



Pearson Group's Digital Transformation from the Perspective of Risk Society

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Abstract. Risk is one of the characteristics of contemporary society. In the process of digital transformation, Pearson Group, which is in a risk society, also faces many external risks and “created risks”. By analyzing the external and internal risks (economic risks, technical risks and human risks) faced by Pearson in the digital transformation, this paper discusses Pearson’s risk aversion in the digital transformation, with a view to providing reference and inspiration for the digital transformation of China’s traditional education publishing industry, and grasping opportunities in the risk.

Keywords: Pearson Group · Digital transformation · Risk society

1 Risk Society and Pearson Group

1.1 Risk Society

Ulrich Beck put forward the theory of risk society in his book “Risk Society: Towards a New Modernity” published in 1986. He believed that risk society refers to a stage of modernity. All kinds of social risks are closely related to human decisions. Risk “is closely related to the process of civilization and the continuous development of modernization” [1]. The theory of risk society explains the changes of risks in industrial society from the perspectives of the globalization of the scope and scale of risks, the seriousness of the degree of risks, the dominant position of man-made risks, and the complexity and of risks. The risk society where risks and associated risks are ubiquitous has come. A sudden COVID-19 epidemic fully confirmed the above characteristics of risk, making risk awareness and avoidance an inevitable problem for us. The traditional publishing industry in China is at the cusp of both the explicit risks represented by the COVID-19 and the endogenous risks in the digital transformation. In this context, the risk awareness and risk aversion of Pearson Group in the digital transformation have become an important content that Chinese traditional publishing companies should learn from.

1.2 Risks in PEarson's Digital Transformation

Baker divides specific risks into explicit risks and endogenous risks. The former mainly refers to the traditional risks from the outside, or can be called constant and fixed risks, which is a structural risk, while the latter is an opportunistic risk with uncertainty. The impact of our constantly developing knowledge on the world is due to the lack of historical experience and social cognition [2]. Pearson Group has transformed from a small construction company to a book publisher, and has gradually developed into a leading educational publishing group in the world. In its digital transformation, Pearson Group inevitably faces various explicit and endogenous risks.

1.3 Explicit Risks Represented by the COVID-19

The global spread and normalization of the COVID-19 epidemic has caused disastrous public health security problems. As of December 30, 2022, the number of confirmed cases of the COVID-19 in the world has reached 727 million, and the cumulative number of deaths has exceeded 6.69 million [3]. The economic and social operations of countries around the world have been deeply affected by it. Pearson, which is in the process of digital transformation, has also suffered a huge impact. On the one hand, Pearson's users choose home isolation for self-protection, The suspension of Pearson evaluation and qualification certification; On the other hand, the COVID-19 led to large-scale suspension of work and schools, and Pearson courseware sales were also deeply affected. The 2020 annual report of Pearson Group clearly pointed out that due to the impact of the COVID-19, Pearson's global assessment, international testing centers, schools and other related businesses were closed, of which the global assessment declined by 14%, North American courseware declined by 13%, and Pearson's basic income declined by 10% over the previous year [4]. The external risk of the COVID-19 not only brings the above direct impact to Pearson, but also brings other risks such as tight funds and declining benefits, further increasing the risk of Pearson's digital transformation.

1.4 Endogenous Risks Represented by Economy, Technology and Manpower

Pearson, as a leading enterprise in digital transformation, accurately grasps the development trend of the enterprise and is at the forefront of the digital economy. However, it also faces the economic risks, technical risks and human risks created during the digital transformation.

Economic Risk

From the traditional book publishing business to the digital education service business, Pearson focuses on the education business and continues to acquire and restructure in the digital transformation. The digital transformation has increased Pearson's digital revenue share from 37% in 2006 to 74% in 2021. However, the increase in the proportion of digital income corresponds to the huge economic risks faced by Pearson. In 2004–2007, Pearson invested more than \$1 billion annually. In 2011–2016, it spent nearly \$3 billion to purchase education-related assets and eliminated nearly \$2 billion of assets [5]. However, the decline in the price of digital textbooks, the opening of curriculum

resources, as well as the development of digital technology, talent introduction and business restructuring, all require a large amount of funds. Pearson has to focus on the core business of the education market, simplify the investment portfolio, and improve the balance sheet.

Technical Risks

It is necessary to carry out the digital transformation with the support of technology. Pearson takes the lead in the digital transformation, and the technical risks it will face can be seen. Its digital transformation follows closely the development and evolution trend of the book publishing industry. Starting from the transformation and development of the book publishing industry chain, it carries out digital investment and transformation, with educational publications and educational derivatives as its main products, Pearson's digital transformation, from products to platforms to services, is closely related to technology, which has also become the part where Pearson spends a lot of money and time to invest in the layout.

Human Risk

The digital transformation of enterprises also means that employees keep pace with the times. From the traditional book publishing group to the digital education group with the main mode of "content + technology + service", the risk of human resources mismatch also appears. Pearson solves the human risk in the digital transformation through layoffs and talent introduction. According to statistics, from 2013 to 2016, Pearson has laid off nearly 10000 employees worldwide. In 2020, Pearson also issued a notice on layoffs and downsizing, and the total number of employees remained at 24500 [7]. John Fallon, CEO of Pearson, has led Pearson Group to carry out digital transformation and reform in the past few years, and Pearson Group has cut about 20000 employees. In addition to the layoffs of ordinary employees, senior managers also actively absorb talents with digitalization-related experience, thus reducing the risk of human resources mismatch.

2 Risk Avoidance in Pearson Group's Digital Transformation

2.1 Pay Attention to User Needs and Deal with External Risks

After the COVID-19 broke out in the UK, Pearson immediately opened its existing curriculum resources and launched online labor skills courses to meet the needs of users. In terms of course resources, Pearson provides hundreds of thousands of students with a large number of free online courses, including Longman English, Pearson English, K12 online hybrid learning of International Connection College, and open websites, applications and other platforms to support the "continuous learning" policy. At the same time, Pearson provides free use of Aida Calculus application, provides free online seminars for educators, and provides online teaching training for higher education teachers who need to transition to online courses through online seminars and digital learning sharing. In terms of labor skills, with the spread of the COVID-19, the unemployment rate has risen rapidly. Pearson launched the UKLearning online portal in May 2020, which includes free, digital, skill based courses to help employees affected by COVID-19 regain skills and broaden employment prospects. On the basis of the launch of UKLearning, Pearson

is releasing Pearson Pathways, which serve as a platform for providing Pearson's primary degree and alternative certificate, enabling learners to find the correct certification learning path and degree, thereby meeting user needs and reducing the impact of the epidemic.

2.2 Asset Business Stripping and Restructuring to Reduce Economic Risks

Digital transformation needs a large amount of funds to maintain. Pearson gives up the existing profit sector to exchange for the funds needed for digital transformation to reduce economic risks. Pearson sold off its non-core assets to carry out digital transformation. Before and after 2015, Pearson sold off its shares in the Financial Times and The Economist in exchange for cash and concentrated on investing in the "Global Education Strategy". In 2017, Pearson sold 22% of the shares of Penguin Random House in exchange for US \$1 billion. In 2018, Pearson achieved profit growth for the first time in five consecutive years. Prior to that, Pearson's net debt exceeded US \$2 billion, and the financial pressure was obvious. In December 2019, Pearson sold 25% of the shares of Penguin Random House, and sold the remaining equity of Penguin Random House in the first half of 2020. In 2021, Pearson Group continued to sell the Pearson Institute of Higher Education and K12 business in Brazil.

The restructuring after the divestiture of the asset business is also related to the development direction of Pearson. In 2021, Pearson adjusted its business, taking lifelong learning as its core, and pursued a digital and more direct consumer-oriented business model. Pearson restructured five global business departments, including Virtual Learning, Higher Education, English Language Learning, Workforce Skills, and Assessment and Qualifications. The core of Pearson's previous business sectors included content courseware. The three parts of education assessment business and education and teaching service business are merged and reorganized into the above five new departments. Each department is fully responsible for its daily expenses, product development and operation, so as to achieve a more flexible and transparent operation mode, thus further improving the degree of digitalization.

2.3 Technical Product Upgrading to Enhance Risk Controllability

As a leader in digitalization and informatization, Pearson has improved the Group's digital technology and enhanced its controllability in the face of risks through external acquisition and cooperation and internal incubation and independent research and development. Pearson developed digital technology through cooperation with technology service providers or acquisition of technology companies, and successively acquired distance online learning service provider E College, Indian online education platform Tutor Vista, and American virtual school operator Connections Education, to meet the technical needs of its own digital transformation. At the same time, Pearson tried to independently develop an adaptive learning system, using artificial intelligence and virtual technology to better integrate new technology with education. For example, the cooperation between Pearson and IBM AI system Watson combines IBM's cognitive ability with Pearson's digital learning products to develop more AI products.

Product digital transformation is also an important part of Pearson's digital transformation. Pearson constantly innovates product forms, integrates and personalizes products and services to meet different needs of users, and produces human-computer interactive applications, online learning platforms, computer teaching aids, mobile applications, e-books, virtual classrooms, virtual tutors and other products. On this basis, Pearson successfully launched Person + in July 2020, and Person + developed in cooperation with students, providing a series of electronic tests and learning tools that are suitable for students' lifestyle and help improve their academic performance, including more than 1500 electronic texts from major authors, which can be accessed offline so that students can learn at any time and anywhere. Pearson hopes that Person + will make up for the extra sales losses in the secondary school textbook market and reshape the economic benefits of higher education business.

2.4 Optimize Talent Team and Increase Risk Response Ability

In terms of personnel, Pearson adjusted the talent team in an all-round way and reduced the number of posts incompatible with digital transformation. In order to improve the technical capabilities of employees, Pearson has established technical training courses to regularly train employees to learn new technologies and improve their professional qualities. Pearson has also actively recruited technical personnel. The 230 technical personnel in the Technology Delivery Center established by Pearson are mostly from the technical personnel of the acquired enterprise [8]. Secondly, Pearson replaced its senior management, giving priority to talents with background in the field of digital new media industry (TMT): Skokaro, who has the experience of CEO of technology companies, was hired as the president of Pearson's emerging markets; Mariova, a senior executive of Intel, was invited by Pearson to serve as the new director of the artificial intelligence department, an important department in Pearson's digital transformation; Pearson has adjusted senior management personnel responsible for key departments and positions in six major regions to ensure the smooth operation of the digital transformation and enterprise.

3 Experience and Enlightenment of Pearson Group's Digital Transformation

At present, China is in a critical period of social transformation and faces many unknown risks. As Professor Baker said in an interview with Chinese scholars, China is entering a high-risk society, even a "high-risk society". There is no doubt about the existence of risks, even in our lives, so what we need to do is to face risks, avoid risks and resolve risks [9]. This also applies to the traditional publishing industry in the period of digital transformation. Pearson's achievements in digital transformation for many years are obvious to all, and its response to risks and strategies are worthy of reference by China's publishing industry.

3.1 Establish Risk Awareness and Enhance the Resilience of Traditional Publishing Industry

As a civilization created by people, risk can overcome the side effects of development through conscious prevention and corresponding systems [10]. China's traditional publishing industry should face risks through the construction of value concepts such as risk prevention awareness, in order to enhance its ability to respond to risks and increase its resilience to face risks. Pearson has started its digital transformation since 2000. It has estimated the possible risks in the publishing industry, and its awareness of risk prevention can be seen. The digital transformation of more than 20 years has enabled Pearson to have more initiative in facing the external risk of COVID-19 epidemic, and can quickly formulate response strategies to reduce the impact of external risks. However, China's education and publishing industry is still in the development stage of digital transformation. Under the impact of the COVID-19, the shortcomings of digital products and industrial chains are more obvious. China's traditional publishing industry should actively establish risk awareness, accelerate the pace of digital transformation, and take the initiative in digital transformation, so as to grasp the initiative in the risky digital era.

3.2 Grasp the Opportunity in the Risk and Accelerate the Transformation of Traditional Publishing Industry

Risk has the characteristics of duality. On the one hand, the uncertainty and complexity of risk itself determine the possibility that it will lead to serious consequences; But on the other hand, the risk also breeds the power and source of scientific and technological innovation and economic development [11]. Therefore, the recognition of risks should not only stay at the level of avoidance. China's traditional publishing houses should actively grasp the new vitality and opportunities gestated in the risks and accelerate the pace of digital transformation of traditional publishing industry.

The changes brought about by the COVID-19 to the publishing industry in China are first reflected in the change of user learning methods. John Fallon, CEO of Pearson, said: "We support customers and learners from all over the world to turn to full online and hybrid learning." Similarly, the call of the Ministry of Education of China to stop classes and not stop classes has also changed students' learning methods from offline to online, providing a broad user base for the digital transformation of China's education publishing industry. Secondly, the external risk of the COVID-19 to a great extent forced China's traditional publishing industry to transform to digital publishing. In 2020, China's digital publishing scale and performance ushered in a new high, with online education and mobile publishing turnover of 257.3 billion yuan and 248.8 billion yuan respectively, making breakthroughs. The total revenue of digital publications of Internet journals, digital newspapers and e-books reached 9.4 billion yuan, an increase of nearly 6% compared with 2019 [12]. The COVID-19 accelerated the painful period of digital transformation of China's publishing industry. Many new opportunities are the catalyst for the transformation of China's traditional publishing industry due to the user learning style and the reality environment. Grasping the new opportunities brought by the COVID-19 is the only choice for China's publishing industry to continue to move forward in the face of risks.

3.3 Emphasize Talent Cultivation and Stimulate the Vitality of Traditional Publishing Industry

In the process of dealing with known digital transformation and unknown risks, the cultivation of new talents is the top priority for China's traditional publishing industry. Pearson strengthens its digital technology through personnel restructuring and regular skill training, thus speeding up its transformation and enhancing its ability to cope with risks and unknown. China's publishing industry is facing the dilemma of talent shortage in the process of digital transformation. Based on the official issuance of the "Fourteenth Five-Year Plan" for the Development of the Publishing Industry (hereinafter referred to as the "Plan") on December 30, 2021, we should accelerate the implementation of the goal of talent training in the Plan, focusing on improving the talent training system from the two aspects of talent introduction plan and training mechanism, Clarify the new goal of talent training to enhance innovation and all-media application capabilities, build a multi-level talent publishing team, enrich the human resources of the publishing industry, and meet the diverse needs of talents [13]. Strengthen the ability training of talent team, inject new vitality into China's traditional publishing industry, reduce the risk of human resources in the digital transformation, and further promote the transformation and upgrading of the traditional publishing industry.

4 Conclusion

Pearson is positive about the external risk of the COVID-19, pays attention to user needs, opens curriculum resources, and helps students overcome difficulties; In response to the risks created, Pearson restructured the business, changed the business structure of the enterprise, reduced the risks of the real economy, further enriched and upgraded the technology and products, reduced redundant positions, and recruited talents with TMT background, thus enhancing the ability to avoid risks.

China is in a risk society. Under the impact of the wave of digital technology and various external and man-made risks, China's traditional educational publishing should not only firmly believe that digital transformation is the inevitable path in concept, establish risk awareness, and enhance the resilience of traditional publishing, but also actively grasp the opportunities in risk to further accelerate the pace of digital transformation. At the same time, it should also pay attention to the training of talents to stimulate the new vitality of publishing transformation, So as to enhance the ability of China's traditional publishing industry to cope with unknown risks and better achieve the goal of a powerful publishing country.

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