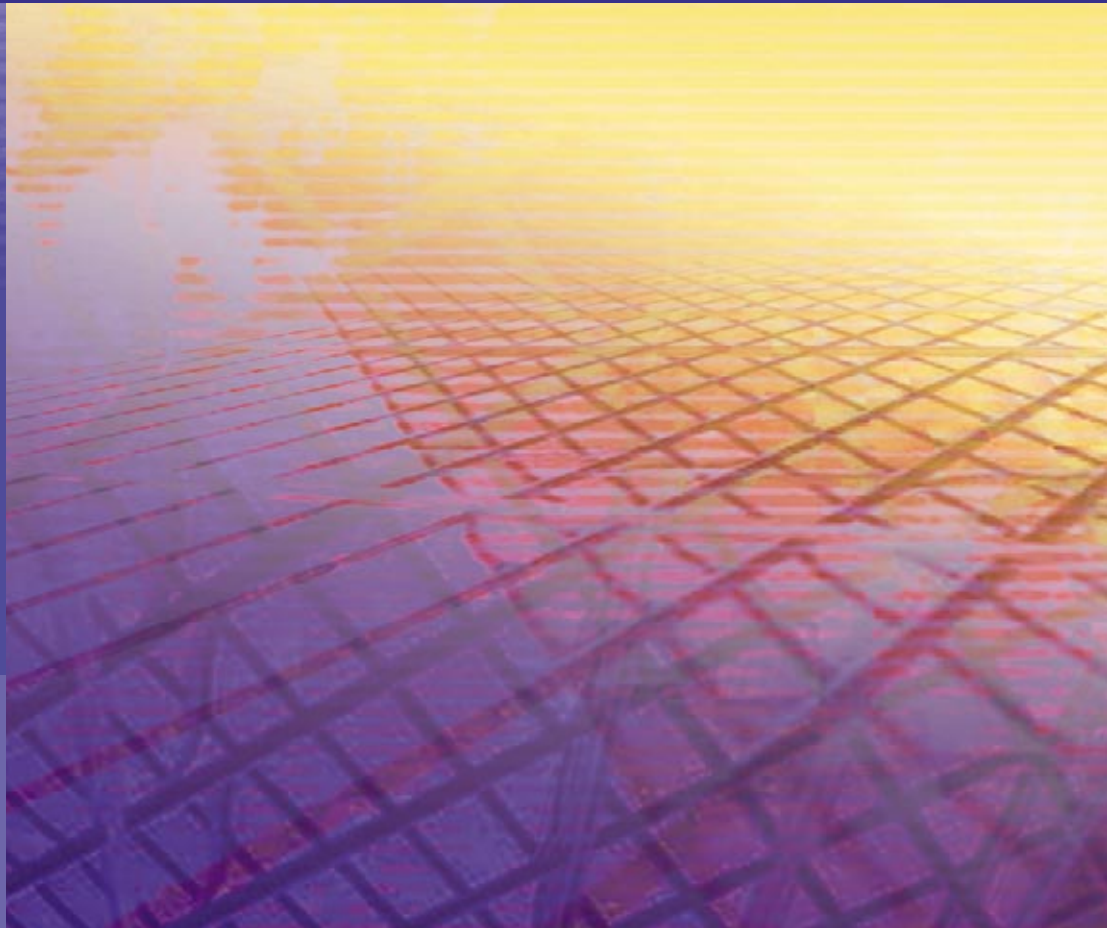


Institute for Supply Management™

**Annual Report
2000-2001**



*formerly
National Association of
Purchasing Management*

A message from the CEO.

The fiscal year that ended August 31, 2001, was a very challenging one for the association. The U.S. economic downturn reduced attendance at many programs. The result was our first loss in a very long time. Fortunately, the wisdom of those leaders who came before us led them to salt away some rainy-day money. Because of this, our modest loss was not a problem to us financially.

You will see in this annual report the accomplishments made during the 2001 fiscal year. There are many. We designed and offered new and timely programs, and Certification had a banner year. The process of implementing our new name, Institute for Supply Management™, began. Even more importantly, the process of reshaping who we are as an organization began.

Even though the events of September 11 took place after the close of this fiscal year, it is impossible not to take note of them. Our thoughts and prayers go out to those who lost loved ones. Our pride in being Americans is enhanced by the response we have had to this act.

Your association continues to provide educational opportunities second to none. This report will confirm we are succeeding in these efforts. We anticipate an exceptional 2002.

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



Chief Executive Officer
Institute for Supply Management™



The Institute for Supply Management™, established in 1915, is the world's leading educator of supply management professionals and is a valuable resource for decision makers in major markets, companies, and government. In May 2001 the membership of NAPM voted to change the association's name from the National Association of Purchasing Management to the Institute for Supply Management™ to reflect the increasing strategic and global significance of supply management. For further information, see the ISM Web site at www.ism.ws.

Fiscal year 2000 to 2001 (FY '00-'01) was a challenging, yet exciting time for the Institute for Supply Management™. It was also a year of transition. We began as the National Association of Purchasing Management (NAPM) and ended as the Institute for Supply Management™ (ISM). Our borders grew and we made important strides in advancing the supply management profession.

Repositioning for the Future

On April 28, 2001, ISM members added a page to the association's rich history. For the first time, all members had the opportunity to express their opinions through a direct vote on several important issues, the most notable of which was the proposal to change the association's name to Institute for Supply Management™. The name change was approved by a substantial margin, and became effective on January 1, 2002.

ISM debuted the first international affiliate of ISM, the Canadian Institute for Supply Management™ (CISM), in February 2001. The expansion of the Institute beyond the borders of the United States reinforces the importance of supply management practices, and stresses the Institute's goal of being a world leader and educator in the supply management profession.

Executive Offerings

Education remained the cornerstone of the Institute in FY '00-'01. New programs for supply management executives and educators were developed to offer high-quality, leading-edge content and concepts.

The Center for Strategic Supply Leadership (CSSL) was created in September 2000. CSSL is a research-based educational entity supporting ISM's efforts to provide needed competencies and concepts for senior managers in the areas of purchasing, supply, and evolving technologies and activities. CSSL also made plans during the year to conduct the Strategic Leadership Executive Program in the fall of 2001.

During FY '00-'01, CSSL developed 12 competencies, ranging from a 10-step phase entitled "Strategic Supply Leadership Process" and "Attaining Organizational Purchasing and Supply Strengths," to "Supply Integrator Role for Business Competitiveness." CSSL has developed over 41 specific tools that are used in various ways to develop bottomline results through competency development in firms.

Other executive programs offered chief supply management officers and other organization executives the opportunity to share insightful economic and supply management trend information. The annual Economic Summit held December 11, 2000, in New York City featured the 62nd Semiannual Forecast and presentations by leading economic experts William C. Dudley, managing director, Goldman, Sachs & Co.; Kevin Harris, chief economist, MCM; and David R. Malpass, chief international economist, Bear Stearns & Co., Inc. ISM's Annual Multi-Divisional Forum, held in Del Rey, Florida, in January 2001, was a special networking and information-sharing meeting open to chief supply management officers from companies and organizations with multiple plants or divisions.

The ISM Executive Forum was held in March 2001, in Scottsdale, Arizona. This program was designed exclusively for chief supply officers from companies with revenues of \$100 million to \$2 billion. This two-day forum was charged with moving business forward through innovative analysis and discussion of current business trends, today's best practices, and tomorrow's opportunities.

For educators in the field, an Educators Newsletter, created in April 2001, and a Cases Web Site, created in May 2001, were developed to provide announcements of symposiums and items of interest being developed by ISM. Subject-cataloged and keyworded, there were 184 cases placed in the site in FY '00-'01.

Membership

During FY '00-'01, ISM contacted more than 275,000 supply managers with membership information. From this, ISM received 16,000 new members — a record increase. In another effort to demonstrate the value of membership to potential members, ISM also developed the Trial Membership Program and offered trial memberships to more than 69,000 supply managers. Of those who signed up for trial memberships, approximately 825 individuals became members. As a result, ISM reached its highest membership count yet of 49,062 in February 2001.

Other successful membership activities in FY '00-'01 were the Sharing the Success program and the Member-Get-A-Member Campaign, which grew from 500 new members in 1999 to nearly 1,000 in 2001.

ISM staff aggressively recruited members from the services, public, healthcare, and retail sectors, as well as the hospitality and transportation sectors. As a result, the number of members from non-manufacturing sectors increased 30 percent in the past four years, and represented 57 percent of ISM membership at the close of FY '00-'01.

"Senior management expects today's supply management departments to acquire new skills, undertake new strategies, and act in new ways that align with and reinforce those of the overall organization." ISM's senior vice president, Joseph L. Cavinato, Ph.D., C.P.M.

"As members of ISM, our personal development means development of our membership. The respect we gain with our own management reflects on the entire organization and strengthens our reputation and influence. As you level up, ISM levels up as the place for cutting-edge thinking — where the enlightened come." R. David Nelson, C.P.M., A.P.P., Chair of the ISM Board

Affiliate Support

An expansion of benefits to affiliates was undertaken in FY '00-'01. ISM developed educational programs that provide affiliates with complete information on setting up and running an affiliate, including tax information, guidelines to developing education programs, and recruiting membership. Three interactive training teleconferences were also provided to ISM volunteer leadership to support the operation of affiliates and/or ISM Groups and Forums. ISM introduced three new courseware packets: Spreading the Word: Affiliate Public Relations, Creating Your Affiliate Marketing Plan, and Etiquette Tips for Volunteers.

The 2001 Summer Leadership Training Workshops held in June in Detroit and Philadelphia, and in July in Dallas and Las Vegas, offered ISM members the opportunity to network and attend educational sessions. ISM Groups and Forums offered sector-specific events to encourage an exchange of information and networking opportunities.

With the discontinuation of districts in ISM's governance structure, the necessity to provide consistent communication to ISM's volunteer leadership became even more crucial. To ensure consistency, *NewsLine* was expanded from 10 issues per year to 12 issues per year. The new Affiliate Support Council and the Groups and Forums Support Council held their organizational meetings to begin work on the guidelines for a new governance structure.

Certification

The Certified Purchasing Manager (C.P.M.) program and the Accredited Purchasing Practitioner (A.P.P.) program were revised and updated in FY '00-'01 to include more practical, current, and hands-on experience and knowledge. At the end of FY '00-'01, there were 37,522 C.P.M.s, of which 2,704 certified during that year.

In 1996, the A.P.P. program was implemented to serve entry-level purchasers and those who work outside an organization's supply management department but have definite procurement responsibilities. There were 6,095 A.P.P.s, 795 of which were certified in FY '00-'01.

ISM has developed relationships in many countries concerning the certification programs, and continues to expand its outreach to new countries on an ongoing basis. ISM currently has programs on all seven continents, and is actively promoting the C.P.M. and A.P.P. programs in China, Hong Kong, Saudi Arabia, and several countries within Africa. ISM's most long-standing relationships continue to grow in Korea, France, Australia, Japan, Ireland, and India.

*"... ISM Certification programs have benefited not just individuals, but entire organizations."
R. David Nelson, C.P.M.,
A.P.P., Chair of the
ISM Board*

Conferences, Seminars, and Professional Development Programs

ISM conferences, seminars, and professional development programs continued to establish and maintain the highest quality of supply management educational training and standards in FY '00-'01. The ISM 86th Annual International Purchasing Conference, held in Orlando, Florida, April 29 to May 2, 2001, was the largest international supply management conference offered in FY '00-'01. Economic outlooks and keynote addresses presented by William C. (Curt) Hunter, senior vice president and director of research, Federal Reserve Bank of Chicago, and Michael P. Niemira, vice president and senior economist, Bank of Tokyo-Mitsubishi, Ltd., were the highlights of the Conference. Additional Conference speakers included Gerald (Jerry) P. Hirshberg, founding director and; president, Nissan Design International; Lee A. Cockerell, executive vice president of operations, Walt Disney World Co.; and champion athlete and winning performer, Dr. Madeline Manning Mims. The Conference also offered ISM's Conference Career Center for those members and organizations looking for leaders in the supply management profession.

The November 2000 Conference on Electronic Business and Supply Chain Management, held November 5-7, 2000, in Nashville, Tennessee, focused on leading-edge innovations that organizations have developed to take advantage of opportunities offered by electronic business, and have put into place to further evolve their supply chain management.

Supply management professionals joined ISM for the first Services Conference, "The Forgotten Gold Mine", held in Scottsdale, Arizona on November 30-December 1, 2000. Supply professionals discussed new approaches to supply management issues with respect to services and strategic issues.

The Network 2001 Conference, "Intelligent E-Business and Supply Chain Management in a Changing Marketplace", held June 20-22, 2001, in New Orleans, was a comprehensive program designated by two learning paths, e-business and supply chain management.

Public seminars continued to be a popular professional development option. One thousand six hundred and seven people attended 62 programs offered throughout the United States in FY '00-'01. Three new seminars were introduced: Cost-Effective Supply Chain Management, Internet-Enabled Supply Management and B2B E-Commerce, and Effective Strategies: Building Purchasing Value for Your Organization.

Four Satellite Seminars were offered in FY '00-'01. Topics covered included electronic commerce, contract administration, streamlining processes, and supplier relationships. Affiliates participated 465 times during the year. An additional 33 corporations joined the four programs. It is estimated Satellite Seminars were viewed by over 2,000 professionals per seminar.



In FY '00-'01, ISM established a curriculum for three specific Certificate Programs that lead to course completion recognition. These three programs are: (1) Cost Reduction Strategies and Techniques (targets and pursues various total cost reduction management opportunities that provide a competitive advantage while supporting the mission of any organization); (2) Supplier Relationship Management (identifies, develops, manages, and leads support relationships for organizations resulting in mutually advantageous endeavors and reduces total cost for both buyers and sellers); and (3) Electronic Commerce/Business-to-Business for the Supply Management Professional (understand the opportunities electronic commerce brings to the supply management function and discover why it is critical to develop a customized e-business strategy). There are currently over 45 participants enrolled in the Certificate Programs.

ISM had a successful year providing onsite professional development to 32 companies in the United States and abroad. A total of 141 seminars representing 283 days of training were delivered. A set of e-brochures was created to ensure rapid response to client requests for information. Added emphasis on the ISM Knowledge Center products began to influence the demand for Web-delivered, instructor-led, and self-paced programming at employer locations. In FY '00-'01, ISM worked with organizations to offer online training through customization and development portals, instructor-led, and self-directed courses.

Web-Based Tools

In FY '00-'01, ISM continued to be at the forefront of providing educational opportunities via electronic delivery methods. Web-based educational programs continued to grow during FY '00-'01. Close to 175 people participated in ISM's instructor-led online courses, and more than 10,000 have registered for one or more of the 23 self-paced courses included in ISM's KC. The newly released C.P.M. and A.P.P. preparation/review courses were made available online and in self-study workbook formats in FY '00-'01. Fifteen self-directed online courses targeted toward affiliate volunteers are also available in the KC at no charge.

Another electronic educational tool is the ISM Web site. The Web site averaged over 6 million hits per month in FY '00-'01, with more than 1 million different pages viewed each month. Also, ISM entered into an agreement with the Chartered Institute of Purchasing and Supply (CIPS) in the United Kingdom, to exchange access to the Members Only area of their respective Web sites. Between 500 and 600 members of each organization took advantage of this new member benefit. *Just in ETime*, ISM's bimonthly e-mail newsletter, reached 3,700 subscribers, and more than 5,000 user sessions were recorded each month for those affiliate Web sites hosted on ISM's Web server.

Diversity Commitment

In FY '00-'01, ISM continued its commitment to full participation of its membership. Established in February 2000, the diversity program was created to focus on increasing the number of women and minorities within the profession, association membership, association leadership, suppliers, and ISM staff.

During the year, the diversity program conducted supply management educators' symposiums with representatives from minority colleges and universities, to promote inclusion of supply management in their business school curriculum. This initiative was well accepted by the participating colleges, such as Howard University, Clark Atlanta University, and North Carolina State University.

ISM also continued to work on increasing the number of women and minorities within the profession. Extensive research was completed by the University of Texas at El Paso, the U.S. Hispanic Chamber of Commerce, and ISM to ascertain the number of Hispanic supply managers in the United States and to determine funding for Hispanic supply management programs. Black and Hispanic MBA groups worked closely with ISM to gain information on scholarship and educational programs.

ISM/Forrester Research Report On eBusiness

The newest ISM report, developed in fall 2000, is the ISM/Forrester Research *Report On eBusiness*. This report measures the adoption of Internet-based procurement and tracks online activity for both manufacturing and non-manufacturing organizations. The report was released in November, January, April, and July in FY '00-'01.

Looking Ahead

Today, and for the future, strategic and innovative supply management is what will ensure the success of an organization, and being able to aid in that endeavor will ensure the success of the Institute for Supply Management™ in 2002 and beyond.

Fiscal Year 2000-2001

Financial Results

During this last fiscal year, ISM began to feel the effects of the slowing U.S. economy. As a result, like many American companies, ISM finished the 12 months of the fiscal year with a loss. However, the loss amounted to less than 2 percent of gross revenue, and our invested reserves remained untouched and secure.

Total assets and liabilities of the association were \$11,581,075. The change in assets and liabilities from the previous fiscal year was a decrease of \$316,763.

ISM realized gross revenues of \$16,444,226 and gross expenses of \$16,660,038, resulting in a negative net of \$215,812.

CAPS Research realized gross revenues of \$2,207,512 and gross expenses of \$2,152,907, resulting in a net of \$54,605. CAPS is noted separately because contributions made to CAPS are limited to CAPS use only.

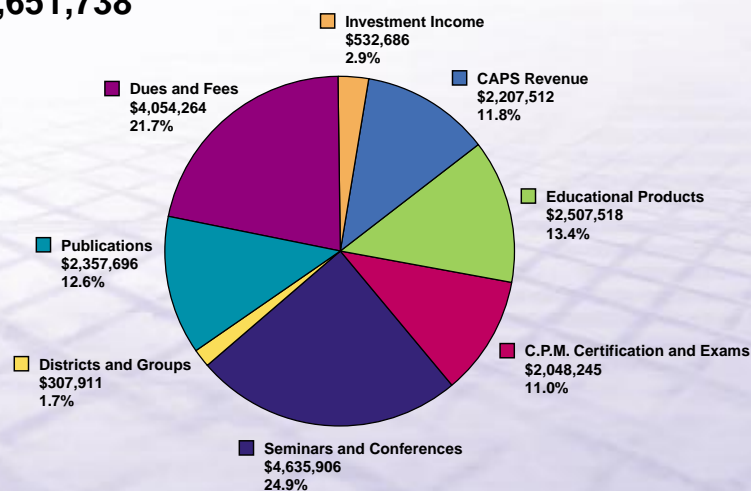
In the last several months of the fiscal year, the weakening U.S. economy began to affect the association's revenues in the areas of seminar and conference registrations, as well as magazine advertising sales. Although educational product sales and certification both realized revenue increases in comparison to last fiscal year's results, the downturn in registrations and advertising sales offset other gains, leading to the minimally negative bottomline for the year.



Your Board of Directors at work.

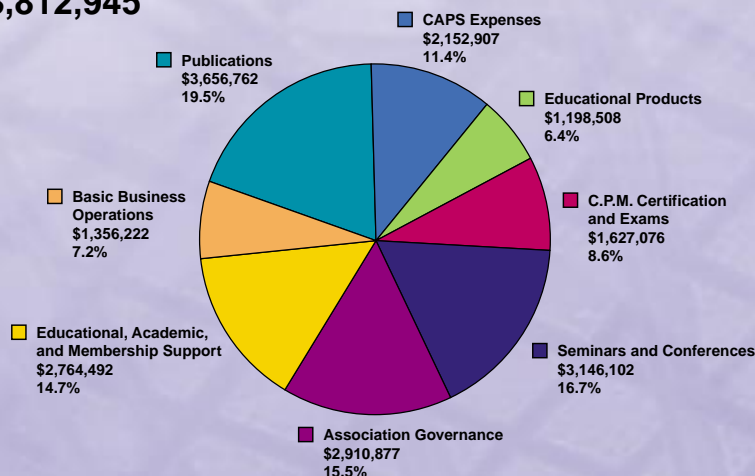
Revenues 2000-2001

\$18,651,738



Expenditures 2000-2001

\$18,812,945



Net Change in Fund Balance

ISM	(\$215,812)
CAPS	\$54,605