

Institute for Supply Management™

2010-2011

Annual Report





The annual report that follows shows that ISM had a difficult financial year. In spite of this, a great deal was accomplished during the year. In January, we rolled out the ISM Corporate Program, which allows companies to pay a single fee that makes all of their supply management professionals individual members of ISM. ISM is working with affiliates to establish a dues category for these members to join an affiliate. Because the national dues have been paid, the affiliate can charge a much lower fee.

We also launched two new professional credentials. The Certified Professional in Supplier Diversity® (CPSD™) allows supply management professionals to show they not only understand the various elements of supply management, they also understand the elements necessary to operate a successful supplier diversity program. The Certified in Supply Management™ (CSM™) allows those in the profession to demonstrate that they, too, have mastered the body of knowledge of our profession.

ISM, in partnership with ADR North America, also opened an office in Shanghai. This office is set up to do consulting and also provide training. This marks a true milestone, as this operation is the first time ISM has located an office outside the United States. This was done in response to demand for these services from large, multinational corporations that wanted better access to these services for their operations in China.

We also approved a program to continue our leadership with the academic community. We need academics who are dedicated to supply management if we are to continue to develop tomorrow's supply management professionals.

ISM has used the web as a delivery medium for several activities. All of these activities, from our website to web-based seminars, the Career Center and special articles and newsletters, are aimed at providing the ISM membership with information that is timely and helpful in making each of you a more successful professional.

Everything ISM does is aimed at providing you with information, training and certification that is current, timely and important to you in your professional life. ISM's mission is to lead and serve the supply management profession. We are dedicated to you and to our profession, and will continue to be in the future.

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

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

## Expanded Membership Options

A change to ISM bylaws that took effect in January 2011 provided a cost-effective and simplified fee structure for employers seeking to enroll all of their supply management professionals around the world as ISM members. ISM launched the Corporate Program in the second half of the 2010-2011 fiscal year. Corporate Program participants receive Direct Membership in ISM for their entire supply management staff, access to unique leadership and skills enhancement opportunities, and insights into the business environment.

## Professional Credentials

In January 2011, ISM launched the Certified Professional in Supplier Diversity® (CPSD™), a designation for supply management professionals whose responsibilities include supplier diversity. The development of the CPSD™ was in response to requests from diversity professionals who identified ISM as the most qualified supply management organization to develop a supplier diversity designation. The National Minority Supplier Development Council® (NMSDC®) and Women's Business Enterprise National Council (WBENC) gave immediate praise and support for the program. NMSDC was instrumental in working with ISM to include diversity subject-matter experts in the development of the new designation, and WBENC arranged for the CPSD™ Exam to be available to its corporate members at its 2011 conference.

ISM expanded its professional credentials program to meet the expressed needs of individuals and teams. The Certified Professional in Supply Management® (CPSM®) program added a fourth language option for candidates who take computer-based exams. When a candidate schedules a specific exam date, he or she is given a choice of language options, which now include Simple Chinese, in addition to English, Korean and Japanese. Eligible candidates continue to register through ISM for the CPSM® Exam, and have one year from the date they register to schedule their computer-based exam.

Late in the 2010-2011 fiscal year, the ISM Professional Credentials Committee voted on and approved a recommendation that ISM offer a new credential that tests the same body of knowledge as the CPSM®, but does not require a bachelor's degree from a regionally accredited institution, or international equivalent. In August 2011, the ISM Board of Directors approved the Certified in Supply Management™ (CSM™), paving the way for the new credential to launch in the 2011-2012 fiscal year.

## Global Reach in Training and Assessment

Building on more than two years as business partners, ISM, in conjunction with global consulting firm ADR North America, LLC, opened a training location in Shanghai, China. The joint venture firm, ADR-ISM Supply Management Consulting (Shanghai) Co., Ltd., is a comprehensive

### 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.**

source for assessment and professional development in procurement and supply management.

The ISM-ADR School for Supply Management, formed in 2008, continued to offer a wide range of services, including customized, in-company training, and online and blended learning programs on a global scale. ISM-ADR instructors are based all over the world and the school maintains permanent offices in China, United Kingdom, Australia, Czech Republic, South Africa and the United States.

ISM and ADR North America, LLC entered an agreement with Procurement and Sourcing Institute of Asia and TransProcure Corporation (PASIA/Transprocure), both based in Manila, Philippines. The agreement expands training opportunities for supply management professionals throughout the Asia-Pacific region.

## Increasing Academic Leadership

Late in the prior fiscal year, ISM's Educational Resources Committee created a grant structure to recognize and support all stages of an academic career. In the 2010-2011 fiscal year, a total of US\$64,000 was awarded under a new, four-phase Academic Research Support Program. The long-running ISM Dissertation Grant Program supported two doctoral students with individual grants of US\$12,000 each. In addition, the expanded grant structure awarded one Professional Research Development Grant of US\$10,000 (to support assistant and younger associate professors); one ISM Professional Research and Collaboration Grant of US\$15,000 (to support associate and new full professors); and an ISM Distinguished Leadership Grant for US\$15,000 (to support a senior full professor).

The *Journal of Supply Chain Management* gained entry to a renowned citation database of more than 10,000 research journals in 2010. In its premiere year on the Thomson-Reuters' Social Sciences Citation Index, the *Journal* garnered an impact factor of 5.853, placing it in the top two among 144 management journals. *Journal* papers published from 2008 and 2009 were used to calculate its 2010 impact factor (a measure of relative importance based on average number of citations).

## Shared Experiences Strengthen Careers

ISM's Diversity Summits were held in Boca Raton, Florida. Three separate programs shared general sessions and networking while offering distinct workshops designed to address the unique experiences and concerns of black, female and Hispanic supply management professionals. The 8th Annual Black Executive Supply Management Summit featured accomplished supply management executives from BP, MeadWestvaco and the National Sustainability Coalition. For a fifth year, student teams competed in a case competition. Twenty-one future leaders from Howard University, Clark Atlanta University, Hampton University, Florida A&M University and Tennessee State University presented casework, competed for scholarships and began building their professional networks.

The 4th Annual Hispanic Supply Management Summit addressed challenges faced by Hispanic senior executives and midlevel managers. Workshop topics included economic trends in the Americas, and developing and growing the Latino workforce in supply management. The 3rd Annual Women Executive Supply Management Summit offered networking and learning for women executives, their direct reports and those interested in building their careers in supply management. Speakers represented world-class organizations, including Kroll-Info Americas, IBM Global Services, Tyco International and Amgen, Inc.

## Affiliate, Group and Forum Support

Two organizations, ISM—India and ISM—Bangladesh, received ISM Board approval of ISM affiliate status in 2011. ISM continued to offer a robust array of chapter development and leadership resources, and hosted a daylong leadership workshop immediately prior to the 96th Conference in Orlando, Florida. The annual Affiliate Excellence Awards competition allowed affiliates to demonstrate an awareness and distinction in their professional operations, educational offerings, and ability to recruit, train and retain members. ISM—Atlanta, Inc. was named Affiliate of the Year in 2011 for its accomplishments in 2010. Nine additional affiliates also met the level of excellence for the 2010 competition. The ISM Services Group received the 2010 Group/Forum Excellence Award. In addition to ISM Services Group, the Materials Management Group also

## 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.

met the level of excellence for the 2010 competition. Honorees were recognized at a volunteer appreciation event at the 96th Conference in Orlando, Florida.

## Cooperative Relationships

In March 2011, ISM joined the Supply Chain and Logistics Certification Network as a Charter Member. The network is a group of established, U.S.-based non-profit associations that provide industry-recognized, nationally portable certifications for the professional and frontline workforce and organizations involved in global supply chain and logistics. Network members work collaboratively to raise awareness within industry, education and government of the world-class, complementary services of these associations that, collectively, help meet industry needs for highly skilled workers at all levels in supply chain logistics and for certified warehousing facilities.

## Aligning Critical Skills With Industry Needs

ISM continued as an active participant in the Supply Chain Talent Academic Initiative (SCTAI), a global initiative designed to benefit the profession as a whole by increasing the supply chain talent pipeline. SCTAI leaders facilitated a session at the ISM Conference in May 2011 titled "What Are Your Supply Chain Talent Requirements: What Are You Doing and What Can You Do to Fulfill Them?" Participants provided feedback on critical skills and organizational priorities, and were able to see how their unique perspectives compared with recent dual industry and academic research that shows areas of congruence and noticeable gaps between the critical skills desired by industry and the supply chain curriculum taught by leading universities.

For the second year, ISM joined SCTAI volunteers to exhibit at the American School Counselor Association (ASCA) conference, where they engaged with secondary school career counselors and explained the abundance of career paths available to present and future supply chain management professionals.

## Providing Sustainability Resources

ISM supported a global study conducted by Brandlogic on how 100 of the world's largest corporations are perceived to be performing against environmental, social and governance factors. ISM's participation

included sending a survey invitation randomly selected email records in the ISM database. A link to the overall report, *2011 Corporate Brand's ESG Performance Study*, was placed on ISM's Sustainability and Social Responsibility website, [www.ism/sr](http://www.ism/sr), as well as a supplementary report prepared by Brandlogic, which shows input from ISM respondents.

ISM's 3rd Annual Sustainability and Social Responsibility Conference, held in Lake Buena Vista, Florida, featured presenters from multinational companies, non-governmental organizations (NGOs) and the legal field. In addition to nine educational sessions, the conference featured two panel discussions. One panel discussion, "Corporate Responsibility Challenges of the Global Leader in Licensing," featured firsthand perspectives from team members at The Walt Disney Company. A second panel presentation, "Are You on the Right Path? How Leaders Implement Sustainability," featured top supply management business leaders from IBM Global Technology Services, MeadWestvaco, The Walt Disney Company and AlixPartners, LLP.

The *ISM Sustainability and Social Responsibility Handbook* (First Edition), published in 2011, was a top seller at the Conference bookstore. Written by the ISM Committee on Sustainability and Social Responsibility, the *Handbook* provides real-world examples of how companies are implementing sustainability and social responsibility excellence. It includes metrics and performance criteria, as well as unique stories from companies and organizations including Bellwether Services, Herman Miller, IBM, MeadWestvaco, RL Environmental and University of Washington.

## Online Education and Web-Based Events

Thousands of professionals kept up with the latest developments in supply management through ISM's Knowledge Center online courses, web-based seminars and satellite seminars. The Knowledge Center welcomed 114,944 visitors, with a daily average of 315 online visitors and more than 7,000 course registrations. Free Knowledge Center courses continued to be popular, and included:

- ISM Career Center
- Price Analysis, Cost Analysis or Total Cost of Ownership: Determining the Best Approach

- Principles and Standards of Ethical Supply Management Conduct With Guidelines
- The ISM Guide to Sustainability and Social Responsibility
- The ISM *Report On Business*®

ISM's free web-based seminars featured topics such as collaborative sourcing, cloud collaboration, successful procurement automation and how to study for the CPSM® Exam. Three satellite seminars were presented in fiscal year 2010-2011, featuring informative panel discussions on enhancing and managing internal relationships, risk management concepts, and legal and contracting insights for supply professionals.

## Career Insights and Opportunities

ISM released results of its sixth survey on the salaries of supply management professionals and provided additional analysis in its member publication, *Inside Supply Management*®. The average salary for respondents (who provided information for the 2010 calendar year) was US\$103,664, an increase of 5.6 percent over 2009 (US\$98,200). One striking detail was the average salary gap that exists between genders (US\$112,952 for men compared with US\$90,200 for women). Salaries for respondents with one or more credentials increased 8.6 percent over 2009 to US\$107,181, compared with US\$100,071 for respondents who lack a credential. The salary gap was most narrow between men and women who have earned ISM's CPSM® credential. The difference was narrowed to a mere 0.6 percent between men (US\$123,452) and women (US\$122,713) holding the CPSM®.

ISM's Online Career Center averaged more than 94 jobs posted per month. More than 30,000 registered users had the ability to conduct free searches of the employment listings database, or post their résumés for organizations to see, while choosing their own level of confidentiality.

ISM partnered with the Résumé Writing Academy to offer the very best in résumé writing and career services. An academy-certified résumé writer will analyze an individual's résumé and current job search objectives, then provide specific recommendations that will make the résumé more compelling and competitive, strengthen its content and presentation, and better position the individual for his or her next opportunity.

## Strengthening Knowledge in Critical Areas

Business sustainability ... services spend ... travel and meeting spend ... ISM offered programs to professionals with responsibilities and oversight in each of these areas. The 11th Annual ISM Services Conference continued to offer knowledge and takeaways relevant to returning attendees as well as new registrants. In keeping with the Services Group's interest in investing in the education of future supply management professionals, 16 scholarships were awarded during the conference. Students from Arizona State University, Michigan State University, Rutgers University, University of San Diego and Western Michigan University were scholarship recipients.

ISM's public seminars continued to be an ideal educational fit for more than 1,000 individuals. For the past three years, instructor ratings averaged 4.63 on a scale of 1 to 5, with 5 being the highest degree of satisfaction. New public seminar titles offered in fiscal year 2010-2011 included:

- Developing Excellence in Strategic Supply Management and Procurement
- Outsourcing — Competitive Bidding and Contracting: Developing Critical Processes Competencies
- Supplier Assessment and Performance Measurement: Ensuring Value
- Supplier Risk Management

A capstone of the public seminar offerings in the 2010-2011 fiscal year was a weeklong finance seminar that featured three days of "Finance for the Supply Management Professional," and was bookended on the first and last days with two brand-new seminars: "Fundamentals of Finance" and "Advanced Finance and Global Economics."

## Exploring the Supply Management Horizon

The A.T. Kearney Center for Strategic Supply Leadership (CSSL) at ISM offered three programs during the 2010-2011 fiscal year: "Speed to Value," "Future Technology's Influence on Supply Management" and "Exploring Supply's Future: Megatrends, Volatility and Economy." Center membership consists of C-level supply executives, and their direct reports, from the largest U.S. and global companies (US\$2 billion plus in sales).

# 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

## 96th Annual Conference

The premier event of the year, ISM's International Supply Management Conference and Educational Exhibit, took place May 15-18, 2011 in Orlando, Florida. The 96th Annual Conference drew more than 2,000 people from more than 30 countries to the Gaylord Palms Resort & Convention Center. Learning tracks offered professional development in areas including risk management, services procurement, logistics, manufacturing, relationship management, talent management, and developing and leading supply organizations. Mega sessions provided opportunities to dig deeper into topics such as project management, negotiations, contracting and finance.

The Educational Exhibit Hall featured more than 100 suppliers in a dynamic atmosphere and was the setting for several breakfast and networking receptions. The popular Industry Spotlights returned to the Exhibit Hall for a second year. These mini educational sessions were conducted by senior executives from some of the ISM Conference's major sponsoring organizations.

The annual Conference is a setting for recognizing professional achievement and career excellence. Shelley Stewart, Jr. CPSM, accepted the J. Shipman Gold Medal Award, the highest honor in ISM's power to confer. Five organizations were recognized as winners of the 6th Annual ISM Awards for Excellence in Supply Management: Delphi; IBM Corporation; L-3 Communications; Pfizer Inc.; and the State of Georgia, Department of Administrative Services.

Ten students, representing seven leading universities, received 2011 R. Gene Richter Scholarships through ISM's R. Gene Richter Scholarship Fund and through the R. Gene and Nancy D. Richter Foundation. The 2011 Richter Scholars received tuition assistance of up to US\$5,000 and the benefits of an executive mentor, which pairs the student with an established executive, and a junior mentor, which pairs the student with a former Richter scholar.

After more than 15 years of service, Norbert J. Ore, CPSM, C.P.M., retired as ISM Manufacturing Business Survey Chair. Ore's replacement, Bradley J. Holcomb, CPSM, CPSD, assumed responsibility for the Manufacturing ISM *Report On Business*® in June 2011.

## Fiscal Year 2010-2011 Financial Details

Total assets and liabilities of the Institute were US\$12,175,967. The change in assets and liabilities from the previous fiscal year was a decrease of US\$480,435. The organization finished the fiscal year with a US\$1,085,523 decrease in cash.

ISM realized gross revenues of US\$13,099,317 and gross expenses of US\$13,367,150, resulting in a negative net of \$267,833 for the fiscal year. This is less than ISM's portion of the 2010-2011 budgeted net of (US\$331,525).

ISM's allocation of invested funds is evaluated in detail each January by the Finance Committee with input from our investment adviser. An additional payment from the non-Madoff Andover investments liquidated during this fiscal year in the amount of US\$289,938. We do not expect any additional funds from the Andover investment. In total, ISM realized US\$717,948 in realized and unrealized investment gains, which was a 10.9 percent gain for the fiscal year. When these investment gains are removed from the ISM portion of the organization's net, the remaining (US\$985,781) is the actual controllable net, which means the ISM's operations ran over budget by US\$654,256.

Continued slow economic activity contributed to our budget-to-actual revenue shortfall of US\$1,511,281. Although ISM underspent budget-to-actual expenses by US\$856,985, we experienced several unbudgeted expenses during fiscal 2010-2011. These expenses included approximately US\$35,000 in fees due to a new audit requirement for our pension programs, US\$40,000 in attorney fees related to the purchase of ADR-North America, and more than US\$85,000 for taxes and interest paid to the state of California when it was determined that ISM has nexus in that state for inventory sales.

CAPS Research realized gross revenues of US\$2,285,373 from contributions and interest. The ISM Board of Directors approved reinstating funding at 50 percent of the traditional annual funding amount, so CAPS Research received an ISM contribution of US\$113,150. Gross expenses were US\$2,200,723, resulting in a positive net of US\$84,650. These funds are noted separately because contributions made for CAPS Research are considered by ISM as limited for CAPS Research use only.

## Fiscal Year 2010-2011 Financial Details

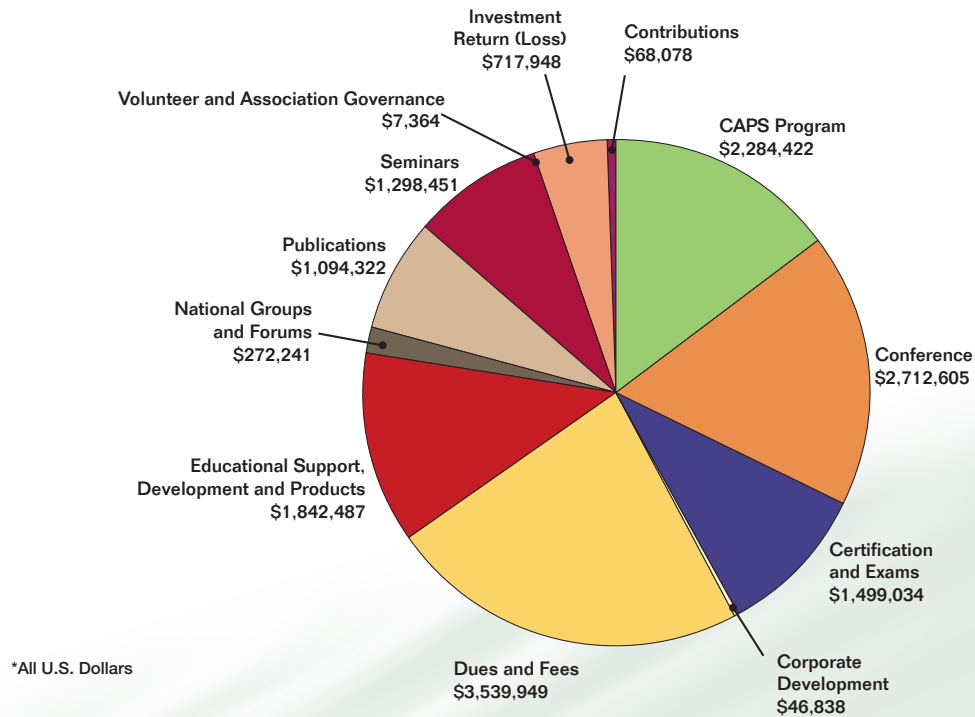
<b>Revenues</b>	<b>FYE '10-'11*</b>	<b>% Total</b>
CAPS Program	\$2,284,422	14.8%
Conference	\$2,712,605	17.6%
Certification & Exams	\$1,499,034	9.7%
Corporate Development	\$46,838	0.3%
Dues & Fees	\$3,539,949	23.0%
Educational Support, Development & Products	\$1,842,487	12.0%
National Groups & Forums	\$272,241	1.8%
Publications	\$1,094,322	7.1%
Seminars	\$1,298,451	8.4%
Volunteer & Association Governance	\$7,364	0.0%
Investment Return (Loss)	\$717,948	4.7%
Contributions	\$68,078	0.4%
<b>Total Revenues</b>	<b>\$15,383,739</b>	<b>100%</b>

<b>Expenses w/ Basic Business Allocation</b>	<b>FYE '10-'11*</b>	<b>% Total</b>
Academic Activities	\$301,722	1.9%
CAPS Program	\$2,696,037	17.3%
Conference	\$2,273,038	14.6%
Certification & Exams	\$1,433,557	9.2%
Corporate Development	\$242,037	1.6%
Educational Support, Development & Products	\$1,891,780	12.2%
Membership Development & Support	\$582,817	3.7%
National Groups & Forums	\$347,656	2.2%
Publications	\$2,500,777	16.1%
Seminars	\$1,141,329	7.3%
Volunteer & Association Governance	\$1,368,516	8.8%
Basic Business Operations	\$788,606	5.1%
<b>Total Expenses</b>	<b>\$15,567,873</b>	<b>100%</b>

\*All U.S. Dollars



2010-2011 Revenues\*  
\$15,383,739



2010-2011 Expenses\*  
\$15,567,873

