

Targeting growth through efficacy

The road to empowering the lives of 200 million learners annually by 2025

Introduction

Over the last few years, we have been progressively measuring and increasing our impact on learner outcomes. We are already helping millions of learners progress in their lives; to become more literate and numerate, move from school to college, learn a new language, or secure a new career which offers better prospects for them and their families.

To advance Pearson's reach and impact and to position the company for sustainable growth, we have embarked on an ambitious efficacy programme which has evolved the way we manage our business, our approach to product development and our relationships with customers.

In 2013, our drive to build a company centred around 'what works' in education led to a commitment to publicly report on the learner outcomes delivered by our products in 2018.

In 2014, Pearson started embedding the efficacy framework and approach at the centre of our business model, conducting efficacy reviews and using those insights to improve our products and how we serve our customers. In preparation for 2018 we started the process of publicly reporting on efficacy, profiling the progress of five key products.

In 2015, we expanded the focus of our work, gathering evidence for more products and services. We are seeing increased interest in our efficacy approach from our customers and it has become a bigger factor in sales decisions. We are reporting publicly on the efficacy of many more products alongside this report.

Key achievements in 2015

We made great progress in 2015, achieving the following milestones:

2014 first wave products:

Gathering evidence



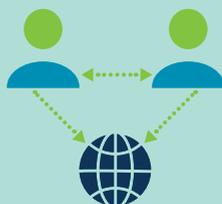
For all 'first wave' products (products chosen based on strategic importance, market position and revenue) we have worked with customers to refine their learner outcomes, are now gathering evidence of their impact, and have been completing efficacy-led product improvements.

2015 second wave products:

Defined learner outcomes



We have also defined learner outcomes and metrics for all 'second wave' products (products representing a wider range of geographies in our portfolio), in addition to evaluating existing evidence and implementing plans to gather more evidence of impact. Going forward we will continue to build an evidence base for these products and make improvements.



Competitive edge

Importantly, we are increasingly seeing our Sales and Marketing teams working with our Efficacy teams to provide a competitive edge to Pearson's proposals. Our commitment to build more effective products has already resulted in increased customer demand for such products and, therefore, increased revenue. We look forward to seeing this trend continue into 2016 and beyond.

In 2016, we continue to make progress evaluating and improving the efficacy of our products. Efficacy has become central to our growth strategy. Our knowledge and capabilities are maturing. Both our current portfolio and the way we identify future acquisitions are grounded in a commitment to demonstrating effective learner outcomes. We are delivering on our commitment to report on these too.

Our efficacy journey

“Hold us accountable for our impact... If we fail, we fail as a business.”

John Fallon, Chief executive officer

Building on last year’s reports, this year our public efficacy reports reflect what we’ve learnt since 2013. They include more detail on the impact each product is having, improvements made to date, future product research and improvement plans and, importantly, stories from our customers. Highlights of this work follow, but to read the full reports, please visit: efficacy.pearson.com

Today we continue to refine our efficacy practice; and, although our knowledge has matured, we remain pioneers. We continue to encourage everyone, from our customers, to learners, to policymakers, to investors, to join in and challenge us, to tell us how we can improve our approach and in turn our products and services.

Efficacy leading to product improvement

The efficacy review process has been designed to help teams identify areas of improvement in product, customer relationships and internal capacity to deliver. The product improvement process is specifically designed to ensure that the product will benefit learners and customers, eventually making it more commercially successful. Examples of these improvements are illustrated below.

Efficacy approach and activities

1 Define intended learner outcomes

2 Review products to ensure they are positioned to deliver on those outcomes, and put in place efficacy improvement programmes

3 Conduct research to measure the efficacy of products and feed insights back into product development

4 Support customers to effectively implement the products to get the best outcomes possible

Product

Wall Street English

New student experience

Pearson Schools India

Improvement

- › Launch of algorithm identifying students at risk of dropping out, providing insights for effective interventions. Improves learner outcomes as well as centre profitability
- › Class-level analytics to demonstrate that students perform equally, whether they are using print or digital manuals; another change that will improve centre efficiency
- › Optimising duration of language videos will increase learner engagement and encourage them not to break their study rhythm
- › Augmentation of teacher numbers and quality as a direct result of the efficacy review
- › Improved data systems, which now provide teachers with data at a concept and student level, aiming for 48-hour turnaround time
- › Adoption of Big English, an English language learning product, to increase student English proficiency; teachers also being supported to improve their own English skills where required
- › More teacher-to-teacher collaboration and interventions driven by efficacy. Our School Management Improvement Framework, as well as a new Professional Development programme to improve school leadership

Targeting growth through efficacy continued

2015 efficacy reports: product highlights

Selected examples of our efficacy reports are included below. The remainder of the reports can be found at efficacy.pearson.com 

Alongside this annual report, we are publishing several reports to share our efficacy progress and the outcomes achieved by some of our most powerful products and services. We will continue to develop the capability to report transparently on the efficacy of products across our portfolio.

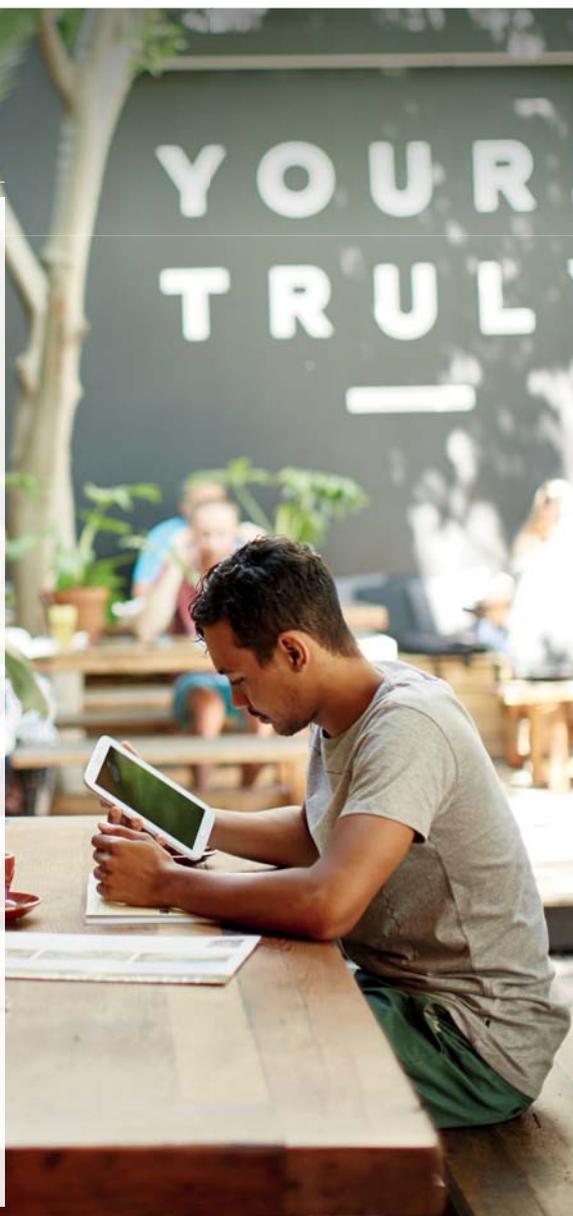
MasteringChemistry®

In the last decade, the number of college students majoring in STEM fields – science, technology, engineering, and mathematics – has increased rapidly.

Between 2007 and 2011, STEM majors in the US increased by 48%. Today, approximately 40% of male college graduates and 29% of female college graduates earn a degree in one of the STEM disciplines. These areas of study offer students practical and applicable skills upon entering the professional world and also create significant economic opportunity.

MasteringChemistry is an online tutorial and problem-solving tool for students to practise and reinforce their understanding of college-level chemistry – a vital tool for any successful STEM degree. The product launched in 2004 and today reaches about 350,000 students in the United States, and 50,000 more in 60 countries around the world. MasteringChemistry uses personalised instruction to improve competency in chemistry and prepare students for success in chemistry courses. Learners benefit from self-paced tutorials featuring specific, wrong-answer feedback and hints that emulate the tutor. New content features have been added to increase student achievement and retention. For example, there are additional adaptive opportunities through new Dynamic Study Modules, which are designed to help students study on their own more effectively, using adaptive algorithms that adjust the content based on each student's understanding of the concepts.

For detail on the efficacy of this product go to efficacy.pearson.com 





Connections Academy schools are accredited, tuition-free, online public schools for K-12 students, providing a personalised approach to learning, supported by certified teachers and a custom curriculum.

Since the first Connections Academy opened in 2002, the schools have been established in 26 US states and have served nearly 270,000 students who – for academic, personal or professional reasons – may be better suited to online rather than bricks-and-mortar education.

Connections believes that all students perform better when they receive individual attention in a safe, nurturing environment – what Connections calls Personalised Performance Learning®. Students are able to accelerate learning in areas of strength or receive extra attention in areas of weakness. Individualised learning does not mean learning alone – students meet regularly in online LiveLesson sessions and have opportunities to share ideas and experiences, while having fun learning together. In-person events, clubs, activities, and field trips help students stay connected and make friends. Parents, as Learning Coaches, are closely involved in their children's education.

For detail on the efficacy of this product go to efficacy.pearson.com ➔



CTI Education Group (CTI) is an institute of higher education that serves approximately 11,000 students across 12 campuses in South Africa.

The institute focuses on arming students with real-life career skills, training them to succeed as employable graduates in a competitive 21st-century economy.

Because career-readiness is such a steadfast priority for the institute, CTI has developed a number of strategies designed to ensure that all of its graduates are well prepared for a highly demanding employment market. For example, a virtual employability centre will open in 2016 to serve as a resource hub for students looking to enter the job market. The virtual hub will be followed by six physical employability centres to provide personalised, face-to-face job coaching. Finally, employability competencies are firmly embedded into the CTI curriculum, which focuses primarily on information technology, commerce and law.

For detail on the efficacy of this product go to efficacy.pearson.com ➔



Targeting growth through efficacy continued



REVEL

With 85% of young millennials in the US owning smartphones in 2014 according to Nielsen, education innovators have come to understand that hardcover textbooks are no longer in line with students' primary consumption habits.

REVEL is a digital resource that offers students online and mobile access to humanities and social sciences course materials. The programme includes embedded assessments, interactive components and videos integrated within the narrative content to reinforce key concepts. REVEL provides instructors an assignment calendar, which allows them to indicate to students when work must be completed with reminders and study tips to help students stay on track throughout the course.

REVEL was launched in 2014 to foster independent self-initiated learning outside the classroom, so that students and educators are better prepared inside the classroom. REVEL allows students to access their learning anytime, anywhere, with an engaging experience that encourages class participation and course completion.

REVEL helps instructors address a particularly thorny challenge they face in the humanities and social sciences – that students don't do their assigned reading and come to class under-prepared. REVEL provides specialised tools to allow instructors to plan for and address this challenge.

For Detail on the efficacy of this product go to efficacy.pearson.com

The path towards audited efficacy statements

From the start of our efficacy work we planned to have our efficacy statements audited in the same way as our financials each year. In order for our focus on learner outcomes to transform our business, it is essential that our customers trust any efficacy statements that we make. We are pleased to announce that this work is underway. This year we began work with an external auditor, PricewaterhouseCoopers (PwC), to ensure that any efficacy statements we make stand up to audit.

Auditing efficacy

We have now published 13 product reports. PwC will collaborate with us during 2016 to continue to strengthen our reporting process.

In 2016 PwC will work with us to:

- > Standardise and stabilise our efficacy reporting processes
- > Further align our evidence to support product efficacy statements
- > Run a mock audit of a sample of efficacy statements in the 2016 annual report in preparation for 2018

Our plans for 2016

Expand the evidence of impact With efficacy processes in place for our 'first wave' and 'second wave' products, we will expand the breadth of evidence we are collecting across even more Pearson products, further demonstrating their impact on learner outcomes.

Leverage efficacy to develop models of product improvement While all products engaged in the efficacy process undergo an improvement cycle, in 2016 we will deepen our efficacy focus on several products that span our business models (e.g. managed services, courseware) to establish a 'gold standard' model of how our efficacy process leads to product improvement.

Further embed efficacy into our organisation and portfolio More product teams around the company will embrace the efficacy approach. Efficacy will be better embedded in internal processes such as acquisition and strategic planning.

Share our efficacy story with the world Lead a global conversation across the education sector about the impact of Pearson's efficacy work, demonstrating how effective education products and services deliver enhanced learner outcomes and positioning Pearson at the forefront of the industry.

The remaining education challenge

Education matters more than ever. It is the most important factor in driving economic and social progress. Research shows that better education helps individuals, families and countries prosper, improves health outcomes and builds cohesive societies. There are huge challenges to overcome, as noted in the adjacent diagram.

There is growing consensus that addressing these pressing educational and global development issues and thereby meeting the needs of learners, employers and governments will require everyone involved in education to work together and focus on solutions which can be shown to make a difference.

In 2015 we joined world leaders at the United Nations in committing to the UN World Sustainable Development Goals (SDGs) to make the world a better place by 2030. These goals represent global challenges across both the developed and developing world and all of Pearson's major markets. Pearson will use these goals to inform our own sustainability plan. We will leverage our investment in efficacy and our growth strategy to fuel the financial success of Pearson, demonstrate progress in achieving our mission, and be a global leader in addressing Goal 4 of the SDGs, "to ensure inclusive and equitable quality education and promote lifelong opportunities for all."

Through efficacy we are capturing our impact on learner outcomes at a product level, thereby providing customers with products and services that are effective learning tools, and, as a result, expanding our reach. We now have the opportunity to measure the collective reach and impact of all of our products, and to report on our growth in new ways.

In the next ten years, we at Pearson believe that the world should be a place where far more people are making much more progress in their lives through learning – and we are making an ambitious plan to get there.

Access to high quality education

58m

primary-aged children are not in school. 250 million children worldwide are in school but are not learning.



Literacy and numeracy skills

750m+

adults, globally, are illiterate. In developed countries, 200 million young people still have not mastered basic literacy and numeracy skills.



Employability and English language skills

206m

adults are unemployed. 290 million young people are out of work. Meanwhile 40% of employers are unable to find qualified candidates to fill vacancies.



1. UNESCO Policy Paper, June 2014 (58m children not in school)
2. UNESCO, Education For All Monitoring Report, April 2013 (250m in school but not learning)
3. UIS Fact Sheet, Sept. 2015 (750m illiterate)
4. International Labour Organisation, Global Employment Trends, 2012 (206m adult unemployed)
5. The Economist, April 2013 (290m young people out of work)
6. The Economist, April 2013 (40% unable to find qualified candidates)

Targeting growth through efficacy continued

The Plan

By 2025, Pearson commits to empower the lives of 200 million learners annually, more than doubling our current reach and doing it through the delivery of more effective products and services.

	Access	Success	Progress
<p>Our goals</p> <p>To meet our commitment to empower the lives of 200 million learners annually, we have set three goals.</p>	<p>Enhance access to high quality education that leads to meaningful outcomes</p>	<p>Help more learners gain the knowledge and skills required for life and career success in the 21st century</p>	<p>Help more people make measurable progress in their life and career through learning</p>
<p>2025 targets</p> <p>We are building on our efficacy work to set ourselves ambitious growth targets.</p>	<ul style="list-style-type: none"> › We will help 10 million primary and secondary learners annually access high quality education › We will help 2 million post-secondary learners annually access high quality education 	<ul style="list-style-type: none"> › We will help increase literacy and numeracy for 50 million learners annually › We will help 50 million learners annually gain the knowledge and skills required for study and employment › We will help advance the English language skills of 75 million learners annually 	<ul style="list-style-type: none"> › We will help 25 million learners annually transition into the workforce after further or higher education › We will help 20 million learners advance their career prospects annually
<p>Strategic alignment</p> <p>Our goals and targets align with our core strategic priorities.</p> <p>For more see strategic overview on p04 ➔</p>	<p>Online degree and virtual school programmes can improve learner access to quality primary and secondary education; currently those programmes are helping 1.8 million learners to annually access quality education. By 2025, we aim to help 10 million.</p>	<p>Our products that support adult English language learning can provide learners with the skills required for success in a global workforce. Products such as MyEnglishLab and many others allow us to help advance the English language skills of 30 million learners annually. By 2025 we aim to help 75 million learners annually.</p>	<p>Our workforce readiness products support learners to make measurable progress in their lives and careers. Products such as MyITLab help approximately 15 million learners to transition into the workforce annually. By 2025 we aim to help 25 million learners annually transition into the workforce after higher or further education.</p>

From 2016 to 2025

While our efficacy work continues, we will sharpen the focus of our portfolio, investments, partnerships, and campaigns to meet the goal of reaching, and positively impacting, 200 million learners with increasingly effective products. This approach will eventually be embedded into every area of our business so that we are positioned for growth.

In 2016, we will:

- › Define company-wide trajectories and set product-level targets and trajectories.
- › Tie KPIs to the targets across Pearson, measuring the performance of our business leaders and executives by their contributions to these goals.
- › Develop and implement a system capable of tracking our progress towards these goals.
- › Agree upon processes for determining new acquisitions and investments in our current and future portfolio based on their contribution to our goals.

Timeline

2013

Public launch of our efficacy commitment

2016

Build on efficacy commitment to set targets for our impact and our reach

2018

First major public reporting on efficacy progress and progress against our impact and reach targets

2025

Meet our impact and reach targets

Setting the targets

- › Our targets are derived from the key educational challenges facing learners, market realities and opportunities identified by our business leaders where Pearson has opportunity to grow.
- › Our product portfolio was evaluated to determine the areas where Pearson can measurably have the greatest impact on global education.
- › The targets are set based on current reach and market trends. Choosing these targets will help organise and measure our energy to grow the company.

We are at a critical juncture in our history and the education sector is at a critical juncture in its evolution. With far greater data being made available on learners' performance and more willingness to use that data to improve education, we have a singular opportunity to have greater impact with our products as well as reach more people.

Our targets to increase our reach and impact will drive us towards commercial success and our mission to help people make progress in their lives through learning.

Pearson's ambitious research programme

World-leading research continues to be a priority for Pearson. We work with the best minds in education to bring their diverse and independent insights to a wider audience. These include two reports published in 2015 with world-renowned educationalist Professor John Hattie, *What Doesn't Work in Education: the Politics of Distraction*, and *What Works Best in Education: the Politics of Collaborative Expertise*.

These papers have been read 70,000 times via our website and have redefined our ambition for the global reach of Pearson's thought leadership. They have formed the basis of engagements with government officials, stakeholders and academia in key markets across the world.

In 2016, we look forward to building on this momentum with releases on critical topics including adaptive learning, artificial intelligence in education, and building efficacy into learning technologies.

The number of learners reached by Pearson

200m

By 2025, Pearson aspires to empower the lives of 200 million learners annually

