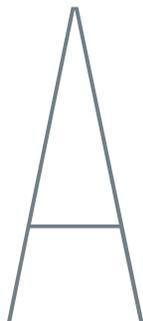


BACK TO BASICS



A schism is growing between intentions and results in education that is fast becoming one of the most important social issues of our time, says Pearson CEO John Fallon.

In the US, more than half the students who start a university degree still haven't graduated five years later. "Edtech" is a buzzword that often translates into more machines, but not necessarily better skills. Putting more young children into school programs in sub-Saharan Africa doesn't necessarily improve the literacy rate. In classrooms around the world, programs and policies are put in place with no clear plan to measure effectiveness.

"There is a huge risk now that poverty is destiny for many young people," Fallon says, speaking not just of developing nations, but also of the US and his native Britain. "For whatever reason, we're not getting through to them and their educational opportunities are not there. The escalator of social progress is in danger of stalling."

The key to restarting that escalator, Fallon says, is to put Pearson in the examination seat. He has vowed to undertake a data-driven assessment and to report on the measurable efficacy of each major Pearson product by 2018. →

**Pearson CEO
JOHN FALLON is testing
the global education
company's own
products in an effort
to improve learning
around the world.
Interview by
Brunswick's JULIE
ANDREEFF JENSEN**





JOHN FALLON

John Fallon joined Pearson in 1997 as Director of Communications and was named head of its education businesses outside North America in 2008. He took over as Pearson CEO at the start of 2013. Previously, he held senior public policy and communications positions in UK local government before moving to Powergen, the UK energy company – now part of E.ON – where he was Director of Corporate Affairs.

“Good communications people are always thinking strategically and always start from, ‘What is the business benefit in doing this?’”

INTO FOCUS

Described by *Bloomberg* as once “a haphazard collection of businesses,” Pearson has more recently focused on education and away from a colorful and occasionally eccentric history

This ambitious commitment makes the company the first mover in its sector toward greater accountability at a time when public trust in the traditional education industry is under threat. Fallon believes that in the same way corporate responsibility statements are now routinely delivered alongside annual reports, so the measurement and public reporting of efficacy will be adopted by other companies. Launching metrics to gauge the impact of its products carries considerable risk for the publicly traded corporation, but could ultimately help improve teaching routines in the industry as a whole.

“As an education company, we felt we had to think about what our responsibility was,” Fallon says. “It was time to think not about measuring progress by enrollments or teacher/pupil ratios or even spending on education as a percentage of GDP, but to measure in terms of whether students actually gained the literacy skills, the numeracy – and the wider skills – that they are going to need to prosper in the world in which they live.”

Traditional measurements of effectiveness in education are flawed, he says. Rising enrollment for a reading course, for instance, may be a false indicator of progress if, at the end, students still can’t read. The number of teachers or computers per classroom can increase dramatically and still leave learning at a standstill. “Too much of education is driven by good intentions,” Fallon says.

Not everyone has faith in Pearson’s intentions. Its large presence in education sometimes works against the company, raising public suspicions. It supplies textbooks, writes and scores standardized tests, markets its own brands of interactive learning technology, helps school districts, and runs its own for-profit schools. In the US, the company is closely associated with the nation’s controversial Common Core program, curriculum standards designed to give children a foundation in core subjects. Many people bridle at the idea of a for-profit

company helping shape national education policy. “Everybody Hates Pearson” is the headline on a recent article in *Fortune* magazine outlining such concerns. It quotes a member of Stop Common Core Florida, “We feel like Pearson is an alien enemy ...” In response, Fallon points to Pearson’s mission of reforming education. Quoted in the *Fortune* article, he says, “the more people engage with Pearson, the more they tend to say, ‘You’re not who we thought you were.’”

PEARSON WAS ESTABLISHED in 1844 as an engineering business, making its way into publishing in the 20th century with the acquisition of a string of newspapers, including the *Financial Times* in 1957, and book publishers. Pearson’s publishing operations have continued uninterrupted into the age of online courses and e-books. For many years, the company was heavily diversified, but has since sold most of those businesses to focus on education. It has retained the *FT* and a 50 percent stake in *The Economist*, both of which the company sees as complementing its business-learning portfolio.

Fallon took over as CEO on January 1 2013 from American-born Dame Marjorie Scardino, who had held the post since 1997 and who led Pearson through big acquisitions that supported its drive into education, including the school data management operations of National Computer Systems and the educational publishing arm of Simon & Schuster.

Scardino’s changes positioned Pearson as the dominant player in the 21st century global for-profit education market. The company estimates that market at \$450 billion, with total education spending at \$5 trillion. When Scardino stepped down as CEO, Fallon, who had once been the company’s communications chief and was the director of Pearson’s international education business, was the natural choice to take her place.



S. PEARSON & SON

Founded in 1844 as an engineering and construction company. Among other projects, Pearson worked on the Blackwall Tunnel under the Thames in London, railroads in China, the Sennar Dam in Egypt and a railroad tunnel under the Hudson River in New York



LONGMAN

The world’s oldest commercial publisher, founded in 1724 by Thomas Longman (left) in London, Longman originally created grammar and history texts for young students. It was acquired by Pearson in 1968. Some Pearson English language schools in China still carry the Longman brand



ROYAL DOULTON

In 1972, Pearson purchased historic British china maker Royal Doulton, makers of table services for royalty and the House of Lords, merging it with pottery brands Royal Crown Derby and Royal Albert. The combined company was spun off in 1993

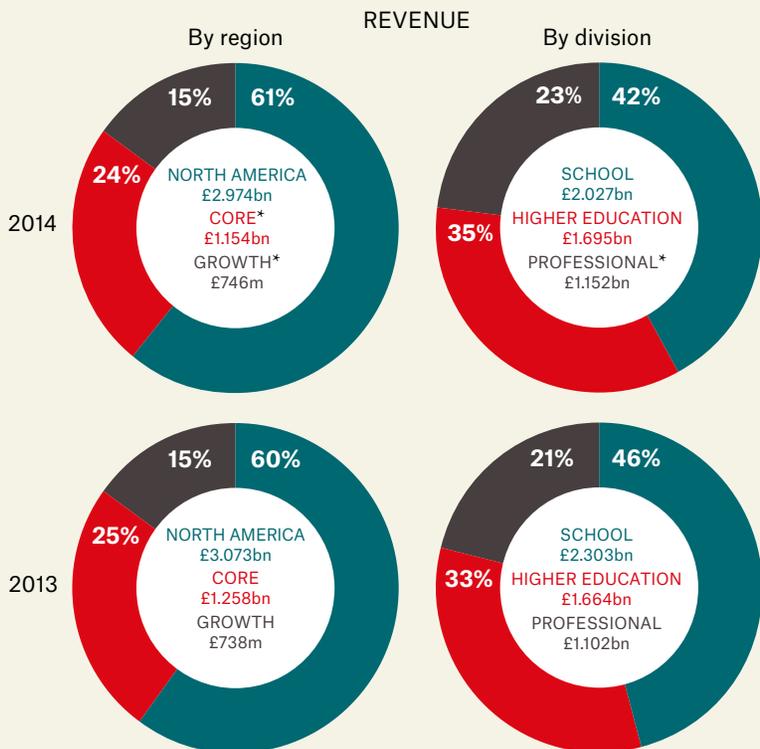


LAZARD BROTHERS

Pearson purchased 45 percent of Lazard Brothers in 1919. Its stake in the British unit of international merchant banking business Lazard Frères was increased to 80 percent in 1932 during the Great Depression and remained at 50 percent or more until it was sold in 1999

PEARSON

Employees: 40,000 in 80 countries



REVENUE EXCLUDES PENGUIN AND MERGERMARKET
 *CORE INCLUDES UK, ITALY AND AUSTRALIA. *GROWTH INCLUDES BRAZIL, INDIA, CHINA AND SOUTH AFRICA
 *PROFESSIONAL INCLUDES THE FINANCIAL TIMES, THE ECONOMIST & BUSINESS TRAINING AND TOOLS
 SOURCE: PEARSON

Fallon has a casual, common-man air, evident in his fondness for Bruce Springsteen and Manchester City soccer club. In 2009, he was diagnosed with throat cancer, but responded successfully to treatment. As unnerving as the cancer episode was, it only seems to have added to an overall air of humility and quiet resolve. That profile contrasts sharply with the outspoken Scardino, who, as the first female CEO of a Fortune 100 company, is regarded internationally as something of a celebrity.

As CEO, Fallon began a further two-year restructuring, building out Pearson's international education business. It purchased Brazil's Grupo Multi and expanded Wall Street English, both English language training companies. That reorganization, so soon after Fallon took over, raised investor eyebrows. Shares tumbled early in 2014 as Pearson's earnings began to show the effects of declining enrollments on the back of an improving economy. While Fallon acknowledges the past two years have been tough, "It feels like we're now through a lot of that hard grind."

Pearson's ability to weather the storm can be attributed in part to Fallon's communications background, says Pearson's current communications chief Kate James. Fallon is the first former communications director to go on to lead a FTSE 100 company. "Increasingly, communications skills are an essential part of the mix for any successful business leader, but clearly John's experience in particular is hugely valuable," James says. Describing having an ex-comms chief as her boss as "a welcome challenge," she says "it means we're constantly expected to raise our game."

Fallon characteristically downplays his role as a pioneer for communications professionals, but agrees the experience continues to play an important role in his work as CEO. "Good communications people are always thinking strategically and always start from, 'What is the business benefit in doing this?' I think that's important in any job you do," he says.

IN 2013, in the midst of restructuring, Fallon made his public promise to measure the efficacy of each Pearson product with more than \$1 million in sales. The word "efficacy" is borrowed from the pharmaceutical industry where data-driven proof is standard practice: no customer is expected to buy a drug that can't be statistically shown to be effective. →

Likewise, Fallon says, the effectiveness of learning programs should be known in advance, with field results to back up those claims. In Fallon's vision, the efficacy report should not only justify the work Pearson does, but also lay out a set of rigorous metrics by which educational programs in general can be more reliably monitored and improved.

The company has crafted an "efficacy framework," a preliminary step in the development of its products to establish guidelines by which efficacy can be measured. The framework poses questions around four themes: the product's goals, its suitability, implementation strategies and the capacity to deliver on the goals. Significantly, both institutional customers and the students themselves are consulted and the guidelines are broad enough that they can then be applied in other situations.

The efficacy framework is still being developed, but the company has already shared its research, setting up an online "efficacy toolkit" for educators and outside developers that echoes its internal procedures. Those external conversations have provided important feedback, Fallon says. "Working with our customers, we've started to define what learning outcomes actually look like and really built momentum for the project."

In the field, monitoring is structured around four simple ideas: access, completion, achievement and progression to the next desired level. In some cases, Pearson already has the data necessary to begin monitoring. For instance, its popular MyLabs computer-based products for various subjects can supply immediate feedback for teachers, students and program developers. Likewise, schools that the company operates serve as proving grounds for the collection and sifting of data under the efficacy guidelines. Eventually the company hopes to gather the information necessary for the review of all its offerings. "It's all about continuous improvement, continuous feedback. That is what the best teachers have always

"In general, I think we need fewer tests - and better tests"

MADAME TUSSAUDS

Tussauds Group, operators of the worldwide wax museums and other attractions, was purchased by Pearson in 1978 and sold again 20 years later. The company was founded by Marie Tussaud, who perfected her art of wax likenesses during the French Revolution. After leaving France, she opened her first wax museum on Baker Street in London in 1835. Today Tussauds specializes in models of celebrities



done and the way that education at its best has always worked. What we're doing is making the process more efficient and more scalable," says Fallon. "Is this improving access? Is it improving completion rates? Is it enabling achievement and competency, and is it delivering progression?"

Applying the efficacy review to its South Africa universities, Pearson found room for improvement in its work placement program. In a review of iLit, a program for struggling readers in the US, Pearson found a wide range of completion and competency rates, a result of uneven teacher training. This prompted an overhaul. Reviews at Wall Street English schools in China yielded metrics to identify students in trouble with 80 percent accuracy, allowing teachers to develop individualized assistance and boost completion rates.

IMPORTANTLY, efficacy reviews have to be tailored to specific circumstances, with input coming from each teacher and student. "We're not trying to say *this* has to be the measure," Fallon says. "We're saying, for everything we do, let's just make sure there *is* a measure." Ultimately, the goal is to give teachers the tools to do their jobs better. That makes engagement with the education community, teachers especially, critical to Pearson's efficacy regime. "My dad was a teacher most of his working life and he would never talk about personalized learning or data analytics," Fallon says. "But he did ask how, in a class of 30 or more kids, do you reach each one on their own terms and in their own way?"

Good teachers use their observations as data sets for each student, Fallon says. "What I think we're talking about in applying data to education is helping to scale good teaching far more effectively because you can share the benefits of it."

The warm regard Fallon has for educators isn't always reciprocated, with some teachers expressing



FINANCIAL TIMES

Pearson bought the *Financial Times* and a 50 percent stake in *The Economist* in 1957. Printed on pink paper, the 126-year-old *FT* has a reputation for excellence in business journalism and a global reach, but represents a small part of Pearson's business. Still, Pearson has a soft spot for the paper, illustrated by former CEO Marjorie Scardino's famous remark that she would sell it "over my dead body"

skepticism or outright opposition to Pearson products. Conversations in the larger public school districts in the US in particular can be “incredibly difficult,” Fallon says, “partly because some of the economic and social issues they are dealing with can seem so hopeless. Teachers there feel beaten up, and that this is yet another thing that they are being attacked with. There is a lack of faith that things could ever be different or better. And I think people are rightly or wrongly suspicious of for-profit education companies as well.”

North America is by far Pearson’s biggest market, accounting for about 60 percent of its revenue. A large part of that comes from its role in a growing number of mandatory, standardized tests – a favorite target for critics. Some believe the tests aren’t a fair evaluation of students’ abilities, while others criticize the time the tests take from other teaching. Mistakes in scoring have made headlines and helped fuel critics’ arguments. Fallon says the company takes responsibility and has moved to quickly correct errors where they have occurred, and while any error is regrettable, especially for the student affected, these account for a small fraction of the billions of multiple choice tests and more than 111 million essays Pearson develops and scores each year. He adds that in other respects Pearson’s role is often misunderstood. Education policy – curriculum requirements and the number and frequency of tests – is set by elected officials, while Pearson is relied upon to write and score the tests, build digital platforms and other products, and supply a range of consulting services.

While testing is the key to establishing accountability and education reform, Fallon admits the charge of over-reliance on testing has some merit. “Most people would agree we do need some reassurance, some means of being confident that our children are on track to progress and do well in their studies and careers,” Fallon says. “In general, I think we need fewer tests – and better tests.”

“What I think we’re talking about in applying data to education is helping to scale good teaching far more effectively because you can share the benefits of it”

BOTH FALLON and his predecessor Scardino have emphasized that Pearson’s education business is supported by profits, but not defined by them. “I believe that the private sector has a valuable role to play as a partner with public institutions, tackling together the challenges faced by education, and echoing successful private-public relationships in other sectors,” he says.

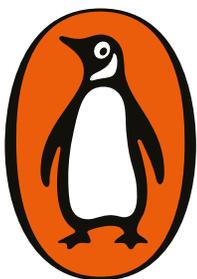
Coming from a family of teachers, Fallon says his passion for the business lies in his understanding of education’s power to transform lives. “My grandad was born in the poorhouse in Roscommon [in Ireland] and brought up in an orphanage in Rochdale [in the northwest of England],” he told *The Times*. “It was very important to him that my dad passed the 11-plus and got a grammar school education. Education was my dad’s route out of poverty and into the middle class.”

His own background leaves Fallon worried about the future of education as a vehicle of social mobility. The income divide is pushing a quality education beyond reach for more and more people, he says. “It’s a personal thing for me. But I imagine it’s personal for pretty much everyone. The rise in wealth in China has probably lifted more people out of poverty in the past 20 years than ever before. What are people spending their money on? Food, housing, education. It’s the third-biggest item of household spending for the growing middle class. Because they understand the ladder of progress.”

Using data to boost the efficacy of education can help “get that social progression moving again,” Fallon says. “I think it’s a big opportunity for us to make a difference.”

www.pearson.com

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PENGUIN

Launched in 1935, Penguin sold 3 million inexpensive paperback books in its first year. In 1960, the company was charged with obscenity in the UK for publishing the unabridged version of D.H. Lawrence’s *Lady Chatterley’s Lover*. Penguin was acquired by Pearson in 1970 and was spun off into a joint venture with Bertelsmann’s Random House in 2013



CHATEAU LATOUR

Pearson bought a majority stake in French wine estate Chateau Latour in 1963 and, under their ownership, its operations were modernized. The 190-acre vineyards date to the 14th century. Pearson sold its stake in 1989