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El article

Homework time

There has been a clutch of deals in the assessment space of late and the market is going from strength to strength. Could the sector be the next hot ticket for investors.

Nowadays, children doing homework face very different options to those practising their times tables 10 years ago. The days of cramming notepads full of workings out have increasingly been replaced by online assessments, with the dawn of e-learning, trackability and interactivity driving the trend.

Homework is one very specific type of assessment – it's 'formative' (see box 1) and measures a pupil's progress over time, just like handwritten spelling tests or online multiple choice tests. Ultimately, though, all types of formative assessment are about preparing children for what's known as 'summative' assessment – typically high stakes exams at the end of a course or module, like GCSEs, A-levels or a Level-3 NVQ.

Finding your way around the labyrinth that is the assessment market isn't easy, but there are a number of easily identifiable hot spots, not to mention opportunities to sell assessment abroad (see box). Demand from schools is increasing, driven by this government's quest for more rigorous standards and accountability in education. There has been a spate of recent acquisitions, too, in both the formative and summative sub-sectors of late.

In August, for instance, formative assessment provider GL Education Group acquired online assessment firm the Test Factory. It followed a major formative assessment deal earlier this year, when private equity firm Hellman & Friedman acquired a majority stake in the online assessment giant Renaissance Learning for \$1.1 billion (around £661 million). On the summative side, the awarding body AQA acquired assessment database Doublestruck in 2011 and interactive on-screen assessment provider Alfiesoft in 2012.

Keeping pace with change

To understand the uptick in activity, one must consider how quickly education has been reformed under this government. Top-down reforms to the curriculum and national league tables are demanding more of schools and their pupils, and this is driving the need for assessment solutions that keep everyone match fit. Other factors include the removal of national curriculum levels, and 'Progress 8', a policy due to come in in 2016, which will see all performance tables account for how much schools have helped children progress in eight key subjects.

Jonathan Wells, founder and managing director of ForSkills, a for-profit provider of functional skills assessments that identifies learners' skills gaps, believes that the market for formative assessment will only continue to grow. "It's increasingly important to measure the overall progress of students and not just the end result. There's also big potential to save money with diagnostic online tests. Problems which would have otherwise cost a teacher a lot of time can be worked through without face-to-face interaction."

But which types of formative assessment are out there, and what might prove most popular in light of the changing landscape? Ian Koxvold, a partner at educational consultancy firm Cairneagle Associates, notes that there is a very wide range of products that can provide the sort of real-time feedback that makes formative assessment work. This range can include student practice aids (sometimes offline, but the best online aids now automate reporting to a teacher) or tools and material for a teacher to integrate with in-class teaching.

One of the most successful providers in the space is Renaissance Learning, a company founded Stateside in the 1990s, and which set up shop in the UK in 1999. One of its most popular products is Accelerated Reader, an online platform that aims to motivate children to read for pleasure by helping them select books that are difficult enough to keep them challenged, but not too difficult to cause frustration. It also doubles as an assessment tool that allows teachers to track the development of a child's literacy.

Another such platform is Tag Assessment, which helps teachers to measure "creative skills". Traditional paper-based assessment is "failing to award creativity, innovation and collaboration", Tag's website argues, and so it helps traditional publishers to take their assessments online. GL Education Group has also attracted a lot of interest with its online assessment platform. Tracking progress can help teachers realise how well students should be doing, GL says, while helping them to improve their teaching methods and communicate better with parents.

James Bell, director of professional services at Renaissance Learning, says there's an obvious reason why formative solutions are proving so popular. "Schools are looking for something that adds value by being quick, easy and reliable. They want online assessment as these are products that don't involve marking and ones which can be administered in a matter of minutes as opposed to hours."

The fact that Tag Assessment partners with the likes of Oxford University Press, Pearson Education, Macmillan Education and AQA also tells prospective investors something about this space: blended assessment is the way forward. Martine Garland, the director of educational development at AQA, agrees:

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"Traditionally paper-based organisations are starting to move their offerings online and on-screen. We are also seeing more blended approaches to assessing progress, and both will be instrumental to the assessment market going forward."

Tailored testing

Another attractive product attribute is rapid configurability. John Healey – a corporate finance senior manager at chartered accountancy firm UNW - advised on the GL deal. What made the Test Factory so attractive was the fact it built an administratively configurable platform that "you could sell out of the box to anybody, and in nearly no time at all get the product to do what providers want".

This adaptable platform, along with its attractive corporate and educational customer base, were the main reasons why GL Assessment decided to purchase the company, Healey says. "To say that your assessment platform is truly customisable is still quite unique. There aren't too many companies succeeding in this right now so it's still a big market. Test Factory learnt that the market didn't want to spend huge amounts of money on tailoring assessments, they just wanted the customisation process to happen quickly."

More generally, there are two tick boxes that one needs to check for a viable online formative assessment platform. The whole point of ongoing assessment is that it removes barriers to learning, and in doing so improves a student's potential to achieve higher grades in national exams. Products which don't facilitate this simply won't get far - content is definitely king in this case.

Online platforms must, moreover, be reliable by having the right infrastructure in place. "Reliability is hugely important. You have to be able to upgrade the product without disturbing its users," Healey explains. "If you want scalability you have to have the infrastructure to run a multilingual website 24/7, too." This entails having a 24-hour support team and hosting the product in multiple locations worldwide.

Entering the market is still challenging, though. Koxvold says that BESA research has shown that only around 6% of schools are buying in commercial solutions to replace the now-removed national curriculum levels. The established players are also taking a pretty large slice of the action. But Bell thinks that it's now or never for formative assessment entrepreneurs: "In a way, the future has arrived. Schools are still trying to get to grips with a world without levels. There are plenty of schools feeling stuck, so there's only going to be a growth in the use of external products."

Summative assessment by contrast is a more consolidated market, and an even harder one to break into. However, some argue it could be radically transformed in future. Ben Barton, founder of online 'gamified' student practice aid Zondle, claims that students increasingly expect their qualifications to lead directly to jobs, and that this is resulting in a new type of customer. "Sky Academy [part of the television company] offers a two-year journalism apprenticeship. Ofqual probably has nothing to do with it, but the fact it's Sky makes this assessment programme very prestigious." In future, students could increasingly choose such options instead of the normal college and university route – and taking bespoke summative exams will form part of this.

Additionally, the fact that most summative assessments - from GCSEs to the International Baccalaureate - are still paper-based raises a controversial question: will these exams ever go online? Founder of ForSkills, Carl Gibson, suggests this won't happen until 2018 "at the very least". But if it did materialise, it would completely shake up the market, and give plenty of innovative tech companies a chance to shine. There's a lot happening in the assessment space, that's for sure – and investors are certain to be looking at it closely in 2015.

What is summative and formative assessment?

According to Martine Garland of AQA: "The goal of formative assessment is to monitor student learning to provide ongoing feedback that can be used by teachers to improve their teaching and by students to improve their learning." More specifically, formative assessments help students identify their strengths and weaknesses and are generally thought of as low stake exams. They also help teachers recognise where students are struggling and address problems immediately.

The goal of summative assessment, on the other hand, is to evaluate student learning at the end of a programme of study by comparing it against a standard or benchmark. Put simply, this usually means taking a high stakes test. Primary and secondary schools employ both forms of assessment. Pupils take summative tests such as KS2 National Curriculum Tests, GCSEs and A-levels, and prepare for them using formative assessments.



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