

**JAN 2019**

**FROM DEAN NITIN NOHRIA**

The year 2018–2019 marks a number of significant milestones for Harvard Business School: 50 years since the African American Student Union was launched, 25 years since the Social Enterprise Initiative was founded, and 20 years since we opened a global research center for the Asia Pacific region in Hong Kong. It's also 10 years since we celebrated our Centennial, a time characterized by thoughtful discussions that engaged our entire community about the future of management education and of business itself—an exercise made all the more urgent and relevant following the collapse of Lehman Brothers and the global financial crisis that ensued.

Beyond these anniversaries, this summer we completed the Harvard Business School Campaign, an ambitious, multiyear effort that ultimately raised \$1.4 billion for student fellowships, the faculty, and campus growth and renewal, among other priorities, as well as new initiatives like Harvard Business School Online and the Harvard i-lab ecosystem. Equally important, the Campaign proved an opportunity to broaden and deepen alumni engagement, both with one another and with the School, and to build the next generation of leadership.

These milestones provide an impetus for reflection and an opportunity to look ahead and consider the School's most exciting opportunities and significant challenges.



**HARVARD | BUSINESS | SCHOOL**

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**LET'S START WITH THE FIRST OF OUR "FIVE I" STRATEGIC PRIORITIES, INNOVATION IN OUR EDUCATIONAL PROGRAMS.**

A decade ago, we took stock of our curriculum and that of our peer schools as well. In the century since most business schools were founded, management education had undergone significant transformation: early in the 20th century, the focus was on developing the practical skills needed to succeed in specific industries and functions like transportation (think railroads), banking, and manufacturing. In the 1960s, following reports commissioned by the Ford and Carnegie foundations, business schools were challenged to add more rigorous theoretical

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foundations to the subjects they taught. This generated a blossoming of intellectual output, with HBS faculty members playing a prominent role. From statistical process control to strategy to organizational behavior, entirely new ways of thinking about management were developed, and new fields of business, such as venture capital, emerged.

By the start of the 21st century, forces like information technology and globalization had begun another seismic shift in business. As we reflected on the skills and traits required for successful leadership in this new era, it became

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clear that training women and men for the "knowing" of business was an excellent foundation, but no longer sufficient. We also needed to educate students who could bridge the knowing-doing gap and translate analysis into action. Moreover, ethical lapses at firms once held up as exemplars had undermined the public's trust in business leaders. We realized we had to help our students reflect more deeply on what "being" a leader meant—to develop not just competence, but character.

Educating leaders for knowing, doing, and being was the direction we set coming out of our Centennial. We launched the field method to complement the case method as a means of effecting this change, and we brought to it the same pedagogical discipline that our predecessors did when introducing cases in the 1920s. Building on earlier experiments like the immersion programs (IXPs) that had taken small groups of students, led by a faculty member, into places like New Orleans post-Hurricane Katrina and Haiti after its devastating earthquake, all field courses were designed to share a handful of elements: they were intensive, immersive, team-based, and focused on engaging with a real-world problem to devise actionable results. Field Immersion Experiences in Leadership Development, or FIELD, was launched as a required course in the first year of the MBA Program. Two modules—FIELD Foundations, which builds foundational leadership skills and enhances self-awareness, and FIELD Global

Immersion, which pairs students with a global partner company to work on a new product or service launch—unfold over the full year and provide students with powerful experiential learning opportunities.

In the second year of the program, we developed a portfolio of six to eight Immersive Field Courses (IFCs) where faculty members design a roughly two-week immersion experience in January, supplemented by class sessions pre- and post-IFC, centered around an industry or region. Students have carried out work on real estate development in New York City, the entertainment industry in Hollywood, and entrepreneurship in Japan. The MBA Elective Curriculum also includes a rich set of Extended Field Courses, or EFCs, that run a half or full semester on topics ranging from product development to entrepreneurship through acquisition of a small firm.

Together with courses like Leadership and Corporate Accountability, Authentic Leadership Development, and Reimagining Capitalism, we estimate that roughly 25 percent of our curriculum now focuses on doing and being—helping our students turn ideas into action and better understand how others experience them, and develop the emotional and moral intelligence they will need to be effective leaders.

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and concerns about increasing debt, and the growing availability of alternatives—including within-company as well as evening, weekend, and other part-time programs—all are factors in this trend. As a result, nearly all business schools now offer multiple MBA and executive MBA degree programs, and one-year programs are gaining in popularity.

Thankfully at HBS we have seen consistent modest growth in the size of our applicant pool, albeit with normal fluctuations tied to the health of the economy. Applications to HBS tend to be countercyclical, and we see demand rise when the economy is weak (e.g., in the aftermath of the financial crisis) and fall slightly when the economy is strong (as in the last couple of years). The quality of our applicant pool, by any measure, remains very strong: we continue to attract students with extraordinary leadership potential. It seems that outstanding candidates who want to invest two years in their

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education and aspire to be leaders want to do so at institutions like HBS that provide a transformational educational experience with significant long-term benefits.

Nevertheless, we must recognize and respond to other trends we see in business education. We live in an era of unparalleled dynamism. The idea that education and personal development can be “completed” during one’s 20s when careers may extend 50 years and beyond feels short-sighted. An important step, then, is helping our graduates realize that their two years at HBS do not mark the end of their learning journey. We have begun experiments with programs like The Reflective Leader, aimed at alumni 15–25 years out who are contemplating their next phase of work and life. Over the next decade, we aim to build a portfolio of programs that will be compelling to our alumni and make lifelong learning a reality rather than an aspiration.

We now have three powerful learning platforms that extend the School’s reach, whether for those who have completed their MBA or for those who may never pursue an MBA and yet will exercise leadership in influential ways:

**Executive Education**, which engages more than 11,000 executives each year. We offer about 50 focused programs ranging in length from two to five days on topics including digital transformation, leading global businesses,

becoming a CEO, and managing family offices. For high-potential to highly experienced executives, we offer a range of comprehensive leadership development programs over six to nine weeks. We also offer custom programs tailored to a company’s needs.

**Harvard Business Publishing**, whose growing corporate learning group has developed online tools such as HarvardManageMentor (HMM), Leading Edge, and Spark, which now are used by more than 3 million individuals around the world striving to improve their business acumen.

**Harvard Business School Online**, our digital platform, which offers asynchronous learning opportunities such as CORE (a multi-week program covering the fundamentals of business), a growing portfolio of focused courses (such as Disruptive Strategy), and synchronous learning opportunities via HBX Live, our virtual classroom. We’ve reached more than 30,000 learners to date, with completion rates remaining consistently near 90 percent as compared to 10 percent for most online courses.

Across these platforms, we are experimenting with blended learning opportunities, combining the best aspects of the residential experience with digital content and virtual tools so as to extend learning, allow participants to remain connected to fellow learners, and help cascade ideas and concepts more broadly and deeply in organizations. In the next decade, we will be able to creatively combine the complementary strengths of the case, field, and online methods to deliver yet more powerful learning experiences. Few other business schools can match this combination of platforms, and we see tremendous promise in this arena.

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## THE SECOND OF OUR “FIVE I” STRATEGIC PRIORITIES IS INTELLECTUAL AMBITION.

Harvard Business School has always been committed to producing ideas with power in practice. From John Lintner’s work on the Capital Asset Pricing Model (CAPM), to Bob Kaplan’s work on the Balanced Scorecard, to Mike Porter’s work on Competition and Strategy, to Clay Christensen’s work on Disruptive Technology, the School’s faculty members have shaped the very vocabulary of business for more than a century.

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Today, we continue to focus on the factors and forces that make a business more efficient and effective. Faculty members across all units of the School are doing work, for example, on how digital technologies (including artificial intelligence, machine learning, and advanced analytics) are transforming industries and companies. Over the last decade, field experiments have become the fastest-growing research method used by our faculty. This trend strengthens the School’s distinctive commitment to developing ideas that impact management practice.

As business becomes more salient and its influence more pervasive in societies across the world, we are being called upon to address the role of business in society—from its impact on

our natural environment and climate change, to advancing human health while simultaneously reducing the rising costs of health care, to providing truly inclusive and equal opportunities for all, to addressing the growing sense that prosperity and opportunity are available to only a few, to tackling concerns about the state of democracy and capitalism. These are issues we will have to pursue with yet greater vigor in the years ahead.

While some of this work will be carried out by individual faculty members, we see more and more promise in collaborations that cut across disciplines both within HBS and across Harvard. To facilitate these collaborations we have created a cross-cutting structure of Initiatives—now eight in number, and covering Business and the Environment, Business History, Digital Transformation, Entrepreneurship, Gender, Health Care, Leadership, and Social Enterprise. Initiatives are designed to foster joint faculty research and teaching, support student and alumni engagement, and drive the distribution and influence of the School’s work in these important areas. Focused, time-bound projects on topics like U.S. Competitiveness, Managing the Future of Work, Behavioral Finance and Financial Stability, and Impact Investing are another mechanism through which we are trying to mobilize joint faculty research on topical issues.

More than two-thirds of HBS faculty members are now involved with an Initiative or project. Additionally, we estimate that more than one-third are working closely with colleagues across other schools at Harvard. Climate change, health care delivery, poverty, public education, and artificial intelligence are key social issues of our time, and finding solutions to the challenges and opportunities they pose will require

bringing together perspectives and people from throughout the University.

To remain a School that is as well known for its intellectual leadership as its educational experience, we will need to adapt to the ways in which ideas are being disseminated. How individuals consume information has fundamentally changed over the last decade. While books, journal articles, and cases will continue to play an important role in education and academia, the world, more broadly, is moving toward different forms and formats: podcasts, for example, have exploded in popularity, and blogs, videos, and other types of short-form online content continue to grow in their reach. We are experimenting with these and other channels of intellectual influence. In addition to long-standing vehicles like *Harvard Business Review* (and its digital counterpart, [hbr.org](http://hbr.org), which has a reach of 3 million readers) and *HBS Working Knowledge* (with a reach of over 1 million readers), we now have podcasts that feature case

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studies (*Cold Call*), faculty members discussing timely and relevant business issues of the day (Mihir Desai, Youngme Moon, and Felix Oberholzer-Gee in *HBS After Hours*), interviews with

alumni (*SkyDeck*), and faculty members talking to leaders grappling with the forces reshaping the nature of work (Joe Fuller and Bill Kerr in *Managing the Future of Work*). We are exploring other means to expand the impact and influence of our ideas, from short video cases (being developed in partnership with award-winning documentary filmmakers) to curated content sites that focus on specific communities (such as entrepreneurs trying to scale their business).

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Another mechanism that has become vital to the circulation of ideas is convening events. From TED to the World Economic Forum to the Aspen Ideas Festival, we are seeing the importance of occasions where people can periodically gather to learn from each other. Each year, our five-year alumni reunions remind us how much our own graduates enjoy reconnecting with each other and learning about the ideas being developed by our faculty. At a time when so much of daily life is online, the need for meaningful person-to-person connection and discussion may be even higher. This is why we are so excited that Klarman Hall, with its 1,000-seat auditorium and a studio equipped to capture the voices and ideas from convening events and disseminate them to the world, opened in October 2018. It's a space that has sparked our imagination for the kinds of intellectually stimulating events we might host and share. Our early activities—including

the dedication symposium on the future of democracy and a conference marking the 10th anniversary of the global financial crisis—have demonstrated how this space can foster lively engagement on timely and important topics. In June 2019 we'll be launching Dialogue, a highly curated gathering of global leaders aimed at amplifying the efforts of those whose work makes a difference in the world. We know Klarman Hall will truly leverage our unparalleled convening capacity and enable us to become a hub for a series of distinctive discussion-based symposia.

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### **THE THIRD OF OUR “FIVE I” PRIORITIES IS INTERNATIONALIZATION.**

Twenty years ago, we opened the Asia-Pacific Research Center in Hong Kong as part of a concerted effort to increase our international research. The transformation of the School during the past two decades has been nothing short of extraordinary. In 1998, less than 10 percent of cases produced by the faculty were global; today, that number is over 50 percent. We have a network of centers and offices that cover the globe—14 in total—and serve as regional embassies: connecting us to alumni and other leaders in business, government, and academia; supporting a wide range of needs and purposes for the School; and ensuring that we remain close to the most interesting business phenomena, wherever they occur.

What does the next decade hold? Nationalism is on the rise, not just in the United States, but everywhere in the world, and with it comes pressure to focus more on domestic issues and concerns. Our position is that this is not an

either-or choice, but is instead best addressed with a both-and strategy.

Globalization has created tremendous prosperity in the last 20 years, lifting more people out of poverty than during any other era in history. And what globalization has enabled won't easily be undone: from global supply chains to deeply interconnected markets for goods and services, people today expect borders to be more porous. We therefore don't anticipate any diminishment in our global activities. Demand remains strong across the regional centers and offices, and faculty members are pursuing research and case writing on companies and industries in dozens of countries. We are planning an immersion in summer 2019 to Kenya and Nigeria that we expect more than two dozen faculty members to attend. In Executive Education, our senior executive programs

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for Africa, India, and the Middle East are proving successful in engaging rising leaders in these regions. And we continue to attract students and participants to all our programs from around the world.

We simultaneously will look for ways to better understand and respond to the issues and concerns of those who feel left behind by globalization, including those in what we call the American heartland (which has its parallel in many other countries). One idea we're exploring

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is whether we focus some of our Immersive Field Courses (IFCs) on heartland cities like Detroit or Kansas City—places that may feel just as foreign to our MBA students as Helsinki or Bangkok. We have begun discussing, as well, whether opening a research office in a heartland city might spur, as it has internationally, more case writing on companies in this region. Already, efforts like the Young American Leaders Program (which engages emerging cross-sector leaders from cities and regions across America) and the Bloomberg Harvard City Leadership Initiative (which engages mayors of cities) are proving to be fruitful ways of bringing together leaders to help spur change in their communities. We see promise in their impact and hope to expand on these initiatives in the years ahead. Ultimately, we aspire to build a deeper understanding of both global *and* domestic phenomena.

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**THE FOURTH OF OUR “FIVE I” PRIORITIES, INCLUSION, HAS FOCUSED ON ENSURING THAT EVERY MEMBER OF OUR COMMUNITY IS ABLE TO THRIVE AND DO THEIR BEST WORK.**

We have become more inclusive economically by offering fellowships that allow any student to attend the MBA Program, irrespective of their

financial circumstances. Thanks to the support of our alumni, about half of our MBA students now receive fellowships—or, put differently, about 28 percent of tuition (almost \$30 million in 2018) is awarded as financial aid annually. As a result, more than 80 students in the Class of 2020 are the first in their family to attend college and now graduate school. We also have been experimenting with fellowships that reduce debt at graduation, allowing students (more than 3 dozen in the Class of 2018) to pursue jobs most closely aligned with their longer-term goals.

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Additionally, we have continued to make progress on ensuring that women and men are equally able to succeed in the MBA Program. For many years, women had been underrepresented in receiving academic honors relative to their numbers in the program. We weren't admitting women who were any less qualified, so we knew some other factor had to be at play. A thorough and open analysis revealed that there were a number of factors—everything from how often women and men raised their hands and were called on, to which comments were remembered by their professors. Heightened awareness of these factors was itself one important step in redressing the performance gap. But we also, for example, implemented a class participation grading tool

that gives faculty members data on their calling patterns and introduced scribes who record the broad substance of each comment in class, ensuring that faculty members can remember and grade participation accurately.

In the last 10 years the gender performance gap at HBS has been closed, and this year, for the first time, women were *over*represented in being designated Baker Scholars. By showing that the gender performance gap can be closed, we hope we will inspire our students to look for ways in which persistent achievement gaps can be closed in the organizations and industries in which they will exercise leadership.

As we look to the future, we want to help our students understand that effectively managing diversity—across gender, race, political or religious beliefs, or any other dimension—is a vital leadership capability that will confer a strategic advantage to those who can excel at it. We are exploring how to better foster the (often difficult) conversations on topics of inclusion and belonging, and to provide examples of successful organizations that have leveraged differences effectively. Through our celebrations marking 50 years since women were admitted into the MBA Program (the W50 in 2013) and the founding of the African-American Student Union (the AASU50 in 2018), we've made notable gains in facing our own history and developing ideas for additional progress, such as increasing the diversity of our case protagonists. We also are taking steps to look holistically at the curriculum to ensure that conversations on diversity and inclusion unfold and become cumulatively richer over time. Finally, we're hoping to bring to campus (and Klarman Hall) examples of leaders who have leveraged diversity in their organizations.

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Throughout our work, we remain committed to the free and open exchange of ideas and viewpoints. Exploring, debating, and integrating different perspectives is at the very heart of the case method. Every student receives the same case; if they all held the same view, it would make for short, boring, and not very illuminating class discussions. The spirited exchange of differing views is essential to a great case discussion, and we remain devoted to this ideal. Similarly, we want our students to make the most out of difference outside the classroom as well—interacting socially and forming lasting relationships with classmates from a wide range of backgrounds.

We still have much that remains to be done, including advancing inclusion in our faculty, in our Executive Education programs, and with underrepresented minorities. We also have to remain steadfast in our commitment to reduce instances of sexual harassment, including assault, and this spring will again survey all students to gather data about the prevalence of these issues at HBS.

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**OUR FINAL “FIVE I” STRATEGIC PRIORITY IS INTEGRATION—IN SHORT, LEVERAGING OUR POSITION AS PART OF A UNIVERSITY THAT IS EXTRAORDINARY IN THE EXCELLENCE IT ENJOYS ACROSS ALL ITS SCHOOLS.**

Many of you have heard me describe how HBS spent its first century in splendid isolation, separated geographically from the rest of Harvard University by the Charles River. However important such distance might have been to our fledgling School in the 1920s, the future—as we are reminded each day seeing the new Science and Engineering Complex (SEC) being constructed here in Allston—will require a very different mindset.

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**The Harvard Innovation Lab is a resource to the full Harvard community that HBS built and continues to manage and fund—tapping our expertise in entrepreneurship and spurring innovation across the University.**

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For more than a decade, we’ve been preparing for this new reality. We’ve increased the number of joint degree programs, launched more courses that engage students (including undergraduates) from across Harvard, supported faculty members in taking on key University-wide leadership roles, and pursued activities that we feel offer the greatest benefit to HBS and Harvard.

The Harvard Innovation Lab (i-lab), for example, is a resource to the full Harvard community that HBS built and continues to manage and fund—

tapping our expertise in entrepreneurship and spurring innovation across the University. Situated along the southern edge of the HBS campus (a location once felt to be so remote that no one would find it), the i-lab has already in its short history become one of the most widely used resources across all of Harvard. It serves students at any stage of their entrepreneurial journey—from exploring the merits of an initial idea, to joining up with others, to building and launching a new venture. Almost a third of all Harvard students spend time at the i-lab while enrolled, and it has incubated more than 1,150 ventures (46% of which have female founders) that cumulatively have raised more than \$1.5 billion in funding. The Pagliuca Harvard Life Lab, the latest addition to the i-lab ecosystem, is now enabling the development of life science ventures that require wet lab resources.

As Harvard continues to develop the 330 acres it owns in Allston, HBS will in effect become another Harvard Yard, with students, staff, and faculty flowing through our campus on their way to classes, offices, apartments, shops, and restaurants in both Allston and Cambridge. This is a wonderful opportunity for us, and we’ve spent the last few years, in particular, engaging with our colleagues at the John A. Paulson School of Engineering and Applied Sciences (SEAS) in anticipation of their move to Allston in 2020.

Our collaborations have led to a new MS/MBA degree program that welcomed almost 30 amazing students this past summer who will build skills in engineering, design, and innovation management. Similarly, in conjunction with faculty colleagues at SEAS and Harvard’s Faculty of Arts and Sciences, we launched the Harvard Business Analytics Program (HBAP)

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in summer 2018. This online certificate program is for executives who want to analyze, understand, translate, and incorporate data into strategy at the top levels of their organizations. Our most recent offering is the Roberts Technology Innovation Fellowship Program, aimed at Harvard College juniors.

The integrative bridges we are building today with other parts of Harvard will create tremendous opportunities for HBS over the next decade to educate a broader range of leaders who can solve a wider scope of problems, and thereby make a greater difference in the world. They also are proof of the power of One Harvard.

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**WE ARE ABLE TO LOOK TO THE COMING YEARS WITH OPTIMISM AND ENTHUSIASM BECAUSE HBS STANDS ON SUCH A SOLID FOUNDATION TODAY.**

The pillars of this foundation include:

**Our extraordinary students and alumni**, who are leaders who can and will change the world,

**Our distinctive faculty**, whose passion for teaching and pathbreaking research advance

both education and practice,

**Our incredible staff**, whose expertise and commitment to the School's mission ensure we model excellence as an organization,

**Our business model**, which, building on the success of the recently concluded Harvard Business School Campaign, provides us the financial strength and flexibility to continually innovate, and

**Our unique physical campus and state-of-the-art technology infrastructure**, which enable the magic that happens when living, working, and learning are intertwined.

We begin Harvard Business School's 12th decade, then, poised to push forward. Our continued leadership will require an unflinching commitment to the foundational aspects of the School that are important and enduring, including our transformational learning environment and research that influences management practice worldwide. We also must embrace innovation—not simply for the sake of doing new things, but because, like prior generations at HBS, we bear a responsibility for stewarding the School so as to meet the changing needs of business and society.

The ongoing support and engagement of the HBS community is what will make this possible. Your extraordinary commitment to the School positions us to pursue a path worthy of our history and highest aspirations. The close of the Campaign marks not the end of a chapter, but a new beginning—one that will call on each of us to invest in this institution so that its future is as bright as its past.

Your actions bring the School's mission to life, each and every day. Thank you.

