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## Realistic plan required to deal with chip shortages

You may have noticed a backlog in ordering computer equipment. Actually, you've probably noticed a backlog in ordering just about everything. The global chip shortage that we started to notice last year is still wreaking havoc on both planned and unplanned purchases. Cisco released a statement in the last couple of months telling consumers to place their orders today for a Quarter 1, 2023, fulfillment.

Let's back up. The global chip shortage is a multi-part problem stemming from the pandemic and an initial slowdown in orders. The auto industry, consumer electronics industry and business-technology companies all reduced orders at the beginning of the pandemic. The assumption was that there was going to be a major shortfall in orders. As it turns out, that was wrong. The shortfall was temporary at best.

With so many people heading home to work, computer sales were up. People needed laptops that would allow them to work from the safety of their homes. They needed printers and Wi-Fi and other network equipment to beef up their home office. People also rushed out to buy treadmills and exercise equipment to keep in shape because their gym was no longer an option. Gaming systems, home appliances and other personal electronic devices all became high-demand items. Yet, the big-tech companies had decreased their chip orders.

It takes about two or three months to make a microchip. The process involves a special kind of sand and clean water. The Taiwan Semiconductor Manufacturing Company, one of the largest producers of chips, uses more than 60,000 tons of pure water per day in the manufacturing of chips. Part two of our multi-part problem is a 2021 drought in Taiwan. The worst they've had since the 1960s. Drought equals less water, which equals fewer chips. Add to this a major fire at the Renesas Electronics Naka Factory, a Japan-based chip manufacturer and some political problems in sourcing chips from China, and we now have a big problem.

The chip shortage will eventually be resolved. Most of the reports that I have heard provide a best-guess of mid-2023 for things to normalize with chip availability. In the meantime, we will be paying more and waiting longer for anything that has a chip in it. Cars, appliances, computers, business technologies, you name it. We are probably going to have trouble getting it for a while.

So, what do you do? Well, you do what you should have been doing all along. Plan ahead. If you are considering a network upgrade at your business, don't wait to get that equipment ordered. Computers, laptops, printers and servers seem to have about a month or two lead time lately. For network equipment, however, the wait is months or longer. If your manufacturing facility needs Wi-Fi and you are



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planning for next year, get a plan in place now. If your medical practice needs a new firewall to maintain HIPAA compliance, get a plan in place now.

Non-network equipment such as servers and laptops are more readily available, but that seems to depend on the manufacturer and vendor. Dell has been shipping laptops to arrive about a week or two from ordering and servers about a month from ordering.

Yet, other manufacturers such as HP are often still taking a couple months to fulfill orders. I suspect, though, this is related to who you order from. Some of the larger companies such as CDW Corporation seem to have an easier time sourcing HP. I suppose the company that orders 10,000 of anything is going to get priority over the company that orders 20.

The underlying theme here is to plan ahead. Don't wait until the day before your new employee starts working to consider getting them a laptop. Start planning.

What does the next year look like? How about the next three to five years? Take that plan and apply it to the real-world problems of chip shortages, inflation, hiring struggles and difficulties sourcing raw materials.

Figure out what is most important now and what you can do now. Play chess, not checkers. Look at all angles and plan a realistic strategy. Stomping your feet like a tired three-year-old is not going to get your equipment faster. Planning like an adult is the only way to successfully navigate these problems.

Another thought is to become less-hardware dependent. Leveraging cloud-based systems eliminates some of the internal need for chip-based hardware.

Options are abundant when you make a realistic plan based on your business needs and the hectic world around you.

Scott Tornio is president of HawkPoint Technologies.

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