Financial Review

THE HBS BUSINESS MODEL
The work of Harvard Business School is sustained by a unique business model. Eighteen percent of the School’s revenue comes from MBA tuition, fees, and related student income. More than 50 percent of revenue is generated by Harvard Business Publishing (HBP) and Executive Education, both of which offer products and programs in highly competitive markets. Nearly all of the remaining 30 percent of revenue comes from gifts to HBS, whether in the form of unrestricted current use gifts or distributions from the School’s endowment.

Unlike at other Harvard University schools, faculty at HBS do not seek grants from external sponsors such as government agencies, foundations, and corporations. Instead, their research is funded primarily by the School. Freedom from the constraints associated with outside funding allows faculty to pursue the research opportunities they believe have the greatest potential to create new knowledge.

In a self-sustaining cycle, the intellectual capital produced by the faculty is disseminated globally through Executive Education programs and HBP’s portfolio of periodicals, books, cases and teaching materials, and eLearning products, enabling the School to advance the practice of management while generating significant operating margins. Completing the cycle, these margins serve as the mainstay source of funding for the faculty’s research.

REVENUES

SUMMARY
Capping a five-year period in which the School’s total revenue has grown at a compound annual rate of 8.9 percent, revenue for fiscal 2008 increased by 11.4 percent from the prior year to $451 million. Executive Education and HBP together generated more than half of this $46 million growth, reflecting their success in capturing corporate and academic demand for management education on an increasingly global scale. Driven by strong investment returns, a larger distribution of income from the School’s endowment represented $16 million of this year’s revenue growth. As in prior years, MBA tuition and fees increased as well, generating an incremental $5 million in revenue.