

Institute for Supply Management™



Annual Report | 2009-2010



This year was a very challenging one for ISM. The impact of the recession continued to keep resources scarce while the needs of our members continued to be demanding on those resources. In spite of the challenges, ISM completed the year in good financial shape. In April, the Board of Directors adopted a new strategic plan. One aspect of the plan is to create a Corporate Program whereby large corporations can pay one amount and make all of their supply management professionals, worldwide, ISM members. This change will require a bylaw vote to be implemented. If implemented, this will offer an additional program for membership, and does not replace any of our existing membership programs.

As the following report shows, ISM continued to move ahead with our many programs and services. In August, the Board of Directors approved a budget that will have our magazine sent to each member nine times a year in printed form. We will continue to e-mail supplemental magazine articles on a regular basis. As we look ahead, it appears that the economy is undergoing a slow recovery. Regardless of the pace of the recovery, ISM intends to roll out the new elements included in our strategic plan over the next three years. The plan, which you can find on our website, includes many new services aimed at helping our members do an even better job of practicing our profession.

It was very gratifying that the CPSM® program ended the year with nearly double the certified individuals it started with. There is nothing you can do that declares you are dedicated to your profession and demonstrate you have mastered its body of knowledge like obtaining the CPSM®.

I hope for each of you the new year (both fiscal and calendar) brings health, happiness and prosperity. The obstacles we face are challenges that provide us with the opportunity to show the talents and abilities we bring to our profession and employers.

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

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ISM Chief Executive Officer

During the 2009-2010 fiscal year, ISM provided training, education and critical knowledge to professionals and organizations worldwide. ISM's expanded business relationships, and new products and services offered numerous opportunities for supply management professionals to gain the competitive edge necessary to excel and advance in their careers.

Global Relevance and Relationships

Demand for the Certified Professional in Supply Management® (CPSM®) nearly doubled during the fiscal year. By August 31, 2010, more than 2,100 individuals had earned the CPSM® since the qualification debuted in 2008. In March, Korean became the third language choice (following English and Japanese) available to candidates taking the computer-based CPSM® Exam. Translation of the computer-based CPSM® Exam into Simplified Chinese also neared completion.

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

ISM also established two separate partnerships that set forth broader reciprocity around professional credentials. In April, ISM and The Chartered Institute

of Purchasing and Supply (CIPS) announced a partnership that allows CIPS members in either North America or the United Kingdom who hold the MCIPS to apply for ISM's CPSM®. Reciprocal conditions provide pathways for professionals in either North America or the U.K. who hold the CPSM® to apply to CIPS for the MCIPS.

In August, the Purchasing Management Association of Canada (PMAC) and ISM forged an agreement to provide reciprocity between each organization's globally recognized designation. As long as appropriate conditions set by each organization are met, professionals holding the CPSM® may apply for PMAC's Supply Chain Management Professional™ (SCMP™), and likewise, professionals holding the SCMP™ may apply to ISM for the CPSM®.

ISM also reached an agreement with the Houston-based Supply Chain Council (SCC) to offer member access and discounts to each organization's training and certification programs. ISM members have access to SCC's SCORmark® supply chain benchmarking database, and receive member rates for SCOR Framework and Project workshops as well as global SCC events.

Convergence of Strengths in Training and Talent Management

ISM's alliance with consulting firm ADR North America brought worldwide solutions to organizations seeking to enhance staff competence and increase profits. ISM broadened its reach into China

Mission

ISM exists to lead and serve the supply management profession.

Strategic Imperatives

Six strategic imperatives support the ISM Mission. These imperatives are:

Strategic Imperative 1

ISM is the leading association that attracts and engages thought-leaders, supply management professionals and others impacted and/or interested in the profession.

Strategic Imperative 2

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

Strategic Imperative 3

Certified Professional in Supply Management® (CPSM®) is recognized as the essential qualification required to succeed as a supply management professional.

Strategic Imperative 4

ISM expands its global influence.

Strategic Imperative 5

ISM leads corporations to supply management excellence.

Strategic Imperative 6

ISM staff is engaged in successfully implementing the strategic plan.

by establishing a new training office location in Shanghai, in conjunction with ADR North America.

Representatives from the ISM-ADR School for Supply Management were present at the ISM Conference's Educational Exhibit Hall to explain procurement training and assessment options, and demonstrate the DNA web-based tool. As the 2009-2010 fiscal year progressed, the ISM-ADR School experienced a growing volume of inquiries and commitments from organizations seeking customized in-company training and online and blended learning programs.

95th Annual Conference

The 95th Annual International Supply Management Conference and Educational Exhibit took place April 25-28, 2010 in San Diego. The 95th Conference marked a significant improvement in attendance over the prior year. More than 1,900 attendees from 28 countries gathered at the San Diego Convention Center to attend workshops organized by specific learning tracks that included: risk management; best practices in supply management; logistics; leadership, management and talent; and services procurement.

New to the Educational Exhibit Hall in 2010 were Industry Spotlights, conducted by senior executives from some of the major sponsoring organizations. Streamlined Exhibit Hall hours fostered steady visitor traffic and an energetic atmosphere as attendees tapped suppliers for innovation and inspiration.

During the ISM Conference, Anthony S. Nieves, C.P.M., A.P.P., CFPM accepted the J. Shipman Gold Medal Award, in recognition of modest, unselfish, sincere and persistent efforts for the advancement of supply management. ISM R. Gene Richter Awards for Leadership and Innovation in Supply Management celebrated 2010 winner LG Electronics, Inc. (LGE). LGE emerged as the sole winner from a field of 12 finalists. Executives from LGE presented a workshop session on their award-winning entry and provided details on the successful transformation of their Korea-based business from a decentralized procurement group to a center-led organization.

Seven students, representing six leading universities, were awarded 2010 R. Gene Richter Scholarships by the R. Gene and Nancy D. Richter Foundation and the ISM R. Gene Richter Scholarship Fund. Scholars

were recognized at an awards dinner. For a third year, the number of scholarships awarded was expanded as a result of the Richter Foundation's partnership with ISM.

ISM again offered a discounted student rate to active ISM student members. The 3rd Annual ISM Student Reception offered a night of free fun and networking with peers as well as ISM Board members and senior executives.

Industry Insights and Networking

ISM's affiliates, Groups and Forums continued to offer unique opportunities for networking, volunteer leadership, and exchanging ideas and information. Two ISM Groups and Forums changed their names to better represent today's business environment. The Petroleum Buyers Forum is now the Petroleum Forum, and the Medical Industries Buyers Group is now the Healthcare Group. Three affiliates submitted approved business plans to support their name change to ISM.

Despite smaller travel budgets, hundreds of supply management professionals were drawn to ISM's unique educational and networking opportunities at educational programs that focused on topical issues and themes. The 2nd Annual Sustainability and Social Responsibility Conference, held in Adelphi, Maryland, offered sessions that focused on aligning sustainability and social responsibility initiatives with company objectives, defining and managing climate goals, and how to construct sustainability and corporate social responsibility programs to address legal, business and reputational risks.

The 3rd Annual Global Supply Management Conference offered sessions on finding sourcing strategies for tough economic times, evaluating global manufacturing partners and strategies in uncertain times, implementing lean international supply management, and understanding how culture, substitution and geopolitics can impact the supply chain when manufacturing overseas.

The 10th Annual ISM Services Conference addressed outsourcing, managing contingent workers, reviewing contract terms and conditions, and managing services suppliers in a challenging economy. In addition, the Group's university relations leadership team announced winners of 2009 scholarships. Eleven

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.

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, its operations and partnerships.

students representing top supply management programs at five universities were recognized.

The National Business Travel Association (NBTA) and ISM presented the 2nd Annual ISM and NBTA Summit on Travel & Meetings in Tampa, Florida. Over two days, industry thought-leaders addressed issues such as current business drivers for senior executives, the "new normal" for the travel and meetings industry, and collaborative technologies and travel alternatives. NBTA and ISM welcomed 170 corporate travel, meetings and procurement professionals to the summit — a 25 percent growth in attendance over the prior year's event.

In February 2010, ISM colocated three summits in San Diego: the 7th Annual Black Executive Supply Management Summit; the 2nd Annual Women Executive Supply Management Summit; and the 3rd Annual Hispanic Supply Management Summit. All summits shared a common theme, "Fueling the Recovery," and each focused on being prepared for the economic recovery — on a personal and company level. Although the three summits were open to all professionals in supply management, the programs provided a venue where female, black and Hispanic professionals could network and discuss professional challenges unique to their experiences in supply management and relationships with suppliers, customers and competitors.

Twenty students representing the next generation of supply management talent participated in a case competition held during the Black Executive Supply Management Summit. Student teams representing five universities presented cases. The case competition and participation in the diversity summits provided students with a place to begin building professional networks as well as hear from practitioners on how to establish themselves in the supply management profession.

In April, affiliate leaders from across the United States and overseas gathered in San Diego for ISM's Affiliate Leadership Training Program. The one-day program was held prior to the 95th Annual Conference, and offered educational and leadership sessions where participants developed strategies to take home and implement with their affiliates. The program also provided time for roundtable discussions in which

participants chose at least one of several different topics/issues to discuss, such as member recruitment, member retention, and surviving and thriving in a down economy.

ISM's Hospitality Supply Management (HSM) Forum welcomed professionals to Chicago in mid-May for the Spring HSM Conference. Sessions focused on food safety, cost containment through collaborative technology, best practices, preventing supply disruptions and an economic outlook.

Banner Year for *Journal*

In October 2009, the *Journal of Supply Chain Management* enjoyed international recognition when a Nobel Memorial Prize in Economic Sciences was awarded to advisory board member Oliver E. Williamson, Ph.D. Williamson is Edgar F. Kaiser Professor Emeritus of Business, Economics and Law at the University of California, Berkeley and the first *Journal* advisory board member to win a Nobel Prize.

In July 2010, the *Journal* also gained entry to a world-renowned citation database of more than 10,000 research journals. Thomson Reuters ISI Web of KnowledgeSM added the *Journal* following a rigorous evaluation of the publication's impact, influence, timeliness, peer review and geographic representation.

Salary Survey Reveals Positive Strides, Linger Gaps

ISM conducted its fifth survey on the salaries of supply management professionals in the United States. Survey respondents provided information for the 2009 calendar year.

Among the details in the summary report:

- ISM's Certified Professional in Supply Management® (CPSM®) is making a positive impact on the profession. Respondents who earned this qualification reported an average salary that was 9.8 percent higher than those without any certifications, and 8.9 percent more than those who had not earned their CPSM®.
- Gender still appears to affect the salary supply management professionals can expect to receive. The average salary among male respondents to this survey was US\$104,443, while the average salary among female respondents was US\$88,078.

Professional Development Amplifies Success

Despite economic and workplace uncertainty, the 2009-2010 fiscal year was marked by heavy demand for ISM's educational products. Customers with a range of learning styles, time constraints and training budgets looked to ISM for conferences and seminars, in addition to web-based, self-paced and instructor-led courses. Enhanced access to ISM's web-based educational offerings allowed corporate organizations to invest in their employees by linking directly to internal ISM systems and allowing their employees and staff to take advantage of ISM courses. More than 760 people attended one or more public seminars, and more than 139 days of public seminar offerings were available.

ISM's Knowledge Center welcomed 112,820 visitors, with a daily average of 337 online visitors. Eight new courses were added to the more than 120 online topics. Five of the newly launched courses relate to the CPSM®. They include: an online review course for each one of the three CPSM® Exam modules; CPSM® Bridge Online Review; and CPSM® Train-the-Trainer Online Course.

New and updated ISM Knowledge Center online courses were available free of charge and were an affordable way to earn Continuing Education Hours (CEHs), which are required to keep Certified Professional in Supply Management® (CPSM®) or Certified Purchasing Manager (C.P.M.) credentials active. The free courses were:

- *Principles and Standards of Ethical Supply Management Conduct With Guidelines* (#3972)
- *ISM Guide to Sustainability and Social Responsibility* (#3974)
- *ISM Report On Business®* (#3967)

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 an Internet connection and speakers or headphones.

Three satellite seminars were presented in fiscal year 2009-2010. Topics included: "Manager's Guide to Defining and Applying Economic and Financial

Concepts"; "Talent and Career Management for Supply Professionals"; and "Rails, Roads, Water and Air: Logistics, Inventory and Distribution."

Information for Individuals and Their Careers

ISM's Online Career Center remained one of the most visited areas on the website, with more than 32,000 registered users. The site averaged more than 125 job postings per month, and 700 ISM members posted their résumés.

Member's Edge — *Your ISM Membership Newsletter* continued to provide information on new member benefits, upcoming events and links to special, members-only areas of the ISM website.

The value of ISM membership was evident in many of the options and educational benefits of ISM's member publication, *Inside Supply Management®*. In addition to its print version, several issues were also delivered in digital/interactive form.

One of the newest member benefits to debut in the 2009-2010 fiscal year was supplemental feature articles. Beginning in January, members received links every month to one or two additional feature-length magazine articles available only to members. Also during the fiscal year, members began receiving e-mails each month announcing the latest *ISM Report On Business®*.

Articles on strategic sourcing, supplier relationships, social media and sustainability were among the most popular *Inside Supply Management®* articles. The most viewed articles include:

- *Manufacturing and Non-Manufacturing ISM Report On Business®* | Highlights of the November 2009 Data (December 2009)
- *Wal-Mart's Sustainability Index* (October 2009)
- *Social Media in the Supply Chain* (October 2009)
- *Masters of Supply Management Arts* | Apollo Group's supply management organization (March 2010)
- *How Quickly Should Suppliers Be Paid?* (May 2010)

ISM continued to extend dues-free membership to those members serving in full-time active military duty for the length of their service, provided the affiliate also waives the affiliate dues.

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

Enriching the Supply Chain Talent Pool

ISM continued its participation in the Supply Chain Talent Academic Initiative (SCTAI). The global initiative is designed increase the depth of talent and promote an abundance of career paths. SCTAI members include individuals from major universities and corporations, as well as leading supply management and operations management associations, all of whom support several goals: 1) identify industry competency requirements for supply chain talent, and provide forecasts of those requirements for university program planning; 2) assist universities and other educational institutions in building programs to meet those competency requirements; and 3) market the supply chain profession as a career of choice.

First Cohort Graduates From ISM Approved Masters Program

Eleven supply management professionals were the first to complete the ISM Approved Master of Science in Supply Chain Management (MS-SCM), granted by the University of San Diego (USD) School of Business Administration. The March 2010 graduates embarked on their studies in February 2008, as part of a larger cohort that began a two-phased program. Graduates came from companies such as Biogen Idec, The Boeing Company, Milestone IT Solutions, Inc., ModusLink Global Solutions, Inc., Northrop Grumman Corporation, Salt River Project, United Launch Alliance, LLC., and WD-40 Company.

Career-Long Grants Program Established

ISM's Educational Resources Committee (ERC) gained the approval of the ISM Board to establish a comprehensive Academic Research Support Program that will award grants to dedicated researchers and academicians.

There are four distinct phases of ISM's Academic Research Support Program, each of which has specific selection criteria as well as distinct application and evaluation procedures. The program should lead to enhanced supply management programs for more students, increased academic leadership by the profession and significantly more advanced students entering the supply management profession.

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

The A.T. Kearney Center for Strategic Supply Leadership (CSSL) at ISM offered three programs during the 2009-2010 fiscal year: "Reinventing Supply in Dynamic Markets," "Sustainability and Green: Moving From Concept to Action," and "Growing Supply Leadership and Influence." CSSL members are C-level supply executives, and their direct reports, from the largest U.S. and global companies (US\$2 billion plus in sales).

Fiscal Year 2009-2010 Financial Details

Total assets and liabilities of the Institute were US\$12,656,402. The change in assets and liabilities from the previous fiscal year was a decrease of US\$120,596. The organization finished the fiscal year with a US\$419,978 increase in cash. The organization's staff was successful in keeping expenses controlled in relation to revenue earned.

ISM realized gross revenues of US\$14,017,444 and gross expenses of US\$13,076,745, resulting in a positive net of US\$940,699 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. The non-Madoff Andover investments finally liquidated during this fiscal year, in the amount of US\$2,434,159. ISM realized a 5.3 percent gain on invested funds for the fiscal year.

When the net dollar investment gain of US\$447,479 is removed from the total organization net, the remaining US\$493,220 is the actual controllable net for the organization. The 2009-2010 budget net was (US\$275,102), which means the organization's operations achieved a positive variance from budget of US\$768,322.

CAPS Research realized gross revenues of US\$2,072,625 from contributions and interest. The ISM Board of Directors continued the temporary abeyance of annual funding, so CAPS Research did not receive the ISM contribution of US\$226,300 as in previous years. Gross expenses were US\$2,248,741, resulting in a negative net of US\$178,617.

These funds are noted separately because contributions made for CAPS Research are considered by ISM as limited for CAPS' use only.

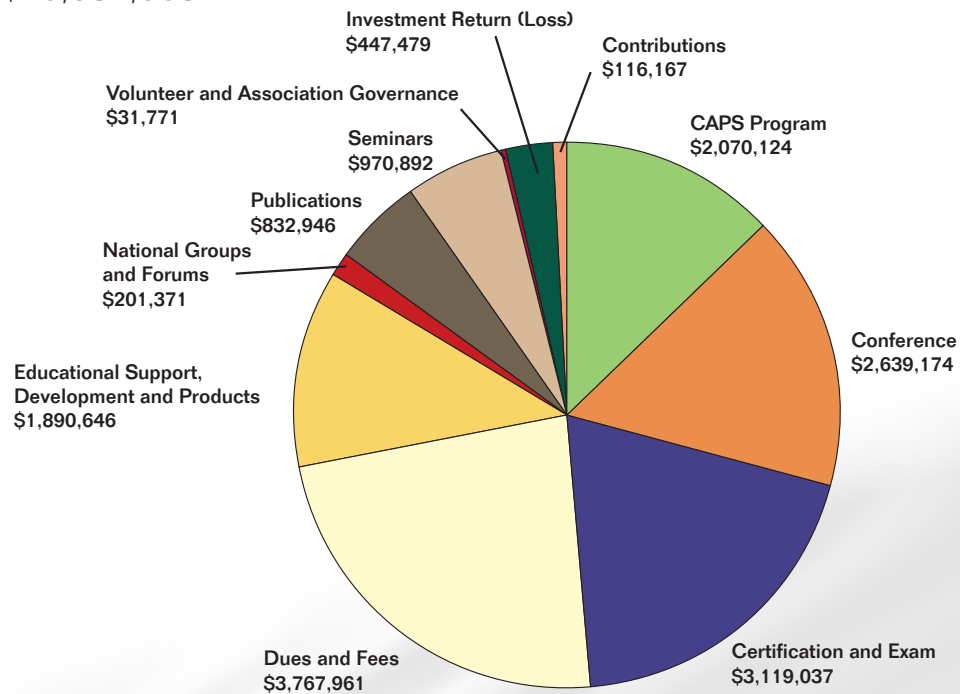
Fiscal Year 2009-2010 Financial Details

Revenues	FYE '09-'10*	% Total
CAPS Program	\$2,070,124	12.9%
Conference	\$2,639,174	16.4%
Certifications & Exams	\$3,119,037	19.4%
Dues & Fees	\$3,767,961	23.4%
Educational Support, Development & Products	\$1,890,646	11.8%
National Groups & Forums	\$201,371	1.3%
Publications	\$832,946	5.2%
Seminars	\$970,892	6.0%
Volunteer & Association Governance	\$31,771	0.2%
Investment Return (Loss)	\$447,479	2.8%
Contributions	\$116,167	0.7%
Total Revenues	\$16,087,568	100%

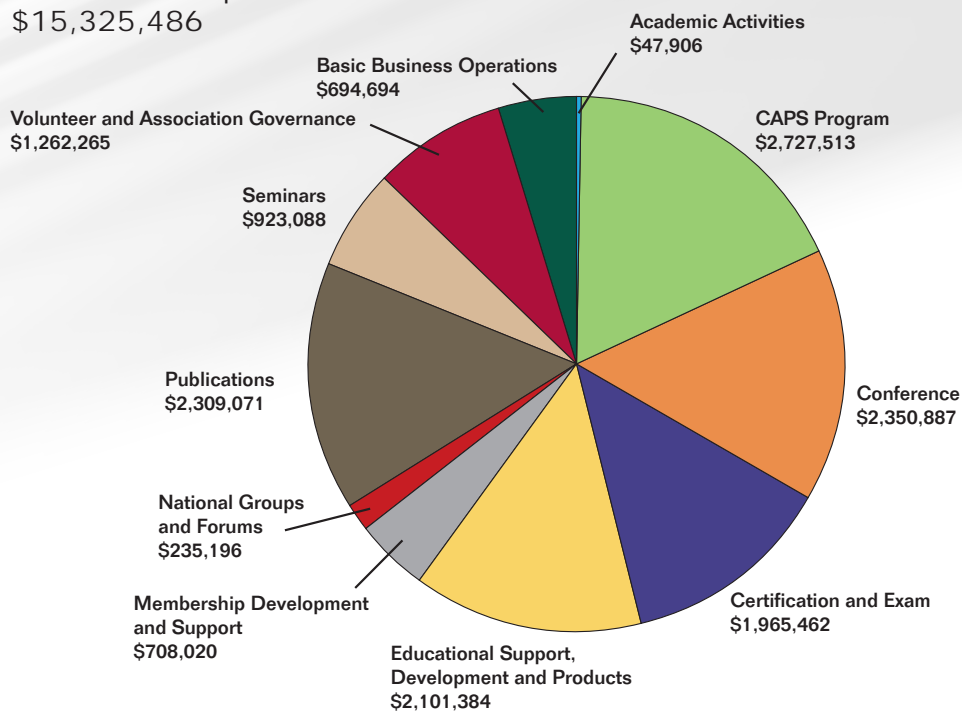
Expenses	FYE '09-'10*	% Total
Academic Activities	\$47,906	0.3%
CAPS Program	\$2,727,513	17.8%
Conference	\$2,350,887	15.3%
Certifications & Exams	\$1,965,462	12.8%
Educational Support, Development & Products	\$2,101,384	13.7%
Membership Development & Support	\$708,020	4.6%
National Groups & Forums	\$235,196	1.5%
Publications	\$2,309,071	15.1%
Seminars	\$923,088	6.0%
Volunteer & Association Governance	\$1,262,265	8.2%
Basic Business Operations	\$694,694	4.5%
Total Expenses	\$15,325,486	100%

*All U.S. Dollars

2009-2010 Revenues*
\$16,087,568



2009-2010 Expenses*
\$15,325,486



*All U.S. Dollars