

Institute for Supply Management™

annual report | 2002-03



Dedicated to  
Leading  
Supply  
Management



ACHIEVEMENT

SUCCESS

ACCOMPLISHMENT

supplement to *Inside Supply Management*®





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

**W**e have completed one of the most challenging years in the institute's history. The economic challenges that have affected most businesses in our country have affected your institute as well. Despite these challenges, you will see in our Treasurer's message that we remain strong financially and, of equal importance, in our ability to continue providing programs, products and services. We are accomplishing all of this with fewer staff resources.

The successful year this report presents is a credit to the strong leadership provided by the national Board of Directors. The Board continues to look toward the future and to ensure that ISM is headed in directions that will move ISM into an even stronger position of leadership for our profession.

I take pride as the CEO of ISM in the role that staff plays in moving the institute forward. The economic challenges are being met. I also believe we are meeting the challenges you expect of us. Most, if not all, of the reductions we have made were done in a manner that we attempted to keep transparent to you, our members and customers.

While it is the role of an annual report to focus on the year just completed, it would be remiss not to also look to the year ahead. The national Board of Directors approved a new mission for ISM at their May 2003 meeting. The new mission is to lead supply management. You might reasonably ask if we had been trying to do this in the past. The answer is that we were focused on leading primarily through education and training. In the new fiscal year that is currently underway, you will see us leading in a number of new and exciting different ways. These include new standard-setting initiatives, new public relations initiatives and new information initiatives.

I hope you will take the time to read this brief annual report. You will see the many accomplishments of ISM over the past year. You can see that we moved ahead despite our challenges. A year from now, when you are reading our next annual report, I believe you will see even more success on our path to "Lead Supply Management."

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

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Fiscal Year 2002-03 was a challenging, yet encouraging year for the Institute for Supply Management™. One of the most significant accomplishments was the ISM Board of Directors' adoption of a new strategic plan that will expand and change the organization's direction. The newly adopted mission is for ISM to lead supply management. See box on following page for the major areas of the strategic plan.

### The ISM Board Sets an Agenda

In alignment with this new strategic plan, the Board appointed a Commission on Social Responsibility. The Commission was charged to develop a set of principles and standards, which were approved in August 2003. These principles and standards deal directly with the special challenges involved in global sourcing in respect to local customs, laws and practices. The standards developed by the Commission will help supply management professionals lead their companies and their suppliers' companies.

In recognition that the field of supply management has progressed in many companies with evolving titles and roles, the Board approved a Bylaw change to allow any individual who is interested in the supply management area to be a member of ISM. The proposed definition, however, still excludes those who are primarily involved in sales. The membership vote to approve these changes took place on January 14, 2004.

### Becoming the Primary Resource

As ISM continues to expand the sphere of influence of supply management, it established a primary goal to be the leading resource for audiences who are looking for supply management information and knowledge. In FY '02-'03, ISM increased the venues in which supply management knowledge was offered. ISM ran 70 public seminars covering 31 topics (three of which were new) that attracted 1,266 people. Four Satellite Seminars were presented by ISM and were each viewed by an average of 1,400 participants. Approximately 120 affiliate sites across the United States participated in each program. The Center for Strategic Supply Leadership (CSSL) hosted a research-based, executive-level program in August 2003 that targeted senior-level supply professionals.

Recognizing that ISM's diverse educational opportunities provide the content supply management professionals need to increase their contribution, ISM hosted a number of programs during FY '02-'03. These programs reached many different audiences and targeted a number of new initiatives in the supply management arena. In September 2002, a new conference was offered, which was co-produced with CMP Electronics Group, publisher of *EBN* magazine. This new offering successfully brought together over 250 supply leaders in the electronics field.

"Hittin' the High Notes" aptly described ISM's 88th Annual International Supply Management Conference and Educational

Exhibit. The Conference brought more than 2,100 supply management professionals from around the world together for educational workshops, strategic keynote addresses, economic outlooks and networking sessions.

Exhibits at ISM conferences continued to add a valuable forum for the exchange of ideas and best practices while contributing overall net revenue. The support by sponsors and exhibitors of the ISM Services Conference highlights the growing interest in services supply management.

ISM continued to expand its offerings of online programs and products directed both at the individual interested in expanding professional development and at organizations interested in offering ISM content through their own technologies. Three new self-paced, and two new instructor-led, online courses were developed, along with several existing products being upgraded. Close to 1,500 individuals participated in self-paced courses during FY '02-'03 through ISM's Knowledge Center.

Additionally, several custom applications were developed for organizations in FY '02-'03. ISM contracted for 20 more days of training than in the previous year. These programs served dozens of organizations and nearly 1,000 people. Customers increasingly took advantage of ISM's ability to customize and develop programs to meet specific and unique customer needs. Thirty percent of delivered programs fell into the customization category,

with many of the programs incorporating blended learning solutions combining a variety of different program and product delivery methods.

In recognition of ISM's expertise and knowledge, the organization engaged in a successful collaborative effort with Accenture to create online self-study courses for Accenture's Supply Chain Academy. ISM's prime responsibility was to work with subject-matter experts from various disciplines for the creation of highly structured written content. The content was then repurposed by Accenture into a total of 21 hours of self-paced Web deliverables.

ISM's Web site and technology systems expanded as many new applications were built on both the Internet and intranet sites to provide value and tools to members and staff. Delivering focused resources, ISM launched an electronic newsletter directed at those working in the chemical supply chain. *ISM eDigest: Chemicals* has over 750 subscribers. *Supply Line 2055*, a quarterly e-newsletter that focuses on certification information, debuted in March 2002 and is currently distributed to over 4,000 subscribers. *Just in ETime*, a bimonthly e-newsletter containing ISM news, is sent to nearly 4,500 subscribers.

## Creating Communities of Professionals

ISM is committed to the development of professionals within supply management. Professional certification was a key focus in FY '02-'03. The ISM certification program participated in a pilot program in FY '02-'03 sponsored by the American National Standards Institute (ANSI). This program reviewed personnel certifications based on standardized criteria accredited for different certification programs. ISM's certification program was one of the first to receive this distinguished designation.

During the year, 1,433 supply management professionals received their Certified Purchasing Manager (C.P.M.) designation and 586 received their Accredited Purchasing Practitioner (A.P.P.), bringing the totals to 40,467 C.P.M.s and 7,142 A.P.P.s. Additionally, 1,209 certifications were issued to supply management professionals representing 26 countries outside the United States.

ISM successfully administered 2,200 onsite C.P.M. and A.P.P. Exams to companies during the year, allowing organizations to better manage professional development programs for their

employees. Domestic exams delivered by Prometric totaled 8,685, and 1,209 international exams were also delivered.

In addition, ISM was honored for excellence in the seminar and program marketing category by the Learning Resources Network (LERN), an international association in lifelong learning. The winning entry was included in a showcase of internationally exemplary programs at LERN's Annual Convention.

Also in FY '02-'03, ISM partnered with the Air Force Institute of Technology (AFIT) to initiate the ISM/AFIT Best Strategic Purchasing Thesis Program for AFIT's graduate program in strategic purchasing. Because one of AFIT's goals is to integrate best commercial business practices into its curriculum, ISM was selected to facilitate the program. The first annual award was made in March 2003.

In an ongoing effort to reach all supply management communities and build partnerships, the ISM Board approved a contribution of \$275,000 (\$25,000 from CAPS Research and \$250,000 from ISM) to the Michigan State University Eli Broad College of Business and the Eli Broad Graduate School of Management for The Hoagland-Metzer Chair in Purchasing and Supply Management. Support for this chair will continue ISM's efforts to ensure quality education in supply management remains a focus at major universities.

Continuing to build on ISM's diversity initiatives, the institute brought together 10 minority colleges and universities to assist them in developing and enhancing their supply management programs. By working together with higher education organizations, ISM will be able to provide recruiting companies and other establishments with the most talented and skilled supply management professionals.

In recognition of the value of ISM's *Report On Business*®, the institute was asked to conduct a survey in fall 2002

on the effects of the West Coast Ports situation at the request of the Department of Commerce. The ISM Board of Directors requested an assessment to verify the integrity of the processes and procedures related to the Manufacturing and Non-Manufacturing ISM *Report On Business*®; the audit was completed successfully.

## Supporting the Mission

Affiliates and members alike joined ISM in supporting its mission in FY '02-'03 with six affiliates entering into an agreement with ISM to maintain the set of standards required to use the ISM name. The institute also gained three international affiliates: The Korean Association of Certified Purchasing Managers (KACPM), Seoul, South Korea; ISM—Hong Kong, Inc., Hong Kong; and Asociación de Profesionales en Compras, Abastecimiento y Logística A.C. (APROCAL), Mexico City.

Volunteers made a powerful impact in FY '02-'03 and provided resources needed to support the ISM mission. The Groups and Forums Support Council (GFSC) began working on an annual recognition program for Groups and Forums. The GFSC also reviewed the activities of each of the ISM Groups and Forums to ensure each Group and Forum adequately provides educational and/or networking opportunities to its members.

The Affiliate Support Council (ASC) developed a presentation to update affiliate volunteers on ASC activities. The presentation was presented at the 2003 Annual International Supply Management Conference and at each of the three Leadership Training Workshops (Philadelphia, Las Vegas and New Orleans). At each of these events, supply management related pre-workshop sessions were held to provide added reasons for volunteer leaders to support their time away from work in support of their professional development. Fundraising and Membership

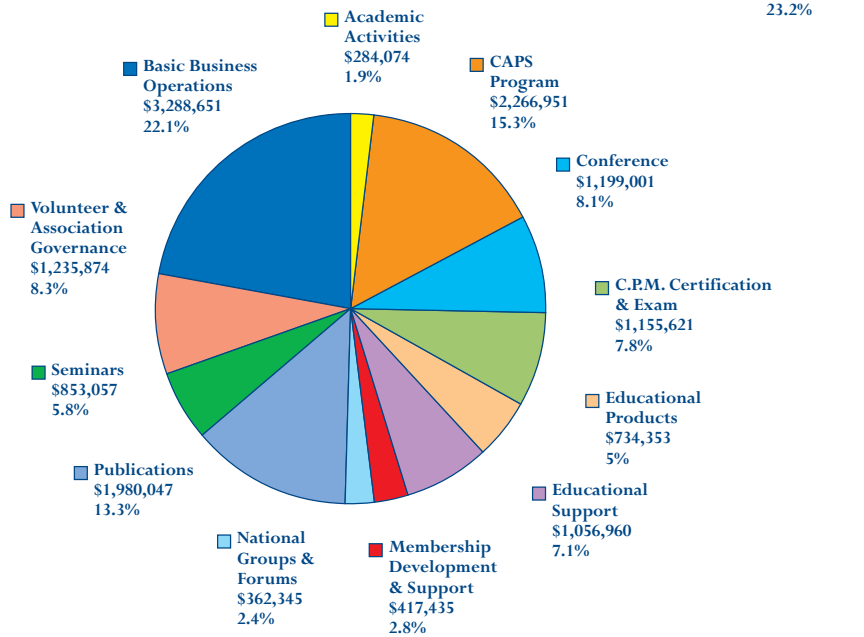
### MISSION:

Lead  
Supply  
Management

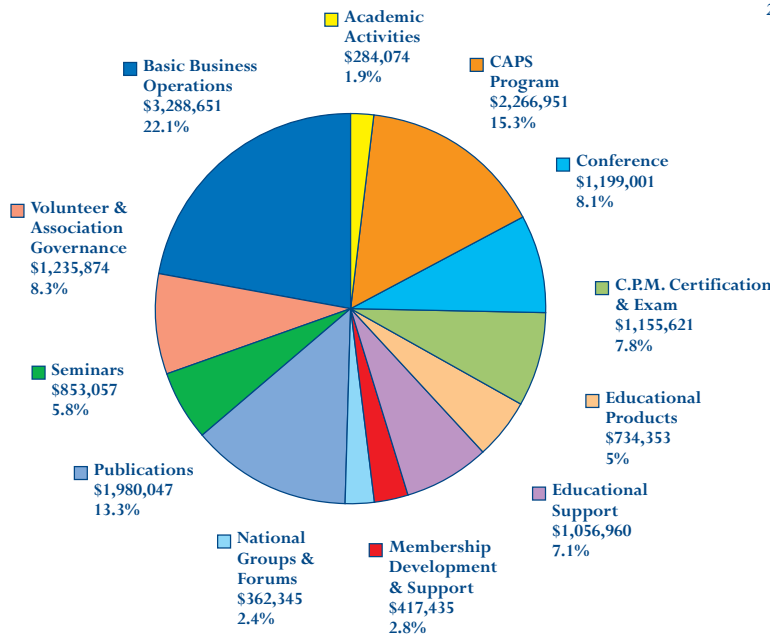
- I. Expand the sphere of influence of supply management.
- II. Align the Institute for Supply Management™'s organization with its Mission.
- III. Enhance ISM's revenue generation to ensure the resources necessary to support the Mission.



## REVENUES 2002-03 \$15,455,450



## EXPENSES 2002-03 \$14,834,369



Recruitment and Retention educational courseware was developed, along with additional affiliate case studies, which were all made available to volunteers in the Affiliate Support area of the ISM Web site. Additionally, a more automated program for the Affiliate Member Dues Billing Program was developed and implemented.

### Financial Details

ISM successfully negotiated the ongoing lethargy of the economy during fiscal 2002-03. Although revenues were static, ISM staff successfully eliminated expense from every area of the organization. These efforts cut close to \$1 million in expenses while continuing to provide the services expected by our members and customers.

Total assets and liabilities of the institute were \$12,737,732. The change in assets and liabilities from the previous fiscal year was an increase of \$1,604,203. The organization finished the fiscal year with a \$663,367 increase in cash.

ISM realized gross revenues of \$13,129,848 and gross expenses of \$12,567,418, resulting in a positive net of \$562,430. This positive net effectively erases the previous two years' negative results, with \$140,765 to spare.

Our reserves continue to remain untouched, and grew at a rate of 2.4 percent during the fiscal year. Nearly two years ago, the institute adopted a more conservative approach to investments, based upon the ongoing downward trend of the stock market.

This approach has been very effective during double-digit stock market losses. Going forward, we will continue to evaluate the return on our investments given the changing economic environment.

CAPS Research realized gross revenues of \$2,325,602 and gross expenses of \$2,266,951, resulting in a positive net of \$58,651. CAPS is noted separately because contributions made to CAPS are limited to CAPS use only.

The ISM 2002-03 fiscal year was a successful one for the institute, especially given the economic circumstances. While we recognize the coming year continues to provide challenges in revenue generation, we have every expectation that ISM will continue the successful trend started this year.