

IMPACT

JUNE 2018

INVESTING IN
EXCELLENCE



THE HARVARD BUSINESS SCHOOL CAMPAIGN
THE HARVARD CAMPAIGN

SUSTAINING HBS'S UNIQUE ECONOMIC MODEL

Harvard Business School's continued excellence requires ongoing investment—in people, programs, and ideas. The HBS economic model is tightly aligned with its mission of educating leaders who make a difference in the world, where the revenue sources fund and enable the generation and dissemination of the School's intellectual capital.

"HBS strives to be a living example of a well-run organization, embodying the skills, tools, and frameworks taught in its educational programs," says HBS chief financial officer **Richard Melnick (MBA 1992)**. "The foundations of the School's financial health include multiple revenue sources, continued investments in the campus, and limited debt. The surplus we generate allows us to invest in innovation, self-fund faculty research, and offer generous need-based financial aid."

Increasingly, however, many of HBS's revenue sources—MBA tuition, Executive Education tuition, and Harvard Business Publishing—are facing constraints. A desire to limit tuition increases, for example, and growing competition for professional development mean that growth trajectories across these three areas are lower in the coming decade than they were in prior years.

That's why the School relies on philanthropic revenue from past and current giving to fund over a quarter of its operating expenses.

The HBS endowment, built over decades with gifts from alumni and friends, provides crucial funds in the form of an annual distribution earmarked for specific purposes—such as fellowships and professorships—by their donors. Current-use gifts to the HBS Fund provide an annual influx of funds that can be spent immediately. "As HBS has made strategic investments in recent years, gifts to the HBS Fund have provided an important source of seed capital to launch ambitious initiatives such as field learning, the Harvard Innovation Labs ecosystem, HBX, and joint degree programs with other Harvard schools," says Melnick.

Philanthropy is essential to the School's financial health, providing the security and flexibility that will position HBS for excellence in its second century.

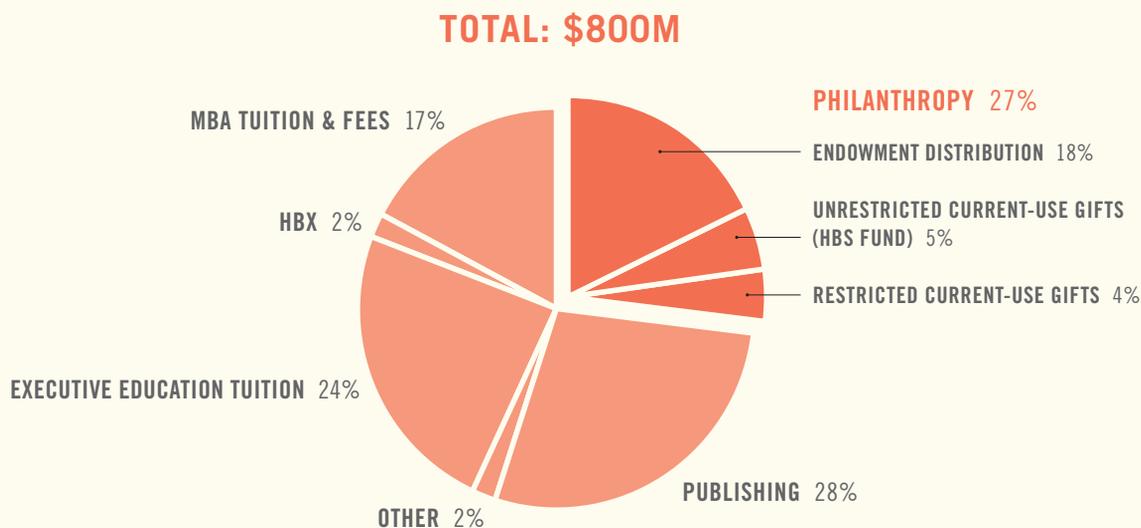
"HBS strives to be a living example of a well-run organization, embodying the skills, tools, and frameworks taught in its educational programs."

Richard Melnick (MBA 1992), Chief Financial Officer

COVER: STU ROSNER



A Snapshot of HBS's Revenues FY17

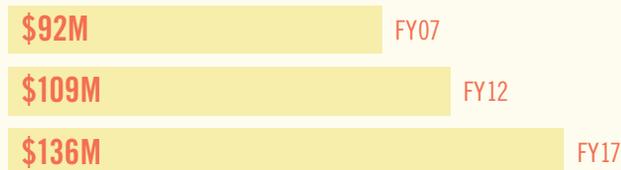


Funding Core Priorities

FACULTY RESEARCH

HBS self-funds the majority of its research, which allows faculty members to focus their time on teaching and research—not on writing proposals—and to pursue the issues they deem most interesting and likely to have the greatest impact. The intellectual capital faculty members generate informs their teaching and case writing and influences business practice and management education worldwide.

INVESTMENT IN FACULTY RESEARCH



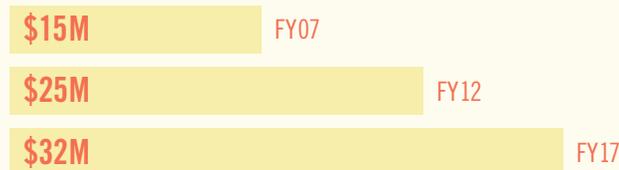
“Without support for research, we wouldn’t have the insight to educate leaders who make a difference in the world. I believe the most exciting years of research at the School lie ahead.”

Jan Rivkin, C. Roland Christensen Professor of Business Administration and Senior Associate Dean for Research

NEED-BASED FINANCIAL AID

In contrast to most of its peer schools, HBS offers need-based rather than merit-based financial aid. Need-based fellowships make the School accessible and affordable to promising future leaders regardless of their financial means and ensure diverse perspectives that enrich learning for everyone. By helping to offset debt, fellowships also enable recipients to make career choices that resonate with their passions.

INVESTMENT IN NEED-BASED MBA FELLOWSHIPS



Nearly 50%
of MBA Students Receive Fellowships

\$37K
Average One-Year Fellowship Award

THE IMPORTANCE OF PHILANTHROPY

Thanks to the generosity of alumni and friends over many years, HBS is fortunate to have an endowment that provides a foundation of support for core priorities. However, contrary to popular belief, the endowment does not cover all our financial needs. Annual giving to the HBS Fund has become an increasingly important component of the School's economic model.

WHY GIVE ANNUALLY?



"Giving annually to the HBS Fund is THE way for all alumni to directly and immediately support the School in delivering on its mission to educate leaders who make a difference in the world."

Ashley Garrett and Alan K. "AJ" Jones
(both MBA 1987), HBS Fund Chairs



HBS FUND

When you make a gift to the HBS Fund—in any amount—you decide where your support goes. You can direct your gift to student financial aid, educational innovation, pathbreaking research, global understanding, HBS-Harvard collaborations, or wherever needed most.

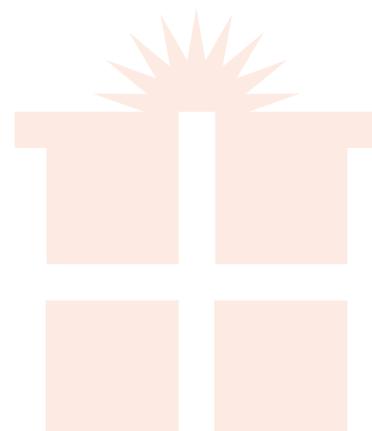
FY17 HIGHLIGHTS

\$250 median gift

8,400 gifts under \$1,000

11,600 donors

- **6,350** consistent donors (gave four of the last five years)
- **700** first-time donors



EXAMPLES OF DONOR IMPACT

Enabling New Modes of Learning

FIELD (Field Immersion Experiences for Leadership Development): Introduced in the MBA Program in 2011, the required FIELD course gives first-year students the opportunity to translate the knowing they gain in the classroom into the doing and being of leadership.

Spurring Entrepreneurial Thinking

Harvard Innovation Labs: What began in 2011 with the opening of the i-lab in Batten Hall has blossomed into an innovation ecosystem of programs and facilities well situated on Harvard's expanding campus in Allston.

83%

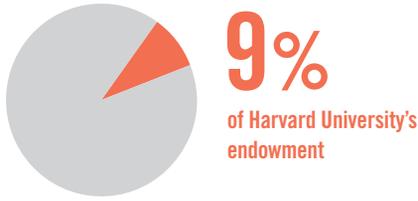
of Harvard University students have engaged with the i-lab since it opened.



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HOW DOES THE HBS ENDOWMENT WORK?

The HBS endowment consists of 1,000+ funds established over more than a century. These funds play a key role in sustaining the School's core priorities.



The \$3.5 billion HBS endowment represents 9 percent of Harvard's total \$37 billion endowment (as of June 30, 2017).

5%

Each year, Harvard determines the **payout rate**—typically around 5 percent of the endowment's prior year-end market value—that can be withdrawn and used to support activities in accordance with the donor's intentions and the terms of each gift.

87%

A large majority of endowment funds are **earmarked for donor-specified purposes** such as professorships and fellowships. Only the remaining 13 percent is unrestricted—\$19 million in FY17—and can be used to help fund new ideas and initiatives.



An enduring investment: Donors who establish an endowed fund at HBS take the long view. For example, the Paul W. Kesten Memorial Fellowship was established in 1966 with a gift of \$100,000. Since then, it has supported more than 100 MBA students and—as a result of appreciation over time—provided \$49,000 in need-based financial aid awards in academic year 2017–2018.



The HBS endowment is managed by **Harvard Management Company (HMC)** as part of the Harvard University endowment. HMC, a wholly owned subsidiary of the University, is under new leadership and in the middle of a major reorganization designed to improve returns across all asset classes.

TOP: CHRIS TAGGART; LEFT: RUSS CAMPBELL; RIGHT: EVGENIA ELISEEVA

Expanding Global Understanding

Regional Research Centers and Offices: This global network in 14 cities helps HBS faculty develop new cases and courses and facilitates opportunities for students and faculty members to gain firsthand exposure to new ideas and business practices around the world.

48%

of new field cases published in FY17 are globally oriented.

Reaching New Audiences

HBX: Launched in 2014, the School's online platform has brought the distinctive features of the HBS classroom—real-world cases and problem solving, active learning, and peer engagement—to a worldwide audience, numbering more than 25,000 learners to date.





Questions

often asked by HBS alumni

Answers

from **Janet Cahill (AMP 189, 2015)**, executive director of External Relations, who oversees the School's alumni relations and fundraising activities



Why does HBS ask alumni to give every year?

Our economic model depends on annual giving by alumni and friends. Rather than being added to the HBS endowment, current-use gifts are put to use immediately to support core priorities and help launch new activities, and cover about 10 percent of the School's annual expenses. Annual support ensures the School's continued excellence.

Where do most alumni gifts go?

Most alumni gifts go to the HBS Fund—the School's annual fund. While donors typically allow us to use their gifts wherever most needed at that moment, they have the option of directing their support to any one of five key priorities: student financial aid, educational innovation, pathbreaking research, global understanding, and HBS-Harvard collaborations.

How do smaller gifts make a difference?

Collectively, smaller gifts make a big difference. In FY17, for example, gifts under \$1,000 to the HBS Fund added up to \$1.8 million. Gifts of any size signal donors' pride in and gratitude for their HBS experience, demonstrate their commitment to the HBS mission, and serve as a tangible vote of confidence in the School's leadership and current direction.

How do I know that HBS is using my gifts wisely?

HBS employs a disciplined budget process—making trade-offs when necessary and focusing new investment in areas of strategic importance to extend the mission of the School. In the spirit of transparency, we invite alumni to examine the School's finances, which are presented by CFO Rick Melnick in the School's annual report (www.hbs.edu/about/annualreport/2017).

Will the School continue to need alumni support after The Harvard Business School Campaign closes on June 30?

The success of the Campaign does not change our reliance on annual alumni giving for a portion of HBS's operating revenue—supporting core priorities and helping to seed-fund new initiatives. Furthermore, guided by the belief that business is the engine that creates prosperity, both in our communities and for society, we will continue to need alumni support as we work together to address society's most difficult challenges.

To learn more, visit alumni.hbs.edu/giving.

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ALUMNI CONNECTIONS



Recent HBS Alumni Events on Campus and Beyond

- 1 Daniel Peng, Wendy Lim, and Jackie Valentine (all MBA 2017)** with Derrick Hsu and **Anish Nahar (MBA 2017)** at the Young Alumni Networking Reception held in March at the Barbarossa Lounge in San Francisco.
- 2 Ben Dupont (PLDA 20, 2016)** and his team at WeMaintain celebrating at Le Hub in Paris with judges, club officers, and guests after winning the Europe regional HBS New Venture Competition Alumni Track in March.
- 3 Roy Willis, Ted Lewis, and Lillian Lincoln Lambert (all MBA 1969)**—three of the five founders of the School's African-American Student Union (AASU)—were each presented with the Hutchins Center's W.E.B. Du Bois Medal by Professor Henry Louis Gates Jr. (far right), director of the center. The medal is Harvard's highest honor in the field of African and African American studies and is awarded to individuals in recognition of their contributions to African and African American culture and the life of the mind. The medals were presented at the Advancing African American Business Leadership conference at HBS in April, part of the yearlong 50th anniversary celebration of the founding of AASU.
- 4** In March, **Karin Kissane-Gaisford (MBA 1997)** moderated a panel discussion on venture capital during the West Coast Women's Leadership Accelerator, a conference attended by more than 250 alumnae that took place at the St. Regis San Francisco.
- 5 Jonathan and Jeannie Lavine (both MBA 1992)** spoke with Lavine Family Fellowship recipient **Liang Wu (MBA 2018)** at the annual MBA Fellowship Dinner in April. The event brought together on campus more than 600 fellowship donors and recipients.

To learn about upcoming events, please visit alumni.hbs.edu/events.

“I DEEPLY BELIEVE THAT THERE IS NO GIFT THAT HAS GREATER LEVERAGE THAN AN INVESTMENT IN THE NEXT GENERATION OF LEADERS.”

Nitin Nohria, Dean of the Faculty

