Although HBP continued to perform well on the top line, particularly in light of the economic slowdown and industry-wide weakness in print advertising, margins in the School’s publishing unit contracted in fiscal 2008. To support its new business model, HBP is in the midst of a three-year, multimillion-dollar effort to transform the IT infrastructure that supports essentially all of its internal processes, from customer relationship management, to product delivery, to general ledger. HBP’s expenses increased in fiscal 2008 as a result, and publishing margins are likely to remain challenged in fiscal 2009 as IT deployments continue.

In addition to revenues from executive programs and publishing, income from unrestricted current use gifts and distributions from the endowment are important sources of funding for the School. In fiscal 2008, total income from gifts and the endowment grew by nearly 14 percent from a year earlier, and represented 24 percent of total revenue. All of this growth came from endowment income, which was up more than 20 percent from last year to $94 million. The higher distribution in fiscal 2008 reflected continued strength in the Harvard endowment’s investment returns and the University-wide increase in the endowment distribution rate.

In fiscal 2008, as in prior years, HBS leveraged the income from executive programs, publishing, gifts, and the endowment to further strengthen education and knowledge creation across the School, and to enhance the diversity of the MBA student body. Applications to the MBA Program were up in fiscal 2008, and yield grew to 91 percent.

HBS remains committed to attracting strong MBA candidates who might not otherwise consider a degree in business. One of the School’s long-standing objectives, therefore, is to ensure that MBA fellowship awards grow faster than increases in tuition and fees, thus reducing the real cost of the program for students receiving fellowships. In fiscal 2008, total MBA and Doctoral fellowship spending rose by 18.2 percent from last year, while MBA tuition and fees increased by 6.3 percent.

Since fiscal 2003, the School’s total fellowship budget has grown at a compound annual rate of 13.2 percent. The average MBA fellowship size per recipient has increased by 15.6 percent, far in excess of the increase in MBA tuition and fees. As a result, the net cost of tuition for MBA fellowship recipients has declined by 5 percent. The increase in fellowships during this period reflected dramatic growth in the School’s endowment resources, in turn driven by the School’s capital campaign earlier this decade and compounded by larger annual distributions made possible by the Harvard endowment’s strong investment returns.