

HARVARD | BUSINESS | SCHOOL

Annual Report

2007



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On the threshold of a second century of inventing—and reinventing—business education and the practice of management.



From the Dean

Harvard Business School begins its second century in 2008. This is an exciting time for all of us—an occasion not only to celebrate our legacy of innovation and achievement, but also to develop a vision that will guide the School's next hundred years. As we look to the future, it is clear we must find new ways to support our unique culture and community while building on the strengths that have made us distinctive for so long: remarkable faculty members who are dedicated teachers and outstanding researchers, engaged students who share a passion to make a difference in the world, and a residential campus that fosters learning and the exchange of ideas.

This is an era of change not only for HBS, but for Harvard as a whole. During 2007, Harvard inaugurated its 28th president, Drew Gilpin Faust, who has emphasized the importance of collaboration across the University's schools and faculties. Planning for Harvard's development of Allston is proceeding briskly, and we are determining how best to take advantage of the potential this unprecedented growth offers.

These changes represent an open invitation to share and extend knowledge. The exchange of ideas is more important than ever because of the complexity of the issues we study. A host of teaching and research collaborations strengthens the connection of our faculty and students to Harvard's full intellectual riches, and these ties will grow even closer as academic calendars are coordinated across the University.

As the pace of planning for Allston accelerates, HBS is working closely with Harvard's Allston Development Group. We have also recently completed our own campus planning effort, which is preparing us to extend our residential learning environment for the future. As always, we take the responsibilities of managing our operations and stewarding our resources very seriously.

As businesses cross geographic boundaries, and our students and faculty become more international, we need to build on our previous efforts and seek new ways to teach students how to lead in a globalized world. We have made significant progress in the classroom, and our regional research centers have helped enrich the global content of the curriculum. In addition, members of the MBA Class of 2009 come from nearly 70 countries, bringing a diversity of perspectives that has a profound influence on learning.

We are marking our centennial with a series of events grounded in the work of our faculty, rooted in the spirit of our classroom—whether in person or virtual—and based on our commitment to ideas with power in practice. We invite you to explore these events on our website and to participate in the Global Business Summit in October 2008. We look forward to keeping you informed about progress at the School during the coming year.

Sincerely,

Jay O. Light

Dean of the Faculty

Our History

1908 / At the request of President Charles W. Eliot, the Corporation of Harvard University voted to establish a school of business administration.

1908 / Edwin F. Gay was appointed the first dean, and HBS opened its doors on October 1 with a course of study, faculty of 15, 33 regular students, and 47 special students.

1911 / The “problem” method, the predecessor to the case method, was introduced to the classroom as businessmen were invited to present real problems to students.

1915 / A course titled “Social Factors in Business Enterprise” was added to the elective curriculum in the MBA Program, marking the beginning of the School’s long history of incorporating issues surrounding business ethics into its research and teaching.

1922 / The *Harvard Business Review* was founded.

1924 / George Fisher Baker, president of the First National Bank of New York, donated \$5 million to build a campus for the Business School on the Boston side of the Charles River.

1945 / A group of 60 executives and recently demobilized veterans enrolled in the School’s first Executive Education program, named the Advanced Management Program, which was a continuation of a wartime retraining course launched in 1943.

1959 / Women graduates of the Harvard-Radcliffe Program in Business Administration were admitted to the second year of the MBA Program. These women earned their MBA degrees in 1960.

1973 / The International Senior Managers Program was initiated in Switzerland—the School’s first program held outside the United States.

1993 / The Social Enterprise Initiative was established to generate and share knowledge that helps individuals and organizations create social value in the nonprofit, private, and public sectors.

1993 / HBS Publishing (HBSP) was formed.


1997 / The California Research Center opened in Silicon Valley; other regional research centers were opened in the Asia-Pacific region (1999), Latin America (2000), Japan (2002), Europe (2003), and India (2006).

2003 / The Arthur Rock Center for Entrepreneurship was established to support faculty, research, and course development in entrepreneurial studies at HBS.

2004 / The C. Roland Christensen Center for Teaching and Learning was established to promote and support teaching excellence and innovation within HBS and to provide leadership and expertise about case method teaching and participant-centered learning for instructors worldwide.

2005 / The Healthcare Initiative was launched as a multidisciplinary program dedicated to innovative thinking in the healthcare industry.





For nearly 100 years, Harvard Business School has been a leader in management education and in the creation of new knowledge about business. Driven by continuous innovation, this leadership integrates the latest technologies, advances in science, insights into society, and global perspectives—while remaining close to the practice of management.

“More than any course, the China Immersion gave the students a deeper sense of how the center of gravity in the world economy has moved to Asia, and specifically to China. By meeting with businesspeople, they saw firsthand how great the opportunities are, how focused the Chinese are on growth, and how rapidly the economy is developing. They also recognized

the entry barriers in terms of language and culture. Having a structured intellectual component with faculty sharpened the focus and increased the value of the experience. This is a model we will expand in 2008 as we return to China and sponsor new Immersion programs in India, the Middle East, and Europe.”

Professor Richard H.K. Vietor

The state maintains an enduring role in business. Families exert great influence, no matter what the organization chart says. Companies provide critical social support for employees. Welcome to doing business in China. These are among the realities that some 70 MBA students and three faculty members experienced firsthand in the China Immersion during January 2007. The School piloted three Immersion programs during the 2007 winter break, each combining elements of traditional student treks with faculty leadership and a structured academic experience.

Immersion programs enable MBA students to test new waters.

“Although I had heard so much about the explosive growth of the Chinese economy, I had to see the transformation for myself in order to truly understand it. Simply driving into Shanghai from the airport demonstrated the extent of their infrastructure. For me, the most valuable aspects of the immersion were the participation of the faculty, who provided

so much context about the way business has developed in China, and the group experience of traveling and learning with other HBS students. As one of the three leaders of the Middle East Immersion planned for 2008, I’m using my experience in China as a model.”

Firas Alkhatib
MBA '08

China Immersion 2007 Itinerary

- 6 cities in 11 days: Beijing, Hangzhou, Shanghai, Sanya, Shenzhen, and Hong Kong
- Academic and media panel presentations
- Visits to companies and interviews with executives
- Industries represented: auto parts, soft drinks, microchips, semiconductors, and petroleum
- A visit to the Beijing Olympic Games committee
- Networking with local HBS alumni
- Cultural tours and social events



"We were very fortunate to be able to draw on the University's resources and talent in designing the Immersion program. So when it came time to learn about cardiovascular disorders, for example, first we had a faculty member from Harvard Medical School outline the anatomy and physiology of the cardiovascular system and coronary disease. Then, two

specialists from Brigham and Women's Hospital discussed the management of arrhythmias and treating and managing heart failure. To cap off the day, a venture capitalist spoke about a medical device company that had introduced new technology designed to deliver three-dimensional catheter control. It was an incredible experience."

Professor Richard Hamermesh

Close to Home

More than 55 first- and second-year MBA students—as well as HBS faculty and staff members—spent five days during January 2007 in one of the world's greatest medical centers, located in HBS's backyard. The Health Science and Business Immersion drew on the talents and expertise of Boston's renowned community of physicians and biomedical researchers representing major teaching hospitals, biomedical companies, and investment firms, to give MBA students a firm grounding in the intersection of science and business. The students tried their hands at surgical simulations, observed a virtual chemistry visualization, and debated ethical issues during the intensive weeklong program.

Leveraging Faculty Expertise and Enhancing the Curriculum

Richard Hamermesh, Richard Bohmer, Amy Edmondson, Regina Herzlinger, and Robert Huckman—faculty who bring a wide range of perspectives to understanding the challenges of modern healthcare—spearheaded the initial Health Science and Business Immersion. The program aimed to help students understand the focus of the major medical specialties and the companies and products emerging from each, as well as the macro trends affecting healthcare treatments and procedures. In the future, Immersion programs may be connected more closely to the curriculum, with students taking elective courses before or after the experience, or participating in selected field studies.

Joint-Degree Program Facts

- Approved in Spring 2007 to replace the concurrent degree program, the three-year program will admit the first students in Fall 2008.
- The program offers two degree options: Master in Business Administration/Master in Public Policy (MBA/MPP) and Master in Business Administration/Master in Public Administration – International Development (MBA/MPA – ID).
- Students must be admitted independently to both schools.
- The curriculum will be fully integrated and enriched with specialized research and case development.
- During their first summer in the program, students are expected to pursue internships based in public service or public policy, and to have a similar experience in the private, for-profit sector the following summer.

Global climate change. Hurricanes and tsunamis. Disintegrating infrastructure. Look no further than these recent headlines to see why HBS and Harvard University's Kennedy School of Government are inaugurating a fully integrated joint-degree program in business and government. Many of society's most complex and critical challenges do not fit neatly into sectors—they require collaboration among business, government, and nonprofit organizations. Harvard is uniquely equipped to frame the distinctive issues at this intersection and to prepare the business and public policy leaders who can resolve them.

An aerial photograph of a university campus. A multi-lane road curves through the center, crossing a river via a stone bridge. To the left, there are several large, modern buildings with flat roofs, a green sports field, and a parking lot. The foreground shows more campus buildings and trees with autumn foliage. The overall scene is bright and clear, suggesting a sunny day.

Society's greatest challenges
cross many borders. So should
the solutions.

"These new joint degrees will prepare leaders who can advance solution building at the intersection of business, government, and NGOs. Today's most intractable issues cross these sector boundaries, and we are committed to producing a cadre of leaders who can

reach across them respectfully and effectively. Think about alleviating poverty, conquering diseases, rebuilding war-ravaged cities—and then imagine what the graduates of this program will be able to accomplish."

Professor Dutch Leonard



"We have the great advantage of access to scientists and social scientists across the University who can help us understand the environmental, economic, and social context of the business problems we study. This broad understanding informs our research and enables us to expand the scope of course development and put our students in touch with experts

for field studies. Ultimately, it contributes to the way companies view opportunities and set strategy. Perhaps the best example is the attempt to put carbon emissions into a market framework—something that companies traditionally did not have to consider because the global atmosphere was 'free.'"
Professor Forest L. Reinhardt

“Learning to live and think within the context of the whole University.”

This ideal is stated in the words of Drew Gilpin Faust, named Harvard’s 28th president in February 2007, who is encouraging increased collaboration among the Schools and disciplines. In addition to the current joint-degree offerings—including the new programs with the Kennedy School, a longstanding four-year JD/MBA Program with the Harvard Law School, and an integrated five-year MD/MBA Program with the Harvard Medical School—HBS faculty for many years have partnered with colleagues around the University on topics ranging from energy and the environment to public education. Additionally, as Harvard moves to a coordinated academic calendar, opportunities to teach elsewhere within the University, and to engage faculty from other areas of the University in HBS’s MBA, Doctoral, and Executive Education programs, will increase.

Focus on the Environment

With the environment on center stage, HBS is using its intellectual resources to address issues concerning the natural world in collaboration with other schools and entities within the University. Professor Forest L. Reinhardt, author of *Down to Earth: Applying Business Principles to Environmental Management*, has developed the half-courses—“Business and the Environment” and “Energy”—that are offered to participants in the Kennedy School’s Corporate Social Responsibility Initiative as well as to MBA Program students. Reinhardt is also involved in the Harvard University Center for the Environment, which brings together scholars from varied disciplines to focus on research and education on the environment.

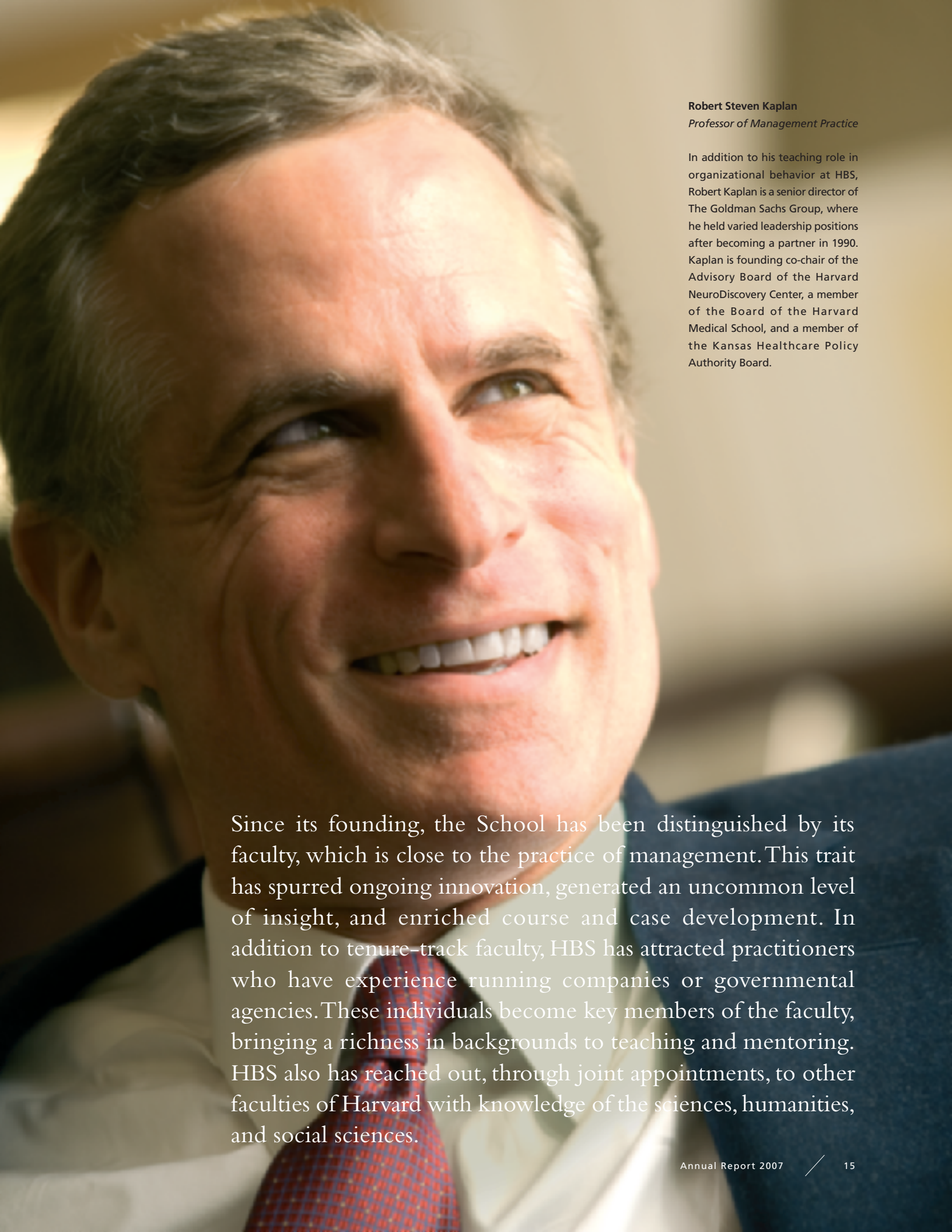


HBS faculty members are
close to practice in diverse
roles and contexts.

William C. Kirby
Professor

A world-renowned historian of modern Chinese economic and political development in an international context, William C. Kirby, Ph.D., is the Geisinger Professor of History, a Harvard University Distinguished Service Professor, and the director of the

Fairbank Center for East Asian Research. He joined the HBS faculty in fall 2006 and worked with Warren McFarlan to develop a new course in the MBA elective curriculum, "Doing Business in China in the Early 21st Century."



Robert Steven Kaplan
Professor of Management Practice

In addition to his teaching role in organizational behavior at HBS, Robert Kaplan is a senior director of The Goldman Sachs Group, where he held varied leadership positions after becoming a partner in 1990. Kaplan is founding co-chair of the Advisory Board of the Harvard NeuroDiscovery Center, a member of the Board of the Harvard Medical School, and a member of the Kansas Healthcare Policy Authority Board.

Since its founding, the School has been distinguished by its faculty, which is close to the practice of management. This trait has spurred ongoing innovation, generated an uncommon level of insight, and enriched course and case development. In addition to tenure-track faculty, HBS has attracted practitioners who have experience running companies or governmental agencies. These individuals become key members of the faculty, bringing a richness in backgrounds to teaching and mentoring. HBS also has reached out, through joint appointments, to other faculties of Harvard with knowledge of the sciences, humanities, and social sciences.

A close-up portrait of Vicki L. Sato, a woman with dark hair, looking slightly to the left. She is wearing a dark blue top and a pearl earring. The background is a soft, out-of-focus light color.

Vicki L. Sato

Professor of Management Practice

A scientist and biotechnology business leader, Vicki L. Sato, Ph.D., is an advisor to enterprises in the biotechnology and pharmaceutical industries. She recently retired from Vertex Pharmaceuticals, where she served as president for seven years after holding other key positions within the company. She was formerly vice president of research at Biogen, Inc., and associ-

ate professor of biology at Harvard University. In addition to her role at HBS, she currently holds a similar appointment in Harvard's Department of Molecular and Cell Biology. Sato is co-teaching "Inventing Breakthroughs and Commercializing Science" in the MBA elective curriculum.



Clayton S. Rose
Senior Lecturer

Clayton Rose joined HBS after a 20-year career at JPMorgan Chase & Co., where he headed the Global Investment Banking and Global Equities divisions. In 2007, Rose completed a Ph.D. in sociology at the University of Pennsylvania. His dissertation examined how companies manage

the racial composition of their boards and senior management teams. He also chairs Highbridge Capital Management, a \$32 billion hedge fund, and has served as a director of financial services and life sciences companies.

HBS and the leading microfinance organization ACCION International collaborated on an Executive Education custom program for leaders of organizations that make small loans to poor entrepreneurs, primarily those in the developing world. The HBS – ACCION Program on Strategic Leadership for Microfinance is the first of its kind to provide high-level management and industry training to chief executive officers, executives, and key sector protagonists in this increasingly important industry. In April 2007, the program welcomed its second cohort of nearly 70 people from around the world.

Microfinance takes a leading role on the world stage—and in an Executive Education program.

“Success in the last decade has been driven by the ability of microfinance institutions to manage operations well—tapping into capital markets and then deploying that capital in very large numbers of small

transactions. In the next decade, these institutions will go from managing operations to leading strategically under conditions of very rapid change.”

Senior Lecturer Michael Chu



Annual Social Enterprise Executive Education Programs

- Corporate Social Responsibility: Strategies to Create Business and Social Value
- Governing for Nonprofit Excellence: Critical Issues for Board Leadership
- Performance Measurement for Effective Management of Nonprofit Organizations
- Strategic Perspectives in Nonprofit Management

“The nonprofit sector is large and fragmented, and is served by few consulting organizations or intermediaries. The result is a critical knowledge gap. At Harvard Business School we

are addressing this challenge through a new model, working with partners to develop and share knowledge.”

Professor Kash Rangan

	'96-'97	'97-'98	'98-'99	'99-'00	'00-'01	'01-'02
Leading Change						
Millennium Initiative						
		Native American Program				
		Frontiers of Management				
	NAACP					
					Evolve!	

Social Enterprise in Executive Education

From the inception of the Social Enterprise Initiative, the faculty has placed a priority on engaging with leaders in the nonprofit sector. In fact, the initial offering in the Executive Education Social Enterprise portfolio has been taught since 1993.



'02-'03

'03-'04

'04-'05

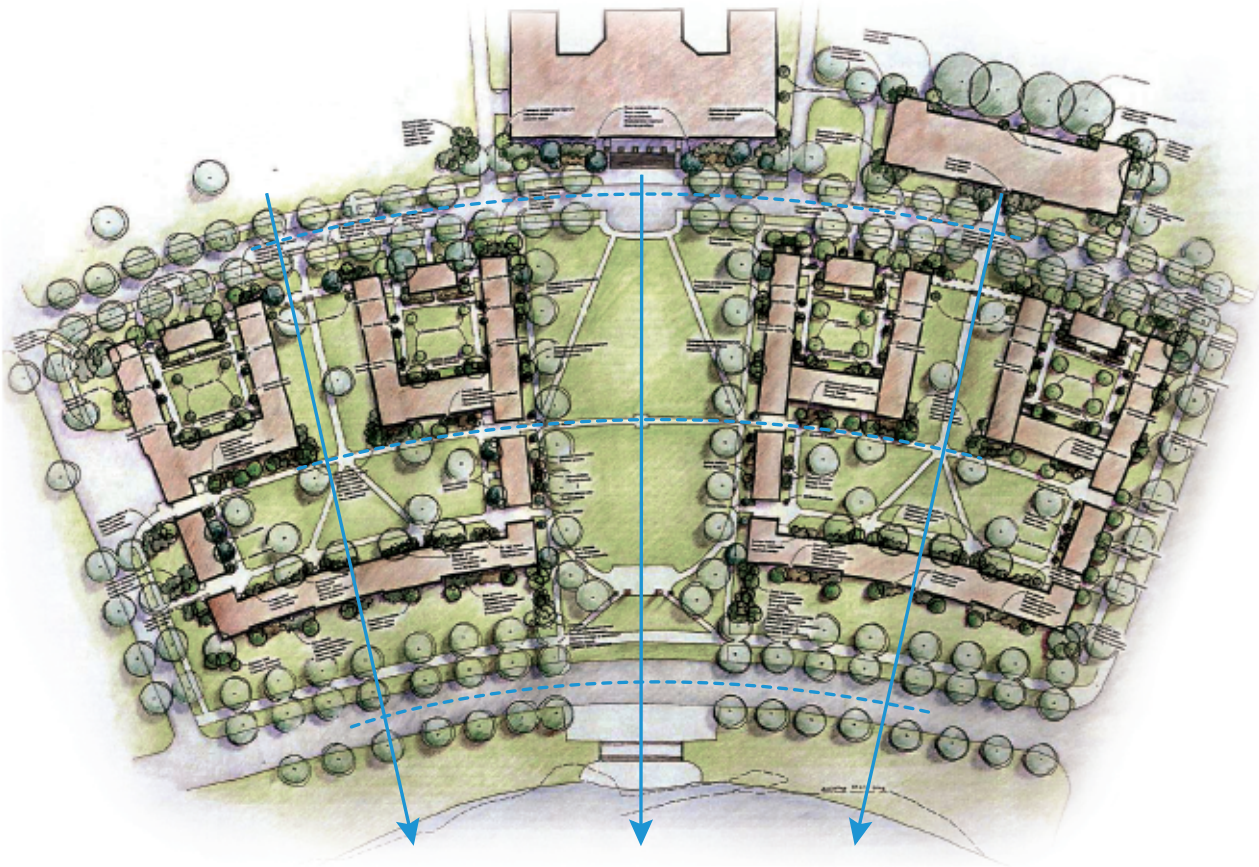
'05-'06

'06-'07



Through strategic planning for the future, HBS sustains its unique environment.

From the beginning, the learning experience at HBS has been shaped by the residential character of the School. The campus has been designed to help students interact freely, learn from one another, and meet with faculty. To ensure and enhance the sense of community, HBS has created a campus-planning process together with a model of stewardship that consistently guides development, even as new innovations are introduced and the external environment changes. Today, the School incorporates overall environmental sustainability into its decision making. The HBS sustainability initiative has generated substantial change and cost savings by concentrating on four critical areas: energy conservation, waste reduction, best practices, and behavioral change.



1926

The original McKim, Mead & White plan established the overall design principles that continue to make the HBS campus distinctive today: an orientation toward the Charles River, an axial alignment of buildings, and a focus on open space as well as on buildings. This plan called for

“outdoor rooms” for events and ceremonial occasions as well as to provide opportunities for interaction in daily life. HBS continues this tradition by maintaining open spaces, creating new ones, and emphasizing a walking rather than a vehicular environment.

To a remarkable extent, today’s HBS campus reflects the original 1926 plan by McKim, Mead & White, despite the School’s growth and adoption of cutting-edge technologies. Building on that strong initial planning effort, HBS inaugurated a cycle of 10-year master plans in 1986, 1996, and 2006. The latest effort, undertaken in the context of Harvard University’s planning for its expansion in Allston, emphasizes the School’s commitment to the ongoing stewardship of its physical resources.

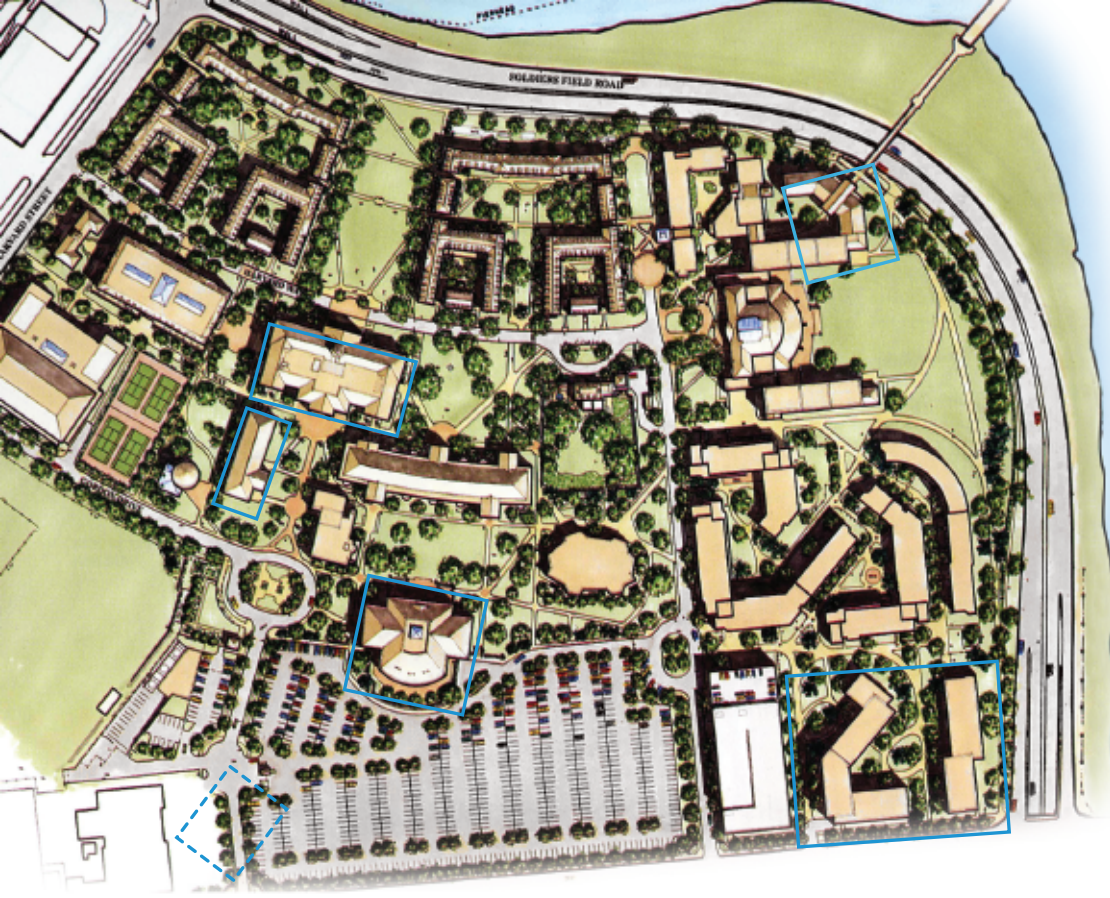
The majority of the campus was built in one ambitious effort beginning in 1926. In recognition of the School's intent to provide a cohesive academic experience for students, the original plan specified a gymnasium and a nondenominational chapel. These buildings were not actually realized until after the 1986 plan, when Shad Hall and the Class of 1959 Chapel were constructed.

1986

The 1986 plan returned the campus to its original pedestrian orientation by limiting vehicular traffic in the interior and creating a formal entry with expanded parking on the Western Avenue edge. This effort also produced

the current athletic facility and chapel, brought faculty offices together in the vicinity of Baker Library and Morgan Hall, and increased housing for Executive Education.





1996

In 1996, a new planning effort defined the need for a student hub, resulting in Spangler Center. The plan also called for completing Executive Education housing,

the renovation and expansion of Baker Library, and the renovation of the residence halls—all either finished or nearly so in 2007.



Sustainable Campus Initiative

Formally launched in May 2005, this initiative has had a major impact:

- HBS has completed more than 25 energy conservation projects, resulting in annual savings of more than \$550,000. These projects include a smart lawn sprinkler that monitors weather and operates only when water is needed and a cogeneration plant in Shad Hall that produces on-site electricity and uses the waste heat from the engine to produce hot water. The estimated savings from each of these two examples is over \$50,000 per year.
- By maximizing utility rebates, HBS has saved more than \$640,000 in utility costs annually.
- Conservation efforts resulted in offsetting of more than 5 million pounds of carbon dioxide emissions annually.
- In fiscal 2007, 54 percent of the School's daily-use waste was recycled, against a Harvard-wide goal of 50 percent and up 16 percent from fiscal 2005.
- Leadership in Energy and Environmental Design (LEED) certification is being pursued for five recently renovated buildings.

2006

The most recent plan focuses on enhancing communication and social interaction through the creation of green space flowing east-west between the original and new sections of the campus. Along Western Avenue, the plan

moves parking underground to create room for growth—including a formal entrance from the south and new buildings to house faculty and staff, as well as additional classrooms and smaller breakout spaces.






"Important elements of our strategy and competitive advantage are based on location, so a robust campus-planning process is essential to our future. The most recent plan features functional elements that fulfill our responsibility. This plan creates a new 'heart' for the campus,

describes a formal entrance, gives us flexibility by utilizing underground space, and addresses our near- and mid-term needs. Ultimately, it will help us articulate our relationship to the University and to the Allston neighborhood."

Professor Peter Tufano

A photograph of a library interior. The floor is covered in a dark and light checkered pattern. In the background, there are bookshelves and a desk with a lamp. The lighting is warm and focused on the desk area. The text is overlaid on the lower left side of the image.

Harvard Business School is dedicated to excellence in operational management and resource stewardship. The School's financial strategy is designed to provide the capacity for innovation as well as the pursuit of enduring goals. Both are crucial to the teaching, learning, and knowledge creation that enable the School to make a difference in the world.