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The fiscal year that ended August 31, 2008 was both challenging and rewarding. The challenges centered on the declining economy, which impacted ISM in two ways. First, business softened and the value of ISM's invested reserves declined. The rewards outnumbered the challenges, as you will see in the report that follows. The new ISM qualification, Certified Professional in Supply Management® (CPSM®) was successfully launched. ISM owes a debt of gratitude to all the volunteers who helped develop the qualification and to those who took the pilot exams. Without these people, there would be no program.

The financial challenges did not stop ISM from pursuing many other activities. I'll let you read those for yourself in this report.

The new fiscal year is once again challenging due to the poor condition of the economy. However, the Board and staff of the association are committed to continuing our efforts to lead our profession, supply management. We are aware that each of you is feeling the pressure of the poor economic conditions both personally and professionally. We will continue to do everything in ISM's power to serve your professional needs.

All of us at ISM hope that 2009 is a better year, and that each of you prospers.

Sincerely,

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

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

## Dare to Lead

A new and important era began with the debut of ISM's new qualification for the profession — the Certified Professional in Supply Management® (CPSM®). CPSM® Exam and CPSM® Bridge Exam testing officially launched in May 2008 at the 93rd Annual International Supply Management Conference and Educational Exhibit in St. Louis. This followed a CPSM® Pilot Exam Testing Program, which ensured reliable and credible exam development. Participants in the pilot program included individuals from 56 ISM affiliates and represented more than 30 domestic and international companies.

In June, the first individual to earn the CPSM® was announced. Michael G. Haynes, CPSM, C.P.M., was recognized at the monthly meeting of NAPM—Arizona, Inc. By the end of fiscal year 2007-2008, more than 500 people earned the CPSM®, including professionals from Canada, France, Korea, Mexico, the United Arab Emirates and Hong Kong.

For the first time, ISM developed courseware materials for instructors to develop and teach CPSM® review courses. The courseware includes all teaching and participant materials, PowerPoint slides, practice questions, case studies and answer rationale. More than 200 people attended one of six Train-the-Trainer courses to learn how to help others prepare for the CPSM® Exam.

Fiscal year 2007-2008 was also a strong year for Certified Purchasing Manager (C.P.M.) certifications. Many people decided to study and register for the C.P.M. Exam before the program transitions to a recertification-only program in fiscal year 2008-2009. C.P.M.s in good standing who meet CPSM® requirements have the option of taking the single CPSM® Bridge Exam instead of the CPSM® Exam, which is comprised of three separate tests.

## Continuing a Commitment to Diversity and Inclusion

ISM hosted several distinct forums to provide venues where women, Black and Hispanic professionals discussed personal and professional challenges unique to their experiences in supply management.

The 5th Annual Black Executive Supply Management Summit was held in Silver Spring, Maryland/Washington, D.C. in March 2008. The program, "Supply Management: 360° Views," included peer networking and sessions on executive expectations and talent needed for supplier diversity, supply management in the

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### ISM Diversity Statement

*For the Institute, diversity is valuing and respecting individual strengths, viewpoints and contributions.*

*Diversity is a positive asset for the organization's growth and success. ISM values and embraces diversity in the membership.*

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decade ahead and rising to the challenges of green purchasing. This was the second year that the program offered a case competition for students. Proceeds from the Black Executive Supply Management Summit fund student travel to the ISM Annual Conference.

An introductory Women Executive Supply Management Workshop was held in May 2008. Approximately 100 people attended the event, which consisted of speed networking and a feature presentation on "Aligning Employee Contributions for Unstoppable Momentum."

ISM delivered the 2nd Annual Hispanic Executive Supply Management Summit in August 2008.

Key initiatives included: (a) providing a forum to bring together Hispanic and other professionals currently in supply management and (b) engaging new recruits to the profession. Sessions featured a variety of top executives from multinational organizations such as Pfizer, Bristol-Myers Squibb, United Airlines and A.T. Kearney.

## Board Actions

ISM's Board of Directors approved two new ISM Position Statements. The first statement, on the topic of sustainability, notes that supply management decisions should be based upon the organization's written strategic plan as well as its sustainability and social responsibility policies. The second position statement addresses equal gender compensation and opportunity worldwide. Position Statements are drafted at the staff and committee level, and then brought to the ISM Board of Directors for final approval before official release.

In January 2008, the Board approved a \$10 dues increase for ISM Regular Members and Direct Members to be effective September 1, 2008.

## Sustainability, Social Responsibility and Ethics

The concept of sustainability generated an increasing amount of interest, and ISM responded to the need for resources in this area. In early 2008, ISM's Board of Directors approved the ISM Committee on Social Responsibility's request

to change its name to the ISM Committee on Sustainability and Social Responsibility. The Board also approved significant updates to the original *ISM Principles of Social Responsibility*, which were originally adopted in 2004.

In addition to including sustainability both as a standalone principle as well as incorporating the concept into each of the existing principles, the descriptive statements for each principle were revised to use language that takes into consideration ISM's increasing international focus. Additional changes included: (1) separating the Diversity principle into two principles; (2) updating the Safety principle to include Health and Safety; and (3) updating the Ethics principle to Ethics and Business Conduct.

The *ISM Principles and Standards of Ethical Supply Management Conduct* was also updated. In addition to addressing sustainability and social responsibility, the document's content was also revised to be more sensitive to international language.

To complement the update of ISM's social responsibility and ethics documents, ISM's social responsibility Web area at [www.ism.ws/sr](http://www.ism.ws/sr) was also updated. Links were added to enable users to download PDF copies of the updated *ISM Principles of Sustainability and Social Responsibility With a Guide to Adoption and Implementation*, and the *ISM Principles and Standards of Ethical Supply Management Conduct With Guidelines*.

### ISM Principles of Social Responsibility and Sustainability

- |  |  |                                |                      |
|--|--|--------------------------------|----------------------|
| 1. Community                                 | 3. Diversity and Inclusiveness — Workforce | 5. Ethics and Business Conduct | 7. Human Rights      |
| 2. Diversity and Inclusiveness — Supply Base | 4. Environment                             | 6. Financial Responsibility    | 8. Health and Safety |
|  |  |                                | 9. Sustainability    |

## First ISM Approved Masters Program

ISM and the University of San Diego (USD) announced a specialized master's degree program for supply professionals working in the field. The ISM Approved Master of Science in Supply Chain Management (MS-SCM) is a graduate-level educational program in USD's School of Business Administration. The program is offered online, and requires 26 months for completion. Online interactions enable professionals to study from anywhere in the world and are supplemented with face-to-face sessions conducted three times a year at the USD campus. Students who complete Phase I of the program achieve a Graduate Certificate in Supply Chain Management. Students have the option of completing Phase I only or matriculating into Phase II to complete the MS-SCM. The first class cohort for the ISM Approved MS-SCM began in February 2008, with the next cohort following in July 2008.

## ISM Conference Has Global Relevance

The 93rd Annual International Supply Management Conference and Educational Exhibit was held May 4-7, 2008 in St. Louis. Working with the ISM Conference Leadership Committee, ISM offered seven content tracks in the areas of: project management; business continuity; lean supply management; leadership in supply management; sustainability and green strategies; global strategies; and the decade ahead in supply management. More than 2,200 professionals attended the four-day learning event to hear critical information, discover new strategies and gain a competitive edge.

The ISM R. Gene Richter Awards for Leadership and Innovation in Supply Management continued into its third year. Five organizations received the Richter trophy at an awards dinner. Masco Corporation received the award in the Technology category, while Hewlett-Packard, Lockheed

Martin Aeronautics Company, Pfizer and Royal KPN Telecom won the award in the Process category. Winners presented their stories of leadership and innovative thinking at workshop sessions open to all Conference attendees.

Fourteen additional companies were recognized as finalists. The companies designated as finalists were: Ahold USA, Alltel Wireless, Auto Club Group, Boston Scientific, BP, Cessna Aircraft, Delphi, Dow Chemical, FedEx Express, MeadWestvaco, Merck & Co., Merrill Lynch, Proctor & Gamble, and Raytheon IDS.

## Preparing Future Leaders

R. Gene Richter Scholarships were awarded by ISM and the R. Gene and Nancy D. Richter Foundation. Seven students were invited to an invitation-only awards dinner where they were honored as the Richter Scholar Class of 2008.

The R. Gene Richter Scholarship Program was established and named in memory of R. Gene Richter, who was a galvanizing force in the field of procurement. The program was established by the R. Gene and Nancy D. Richter Foundation in 2004. In 2005, the R. Gene and Nancy D. Richter Foundation partnered with ISM to expand the Foundation's scholarship program into the largest national scholarship program in the field of supply management. It was a goal of the Foundation and ISM to establish the ability to provide for the funding of scholarships on an ongoing basis. As a result, in 2008, with funding from the R. Gene and Nancy D. Richter Foundation and ISM, the ISM R. Gene Richter Scholarship Program was established. The fund at ISM has a goal to grow the principle to \$2 million. The proceeds from this fund will provide a portion of the scholarships for future Richter scholars.

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.

## Publications and Other Resources

The prestigious quarterly publication for supply management scholars and researchers, *Journal of Supply Chain Management*, announced a new editorial team beginning with the January 2008 issue: Co-Editor-in-Chief Lisa M. Ellram, Ph.D., C.P.M.; Co-Editor Craig R. Carter, Ph.D.; European Co-Editor Lutz Kaufmann, Ph.D.; and Asian Co-Editor Thomas Callarman, Ph.D. The mission of the *Journal of Supply Chain Management* is to be THE journal of choice among supply chain management scholars, by attracting high-quality, high-impact behavioral research focusing on theory-building and empirical methodologies.

ISM's member publication, *Inside Supply Management*®, continued its evolution to provide supply management executives with thought-leadership, trends and current issues. Articles covered topics ranging from expanded coverage of sustainability and social responsibility to talent management and enhancing supplier relationships.

To reach entry- and mid-level supply professionals, ISM launched *eSide Supply Management*. The bimonthly e-newsletter offers career advice, research, survey results, international business tips, social responsibility and sustainability articles, and more. A visually rich Web portal allows *eSide Supply Management*

readers to quickly scan the entire issue or follow hyperlinks to feature length stories. The online, interactive nature of *eSide Supply Management* also allows readers to participate in quick surveys, rate articles or recommend topics of interest.

A host of CPSM® study materials were introduced in fiscal year 2007-2008, including the CPSM® *Study Guide*, which is applicable to all exam candidates. The *Study Guide* provides information on test specifications, examples of testing format and question styles, and material for the CPSM® Bridge Exam. The *ISM Professional Series* consists of three volumes and focuses on challenges, goals and skills sets needed by managers to be successful in strategic supply management.

ISM updated the online version of the *ISM Glossary of Key Supply Management Terms* to include terms introduced in the ISM CPSM® Exam specifications. Approximately 250 terms were added to the *Glossary*, and the definitions for about 50 existing terms were updated.

## Research

ISM conducted its third comprehensive survey on the salaries of supply management professionals in the United States. Survey respondents were asked to report salary information for the 2007 calendar year. The summary report *2008 ISM Salary Survey Results* was released to the public, and a detailed report was made available to members (or for purchase by nonmembers).

## Report On Business®

Working with economists, government leaders and supply professionals, ISM's monthly *Report*

### Definition of Supply Management

**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.**

*On Business*® was enhanced. This monthly economic forecast report is recognized and used by business and government leaders worldwide. The formula for the manufacturing sector composite index (PMI) was changed to include equal weights instead of varied weights for each index in the original formula. Additionally, a composite index for the non-manufacturing sector (the NMI) was developed to include the Business Activity Index (seasonally adjusted), New Orders Index (seasonally adjusted) Employment Index (seasonally adjusted) and Supplier Deliveries Index at equal weights.

### Products and Programs Help Share Knowledge and Expertise

In December 2007, ISM announced a new assessment tool, SMART, to help identify organizational training needs. SMART was developed through research studies and expert focus groups to evaluate tasks in supply management categories that are then rated by individual knowledge, job importance and frequency. SMART is available internationally to ISM clients who wish to appraise the skills of a supply team to uncover knowledge gaps. Employees rate their skills using a Web-based questionnaire and compare them to supervisor expectations. Results are compiled into a report outlining a training and development strategy for a company's specific supply chain needs. The report validates and helps to build a business case for training.

Another resource designed to provide direction for professional development goals for an individual or the entire organization is a white paper released in 2008. The document, *Supply Management Professional Development Paths*, provides guidance on training paths for entry-level to senior-level supply professionals. The document also provides direction for cross-functional positions relating to supply management.

ISM's blended learning programs included computer-based, Web-based and traditional instructor-led training. Customized programs were delivered to clients in Azerbaijan, China, England and Mexico. In addition, ISM embarked on a business relationship with a major public organization to deliver a series of custom programs worldwide, with one delivered in French.

Three satellite seminars were presented in fiscal year 2007-2008, covering topics including global sourcing, market intelligence for supply professionals and supply management's role in sustainability. Programs were downlinked at nearly 80 locations across the United States.

More than 1,294 people attended one or more of the 78 public seminars of 37 titles. Four new programs among the total of 189 days of public seminar offerings were:

- Effective Supply Management: Analytical Techniques for Decision-Making
- Principles of Effective Inventory Management
- The Supply Manager's Guide to Doing Business in China
- The Supply Manager's Guide to Doing Business in India

In addition, ISM offered seven sponsored Web seminars.

ISM's Knowledge Center expanded online course offerings by launching a course on the *ISM Report On Business*® and partnering with MindEdge to offer close to 30 new titles in the general business/personal skills content areas. During the 2007-2008 fiscal year, more than 3,500 individuals participated in both self-paced and instructor-led online courses. ISM's Online Career Center continued to be one of the most visited areas on the Web site, averaging more than 300 job postings per month. More than 900 ISM members posted their résumés to the Career Center, and more than 27,000 users have registered to participate in the Career Center.



## Facilitating Professional Growth and Networking

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 Charlotte, Boston and Las Vegas. First-time volunteers joined seasoned veterans for in-depth pre-conference sessions, lively roundtable discussions, Spirit Awards, networking and best practices discussions.

ISM officially embraced new social networking platforms to facilitate information-sharing and networking. ISM established a presence on Facebook.com and LinkedIn.com, with plans to expand to other platforms. In addition, several ISM digital video clips were posted to YouTube.com and are easily located by searching under “ISM” or “Institute for Supply Management”.

ISM’s Pharmaceutical Forum 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.

The Fall Hospitality Supply Management Conference was held in Atlanta in October 2007. In December 2008, the 8th Annual Services Conference was held in Phoenix in conjunction with ISM hosting an additional half-day of programming for the China Federation of Logistics & Purchasing (CFLP) 2nd Annual Sino-American Conference on Supply Chain Management.

The Inaugural Global Supply Management Conference was held September 2007. The conference provided a venue to discuss issues and challenges with doing business globally

and provided an opportunity to start building relationships with peers in the global supply management community.

ISM and CAPS Research presented the 19th Annual North American Research and Teaching symposium on Purchasing and Supply Chain Management. Held in March 2008, 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: APICS; 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 shares each organization’s event information and announcements with ISM members.

## Network and Data Upgrades

Several major Web and technology improvements allowed ISM to better meet customer, member and staff needs. The headquarters telephone system was replaced, and enhancements and upgrades were performed across all ISM servers and workstations.

New servers were added to provide disaster recovery as well as additional e-mail storage capabilities. An upgraded network infrastructure allows for better customer support, and enhanced reporting capabilities to assure data integrity and quality control.

ISM developed the ability for members participating in Affiliate Dues Billing programs to renew membership online. Customers have additional tools to manage their online accounts. A new infrastructure was developed to support CPSM® Exam registration and score processing.



## **A.T. Kearney Center for Strategic Supply Leadership (CSSL) at ISM**

The A.T. Kearney Center for Strategic Supply Leadership (CSSL) at ISM is committed to exploring supply management's future for the next two to four years and transforming the field. 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 2007-2008 fiscal year included: "The Strategic Agenda & Long-Range Plan: Development & Deployment"; "Social Responsibility and Sustainability in Supply"; and "Key Supplier Collaboration." More than 70 supply leaders participated in these programs, and CSSL's member company base increased to a total of 47 Fortune 1,000 companies.

## **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.

## **ISM Components of Supply Management**

**Purchasing/Procurement | Strategic Sourcing | Logistics | Quality | Inventory Control | Materials Management**  
**| Transportation/Traffic/Shipping | Disposition/Investment Recovery | Warehousing | Distribution | Receiving |**  
**Packaging | Product/Service Development | Manufacturing/Supervision**

## Fiscal Year 2007-2008 Financial Details

REVENUES 2007-2008	FYE 07/08	% Total
CAPS Program	\$2,194,869	12.4%
Conference	\$3,184,947	18.0%
Professional Credentials	\$2,613,168	14.8%
Dues & Fees	\$4,259,077	24.1%
Educational Products	\$2,344,758	13.3%
Educational Support	\$310,413	1.8%
National Groups & Forums	\$484,012	2.7%
Publications	\$1,306,785	7.4%
Seminars	\$1,554,000	8.8%
Volunteer & Association Governance	\$107,029	0.6%
Investment Return (Loss)	(\$698,734)	-4.0%
Total Revenues	\$17,660,324	100%

EXPENSES 2007-2008	FYE 07/08	% Total
Academic Activities	\$38,820	0.2%
CAPS Program	\$2,505,556	12.4%
Conference	\$2,044,233	10.1%
Professional Credentials	\$1,933,979	9.6%
Educational Products	\$1,519,992	7.5%
Educational Support	\$1,214,003	6.0%
Membership Development & Support	\$1,002,823	5.0%
National Groups & Forums	\$407,739	2.0%
Publications	\$3,000,983	14.8%
Seminars	\$748,065	3.7%
Volunteer & Association Governance	\$1,725,595	8.5%
Basic Business Operations	\$4,082,429	20.2%
Total Expenses	\$20,224,217	100%

Total assets and liabilities of the Institute were \$15,464,507. The change in assets and liabilities from the previous fiscal year was a decrease of \$2,241,763. The organization finished the fiscal year with a \$1,419,284 decrease in cash. Throughout the year, ISM worked to keep expenses sustainable in relation to revenue earned.

ISM realized gross revenues of \$15,465,455 and gross expenses of \$17,718,373, resulting in a negative net of \$2,252,918 for the fiscal year.

ISM's allocation of invested funds is evaluated in detail early each calendar year by the Finance Committee with input from our investment adviser. ISM realized an 8.3 percent loss on invested funds for the fiscal year.

CAPS Research realized gross revenues of \$2,256,473 from contributions and interest. In addition, ISM provided funding of \$226,300. Gross expenses were \$2,505,844, resulting in a negative net of \$23,071. These funds are noted separately because contributions made for CAPS Research are considered by ISM as limited for CAPS' use only.