



ISM Materials Management News

February 2008, VOL 4, ISSUE 1

DEPARTMENTS IN THIS ISSUE:

Materials Management "Materials Manager as Planner"

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Supply Management "Staying Current"

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ISM Glossary of Key Supply Management Terms

Spread the Word ~ Sharing the Value of Supply Management

Resolutions for Success

Purchasing "CPSM Study Guide: First Look"

Dr. Michael A. McGinnis, C.P.M. mam47@psu.edu

Price Break on Study Guide Material!

MMG 2008 CONFERENCE PRESENTERS

MMG LEADERSHIP

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Founded in 1915, the Institute for Supply Management™ (ISM) is the largest supply management association in the world as well as one of the most respected. ISM's mission is to lead the supply management profession through its standards of excellence, research, promotional activities, and education. ISM's membership base includes more than 45,000 supply management professionals with a network of domestic and international affiliated associations. ISM is a not-for-profit association that provides opportunities for the promotion of the profession and the expansion of professional skill and knowledge.

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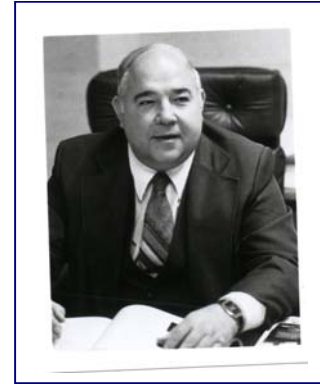
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MANAGEMENT ROLE

MATERIALS MANAGER AS PLANNER

Dr. Ken Killen, C.P.M. is available to speak at your affiliate.



Dr. Kenneth Killen, C.P.M.

Materials management is a process of planning, organizing, directing, motivating, and controlling the materials functions to attain organizational goals.

What follows is a discussion of the materials manager's role as planner of the materials function. Failing to plan -- is planning to fail. This saying has been used so often that it has become trite to use it. Trite it may be but is still very true! There is a tendency for too many managers to let things go as they will and try to deal with problems as they arise. This is known as crisis management. The one thing that we Americans are really good at is crisis management. However, if this is the way that we operate – the job will always be on top of us. We will never be on top of our job.

What is planning? It can be defined as the process of deciding in advance what is to be done, who is to do it, how it is to be done, when it is to be done, and how well it is to be done. Good enough, but specifically what should materials managers be planning?

The first step should be to make an annual forecast of key materials needs (the 20% that represents 80% of what ones spends). The annual forecast should then be broken down to the requirements for each month.

To make materials forecast you will first need an economic forecast. You can lookup the US government forecast on line. The forecast for 2008 is for a real Gross Domestic Product (GDP) growth rate of 2% over last year and inflation is predicted to be 1.8% for 2008. Second, you will need your company's annual sales forecast. If the sales forecast looks too rosy, and it often does, then reduce it for your purposes to a more realistic figure.

For example, let us assume that the sales forecast is for a 10% increase over the current year and the government forecast is for a 3.5% rise in the GDP.

Let us further assume that the company is not planning anything different from this year, such as: acquisition of a new company, introduction of new products, or a big new sale and advertising campaign. Then the sales are probably going to be closer to 3.5% increase than they are to 10% increase. I would then forecast my needs to be 3.5% and plan my purchases and other activities to be 3.5% higher than this year.

To put the plan into action, start making annual or longer contracts for your key items. Since forecasts are only predictions about future events and not fact -- here is what you should strive for – a way to amend the contract in terms of quantity. Here are some options to consider:

1. Contract for a percentage of your needs, e.g. 100% or 50% of your actual needs which we think will be about 1000 per month.
2. The right to extend an annual contract to allow delivery to take place over 16 months instead of the original 12 months.
3. The right to cancel the contract by giving a 60-day notice. In this case the seller will want to have the same privilege. There goes your price protection. Because, if suppliers' cost go up, they may want to cancel your contract so they can raise the price.

Cost reduction is and always will be an important plan that materials managers will need to make. Start by asking each member of your department to submit a list of cost reduction projects that they plan to pursue during the next 12 months and set a goal for the amount of savings that they expect to get from each project.

Your next step should be to review each project with the writer and either accept their proposal as submitted or ask them to revise it. Once each proposal is complete as you want it, add up the savings. The total will then be your department's savings goal for the year. This is not the end, but rather the beginning. Each member should be required to submit a written progress report to you each month. For those who are not making the appropriate progress you need to meet with them to help them figure out what to do. And then you should hold a department meeting once per quarter to have each one stand before the department and report their progress. This is a great motivator because no one wants to stand up in front of the associates and their boss and say they didn't do anything. On the other hand, it is very rewarding for those who are meeting their goals.

Two other types of plans that you might want to consider are objectives and programs. For a more complete discussion of planning, see Chapter 4 Planning and Forecasting, Kenneth H. Killen and John W. Kamauff, *Managing Purchasing: Making the Supply Team Work*, Irwin, 1995.

SUPPLY MANAGEMENT

STAYING CURRENT

Richard Weissman, C.P.M.

**Assistant Professor - Endicott College
Van Loan School of Graduate and Professional Studies**

My teaching method includes a blend of theory and practice. It also includes a healthy dose of current events to glue it all together. You remember current events from junior high school social studies. Your teacher told you to bring in a recent newspaper or magazine article about the subject du jour in class and prepare a one minute overview to be presented in front of the class. For some, just the thought of that process brings flashbacks and chills. The process may have been uncomfortable but the intent well intentioned. In my view, the materials management profession is not spending enough time on current events. And that is hurting your performance and shortchanging your employer.

What is happening on the front page is directly related to the job you are doing every day. We all tend to get caught up with the fires and emergencies on our desk. But, look at the macro view of the world. In our global economy, chances are that a political assassination across the globe may have as much of an impact on your chemical prices as a snowstorm in Colorado has on your domestic shipments. And unfortunately, there are those in our profession who may not be aware of either.

Collectively, I think we are doing better paying attention to the nuts and bolts of supply chain management. We are staying current in the profession by reading the trade publications, attending association meetings, getting certification, and even joining degree programs at local, or online, colleges. That is a good step in keeping current but it is not enough. It is a daily struggle, and challenge. One that we seem to be losing.

But you can stem the tide. Read the front pages of a large newspaper every day. In this age of instant news and Internet flashes, there is nothing more important, or easier, than checking in with the New York Times, Boston Globe, Washington Post, Los Angeles Times, International Herald Tribune or other big city papers. All are free and Internet friendly. There is also a sizable portion of the Wall Street Journal that is free. Even if your company has Internet restrictions, I don't think they would apply to newspapers. Or, if they do, check from home.

Next, visit the business pages of those same newspapers for a micro level view of the world. There are things on these pages that have an impact on you, your company and your suppliers. Knowledge is power and it is there for you to use. Use it. I know...you are too busy to read the paper on a daily basis. Well, if that is the case, set up an RSS feed to help you sort through what you need to know. Quick, convenient, and efficient.

Don't stop there. Publications like Business Week, Industry Week, Purchasing Magazine, The Economist, Fortune, and weekly news magazines like Time and Newsweek have a roll to play. Also, all industries seem to have a trade publication or newsletters dedicated to that specific vertical. All provide some level of depth of information that will allow you to make better business decisions. We are business professionals and have a responsibility to remain current. You can be sure that your executive management is reading those same periodicals. You can also be sure that your suppliers are reading those same periodicals. Uncanny how those suppliers know so much.

Certainly the amount of information available can be overwhelming and it is unreasonable to expect to read it all. Determine the best sources of information that will keep you informed and stay on it. You owe it to yourself and to your companies. It is also the responsible thing to do. You've come along way since 8th grade. Time to show it.

Richard G. Weissman, C.P.M. is an Assistant Professor in the Van Loan School of Graduate and Professional Studies at Endicott College in Beverly, MA. He is a member of the Board of Directors of the ISM Materials Management Group.

ISM Glossary of Key Supply Management Terms

The ISM *Glossary of Key Supply Management Terms* is a valuable reference tool for supply professionals, academics, researchers and students. Greatly expanded, the new fourth edition includes information from all disciplines within supply management.

ISM has dedicated extensive time and resources in developing the new Glossary. The publication's expanded content is a result of collaboration with numerous subject matter experts and sources representing the entire spectrum of supply management – including supply practitioners, attorneys and academicians – and a comprehensive review of printed and Web-based sources across private, public and industry sectors. Each existing definition was carefully reviewed and all definitions have been written or selected specifically for this edition to reflect the current global business environment. The glossary provides a better understanding of the terminology used in supply management.

You Can Help ISM! As in the past, ISM welcomes your comments and input. Some terms in this fourth edition have been added because they were recommended by supply professionals. If you have suggestions regarding additional terms, [click here](#) and let us know.

I want to:

[Search Terms by Keyword\(s\)](#)

<http://www.ism.ws/Glossary/GlossarySearch.cfm>

[Search by Alphabet](#)

<http://www.ism.ws/Glossary/GlossaryAlphaChoose.cfm>

Purchasing

CPSM UPDATE



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OVERVIEW.

As many know by now the Institute for Supply Management (ISM) is introducing a new certification, the Certified Professional in Supply Management (CPSM), this year.

If you are thinking about taking the three-part CPSM examination, or are a C.P.M. who is considering taking CPSM bridge examination, please order your study materials now! The CPSM Study Guide and CPSM 3-book reference series will be available from ISM as a package for \$99 until the end of March 2008. You do not have to register for the CPSM examination or the CPSM bridge examination to receive this special price. After March 2008 the same package will cost \$259!

THE STUDY GUIDE IS SCHEDULED TO SHIP IN JANUARY 2008 AND THE 3-BOOK SERIES IS SCHEDULED TO SHIP IN FEBRUARY 2008. A “preliminary form” of the CPSM Study Guide was sent to those who ordered the CPSM study package during December 2007. This “preliminary form” has the content of the final study guide without an index. There may be ...”minor proofing, format, or content errors that will be corrected in the final printed version...” of the final CPSM Study Guide.

The following reviews the “preliminary” CPSM Study Guide that I received the third week of December 2007.

ORGANIZATION OF THE CPSM STUDY GUIDE

The “preliminary” copy that I received was organized into three books. The first book consists of two sections:

- The first section introduces the reader to the study guide, explains the purpose of the CPSM examination, discusses the construction and technical details of the examination process, and provides an overview of the CPSM examination and the CPSM bridge examination.
- The second section presents the study guide portion of Examination #1. It is organized into six “component areas”. Each component area is further divided into tasks. In Examination #1 there are a total of twenty-five tasks. The numbering of tasks is based on the component areas. For example the first component area, “Contracting and Negotiating” is divided into five tasks numbered 1-A-1 through 1-A-5. Content is well organized and presented. An additional feature is that material covered in the CPSM bridge examination is shown in brackets. This means that those studying for the CPSM bridge examination need only focus on the bracketed portions that refer to the CPSM bridge examination, rather than studying all material and then trying to figure out which material will be tested on the CPSM bridge examination.

The second book presents the study guide portion of Examination #2. The second examination is organized into eight component areas and twenty-four tasks. Again the task numbering is based on the component areas. For example, the tasks for component area “Forecasting” are 2-A-1, 2-A-2, and 2-A-3. As discussed earlier the material covered on the CPSM bridge examination is bracketed.

The third book presents the study guide portion of Examination #3. This examination is organized into three component areas and thirty-two tasks. Again the numbering of tasks follows the format discussed previously and material for the CPSM bridge examination is bracketed.

OVERALL IMPRESSIONS

The organization of the three examinations follows the format of the “ISM Certified Professional in Supply Management [CPSM] Exam Specifications [Web Version 2006]” and “ISM Certified Professional in Supply Management [CPSM] Bridge Exam Specifications [Web Version 2006]”. Both specifications can be found at the ISM Website www.ism.ws then click on “Professional Credentials” and then on “ISM CPSM Exam Specifications” and/or “ISM CPSM Bridge Exam Specifications”.

For those familiar with the “C.P.M Study Guide” the overall layout and content of the “CPSM Study Guide” are similar. The main differences of the “CPSM Study Guide” are greatly expanded content and brackets indicating material covered by the CPSM Bridge Examination. The three-part “CPSM Study Guide” is essential for those preparing for the CPSM examinations of the CPSM bridge examination.

Again, the “CPSM Study Guide” and CPSM 3-book reference series are available from ISM at a promotional price of \$99 + shipping until the end of March 2008. After that date this package will cost \$259 + shipping. If you are considering taking either the CPSM Examination or the CPSM Bridge Examination I recommend buying your study materials while the price is right!

Spread the Word – Sharing the Value of Supply Management

Resolutions for Success

It's a new year, and along with the standard, personal resolutions — lose weight, be organized, pay off debt — why not set a few resolutions for yourself as a supply management professional? Here are some ideas that can make 2008 a banner year.

Resolve to ...□... get your CPSM certification.

Endorsed by business and thought-leaders across the globe, the knowledge, skills and abilities represented in the CPSM will enable professionals to excel in 21st-century strategic supply management. For additional information on the CPSM program and to sign up for CPSM e-mail updates, log on to www.ism.ws/certification and select Certified Professional in Supply Management (CPSM) Program.

Resolve to ...□... solicit story ideas for your local newspaper concerning your affiliate.

Whether you are hosting a toy drive, participating in a community event or promoting an upcoming meeting — try submitting a news release to your local publications and later following up with a phone call to the editor. Make this the year your affiliate gets publicity!

Resolve to ...□... attend a professional development seminar or networking lunch.

One form of PR can be overlooked simply because it is so easy ... word-of-mouth. This can happen naturally at seminars geared toward professionals or local networking lunches. Why not sign up for one and meet other like-minded professionals? Just be sure to bring a stack of business cards!

Resolve to ...□... read and share a business book.

ISM created a CPSM supplemental reading list to help CPSM candidates prepare for their exams. The list is currently comprised of eight business books that range from finance to global competition. Consider purchasing one of the books online (prices range from \$12 to \$129) and writing a short book review for your affiliate newsletter or Web site. Books also make great speaker appreciation gifts or can be gifted to libraries at your local university business school or community college. Just remember to affix a small book plate to the inside front page that indicates your goodwill gesture: "*This book compliments of [Affiliate Name].*"

Resolve to ...□... download and listen to a podcast on a business topic.

You can search for podcasts using the following Web sites:

www.podscope.com

www.everyzing.com

www.podcasts.yahoo.com

Resolve to ...□... become part of the supply management blogger's community.

You can search for blogs using the following Web site:

www.technorati.com

Start off reading and becoming familiar with specific blogs. Determine who is behind the blog by checking the About or Profile links.

Read comments left by others or participate in the blog by posting your own comment.

MMG PRESENTERS

Mark Your Calendar for the 93rd Annual International Supply Management Conference and Educational Exhibit

May 4-7, 2008 in St. Louis.

Gatorade/Graham “On-Site” Alliance

Sheila Petcavage, Assistant Professor of Purchasing and Business Management,
Cuyahoga Community College
Richard Reider, Director, Package Purchasing, Pepsico – Quaker Oats

Negotiating In a Global Environment: What you need to know

Ken Killen, President, Killen Enterprises
R. David Nelson, Chief Strategy Officer, HTC Global Services

Creating a Purchased Price Index as a Key Performance Indicator

Robi Bendorf, President, Bendorf & Associates

Strategic Sourcing Plans Made Easier with a Take-Away Outline

Robi Bendorf, President, Bendorf & Associates

Supply Chain Improvement in a Weak Top Management Commitment Environment

Kimball Bullington, Associate Professor, Middle Tennessee State University

Critical Aspects of Contract Negotiations

Ernest Gabbard, Director, Corporate Strategic Sourcing, Allegheny Technologies, Inc.

Baby’s Gotta Whole New Look: Supply Chain Professional

Marilyn Gettinger, Owner/President, New Directions Consulting Group

Are We Over, Under or Right On? Forecasting Can Help!

Robert Kemp, President, Kemp Enterprises

Strategies for Rewarding Your Best Suppliers in a Dynamic Supply Chain

Robert Kemp, President, Kemp Enterprises
Gerry VanDyke, Strategic Supply Manager, Vermeer Mfg Co
Susan Modeland, Supplier Support Manager, Goodrich Engine Components

Dealing with Information Overload: Tools and Techniques

Paul Larson, Director, Transport Institute, University of Manitoba

Alternate Presentation

Current Challenges in Global Sourcing

Jon Maxim, President, Maxelerate

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