A Diversified Economic Model Supports Research, Teaching, and the Dissemination of Knowledge

From its beginnings, Harvard Business School has set the standard for educational excellence and thought leadership. This tradition continues even as the pace of innovation has quickened. Today, HBS closely manages its resources to advance novel approaches and the creation of knowledge. The following initiatives illustrate the School's commitment to solution-driven innovation: The FIELD course in the MBA Required Curriculum, the Harvard Innovation Labs, the US Competitiveness Project, and HBX, the School's online learning platform.

The HBS Economic Model

The HBS economic model ensures independent, focused faculty research by investing the School's own funds—$136 million in fiscal year 2017—in this endeavor. Through the operating budget, HBS also self-funds innovation and experimentation in its educational programs. The financial foundation of the model is a group of diversified but interdependent revenue streams.

Earned revenue comes from three sources, all of which offer specific challenges. The MBA Program generates tuition revenue, which, while reliable, grows slowly; also, the School hopes to devote an increasing proportion of that revenue to financial aid. Executive Education also generates tuition revenue and continues to work on expanding its program offerings in a mature and crowded market. Meanwhile, Harvard Business Publishing needs to make heavy investments in technology to maintain its competitive edge.

The pressures on the sources of earned income highlight the strategic importance of the School's two philanthropic revenue streams—distribution from the HBS endowment and current-use gifts. Together, these resources accounted for 27 percent of the School's total revenues in fiscal year 2017, or $220 million. With 87 percent of the endowment dedicated to donor-defined purposes, unrestricted current-use giving is key to furthering innovation.

Managing for the Long Term

HBS manages its financial assets with a long-term view and a disciplined approach that provide a living model of the School's teaching. The annual operating budget is developed through a rigorous process that yields a targeted surplus of at least $20 million to add to the School's reserves. Reserves are used to invest in buildings across the campus to prevent deferred maintenance, increase energy efficiency, and supplement gifts for capital projects.
The Imperative of Increasing Funding for Immediate-Impact Opportunities

Philanthropic investment of all kinds is essential to the future of HBS. Current-use funds, particularly those that are unrestricted, enable the School to be as nimble and opportunistic as possible. The HBS Fund deploys such gifts strategically to advance the School's highest priorities. It makes it possible for HBS to move quickly on emerging areas that enhance student learning and hold the potential to generate solutions to critical issues facing business and society. It also increases the support available for need-based student financial aid. The HBS Fund makes the most of all gifts, large and small. In fiscal year 2017, approximately 8,400 gifts under $1,000 added $1.8 million to this fund. Akin to venture capital funding, these gifts have the power to launch the next game-changing innovation at HBS.

The Operating Budget and the Life of the School

The operating budget embodies a philosophy and an approach that define an HBS education. Financial aid makes it possible for the School to attract not only the most talented students, but also the right mix of backgrounds and experiences to enrich the learning for everyone. Research support enables faculty to pursue the most ambitious and timely intellectual questions without the need to seek grants and tailor research agendas, resulting in books, academic papers, cases, and other teaching materials that inform business education and society around the world. The operating budget permits regular investments in rapidly changing educational technology, and it supports a sustainable and growing campus that provides an unparalleled residential learning environment to HBS students and participants. While funds to stimulate innovation and launch new initiatives are embedded in the budget, HBS has identified the critical need to increase the pool of funds available for such projects.

FY17 OPERATING REVENUES  $800M

FY17 OPERATING EXPENSES  $731M

$69M Operating Surplus
Funds added to reserves to help finance ongoing campus renewal and major campus expansion projects.