



Building on the School's success in faculty recruiting in fiscal 2008, we expect faculty FTEs to grow from 219 this past year to 227 in fiscal 2009. The School's investment in faculty research is projected to rise by nearly 10 percent in fiscal 2009 to more than \$112 million. A significant portion of the incremental funding will be used to further strengthen the HBS regional research centers and thus better enable the faculty to remain close to practice around the world.

Harvard Business Publishing's plans for fiscal 2009 will focus on digital product rollouts and further globalization in terms of product content and operational reach, highlighted by the opening of a new office in India. Executive Education will be building on the momentum generated this past year by continuing to experiment with hybrid program components across its long program portfolio. Executive Education also expects to complete development of a new Healthcare Management Program for delivery in fiscal 2010. Program investments over the past two years enhanced the quality of the overall participant mix in fiscal 2008, and these efforts will continue in the year ahead.

Fiscal 2009 will be an active year globally. Identifying a combined site for a new classroom space and office facility in China will be a key objective. We will continue to develop focused and custom programs in China and India, while supporting the School's and the University's strategic efforts around the world. Recreating the HBS experience thousands of miles from Soldiers Field is a challenging goal, but one that promises to be a milestone for the School and its mission in the 21st century.

The School's efforts to create an offsite space for executive programs are not only strategically driven, but also a response to space limitations at Soldiers Field. Improving executive program capacity utilization was a priority for fiscal 2008, and will remain so, but lack of physical space on campus will continue to constrain growth in Executive Education for some time to come.

Looking forward to 2010 and beyond, the School's capital investment strategy will be shaped by the comprehensive campus plan essentially completed this past year. MBA Program priorities are residence hall construction and renovation, and the creation of new spaces for team-based learning. The campus plan also includes construction of new office facilities to accommodate growth in the size of the faculty. In addition, we are planning to address the chronic shortage of assembly spaces at HBS—from small rooms for seminars to large auditoriums.

Renovating the Executive Education residence space in Baker Hall will be one of the School's near-term capital investment priorities, with the initial spending planned for fiscal 2009. Completing the renewal of Gallatin Hall and upgrading the life safety systems in McCulloch Hall are the other large capital projects anticipated for the upcoming year.

On behalf of the faculty and staff of Harvard Business School, I extend my sincere thanks to you, the School's alumni and friends, for your generosity and support. We pledge to reward your commitment to HBS with thoughtful, accountable management in fiscal 2009 and the years ahead.

Richard P. Melnick, MBA '92
Chief Financial Officer
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