

Institute for Supply Management™

Dedicated to leading supply management

# ANNUAL REPORT



**institute for  
supply management**

2004

Supplement to **INSIDE  
SUPPLY MANAGEMENT™**  
Resources to Create Your Future



I think the Annual Report that follows this letter provides you with a brief overview of the highlights of ISM during our last fiscal year. Like most of you, we were challenged to find the resources to accomplish everything that we set out to do. Also, like most of you, we didn't accomplish everything, but we made great progress.

When we use the term "ISM," each of us needs to recognize just how broad that is. None of the work that the staff performs could be accomplished without the thousands of hours given to ISM by volunteers. These volunteers give freely of their time, knowledge and leadership. Without these wonderful people, there is no ISM.

I am indeed privileged to be at the nexus of a team of talented, bright and dedicated volunteers and staff. Thank you ... each and every one of you.

*Paul Novak, C.P.M., A.P.P.*  
Paul Novak, C.P.M., A.P.P.  
ISM Chief Executive Officer

*Inside Supply Management*®, ISM's member publication, also championed this standard-setting initiative with the May 2004 cover story, "Responsible Business = Good Business." A series of articles specific to each of the seven *Principles* began in FY '03-'04 and will continue throughout FY '04-'05. The article, "Being Diverse, Within

and Throughout the Supply Chain," appeared in the July 2004 issue.

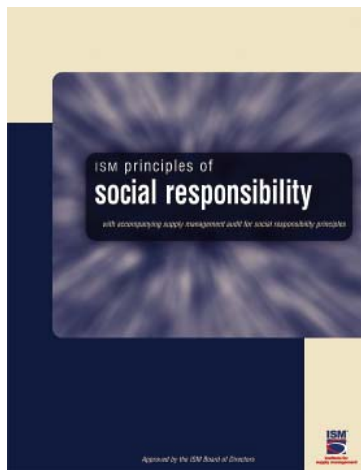
Institute for Supply Management™ (ISM), the leader in supply management, provides knowledge, programs and strategies for professionals of all supply management titles, positions and organizational roles. During Fiscal Year 2003-04, ISM implemented a host of activities and transitions that illustrate both incremental steps and large-scale leaps that ISM is taking as part of its mission to lead supply management and reach all supply management communities while carrying out its strategic plan.

### Standard-Setting Initiatives Support the Profession

Many supply professionals must brave the complexities of a global economy and ever-changing geopolitical concerns. In light of these realities, ISM's Commission on Social Responsibility developed standards to help supply professionals foster good corporate citizenship. In April 2004, the much anticipated *Principles of Social Responsibility* were presented at the 89th Annual International Supply Management Conference and Educational Exhibit. During a general session, ISM Board Chair Anthony S. Nieves, C.P.M., CFPM, detailed the seven principles: Community, Diversity, Environment, Ethics, Financial Responsibility, Human Rights and Safety. Nieves encouraged Conference attendees to review the *Principles* and use the accompanying audit document to evaluate their own organization's practices. In addition to the keynote address, 14 Conference workshops had direct relevance to ethics, diversity and social responsibility topics.

A Committee on Social Responsibility was approved by the ISM Board of Directors to ensure an ongoing

commitment to social responsibility issues. The committee established a baseline for current socially responsible behavior by conducting the first-ever survey of supply professionals. The summary report, "*Social Responsibility and the Supply Management Profession: A Baseline Study*," was released as a companion piece to ISM's *Principles of Social Responsibility* booklet. Both documents were released at the Annual International Conference in Philadelphia. A Web page at [www.ism.ws/sr](http://www.ism.ws/sr) includes articles and links to Web sites relating to each of the *Principles* and a list of companies supporting the initiative. Supply professionals are contributing valuable content to these pages by sharing information on whether their organizations have written policies and/or guidelines in place. They are also indicating the degree of support their organizations have in sharing policies and practices or incorporating elements of ISM's social responsibility messages.



### Assuming a Leadership Stance

ISM's FY '03-'04 launch of a new public relations initiative is guided by a plan to increase awareness of and shape a positive image of the supply management profession and ISM. During the early months of the initiative, the foundation for this expanded program was set by establishing policies, forming procedures and hiring experienced staff. During the year, several focus groups clarified the key role of supply management and led to the development of the image theme: Supply Management: Maximizing Opportunities. Managing Risk. An ISM Spokesperson Team was created to provide a group of well-trained and experienced professionals who can answer media inquiries and participate in proactive efforts to gain recognition for the supply management field. The first in a series of media interview training sessions was held in August 2004. A new Media Room went online on the ISM Web site, not only to share information with outside audiences but also to solicit informal feedback from journalists.

ISM's internal technology systems and Web sites continued moving forward at a rapid pace. ISM's Web site infrastructure was upgraded to handle increased traffic and more demanding applications such as the expanded Online Career Center. An extensive environmental scan was conducted to evaluate new accounting, association management and Web content management software. Software was



selected and implementation began during Fiscal Year 2003-04.

The credibility and value of ISM's *Report On Business*® attracted interest and esteem across the economic landscape. At the request of the chairman of the Federal Reserve, ISM developed several economic-related reports. Additionally, ISM conducted a survey in late 2003 on the issue of outsourcing/offshoring at the request of the Department of Commerce. ISM hosted the Sixth Annual Economic Summit in New York in December 2003 and presented the renowned Business Survey/Economic Outlook Presentation at the Annual Conference in April 2004.

Revisions to six Certified Purchasing Manager (C.P.M.) and Accredited Purchasing Practitioner (A.P.P.) Self-Study Workbooks became available in February 2004. In addition, ISM experienced growth in the area of onsite C.P.M. Exam testing and review courses and worked with a number of larger organizations to administer onsite testing for their employees. Many larger organizations find that onsite testing provides them better control of their in-house professional development efforts and helps them ensure that their employees stay on track to achieve their C.P.M. During the year, ISM committed to translating study materials into Chinese for release in early 2005.

ISM continues to build on its diversity initiatives and remains committed to the development of supply professionals from diverse backgrounds. ISM, in conjunction with Howard University, coordinated the First Annual Black Executive Supply Management Summit. Approximately 50 black executives within the supply management profession gathered in Washington, D.C., in fall 2003. The event provided African Americans and others of diverse backgrounds an opportunity to network with peers, share best practices and discuss future supply management strategies. One key initiative of the Summit is to "fuel the pipeline" through development and inclusion of supply chain management curricula at Historically Black Colleges & Universities (HBCUs) and other predominantly diverse institutions.

#### ISM Is "The" Knowledge Resource

During FY '03-'04, ISM provided significant and topical educational opportunities and conferences.

In September 2003, the Second Annual Supply Network Conference brought together executives throughout the electronics supply network to explore how the "Three A's of Supply Chain Excellence: Agility, Adaptability and Alignment" are critical to the success of supply chains in today's highly competitive, dynamic and uncertain market. The conference was co-produced with CMP Media. Supporting organizations included ISM's Electronics Group and NAPM—Silicon Valley, Inc. In November 2003, ISM hosted "Extending Your Influence for Even Better Performance in Your Supply Network: A Supply Management Conference."

The 4th Annual ISM Services Group Conference titled, "The Services Picture: Bringing the Spend Into Focus," was held in December 2003 in Scottsdale, Arizona. ISM supported CAPS Research in the development and delivery of the 15th Annual North American Research and Teaching Symposium on Purchasing and Supply Chain Management in March 2004. That same month, ISM presented the 37th Annual Supply Management Program.

"Knowledge Is the Key" was the theme of ISM's 89th Annual International Supply Management Conference and Educational Exhibit. The Conference brought together more than 2,200 supply management professionals from around the world for educational workshops, economic outlooks, entertaining and visionary speakers, and networking.

Four Satellite Seminars were presented in FY '03-'04 — each was viewed by an average of 1,400 participants. Programs on logistics and inventory control represented an expanded Satellite Seminar program focused on a variety of supply management subjects. ISM's 39th Satellite Seminar was the first to be coordinated in partnership with another professional organization. "Improving Your Role With Effective Project Management" was presented in partnership with the Project Management Institute (PMI).

ISM expanded its online programs and products — with offerings tailored for both the individual and organizational clients. During FY '03-'04, nearly 3,000 professionals expanded their own individual skill sets by enrolling in self-paced online courses offered through ISM's Knowledge Center. Five new self-paced online courses were designed and ready for release at the conclusion of FY '03-'04. More than 800 individuals

looked to the Knowledge Center to practice ethical decision-making skills through a new offering, "Ethics: A Behavioral Awareness Tool." Developed in concert with the ISM Ethical Standards Committee, the popular course tests responses to a number of situations and ethical dilemmas.

Also during FY '03-'04, ISM began developing and delivering Web seminars. In April 2004, approximately 350 attendees were present for ISM's first sponsored Web seminar titled, "Reduce Costs by Optimizing Complex Services Spend" (sponsored by PeopleSoft). In late August 2004, 139 attendees were present for the live Web seminar, "The Impact of Sarbanes-Oxley Act on Supply Management."

Developing specialized knowledge continues to broaden ISM's opportunities for revenue generation. ISM offered 66 public seminars of 27 titles that attracted 1,253 enrollees. The first offering of "Best Practices in Procurement" was in February 2004. Onsite education — educational training or events offered at an organization's facilities — remained steady. ISM delivered 47 individual onsite education programs to more than 1,000 people — the equivalent of 91 days of onsite education training.

Customers continued to demand product customization. More than 30 percent of all programs delivered during FY '03-'04 required customization to meet specific and unique needs. The use of blended learning solutions also gained popularity. A number of clients mixed tailored seminars, online courses and paper-based study materials in a variety of combinations.

During the year, ISM continued its successful collaboration with global management consulting, technology services and outsourcing company, Accenture, to create online self-study courses for the Accenture Supply Chain Academy. ISM's primary responsibility was the creation of structured, written content for Accenture's design architects to fashion into final Web-based products. ISM also worked with Accenture to develop highly specific content for organizations to offer their supply management professionals ready access to education and job aids via telephone conferences or Web playback.

ISM expanded e-newsletter offerings and began to accept limited sponsorship opportunities to offset the costs of these valuable new benefits. Produced

in conjunction with the ISM Chemical Group, *ISM eDigest: Chemicals Electronic Newsletter* is a quarterly e-newsletter that provides more than 1,600 subscribers timely information on supply management topics pertinent to the chemical industry and those purchasing chemicals. *Just in ETime*, a biweekly e-newsletter containing ISM news, is sent to more than 4,500 subscribers. *Supply Line 2055*, a quarterly e-newsletter read by 5,475 subscribers, focuses on certification information.

ISM partnered for a second year with the Air Force Institute of Technology (AFIT) to present the "ISM/AFIT Best Strategic Purchasing Thesis" award. Two honorees were selected and honored in a ceremony at Wright-Patterson Air Force Base in Ohio.

In early FY '03-'04, the ISM Resource Center was created to fulfill a larger initiative to meet the distinct research needs of members and the profession. The Resource Center has two information components. The InfoCenter, a "members-only benefit" reinstated in the fall of 2004, is a resource for members seeking information on supply management related topics. Research on Demand, a joint initiative between ISM and CAPS Research, provides clients with customized secondary research reports for an individual set fee or at a significantly discounted annual fee when up to six reports are ordered.

### Volunteers Support Mission

Even though ISM faces the same challenges that other membership organizations do, with ISM's membership numbers stabilized, we have fared better than many other associations in the field of supply management. Membership recruitment efforts focused on identifying markets that show the best potential and targeting our efforts for recruitment and retention in those areas.

Affiliates and members continue to transform the profession while supporting

ISM's mission. During Fiscal Year 2003-04, Leadership Training Workshops were held in Washington, D.C., Las Vegas and New Orleans. Supply management related pre-workshop sessions were presented at each of the three Leadership Training Workshops to provide additional educational opportunities.

ISM Groups and Forums offered additional opportunities for professional development and volunteerism within supply management. The Groups and Forums Support Council (GFSC) developed a Groups and Forums Excellence Award program that will establish baseline performance levels and promote the value of Groups and Forums to ISM members. The Groups and Forums Support Council reviewed all Groups and Forums to ensure that all are providing educational and/or networking opportunities to members. In the past fiscal year, Groups and Forums case studies have been added to the Affiliate Support area of the ISM Web site. Listservs were also established for the Women in Leadership Group, Medical Industry Group and the reconstituted Logistics and Transportation Group.

The Hospitality Supply Management (HSM) Forum, formerly an executive study group of the National Restaurant Association, was welcomed as an ISM Forum in January 2004. In addition to helping launch the HSM Forum Web site, listserv and electronic newsletter, ISM worked with the HSM Forum to host a new conference for the hospitality industry in May 2004.

### International Activities

Also in FY '03-'04, ISM entered into a relationship with the International Association of Contract and Commercial Managers (IACCM) in support of a project to benchmark standard contract terms and conditions from buyer and sales perspectives on an international scope. Initial surveys have been sent to more than 400 interested parties.

ISM successfully garnered several complex requests for proposal (RFPs) to deliver customized training internationally. Programs were delivered in the United States, Netherlands, United Kingdom, Brazil and Mexico, in English and in Portuguese. Online study material was translated into Portuguese. RFPs called for future work in China, Japan, Mexico and Europe.

The Certified Purchasing Manager (C.P.M.) designation continues to be recognized worldwide as a sign of supply management competence. ISM has secured international partnerships for C.P.M. certifications in more than 23 areas including Australia, China, France, Japan, Korea, Hong Kong, India and Philippines, to name a few.

### Future Focus Ensures Relevance

In FY '03-'04, ISM hired consulting and research firm Knapp & Associates International, Inc. to conduct a market study on the "future and focus" of ISM's certification and credentialing programs. Two major recommendations resulted. The first recommendation, approved by the Board, was to stop issuing new Accredited Purchasing Practitioner (A.P.P.) designations. After February 28, 2005, ISM will no longer accept new A.P.P. Exam applications. Individuals interested in securing A.P.P. Original/Original Lifetime accreditation will need to apply by February 28, 2007. All dates are based on postmark date. Individuals already holding the A.P.P. designation may still apply for reaccreditation.

The second recommendation called for a look ahead to optimizing the content and focus of the Certified Purchasing Manager (C.P.M.) program. A thorough job analysis and update will be conducted during Fiscal Year 2004-05 to ensure the designation reflects the highest competence in the field.

## STRATEGIC PLAN

### Mission: Lead supply management

- Expand the sphere of influence of supply management
- Align Institute for Supply Management™'s organization with its Mission
- Enhance ISM's revenue generation to ensure the resources necessary to support the Mission.

# THE CENTER

## FOR STRATEGIC SUPPLY LEADERSHIP

A.T. Kearney with Institute for Supply Management™

ISM's heightened focus on executive development and synthesizing its expansive knowledge base continues. The A.T. Kearney Center for Strategic Supply Leadership (CSSL) at the Institute for Supply Management™ was launched in the early part of 2004, thanks to the sponsorship of A.T. Kearney, which provided both the seed financing and intellectual capital required to create this unique forum for senior executives.

CSSL has become an exclusive thought-development forum for chief purchasing officers (CPOs) and other senior executives who drive some of the most influential companies from a cross-section of industries. The Center is dedicated to detecting and synthesizing the challenges and opportunities of the next three to five years to build competitive business and supply capabilities today, while providing unique executive development and networking.

A.T. Kearney has long been on the leading edge of global business excellence and provides the most recent content available. Combined with direction from Center trustees and ISM's mission to lead supply management, CSSL is a valuable proposition for executive development and organizational transformation in supply management.

The Center held its inaugural event in February 2004 in Miami. Thirty CPOs discussed the future of

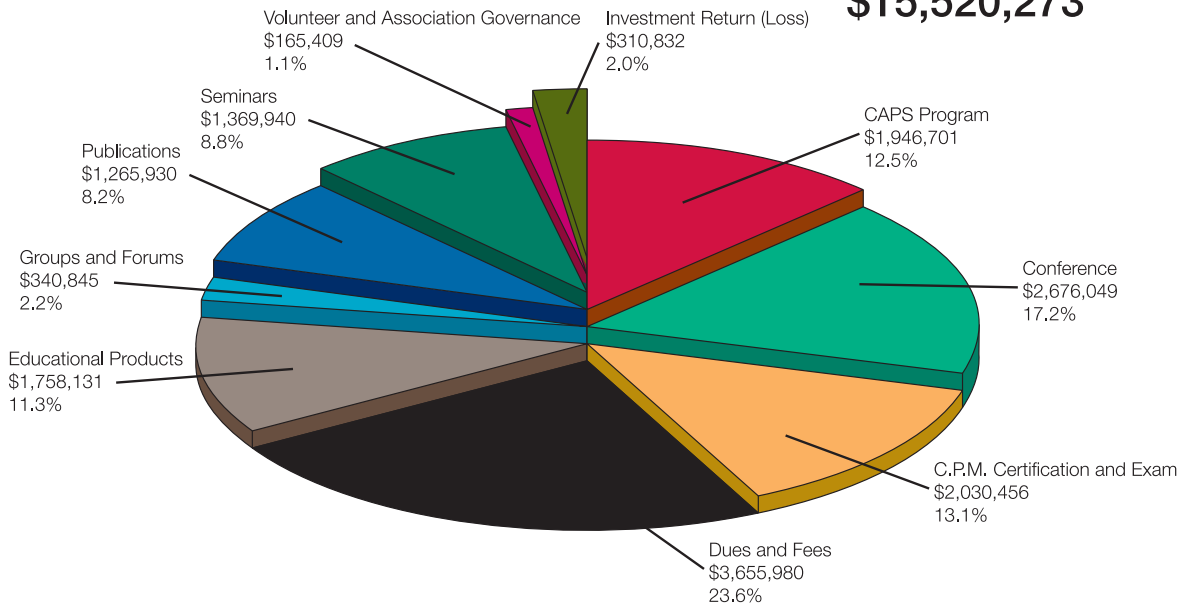
supply management and the shape that the executive development forum should take. Shortly thereafter, 12 trustees selected from the Miami event participants formed the board responsible for setting direction and programming for the Center. In April 2004, the trustees met in Dearborn, Michigan, to finalize the Center's mission, branding, strategic plan and initial curriculum.

In May 2004, CSSL hosted the Power Conference in Philadelphia, as part of ISM's 89th Annual International Supply Management Conference and Educational Exhibit. In August 2004, 20 executives gathered in Chicago for the program titled, "Organizing Supply to Serve and to Be Heard." Through presentations, peer-to-peer sharing and work sessions, the group focused on expanding their influence and reach across the organization. Participants of this program were excited by the opportunity to go beyond networking and collaborate with senior-level peers to help formulate their personal action plans. Skill sets of influence and reach have eclipsed management and leadership savvy as the means of building tomorrow's business and supply capabilities. Participants in the Center's programs will continue to have a unique forum where they can network and develop their individual supply visions as well as learn how to read and interpret environments, rather than just solve current issues.

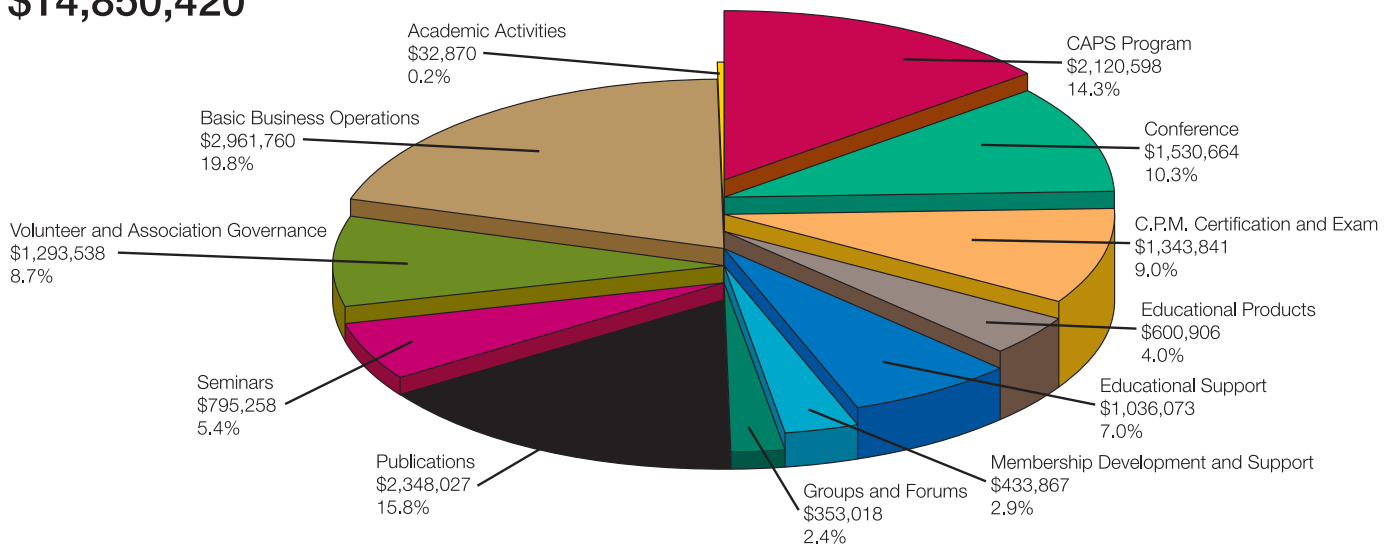




## REVENUES 2003-04 \$15,520,273



## EXPENDITURES 2003-04 \$14,850,420



## Fiscal Year 2003-04 Financial Details

ISM completed another successful fiscal year. Revenues began to climb again (albeit slowly) during Fiscal Year 2003-04. ISM staff persisted in holding the line on expenses in every area of the organization while continuing to provide the services expected by our membership and other customers.

Total assets and liabilities of the Institute were \$13,330,995. The change in assets and liabilities from the previous fiscal year was an increase of \$593,263. The organization finished the fiscal year with a \$946,654 decrease in cash.

ISM realized gross revenues of \$13,573,572 and gross expenses of \$12,729,822, resulting in a positive net of \$843,750.

Our reserves continue to remain untouched. Principal was actually increased

by \$1 million cash from the operating account. The return on our investment was 4 percent for the fiscal year and we continued (and will continue) to evaluate the placement of our investments annually with an eye on the economic environment.

ISM also made an investment of a different kind with the purchase of state-of-the-art association management system (AMS) software. The existing system is close to a decade old; the new AMS will be implemented organizationwide by the end of Fiscal Year 2004-05. This new software will ensure that ISM can continue to increase the sophistication of both internal operations and the data gathering necessary for relevant educational program development.

The decrease in cash due to increased reserves and the AMS purchase did not (and will not) negatively affect ISM's daily operations or long-range stability.

CAPS Research realized gross revenues of \$1,946,701 and gross expenses of \$2,120,598, resulting in a negative net of \$173,897. CAPS is noted separately because contributions made to CAPS are limited to CAPS use only.

The ISM 2003-04 fiscal year was successful, and we continue to reverse the negative economic trends of the early 2000s. We are well placed and optimistic that we will continue our revenue growth in the next fiscal year and well into the future.