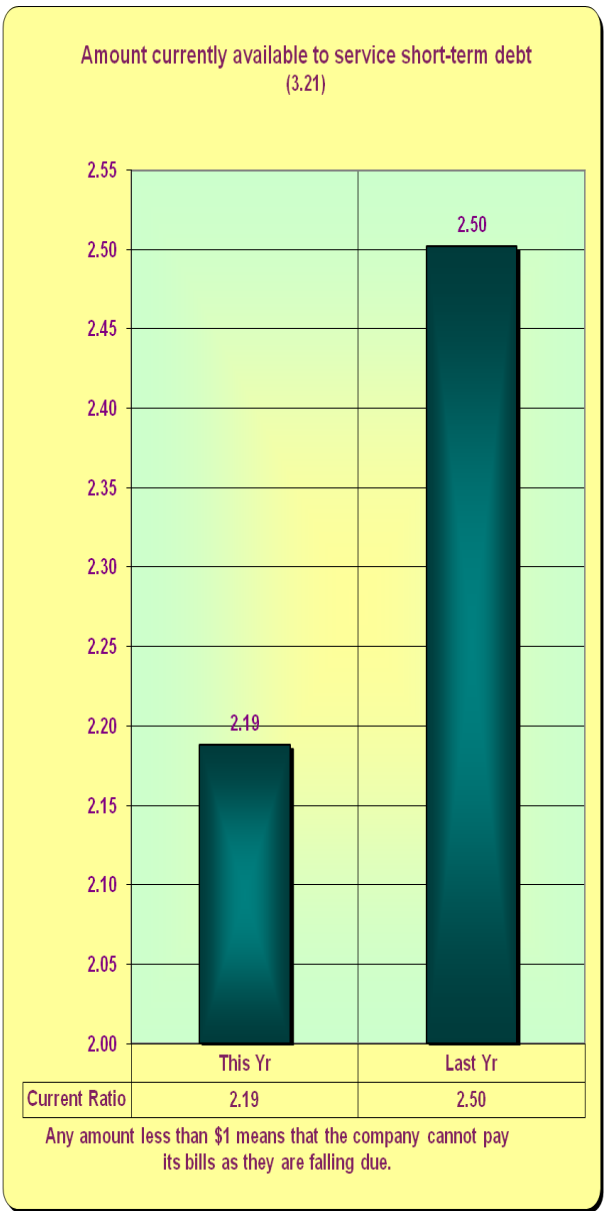
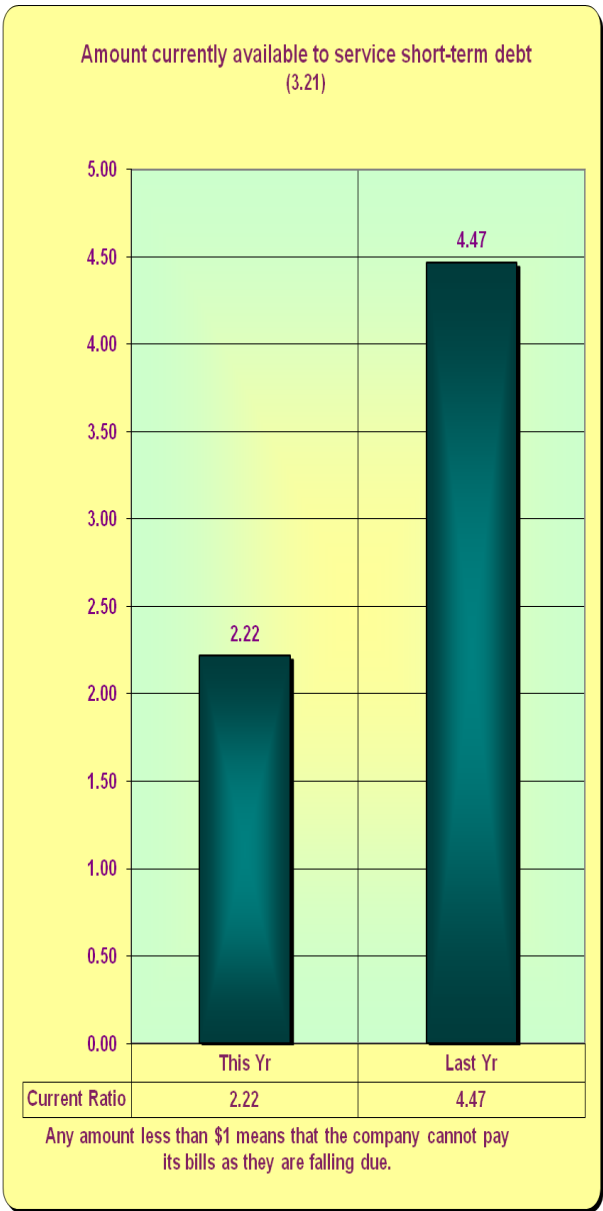


Exhibit 4a

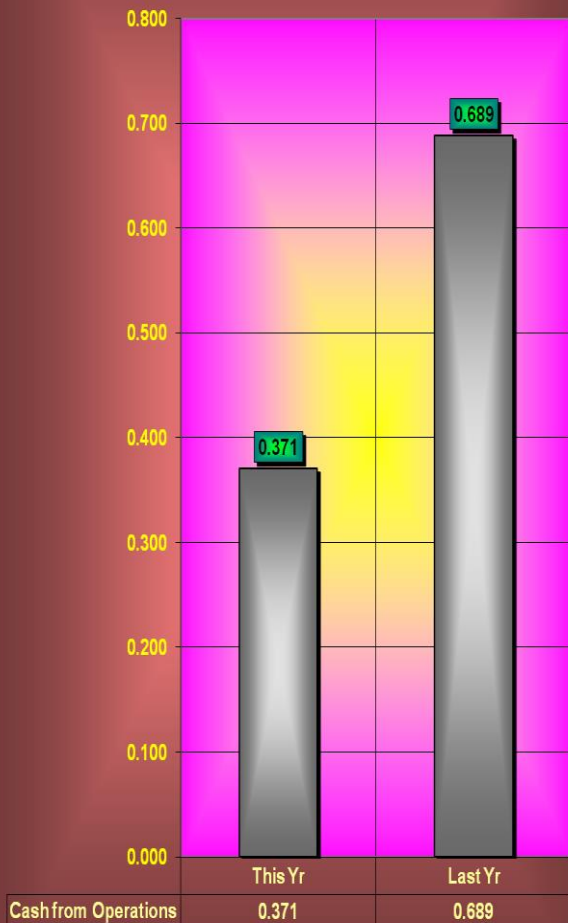
Cash Produced by Operating Activities

for each \$1 of Revenue

Qualcomm, Inc.

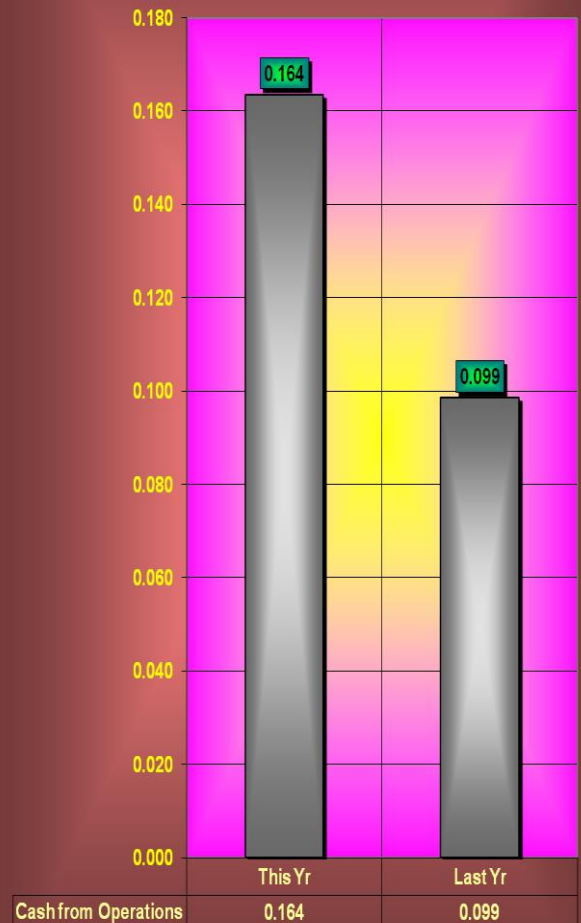
ViaSat, Inc.

Cash produced by operating activities for each \$1 of Revenue (Sales)
(3.23)



A low number here can materially influence a firm's long-term solvency.

Cash produced by operating activities for each \$1 of Revenue (Sales)
(3.23)

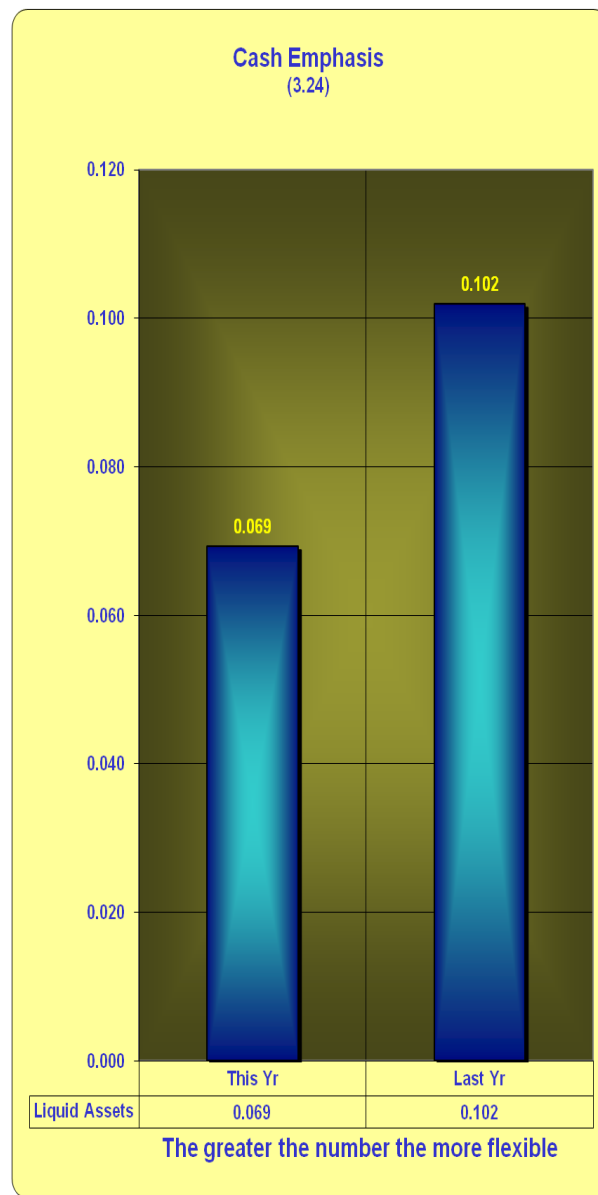
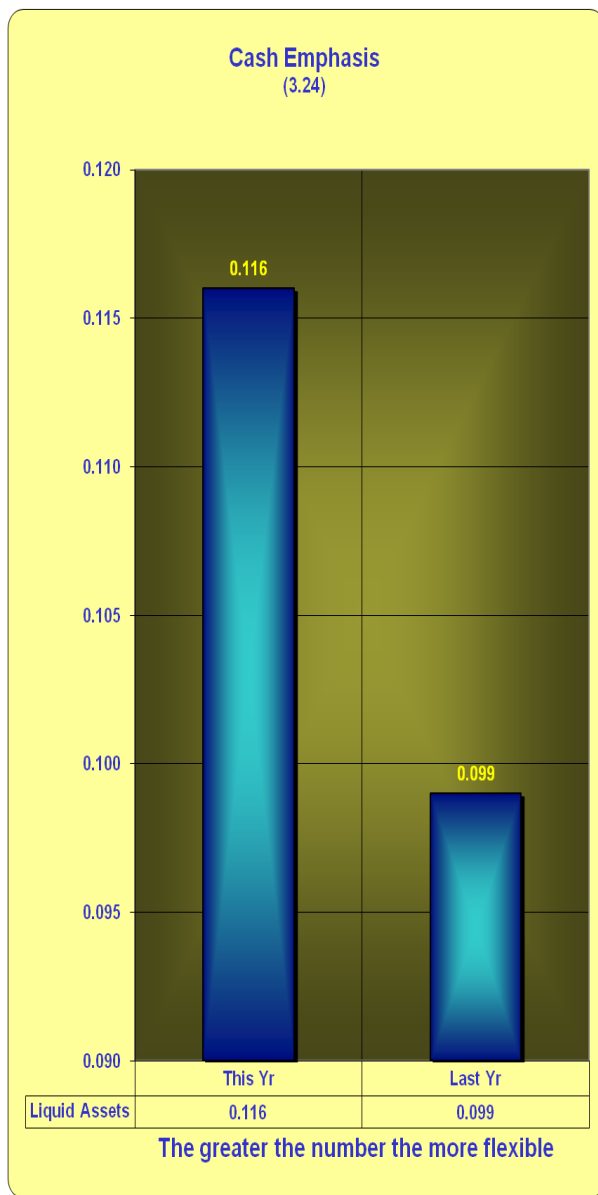


A low number here can materially influence a firm's long-term solvency.

Exhibit 4b Cash Emphasis

Qualcomm, Inc.

ViaSat, Inc.



This is a measure of the relative importance management places on cash. If this number is increasing it may suggest an impending desire for acquisitions and/or diversification.

Exhibit 5

Asset Productivity

Qualcomm, Inc.

ViaSat, Inc.

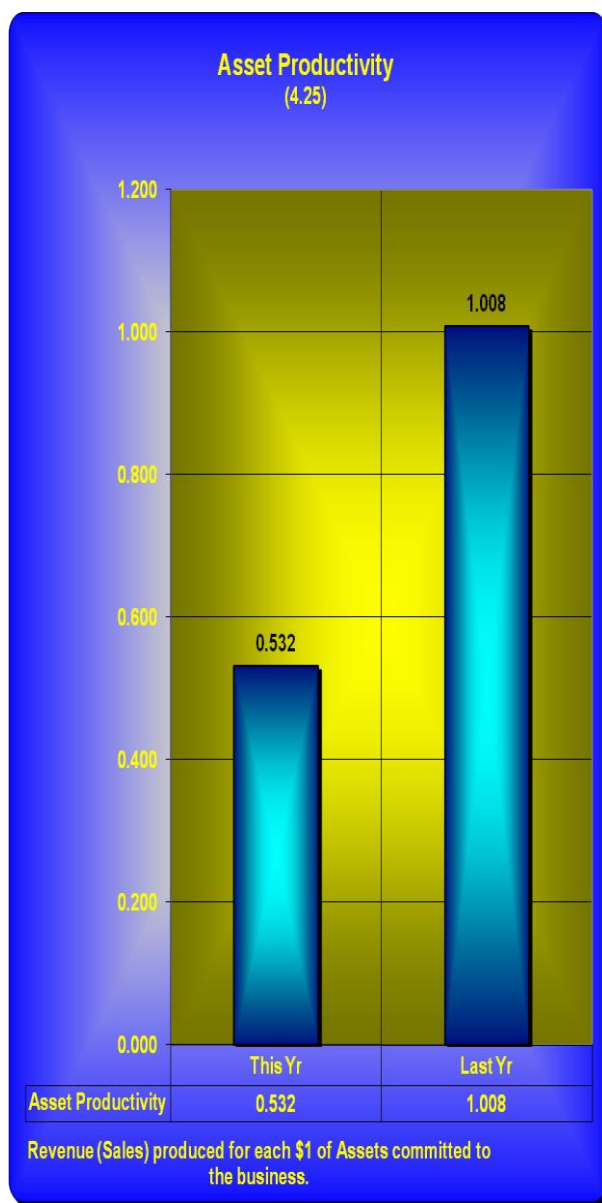
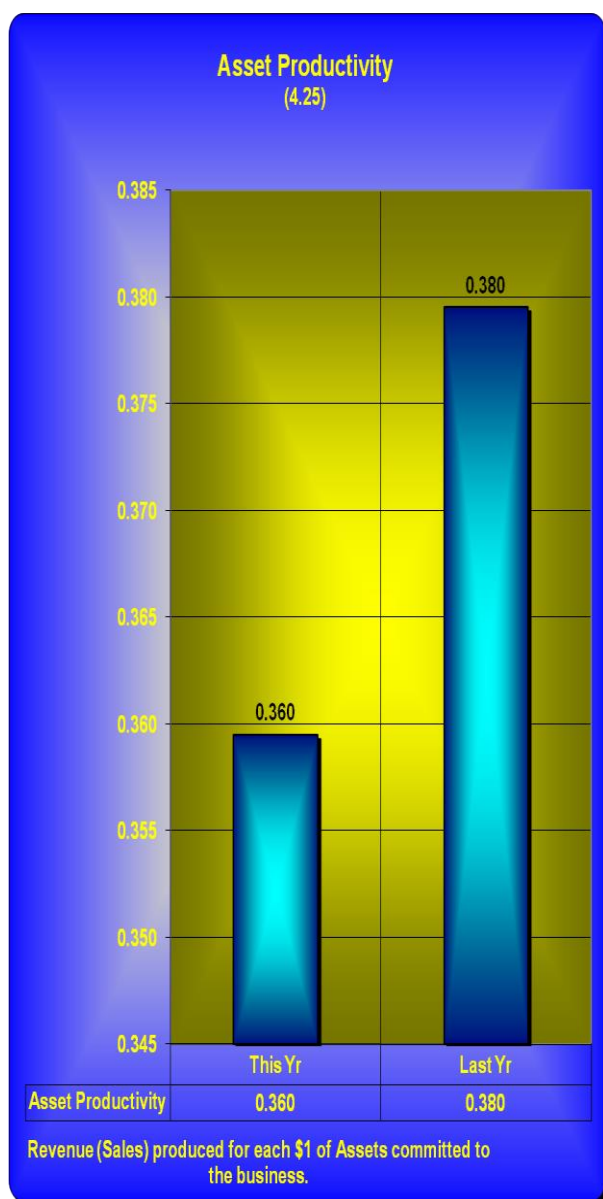
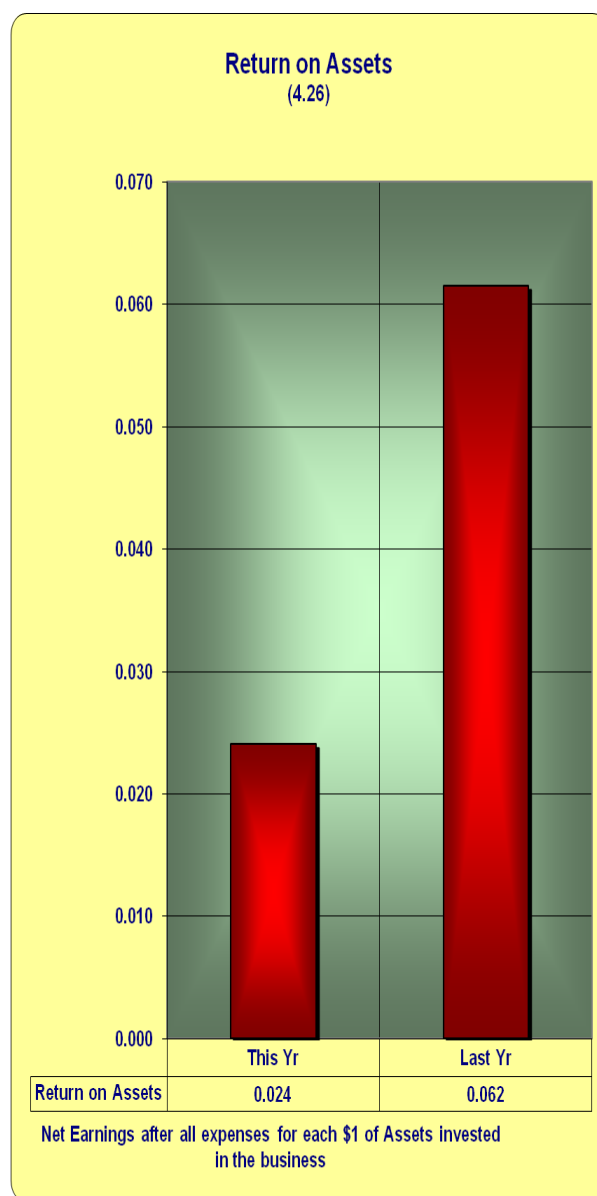
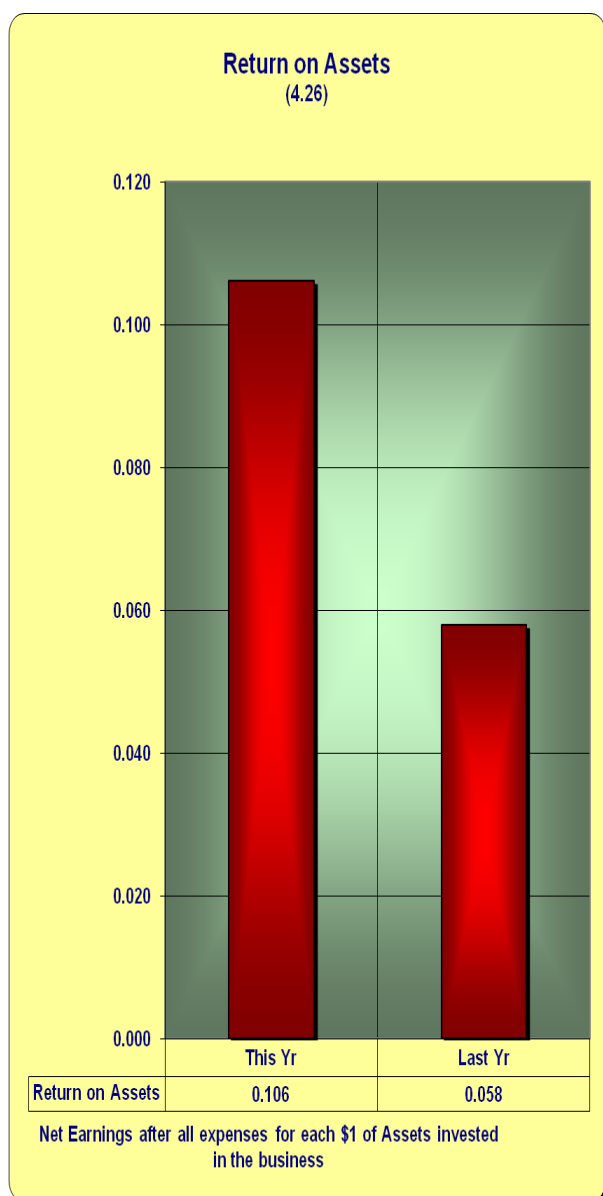


Exhibit 5a

Return on Assets

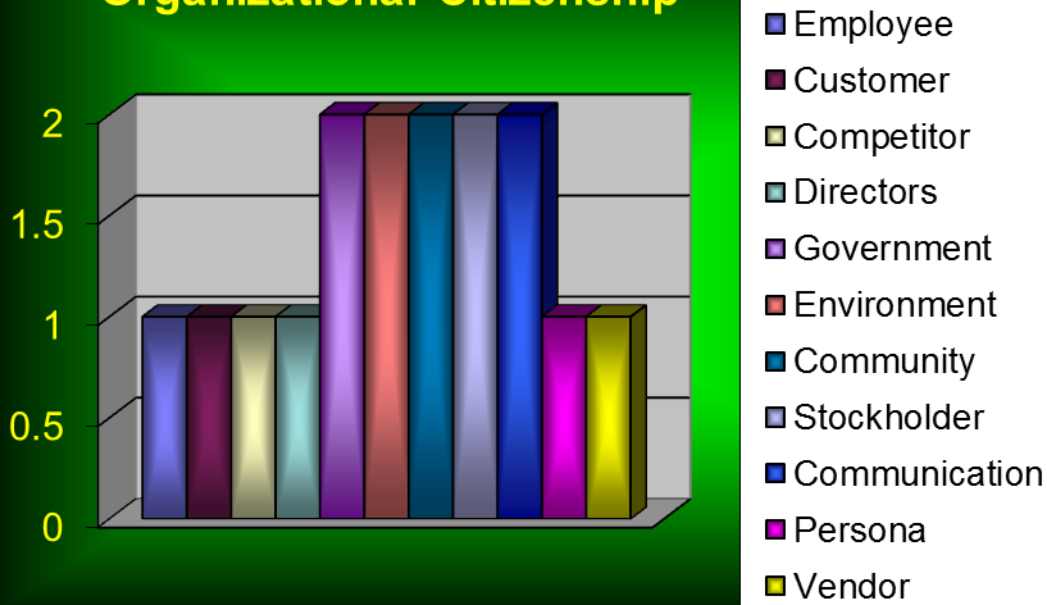
Qualcomm, Inc.

ViaSat, Inc.



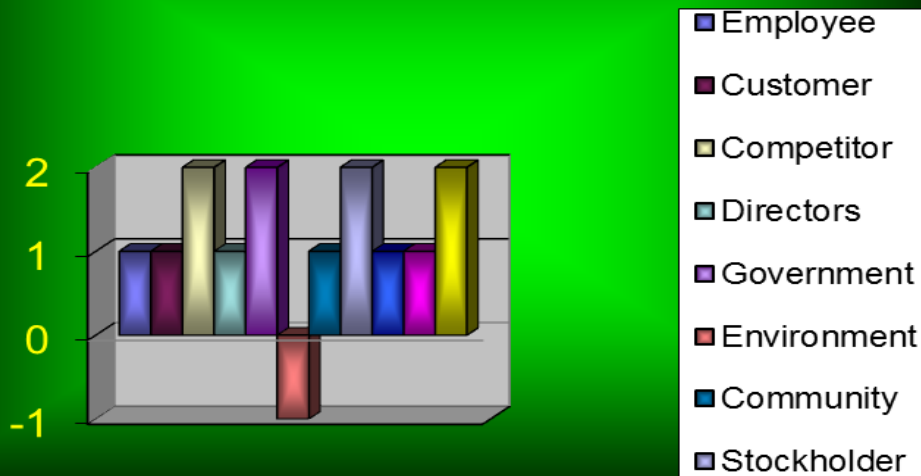
Qualcomm, Inc.

Organizational Citizenship



ViaSat, Inc.

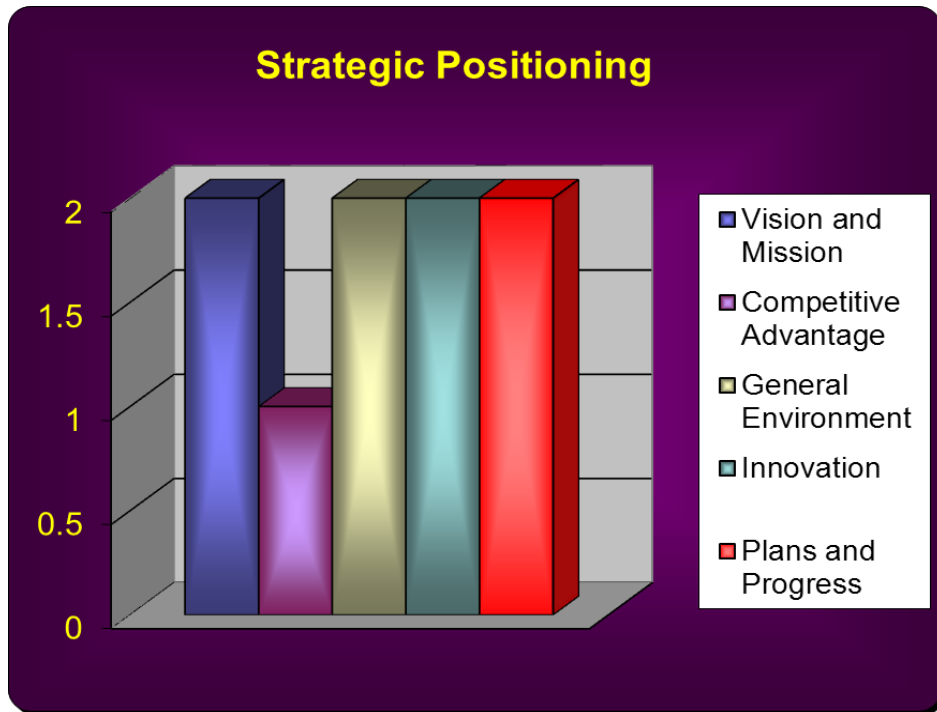
Organizational Citizenship



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Qualcomm, Inc.



Viasat, Inc.

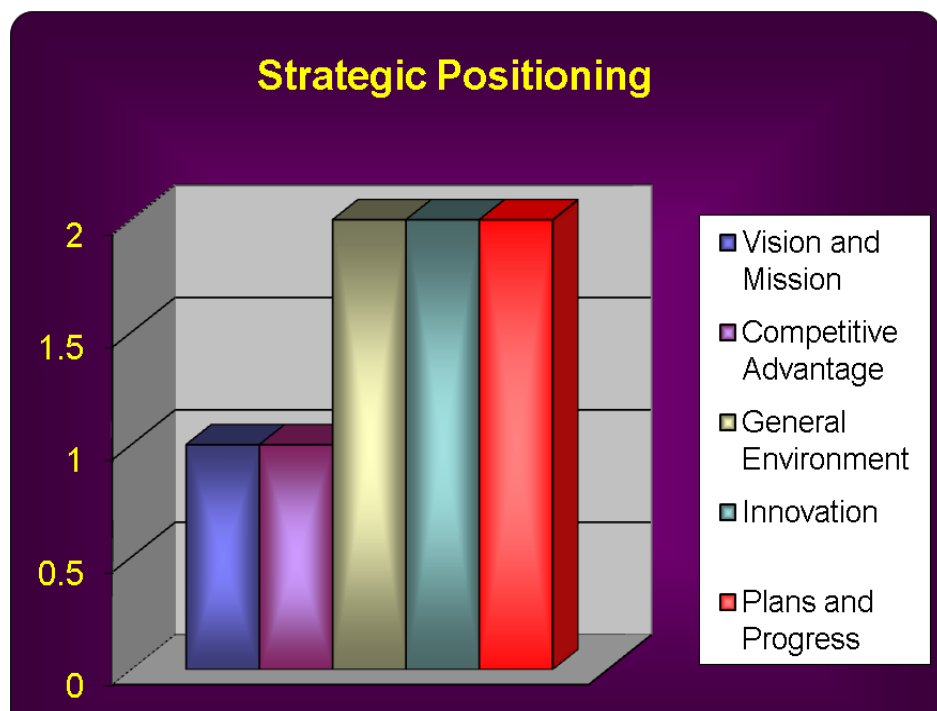


Exhibit 8 Qualcomm, Inc.

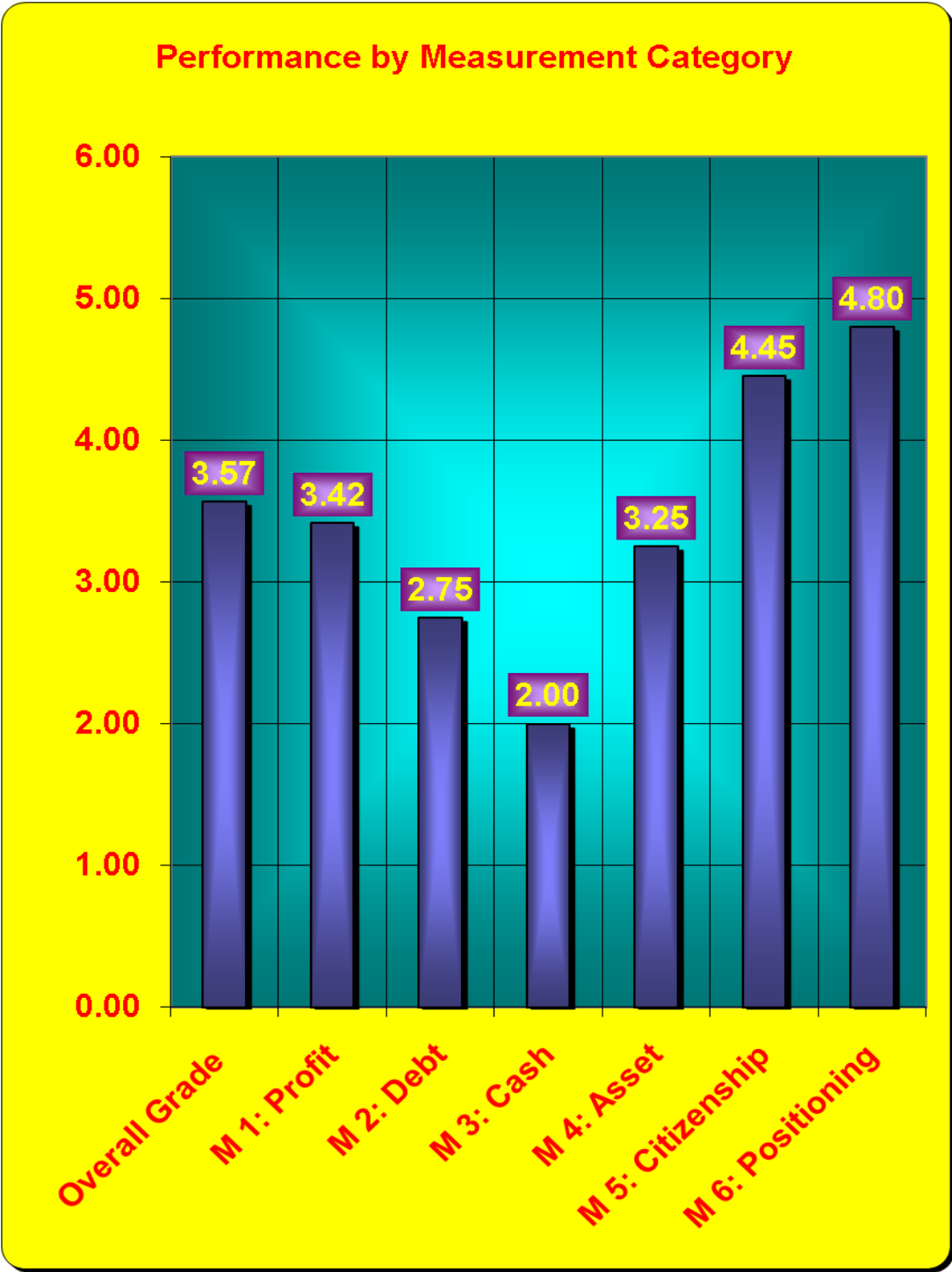
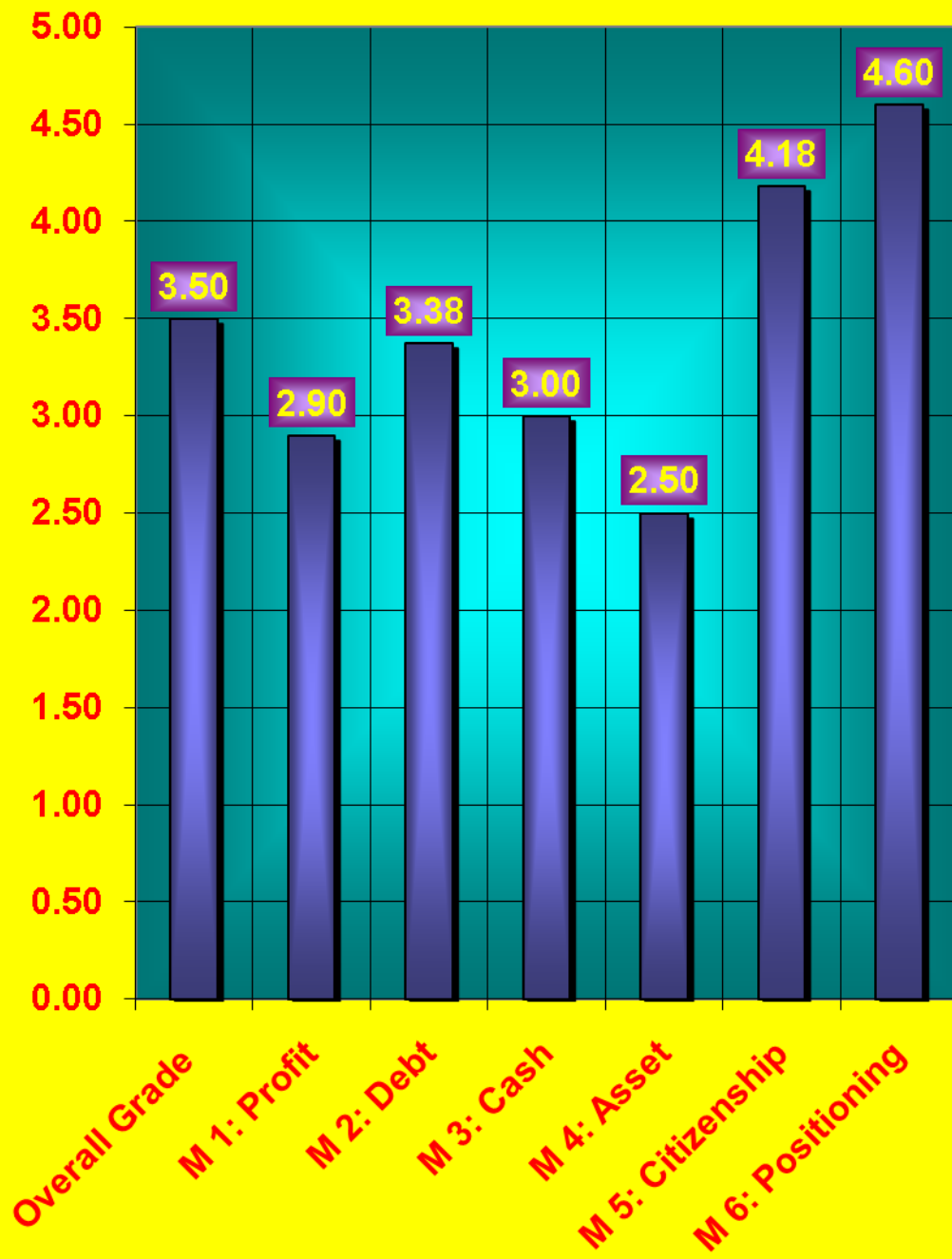


Exhibit 9 ViaSat, Inc.

Performance by Measurement Category



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