College of Business
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ilLUminate Blog Transcript: Zach Zacharia and Gerry Angeli on 2026 1st Quarter Supply Chain Outlook

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ANNOUNCER: 00:04	[music] This podcast is brought to you by ilLUminate, the Lehigh Business Blog. To learn more, please visit us at business.lehigh.edu/news.
STEPHANIE VETO: 00:16	Welcome to ilLUminate, the podcast for Lehigh University's College of Business. I'm your host, Stephanie Veto. Today is January 5th, and it's our first episode in 2026. Zach Zacharia is with us to talk about the Lehigh Business Supply Chain Index 1st Quarter Report. We also have Gerry Angeli, founder and CEO of Sterling Operations, and a class of 1974 Lehigh College of Engineering alum. Zach and Gerry, welcome.
ZACH ZACAHRIA: 00:43	Hi, Stephanie.
GERRY ANGELI: 00:43	Hi, Stephanie. It's good to see you and Zach.
ZACHARIA: 00:48	Yes, absolutely.
VETO: 00:48	So, for a quick overview, the LRMI is a decision support tool for supply chain professionals. It was launched in 2020, and participants rate their expected change in risk for 10 key categories. Before we get into specifics of the LRMI Q1 report, which was just out, let's start with Gerry and talk about how he uses the report. So, Gerry, why do you contribute to the survey every quarter?
ANGELI: 01:19	Well, there's two main reasons. The first is some of my extracurricular activities include sitting on a couple of councils or committees, one of which is a very important one to me and to the region down here called the Council of Economic Advisors. It's a group of 23 or so chamber members, Chamber of Commerce members of Fort Lauderdale, where all segments from manufacturing to travel and tourism to professional services, construction, are represented. We meet quarterly. The Fed from Atlanta or Miami is usually in attendance. And I speak on the topics of manufacturing, particularly in marine industries and supply chain. So when the survey first came out, it was perfect, because until COVID hit, nobody knew what supply chain meant. And we've been shoveling products out of this country for decades. And now all of a sudden, there was a realization that we don't make anything. And so it was with keen interest that everybody wanted to hear what was going on and why. That made me be very prescriptive about completing and eager to see the results because the comments also point you in a direction. The second reason is, since I've been in Florida, the manufacturing jobs that I did have and the responsibilities that I had included business continuity, which is important because we get our share of wind and water and other things that potentially can disrupt production. And the supply chain is one of those topics. And you have to be prepared for that. So that's the underlying reason why I'm so interested in what everybody contributes and what everybody says in the survey.
VETO: 03:06	Zach, that's got to feel good hearing why Gerry uses it.
ZACHARIA: 03:10	Yes. I mean, this is so excellent because we started this, like you said, in 2020. We were looking for something that would be of value to both academics, more importantly, though, to people who are actually supply chain professionals who are

actually looking at risk. And what we wanted to do is provide a snapshot of what their contemporaries are actually thinking about as terms of relative increases in risk. And wow, to actually have someone who's a user of this kind of information, it just, exactly as you said, feels very, very rewarding. Thank you, Gerry, for actually saying all that.

ANGELI: 03:55 Well, that's what I do with it. It's the truth.

VETO: 03:59 And Gerry, how do the findings help you with real-world issues?

ANGELI: 04:05 Well, I'll touch on the-- I'll touch on the business continuity part of it. A long, long time ago in my career, I was sent off to school to learn about decision and risk analysis in a very mathematical, methodic way. And one of the things I took from that learning was, while it's important to identify what risks are, what you plan to do about it is equally, if not more important. And so the survey gives you a view, if I can use an analogy, is like being able to look over the horizon when you're just seeing the little flag on the top of the mast that a ship show up, what can you do about it? What can you do about power being down? What can you do about a disruption in the supply chain? What can you do about a port strike? When you make the list of things that can go wrong, it's pretty long. But the ones that historically bite you are the ones that you should plan for. And so that's why I find the comments so valuable, because contained in there is what everybody else is thinking, what everybody else is seeing or feeling that you might not be. So it gives you some clues. It's clues to what to work on next.

VETO: 05:21 You're a senior executive with over 20 years of international operations experience. Like you said earlier, we talked offline, you've been lucky enough to be all over the world doing this stuff. Why is it, being able to look ahead so important for supply chain?

ANGELI: 05:37 Because nothing happens currently in the supply chain. Everything that happened today was planned three, four, five, six months ago, if you're lucky. So if you haven't figured out how to get in place what you need to get in place-- and here's a simple example. Port strikes happen all the time. You should have already wired in your movement of materials that if one port goes down for whatever reason, you have an alternate. Not one that you're thinking of that day, but one that you've already planned for, that you can throw the switch on, and it can happen at your forwarder, or if you're a big enough company, you forward your own stuff. That pre-planning is what-- that's what gives you an advantage. When everybody else is running around trying to figure out what to do, you already have it wired. It sounds like you need a clairvoyant. You don't.

VETO: 06:38 Now, we've got some information with the 1st Quarter index. It's 2026, and we're seeing some increases in overall risk. Zach, what is going on?

ZACHARIA: 06:50 Well, I mean, it is relative risk, and we do know that there is an increase in risk. But what you're really starting to see is that again, now there is uncertainty associated with the economy and government intervention and supply risk. These three risks were the ones that really sort of jumped up. The first thing that really jumped up that you have to think about is technological risk had the greatest jump of plus 7.55 points, from 62 to 70. I think there's a lot of anxiety about AI disruption, competitive pressures, and this AI investment bubbles. Everyone is a little bit kind of worried about technology. And since I've actually been doing this for almost five years, this is the first time that technology has really had this huge jump into the 70s. Economic risk, cybersecurity risk. They've always been up there in the top two or three. This jump was kind of surprising. So that, I think, obviously all of these things influences your overall risk. The economic risk jumping to one again suggests to you that it had gone down. People weren't worried as much about the economy. But in this quarter, there is a real sense that people are starting to again get more worried about tariffs, inflation pressures, and demand volatility. So these things are again pushing that risk. 77, it is not the highest ever it has been, but it's pretty high compared to all the other years. And then government intervention, people are really wondered what are some additional regulations perhaps that are coming in. So these kind of pressures, increases in risk have definitely driven the overall risk.

VETO: 08:41

And Gerry, when you see an increase in risk, how are you preparing for something like that?

ANGELI: 08:46

That's a tougher question to answer, Stephanie, because I agree with Zach. The AI situation, when you hear on the street, job disruption, particularly in the service sector, what are you going to do with all these people that are out of work now because there's AI? There's something I have to add to what Zach said. I agree with everything that he said. But the thing that also impacts the perception of risk is what the media is doing. When inflation was nearing double digits, it was transitory. It'll go away. Now that it's below three, it'll get worse. Okay, stop it. Just stop with the up and down and help calm it down as opposed to rev it up. Because that is a factor in the perception of risk. The other thing in technology is the fear that somebody's going to come up with-- somebody's going to jump ahead in the race. You hear that also, right, that somebody else is going to win. And nobody knows. There's speculation on-- even the people who do know aren't in agreement about what's going to happen. And when people see that and hear that, "The experts don't even know." Best thing to do, especially being Italian, is until you know, leave it alone.

VETO: 10:06

It's true.

ANGELI: 10:08

The jump in consumer confidence or the jump in consumer risk and the government impact on prices through tariffs, to me, that's the minor because prices are shifting around. Energy's down. Remember there was a whole wahoo not that long ago about eggs? Well, that's been quelled. I'll tell you where the population of consumers is getting hosed: insurances, taxes, power in some areas, healthcare costs, and housing costs. Those factors that I just mentioned, they're operating in three more significant digits or more on the impact of people's personal economics. And other than pointing at it with alarm, what's anybody doing about any of that stuff? I mean, it sounds like an announcement from me, but I'm a football fan. You can't watch a football game without seeing millions, if not more, spent on advertising by the major insurance companies. You can't. I think that money would be put to better use somewhere else. Anyway, I think those are some of the shifting sands in the risk. And then the other thing that I'll add is for me. The one that people should be worried about is the cybersecurity one, because that one's at 70, been at 70, between 70 and 80. And soon as there's something that's removed that makes it come down a little bit, there's a new thing that comes in that makes it go back up. It's buoyant. That's a scary one. And the bad guys are using AI to get ahead.

ZACHARIA: 11:54

So for over a year, cybersecurity was the number one risk. We're talking four quarters in a row, number one always. Everybody needs to be worried about cybersecurity. And the executives that I talk to have realized they're putting more and more efforts into protecting. But cybersecurity is so dependent on the employee. You can have a bunch of processes in place, but regular employees fall for those phishing emails. And they, the people that I talk to always tell you the technology does all this protection. You could have it up. But if you have just a regular person who works for you just doesn't follow all the rules, they get hacked. One of the executives I worked with said that, "We had all these processes in place," but luckily, they got hacked, and they said when the ransomware note came, they shut everything down. Because they had prepared for this, they lost one day's worth of data, but next day they were back up and running because they were always downloading, backing up everything every day. And people need to have that in place. And we as employees should realize that there are a lot of bad actors out there who want access to our data.

ANGELI: 13:15

Especially in the supply chain. I'll reinforce that message because the bad guys have figured out that that's where all the money is.

ZACHARIA: 13:23

Absolutely. And you said a great comment, Gerry, at the beginning, that before COVID, people didn't even know what those words meant. And now they're aware of what an important role supply chain actually plays in the economy. And clearly, there is more and more ways that people are attacking the supply chain to be able to get access to the data. And also, you see some of the sophistications associated with diverting cargo and actually stealing cargo. I mean, I just read about some of the techniques people are doing to steal. And really, it's criminal activities, they're just getting more and more sophisticated.

VETO: 14:11

Not like the egg heist that happened in the Lehigh Valley when the egg prices were soaring. Did you guys hear about that? There was a huge egg heist, a whole tractor-trailer full of eggs. I don't know where they went, but no, this is on a much larger scale. I have to say, in reading the comments, I found the comments about cybersecurity and AI and those risks to be the most alarming compared to what others were saying about certain issues and certain rises in risks. I found them to be the most concerning in what people were doing to sort of quell that. So you talked a little bit about everything sort of being interconnected and how the government is a driver for a lot of the risks that are risen. Is that because of tariffs? What is that because? Why is the government sort of the factor here?

ZACHARIA: 15:13

If I could jump in, one of the things I think that pretty well all executives will agree is uncertainty is really a problem. If you were consistent, said, "From today onwards, for the next X number of years, our tariff is going to be 20%," businesses can work with that. It's just that when you have, "Well, we are going to put a tariff or we're going to change our mind," that's where there are problems. So you have consistent regulation, everyone can work with. But when there's uncertainty about regulation, that causes an increase in perceived risk. It's the uncertainty that causes problems because the executives I'm talking to are telling me that they don't know whether they should invest or not because they're not sure of the picture of what's going to happen six months from now. And that, I think, is a real issue. Government has always been there as part of regulations, and they do a lot of good things. I mean, I'm not wanting to suggest that I'm in any way attacking government. You need regulations. You need that for a successful economy. But when you have the chance that that's going to change, that's what causes problems because now you don't know how to plan for that. And I think that's some of the variability and some of the risk that is going on with that.

ANGELI: 16:39

One of the ways that you're taught to try to figure out how to mitigate risk, again, has a short analogy with it, if you can't move the rock, change the fulcrum. If you look at tariffs and say, the only thing they're good for is increasing prices, then that's how your mind is going to view the risk. If you look at tariffs and say, all they're doing is rebalancing the equilibrium point where the curves cross, you're going to take different actions. Pick a spot. If it's 20%, fine. If it's 25%, fine. But if you're trying to be exactly right, you're going to be always precisely wrong, and you'll always be uncertain. Pick your spot. You know best where you're going to fall off a cliff or not. And people don't do that. People don't think that way. They won't move five degrees because they're fixated on the spot. Where's it going to be? Pick a range. There's different ways to attack the problem mathematically. You can model it. I've been asked this question from other companies. They always come in the form of what should I do about? Well, you shouldn't just keep running the numbers because all you're doing is keeping your overhead staff busy. What you should be doing is figuring out where the spot is that hurts you and start working with your suppliers about how to take down whatever it is that's going up.

VETO: 18:07

Do you feel that the overall increase in risk, and it's perceived risk, but the overall increase is to be expected or it's just the new normal? It will stay at these levels for the foreseeable future.

ZACHARIA: 18:24

It is gone up by about a point from 67 to 68.7. So 1.6. So it is not the highest it's ever been. It has been higher. I think that this number is reasonable. The average risk is not really something I'm that interested in, as Gerry talked about. It's the individual. Which component really has gone up in risk? Is it economic risk? Is it customer risk? Is it government intervention? So seeing this flip, this variability, it's interesting. And what you really want to do is you need to look down at what's actually happening in terms of risk. And one of the nice things about the report is that I provide three years worth of data. So you can actually look at that track. So economic risk in 2023 was at 87.97. So that's a huge difference with our current number of 77.32. Right? So having these specific increases, it's better to look at what is the trend for the last three years. And that will help you actually be able to make decisions based on what this change in risk is. So cybersecurity has been relatively flat for over a year. Right? It's hovered around 77 to 78 in over a year. So that tells you, to answer your question, that's what the risk has stayed over time. Government risk has fluctuated from 68 to 76. It went to 83 in 3rd Quarter 2025, was 65 in the 1st Quarter of 2024. I mean, so what you really want to say is to answer your-- I went a long way to answer your question, is that this risk, it's actually relatively consistent. It's probably going to stay the same. But individually, different risks have jumped up into the first, second, and third positions. And that's what you really need to look at to help with decision-making.

ANGELI: 20:37

You got enough data there. Another couple of years-- another couple of years, you can control chart this. Give them a range. And where are they-- are they falling inside or outside their window? I'm already thinking about that.

ZACHARIA: 20:51

That's an interesting idea, Gerry. I never thought of a control chart. We could actually look at that and then see if they go across, upper control, lower control. Very interesting. Very interesting. I might take you up on that idea.

VETO: 21:04

I was just going to say how incredible it is already to have, what, five, six years worth of data, and you can look back, and you can be like, "Well, actually, it's pretty leveled out," or, "It's gone down. It's phenomenal to see this building in real time." And then I was looking at the comments. It's interesting to review those. And it's funny because Gerry said earlier, what the average person sees when they're reading the news or through the media where it's like, "Ah, the sky's on fire. What's happening?" And I even see that as a person who isn't familiar with business where I read the report and I'm like, "Oh, no." But then reading the comments, there's a much clearer view of what's happening in real-time, what it's like on the ground. And from the last report that we talked about to now, actually leaning into those comments and seeing that perspective, I think is so important. Were there any comments in there or anything that really stood out to you?

ZACHARIA: 22:10

I actually go over these comments, and there isn't any one specific thing. But as Gerry pointed out, it adds a texture to the risk. Because, for example, if you look at economic risks, there's someone's talks about shortage of trained labor. Someone talks about-- we still have-- the war in Ukraine is causing disruptions. Geopolitics is still a very factor. Two or three people have talked about increasing energy costs, right? So I find the comments really insightful, but there isn't any one single one that I go, "Oh, my goodness." I'm really looking for consistency. And just so you know, we have all of the comments on our website. I can't put all the comments in our report. I only have so much space because I make sure it fits in one page. So it is useful to see all of the comments. But I think it really is good to give you a further sense of understanding more than what a single number would do. And that's what I've always-- why I started with comments, the very beginning. And then let's see what people actually are thinking about.

ANGELI: 23:32

The other thing about the comments, Zach, is there's two types. There's the affirmative first-person active verb comments. And there's the conditional ones. So I subtract out mentally the seems to and defer to the will comments. I don't know why, but there's a difference in the way they're written. And it could be just who's writing them level-wise. I mean, it's one thing for the president of the company to be writing something than it is for the manager in a procurement office. Depends who's relegated to answer the survey.

ZACHARIA: 24:21

Excellent point, Gerry. Yeah, yeah, because we don't-- I will say that demographically, our biggest group is people who've had more than 25 years of experience in supply chain. So we tend to be top-heavy on that side. And I appreciate that. Yep, you're absolutely right. There are people who just are complaining or you have people who are actually telling you, "We are reducing our sourcing due to tariffs and global isolation policies, which is reducing our ability to source properly." That's that action thing that Gerry was talking about. And so here is something that we are going to do.

	And I think that that's good. You're going to see those kinds of comments in each of the risks that we've looked at.
VETO: 25:05	And finally, what do you guys think Q2's going to look like?
ZACHARIA: 25:11	That's not fair, Stephanie. The whole point of--
VETO: 25:14	Where are we headed?
ZACHARIA: 25:14	--this exercise-- yeah.
VETO: 25:16	What's happening?
ZACHARIA: 25:17	Yeah, we're just starting the 1st Quarter. Obviously, there is going to be-- I think there's going to be more of the same, but you are going to see continued increases in risk. I mean, I don't see anything in the horizon that's going to reduce some of the inflationary pressures, the geopolitical stuff that is going on. I mean, this just happened last week, we took out sitting president of Venezuela. I mean, that's a whole bunch of uncertainty. Whether you agree or disagree with this, we don't know what is happening. So Q2, I don't really have any specific answer for this. I'm going to look out and find out what my supply chain experts are going to say.
ANGELI: 26:04	Q2 is when people pay their taxes. So based on everything everybody's been saying, there's going to be some disposable income. So consumer confidence will go up. People will be buying stuff. I think Zach is right. The uncertainty created in the, at least in this hemisphere by what happened last week is enough to carry. If the economic indicators get favorable, that's going to be a good thing.
VETO: 26:31	Gerry, Zach, thank you so much for taking the time to be on the show. It was great talking with you.
ANGELI: 26:37	My pleasure.
ZACHARIA: 26:39	Thank you, Stephanie. Really appreciate it. And thank you, Gerry, for agreeing to join us on this podcast. This is great. You've been always helping us with the survey, and it's great to actually talk to someone who's using and utilizing the information. Thank you, Gerry. Appreciate--
ANGELI: 26:53	Well, you got the numbers and the contact info, so whatever you need, Zach. You too, Stephanie.
VETO: 26:57	Thank you.
ZACHARIA: 26:59	Appreciate it.
VETO: 27:00	That was Zach Zacharia and Gerry Angeli speaking with us about the Lehigh Business Supply Chain Risk Management Index 1st Quarter report. This podcast is brought to you by ilLUminate, the Lehigh Business Blog. To hear more podcasts featuring Lehigh Business thought leaders or to follow us on social media, please visit business.lehigh.edu/news. This is Stephanie Veto, host of the ilLUminate podcast. Thanks for listening.