

Partnering on the Journey:

From start-up to global leading enterprise

Greater Valley Forge HR Summit
Friday, October 16, 2015

Presenters:
Lynda Risser
Stephanie Rita



Today's Session

Evolve your HR organization to meet increasingly complex & expanding global business needs

Establish your HR organization as a strategic business partner

Align your HR goals to drive business results and measure impact

The Vanguard Story.

“Novels and stories are renderings of life; they can not only keep us company, but admonish us, point us in new directions, or give us courage to stay a given course.” -Robert Coles

“The purpose of a storyteller is not to tell you how to think, but to give you questions to think upon.” -Brandon Sanderson

Vanguard at 40 – our growth, talent, and landscape evolution



1975 Start-up



Having separated from our predecessor firm, Wellington Management Company, Vanguard begins operations as a new kind of fund firm, with John C. Bogle at the helm. The company has a crew of fewer than 50 and total net assets of about \$1.8 billion in 11 funds. It's a tough time for fund firms, which are still reeling from a severe bear market. Like others, Vanguard has more money leaving than coming in.



1982 Growth and expansion

This will prove to be a momentous year. A historic bull market in stocks begins quietly in August. It will continue, with only brief interruptions, for nearly 20 years—an enormous driver of our business growth.

1984 Thanking the crew

Vanguard introduces two new ways of recognizing the crew for their vital contribution to the company's success: the Award for Excellence program and the Vanguard Partnership Plan.

Also in 1987, Vanguard conducts its first Crew's Views survey, starting an important practice that will evolve into our annual Crew's Views engagement survey. One common sentiment in the first survey is the need for better internal communications in the fast-growing company. In response, *Crew's News* is

1987 Stock market crash



1987

- Swiss Army created to help serve clients in a time of extreme market volatility, including the historic 1-day drop of 22% in the stock market on October 19.

RESPONSE SUMMARY

Category	Favorable Responses		Vanguard Ratio
	Vanguard	Other Financial Companies	
Job Security	79%	68%	115%
Company Image	80	75	108
Working Relationships	70	65	108
Communications	50	48	104
Working Conditions	59	58	102
Performance & Development	58	57	101
Operating Efficiency	66	66	100
Supervision	67	67	100
Employee Turnover	58	58	100
Benefits	67	69	97
Policies & Practices	63	65	97
Work Organization	61	64	96
Management	48	52	92
Job Satisfaction	70	77	90
Job Training	48	55	86
Pay	18	30	60

1985
• 866 crew members.

Vanguard at 40

– our growth, talent, and landscape evolution



1993

- The Malvern campus opens.



- 3,520 crew members.

1994

- Vanguard brings geographical diversity to client-service efforts by opening an Arizona office.

1996 A new CEO; the start of global

Jack Brennan, who joined Vanguard in 1982, becomes the company's second chief executive in 1996.

1997

- Vanguard opens a third U.S. site, in Charlotte, NC.
- 6,400 crew members.



Also in 1996, Vanguard takes its first step toward becoming a global company, incorporating Vanguard Investments Australia under the leadership of Jeremy Duffield.

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2006

- For the fifth time in 6 years, Vanguard was recognized by *Fortune* magazine as one of the "100 Best Companies to Work For."

2009 Flywheel

The stock market hits bottom in March 2009, but investors who stay the course are rewarded in the bull market that follows. Evaluating the impact of the financial crisis, Vanguard's leadership team undertakes a major strategic initiative that leads to the development of a new model for the business: the flywheel.



2015 HR Transformation

- **Crew Central** is live for the global Vanguard organization, ex-Asia.
- CrewNet's new HR portal will offer a **simpler interface, mobile access, and increased self-service operations.**



Workday is a web-based cloud technology that will replace multiple disparate systems such as PeopleSoft and VCAPS, and will become the global platform for all of Vanguard's HR-related activities.

- The **Total Rewards Center of Expertise (CoE)** began operations.

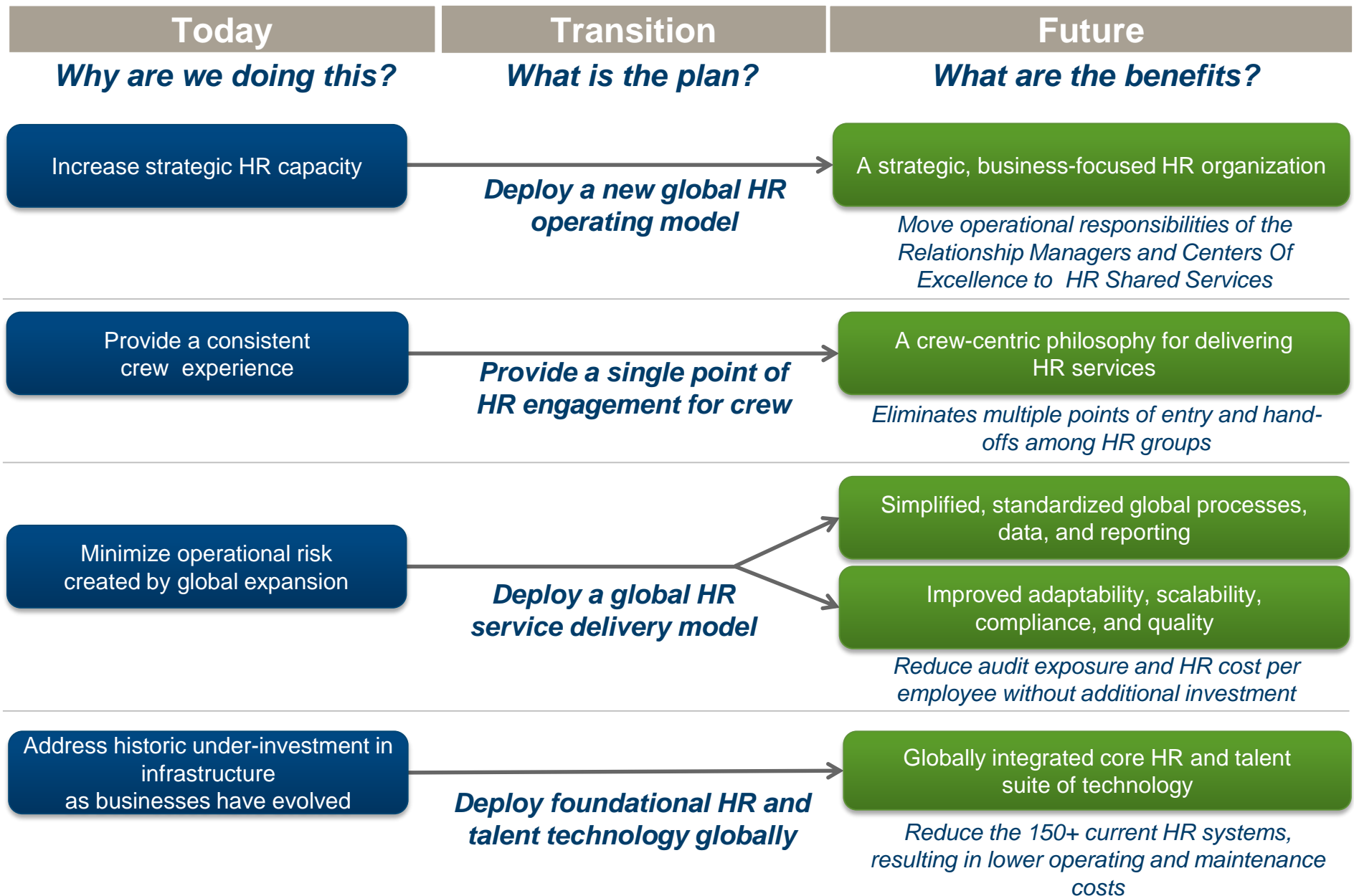
2014 Cash-flow record

Vanguard's total net cash flow into our U.S. funds of \$214.5 billion for 2014 shatters all the records for us and for the industry. Worldwide, Vanguard's cash flow was \$243 billion.

Evolve your HR organization to meet increasingly complex & expanding global business needs

As the enterprise transforms, so must HR

We are now nearing the end of a 3-year transformation



Establish your HR organization as a strategic business partner

Redefine your offer

A key to successful transformation

Vision Be strategic business partners who enable business solutions through proactive human capital consultation, client advocacy and effective leveraging of our world class HR experts

We will ***have four areas of focus*** as we work to fulfill our mission, ***strengthen our partnership...***

Building
Valuable
Partnerships

Human Capital
Strategy

Consultative
Services

Human Capital
Risk
Mitigation

...to help position Vanguard for long-term, sustainable success by ensuring we have the ***right talent*** with the ***right skills*** to lead us there and the ***right environment*** that will enable them to achieve our business goals.

Build your organization to segregate operational functions from strategic partner functions



Set your HR Business Partner team up for success

Create a vision to help redefine the HR offer and establish team goals

Lay the foundation for earning a seat at the table

Select the team leveraging diversity of thought with a mix of HR professionals and business professionals

Align your business partners to the business

Maximize value by leveraging the COEs and sharing best practices

Develop and strengthen the team through continuing education

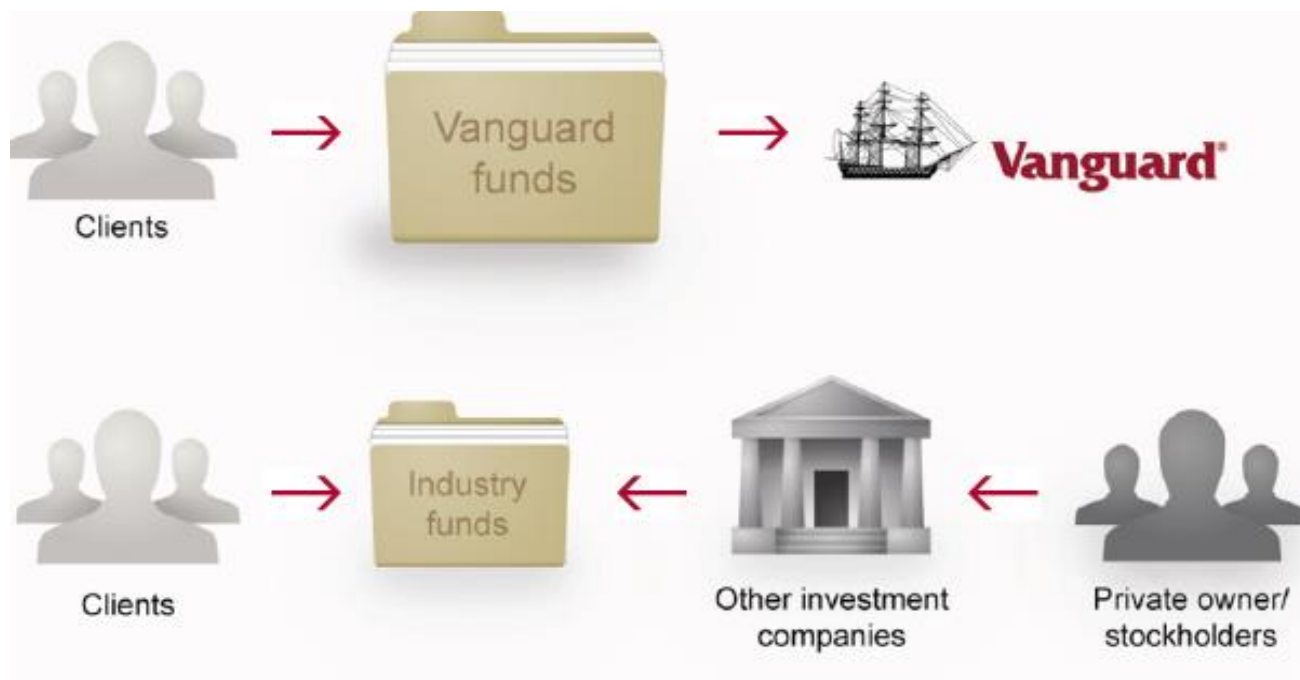
Align your HR goals to drive business results and measure impact.

Know your business. Start with your purpose...

*To take a stand for all investors,
to treat them fairly, and to give
them the best chance for
investment success*

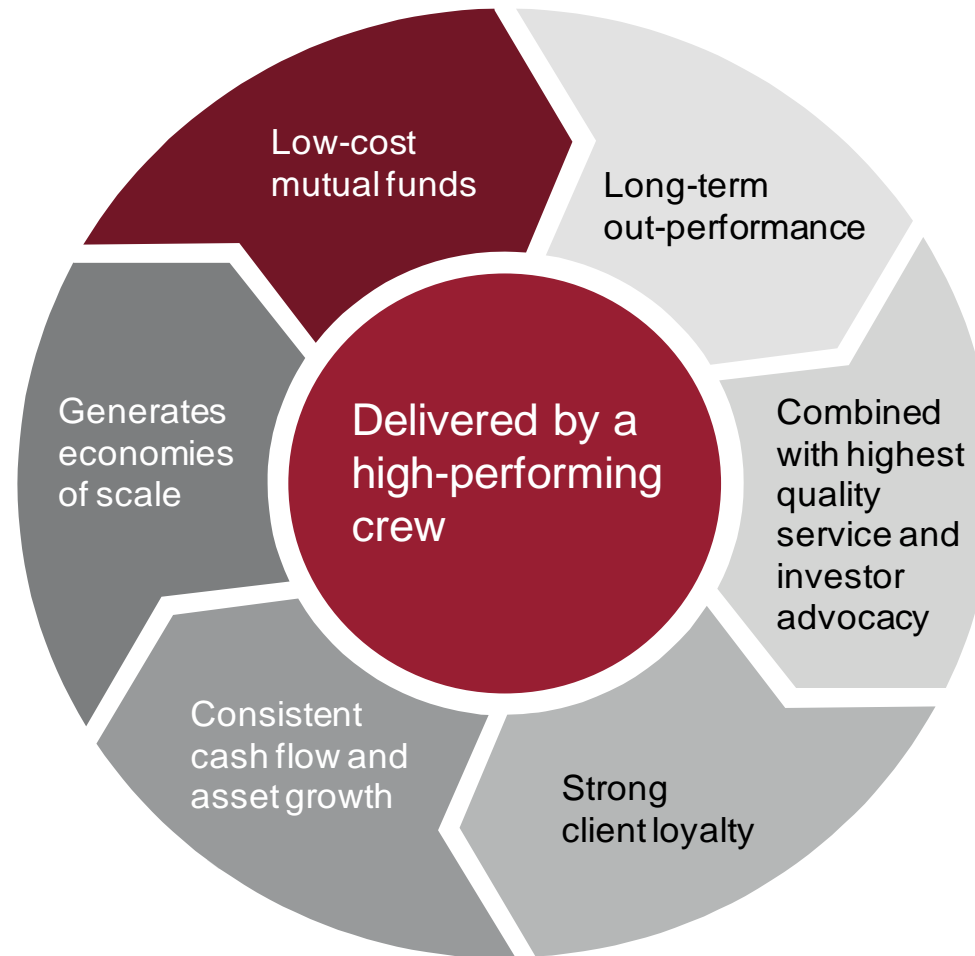
...your structure...

Vanguard is **client-owned** — uniquely structured in the mutual fund industry — which focuses decision-making at all levels on delivering exceptional value to a single set of owners.



Vanguard is mandated, by SEC order, to provide administrative and other services to Vanguard mutual funds **at cost**, meaning that fund shareholders pay Vanguard only what it costs Vanguard to manage the funds.

...your business model...



Vanguard has ***fully aligned its business model*** around its at-cost position, creating momentum and driving organizational effectiveness

...and your long-term strategic objectives.



Financial
Performance

Crew
Engagement

Client
Loyalty

Product
Performance

Risk
Management

Understand the implications for your HR organization



Align short-term goals

Enterprise goals

- Global Expansion
- A+ Leadership
- Protect the Flanks

Business unit goals

- Globalize operating model
- Strengthen leadership capabilities

Business unit goals

- Improve Operating Efficiency
- Strengthen leadership capabilities

HR Goals

Enterprise:

- HR Transformation
- Leadership Development
- Respond to regulatory changes

Business Unit-Specific:

- Consult on org design & implementation plan
- Implement enhanced total rewards strategy



Measure Progress

Business Objective	HR Objective	Primary COE Lead	HRBP	Clients	COE
Enterprise: Global Expansion	HR Transformation	myHR Program Team	●	●	●
Enterprise: A+ Leadership	Complete a competency assessment to identify gaps and design an offer to address gaps across all levels of leadership	Talent / Leadership Development & Vanguard University	●	●	●
Enterprise: Protect the Flanks	Ensure HR programs and processes have adequate governance and controls	Crew Relations & Compliance	●	●	●
BU: Globalize operating model	Design, evaluate and recommend future operating model options and inform implementation plan	Organizational Consulting Services	●	●	●
BU: Improve Operating efficiency	Design a new incentive compensation plan that better aligns performance and outcomes	Compensation	●	●	●

Reflection Exercise: HR Scorecard

Do you have one?

How might you change it?

Are there other approaches/frameworks you use that you would like to share?

Q&A