

Palladium Balanced Scorecard Hall of Fame for Executing Strategy Inducts Eight Performance Leaders at the 2010 Palladium Americas Summit in La Jolla, California

Cisco, Culligan Argentina, MAPFRE Brazil, Merck, Boys & Girls Clubs of Puerto Rico, Hospital for Sick Children, Federal Bureau of Investigation, and Sociedad Hipotecaria Federal Lauded for Breakthrough Performance Results

LA JOLLA, CA AND BOSTON, MA – NOVEMBER 10, 2010 – Palladium Group, Inc., the global leader in strategy execution consulting, today named eight top-performing organizations to the Palladium Balanced Scorecard Hall of Fame for Executing Strategy®: Cisco Systems, Inc., Culligan Argentina, MAPFRE Brazil, Merck & Co., Inc., Boys and Girls Clubs of Puerto Rico, The Hospital for Sick Children, the Federal Bureau of Investigation, and Sociedad Hipotecaria Federal.

The award recipients were honored for their breakthrough business results during today's Hall of Fame award presentation ceremony at the [2010 Palladium Americas Summit](#) in La Jolla, California.

The Hall of Fame award honors organizations that have achieved execution excellence through the use of the Balanced Scorecard (BSC), the world's preeminent strategy and performance management system. The BSC is based on the simple premise that "what gets measured is what gets done." Created by Palladium Group co-founders Drs. Robert S. Kaplan and David P. Norton, the Balanced Scorecard links strategy to operations to drive business outcomes. A recent study published in the journal *Advances in Accounting* found that organizations "that adopt the BSC significantly outperform those that do not...over a three year period beginning with the year of adoption. These results provide strong evidence that the BSC is an effective strategic management tool that leads to improved shareholder returns."

The Balanced Scorecard is equally effective in driving results in government and not-for-profit organizations. A focus on performance is critical for any organization, especially during challenging economic times. "While the global economic environment is improving, many organizations, from private companies to government agencies, still face significant challenges," said Robert L. Howie Jr., Managing Director of Palladium and Director of the Hall of Fame program. "Organizations using the Palladium Kaplan-Norton strategy execution approach are well-equipped to gain the kind of insights needed to capitalize on new opportunities, mitigate risk, and improve organizational performance."

Founded in 2000, the [Palladium BSC Hall of Fame](#) program today has a roster of 153 honorees—including Infosys Technologies, Millipore Corporation, Motorola, Public Service Electric and Gas Company, and Volkswagen do Brasil—that span private and public sectors in more than 20 countries. Winners are selected based on the quality of their BSC implementation and the results they demonstrate over a period of at least two years.

Cisco Systems, Inc.

Cisco, the worldwide leader in networking, has shown a unique ability to successfully capture market transitions—the market transitions that affect their customers. Cisco's Customer Value

Chain Management (CVCM)—formed in 2008—heavily leveraged strategy maps and Balanced Scorecards to advance a new customer-focused vision and strategy, create a sense of one organization, embed a customer centric mindset company-wide, and balance financial, operational, and customer metrics. BSCs have also driven shared accountability, enabled the allocation of resources to strategic priorities, and helped transition the company from operational to customer-focused. Cisco's strategy execution process leverages social networking internally, as well as advanced analytics as part of a comprehensive business intelligence roadmap. 2010 revenues are \$40 billion, up 11% over 2009, gross margin has held steady during the downturn, and customer satisfaction, perfect order scores, and quality are all up. "The BSC helps us continuously evaluate our ability to deliver world class operational excellence," says Randy Pond, executive vice president. "It further enables us to align our execution and metrics to meet customer expectations." Adds senior vice president Angel Mendez: "Our BSC approach is truly a strategic differentiator, ultimately impacting top and bottom line results."

Culligan Argentina

Privately held Culligan International Company is the world leader in water filtration systems. Culligan Argentina, the affiliate in that country, was an early adopter of the Kaplan-Norton approach to clarify their strategic initiatives, allocate the resources to achieve them, and engage the workforce to make execution everyone's job. Although a high volume, low margin business, Culligan pursued a customer intimacy strategy, established a state-of-the-art call center to personalize customer interaction, and aligned team and individual incentives in a pay-for-performance approach. They have grown customer share-of-mind through social media to establish themselves as water experts. Comparison of pre- and post-strategy mapping and BSC implementation demonstrates breakthrough performance attributed to strategic focus, alignment, and incentive compensation. They include EBITDA increases of several orders of magnitude, a 63% reduction in days sales outstanding, a 68% productivity increase among individual employees, and a 25% increase in customer loyalty. "For us, the BSC is a realistic and sustainable governance system in which incentives, processes, and cultural habits assure the 'strategic execution resilience' of our company," says Santiago Murtagh, general manager. "Having a blueprint to show us where we're headed gives us flexibility, boldness, and agility...giving us confidence, renewed energy levels, and focus on true north."

MAPFRE Brazil

MAPFRE, a Fortune 500 company with \$26 billion in revenue and 70 million customers in 43 countries, is the leading insurance company in Spain and Latin America. It ranks 21st in Business Week's "Best Companies in the World" ranking. Its MAPFRE Brazil subsidiary, the largest outside of Spain, represents 62% of the profits in Latin America, and 19% of worldwide profit. They adopted the BSC in 2003 to integrate several acquisitions in a common enterprise performance management system. Organizational alignment and a shared management language were fundamental objectives. In five years gross profit multiplied 8-fold, individual employee productivity doubled, and the combined ratio—a measure of insurance company profitability derived from taking the sum of incurred losses and expenses and then dividing them by earned premium—has dropped well below 100% in an industry where the average is close to 105%. "MAPFRE Brazil has grown over 500% in recent years thanks to a culture of innovation, operational excellence, and a focus on our strategic priorities," says Antonio Cassio dos Santos, president and CEO. "A culture rooted in execution with the Balanced Scorecard system at its core allows each person to understand his role within the whole that contributes to our company's extraordinary performance results."

Merck & Co., Inc.

In 2005, Merck faced significant challenges specific to its business and the industry. Patent expirations, pressure from generic products on its branded drugs and a fading pipeline were compounded by broader industry issues, which included rising drug development costs and increased regulatory scrutiny. Wall Street analysts were bearish on the equity. To regain a leadership position, the company realigned its management team, implemented a new business strategy, and began a transformation to a high performance culture. Merck created a Strategy Realization Office to translate its strategy into action and manage performance using the Kaplan-Norton approach. In four years, certified change agents grew from 4 to more than 400, revenue increased 25%, EPS 28%, and customer-focused culture assessment catapulted the company's rankings from the 12th to 57th percentile. In 2009, Merck and Schering-Plough merged to create the world's second largest pharmaceutical company which now has an estimated \$45 billion in revenue and 93,000 employees in more than 140 countries. "Our 2010 Strategy Map and Balanced Scorecard help us focus on the strategic priorities that will continue to lead our success," says Mervyn Turner, senior vice president and chief strategy officer. "They are critical to our alignment as a company, ensuring that everything we do, at every level, is focused on the successful execution of Merck's strategy."

Boys and Girls Clubs of Puerto Rico

The mission of Boys and Girls Clubs of America—an association of more than 4,000 local clubs—is to enable youth, especially those in need, to reach their full potential as productive, responsible citizens. The Boys and Girls Clubs of Puerto Rico, a local affiliate, has since its inception nearly 50 years ago served tens of thousands of youth in this U.S. territory. In five years the number of youth serviced has grown 200%, their satisfaction with club programs has grown from 53% to 93%, the number of facilities has doubled, revenues have increased 227% and profitability (retained operating funds) has been achieved. Each of the 200 professionals employed by the club has a personal scorecard aligned with that of the enterprise. "A small non-profit talking about strategy execution, process improvement, return on investment, and talent management is almost an abnormality," says José A. Campos, CEO. "But the focus and drive resulting from implementing the strategy mapping and scorecard approach allow us to meet the demands of our donors and stakeholders, and quantify and demonstrate our impact and positive return for their investments. We are confident that our strategy management system provides the framework for sustainable breakthrough results."

The Hospital for Sick Children

SickKids, The Hospital for Sick Children, is Canada's leading pediatric academic medical center with patients from throughout the country and the world. Enterprise performance management has long been key to managing strategically for this innovator in integrating care, education, and research. The measurement of health outcomes continues as an important public policy issue in healthcare both in Canada and globally. Most hospitals have a set of key performance indicators focused on clinical measures. SickKids wanted more than a measurement tool; they were looking for a new way of managing. They implemented a comprehensive strategy management approach. SickKids strategy maps and scorecards drive management meetings, with agendas that focus on a rotating set of strategic themes. In three years operating margins jumped 80%, international revenue increased fivefold, medication reconciliation improved from 33% to 78%, and MRI wait times improved 34%. Patient satisfaction and employee engagement are also up. "We are at the leading edge of the curve in health system performance in key areas," says Mary Jo Haddad, president and CEO. "Our Office of Strategy Management has been instrumental in cascading the Kaplan-Norton approach. We have developed strategy execution as a core competency across the enterprise that has helped us achieve an execution premium."

Federal Bureau of Investigation

For more than 100 years the national investigative force now known as the Federal Bureau of Investigation has fought corruption and crime in the U.S. The terrorist attacks of September 11, 2001 resulted in a change in strategic priorities, the first being protecting the U.S. from future terrorist attack. For an agency with an \$8 billion budget and 34,000 employees, this required a significant change in culture, strategy, organization, processes, and systems. A strategic change agenda paved the way. The Bureau's Strategy Management Office—now 10 professionals strong—manages strategy with the help of divisional strategy coordinators who are responsible for deploying strategy maps and scorecards. Performance results have dramatically improved. These include enhanced intelligence capability, the degree of intelligence sharing with other agencies, the quality and timeliness of intelligence information, increased surveillance capacity, critical incident response effectiveness, and talent and technology readiness. "The complex threats we face have required a fundamental change in the way we work together," says Robert S. Mueller, III, director. "We created the Strategy Management System to drive and manage change, articulate specific objectives, and measure progress toward those objectives. SMS has been incredibly useful to the FBI, providing the means to focus on long-term goals, while balancing the need to address crime and terrorism, everyday."

Sociedad Hiptotecaria Federal

Sociedad Hiptotecaria Federal (SHF) is a federally-owned Mexican housing development bank with \$7.8 billion in assets. Its primary mission is to expand housing production for low income citizens and to develop a strong private housing system through loan guarantees in the construction and improvement of housing. The adopted the BSC to ensure management focus on the critical drivers of enterprise performance. An institutional strategy office includes a program management office, a product development office, and an office of strategy management to make execution a core competency. Pre- and post-BSC results are impressive: 558% growth in the number of financed households, a 13% reduction in operating costs, and 80% employee satisfaction (63% is the average). Compared with other public entities that average a 70% compliance with internal control standards set by the federal government, SHF has a 97% compliance ranking. "In order to develop the primary and secondary mortgage markets in Mexico, we had to successfully execute our strategy," says Javier Gavito, CEO. "The Kaplan-Norton framework gave us strategic focus in our actions, aligned employees' work in a single strategic view, translated the complexity between market forces and the multiple players into a coherent strategy map, and provided monitoring and accountability for our stakeholders."

About Palladium Group, Inc.

Palladium Group is the global leader strategy execution consulting. Our expertise in strategy management, performance management, and business intelligence helps our clients achieve an execution premium. Our services include consulting, technology, conferences, communities, and certification. The Palladium Balanced Scorecard Hall of Fame for Executing Strategy® recognizes organizations that have achieved an outstanding execution premium. Visit www.thepalladiumgroup.com.

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