



# Leading Supply Management

ANNUAL REPORT  
2006-2007



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

You will see, as you read this annual report, that the ISM fiscal year that ended August 31, 2007 was by all measures a pretty good year.

We have been active in a number of events and projects. Literally thousands of you attended an ISM event. The breadth of ISM's activities was impressive. We continue to work to expand our offerings to you to support you in your professional growth and support success in your career.

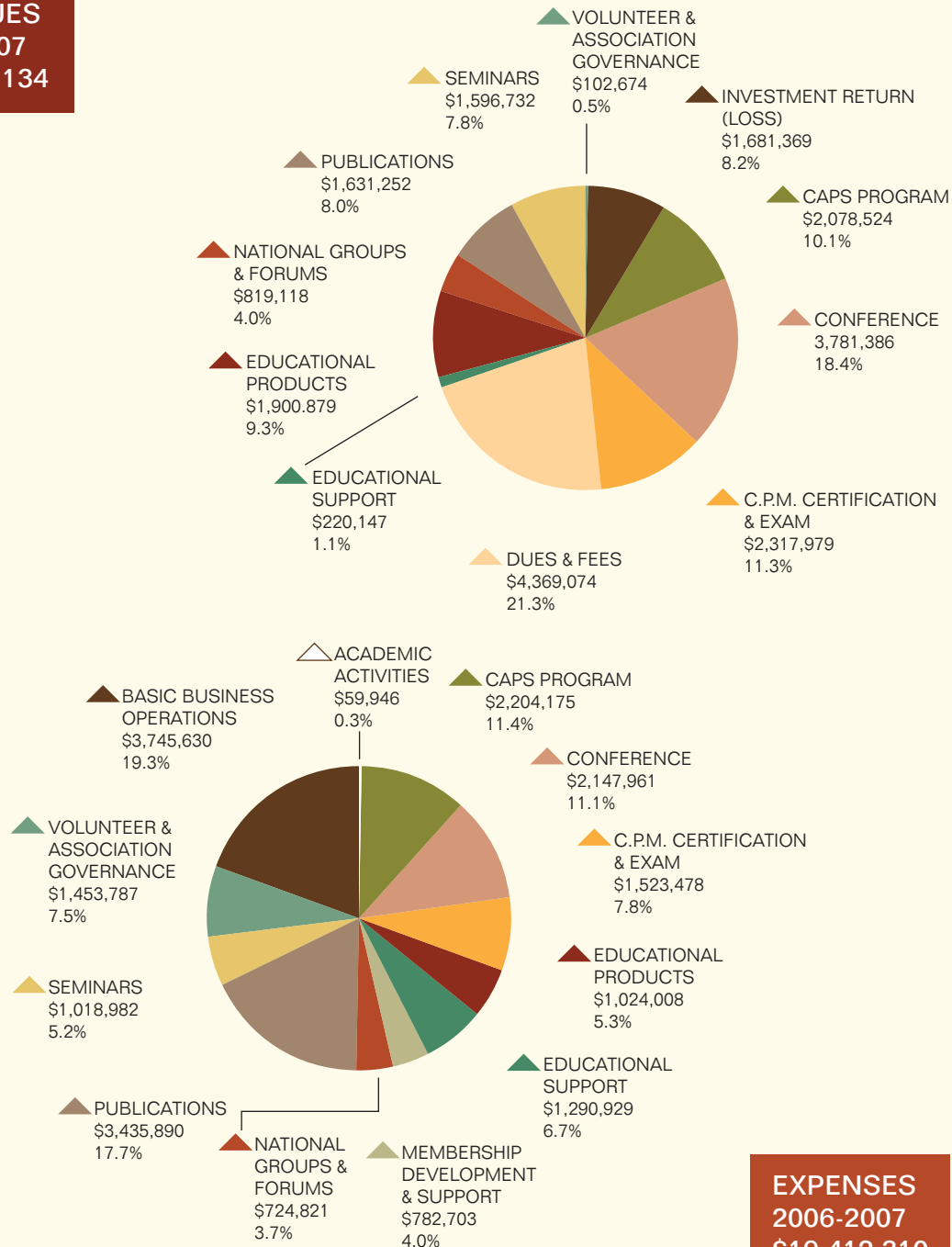
Like any organization, ISM must be financially sound in order to provide services to you. Hidden in the financial results is the fact that if it were not for investment income, ISM would have had a money-losing year. However, using our resources to achieve our objectives is what they are there for.

I must recognize a large number of people who are making a huge contribution to the future of our profession. These are the volunteers and staff who are working to build, finalize and roll out the new ISM qualification, Certified Professional in Supply Management (CPSM). The qualification is built by staff but only can be what the profession requires because of the hundreds of volunteers who have contributed thousands of hours developing the content. I mention this now because this work has been ongoing all of the last fiscal year and, because of this work, we will be celebrating the roll-out of the CPSM during the current fiscal year.

ISM succeeds because of strong and committed leadership. Your international Board of Directors charts a vigorous schedule of activities for the organization. Their foresight and leadership is what ultimately determines the success of ISM.

*Paul Novak, C.P.M., A.P.P.*

## REVENUES 2006-2007 \$20,499,134



## EXPENSES 2006-2007 \$19,412,310

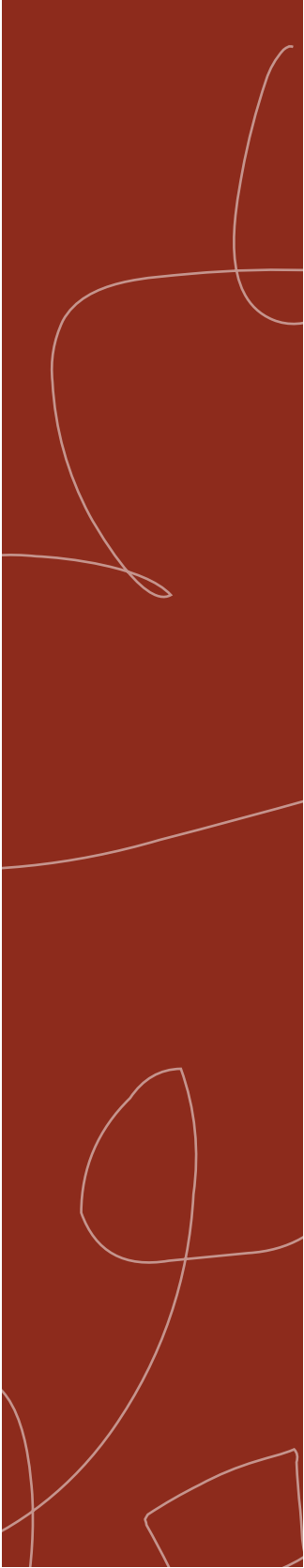
### Fiscal Year 2006-2007 Financial Details

Total assets and liabilities of the Institute were \$17,706,270. The change in assets and liabilities from the previous fiscal year was an increase of \$1,133,615. The organization finished the fiscal year with a \$57,603 decrease in cash.

ISM realized gross revenues of \$18,194,310 and gross expenses of \$17,208,135, resulting in a positive net of \$986,175 for the fiscal year.

ISM's allocation of invested funds is evaluated in detail each January by the Finance Committee with input from our investment adviser. In January 2007 the Finance Committee recommended, and the Board approved, reallocation of approximately \$1 million of ISM reserves. This reinvestment of funds took place in February 2007. ISM realized a 15.8 percent return on invested funds for the fiscal year.

CAPS Research realized gross revenues of \$2,389,339, which included a \$226,300 contribution from ISM. Gross expenses were \$2,204,175, resulting in a positive net of \$185,164. These funds are noted separately because contributions made to CAPS Research are limited for its use only.



During fiscal year 2006-2007, Institute for Supply Management™ (ISM) acted on its mission to lead supply management. By providing member services, products, educational opportunities and certification, ISM promoted the value and vibrancy of the supply management profession on a global scale.

## ISM's Highest Honor Abides for 77th Year

ISM's 92nd Annual International Supply Management Conference marked the 77th year of the J. Shipman Gold Medal Award. In May 2007, Norbert J. Ore, C.P.M., joined the ranks of Shipman medalists who have contributed to their profession with distinction. The Shipman Medal is presented annually to an individual whose modest, unselfish, sincere and persistent efforts have aided the advancement of supply management.

## Preparing Future Leaders

R. Gene Richter Scholarships were awarded in conjunction with the ISM R. Gene Richter Awards for Leadership and Innovation in Supply Management. Six accomplished students were invited to an invitation-only awards dinner to represent the Richter Scholar Class of 2007. The scholarship program, administered by the R. Gene and Nancy D. Richter Foundation, fast-tracks future leaders into the supply management profession. Winners receive tuition assistance of up to \$5,000 and are also offered the benefits of two mentoring programs. As in prior years, the newest Richter Scholars attended the Annual International Supply Management Conference as guests of ISM.

As part of a larger effort to support students interested in supply management, ISM continued to offer dues-free academic membership to students and educators meeting certain criteria. These individuals enjoy a complimentary subscription to *Inside Supply Management*®, full access to the ISM Web site, CAPS Research reports and more.

For a second year, ISM R. Gene Richter Awards for Leadership and Innovation in Supply Management were announced at ISM's Annual International Supply Management Conference. A blue-ribbon oversight committee of senior supply executives and academics approved a final selection of winning entries that demonstrated measurable organizational impact. Supply departments at three companies were honored in Las Vegas — Alltel Wireless (Technology Category), BP p.l.c. (People Category) and Johnson & Johnson (Process Category). Winners presented their stories of leadership and innovative thinking at workshop sessions open to all Conference attendees.

## Dare to Lead

Supply management professionals continued to rely on ISM for study materials and certification testing. At the end of the fiscal year, more than 47,000 individuals held the Certified Purchasing Manager (C.P.M.) designation and more than 8,000 individuals held the Accredited Purchasing Practitioner (A.P.P.) designation. ISM administered a total of 3,022 onsite C.P.M. Exam modules and an additional 9,872 C.P.M. Exam modules were administered via testing provider Prometric. A Chinese C.P.M. Exam was developed and Korea reached 1,000 C.P.M.s.

CPSM Exam and Bridge Exam specifications for ISM's new Certified Professional in Supply Management (CPSM) qualification were made available on the ISM Web site. In addition, the CPSM Supplemental Reading List was created to help CPSM candidates prepare for exams before testing begins in 2008.

## Key Research

In March 2007, the report *True and Profitable Sustainability Management* detailed findings from an A.T. Kearney and ISM survey of 25 North American Fortune 100 companies. The study surveyed organizations across a variety of industries to assess corporate sustainability practices and understand how sustainability is impacting businesses. The research revealed that most organizations have recognized the value of adopting sustainable practices, whether to strengthen their brand or to differentiate products.

ISM also conducted its second comprehensive survey on the salaries of supply management professionals in the United States. Survey respondents were asked to report salary information for the 2006 calendar year. The summary report *2007 ISM Salary Survey Results* was released to the public and a detailed report was made available to members (or for purchase by nonmembers).

In May 2007, CAPS Research reported findings of a global study co-sponsored by A.T. Kearney and ISM in the document, *Succeeding in a Dynamic World: Supply Management in the Decade Ahead*. Key findings of the study pointed out that a vast array of forces — including globalization, changing demographics, shifts in consumer demand, resource scarcity, environmental pressures, technology advances, governmental regulation and activism are reshaping markets, industries and products. These forces and changes will cause CEOs to ask supply management leaders to take on a broader, more strategic mission, to be evaluated on a more comprehensive set of goals and to deliver a higher level of performance. The special report was published in the May 2007 edition of *Inside Supply Management*®.

## Social Responsibility and Supply Management

ISM's social responsibility initiative continued to gain momentum. By the end of August 2007, 42 companies had formally extended their support. Signatories to the initiative were invited to share their input at a September 2006 meeting of the ISM Committee on Social Responsibility. The April 2007 satellite seminar, "The Business Case for Diversity in a Social Responsibility Context", featured a discussion of the topic from the perspective of workforce diversity as well as supplier diversity. In addition, the 92nd Annual International Supply Management Conference and Educational Exhibit included several workshops on social responsibility, diversity and ethics. ISM's Social Responsibility Web site continued to grow, providing social responsibility resources for supply managers at [www.ism.ws/sr](http://www.ism.ws/sr).

A Social Responsibility Maturity Matrix was added to the Web site in spring 2007. This tool, developed by the ISM Committee on Social Responsibility, helps organizations assess the current state of their social responsibility efforts, describing the ideal end state or "point of arrival" and measuring progress toward that point.

## THE Authoritative Resource

ISM's member publication *Inside Supply Management*® conducted a business media audit with BPA Worldwide. As part of the auditing process, circulation records were examined and verified for accuracy. For the initial three-month audit period ending December 2006, *Inside Supply Management*®'s qualified circulation was 40,704 copies. A subsequent circulation audit was conducted and reported in June 2007.

Each month, *Inside Supply Management*® illuminated global issues and profiled winning supply organizations and professionals. Articles covered topics ranging from supplier management, technology, legal matters to overviews of CAPS Research studies and surveys on e-procurement, low-cost country sourcing and the financial services sector.

## Facilitating Professional Growth and Networking

The 92nd Annual International Supply Management Conference and Educational Exhibit attracted more than 2,500 individuals from 29 countries to Las Vegas, Nevada. More than 100 attendees turned out for the international reception. The four-day learning event included two half-day sessions on project management, two half-day sessions on business continuity, a Career Center and more than 100 exhibitors. Conference-goers had the option of choosing from sessions on the supply management components of logistics, quality and human resources services as well as hot-topic sessions on risk, disaster management and planning, human resource aspect of supply management and strategic expectations for supply management. During fiscal year 2006-2007, members of ISM's Conference Leadership Committee (formerly the Permanent Conference Committee) wrote a Conference mission and strategic plan for upcoming annual Conferences.

Companies and individuals around the globe benefited from cost-effective courses and seminars facilitated by accomplished practitioners and academics. ISM's blended learning programs included computer-based, Web-based and traditional instructor-led training. Customized programs were delivered to clients in the electronics and delivery service industries. Six programs were delivered entirely in Spanish.

ISM marked an important milestone with its *Professional Development Paths* document, which provides direction and guidance to individuals and organizations looking to build a comprehensive professional development program. Paths are provided for three levels of supply management — from entry-level to experienced — as well as a path for cross-functional individuals who interact directly with the supply organization and need to understand supply management concepts.

Four satellite seminars were presented in fiscal year 2006-2007, covering topics including finance, critical business skills, project management and workforce/supplier diversity. Programs were downlinked at nearly 100 locations across the United States.

The 2006-2007 fiscal year was marked with healthy attendance at ISM's 87 public seminars. More than 1,380 people were present for one of 38 available seminar titles; many were first-time offerings. Eight new programs were among the total 208 days of public seminar offerings. In addition, ISM offered seven sponsored Web seminars, each drawing an average of 800 attendees.

In January 2007, ISM's Board of Directors approved new affiliate, ISM—Japan, Inc. ISM continued to offer Leadership Training Workshops to provide volunteers with resources and knowledge necessary for leading a successful affiliate. Summer workshops were held in St. Louis, Las Vegas and Baltimore. First-time volunteers joined seasoned veterans for in-depth pre-Conference sessions, lively roundtable discussions, Spirit Awards, networking and best practices discussions.

ISM's Minority and Womens Business Development Group (MWBDG) was named Group/Forum of the Year. ISM Groups and Forums Excellence Awards recognize those Groups and Forums that demonstrate excellence in their professional operations, educational offerings, recruitment, training and retention efforts, while at the same time communicating the value and prestige of ISM and the supply management profession.

Supply managers had many opportunities to gain knowledge at ISM Conferences in the 2006-2007 fiscal year. The 7th Annual Services Group Conference was held in Scottsdale, Arizona. Hospitality Supply Management (HSM) Forum and ISM presented Fall Conference in Atlanta and a Spring Conference in Chicago. ISM's Supplier Management Group held its inaugural meeting at the ISM Annual Conference in May in Las Vegas. ISM's Pharmaceutical Forum and the ISM Chemical Group teamed with the Supply Management Committee of the Drug, Chemical & Associated Technologies Association (DCAT) in conjunction with ICIS Chemical Business (Americas) to present Strategic Sourcing Summit & Showcase '06 in East Brunswick, New Jersey.

## Developing Professionals From Diverse Backgrounds

The 4th Annual Black Executive Supply Management Summit (BESMS) was held in Nashville, Tennessee. The program, titled "Next-Generation Leadership Strategies," included peer sharing and coaching sessions for senior-level professionals as well as directors and managers. The summit also focused on the challenge of recruiting talent as well the challenges faced by senior and middle managers in their career progression. This was the first year that BESMS offered a case competition for students. Three schools participated in addressing a case provided by Dell, Inc. Students from Howard University, Tennessee State University and Clark Atlanta University presented cases and also heard from practitioners on how to establish themselves in the supply management profession. Proceeds from the Black Executive Supply Management Summit support student participation at the ISM Annual Conference.

ISM also offered the first-ever Hispanic Executive Supply Management Summit (HESMS). The summit was developed to help address the under-representation of Hispanics in supply management and reinforce ISM's commitment to diversity and inclusion. Key initiatives of the summit were to provide a forum to bring together Hispanic and other professionals currently in supply management and engage new recruits to the profession. The sessions included a variety of top executives from multinational organizations such as Colgate-Palmolive, Wachovia and A.T. Kearney. Among the sessions offered were "Critical Skills for Professional Growth," "Low-Cost-Country Sourcing: Opportunities in Latin America," "Principled Networking in a Diverse World" and "Strategic Sourcing Best Practices."

## Sharing Knowledge and Expertise

ISM again supported CAPS Research in the development and delivery of the 18th Annual North American Research and Teaching Symposium on Purchasing and Supply Chain Management. Held in March 2007, the symposium provided a forum for academicians and practitioners to share completed research, discuss future research programs and discuss instructional issues.

ISM also attended and exhibited at the conferences of the following organizations: National Black MBA Association; National Society of Hispanic MBAs; National Minority Supplier Development Council; and Women's Enterprise Business National Council. ISM continued to offer trial memberships to members in these organizations and share each organization's event information and announcements.

In March 2007, a contingent of ISM headquarters staff traveled to Bath, England to attend the International Federation of Purchasing and Supply Management (IFPSM) Association World Summit. Association leaders representing more than 34 major supply management associations around the world shared information on how to better serve their members. Throughout the conference, attendees took part in plenary sessions and workshops divided into four themes: (1) professional knowledge about purchasing and supply chain management; (2) marketing and communication; (3) the development of purchasing and supply chain professionals; and (4) how to ensure an effective association.

## Advancing Technology

ISM's Web and technology efforts continued to expand to better meet customer, member and staff needs. The organization launched end-to-end electronic commerce capabilities that allowed purchases from the Web site to integrate directly with the association management, content management and online education (Knowledge Center) systems. ISM's Knowledge Center expanded online course offerings by partnering with Accenture's Supply Chain Academy to deliver 68 new supply management online courses. During the 2006-2007 fiscal year, more than 5,500 individuals participated in both self-paced and instructor-led online courses. ISM's Online Career Center averaged more than 300 job postings per month during the year. More than 900 ISM members posted their résumés to the Career Center, and more than 23,000 users have registered to participate in the Career Center.

Internally, ISM enhanced its reporting capabilities to assure data integrity and quality control. Enhancements and upgrades were performed across all ISM servers and workstations, with new servers added to provide disaster recovery as well as additional e-mail storage capabilities.

## CSSL Programs Serve Chief Supply Officers

The A.T. Kearney Center for Strategic Supply Leadership (CSSL) at ISM is committed to exploring the future two- to- four year supply management horizon and translating it into robust, strategic development programs for executives. Through its programs and other services, CSSL provides senior supply executives with thought-leadership and actionable intelligence on a CPO level.

CSSL programs target the chief supply officer and their direct reports. Programs held during the 2006-2007 fiscal year include "Major Cost and Spend Category Strategies," "Impacting the Supply Management Profession: Charting and Navigating Strategies for CPO and Your Team's Evolution" and "Identifying and Driving Supply Initiatives." More than 80 supply leaders participated in these programs, and CSSL's member company base increased to a total of 43 Fortune 1,000 companies.

## Expansive Content Drives Updated Publications

An updated ISM *Glossary of Key Supply Management Terms* (4th Edition) was released in January 2007. Content was expanded by more than 130 percent from the prior edition and was a result of collaboration with subject-matter experts and sources representing practitioners, attorneys and academicians. The updated publication includes almost 300 additional legal terms, more than 120 additional inventory and warehouse management terms, more than 130 additional logistics, transportation and receiving terms, and more than 150 additional financial terms. All definitions in the expanded fourth edition were written or selected to reflect the current global business environment. Several months earlier, an all-new *Supply Management Handbook* (Seventh Edition) was published by ISM and McGraw-Hill. New to the 2006 edition is a study by the A.T. Kearney Center for Strategic Supply Leadership at ISM, which focuses on the profession's future leadership.

## ISM Mission: Lead Supply Management

### STRATEGIC IMPERATIVE I

ISM is the thought leader that attracts and engages supply management professionals and others impacted by the profession

### STRATEGIC IMPERATIVE II

ISM is an essential component of individual supply management professionals in excelling and advancing their careers

### STRATEGIC IMPERATIVE III

CPSM is recognized as THE essential qualification required to succeed as a supply management professional

### STRATEGIC IMPERATIVE IV

ISM expands its international influence

### STRATEGIC IMPERATIVE V

ISM controls essential expertise

### STRATEGIC IMPERATIVE VI

ISM is organized to be flexible and responsive

Institute for Supply Management™ defines supply management as the identification, acquisition, access, positioning and management of resources and related capabilities the organization needs or potentially needs in the attainment of its strategic objectives.