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# HARVARD BUSINESS SCHOOL FOR THE FACEBOOK AGE

INNOVATION AND REAL STARTUP COMPANIES ARE FRONT AND CENTER AT THE NEWLY RE-ENGINEERED HBS. THE VENERABLE INSTITUTION HOPES TO PREPARE BUDDING ENTREPRENEURS--WITH INSPIRATION FROM THE ONE THAT GOT AWAY.

BY KEVIN RANDALL



Harvard Business School is buzzing. In part, it's because students are working in "hives," new circular, collaborative workspaces. But also because the hives are part of a radical rethink happening here—of everything from the storied school's established curriculum, its pedagogy, student profiles, and outcomes, to its brand identity and physical spaces. Inspiration for the hives, for example, comes from a company founded by Harvard's most famous dropout--they have "the look and feel of Facebook's offices," Dean Nitin Nohria (left) tells *Fast Company*.



An inestimably influential institution and iconic brand, Harvard Business School (HBS) for some has become a symbol for what is wrong with business and education today: stodgy orthodoxy; ivory tower learning; American elitism and entitlement; and bloated Wall Street salaries. HBS's makeover aims to change all that with a focus on the kind of real-world risk-taking, sweaty hard work and tinkering, and spirited collaboration that lured Bill Gates and Mark Zuckerberg away from Cambridge to the wild tech innovation happening out west.

Under the leadership of Harvard University President Drew Gilpin Faust and Nohria (and their predecessors), the school has implemented this year an ambitious creative destruction project. HBS wants to reinvent the MBA and birth a new generation of entrepreneurs, innovation, and startups.

Learning by doing is a central tenet of the new FIELD (Field Immersion Experiences for Leadership Development) curriculum which supplements its venerated case method core with a required leadership and teamwork (FIELD 1), global immersion (FIELD 2) and entrepreneurship "module" (FIELD 3) for all 900 students. HBS has taught courses on entrepreneurship for decades; but now all first year MBAs will *do it* by building 150 real businesses which are graded by real markets.



“HBS has long been a leader and innovator in business education,” Faust tells *Fast Company*. “The field of organizational behavior began at Harvard in the late 1920s. The first course in entrepreneurship was taught at Harvard just after World War II, and the case method was developed here, just to name a few. I think FIELD and other innovations by HBS faculty will have a similar impact.”

Before FIELD, HBS could claim a strong innovation story. It was the first business school to dedicate faculty specifically to entrepreneurship. Arthur Rock, a 1951 HBS graduate, is widely considered the first venture capitalist. HBS established a Research Center in Silicon Valley in 1997 to bring both faculty and students closer to emerging technology business cases. Decorated professor Clayton M. Christensen wrote *The Innovator’s Dilemma* which “deeply influenced” Steve Jobs and coined the term “disruptive innovation.” HBS’s star-studded list of alumni who founded or lead successful startups and major global tech companies is hard to match (its MBA class is about three times the size of Stanford’s).

Despite this pedigree, Nohria says that other business schools are more often top-of-mind in the areas of entrepreneurship and venture capital; he’s working to change that perception, which “lags reality,” he says. Stanford University of course is nearly synonymous, if not incestuous with the Silicon Valley scene. But even in its own Boston backyard, HBS tends to be overshadowed on entrepreneurship by schools like MIT Sloan School of Management and Babson.

Raj Kapoor, Managing Director at Mayfield Fund on Sand Hill Road, is an HBS ’96. In 2005, he sold the company he cofounded, Snapfish, to Hewlett-Packard for \$300 million. He says HBS tends to be more famous, or infamous, for minting bankers, consultants, and captains of Fortune 500 companies than entrepreneurs (though it is well known that many of the former become the latter). Kapoor tells *Fast Company* he’s noticed a change in the HBS culture that has been building roughly since the recession; a graduate’s self-worth used to be defined by level of starting salary but today “more students want to create new values-based companies instead of just manipulating markets.” In the past, entrepreneurship had a stigma at HBS. “This is what people did when they couldn’t get a job,” he says.



*The iLab at HBS*

But the mantra in the FIELD 3 module is that *failure is good* learning and expected for most of the 150 startups ultimately judged on May 14, "IPO Day" at HBS. Every first year student is evaluated on the "microbusiness" they jointly conceive, form, and fund (each venture receives \$5,000 from HBS in seed money), then launch and commercialize. Unlike HBS's Business Plan Contest, which has been growing since the 1990s, FIELD 3 business-building is a non-elective. The microbusiness teams are not self-selected (as Business Plan Contest entrants are) but rather chosen by faculty based on factors such as student interests and diversity (more like the real world). The FIELD 3 ventures are graded less on slick PowerPoints and more on market results--actual sales and stock prices from a financial market simulation made up of non-conflicted student shareholders; input from a panel of VCs, entrepreneurs and faculty also factors into the final judging and report cards.

HBS is far from alone among business schools in revamping its curriculum to focus on entrepreneurship and "action-learning." But the sheer pace (the new program was launched the semester following faculty approval in 2011) and scale of FIELD's deployment--including requiring all 900 students be immersed globally at 150 established companies (FIELD 2) and then, a few months later, build from scratch 150 businesses and sell their products--is unprecedented and unparalleled, say Nohria and Alan MacCormack, FIELD 3's co-director who previously ran an entrepreneurship "experiential learning" program at MIT Sloan.

FIELD 3 does *not* have an explicit goal of launching successful

startups, MacCormack says. In fact, the school encourages those students with the best IP to save those ideas for post-graduation. But several microbusiness teams have already heard from VCs including the winner IvyKids, which is an iPad application that teaches children about everyday experiences. The market reality is that a handful of the 150 ventures will become successful businesses, MacCormack says. Long range Nohria expects HBS to produce "more entrepreneurs, more action-oriented, better trained students who put ideas into practice more quickly, versus just analytical thinkers." By adding FIELD to its case foundation, "the soul of the school," and the HBS experience, "we continue to put distance between us and others," Nohria says.

Still, a debate simmers about whether Stanford or Harvard can claim the b-school entrepreneurship mantle; it goes something like this: HBS has more outcomes and dedicated professors and buildings; Stanford and its students have multi-disciplinary innovation in their DNA and form the fabric of Silicon Valley; name brand alumni entrepreneurs and tech titans are referenced by each school. Guest "stars" like Intel co-founder Andy Grove teach at the Stanford Graduate School of Business (GSB). Facebook COO Sheryl Sandberg, HBS '95--and likely the first-ever female billionaire, is scheduled to address the inaugural FIELD group at HBS's Class Day on May 23. But there is also considerable cooperation and overlapping ties (incestuousness too) between HBS and GSB. HBS alumni teach at GSB; the latter has advisors on the former's Silicon Valley Research Center board.

Matthew Prince, HBS '09, tells *Fast Company* "up and down Sand Hill Road, essentially all the venture capitalists are either Harvard Business School grads or Stanford Business School grads." He and classmate Michelle Zatlyn came up with the idea behind hot San Francisco-based startup CloudFlare, which won the Business Plan Contest in 2009. Prince thinks the generalist grounding (required classes in marketing, finance, operations, etc.) he got at HBS helped better prepare him to be an entrepreneur than would have Stanford's "choose your own adventure" approach. He cites a "remarkable list" of companies started by his '09 classmates that "have created easily over a billion dollars in value."

## **HBS Class Of 2009**

9 startups from HBS students have created more than \$1 billion in combined value.



Matthew Prince (HBS '09), co-creator of CloudFlare, lists success stories CloudFlare--an "intelligent global network" for accelerating websites' performances.

Rent the Runway--a business that rents high-fashion party frocks.

Tough Mudder--10- to 12-mile hardcore obstacle course events designed by British Special Forces.

ThredUp--a high-quality children's clothing swap hub.

Viglink--a service providing product links to help blogs and other websites make money.

Signpost--an online ad service for local businesses.

Paddle8--an online destination connecting art collectors with leading galleries, foundations, and art fairs.

GetGoing--a service that develops and implements online travel booking technologies.

Trendyol--a Turkish designer fashion e-commerce site from an HBS student scheduled to graduate in 2010 who dropped out in 2009.

Robert Sutton, a professor of management science and organizational behavior at Stanford's engineering school who also teaches at Stanford's Institute of Design (d.school) and business school, welcomes HBS's FIELD approach and downplays the Harvard-Stanford competition. "If you blend evidence, experience and vivid cases, you get a more complete understanding and better prepared students. That is what the best of Stanford aims for, and it appears the best of HBS is going that way," he says. Sutton views FIELD as a supplement and enhancement to the HBS cases, which he uses, not a replacement. He's not sure how HBS will make up for the loss in revenues since adding a FIELD focus means a reduced case focus--fewer cases sold.

Nohria, who greatly admires Stanford's cross-university collaboration and teaching involving the d.school, has plans for the "FIELD method, not just the HBS experience" to become a widely imitated, shared, and distributed learning product. "That is the only measure of success," he says. The overarching goal is "to improve the education of business leaders, not just at HBS, but wherever they are taught in the world."

While the size, speed and institutional adoption of FIELD have been impressive, Prince sees some pitfalls and challenges ahead.

CloudFlare's CEO wonders if the more formalized FIELD faculty-led

immersion trips (e.g. to Menlo Park or Bangalore) will end up stifling innovation long-term with the decline of informal, student-led forays which epitomize spirited, bootstraps-style entrepreneurship. Prince is disappointed that a core course on negotiation was cut to make room for the new curriculum. He also fears that many HBS students will take on debt to pay (the tuition) for a growing FIELD program--fueled in part by "the arms race" with Stanford--thus limiting their ability to be entrepreneurial.

HBS intends to be a catalyst for the nascent Boston entrepreneurial ecosystem. Stopping short of envisioning a Silicon Yard, Harvard Hub, or Cambridge Corridor that rivals Silicon Valley, both Faust and Nohria see a thriving innovation and tech scene that is born and stays in Boston with Harvard as a "sparkling node." Over the last 100 to 200 years, "Boston has had a much longer and more enduring history of innovation than Silicon Valley," Nohria says; in the 1980s, nearby Route 128 (which was the subject of his doctoral dissertation at MIT) and Silicon Valley were roughly on a par for technology development. Nohria's long view of history suggests that life sciences and biotechnology may be the next big wave of innovation--post-information technology/Internet age; Boston and Harvard are well positioned for that, he says. (perhaps for online education too)

Last November, on the campus of HBS, Faust and Nohria opened Harvard's gleaming new iLab facility which is designed to spur innovation and interdisciplinary collaboration across the Harvard University campus. iLab is housed in the old WGBH studios building where the innovative Sesame Street 'learning product' was born and first televised across America. HBS's hives take up the two floors above the iLab.

"The iLab is designed to be an incubator for new ideas where students and faculty from across the University can meet and develop innovative ideas and learn how to translate them into entrepreneurial ventures," Faust says. "It is also a place where people from the community can receive advice on new ventures. These two facets make it an important contributor to Boston's reputation as a hub of innovation."

Nohria's simple vision is "the next Mark Zuckerberg will find the right business partner at the iLab and the necessary resources" to keep him or her in the "local ecology", from going West.

One can only imagine the impact that the iLab might have had were it available for Zuckerberg. It's impossible to ignore the timing of HBS's overhaul with the record-breaking, landscape-changing \$104 billion IPO of Facebook, and it's hard not to imagine whether its founder and CEO would have stuck it out at Harvard if he had the iLab at his disposal. The iLab's director, Gordon Jones (who holds a Stanford MBA), tells *Fast Company* that Zuckerberg was wowed by the facility while attending its opening event. "This is really cool," Jones recalls him saying. "This really is a lot like Facebook."

[Images: Susan Young]



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