

# Chapter 109

## Enterprise 2.0 Implementation at Vanguard: Enabling Collaboration and Mobility

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### ABSTRACT

*Creating an Enterprise 2.0 extends from employee content creation and collaboration to building an architecture that enables mobility and where possible allows for emerging technologies and methodologies. Yet, in many cases implementing this new architecture may find resistance, not from knowledge workers, but from IT managers who are apprehensive because of the potential security compromise, proliferation of multiple standards, and delegation of procurement authority to individual users or business units. In this research article, the authors describe a structured and deliberate approach towards building Enterprise 2.0 environment. Many elements of the approach were defined and developed at Vanguard, Inc. as it developed an integrated communication and collaboration environment over several years. The authors emphasize the process followed and lessons learned.*

### 1. INTRODUCTION

The Vanguard Group, one of the world's largest investment management company with over \$3 trillion in U.S mutual fund assets, has no brick-and-mortar stores. Rather, it relies heavily on its innovative Information Technology department to disseminate and share information with its "crew member" employees<sup>1</sup> and external clients. Since 2007, with the advent of the smartphone, the increased use of videoconferencing, and the proliferation of social networks, Vanguard adapted to the changing external market by creating an Enterprise 2.0 (E2.0) agenda. To capitalize on E2.0's potential for improved communication, collaboration, and mobility among crew members and clients, Vanguard decided to roll

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out new technologies first internally to prove their viability, maturity and business value in the highly regulated financial services industry.

Vanguard's IT department partnered with the company's Human Resources (HR) department to assist with the "Best Place to Work" agenda to exploit the ability of E2.0 tools to increase crew productivity and engagement. An E2.0 governance committee was also formed, made up of key business stakeholders, including senior managers from Security and Compliance. This committee was responsible for all key decisions about the program's future. Through methodical planning and project management, the team was able to identify demonstrable business benefits and thus secured buy-in from Vanguard's senior leadership team. In addition, the E2.0 team recruited senior managers from throughout Vanguard to adopt Enterprise 2.0 technologies allowing them to become "ambassadors" for change. Ultimately, Vanguard leveraged its internal successes around E2.0 to create a more collaborative, informative and engaging experience both for crew members and external clients. As a result, Vanguard has deepened the relationship with its customers and generated greater business value.

This paper describes, the opportunities and challenges the E2.0 leadership team faced at different project stages as it pursued the three objectives of the E2.0 agenda: enriching communication, collaboration, and mobility. We first present background on Vanguard and its IT organization. Then we discuss the launch of the E2.0 initiative and its evolution (from the early years to the present) emphasizing major themes such as governance and risk mitigation. We conclude with insights and lessons learned, many of which may prove valuable to other firms, particularly those in financial services.

## **2. ABOUT VANGUARD**

In 1975, John C. ("Jack") Bogle started The Vanguard Group to stand on the side of clients and to provide superior investment products to help them plan and save for their financial futures.<sup>2</sup> Vanguard's current CEO, F. William ("Bill") McNabb has succinctly articulated the company's mission: "To take a stand for all investors, treat them fairly, and give them the best chance for investment success."<sup>3</sup> The company that Bogle began was structured differently from other financial services firms: It was the first "mutual" mutual fund company. That is, Vanguard's shareholders own the Vanguard® funds, which, in turn own Vanguard. Vanguard does not have direct shareholders but, instead, is owned by the funds that it manages. This client-owned structure allows Vanguard to provide investments and services at the fraction of the costs charged by competitors. In 1976, Bogle acted on his undergraduate thesis finding that most mutual fund underperform the Standard & Poor's 500 Index: He introduced the first no-load index mutual fund for individual investors that invested in securities in the same proportion as those that make up the S&P 500 index. In the ensuing 37-plus years, index funds have become hugely popular throughout the industry, and Vanguard has greatly expanded the company's offerings of both active and index funds – now totaling more than 170 domestic and 80 international funds. . In addition, Vanguard is a leader in exchange traded funds (ETFs), closed-end funds – many of which were traditionally index funds – whose shares are actively traded on major exchanges.. Today Vanguard employs 13,000-plus crew members who help to oversee 25 million shareholder accounts. Long known as a low-cost leader, the company has reduced the average expense ratio for its funds to 0.19% one of the lowest expense ratios in the industry. In January 2013, Vanguard crossed the \$2 trillion mark for assets under management within the United States. The structure that Bogle put in place has continued and been reinforced throughout the tenures of the CEOs who have succeeded him: John J. ("Jack") Brennan (1999 – 2008)

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