

2008-2009 Annual Report



**institute for
supply management**



It comes as no news that the past year was very challenging. During the past fiscal year, Institute for Supply Management™'s reserve funds lost nearly US\$2 million of value. This, coupled with the prior year's loss of value, totaled nearly \$2,800,000. The good news is that ISM has continuing reserves of more than \$8 million dollars.

With the leadership of the ISM Board of Directors, aggressive steps were taken to reduce expenses. This resulted in ISM meeting its net budget for the fiscal year and adding \$200,000 to cash.

The report that follows details the actions, activities and outcomes for the fiscal year that ended August 31, 2009. I am impressed with all that we were able to do, and continue to do, despite greatly reduced resources.

We will continue to serve you, our members, as well as the profession. ISM is the world leader and intends to remain so.

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

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

Dedicated to the Mission ... to Lead Supply Management

ISM dug deep in the last fiscal year in order to find savings while keeping those products and services in place that will prosper as the economy returns. While it was important to react to current conditions to manage risks and remain financially viable, ISM's mission to lead supply management also directed a longer-term focus on what must be preserved for the future of the organization.

ISM's personnel budget was reduced by 30 percent over the past year. Fifteen positions were removed from the ISM headquarters workforce — nine through voluntary layoffs and the remainder through attrition and a hiring freeze. Despite the nearly 20 percent reduction in headquarters staff, ISM members across the globe continued to receive a full array of benefits, products and services from dedicated headquarters staff and volunteer leaders.

Careful examination of ISM's technologies, processes and people resulted in cost savings and operational efficiencies. An added bonus of this exercise was greater clarity in ISM's mission and what the Institute continues to do better than other organizations.

Board Action

In February 2009, ISM's Board of Directors elected Shelley Stewart, Jr. Board chair. Stewart is senior vice president, operational excellence and chief procurement officer at Tyco International. ISM Senior Vice President and Corporate Secretary Holly LaCroix Johnson retired in June 2009. A staff member since 1989, Johnson managed many areas of ISM, including Communications, Professional Credentials, Education and Marketing. In May 2009, the Board elected ISM Senior Vice President Nora Pollard Neibergall, CPSM, C.P.M., to the position of corporate secretary. The Board also accepted recommendations on new international affiliate Procurement and Sourcing Institute of Asia (PASIA), located in the Philippines.

Professional Credentials and Global Relevance

The Certified Professional in Supply Management® (CPSM®) program continued to gain momentum, with a total of 643 CPSM®s granted in the fiscal year that ended August 31, 2009. ISM's 500th CPSM® was announced in December 2008, and by fiscal year end, the total number of CPSM®s totaled 1,103 and included professionals in 16 countries. CPSM® Exams were translated into Japanese and Korean and offered through Pearson VUE computer-based testing. Arrangements for translation of CPSM® study materials into Chinese continued, with expected availability slated for early 2010.

Work continued with international organizations in several countries and regions toward cooperative partnerships aimed at promoting the supply management profession through the CPSM®. Several Memorandums of Understanding (MOUs) were finalized and included agreements with Thailand, Philippines, China and Korea. In addition, negotiations with Colombia, Russia, Spain and India to mutually promote the CPSM® neared completion.

A host of CPSM® study materials became available, including print and Web-based Diagnostic Kits for Exams 1, 2 and 3. Web-based online review courses for the CPSM® Bridge Exam and all three CPSM® Exams launched with special introductory member pricing. Each one of these in-depth review and assessment tools quickly became popular ISM Knowledge Center offerings. As with all Knowledge Center online courses, supply professionals have access to their desired courses for one year starting from the date of purchase.

As a result of the transition to a recertification-only program, the fiscal year proved to be very strong for Certified Purchasing Manager (C.P.M.) certifications. ISM extended the C.P.M. Exam registration deadline because of the number of requests from individuals seeking additional time to register for the C.P.M. modules. ISM granted the 50,000th C.P.M. in March 2009.



CERTIFIED PROFESSIONAL IN SUPPLY MANAGEMENT

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.

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 6th Annual Black Executive Supply Management Summit was held in March 2009 in Orlando, Florida. Sponsored by ISM and Howard University, program highlights included the chance to learn from and visit with Shelley Stewart, Jr., the first

African-American chair of ISM's Board of Directors. Stewart was named one of *Black Enterprise's* 100 Most Powerful Top Executives in February 2009. In addition to offering numerous opportunities to learn, share, mentor and connect with executives and managers in supply management, the Black Executive Supply Management Summit included a special track for students enrolled in supply management degree programs and featured

a 2009 Student Case Competition, where future leaders presented casework and competed for scholarships.

An inaugural Women Executive Supply Management Summit was held in February 2009 in San Antonio. This unique learning and networking event attracted executives, their direct reports and those interested in building their career in supply management. General session topics included: Women in International Supply Management Roles; Executive Perspectives; and Creating a Successful Women's Career Support System.

ISM released its sixth position statement in September 2008, supporting equal gender compensation and opportunity worldwide. The position statement asserts that all equally qualified professionals performing at a similar level should be given equal compensation and opportunity in the workplace without discrimination based on age, disability, ethnicity, gender, national origin, race, religion or sexual orientation.

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.

Driving High Performance at 94th Annual Conference

The 94th Annual International Supply Management Conference and Educational Exhibit took place May 3-6, 2009 in Charlotte, North Carolina. While ISM budgeted for a 30 percent reduction in attendees for the 2009 Conference, the continued soft economy and flu concerns were added factors in having even fewer attendees than anticipated — nearly 40 percent fewer than in 2008. Working with the ISM Conference Leadership Committee, ISM offered five content tracks: Doing Business in China; Talent Management; Headwinds and Trends; Best Practices in Supply Management; and Sustainability, Social Responsibility and Green Issues.

New for 2009, ISM's Conference blog provided real-time analysis, observations and discussions to interested members, whether or not they were in attendance at the Charlotte Convention Center. ISM members can look forward to subsequent ISM Annual Conference blogs for an exclusive glimpse into the premier supply management event of the year.

During the ISM Conference in Charlotte, North Carolina, Richard D. Rich, C.P.M., accepted the J. Shipman Gold Medal Award, in recognition of modest, unselfish, sincere and persistent efforts for the advancement of supply management. Rich has played an integral part in advancing the profession and ISM. For five years, between 1997 and 2001, he played a key role in changing the 85-year-old National Association of Purchasing Management™ (NAPM) governance process to the current ISM governance and operating process.

The ISM R. Gene Richter Awards for Leadership and Innovation in Supply Management continued into its fourth year. Sixteen finalists were announced in February 2009, and three winning organizations were featured in the April 2009 issue of ISM's member publication, *Inside Supply Management*®. Alltel received the award in the Organization/Structure Category, Royal KPN Telecom received the award in the Process Category and the United States Postal Service received the award in the Technology Category. Representatives from the winning organizations accepted their Richter trophies in May at a Richter awards dinner in Charlotte, North Carolina. Winners presented their stories of leadership and innovative thinking at workshop sessions open to all Conference attendees.

Eleven additional companies were recognized as finalists: Advanced Micro Devices, ATMI, Inc., Cessna Aircraft Company, Intel Corporation, J. C. Penney Corporation, Inc., Lockheed Martin Missiles and Fire Control, MeadWestvaco Corporation, Sonoco Products Company, Terex Corporation, Tyco International and UNIBANCO.

Surveys Reveal Current and Near-Term Conditions

Turmoil in the financial markets was at its height during the 2008-2009 fiscal year. ISM conducted a survey of members with senior-level job titles to learn if financial market turmoil affected their organizations' plans for capital spending and production capacity. The survey found that companies intended to reduce capital spending and production capacity during the 2009 calendar year. Seventy-seven percent of respondents indicated that their organizations planned to reduce substantially or reduce slightly planned capital spending in 2009. Thirty-five percent indicated they would substantially reduce capital spending while 42 percent would slightly reduce capital spending. A PDF version of the survey report was made available online at ISM Survey Research.

ISM conducted its fourth survey on the salaries of supply management professionals in the United States. Survey respondents were asked to report salary information for the 2008 calendar year.

The summary report, *2009 ISM Salary Survey Results*, was released to the public, and a detailed report was made available to members (or for purchase by non-members).

ISM's Manufacturing and Non-Manufacturing *Report On Business*® continued to provide valuable near-term economic information to government and business leaders, economists and the financial community. Additionally, ISM's semiannual economic outlooks were released in December 2008 and May 2009. The ISM *Semiannual Report* provides insight into both the manufacturing and non-manufacturing sectors of the U.S.

economy. The data in each *Semiannual Report* compared information from the previous report versus what current conditions are.

ISM shared results of a sustainability survey conducted late in the prior fiscal year. The report, *Sustainability Impacts Supply Professionals' Decisions and Supplier Relationships*, summarizes responses from supply management professionals on how their companies define sustainability. A PDF version of the survey report was made available online on ISM's Sustainability and Social Responsibility Web site at www.ism.ws/sr.

ISM Principles of Social Responsibility and Sustainability

Community

Diversity and Inclusiveness
— Supply Base

Diversity and Inclusiveness
— Workforce

Environment

Ethics and Business
Conduct

Financial Responsibility

Human Rights

Health and Safety

Sustainability

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

The A.T. Kearney Center for Strategic Supply Leadership (CSSL) at ISM offered two programs to senior supply executives. CSSL programs target the chief supply officer and their direct reports. Programs offered during the 2008-2009 fiscal year included: Supply Leadership: Innovation and Transformation and Distressed Supply Chain Recovery: Powered by Financially Savvy Supply Decisions. More than 50 supply management leaders participated in these programs.

Preparing Future Leaders

Eight students, representing eight leading universities, were awarded 2009 R. Gene Richter Scholarships by the R. Gene and Nancy D. Richter Foundation and the ISM R. Gene Richter Scholarship Fund. The R. Gene Richter Scholarship Program is the largest nationally recognized scholarship program in the field of supply chain management. Winners were recognized at the Richter awards dinner held during ISM's Conference.

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.

Volunteer Leadership Training

In May 2009, affiliate leaders from across the United States and overseas attended ISM's 2009 Affiliate Leadership Training Program in Charlotte, North Carolina. The program was held one day prior to ISM's 94th Annual International Supply Management Conference. The turnout was impressive even with the sagging economy. But this was not surprising, due to the passion of the attendees for keeping their affiliates running successfully.

The one-day program provided affiliate leadership with an opening session that included a presentation on Leadership Essentials and 12 educational breakout sessions. Included in the list of new educational offerings were Affiliate Strategies and Marketing Strategy. During these sessions, participants developed strategies that they took home to implement at their affiliates. The program also provided time for roundtable discussions in which participants chose at least one of 13 different topics or issues to discuss, such as member recruitment, member retention, and surviving and thriving in a down economy.

First ISM Approved Master's Program

By the end of fiscal year 2008-2009, the first cohort of students to embark on a specialized master's degree approved by ISM and offered by the University of San Diego (USD) were more than halfway through the 26-month program. An additional two cohorts began during this fiscal year, as well. 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.

At the completion of the 2008-2009 fiscal year, 25 students completed Phase I of the program achieving a Graduate Certificate in Supply Chain Management. Half of those students chose to matriculate into Phase II to complete the MS-SCM and have already earned their master's degrees. The remaining students are scheduled to graduate with their master's degrees in March 2010.

ISM will consider academic programs and curricula offered by institutions of higher education that wish to secure ISM-approved status.

ISM and ADR North America Partner to Offer Training Solutions

In January 2009, ISM announced an alliance with consulting firm ADR North America. The ISM-ADR School for Supply Management offers assessment and diagnostic tools along with skills development programs to help organizations meet critical training challenges. The school offers a wide range of services, including customized in-company training and online and blended learning programs. In addition to its global reach, the ISM-ADR School for Supply Management offers professional development on every level — from buyers to executives — whether through classroom-based seminars or self-paced, Web-based training.

As interest in and awareness of the ISM-ADR School grows, customized programs will be delivered by multilingual instructors located worldwide to clients in places such as Angola, Australia, Azerbaijan, China, Czech Republic, Sharja (United Arab Emirates), South Africa and the United Kingdom.

Seminars and Web-Based Events

Two satellite seminars were presented in fiscal year 2008-2009. "Applying Lean Concepts in Supply Management" broadcast in October 2008 and "Preparing to Negotiate Onshore and Offshore" aired in April 2009. Programs were downlinked at nearly 80 locations across the United States. As always, ISM affiliates can borrow video recordings of previous satellite seminars from the Affiliate Loan Library.

More than 900 people attended one or more public seminars, and more than 171 days of public seminar offerings were available. Due to the economy, 15 public seminars were pre-emptively cancelled between January and August. The decision to cut the face-to-face seminar lineup in half, to 52 programs, ended up being a wise move, because by midyear there was already an observable decrease in the number attendees at each public seminar. The average number of attendees was 13, down from 17 attendees the prior fiscal year. Three new locations — San Francisco, Philadelphia and Baltimore — were added to the rotation of seminar cities.

Although the public seminars reflected the turbulent times and diminished training and travel budgets, ISM offered a robust set of alternative offerings, including Web-based seminars. ISM's Knowledge Center recorded an increase in the number of individual Accenture Supply Chain Academy courses sold. Similarly, Mind-Edge courses (both individual and bundled) sold through the ISM Knowledge Center also showed an increase over the prior year. Although organizations and individuals were somewhat hobbled by the economy and their own limited resources, ISM identified and seized an opportunity to enhance access to its Web-based educational offerings. An example of efforts in this area was the development of several education portals that link directly to all internal ISM systems. These modifications help corporate organizations gain access to and take advantage of ISM courses.

While some supply departments and organizations are delaying training due to the economy and budget constraints, others are actively pursuing training to upgrade the skills of those staff who are assuming new duties and additional responsibilities resulting from downsizing. Free ISM Web-based seminars allowed supply management professionals to stay current on new trends, methods and products. Interested individuals could participate from any location — the only requirement was Internet connection, speakers or headphones. Although registrants could choose to attend archived events, those individuals who participated in real time earned one Continuing Education Hour (CEH).

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.

Facilitating Professional Growth and Networking

ISM continued to embrace social networking to facilitate information sharing and networking. ISM has groups on Facebook and LinkedIn, and interested individuals can follow ISM on Twitter at <http://twitter.com/ism>. In addition, several digital video clips are located on YouTube and are easily located by searching under “ISM” or “Institute for Supply Management.”

Three returning conferences provided venues to discuss issues and challenges and provided opportunities to build relationships with peers. The Hospitality Supply Management Conference was held in May 2009 in Chicago. In December 2008, the 9th Annual Services Conference was held in Phoenix. The 2nd Annual Global Supply Management Conference was held in September 2008 in Tempe, Arizona. For the first time, in November 2008, ISM offered a Sustainability and Social Responsibility Conference in Adelphi, Maryland.

In January 2009, ISM, the National Business Travel Association (NBTA) and ProMedia.travel LLC presented the inaugural ISM and NBTA Summit on Travel and Meetings in Charlotte, North Carolina. The two-day event featured speakers and topics that addressed the challenges unique to professionals who have oversight of managing business travel and meeting spend.

Career Support

ISM's policy concerning special membership extensions remained available to members meeting specific criteria. The policy states that membership will be extended an additional 12 months without requiring payment of ISM dues for persons who have been a member of ISM and are unemployed for six months, excluding first-time membership applicants, provided that the affiliate also waives the affiliate dues. Dues-free membership will be extended to those members serving in full-time active military duty for the length of their service, provided the affiliate also waives the affiliate dues. Both types of special membership extensions are also available to ISM's Direct Members. This special membership extension applies to members in all business and industry sectors and allows ISM members to continue to have full access to member benefits and full Web content, including the online Career Center, which averaged more than 100 job postings per month.

ISM's Career Center continued to be one of the most visited areas on the ISM Web site. More than 900 ISM members posted their résumés to the Career Center, and more than 30,000 users have registered to participate in the Career Center.

Throughout the fiscal year, articles on career skills and talent management were some of the most popular articles in ISM's member publication, *Inside Supply Management*® and *eSide Supply Management*, ISM's e-publication for up-and-coming supply management professionals.

Fiscal Year 2008-2009 Financial Details

Total assets and liabilities of the Institute were \$12,776,998. The change in assets and liabilities from the previous fiscal year was a decrease of \$2,687,509. The organization finished the fiscal year with a \$2,411,411 increase in cash. The organization's staff strove to keep expenses sustainable in relation to revenue earned.

ISM realized gross revenues of \$12,399,099 and gross expenses of \$14,521,588, resulting in a negative net of \$2,122,489 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. ISM realized a 26.7% loss on invested funds for the fiscal year. The Gagnon and Bear Stearns investments were liquidated during the year for \$1,590,000 in cash, which protected the organization from further losses. When the net dollar investment loss of \$1,885,531 is removed from the total organization net loss of \$2,122,489, the remaining (\$236,958) is the actual controllable net for the organization. The 2008-2009 budget was (\$276,883), which means the organization operated within budget in a very difficult year.

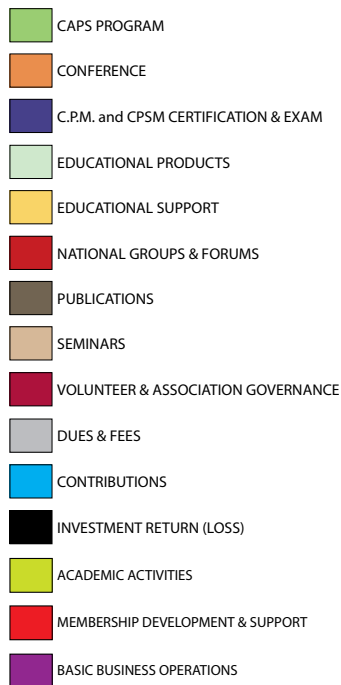
CAPS Research realized gross revenues of \$1,888,883 from contributions and interest. The ISM Board of Directors temporarily stopped additional annual funding, so CAPS Research did not receive the ISM contribution of \$226,300 as in previous years. Gross expenses were \$1,982,449, resulting in a negative net of \$93,566. These funds are noted separately because contributions made for CAPS Research are considered by ISM as limited for CAPS' use only.

Fiscal Year 2008-2009 Financial Details

Revenues	FYE '08-'09*	%Total
CAPS Program	\$1,872,078	13.1%
Conference	\$2,192,967	15.3%
C.P.M. and CPSM Certification and Exam	\$2,590,603	18.1%
Dues and Fees	\$4,185,481	29.3%
Educational Products	\$1,927,434	13.5%
Educational Support	\$138,000	1.0%
National Groups and Forums	\$404,669	2.8%
Publications	\$1,402,505	9.8%
Seminars	\$1,139,396	8.0%
Volunteer and Association Governance	\$32,701	0.2%
Contributions	\$287,679	2.0%
Investment Return (Loss)	(\$1,885,531)	-13.2%
Total Revenues	\$14,287,982	100%

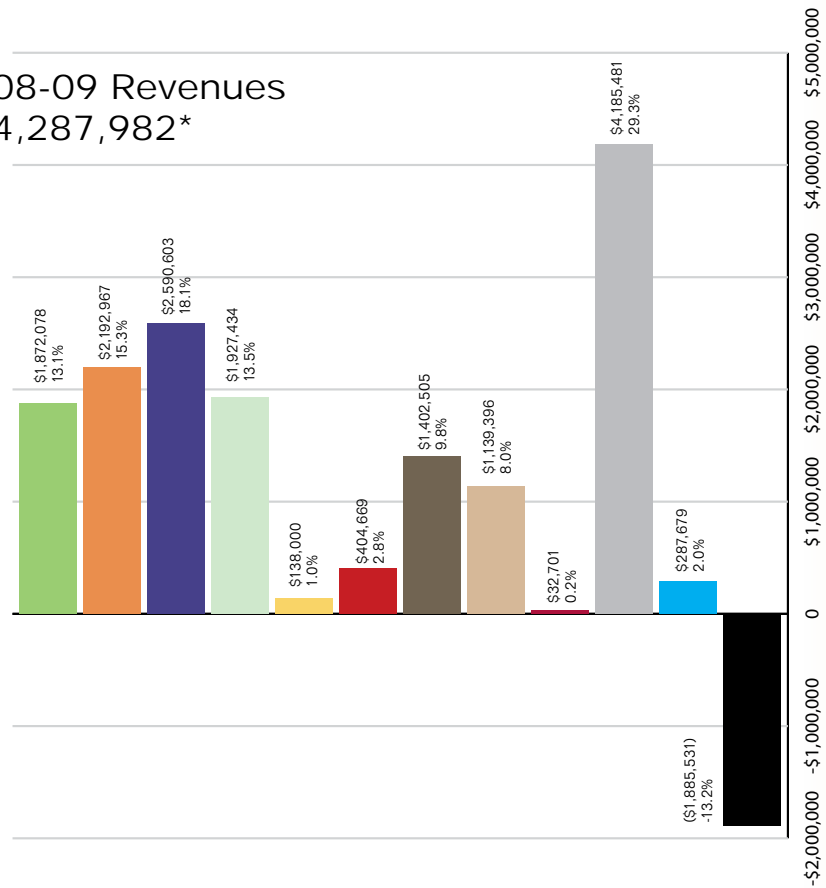
Expenses	FYE '08-'09*	%Total
Academic Activities	\$65,609	0.4%
CAPS Program	\$2,390,926	14.5%
Conference	\$2,112,314	12.8%
C.P.M. and CPSM Certification and Exam	\$1,999,883	12.1%
Educational Products	\$1,039,995	6.3%
Educational Support	\$1,491,350	9.0%
Membership Development and Support	\$816,416	4.9%
National Groups and Forums	\$563,362	3.4%
Publications	\$3,044,829	18.4%
Seminars	\$707,937	4.3%
Volunteer and Association Governance	\$1,570,723	9.5%
Basic Business Operations	\$700,692	4.2%
Total Expenses	\$16,504,035	100%

* All U.S. Dollars



* All U.S. Dollars

2008-09 Revenues \$14,287,982*



2008-09 Expenses \$16,504,035*

