

FROM DEAN NOHRIA

JAN 2016

In my first annual update, I shared with you my conviction that Harvard Business School stood at an inflection point. Changes in the world around us, I posited, required that we usher in a new era of innovation: one that embraced the legacy and foundation built by our predecessors, yet anticipated a future reshaped by forces like globalization and technology.

In the years since, my sense of urgency has if anything grown as we face what feels like an increasing array of challenges and opportunities. Yet my sense of optimism has grown as well. Much as I conducted a “listening tour” when I became dean, I continue to seek out opportunities to meet with students, faculty, staff, alumni, and fellow educators—over breakfasts and lunches on campus, in informal discussions, and through visits and events with alumni all around the globe. **WHAT I HEAR IN THESE CONVERSATIONS**

IS AN INCREDIBLE PASSION TO MAKE A DIFFERENCE IN THE WORLD,

A DEEP-SEATED BELIEF IN THE POSITIVE IMPACT OF HBS, AND A REPEATED

CONVICTION THAT GOOD LEADERSHIP CAN INDEED MAKE SOCIETIES

STRONGER AND MORE VIBRANT. The work of Harvard Business School remains both important and timely.

We continue to make outstanding progress toward advancing the School’s mission through our “Five I” strategic priorities: innovation in our educational programs, fostering the intellectual ambition of our faculty, internationalization, creating a culture of inclusion, and seeking opportunities for integration within Harvard Business School and with Harvard University. Let me describe for you our work, both recent and planned, in these areas.



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INNOVATION IN OUR EDUCATIONAL PROGRAMS

The case method has been the hallmark of the HBS learning experience for nearly a century. In 2010, we added the field method to our lexicon: immersive, experiential learning opportunities that advance the *knowing*, *doing*, and *being* of leadership by putting students in real-world settings and requiring them to implement (and integrate) their ideas.

Field Immersion Experiences for Leadership Development (FIELD), a yearlong required course in the first year of the MBA Program, was launched in fall 2011. Building on our experience with FIELD, we have been working to incorporate field method courses in the second-year Elective Curriculum (EC) as well, and now have offerings that engage more than a third of our MBA students. Immersive Field Courses take place in January and allow students to go deep in a geography or sector—from real estate in New York City to social enterprise in India. Extended Field Courses unfold over a semester with hands-on practical exposure on topics ranging from design thinking to project management. Whatever the format, students engage in project work with partner organizations under the supervision of a faculty member. Many students report that the experience changes how they think about the careers they will pursue. Based on their field experiences in an EC course on the financial management of smaller firms, for example, a number of students from the Class of 2015 decided to launch a search fund that would enable them to acquire and run a small business.

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Five years into FIELD, we have undertaken a full review to assess how we might continue to refine and enhance it. Is January the best time for the FIELD 2 global immersion, for example, or might it be better situated later in the semester when students are able to draw on additional insights from courses such as Strategy and Business, Government, and the International Economy? FIELD 3, where small teams design and launch a new venture, has had a bimodal student response: Some find it transformative, while others tune out and invest limited effort. Should it continue to be required

or should it become an elective? Are there other required FIELD experiences we might introduce? These are the types of questions we are exploring.

Beyond FIELD, the MBA curriculum remains dynamic: faculty members work constantly to update cases, introduce new courses, and evaluate and enhance existing courses to ensure that the whole is greater than the sum of the parts. Last spring, we introduced a capstone program for graduating students called Bridges. Over three days, students reflected on their two years, synthesized what they learned, planned for reentering the workforce, and brought closure to their HBS experience. One measure of the program's success was the near-universal belief that it had always existed. Students simply couldn't believe that their predecessors had graduated without it.

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I've highlighted the case method and the field method. The third pedagogical approach we have developed is HBX, our online platform that encompasses programmatic courses like CORE (a primer on the fundamentals of business) and specialized courses like Disruptive Strategy (which build on the ideas of individual faculty members, in this case Clayton Christensen), as well as the HBX Live studio (a virtual manifestation of the physical HBS classroom experience). We saw robust growth in all of these online offerings—about 3,500 participants in CORE, 500 in Disruptive Strategy, and 2,000 across 50 sessions of HBX Live. While we will continue to build out courses that reach new audiences and engage our alumni, increasingly we are interested in ways that HBX might be incorporated in our existing educational programs. Over 300 of our MBA students who began the program in September

innovation continues →

took HBX CORE before matriculating, and faculty members and students alike report they are better prepared to succeed in the first year curriculum. In the General Manager Program in Executive Education, we used HBX Live to engage participants between modules.

Taken together, we now have three unique and distinctive ways to deliver a transformative educational experience. How do we help faculty leverage these approaches in designing courses that engage students and participants and, eventually, alumni and others as well? The possibilities here are truly exciting.

The full platform of educational opportunities we provide positions us uniquely to serve anyone considering a business education at any stage in their life. However, we now are thinking hard about the people who are no longer convinced that it is worthwhile to gain a formal business education, and thus are not applying to business school at all.

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INTELLECTUAL AMBITION

While united by a desire to influence management practice and education, faculty members come to Harvard Business School today employing a wide and increasing number of research methodologies: some measure aspects of human physiology to understand responses to various marketing stimuli; others use ethnographic studies to gain insight into individual behavior and motivations; some carry out large-scale interviews and surveys to learn what contributes to company performance; others analyze large data sets to build empirically informed theory; and yet others use lab and field experiments to tease out behavioral and organizational insights.

Harvard Business School supports all these types of research. Our goal is to provide members of our faculty with unmatched resources—largely through internal funding, freeing them from the burdens associated with seeking grants and other external funding. This patient capital allows them to pursue ambitious long-term research projects and to develop ideas that have enduring power in practice.

In recent years, though, we have begun seeing more faculty members whose work requires a budget that is significantly higher than the norm. This has led us to create a handful of working groups to address several questions: Should we be more open to outside funding? Additionally, in what ways might we foster research collaboration? Are there physical space configurations that would boost the work of

research teams? Given the remarkable success of the Harvard Innovation Lab (i-lab) in fostering student ideas, should we develop a faculty research i-lab?

Beyond individual faculty research, the School also invests in advancing interdisciplinary initiatives and projects that bring together faculty members from across units to address issues of significant relevance to business and society. The Business and Environment Initiative, for example, has developed numerous cases on how firms can reduce their environmental footprint—cases that serve to educate not just our own students, but also those in most other MBA programs around the world. Building on

intellectual ambition continues →

a rich tradition of understanding the rise of capitalism in advanced economies, the Business History Initiative is gathering oral histories that will document the rise of business enterprises in emerging markets. The focus of the Digital Initiative is to study the far-reaching impact of the digital revolution on firms, industries, and societies. The Gender Initiative convenes the best scholars in the field to promote gender equity in business and society and continues to develop understanding from recent surveys of the School's alumni. The Health Care Initiative has launched a new project on advancing precision medicine, even as it continues to study how to make the health-care system more efficient and effective. Our Leadership Initiative is developing innovative new courses that push the frontiers of leadership development. Finally, the Social Enterprise Initiative is studying different approaches to impact investing to complement ongoing work on how to build and manage enterprises that address unmet social needs. All of these initiatives build and support vibrant communities of HBS students and alumni.

The U.S. Competitiveness Project, now in its fifth year, recently completed its fourth alumni survey. The findings show that while the U.S. economy has regained some measure of competitiveness in terms of how firms are faring, it is only doing half its job, as the living standard of American citizens continues to stagnate. To

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help move our deepening understanding from ideas into action, last June we launched the Young American Leaders Program, bringing together small groups of high potential leaders from different sectors of a city or state (business, local government, school districts, and social enterprise) to jointly explore how they can improve their region's competitiveness. Inspired by the reach and impact of the Competitiveness Project, we are in the process of launching a new project on Behavioral and Institutional Finance to study how to build a more robust financial system that is less vulnerable

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We also are eager to explore how we might truly realize a unique capacity at HBS to convene leaders across sectors and industries. We will be breaking ground on the Klarman Center, a beautiful new facility that will seat more than a thousand people and incorporate technology to engage even more, in April 2016. Can we combine our people, our spaces, and our pedagogies and tools in a way that is distinctive to the School, and that will help open a dialogue around (and lead to action on) the challenges facing the world today? This is an area that holds tremendous promise, as witnessed by the incredible reactions of our alumni to events and activities like our reunions, the W50 Conference, industry focused symposia such as the asset management, private equity/venture capital, and real estate conferences, and the Rock100 conference for entrepreneurs of pre-IPO companies.

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INTERNATIONALIZATION

Harvard Business School today is inherently international: with more than a third of our MBA students, half of our Doctoral students, and nearly two-thirds of our Executive Education participants coming from countries outside the United States, our classrooms reflect a global perspective. And, relative to when I first joined the faculty, our curriculum now more fully reflects global business practices.

Our international strategy has been one of engagement through regional research centers that, first and foremost, foster faculty research and course development. Deepening the faculty's understanding of global business and relationships with global companies is what leads to new cases and courses in all our educational programs that feel timely and relevant. During 2015–2016 well more than half of the 250+ new cases written by HBS faculty were global in location or content.

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Our international centers also support Harvard Business Publishing (HBP), which has a growing number of foreign-language editions of *Harvard Business Review* (with local authors and content) and partnerships with business schools around case and curriculum development. Our international publishing activities have experienced rapid growth, and now account for more than a third of HBP's \$200 million annual revenues.

Moreover, our centers facilitate the development of regional Executive Education programs: In locations from China to India to Latin America to Africa, we are offering focused programs that look at local business issues in the context of global business practice. Finally, the centers play an important role in keeping the School connected to alumni, hosting lectures with faculty who are visiting and working with regional advisory boards, for example.

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Beyond the research centers, faculty immersions and travel fellowships play an important

role in exposing faculty members to interesting and innovative companies. During the coming year faculty will travel to Germany to explore innovation, sustainability, and globalization through visits to Germany's famed *mittelstand* (midsize) companies, large multinationals, and research institutions. They'll also participate in a half-day seminar to share their research with local alumni and business leaders.

INCLUSION

Harvard Business School is an institution committed to ensuring that every member of the community is able to thrive and do their best work. We realize this first by ensuring that we are able to admit students from a wide range of backgrounds to our programs, regardless of their financial means.

All of our Doctoral students receive fellowships to cover the full cost of tuition and expenses over the duration of their education, as well as a modest annual living stipend. In the MBA Program, nearly 900 students—about half of the student body—receive financial aid averaging nearly \$33,000 per student in fellowships. While many people think of the HBS student body as being elite, the reality is that the MBA Class of 2017 includes 87 students (almost 10 percent of the class) who are the first in their families to attend college.

After they enroll, we aspire to create an environment where every student can achieve their full potential. In years past, I have outlined our attempt to close the gender gap with regards to academic honors at the School. We also have been working to close the satisfaction gap—for women, minority, and international students—and through the combined efforts of faculty, staff, and students, for the first time we are seeing no statistical difference across these groups in their overall experience of the MBA Program. Not surprisingly, ensuring that students take the lead and working with them to support their efforts has proven to be key. For instance, stu-

dent leaders discovered that although first-year students cherished the camaraderie of their sectionmates, many yearned to form closer friendships at HBS. In response they launched a program called Evolve, where small groups of students get together every other week for two hours. Nearly all groups continue to meet for the full year, and they use the sessions to share deeply personal issues—everything from their family life to academic challenges to their greatest career fears and aspirations. More than 400 students participated in the pilot and reported feeling a deeper sense of belonging and connection at HBS. Similarly, students in two of the residence halls are exploring how they can build more of a community atmosphere in these living spaces.

In October, the Association of American Universities (AAU) released the results of its first multi-school survey on sexual conduct. At Harvard Business School, 45 percent of our students completed the survey. There were glimmers of encouraging news: Our students believe that we would take reports of incidents seriously, for example. But the overall picture was bleak and deeply troubling. Roughly 45 women and

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10 men from the sample—a full section of students if we extrapolate the results to the full population—reported some form of nonconsensual sexual violence during their time at HBS. Nearly three-quarters of the incidents involved a fellow student. Less than one-third of the students reported the incident or contacted Harvard resources, most often because they did not want to get someone in trouble.

Clearly we cannot be an inclusive community if so many of our students experience sexual violence. Here, too, we are partnering with students as they lead efforts to explore how they can better manage their use of alcohol, raise awareness through education, and bolster bystander training. We have held a town hall, and I am discussing the findings in a series of small group meetings with faculty throughout the year. Our aim is to seek out creative approaches to

better understand and address this troubling reality. As in so many other things, I am finding that making these difficult issues discussable is a crucial first step—whether to raise awareness, develop a shared and informed understanding of the issues, or begin the process of effecting change.

Finally, given the protests unfolding on college campuses across the United States, it is important to address issues of racial diversity and inclusion at HBS. In short, despite efforts over many years, we have work to do. A quick analysis of the curriculum reveals too few cases with black protagonists. We must strive to develop an even deeper pipeline of minority applicants to our educational programs. And the numbers of our black staff and faculty, while consistent with those at peer business schools, are low. We are just at the beginning stages of conversations about steps we might take, and I look forward to reporting on our ideas and progress in the coming years and as we celebrate the 50th anniversary of the founding of the African-American Student Union in 2018.

INTEGRATION

We launched the Harvard Innovation Lab in 2011 with high hopes and modest expectations. Last month the i-lab celebrated its fourth anniversary, during which time it has hosted 175,000 student visits (many of them repeat visitors, of course), 3,800 events, 500,000 unique website visitors, 575 teams in its venture incubation program, and 950 teams in various President's and Deans' Challenges. More than 75 companies have gone on to market, raising more than \$250 million in funding.

The i-lab engages more than one hundred Entrepreneurs-in-Residence, mentors, and alumni advisors. By any measure, it has exceeded our aspirations—so much so that, in response to demand from graduating students, last year we opened a Launch Lab for alumni ventures. In its short lifespan it has been home to 30 companies with founders from eight different Harvard schools; already, this past summer, we doubled its size to accommodate more teams.

We recently received approval for a third component: A wet lab to support ventures in the life sciences. With this, we hope to foster an ecosystem of innovation inspired by the unparalleled richness of the life sciences community at Harvard and in Boston more broadly. The wet lab will open in Fall 2016, utilizing a modular construction that allows us to realize our vision rapidly.

One key area of integration about which we are deeply excited, and for which we are now laying

the groundwork, is that with the John A. Paulson School of Engineering and Applied Sciences (SEAS), which will be moving to Allston during the 2018–2019 academic year. We see tremendous synergy among our faculties in the

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area of innovation and entrepreneurship, and are planning a joint research symposium this coming spring to spur collaboration. We foreshadowed the exciting potential of this collaboration in October when we organized a joint event as part of Boston's HUBweek on the technological and commercial challenges of unmanned aerial vehicles. From live demon-

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more ways to reach new audiences, we run the risk of developing silos of expertise that are incredibly effective in their work, but that fail to consider challenges (or customers or clients) from a holistic point of view. Looking internally for ways to collaborate and leverage the School's resources is a conversation I've begun on campus through town halls, faculty meetings, and other forums.

strations of drones flying in Harvard Stadium to case discussions that brought together scientists, entrepreneurs, and regulators, the event showcased the possibilities that exist at the intersection of HBS and SEAS.

Members of our faculty continue to engage in University leadership and teaching. This year, HBS faculty members are heading or coheading the Advanced Leadership Initiative, the Center for Public Leadership, the Davis Center for Russian and Eurasian Studies, Harvard College, the Harvard i-lab, and the South Asia Institute. Unlike in years past, we have a steady stream of undergraduate students crossing the river for classes in Aldrich, and a handful of faculty members making the reverse trek. We view all of these activities as crucial to supporting President Drew Faust's vision of "One Harvard."

We also are looking at how to foster integration within Harvard Business School. As we find

THE HARVARD BUSINESS SCHOOL CAMPAIGN

Now, as in generations past, Harvard Business School has been able to innovate and remain a leader in business education because of generous benefactors.

We have received tremendous support from the School's alumni and friends during our Campaign, which began its quiet phase in 2012, launched publicly in April 2014, and will end in summer 2018. To date, we have raised nearly \$900 million toward our \$1 billion goal. This is a remarkable testament, by any measure, to how invested our alumni are in the continued success of the School.

As we look ahead, we cannot allow complacency to set in: We will have to work harder to sustain our momentum and to reach alumni around the globe. We have solicited advice from dedicated Campaign leaders to narrow our focus on the priorities that could have a major impact on the School's future and that would significantly benefit from additional funding—priorities including innovation in the MBA Program, accelerating the development of HBX, raising endowed chairs for Associate Professors, and building programmatic bridges with the John A. Paulson School of Engineering and Applied Sciences.

We have begun to recruit a handful of alumni who will serve as cochairs and help drive this next phase of our Campaign in partnership with John Hess, who has so admirably served as our overall Campaign chair. We are equally focused on encouraging each and every alumnus to participate—to know that all gifts, small or large, matter because they each present a vote of confidence and commitment to the School.

IN CONCLUSION

I met earlier this fall with one of the newer deans at Harvard so we could share reflections on the job and discuss our priorities. After listening to me describe the range of initiatives and activities we've undertaken at HBS these past five years, he asked if I felt any less enthusiastic about the future. "If you've done these things already," he seemed to be saying, "do you feel like your list of ambitions is getting shorter?" In fact, I believe the exact opposite to be true:

EVERYTHING WE ACCOMPLISH, EVERY SKILL OR CAPABILITY OR CAPACITY WE DEVELOP, EVERY INITIATIVE WE LAUNCH—EACH EXPANDS OUR HORIZONS AND THE ARRAY OF POSSIBLE NEW PATHS WE MIGHT TAKE.

And our aspirations should be ever higher. We have remarkable resources on which we can draw, including our more than 100-year legacy, 70,000-plus alumni living and working in virtually every country around the globe, a faculty more than 250 strong, ambitious students and skilled practitioners who attend our educational programs, amazing staff, the foremost business library, an unparalleled residential campus, and a preeminent publishing group, among others. As much progress as we have made, events in the world these last months and years have demonstrated that the need for leaders of competence and character like those we strive to educate at HBS has never been higher.

BUSINESS—SPARKED BY INNOVATION AND ENTREPRENEURSHIP—CAN AND MUST BE THE ENGINE THAT CREATES PROSPERITY FOR COMMUNITIES AND FOR SOCIETY, AND WE ARE UNIQUELY POSITIONED TO DELIVER ON THAT VISION.

Our mission of educating leaders who make a difference in the world has never been more important or more timely.

