A Critical Review of Acquisitions within the Australian Vocational Education and Training Sector 2012 to 2017

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Abstract

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within the Vocational Education and Training Sector
2012 to 2017

Organisations often look to acquisitions as a means of achieving their growth strategy. However, notwithstanding the theoretical motivations for engaging in acquisitions, research has shown that the acquiring organisation, following the acquisition, frequently experiences a fall in share price and degraded operating performance. Given the failure rates that are conservatively estimated at over 50%, the issue of acquisitions is worthy of inquiry in order to determine what factors make for a successful or alternately an unsuccessful outcome. The focus of this study is the vocational education sector in Australia, where private registered training organisations [RTOs] adopted acquisitions as a strategy to increase their market share and/or support growth strategies prompted by deregulation and a multi-billion dollar training investment by both Australian State and Federal governments in the past ten years. Fuelled by these changes in Government policy, there was a dramatic growth in RTO acquisitions between the period 2012 and 2017. Many of these acquisitions ended in failure, including several RTOs that listed on the Australian Stock Exchange [ASX].

This study investigates acquisitions of Australian RTOs, focusing on the period from 2012 to 2017 [study period]. The aim is to understand *what factors contributed to the success and/or failure of acquisitions of registered training organisations in the Australian Private Education Sector*. The study uses phenomenology, a qualitative research methodology within the interpretivist paradigm, with the intention to gain insight into the 'lived experiences' of the participants who represent a cross-section of key industry stakeholders with first-hand acquisition experience.

A central and practical outcome of the study relevant to the pre-acquisition stage is to highlight the primacy of strategic planning. Given the largely opportunistic approach over the study period that reflected the perceived easy access to funds as a result of Government's policy and initial regulatory inaction, there was a demonstrable gap in terms of local

knowledge of the sector and awareness of the pitfalls and risks associated with a sector subject to strict regulatory oversight. The 3-stage acquisition process model may inadequately identify the importance of sound planning and risk filtering based on sector specific information. As a result, the study recommends the revision of the model to include a pre-pre-acquisition stage that emphasised the importance of '*industry intelligence'*. This role is anticipated to comprise a team of industry experts with current inside information and with a wider understanding of the education sector that is subject to stringent regulation. This finding may be relevant to not only RTOs, but could be extended to other businesses that operate in a heavily regulated sector, and ones that are dependent to a large degree on government funding. Historical evidence supports this risk proposition; the Royal Commission into the Home Insulation Program [HIP] that was established in December 2013, bears an uncanny parallel with funding related issues the result of policy decisions in the vocational education sector.

The study findings are reported in order of the three-stage acquisition process model: pre-acquisition, integration and post-acquisition, with general strategy and related risk considerations noted, and industry specific red flags [indicator of risk] also highlighted. The study also highlights several issues in the integration stage of RTO acquisitions. The three in-depth RTO case studies, for example, illustrate a lack of strategic planning for the integration of new acquisitions. The rush by a number of acquirer firms such as Vocation Limited, Australian Careers Network and Study Group was in order to access VET-FEE HELP [VFH] loan funding and build student enrolments. This myopic focus, rather than considered process that examined the strategic alignment of their multiple acquisitions, was a key factor in acquisition failure.

In the post-acquisition stage, this study highlights the role of government and the industry regulator, Australian Skills Quality Authority [ASQA]. Regulation is a significant sector specific consideration that determines success and failure of the business. By its very nature, government funded industries are subject to volatility associated with changes in political leadership, changes in priorities and policies, and changes in funding priorities. From the findings it is evident that the 2012 expansion of the VET-FEE HELP student loans scheme policy decision to include private RTOs, was a Government policy initiative that was derailed by poor execution. Taking on some lessons learned from the VET-FEE HELP loan policy ‘debacle’ may prevent the loss of Government revenue, as well as protect key stakeholders, such as students and taxpayers, from unjust outcomes in the future and importantly avoid reputational damage in a competitive international education market. This study area may also benefit from further industry specific research to understand the roles of government and regulators and how they can potentially help as well as adversely impact prospective new RTO entrants and associated stakeholders.

Professional Doctorate Student Declaration

Doctor of Business Administration

"I, Kristina M Nicholls, declare that the Doctor of Business Administration thesis entitled *A Critical Review of Registered Training Organisation Acquisitions within the Australian Private Education Sector 2012-2017* is no more than 65,000 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work".

Signature: [redacted] Date: 10th March, 2020

Dedication

Dedicated to my Mother and Father who always believed in me

and to those whom I love …

Acknowledgement

I would like to acknowledge the support and encouragement of my family in commencing and completing this dissertation.

To those who willingly participated in this study and offered valuable insight, you have my gratitude. Without your honest and open discussions, this journey would not have been possible.

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List of Abbreviations

AAT	Administrative Appeals Tribunal
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ARC	Administrative Review Council
ASIC	Australian Securities and Investments Commission
ASQA	Australian Skills Quality Authority
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
AVETMISS	Australian Vocational Education and Training Management Information Statistical Standard
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DET	Department of Education and Training
EFT	Equivalent fulltime
FTE	Fulltime Equivalent
HEIMS	Higher Education Information Management System
IMAA	Institute of Mergers, Acquisitions and Alliances
IPO	Initial Public Offering
M&A	Merger and acquisition
MASEM	Meta-analysis combined with structural equation modelling
NCVER	National Centre for Vocational Education Research
NPI	Narcissistic Personality Inventory
NPV	Net present value
NUHEP	Non-university higher education provider
RTO	Registered training organisation
TAFE	Technical and Further Education
TEQSA	Tertiary Education Quality Standards Authority
TRS	Total Return to Shareholders
VET	Vocational, education and training
VFH	VET FEE-HELP
VSL	VET Student Loans
VTG	Victorian Training Guarantee

Glossary

Acquisition	The purchase of one company by another. Acquisitions can be either friendly or hostile.
Caveat Emptor	Latin for 'Let the Buyer Beware'. The contract law principle that places the onus on the buyer to perform due diligence before making a purchase. The buyer assumes the risk and is responsible for checking the quality and suitability of assets/goods before a purchase/acquisition is made.
Deal	An acquisition.
Dealmaker	A person who is skilled in negotiating commercial deals or agreements to a satisfactory conclusion.
Divestiture	The process of selling off a prior acquisition or investments.
Fundies	Financial lenders
Horizontal integration	The process of acquiring competitors, generally leading to industry consolidation.
Hostile takeover	An acquisition in which the target company does not wish to be acquired.
Managerial hubris	Managers who are over-confident, become delusional about their abilities and convince themselves that they possess superior skills.
Merger	Two independent companies join together to form a combined single entity.
Phantom Students	Students who are enrolled, funded students who fail to engage in learning, are inactive, do not progress and do not complete their course/s.
Red Flag	An indication of risk – buyer beware
Scope	The list of accredited courses that an RTO is approved by ASQA to deliver.
Study Period	The period between 2012 and 2017
Takeover	Another term for acquisition

'Caveat Emptor'

… Buyer Beware

CHAPTER ONE
INTRODUCTION

Chapter 1 introduces the topic of acquisitions of RTOs in the Australian private education sector, and provides an outline of the VET sector as contextual background. The research question and objectives of the research study are also identified.

The aim of this study is to critically review acquisitions of registered training organisations [RTOs] in the Australian private education sector. The study endeavours to fill the gap in the academic literature that to date has not explored the outcomes of acquisitions of Australian RTOs. RTOs deliver nationally accredited vocational education and training to students who wish to complete qualifications for various employment opportunities and specific skills to assist them in their employment. Given the size and importance of the sector, and noting concerns with training quality and funding issues and subsequent reputational damage, it is important that senior executives understand how to manage the risk of failure associated with RTO acquisitions.

This study explores the 'lived' experience of senior managers, business brokers and employees [stakeholders] who have had an involvement in an RTO acquisition/s either as an observer with close ties to the experience or as a key stakeholder living through the experience. Lived experience is "experience-as-we-live-through-it in our actions, relations and situations. Only through reflection can we appropriate aspects of lived experience" (Van Manen, 2007, p. 16). This chapter first outlines business acquisitions, followed by an overview of the vocational education and training landscape in Australia during the study period and the background to deregulation of the VET FEE-Help student loans scheme.

1.1 Acquisitions

Merger and acquisition [M&A] activity is described as coming in waves as a reaction to adjustments in external environmental conditions such as technical, economic, political and social changes (Ciegis & Andriuskevicius, 2015; Sudarsanam, 2003). Mattioli & Cimilluca claim that "companies are merging at a pace unseen in nearly a decade" (2015). The reasons for this increase in M&A activity include access to cheaper debt, affordable interest rates, rising stock prices and healthy balance sheets (Heber, 2014).

Corporate acquisitions have long been recognised as a valuable strategy for organisations that aim to positively affect their business performance. For example, acquisitions are considered strategic tools for companies seeking higher performance (El-Khatib, Fogel, & Jandick, 2015; Yildirim & Birinci, 2013), economies of scale (Tripathi & Lamba, 2015), the creation of value (Cefis & Marsili, 2015; Rahman & Lambkin, 2015), increased market share (Chang & Rosenzweig, 2001) and as a means for growth (Burghardt & Helm, 2015; Eren & Zhuang, 2015). Despite the theoretical motivations for engaging in acquisitions, research has shown however, that the acquiring firm's shareholders frequently experience a fall in share value and poor operating performance of the organisation, post-acquisition (Agrawal & Jaffe, 2000; Marks & Mirvis, 2011a; Teerikangas & Very, 2006). "Research shows that more than 70% of … acquisitions fail due to poor post-deal management" (Lahiff, 1997, p. 172). In addition to the high failure rates of completed acquisitions it has been estimated that as few as 10% of acquisition initiatives are actually completed (G. Johnson, Wihittington, Scholes, Angwin, & Regner, 2014). If most acquisitions fail, then the question, which must be asked, is why do organisations continue to undertake an acquisition strategy? Can it be because CEOs think they can 'beat the odds', by focussing on their own power as dealmakers or is it just plain executive hubris? Despite acquisitions being a favoured corporate tactic, their subsequent higher failure rates make this area of strategy an important research opportunity.

It is important to note the distinction between a 'merger' and 'acquisition'. In a merger there is shared ownership in the entity, whereas in an acquisition "one party ends up owning 100% of the new organisation, buying out the potential partner entirely" (Brusco, Lopomo, Robinson, & Viswanathan, 2007, p. 997). When an organisation acquires a target company, the target company usually becomes part of the acquiring organisation and ceases to exist in a legal sense. Organisations usually make an acquisition using either debt or cash to make the purchase and the acquisition can be either hostile or friendly. A merger in contrast is a decision by two organisations, businesses or even departments to bring together the operations, management and functions of the two businesses. The intention of mergers is to be mutually beneficial for both organisations, divisions, departments etc. and they are reported as having “one underlying motive in common: to protect or improve the strength or profitability of the dominant company. In other words, they maximize shareholder wealth” (Peavler, 2018).

Extensive literature focuses on understanding the factors that in general influence long-term performance in acquisitions (Angwin & Paroutis, 2015; Banal-Estanol & Seldeslachts, 2011; Gnomes, Angwin, Weber, & Tarba, 2013; Lee, 2011). There is, however, little research that has focussed on acquisitions in the education sector, with the exception of Harman and Meek’s (2002), and Mildred’s (2002) research, both of which focussed on mergers of institutions/departments within the education sector. A likely reason for this is that private registered training organisations [RTOs] are a relatively new phenomenon in Australia and government owned education institutions are not prime candidates for acquisition activity but are better suited to merger activity. One example, is a study of the merger of facilities such as libraries and faculty resources within educational institutions (Drowley, Lewis, & Brooks, 2013). In contrast, the acquisition of businesses in the private training sector has not seemingly drawn the attention of acquisition researchers. What limited research was found during the preliminary investigation of this subject appeared to be focussed on mergers in government owned higher education institutions (C. Arnold & Stofile, 2013; Arthur, 2011). Seemingly, minimal research has been undertaken on RTO acquisitions within the Australian private vocational education and training [VET] sector.

The deregulation of the VET sector and the multi-billion dollar training investment by Australian state and federal governments in the past ten years has fuelled a dramatic growth in market share held by RTOs in the private Australian education sector. Conservatively, as previously stated, it is estimated that some 50% of acquisitions fail (Coffey, Garrow, & Holbeche, 2001; Kitching, 1974). As history has witnessed and documented, acquisitions are often accompanied by an erosion of shareholder value (Clayton, 2010; Marks & Mirvis, 2011a) and approximately 70% of the acquired company managers leave within five years (Krug & Aguilera, 2005; Krug & Hegarty, 2001; Krug, Wright, & Kroll, 2015; Mikkelson & Partch, 1997; J. Walsh, 1988, 1989).

Acquisitions of Australian private education providers received increasing media attention especially with the expansion, and in some cases subsequent collapse, of large national private education companies. Given the size [$118.7bn revenue and $3.6bn profit in 2015-2016][1] and importance of the education industry, and the corporate experience of high failure rates associated with acquisitions, a more thorough understanding and analysis of the risks and the reasons why some acquisitions of private RTOs do not live up to expectations is warranted. The National Register of higher education institutions is maintained by the Tertiary Education Quality and Standards Agency [TEQSA]. The table below provides an appreciation of the size and composition of the Australian education sector in 2019.

Table 1: National Register of Higher Education Providers 2019
Source: TEQSA National Register [https://www.teqsa.gov.au/national-register]

TEQSA Provider Category	*SAA	Non-SAA	Total
Higher Education Provider non-university higher education providers (NUHEPs).	12	120	132
Australian University	40	0	40
Australian University of Specialisation	1	0	1
Overseas University	2	0	2
Total Providers	**55**	**120**	**175**

*SAA = Self-accrediting Authority [a provider can self-accredit some or all of its courses]

Registered training organisations [RTOs] are government operated, privately owned or not-for-profit training providers which are either registered by the Australian Skills Quality Authority [ASQA] or, a state regulator, such as is the case in Victoria and Western Australia, to deliver vocational education and training [VET] services. RTOs are either public, private or not-for-profit owned and operated. The VET sector is the largest education and training sector in Australia. In 2019 there were 59 Technical and Further Education institutions [TAFEs] dispersed across metropolitan and regional areas. These TAFES are all government-funded RTOs. In addition, there were an estimated 4,941 non-government owned or private, RTOs. RTOs collectively offer vocational education and training courses that are designed to give students the trade (carpenter, electrician, plumbing) or craft (hairdressing, massage and natural health) specific skills and training that workers may need to enter the Australian workforce.

[1] IBISWorld Industry Report: Education and Training in Australia, 2016

1.1.1 Australian Registered Training Organisations [RTOs]

Registered by either the Australian Skills Quality Authority [ASQA], or a state regulator; RTOs are registered as providers of nationally accredited courses. Only RTOs can:

1. "Deliver nationally recognised courses and accredited Australian Qualifications Framework [AQF] VET qualifications;
2. Apply for Australian [national or Federal], State and Territory funding to deliver vocational education and training; and
3. Offer qualifications at the following VET levels:
    a. Certificates I, II, III and IV;
    b. Diploma;
    c. Advanced Diploma;
    d. Vocational Graduate Certificate; and
    e. Vocational Graduate Diploma." (ASQA, 2018)

ASQA is the regulatory body for RTOs in the Australian Capital Territory, New South Wales, the Northern Territory, Queensland, South Australia and Tasmania. ASQA also oversees RTOs in Western Australia and Victoria which:

1. Offer courses to overseas students studying in Australia on student visas.
   and/or
2. Offer courses in states other than their own [including offering courses online].

Australian RTOs are businesses that are either privately owned or publicly listed on the ASX. Australia is "reported to have a larger number of VET providers than comparable markets overseas, based on the number of people of working age per provider" (Korbel & Misko, 2016). Many RTOs rely on enrolling students who are government funded as their primary source of revenue, with a number of funding schemes available to students [and consequently RTOs], the most popular being the Federal government VET FEE-Help student loans scheme. This scheme was in operation from 2008 to 31st December, 2016. According to the Australian Government, "vocational education is central to Australia's economic growth and business productivity, and the view is that Australia needs a vocational education and training [VET] system that ensures qualifications are designed to provide the skills that employers and industry need now and in the years to come. A strong VET sector is expected to boost the employment outcomes of those completing VET courses and instill confidence in users of the sector" (DET, 2018). This expectation is particularly relevant, in light of the fact that a large number of students on the VET FEE-HELP or VFH loans scheme between 2012 and 2016 either did not complete their qualifications, were deemed to be insufficiently trained or had their qualifications recalled (J. Hare, 2016).

Private RTOs [non TAFEs] in Australia experienced high growth in enrolments during the study period of 2012 to 2017, with numbers almost doubling year on year [35,550 in 2012 to 198,800 in 2016] since the government gave the user a choice of provider [both private and public] when using VET FEE-HELP loans. This change in policy dramatically fuelled acquisition activity within the sector, growth that subsequently has proven to be unsustainable. With the collapse of publicly listed Vocation Limited, Australian Careers Network, Intueri Education Group and its Online Courses Australia business and private equity owned Careers Australia Group Ltd, and others, during the study period, the evidence suggests that an understanding of how to successfully manage the end-to-end acquisition process of a RTO is required.

This study focuses on acquisitions of VET RTOs in the Australian private education sector between 2012 and 2017 and the factors that contributed to the success and/or failure of these acquisitions. The study sets out to add to the body of knowledge surrounding acquisitions and seeks to provide a viable decision making framework to guide senior executives throughout future RTO acquisitions. The practical benefit of the study is to provide insight for senior executives adopting acquisition strategies and so facilitate improved long-term acquisition success for the benefit of students and other stakeholders including the education sector.

The pre-acquisition strategic decision-making process is the critical stage when executives elect to commence an acquisition or just as importantly not to proceed with an acquisition. This is the process under investigation in this study. Thus, one practical contribution to businesses of this study is to assist in identifying at what point a decision to 'walk-away' and not complete the acquisition can and should be made. Understanding when to 'walk-away' from an acquisition opportunity is critical to avoiding acquisition failure and the potential longer-term fallout to the stakeholders involved in the process. The benefits of examining recent local experience of acquisitions also offer the potential to enhance the economics and stability of the Australian VET sector. Lessons learned from this study could apply to acquisitions within the non-university higher education sector, implying significant future research potential in a wider context to address the determined framework of this study.

1.2 Background to the Study

Organisations as generally defined, invest in acquisitions primarily as a value-creation strategy (Alhenawi & Stilwell, 2017). However, value creation means different things to different organisations, but ultimately growth drives value creation and acquisitions are an alternative to organic growth. In fact, some senior executives in organisations reportedly think that engaging in acquisition activity is essential to corporate growth (S. Chatterjee, 1992; Sehleanu, 2015). Yet, as history also shows, many acquisitions fail to create long-term value (Angwin & Paroutis, 2015; Brouthers, Van Hastenberg, & Van Den Ven, 1998).

Acquisition failure has been researched and investigated with varying foci on why acquisitions suffer from high failure rates. Historical evidence suggests that acquisition performance can range from break-even situations to overwhelming failures (M Lubatkin, 1983; Morck, Shleifer, & Vishny, 1990). In fact, as one scholar says, "M&A is a mug's game, in which some 70% to 90% of acquisitions are abysmal failures" (R. Martin, 2016, p. 42). A number of reasons can be identified to explain why so many acquisitions fail to create value (Martynova & Renneboog, 2008). One reason offered for corporate value being destroyed is because of poor planning in the pre-acquisition, deal preparation and/or execution and post-acquisition integration (Angwin & Paroutis, 2015). The problem with acquisitions is that there is no 'one size fits all' strategic approach for every industry and every industry sector. Conversely, what does remain constant across all acquisitions is that strategy planning requires a 'disciplined' acquirer, in order to have any chance of sustainable value creation (Cohan, 2017; Sehleanu, 2015).

An acquisition is where the acquiring company takes over 100% of a target organisation. After the acquisition takes place, the acquiring organisation has two choices on structure of the acquired organisation moving forward. In some cases the acquired organisation does not change its name [brand] or legal structure and will operate as it did in the past. For example, Kaplan Inc, a global private education company owned by Graham Holdings and listed on the US stock exchange, had 1,000,000 students studying across 30 countries and in 400 locations at any one time. When Kaplan Australia purchased Carrick Education in 2011, both companies retained their individual brand names and organisational structures. An alternate approach is when the target organisation is integrated into the acquiring organisation and as such, ceases to exist in its original form. For example, most of Franklyn Scholar's acquisitions were merged into the company and operated under the corporate brand. Determining the worth of the target organisation varies (Garrow & Valentine, 2012). Naturally, the seller will value the company at a price as high as possible, while the acquirer will only want to pay the least price possible. Determining the correct valuation for an organisation is identified as a critical determinant in the strategy formulation stage of an acquisition. There are many ways to value a company, however, there is evidence that acquirers often pay a premium price for their acquisitions (Antoniou, Arbour, & Zhao, 2006; Eccles, Lanes, & Wilson, July-August 1999).

1.3 Research Context

While the existing research and theory on mergers and acquisitions is very extensive and well established, there is little research on acquisitions within the private education sector and specifically of Australian RTOs operating within the VET sector. Topics extensively investigated in the literature on acquisitions in general include shareholder returns (Omah, Okolie, & Durowoju, 2013), hubris (Brennon & Conroy, 2013; Brown, 2007), narcissism (D. Zhu & Chen, 2014), integration (Daniliuc, Bilson, & Shailer, 2014; Vaara, 2003), the effect of managerial wealth (Cotter & Zenner, 1994; Gupta, LeCompte, & Misra, 1997), and the impact of M&As on industry structure (Mitchell & Mulherin, 1996; Oehmke & Naseem, 2016). Other issues studied include managerial failure (Franks & Mayer, 1996; S. Kim, Sambharya, & Yang, 2016; Morck et al., 1990), anti-takeover amendments (Akhigbe & Madura, 1996; M. Johnson & Rao, 1999), managerial turnover (Bohl, 1987, 1989; Garrett & Pavan, 2012; Mikkelson & Partch, 1997), managerial compensation (Agrawal & Knoeber, 1998; Garrett & Pavan, 2015) and managerial ownership (Chang, Mais, & Sullivan, 2013; Ghosh & Ruland, 1998; M. Song & Walkling, 1993).

This study seeks to understand what happened and why many RTO acquisitions failed during the study period and using the lessons learned, as the basis for the development of a decision making procedural framework/model for use in future RTO acquisitions, in order to reduce the volatility and losses incurred as the result of so many failed RTO acquisitions.

Central to the study focus is an income contingent student loan scheme called VET FEE-HELP or VFH. When the VFH scheme was first introduced in the Australian VET sector in 2008 as part of the Commonwealth's Higher Education Loan Program [HELP], there were considerable eligibility restrictions on courses and the organisations that could access the loan scheme. In July 2009, however, the VFH scheme was extended to private providers in 'reformed' states – meaning States partially subsidised VET courses delivered by RTOs. At that time Victoria was the only reformed state because the State government had opened the Victorian Training Guarantee [VTG] funding to private providers. In 2012 all states signed the 2012 National Agreement on Skills and Workforce Development [NASWD], which allowed all private RTOs to be eligible for VFH funding. This change started the process of the States and Territories all shifting the responsibility they initially had for the funding and provision of higher level VET qualifications onto the Commonwealth [temporarily], but finally onto individuals. In effect, the ultimate 'burden' of the VFH debt was effectively fully transferred into the future, to individual students. Being an income contingent loan, repayments for a VFH loan were made through the Australian Taxation Office when, and only when, an individual's income reached the threshold of $53,345 per annum.

The funding and associated regulation changes transformed what was traditionally a market dominated by TAFE institutes. Funding policy reforms supported greater contestability across the training market, and this in turn fuelled the growth of private and other non-government registered training providers (Hughes, Hodgkinson, & Dalais, 2016). Any provider who delivered accredited VET training, was required to be registered with either the national regulator Australian Skills Quality Authority [ASQA] or the regulating state authorities of Western Australia [TACWA] or Victoria [VRQA]. In 2015, operating revenues for Australia's government-funded vocational education and training [VET] system was approximately $9,812.4 million. Compared to the year previous [2014], this was an increase of $1,446.0 million [46.2%]. At the same time, revenue from state and territory governments decreased by $358.5 million [9.7%].

Table 2: Number and percentage distribution of 2015 VFH enrolments by provider type (DET, 2016, p. 22)

Provider Type	Number of [VFH] Providers	Enrolments	Enrolments [%]
TAFE	34	70,838	22.1
Other Public[2]	13	11,318	3.5
Private RTOs	214	238,547	74.4
Total	**261**	**320,703**	**100**

A major source of revenue from 2008 to 2016 for approximately 214 private RTOs was the government funded VFH loans scheme. Table Two shows that of the three VFH provider types in 2015, private RTOs were the largest group [82%] and accounted for 74% of total student enrolments. While total enrolments in 2015 numbered 320,703, there were only 272,000 unique students. This meant that some 49,000 students were enrolled in more than one VFH funded course at the same time (DET, 2016).

1.3.1 Scope and Scale of Funding

An understanding of the VET FEE-HELP funding scheme is necessary in order to fully appreciate the uptake of acquisition activity as a growth strategy undertaken by RTOs [see Appendix One]. In 2008 the Australian Government published the *Review of Australian Higher Education: Final Report*. The Report, also referred to as the Bradley Review, listed several recommendations for tertiary education in Australia. These included:

1. Students were to be given the choice of where they wished to study;
2. Funding was to ideally follow the student across courses and institutions;
3. Accountability was to be made simpler and more efficient to allow institutions to deliver according to its expertise;
4. The Australian Government was to be responsible for providing funding and for regulating the provision of tertiary education;
5. The Australian Government was to establish an independent national tertiary education regulatory body; and

[2] Other Public providers include state agricultural colleges and dual sector universities that offer both higher education and VET courses. This model was most widely adopted in Victoria.

6. The Australian Government was to progressively extend funding to the VET sector starting with Advanced Diploma and Diploma qualifications.

In support of the recommendations in the Bradley Review, the Australian Federal Government established the VFH student loan scheme in June 2008. The aim was to increase student participation in VET and specifically in advanced diploma and diploma courses. The objective of VFH was explicitly to:

> *"deliver a productive and highly skilled workforce which contributes to Australia's economic future, and to enable all working age Australians to develop the skills and qualifications needed to participate effectively in the labour market"* (CAG, 2012, p. 1).

In 2009 the VFH loans scheme had just two restrictions: it applied to students enrolled in diplomas and above and to courses with formal links [pathways] to higher education. In 2012 there were about 35,500 enrolled full-time students, known and referred to as EFT [equivalent fulltime students], accessing the scheme and the value of the loans taken out at that time was $325 million. Later in 2012, the Federal government decided to alter the conditions attached to the VFH loan scheme, allowing private RTOs to also access the scheme. At this point there were no controls on course content, no cap on fees and very little regulation over the scheme (Noonan, 2016). For a student applicant to access a VFH loan, the only requirements were for that person to meet specified citizenship requirements or residency standards, have a tax file number and be enrolled in a VET course at diploma level or higher with an approved provider.

In 2014, there were only 25 RTOs that had more than 1,000 EFT students receiving VFH and only ten RTOs with more than 2,000 EFT students. By 2015, this had changed markedly - with 41 RTOs with 100 or more EFT and 17 RTOs with more than 2000 EFT, with an overall total of nearly 260 RTOs receiving VFH. Moreover, over the period 2014 - 2015, 15 private providers, including Careers Australia, Vocation Limited and Australian Institute of Professional Education [AIPE], doubled in size and significantly increased student enrolments. Some private providers also, for example Australian Careers Network and Unique International College, developed aggressive expansion plans. The effect was a flood of diploma offerings from private providers at vastly inflated prices (Sloan, 2016). The fees charged by some private providers were often five times higher than those charged by TAFE colleges. There was also a marked shift to courses offered ‘online’, and away from traditional face-to-face classroom delivery. This shift in delivery methodology, considerably reduced infrastructure and delivery costs for the training provider. TAFEs, for example, were charging $6330 for a Diploma of Salon Management, while some private providers were charging up to $33,000 for the same course (Sloan, 2016). Enrolments in online diploma courses grew mainly because many of the RTOs had sales agents recruiting students on their behalf. Described as using misleading but glitzy marketing material and offering inducements such as free iPads or laptops, “these recruiters took advantage of often vulnerable people, many with poor English” (Sloan, 2016).

1.3.1.1 Government Policy Execution

The VFH loans scheme was administered by the Federal government’s Department of Education and Training, while the industry regulator, Australian Skills Quality Authority [ASQA], was responsible for managing risks to the quality of educational outcomes for students and the Australian Competition and Consumer Commission [ACCC] was responsible for consumer [student] protection and also for addressing any potential misleading or unconscionable conduct of RTOs. Eligible students could access Government income contingent loans up to AUD$99,000, which removed the up-front cost barriers to further education. The Government’s funding model provided that the VFH loan was incurred by the student and the course fees were paid directly to the education provider of their choice, with students only obliged to repay the loan/s on reaching an income threshold of $53,345 per annum. While the repayment of the VFH loan was not contingent on successful completion of the funded course, the loan was paid upfront to the provider upon enrolment. In effect, the benefit was captured immediately on enrolment by the training provider, while the cost was a deferred cost to the student, but one that would have to be paid perhaps ultimately out of the estate of the debtor. Because the total payment of the loan upfront did not require course completion by the student, an opportunity was identified by some RTOs wherein their focus shifted to student enrolments and away from course completions.

In 2015, the VFH loan scheme was featured in an inquiry by the Senate Education and Employment References Committee. The final report of the inquiry, called *Getting our*

Money's Worth: The Operation, Regulation and Funding of Private Vocational Education and Training (VET) Providers in Australia, (October 2015), included sixteen recommendations to strengthen the VFH scheme's administrative and regulatory conditions. The report recognised the systemic failure of the VFH scheme's market-based approach and Recommendation 4 2.112 stated:

> "The Committee opposes suggestions to lower the [student] repayment threshold to $30,000 or $40,000. Asking lower income earners to pay for the failure of government to properly regulate the operations of VET FEE-HELP – and for the rampant and unethical misbehavior of some private providers – fails both the practical and ethical test" (Senate, 2015).

When the VFH loans scheme was expanded in 2012, it was focused heavily towards supporting growth in the vocational education and training sector. However, the government regulator, at the time, did not put an appropriate quality and accountability framework in place to address any identified risks. Moreover, the Department of Education which was responsible for the management of the loans scheme, failed to establish processes to ensure that all objectives, risks and consequences were managed appropriately. The department's primary focus was on increasing student participation, however this came at the cost of integrity and accountability considerations that would have been expected given the inherent risks. In a remarkable parallel, the government role and issues with execution is highlighted once more in the example of the Home Insulation Program [HIP], which was established in 2013 and intended to protect the economy against a global financial crisis (Gratton, 2014). This issue is discussed further in Chapter Five.

1.3.2 Student Complaints

The Department of Education and Training [DET] started receiving complaints by students signed to VFH loans and by 2016 had received 3,659 complaints. In the last six months of the VFH loans scheme, from July 2016 to 31 December 2016, the VET Student Loans Ombudsman received a total of 4153 complaints (Tomazin, 2018). Most complaints came from people discovering they were in debt over loans issued without their knowledge and consent. It quickly became evident that a number of RTOs were signing-up students by using unacceptable 'marketing' practices. DET did not have a strategy or process to recover the large amount of funding that it had given to RTOs for enrolments that were not 'bona fide' and it did not use its authority to guard Government monies or the Australian citizens being signed-up for debts to be repaid to the Commonwealth (Auditor General, 2016-2017).

Of the complaints made to the VET Student Loans Ombudsman in 2017, 677 related to four education providers that had been taken to court by the Department of Education and the Australian Competition and Consumer Commission [ACCC], consequently, the ombudsman did not take action against the providers. The four colleges were Unique International College, Cornerstone Investment Australia, the Australian Institute of Professional Education [AIPE] and Phoenix Institute of Australia, all of which subsequently lost their ASQA registration and no longer exist (Medhora, 2018).

1.3.3 Growth in VET FEE-HELP Loans

The VFH loans scheme experienced significant uptake from 2012 to 2015. "19 of the top 20 VET FEE-HELP providers in 2014 [in terms of numbers of students and amount of loans] were already in the market before the introduction of the scheme. While enrolments at these providers may have grown as a result of their being approved as VFH loan providers, the evidence indicates that these were established providers rather than new providers entering the market" (Korbel & Misko, 2016, p. 8). At its peak the total value of VFH loans reached AUD$2.9 billion in 2015, up from AUD$25.6 million in 2009. According to the 2016 Australian National Audit Office Report "the Australian Government Actuary estimated that $1.2 billion in loans issued inappropriately by VFH providers in 2014 and 2015 would not be recovered from the providers and that a further $1 billion in VFH loans would not be repaid, largely relating to loan recipients not expected to meet the income repayment threshold" (ANAO, 2016, p. 7).

Some RTOs had exponential growth in VFH funding from one year to the next. Table 3 illustrates the growth in VFH funding that providers were receiving. Phoenix Institute of Australia, founded by former policeman, Ivan Brown, was merged into the ASX listed Australian Careers Network [ACN], which Brown cofounded. Effectively, Brown rolled up his $500 start-up Phoenix Institute into the ASX listed ACN, which at one point was worth $180 million (Manning, 2016b).

Table 3: Example of Increases in VFH Loan Payments to Providers
Source: The Auditor-General ANAO Report No. 31 2016-17 Performance Audit p. 45-46

Provider legal name	RTO status	VFH status	Year	VFH Payment	Year	VFH Payment	Change % [Growth]
Australian Institute of Personal	2011	Apr 2013	2013	$256,185	2014	$20,531,374	7914%
Phoenix Institute of Australia Pty Ltd (ACN)	2005	Nov 2009	2014	$2,489,235	2015	$106,667,172	4185%
Careers Australia Education Institute Pty Ltd	2010	Jun 2011	2012	$1,084,894	2013	$73,953,917	425%

Table 3 illustrates the growth impact that access to VFH funding had on some RTOs. Phoenix Institute, for example, was registered as an accredited training provider in 2005 and received approval for VFH funding in 2009. In 2014 Phoenix Institute received $2,489,235 in VFH funding and in the following year 2015 it received $106,667,172. This represents a growth in revenue of 4185 per cent over a twelve-month period.

The National Centre for Vocational Education Research (Korbel & Misko, 2016) undertook research which indicated that the number of RTO providers in the VET sector was constant from 2000 to 2015. The number of RTOs that were approved as VFH providers increased from five in 2008 to 271 in June 2016, with the largest increase being in private sector providers. As the number of VFH approved RTO providers grew, so did their consumption of VFH funding (ANAO, 2016, p. 46). Table 4 shows the trend in enrolments across the VET sector from 2009 to 2016. Enrolments at TAFEs progressively declined from 2009 to 2015, as enrolments at private providers increased. The end of 2016 saw the tide change due to the cessation of the VFH loans scheme in December of that year. Students utilising VFH loans peaked in 2015 with private RTOs [shown in red text in Table 4] accessing the ‘lion’s share’.

Table 4: Percentage of Students by Provider

Year	% attending TAFE and other government providers	% attending registered private providers	% attending at community education providers	% attending more than one provider
2016	52.2%	**40.8%**	5.8%	1.3%
2015	47%	**45.3%**	6.5%	1.2%
2014	49.8%	**42%**	6.7%	1.5%
2013	55.6%	**36.6%**	6.9%	1%
2009	68.7%	**21.2%**	9.1%	1%

Source: NCVER Government-funded students and courses 2016: infographic, (12 July, 2017) (https://www.ncver.edu.au/data/data/infographics/government-funded-students-and-courses-2016-infographic)

Table 5 below shows that the majority of 2015 VFH funding went to private providers.

Table 5: 2015 Providers and VET FEE HELP Loans

Provider Type	# of Providers	VET FEE-HELP Loans
TAFE	34	$402,582,190
Other Public	13	$49,898,404
Private RTOs	**214**	**$2,462,896,604**
Total	261	$2,915,377,198

(Source: 2015 VET FEE-HELP Statistical Report, DET)

In addition to VFH funding of $2,915,377,198 in 2015, it is estimated that between 2014 and 2015, the Commonwealth Government and state and territory governments combined provided $5.9 billion in total funding [includes state and territory based funding] for subsidised vocational education and training, (Anlezark & Foley, 2016). This amount decreased slightly between 2015 and 2016, where $5.7 billion was invested into VET training to approximately four million students (MacKenzie, 2018). The growth in private providers receiving VFH funding is evident in Figure 1 below, as is the disproportionate distribution of funds, with 282 private providers receiving 85% of the VFH funding.

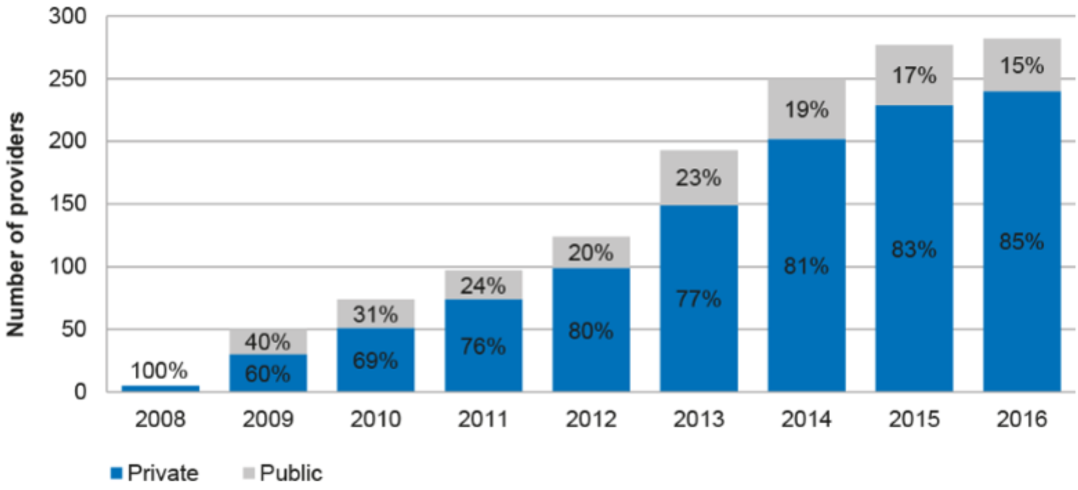


Figure 1: Approved VET FEE-HELP Providers 2008 to 30 June 2016
(Source: Administration of the VET FEE-HELP Scheme Summary, ANAO, 2016)

Over the eight years of the VET FEE-HELP loans scheme, a total of more than AUD$6 billion was disbursed to students. Of this, three-quarters is estimated to have flowed to private RTOs with the eight biggest private RTOs receiving AUD$2.2 billion between them. (Manning, 2016b). Table 6 lists the eight colleges receiving the largest total VET FEE-HELP funding over the duration of the scheme [2008 – 2016].

Table 6: Private Providers Receiving the Largest VFH Funding

	College	**Total VFH Funding Received**
1	Evocca	$607,000,000
2	Careers Australia	$482,000,000
3	Study Group Australia	$300,000,000
4	Think Colleges	$223,000,000
5	Australian Institute of Professional Education [AIPE]	$210,000,000
6	Unique International College	$140,000,000
7	Phoenix Institute	$113,000,000
8	Cornerstone Investments	$94,000,000

Source: The Auditor-General ANAO Report No. 31 2016-17 Performance Audit p. 45-46

Importantly, of the eight RTOs shown above, seven lost their VFH funding and were deregistered by ASQA for non-compliances and/or inappropriate marketing tactics. Six of these RTOs subsequently went into voluntary administration (https://www.asqa.gov.au/news-publications/news/regulatory-decisions-update-15-august-2018). Think Colleges, listed as item four above was different as it maintained its ASQA registration and still operates in the VET Sector. In 2016, Think's APM College of Business and Communication and the Billy Blue College of Design joined Think's sister school, Torrens University Australia. The partnering of Billy Blue and APM to Torrens University meant that students had the opportunity to study a VET course or graduate with a higher education university degree.

It wasn't until late 2015 that the Department of Education and Training [DET] shared its VET FEE-HELP loan data with ASQA, the regulatory agency. It has been suggested that had the loans data been shared earlier, it would have allowed ASQA to determine which training organisations were growing the fastest and therefore potentially posed the most regulatory risk (Warburton, 2016). Regulatory risk as perceived by ASQA at the time, was concerned with non-compliance to the *Standards for NVR* (National VET Regulator) *RTOs 2012* and later, the *Standards for Registered Training Organisations (RTOs) 2015*. Through the enforcement of these standards, ASQA oversees the delivery of nationally accredited, high-quality training and assessment across Australian VET RTOs, in order to protect VET students.

1.3.4 Government Funding Changes in the VET Sector

In 2017 the funding landscape for vocational education students underwent a dramatic change in the aftermath of the cessation of the VFH loans scheme at the end of 2016. A new VET Student Loans program commenced on 1 January 2017 replacing the VFH loans scheme, which dramatically changed eligibility to government loans and placed a cap on course fees. The new VET Student Loans scheme now offers tightly controlled income contingent loan support to eligible students studying approved Diploma level and above VET qualifications. Eligible students are entitled to access loans up to a capped amount of either AUD$5,000, AUD$10,000 or AUD $15,000 based on the cost of the delivery of their course. Since its introduction in 2017, 100 RTOs have had their VET Student Loans approval removed; leaving 202 VET Student Loans approved providers as of November, 2018. The amount paid to the approved providers for the first six months of the VET Student Loans scheme in 2017 was $78,131,053. This is considerably lower than VFH loans provided in the year prior (DET, 2017).

1.3.5 RTO Acquisition Issues

The Australian VET sector annual revenue in 2016 was $8.9bn, which was expected to increase at 2.2% p.a. over the next five years to $9.9bn[3]. Vocational student enrolment numbers rose over the study period of 2012 and 2017. The introduction of the VFH student loans scheme in 2008 reduced the financial barrier to vocational education for many students, boosting the number of enrolled vocational students and industry revenue over the period 2008-2016. The introduction of Federal government funding [via VFH], was intended to increase vocational skills and employability, but without attendant regulatory control, had the unintended effect of boosting an upsurge in acquisition activity and opening doors to unscrupulous and even reckless behaviour.

Several private VET providers pursued acquisitions and IPOs during the three-year period of 2013 and 2015, to mostly negative effect. For example, New Zealand-based VET education provider Intueri, listed on the Australian Stock Exchange [ASX)] in May 2014, and Ashley Services Group and Australian Careers Network [ACN] began trading in August and December of the same year. ASQA audits identified a number of non-compliances and consequently a freeze on VFH funding was placed on all three RTOs. Ashley Services Group entered a trading halt in October 2015 and again in November 2016, after its share price crashed, its profit declined and several directors left. ACN also halted trading in October 2015 and entered voluntary administration in March 2016, after the Federal Government froze VFH payments to the company due to allegations of provider misconduct. Intueri was delisted in January 2017 and subsequently entered voluntary administration. Three other companies, Avana, Bawm Group and Customer Service Institute of Australia, joined together and formed Vocation Limited which listed on the ASX in December 2013. The company subsequently faced significant turmoil, announcing a $27 million loss in the first half of 2014-15 with a payback of VTG funding to the Victorian government. Vocation Limited also collapsed and went into administration in November 2015.

The collapse of companies such as Vocation Ltd, ACN, Intueri, Acquire Learning, Australian Unique International College, Careers Australia, Sage Institute, Gurkha Institute,

[3] www.ibisworld.com.au

Asia Pacific Training, Cornerstone, Get Qualified, Evocca, Phoenix Institute, Australian Institute of Professional Education and multiple others were initiated by the halt of their VFH student loans scheme funding by the Australian Federal government. This was following non-compliances and breaches of the RTO Standards, audits by ASQA questioning training quality and which deemed the RTO/s was not operating consistently with the requirements of the VET Quality Framework and in some cases, investigations by the Australian Consumer and Competition Commission [ACCC] and the various state Offices of Fair Trading. Figure 2 captures the flow of the VFH dollars and the commissions paid along the way. The illustration below by Bagshaw and Bachelard (2015) illustrates what they called the 'dodgy' side of vocational education – a colloquial expression for unscrupulous behaviour. These behaviours included salespersons giving laptops to students as an inducement to enrol, the practice of deferred debt to be paid by students and the payment given to 3rd party brokers.

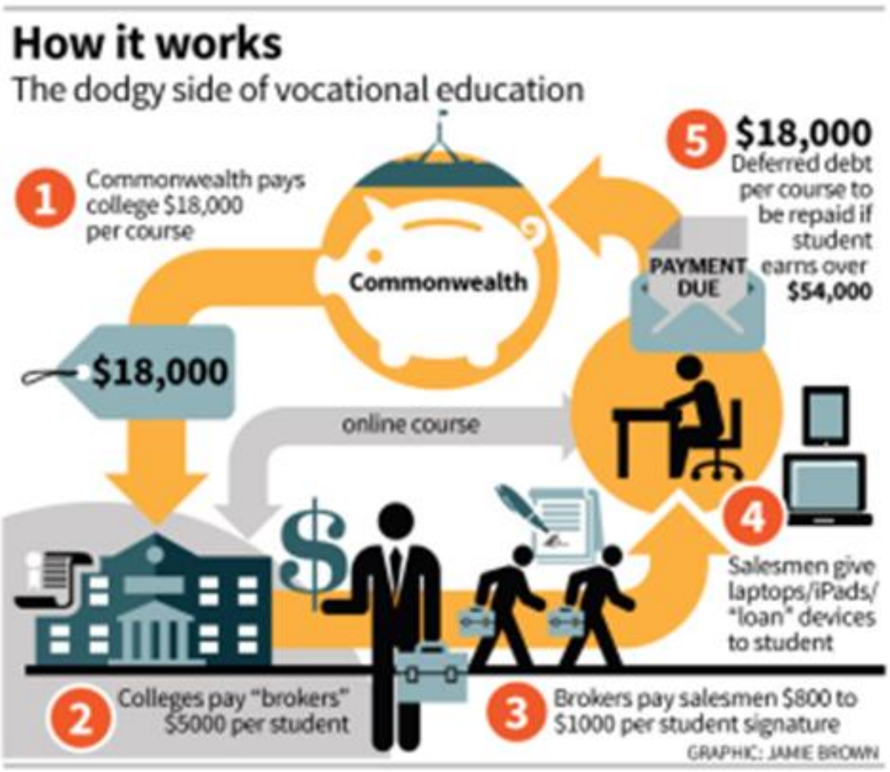


Figure 2: The Dodgy Side of Vocational Education
(Bagshaw & Bachelard, 2015)

In 2015, it was estimated that 30 of the 4989 RTOs, or 0.6% of providers, were either listed on the ASX or were subsidiaries of large corporate organisations listed on the ASX. Several acquisitions took place from 2012 to the end of 2016 with some small RTOs, joining forces to list on the ASX. Companies including Kaplan Australia, Navitas Ltd and Academies Australasia acquired and operated several RTOs trading as individual business entities. Along with the take-up of RTO acquisitions came a number of corporate failures. Careers Australia, Acquire Learning, Australian Careers Network, and Vocation Limited are just a few to have ridden the great rise and fall of RTO acquisitions ending in deregistration as a training provider and voluntary administration (Aston & Evans, 2014).

One company that maintained 'a clean sheet' throughout the study period was Navitas Limited. Navitas is an Australian ASX-listed company with numerous subsidiaries operating both nationally and internationally. The company operates in the VET sector through its Careers and Industry division, which oversees the Navitas English Centre, Navitas Professional Training, the Australian College of Applied Psychology and Navitas College of Public Safety. Navitas College of Public Safety opted to close its VET division in 2013 and ceased registration with ASQA at that time. It has maintained its Tertiary Education Quality and Standards Agency [TEQSA] registration and still trades delivering accredited higher education courses. The SAE Institute is a global media and creative education provider that Navitas acquired in February 2011 and is registered with TEQSA. Maintaining 'a clean sheet' has allowed Navitas to expand overseas in the past five years, to countries such as the United Kingdom, Canada, the United States, Asia and Europe.

VFH incentives motivated aggressive and unethical marketing techniques and dishonest conduct by some private training providers, which caused concerns about the VFH scheme's efficacy (Warburton, 2016). The Federal Government responded by prohibiting RTOs from engaging in certain marketing activities and offering enrolment incentives such as laptops to prospective students. The Federal Government also implemented initiatives to increase student awareness of the VFH Loans scheme and debts incurred by signing to the scheme. These initiatives may have had an impact on private providers' revenue.

Whilst the focus in this thesis is on the lived experience during acquisition activity over the study period, three business examples that illustrate what was taking place through this period are discussed in Appendix Two. Two of the RTO business examples, Australian Careers Network and Vocation Limited, were formed and listed on the ASX. The third business example Study Group, was and still is, private equity owned [Providence Equity Partners LLC]. These business examples will be used to illustrate discussion points in Chapter Five.

The VFH funding scheme ended on 31st December 2016. The introduction of the new VET Student Loans scheme in January 2017 reduced the number of government-funded courses and placed funding limits on courses. The scheme has limited increases in the number of student enrolments and consequently slow industry growth is predicted over the next five years (Munro-Smith, 2018).

1.4 Aim of Study

RTOs deliver nationally accredited vocational education and training [VET] which enables "students to gain qualifications for all types of employment, and specific skills to help them in the workplace" (ASQA, 2019). Over the period 2008 to December 2016 when the VFH scheme ended, there was a relatively high number of RTO acquisitions, as well as some relatively large organisations formed and listed on the ASX. The study critically reviews acquisitions of RTOs in the Australian private education sector that took place over the period 2012 to 2017. The study aims to identify what factors contributed to the success and/or failure of acquisitions of registered training organisations in the Australian Private Education Sector during the study period. The study endeavours to address this under-explored phenomenon using an interpretive phenomenological research methodology (Collingridge & Gantt, 2008; Crouch & McKenzie, 2006; Mertens, 2015; Patton, 2002) based on the 'lived' experience of stakeholders [CEOs, senior managers, business advisors, business brokers and employees] (Marton, 1981). These stakeholders had direct involvement in an acquisition/s either as the acquirer or as an advisor to the acquisition.

1.5 Research Question

The research question addressed by this study is:

> *"What factors contributed to the success and/or failure of acquisitions of registered training organisations in the Australian Private Education Sector between 2012 and 2017?"*

1.5.1 Research Objectives

The study has four research objectives [ROs], each of which have an impact on the successful delivery of an acquisition strategy's objectives and outcomes. Existing research has shown that there are recurring predictors of acquisition failure and hence there are nominally viable strategies also for risk mitigation. The research objectives have been designed to help identify the challenges, the potential areas of risk and ways to mitigate the risks. It is intended that the research question and sub-set objectives will provide insight that may help increase the chances of RTO acquisition success.

The research objectives of the study are to:

- RO1. Identify the strategic and other considerations involved in the acquisition process of Australian RTOs between 2012 and 2017;
- RO2. Identify [actual and perceived] measures of success by management in acquisitions of Australian RTOs;
- RO3. Identify risk factors associated with Australian registered training organisations acquisitions; and
- RO4. Develop a framework to support senior management decision-making in the acquisition process of RTOs for long-term performance.

The study is designed to assist senior managers' planning and support their decision making for long-term performance. While every RTO acquisition is unique and requires its own strategic plan, the factors which need to be considered in deciding how to shape that bespoke strategic plan are constant for due diligence and governance.

1.6 Contribution to Knowledge and Practical Significance

Given the size and importance of the VET sector and noting concern over training quality, funding and potential reputational damage, it is important senior executives understand how to mitigate the risk of failure associated with acquisitions in the Australian private education sector. There have been several studies that have reviewed acquisitions in entire disciplines (Cartwright & Schoenberg, 2006; Cartwright, Tytherleigh, & Robertson, 2007; Ramos-Rodriguez & Ruiz-Navarro, 2004; Shafique, 2013) or researched particular aspects of acquisitions (Acedo, Barroso, & Galan, 2006; D. King, Dalton, Daily, & Covin, 2004;

Mariana, 2012). However, to date, the author is not aware of any which have explored acquisitions within the Australian private education sector.

1.6.1 Contribution to Knowledge

Acquisition success is dependent upon seeing and grasping opportunity, counter balanced by an understanding and effective management of risk, as well as related considerations over the process of acquisition as these can impact long-term performance (Angwin & Paroutis, 2015; Banal-Estanol & Seldeslachts, 2011; Brouthers, Van Hastenberg, et al., 1998; Bruner, 2002; A. Chatterjee & Hambrick, 2007; Fee & Thomas, 2004; Gaughan, 2004; Gnomes et al., 2013; S. Kaplan & Weisbach, 1992; Knilans, 2009; Lee, 2011). While, there are some studies on mergers in higher education (C. Arnold & Stofile, 2013; Arthur, 2011; Cartwright et al., 2007; Harman & Meek, 2002; Hatton, 2002; Mildred, 2002; Skodvin, 1999), the author is not aware of any to date which have been conducted on acquisitions within the private VET sector. Research that enables a better understanding of why so many RTO acquisitions did not live up to expectations is warranted.

1.6.2 Statement of Practical Significance

The research will contribute to the body of knowledge surrounding acquisitions of Australian RTOs and provide a sector-specific framework to guide senior executives through the acquisition processes. The practical benefits of this research are in providing insight for businesses and senior executives seeking growth through an acquisition strategy. The decision-making involved in an acquisition of an RTO applies early when commencing the planning process that helps determine to proceed or not proceed with the acquisition. This go/no-go decision point is one area investigated and the practical contribution to business by this study is to identify red flags [indicators of risk – buyer beware] that would prompt a decision to 'walk-away'. Typical 'red flags' [risk indicators] in the VET sector could include internal to the company factors, such as sole reliance on government funded student enrolments and externally to the company issues related to compliance and the regulatory body, ASQA.

Finally, the capacity to manage risk is considered in this study of RTO acquisitions. One suggestion from literature to mitigate risk is for businesses to increase the number of revenue streams. Portfolio theory (Markowitz, 1959) suggests that there is an association of high risk with 'putting all your eggs in one basket'. According to Markowitz "a good portfolio is … a balanced whole, providing the investor with protections and opportunities with respect to a wide range of contingencies" (Markowitz, 1959, p. 3). This suggests that as the number of revenue streams increase, the more likely it is that an RTO will exhibit stable/improved market performance.

1.7 Thesis Structure

This thesis is organised into six chapters.

Chapter 1 introduces the topic of acquisitions of RTOs in the Australian private education sector, and provides a brief outline of the VET sector as a contextual background. The research question and objectives of the research study are also identified.

Chapter 2 presents a comprehensive consideration of the literature related to the topic being investigated, acquisitions, and the wider theory related to strategic planning and execution. The chapter details the theoretical understanding of acquisitions in terms of acquirer motives, associated success and risk factors, as well as the key stakeholders. The chapter concludes with the development of a conceptual framework, which provides a foundation for the study.

Chapter 3 details the research methodology and the rationale for the phenomenological method adopted and sampling size. Participants represented senior executives, advisory consultants [including business brokers] to RTO acquisitions and employees who had first-hand experience in the acquisition of RTOs. The researcher used a systematic process of investigation based on semi-structured interviews intended to capture the lived experience. Interviews provided the ideal method of collecting this data on the key stakeholders' personal experiences, histories and perspectives, while the semi-structured approach facilitated exploration of 'sensitive' ideas and aspects of the acquisition process.

Chapter 4 presents the study findings in relation to the research question and the research objectives RO1, RO2 and RO3. This chapter explores the considerations involved in acquisitions, the perceived and actual measures of success and the associated risks.

Chapter 5 is a discussion of the results that includes a discussion on research objective RO4. Emerging themes are discussed in terms of the 3-stage acquisition process that was presented in the conceptual framework. Participants' responses are summarised and organised into relational process and structural themes that highlight primary considerations driving acquisition strategy, sector-specific success and failure factors, and decision-making red flags.

Chapter 6 summarises the study, identifies the primary contributions made by the study and the study's limitations and scope for further research.

1.8 Concluding Comments

The Australian education industry, and particularly the VET sector, has experienced an unprecedented rise in acquisition activity and an unusually high number of failed acquisitions of RTOs over the study period that coincided with the VFH loan scheme (2008-2016). This chapter has provided an introduction and contextual background to the study aim and outlined why it is important to understand acquisition practice in the Australian VET context. This study has set out to identify the factors that contributed to the success and/or failure of acquisitions and specifically acquisitions of Australian RTOs during the period 2012 to 2017. The findings of the research will contribute to the growing body of knowledge in the area of acquisitions, but with a focus on a lesser examined sector, vocational education and training. The significance of the study, the research method used and an overview of the thesis structure is also provided.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents a summary of the literature and a conceptual framework that will frame the study. The chapter establishes the importance of acquisition strategy and provides background information that is necessary in understanding the study's objectives. Within this endeavour, the chapter also considers the research question *"What factors contributed to the success and/or failure of acquisitions of registered training organisations in the Australian Private Education Sector between 2012 and 2017?"* The chapter establishes the research as an important link in developing knowledge in relation to acquisitions of RTOs in the Australian private education sector and the factors that can contribute to success and/or failure of these acquisitions.

Organisations use mergers and acquisitions (M&As) as mechanisms to achieve corporate objectives. The term 'merger' refers to the integration of two comparatively equivalent entities into a new organisation and 'acquisition' refers to the take-over of a target organisation by an acquiring entity (A. Roberts, Wallace, & Moles, 2003; Schade, 2014). In Australia, the term "takeover bid involves a bidder making individual purchase offers at a specified bid price to all holders of securities in an ASX-listed Australian company or trust" (Allens, 2015, p. 32). Acquisitions can be structured either as asset or stock purchases, each with "advantages to the buyer and seller" (Clements & Schafer, 2014, p. 40). Put simply, corporate acquisitions are competitive actions to enable corporate growth, but equally, acquisitions should involve strict observance of certain rules and considerable flexibility in order to respond to threats and opportunities, while executing the plan (Laine & Tyler, 2007; Stahl, 2004). Above all, as literature suggests, acquisitions require tenacity (Omah et al., 2013; Reed, 2007) and a balanced management of "hard and soft key success factors" (Bertoncelj, 2007, p. 167).

2.2 Strategic Management and Competitive Advantage

Ansoff (1965) is acknowledged as the first to recognise the need for strategic planning for organisations operating in an increasingly complex and turbulent environment, while strategy is the method by which an organisation achieves its objectives (R. Grant, 2016; Pearce, 2011). Similarly, as another study noted, "corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue" (Andrew in Foss, 1997, p. 52). The strategic management process has been described as a three-part process comprising analysis [involving internal and external analysis], formulation [business and corporate strategy] and implementation [also known as the AFI process]. The three-part process incorporates five steps which collectively enable competitive advantage as illustrated in Figure 3 (David, 2009; G. Johnson, Scholes, & Whittington, 2008b; Rothaermel, 2012; J. Thompson & Martin, 2010).

Figure 3: The AFI Framework
Rothaermel's The Analysis-Formulation-Implementation Strategy Framework
(Rothaermel, 2012, p. 20)

In Rothaermel's AFI Framework [Figure 3], the next stage after internal and external analysis is to formulate strategy and as Chandler (1962) identified, this process is shaped by the relationship between organisational structure and strategy – typically by the role of the individual [leader]. As stated, "while the enterprise may have a life of its own, its present health and future growth surely depend on the individuals who guide its [strategic] activities" (Chandler, 1962, p. 8). According to Andrews, corporate strategy is the responsibility of the organisation's chief executive officer and its top executives (Andrews, 1971). Andrews viewed strategy as consisting of four components, being personal values and aspirations, acknowledged obligations to segments of society, other than stockholders, market opportunity and corporate competences and resources.

2.2.1 Strategic Management Process

David (2009) identified a strategic management process model as illustrated in Figure 4, with three stages, where the first stage incorporated the analysis and formulation stages of Rothaermel's AFI Framework. The second stage of David's model was implementation and the third consisted of the measurement and evaluation of performance [of the strategy].

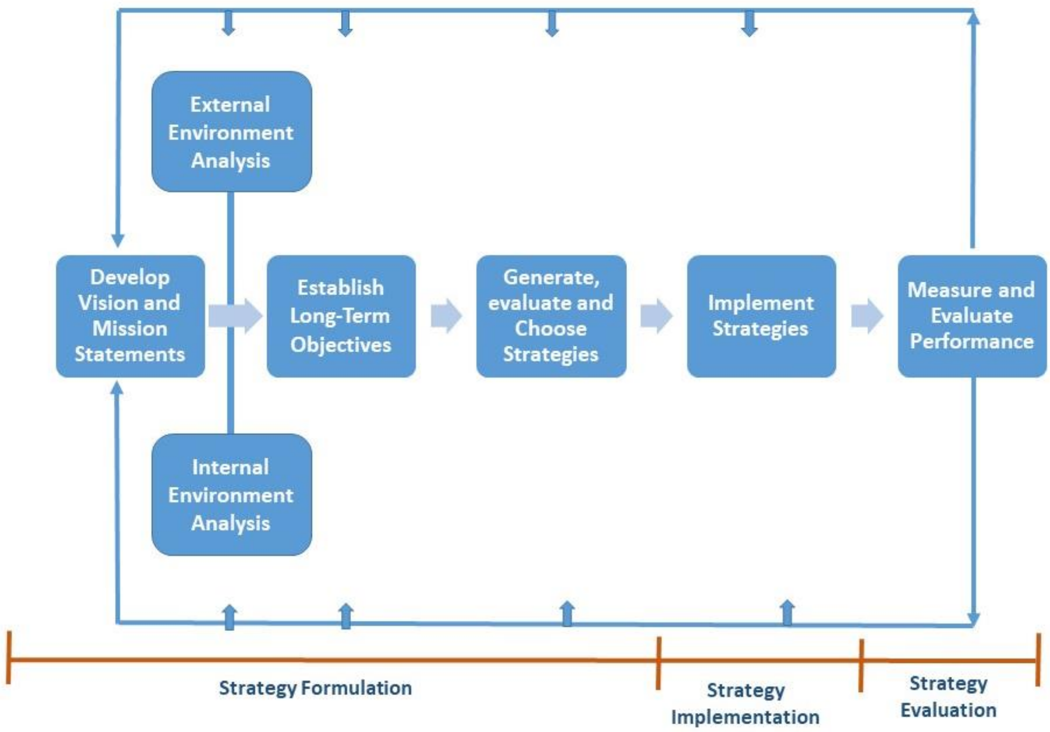


Figure 4: David's Model of the Strategic Management's Process (David, 2009, p. 46)

Highlighting the link between planning and implementation in strategy, it is noted that "(t)here are few more important subjects … than the link between the people at the strategic apex of the organization and that organization's performance" (Pitcher & Smith, 2001, p. 1). This is similar to another study that argued the "picture of the thing is not the thing …

An organizational structure is not an organization" (Waterman, Peters, & Phillips, 1980, p. 14). Rather, it has been postulated that organisations are made of structures and other related factors, being strategy, systems, staff, skills, style and superordinate goals, all requiring flexibility. "By 'strategy' we mean those actions that a company plans in response to or [in] anticipation of changes in its external environment – its customers, its competitors. Strategy is the way a company aims to improve its position vis-à-vis competition" (Waterman et al., 1980, p. 20).

In 1982 Waterman and Peters, in observing successful organisations, noted that strong organisational cultures produce strong companies. They suggested that organisational culture developed from an organisation's shared assumptions, beliefs and values and must be aligned with the organisation's strategic context and the organisation's ability to adapt to environmental changes. From their observations they identified eight attributes which they thought fostered successful organisations: autonomy, partnerships, values, purposeful action, productivity, administrative structures, skills and creativity. According to Waterman and Peters, when working in synergy with each other, the attributes have the ability to propel organisations to success. More recent studies suggest that nothing has changed and inadequate planning for merged organisational cultures, knowledge transfer and strategy can be a cause of acquisition failure (Alam, Khan, & Zafar, 2014).

It has been suggested that strategy is about choosing an unique position for an organisation and doing things differently or better than its competitors, by lowering costs or better meeting customer needs (Porter, 1979) and strategy is what competitive advantage is based upon (J. Grant, 1991; Mintzberg, 1978; Penrose, 1959). "Strategy in general, and realized strategy in particular, will be defined as a pattern in a stream of decisions" (Mintzberg, 1978, p. 935). As Mintzberg also argues, "the field of strategic management cannot afford to rely on a single definition of strategy" alone (1987, p. 11).

Another study suggests that strategy determines the present, the future direction and scope that an organisation can take over the long-term (G. Johnson, Scholes, & Whittington, 2008a). It has been said that "strategy is context-dependent in nature, thereby creating an on-going need for organisations to fit and adapt to changing environmental conditions" (Dabic, Gonzalez-Loureiro, & Furrer, 2014, p. 130). This idea is supported by other researchers (R. Kaplan & Norton, 2001a) who suggest that strategy must be implemented at all levels of an organisation, particularly as their 1980's study which found that only 10% of business strategies were successfully executed. Explaining this phenomenon, Kaplan and Norton concluded from their study that strategic failures are due to poor strategy implementation and are "self-inflicted owing to factors, internal to the business rather than attributable to external events" (R. Kaplan & Norton, 2001b, p. 8).

2.2.2 Competitive Advantage

The ultimate aim of strategy is to gain competitive advantage over competitors and dominance of the chosen market (Certo, Lester, Dalton, & Dalton, 2006; Kennerley & Neely, 2003; Rumelt, 2011a), where competitive advantage is achieved by an organisation being able to out-perform its competitors (Lorenzo, Rubio, & Garces, 2018). Building competitive advantage requires an organisation to find a position in the market that allows it to defend itself against market forces that according to Porter (1980) include barriers to entry, supplier power, buyer power, the threat of substitutes and the intensity of internal rivalry. Through strategic moves, the organisation can influence the balance of the five forces. While executives utilise business strategy to establish competitive advantage at a business level, senior executives engage in corporate strategy to create value through diversified organisations and by establishing competitive advantage across the corporation (Collis & Montgomery, 1998; Montgomery, 1994).

Today's business environment is complex, global, uncertain and competitive, requiring organisations to not only understand the external environment but also to have the internal capability to implement successful corporate strategies. "Companies can't predict the future, but they can build organizations that will survive and flourish under just about any possible future" (Bryan, December 2009, p. 1). One implication for internal abilities is driven by ongoing environmental uncertainty that requires organisations to unify their senior leadership teams and get them working together in a different way. In a follow-up study by Bradley et al (2012, p. 1) the lesson was "that the only way to set strategy effectively during uncertain times was to bring together, much more frequently, the members of the top team, who were uniquely positioned to surface critical issues early, debate their implications, and make timely decisions".

2.2.3 Intended and Realised Strategy

Strategy is frequently viewed as what organisational leaders plan to do and consists of an analytic process for establishing long-term goals and actions (Capron, 2016; Mintzberg & Waters, 1985a; Waterman et al., 1980). However, strategy can also be categorised, [the result of a sequence of decisions], as either intended, realised, deliberate or emergent strategy, as seen in figure 5. "Comparing intended strategy with realized strategy, … has allowed us to distinguish deliberate strategies - realized as intended - from emergent strategies - patterns or consistencies realized despite, or in the absence of, intentions" (Mintzberg & Waters, 1985b, p. 257). An acquisition initiated under a deliberate strategy, for example, is one that is planned with proactive elements, while an acquisition that takes place because of an emergent strategy occurs because of changing conditions and is considered opportunistic or reactive (Thompson, Peteraf, Gamble, & Strickland, 2018).

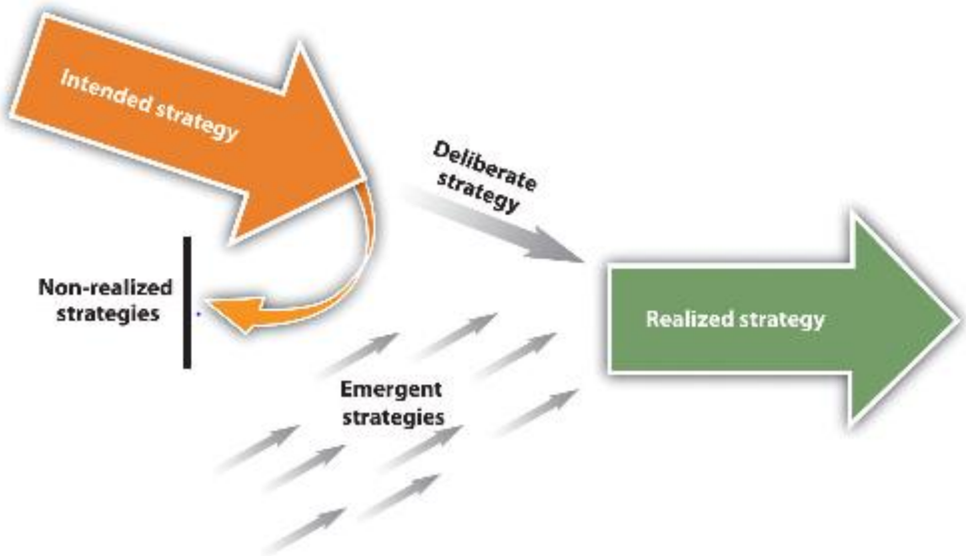


Figure 5: A Model of Intended, Deliberate, Emergent and Realised Strategy
Source: *Mastering Strategic Management*, 2016, http://open.lib.umn.edu/strategicmanagement/chapter/1-3-intended-emergent-and-realized-strategies/#ketchen_1.0-ch01_s02_f02
Adapted from *Of Strategy, Deliberate and Emergent*, (Mintzberg & Waters, 1985b)

In embarking upon a deliberate strategy, the organisation sets explicit objectives related to, for example, profit, growth and expansion and achieving desired outcomes. However, often unexpected conditions can lead to a new strategy that deviates from a deliberate strategy. This emergent or opportunistic strategy is not an intended course of action, but develops notwithstanding the original strategic plan, and is seen as providing both benefits and drawbacks for a business” (Quain, 2018).

While emergent strategy may be unintended, the benefits from adopting this form of strategy are that it allows a company to be more agile and flexible in an environment with changing market conditions. As such, adopting an emergent strategy may have some benefits, but the original strategic plan should not be overlooked. The downside of an organisation which continually focuses on an emergent strategy to capture that one idea that could create success, is that elements of the strategic plan can go astray with negative consequences. To manage this risk or rather to implement an emergent strategy properly, there firstly needs to be a strong strategic plan in place with a focused objective/s and emphasis on responsibility for results (Butcher, 2009). Conversely, a realised strategy is the strategy that an organisation actually follows. Realised strategies are a product of a company’s intended strategy [the company’s plans], the company’s deliberate strategy [the portions of the intended strategy that the company continues to pursue over time], and its emergent strategy [what the company did in response to unexpected opportunities and challenges] (Mintzberg & Waters, 1985a).

An organisation’s objectives of flexibility, dependability, quality, cost and speed are the priorities of an operational strategy. These priorities incorporate the organisation’s competitive strategy by also considering factors such as capacity, supply chain, information management systems and technology (Adamides, 2015; Slack & Lewis, 2008). Managing the operational strategy of acquisitions can be a significant means for achieving organisational growth, rationalisation and diversity (Cartwright & Cooper, 1992; Kavanagh, 2006). However, as Kavanagh, who specifically examined the effect of leadership and the acceptance of change by individuals, concluded, the change that occurs through an acquisition requires a transformational leader who is competent and knows how to lead change (Kavanagh, 2006, p. S98). From this and related literature, it becomes apparent that leadership and decision-making are critical to the success of an organisation and its acquisition activity (Arnetz, 2005; Arvonen, 2002; Juran, 1989; Yukl, 2008).

2.2.4 Informed Strategy

Kaplan and Norton (2005) suggested that organisations which maintained their strategic focus have created a corporate level unit to oversee the activities related to strategies. This unit is responsible for gathering information, coordinating the tasks and adapting to keep abreast of the environment. As they remarked, "a unit with responsibility for the implementation of strategy becomes a convenient focal point for ideas that percolate up through the organization" (R. Kaplan & Norton, 2005).

An abiding challenge facing senior executives initiating an acquisition is to understand what is known and what is unknown in an acquisition. Whilst used as a tool to improve communication within groups, the Johari window can be adapted within business acquisitions to illustrate the interaction between what is known and what is unknown (Newstrom & Rubenfeld, 1983). The tool provides leaders the opportunity to better understand themselves and their relationships with others, and leaders can utilise it to elicit honest communications and build trust. In this way they can move information from the blind spot into the known or open, and decide to either move information from the façade into the known or not (Alimo-Metcalfe, 2002).

Figure 6: Johari's Window, (Luft & Ingham, 1995)

2.2.5 Strategic Leadership

Successful organisations have leaders who maintain, in their words, an "holistic perspective and gave their subordinates the opportunity to see their contributions to the operation.

Leaders must give priority to development, communication and making the organisational future clear for subordinates by communicating a commonly understood vision" (Larsson & Vinberg, 2010, p. 327). Strategic leaders recognise that specific moves may need to be taken to make preferred changes happen (Coulson-Thomas, 2013, p. 93). According to Coulson-Thomas, a trait that successful leaders display is their ability to consult relevant advisors when help is required. They utilise the concept of 'knowledge transfer' as a means of sharing understanding and deciding who to consult (Coulson-Thomas, 1992, 2012).

Researchers investigating international acquisitions, argue that the transfer of knowledge has the potential to destabilise the acquired foreign organisation's existing power structures which can result in conflict and power struggles, with negative performance as the end result (Reus, Lamont, & Ellis, 2016, p. 932). Others argue that the effects of knowledge transfer have the potential to cause power shifts where the acquired organisation has the ability to exploit their power over the acquirer (Cyert & March, 1963; Mudambi & Navarra, 2004). It becomes apparent that successful acquisitions are dependent upon effective knowledge transfer as a component of their strategy (Bresman, Birkinshaw, & Nobel, 1999).

2.3 Acquisitions as Corporate Strategy

According to Capron (2016, p. 453) "…there can be little doubt that acquisitions are among the most powerful tools for achieving corporate growth. Done well, acquisitions provide a strong platform for an organisation's growth and survival. Done badly, they can soon end in its decline or failure". Organisations use acquisitions as mechanisms to achieve corporate objectives, where an organisation engages in a strategic transaction to acquire a target with the goal of developing a new organisation with a marketplace competitive advantage (Korican, Zoran, & Ivija, 2014, p. 32). Essentially, organisations engage in acquisitions as a strategy to create value for the acquiring organisation (Goedhart, Koller, & Wessels, 2017).

Importantly, as Goedhart et al., (2017) suggest, an acquiring organisation must have clearly defined and specific goals for value creation in order to be successful. Without a clear and informed strategy, the rationale for the acquisition can become vague, leading to less successful deals. Moreover, Goedhart et al (2017) say that classifying acquisitions by type and size is not sufficient when identifying strategy (Goedhart et al., 2017, p. 1). Rather, the acquisition strategy should be clearly articulated and not based on a vague concept that would be hard to measure. Noting the reality of high failure rates for acquisitions (Angwin & Paroutis, 2015; Banal-Estanol & Seldeslachts, 2011; Brouthers, Van Hastenberg, et al., 1998), it is clear that many executives make decisions that they later regret (Sherman, 2018). As Sherman also says, the successful execution of an acquisition must always start and end with strategy and regardless of the form of strategy, it must be planned and well-thought through.

2.3.1 Mergers and Acquisitions

RTO acquisition activity increased over the study period 2012 – 2017 with the opportunity presented by a strong education sector in Australia (Grant-Thornton, 2014). This was particularly true for the private RTO sector, where deregulation introduced a student-demand driven system in which public funding for the delivery of vocational education and training was fully contestable between private providers and public TAFE institutes (Chalmers, 2014; Department of Innovation, 2008; Kneist, 2014; Loussikian, 2015). Acquisition activity was not contained to the Australian sector, as the global education industry reported a similar increase in acquisitions activity in the education and training market due to strategic players taking advantage of the opportunity presented by a sector in transition (Berkery-Noyes, 2015; Cavanagh, 2014).

These acquisitions were 'strategic' purchasing by companies looking to expand their reach or otherwise diversify what they do" (Cavanagh, 2014). However, an acquisition alone won't transform a company's performance and improved organisational performance usually occurs when an organisation finds and exploits an opportunity in the business, regulatory and technology environments, and pursues it with speed, skill, and determination (Lovallo & Mendonca, 2007). If however, an organisation fails "to identify and analyse the obstacles, you don't have a strategy as much as a stretch goal or a list of things you wish would happen" (Rumelt, 2011b).

2.3.2 Sudarsanam's Five Stage Acquisition Model

Noting that the process of acquisitions has several stages and the process needs to be viewed holistically in order to understand the importance of the links between each stage, Sudarsanam (2003) developed a five-stage model [Figure 7]. An acquisition can create value for the organisation and its stakeholders, if it delivers on its corporate strategy objectives (Sudarsanam, 2003), but highlighting a relationship between the stages, Sudarsanam also warned that the risk in any break in the connection between the stages could lead to unfulfilled value creation.

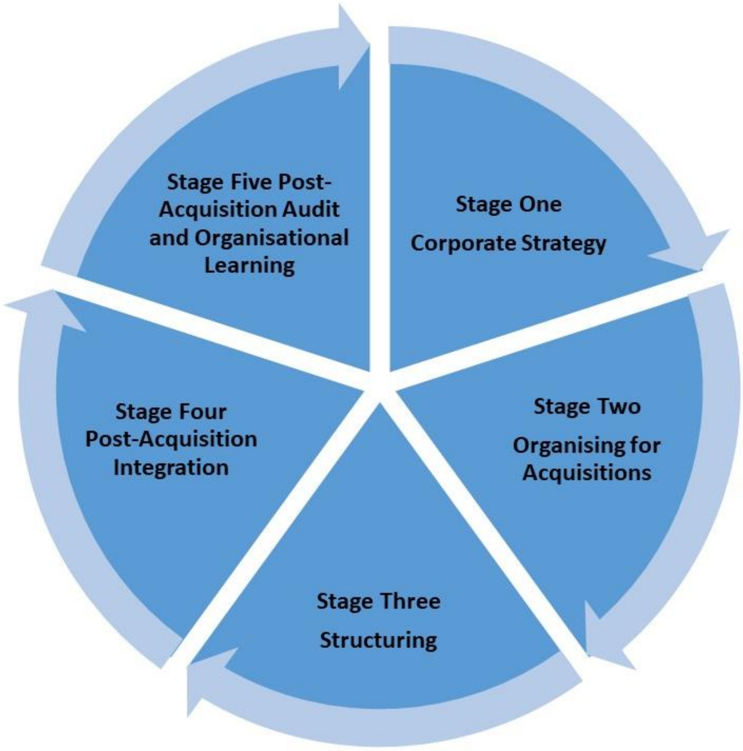


Figure 7: Sudarsanam's Five Stages of M&A (2003)

According to Sudarsanam (2003), integration of the acquirer and the target organisations should be considered and incorporated into the overall acquisition strategy, as successfully merging two organisational cultures is critical to value creation. Marks and Mirvas (2011b) developed a framework to combine and manage two organisational cultures as a result of an acquisition. They explored a "matrix of four cultural sets – *assimilation* where the acquiring organisation absorbs the culture of the target organisation, *transformation* whereby a new culture evolves, *pluralism*, where the acquiring organisation and the target organisation co-exist and *integration* where the cultures of the two organisations are blended (Marks & Mirvis, 2011b).

2.3.3 Three-Stage Acquisition Model

Similar to Sudarsanam, a number of authors have described acquisitions as a process passing through a number of stages. A popular construction is a 3-stage model, such as by Marks and Mirvis (1998), which they defined as pre-combination, combination and post-combination. Habeck et al (2000) referred to the three stages first, pre-merger involving strategic development, candidate screening and due diligence, second, negotiation and deal closing, and third, post-merger integration. Similarly, the Riverbed White Paper (Riverbed, 2018) uses a three-stage model based on alignment, audit and assessment, and integration. All these models commonly emphasise that an acquisition initiative is an ongoing process that does not end once the final stage is completed. Overall, the three-stage model is a simplified acquisition model that outlines the many activities involved in an often-complex process. Although simplified, a three-stage acquisition model formalises the process and gives a clear structure to the process in a distinct and systematic format.

2.4 Success and Failure in Acquisitions

2.4.1 Success Factors

There is considerable literature that explores success and failure factors in acquisitions. Some considerations include integration, management, human resources, changes to regulatory environments, supply and demand and changes to market environments (Mittal & Jain, 2012, p. 42). Overall, while acquisitions are a broad-based phenomenon, low success rates are regularly reported, with research indicating that less than 50% succeed (Calipha, Tarba, & Brock, 2010).

Bertoncelj and Kovac (2007) suggest that there are ten success measures made up of five hard and five soft factors. Hard success factors, with suggested corresponding stages using Sudarsanam’s 5-stage model include (i) a professional target search and due diligence [stage 1], (ii) an assessment of synergies between the two companies [also stage 1], (iii) appropriate financial resources [stage 2], (iv) a prepared post-integration integration plan [stage 2] and; (v) speedy implementation of the acquisition [stage 3]. Soft success factors include (i) the combining of the organisational cultures ([stages 1-5], (ii) competent management team [stages 1-5], (iii) innovative employees [stages 1-5], (iv) regular and appropriate communication [stages 1-5]; and (v) creative business environment [that arguably only becomes more appropriate later, through stage 3-5].

In an attempt to identify success factors over the three stages of an acquisition, Chatterjee (2009, p. 141) states that the “common traits of successful acquisition programmes … are the ability to identify and exploit market inefficiencies; the conscious striving for a win-win deal; and not deviating from established processes". Chatterjee's research observed that successful acquisitions [those lasting longer than five years] had an intrinsic advantage in all three stages of an acquisition. Similarly, recent research has identified the relevance of connecting the pre-acquisition and the post-acquisition stages with the potential of a better yield in acquisition performance (Gnomes et al., 2013). Other studies suggest that if organisational fit factors are identified prior to the acquisition, then they can be considered during the integration stage and can produce superior performance post-acquisition (Weber, Tarba, & Rozen, 2011). Whether a three stage or five stage acquisition model is used by an acquirer, the value of the model is in the sustainability for the long-term of the acquisition.

An example of good practice in the VET sector is Think Colleges, a group of VET RTOs. The group was one of a very few entities to maintain their ASQA registration and still operates in the VET business today. The Think acquisitions were successful because they (i) engaged in a professional target search and conducted deep-dive due diligence and (ii) maintained synergies between the acquired companies. Importantly, they conserved their registration with the regulator, ASQA. Since acquired by Laureate Education, the Colleges notably did not engage in aggressive marketing and they maintained compliance with the RTO standards. The acquired Think colleges were:

- William Blue College of Hospitality Management
- Southern School of Natural Therapies
- Australian National College of Beauty
- Billy Blue College of Design
- CATC Design School
- APM College of Business & Communication
- Jansen Newman Institute

Summarising success factors, share value as a performance measure is not helpful; as Porter stated "no self-respecting executive would judge corporate strategy this way" (Porter, 1987). Rather, in determining measures for success in acquisitions, it is more relevant to consider measures other than "an arbitrary economic measure of profitability or shareholder value" (Brouthers, Van Hastenberg, et al., 1998, p. 349). Some managers measure the success of an acquisition against the original strategic objectives of the acquisition, despite the economic measures resulting in poor performance. Objectives such as market power or the acquisition of a competitor could be considered as key success factors. Another consideration is size. Does size matter? Some researchers suggest large organisations acquiring smaller organisations have higher success rates than acquisitions of organisations similar in size (Ingham, Kran, & Lovestam, 1992). Other researchers suggest that larger acquisitions of organisations in related industries are more successful than acquisitions of smaller organisations (M Lubatkin, 1987; Seth, 1990), but some also suggest that overall, there appears to be little difference between large and small acquisitions (Brouthers, Van Hastenberg, et al., 1998).

2.4.2 Failure Factors

"While deals fail in practice, they never fail in projections" (Buffet, 1983, p. 8). Many studies have consistently shown that acquiring organisations do not benefit long-term from their acquisitions. Historical evidence suggests from the "acquiring firm's perspective, that mergers are, at best, break-even situations and, at worst, failures" (Brouthers, Van Hastenburg, & Van Den Ven, 1998, p. 347). This opinion is held by a number of researchers (Hussey, 1997; M Lubatkin, 1983; Morck et al., 1990), who have reported a consistent acquisition failure rate of 50% since the 19960's. According to Hussey (1997, p. 309) "there may be many causes of strategic failure" [of acquisitions], at both the formulation and implementation stages.

Factors contributing to failure in strategy formulation include a lack of creativity, poor or inadequate analysis and an inability to accept that the business environment has changed making old success formulae damaging or even lethal. In strategy implementation, failure factors can include a failure to think through all the implications of the strategy, inadequate planning of the necessary actions and lack of attention to change leadership. Another source cites "the quality of management and not the difficulties of the marketplace" as a reason for acquisition failure (Newton, 1996). AOL's acquisition of Time Warner in 2000 is an example of an acquisition failure due to the poor quality of management. The acquisition destroyed shareholder value, ended careers and nearly sent the new AOL Time Warner Company into bankruptcy (Bodie, 2006; Gunther & Mehta, 2002; Loomis, 2002; Malone & Turner, 2010; McGrath, 2015). AOL was required to take a goodwill write-off of US$99 billion in 2002 and the total value of AOL stock went from US$226 billion to US$20 billion

(McGrath, 2015). Similarly, again illustrating Newton's (1996) point on the quality of management, Hewlett-Packard's [HP] 2011 acquisition of the British software maker, Autonomy, for US$11.1 billion turned out to be a disaster. HP's CEO, Leo Apotheker, pushed for the deal even when there were plenty of doubting voices [both internally and externally of the organisation], and the HP board essentially went along with his wishes (Stewart, 30 November, 2012). HP ended up writing down US$8.8 billion of its acquisition of Autonomy, resulting in the company being worth 79 per cent less than H.P. had paid for it.

A failure to investigate [in the pre-acquisition stage] the latent risks associated with an acquisition target can result in significant downstream problems for the acquirer (Fisher, 2014; M. Lubatkin & Lane, 1996). Determining the extent to which an acquisition target has complied with applicable regulations, for example, is an important step in the acquisition process, but simply following 'routines' in the acquisition process fails to assure sustainable acquisitions (Banal-Estanol & Seldeslachts, 2011; Barkema & Schijven, 2008; Bruner, 2002; Clayton, 2010; Emmanouilides & Giovanis, 2006; Graham, Harvey, & Puri, 2012; Leepsa & Mishra, 2013). Moreover, as Harvey and Lusch (1998, p. 6) suggest, acquisitions do not fail because of the "failure of the traditional due-diligence process; rather, … the failure was in the process not starting early enough".

Marks and Mirvis (2011a, p. 162) acknowledge that "strategizing, scouting, assessing and selecting a partner, deal making and preparing" are important components of an acquisition. They also emphasise the need to consider due diligence on behavioural and cultural factors, as well as plan for the integration of the two organisations and an analysis of the business strategy of both. As Marks and Mirvis (2000) recommend, the acquiring and target organisations should have a transition structure plan in place to manage the joining of forces, while expressing concern that acquiring organisation executives often do not fully identify the possible synergies and pitfalls in the pre-merger phase. Referring to 'knowledge building' (Marks & Mirvis, 2000, p. 36), they suggest that to avoid failure the combined organisations should study and test how they will come together. Following on from knowledge building is relationship building where the various "layers of management… think and work with their counterparts from the other organisation" (2000, p.36). According to Marks and Mirvis (2000) the final phase is transition management, requiring management to set up structures to continue the operation of the business and to integrate the people, processes and cultures.

The lack of a clearly defined transformation process is reported as a common problem in acquisitions. Price (1999, p. 39) suggests that the "role, behaviour and aptitude of management often distract from how well employees cope with change". Similar difficulties are reported by Marks (1997, p. 267) such as not "managing the post-merger integration process appropriately", while Veldsman, (1997, p. 37) noted that "poor management of the dynamic process of bringing the partners together … inexperience in managing mergers and acquisitions" and "an inappropriate pace of integration" can all contribute to acquisition failure. The issue is supported by Podgorski and Sherwood (2015, p. 44), who state that "successfully integrating people after mergers and acquisitions …. continues to be elusive and challenging for many organizations". Other literature highlights the need to manage integration in the post-acquisition phase as it seen as a vital component of long-term post-acquisition performance (Daniliuc et al., 2014, p. 608) and key to successful outcomes (Antoine & Kleiner, 2015, p. 93). Equally, as Marks and Mirvis (2011b, p. 859) acknowledge, "managing culture is often a low priority for acquiring organisations and how culture can manifest itself in combinations".

Lahiff (1997) suggests that acquisitions typically fail due to poor post-deal management and when an acquisition fails to perform well, the decision often is to sell it. In this case, the "primary aim is often to get rid of divisions or subsidiaries that are unprofitable - it is not so much a purely portfolio decision" (Lindgren & Spangberg, 1981, p. 24 & 40). Siegenthaler's research identified the top ten reasons for acquisition failures as ignorance due to the lack of provision of commercially sensitive information prior to taking ownership. No common vision between the two companies, nasty surprises due to poor due diligence and lack of team resourcing to set up an integration team. Other reasons included poor program management of work flows, lack of courage by delaying the tough decisions, weak leadership and throwing the baby out with the bath water, implying that the acquiring company does not understand what made the target attractive in the first place (Siegenthaler, 2009, 2010).

The numerous studies conducted over the decades illustrate the high failure rates of acquisitions. Having a clear understanding of why some acquisitions fail, may assist senior executives in their assessment of an acquisition strategy and in their decision making as to whether to proceed or not. Table 7 summarises some of the literature that has explored the reasons as to why some acquisitions fail to live up to corporate expectations.

Table 7: Summary of Acquisition Failure Literature

Reasons for Acquisition Failure	Representative Literature
Poor strategic planning	Hussey, 1997; Brouthers et al, 1998; Golding, 2008; Clayton, 2010;
Poor due diligence	Harvey & Lusch, 1995; Nygaard, 2002; Perry & Herd, 2004; Sinickas, 2004; McGrady, 2005; Childs, 2007; Elison, 2008; Dounis, 2008; Naschescu, 2010; Fisher, 2014; Sinkin & Putney, 2014
Poor target selection	Marks & Mirvis, 2001; Shimizu et al, 2004; Capron & Shen, 2007;
Insufficient organisational learning from prior acquisitions	Hayward, 2002; Zollo & Singh, 2004; Holland & Salama, 2010; Zollo et al, 2013
Organisational culture clashes & absence of shared values	Datta, 1991; Weber, 1996; Emmanouilides & Giovanis, 2006; Kavanagh & Ashkanasy, 2006; Golding, 2008; Applebaum et al, 2009; Lakshman, 2011; Correia et al, 2013
Management control issues	Amihud & Lev, 1981; Nahavandi, & Malekzadeh, 1998; Hitt et al, 1990;
Poor integration planning	Megginson et al, 2004; Gulding, 2008; Mo'meni et al, 2013; Daniliuc et al 2014;
Weak leadership	Hayward & Hambrick, 1997; Stahl, 2004; Kavanagh, 2006; Kau, 2008; Gronn, 2015;
CEO hubris	Haywood & Hambrick, 1997; Brouthers et al, 1998; Gaughan, 2004; Malmendier & Tate, 2005; Brown & Sarma, 2007; Chatterjee & Hambrick, 2007; Li & Tang, 2010; Muller, 2012; Brennen & Conroy, 2013; Fischer, 2013;
Long-term performance issues	Brouthers et al, 1998; Hayward & Shimizu, 2006; Daniliuc et al 2014;

2.5 Public versus Private Acquisitions

Acquisitions of private organisations by public companies and initial public offerings [IPOs] are two ways by which privately owned assets move to public ownership (Poulsen & Stegemoller, 2008). Acquisitions can take many forms however they are generally structured as either an asset or stock purchase. Either structure has the potential to deliver advantages to the target organisation and the acquiring organisation. Acquisitions can generally be divided into public company transactions, where the acquirer and possibly the target organisation, is a public company listed on the stock exchange, and those used in private transactions, being the sale of a private company, usually controlled by a family or a small group of partners (Draper & Paudyal, 2006).

Usually in an IPO, the private organisation, [for example in the case of Vocation Limited, the merger of three private organisations that went to IPO], sells off a portion of its outstanding equity, with the initial owners retaining a significant portion of ownership and control of the new public company. Vocation Limited sold 67 per cent of the company to investors, which equated to 134 million shares out of a total of 200 million shares. The indicative market value of Vocation Limited was AUD$378 million and the IPO was priced at 15.3 times 2014 forecast earnings (Cole, 2013; Tran, 2013). Private companies generally go public via an IPO when they are performing well with higher valuation ratios and the desire to access non-debt sources of funding (Jain & Kini, 1994; Mikkleson, Partch, & Shah, 1997; Poulsen & Stegemoller, 2008).

Conversely, as several studies have found, privately owned acquisitions outweigh those of publicly traded companies (Capron & Shen, 2007; Faccio, McConnell, & Stolin, 2006; Moeller, Schlingemann, & Stulz, 2004). According to Capron and Shen (2007, p. 892), “acquirers are more likely to buy private targets that are located in an industry where the acquirer has its core business or has accumulated acquisition experience”. If a target organisation is in an industry with strong demand, then the target’s bargaining power increases. Target organisations with growth prospects are desirable to acquirers, who may overpay to acquire the growth potential (Kooli, Kortas, & L'Her, 2003). Empirical evidence also shows that a private organisation issuing an initial public offering [IPO] can increase its worth within the industry in which it operates by improvement in its market-to-book value ratio (Pagano, Panetta, & Zingales, 1998).

Acquisitions of privately owned targets represent more than 80% of all acquisitions. As well, as Covrig and McConaughy (2015) found, public company acquirers pay more than private buyers for acquisitions and that acquirers of private companies are more likely to be public companies. Draper and Paudyal (2006, p. 58) noted that “acquirers of private targets achieve a significant positive abnormal return, irrespective of the mode of payment with share bidders gaining the largest abnormal return. In contrast, acquirers [paying with shares] of listed companies suffer a loss". It is suggested that 'empire-building' [hubris] managers who use acquisitions to expand their organisation beyond its ideal size, would be better suited to amass their 'empires' by acquiring public companies, in preference to smaller private organisations. If true, then in the absence of empire building motives, an organisation acquiring a private firm may be driven less by an over-confident CEO and more by synergy-related motives (Chang, 1998; Kohers, 2004).

2.6 Merger and Acquisition Activity

Acquisitions have characteristically occurred in cyclical patterns or waves (Majumdar, Moussawi, & Yaylacicegi, 2013). There are recorded periods of concentrated M&A activity that are then followed by intervening periods of fewer acquisitions. More than 50% of acquisitions over the last 100 years have clustered and occurred within six intense M&A activity waves. Merger and acquisition waves have been extensively researched (Ahern & Harford, 2014; Doung & Izan, 2012; Garfinkle, 2011; Gugler, Mueller, & Weichselbaumer, 2011; Majumdar et al., 2013; Maksimovic & Phillips, 2013; Malik, 2014; Mariana, 2012, 2013; Ribeiro, 2010; Rodrigues, 2014; Steger, 2007) identifying peaks and troughs in merger and acquisition activity which appear to be influenced by not only their recent history but also by historical outcomes. Tenacity in acquisition activity is consistent with 'economic disturbance' theory (Gort, 1969; Mitchell & Mulhern, 1969) where there is evidence of a relationship between economic shocks and M&A activities during the 1950s and the 1980s merger and acquisition waves (Peck & Temple, 2002, p. 20). Economic shocks typically signal the acquisition likelihood of an organisation influenced by the prior history of acquisitions within that organisation's industry.

Research over a period of 100 years has identified six prominent waves (Martynova & Renneboog, 2008). The periods 1890-1903, 1910-1929, 1950-1973, 1981-1989, 1993-2001 and 2003-2007 highlighted peaks and troughs of merger and acquisition activity (Martynova & Renneboog, 2008). The research identified that M&A waves generally commence due to one of three factors:

1. Industrial and technological shocks;
2. Regulatory changes, such as anti-trust legislation in the earlier waves and deregulation of markets since the 1980's;
3. Credit availability, during periods of economic recovery and stock market booms.

In addition, senior "managers' personal objectives can also significantly influence takeover activity, to the extent that managerial hubris and herding behaviour increases during takeover waves which often leads to poor acquisitions" (Martynova & Renneboog, 2008, p. 3). During the 1890-1903 merger and acquisition wave, Martynova and Renneboog (2008) identified that US companies were driven to build industry monopolies through horizontal integration. The creation of companies such as, Standard Oil Company of New Jersey in 1899, United States Steel Corporation in 1901, and International Harvester Corporation in 1902 are growth examples through horizontal integration. The US government enacted antitrust laws in 1950 [the Celler-Kefauver Act amended Section 7 of the 1914 Clayton Act to prevent anticompetitive mergers] which prohibited anti-competitive behaviour. The revised laws forced companies to rethink their acquisition strategies, turning their focus to vertical integration as a means of growth. The US oil and gas industry, for example, started as a pure oil exploration business, which then incorporated refining, transportation and retailing of oil and gas products through vertical acquisitions.

The waves of the 1950s, 1960s and 1970s witnessed companies attempting to reduce perceived risk through diversification. Companies such as General Electric became conglomerates holding multiple diverse and unrelated businesses. Interestingly, contemporary capital markets no longer see value in highly diversified companies, because shareholders better understand and value companies that focus on a single industry (Martynova & Renneboog, 2008). The high inflation rates and borrowing rates during the 1981-1989 wave motivated companies to seek ways to reduce both financial and operating costs. Interest rates reached 25% to 30% in the late '70s and early '80s, forcing companies to look to acquisitions as a means of creating economy of scale. Survival also became a driver for M&A activity during this period. Conversely, by the 1980's, deregulation was occurring and the ready availability of finance drove the next wave of acquisitions. At the time, financially risky companies engaged in leveraged buyouts where they used borrowed money to meet the cost of acquiring another company. In some cases, the assets of the target firm were used as security for the loans, in addition to the assets of the acquiring company (Martynova & Renneboog, 2008).

The 1993-2001 merger and acquisition wave reflected the first mover advantage. Companies began making acquisitions in order to gain access to knowledge-based assets.

Cross-border acquisitions started taking place, driven by the desire to have a global presence. Multinational trade zones were established and the European Union and free trade agreements were instigated. The 1993-2001 merger and acquisition wave also saw companies consolidating because of too many competitors and low profitability. Examples of mergers include companies such as BP and Amoco, Exxon and Mobil and SmithKline Beecham and Glaxo Wellcome, while Volvo was acquired by Ford.

The sixth wave examined by Martynova and Renneboog (2008) occurred from 2003 to 2007 and saw the continuation of cross-border acquisitions, industry consolidations and leveraged buyouts. Primarily, this wave reflected the effect of low interest rates and easy access to finance that drove M&A activity during the 6th wave. This M&A wave came to a screeching halt when the US subprime debt crisis occurred in 2007.

Summarising the trends, Amit et al (Amit, Livnat, & Zarowin, 2010) classified mergers and acquisitions into three target groups: firstly, companies which engage in mergers and acquisitions to avoid bankruptcy (Pastena & Rudland, 1986), secondly, highly liquid target organisations which have accumulated free cash flows (Jensen, 1986) and thirdly, all other mergers and acquisitions, being those organisations that are neither likely to go into bankruptcy nor highly liquid. The authors found that shareholders of companies which were predicted to become bankrupt, had the lowest abnormal returns and shareholders of highly liquid target companies had the highest.

2.7 Acquirer Organisation Motives

Organisations, including acquirers of RTOs, adopt acquisition strategies as a way to support growth (Aktas, Cousin, Ozdakak, & Zhang, 2015; Burghardt & Helm, 2015; Eren & Zhuang, 2015; J. Kim, Haleblain, & Finkelstein, 2011; Toppenberg, Shanks, & Henningsson, 2015). The acquisition motive of growth has the intention of combining products, people and services, delivering to multiple markets and a larger client base, however, the majority of acquisitions with a strategy for growth often fail to deliver the desired results of their growth objective (Bamford, Chickermane, & Kosmowski, 2012).

The literature identifies other motives for acquisitions which include the desire to improve performance, achieve better economies of scale and the intention to create synergies, where the value of the combined organisations is greater than when they are apart (M. Bradley, Desai, & Kim, 1983; Dyer, Kale, & Singh, 2004; Teece, 1986). Another motivation for acquisitions is due to agency issues (Eisenhardt, 1989a) between shareholders and executives. Executives may logically pursue their own objectives in an acquisition, however it is at the expense of the shareholders (Jensen, 1986). Also according to Roll (1986) another motive is managerial hubris coupled with behavioural bias. This is where executives are over-confident and make biased valuation decision errors when making an acquisition. They usually pay too much for the acquisition to the impairment of shareholder value.

2.7.1 Motive: Market Share

Organisations may engage in acquisitions with the motive of increasing market share in order to improve shareholder value (Chang & Rosenzweig, 2001). Whilst potentially beneficial to shareholders, higher market share could generate greater market power, which could adversely affect the organisation's clients or consumers, provide access to entire knowledge systems (Bergh, 1997; Capron, Drussauge, & Mitchell, 1998a; Capron & Mitchell, 1998; Hitt, Hoskisson, & Ireland, 1990; Tsoukas, 1996) and opportunities to enter a new market (Arslan & Larimo, 2011; Arslan & Wang, 2015; Brouthers & Brouthers, 2000; Clements & Schafer, 2014; Dikova & Van Witteloostuijn, 2007; El-Khatib et al., 2015; Marks & Mirvis, 2011a; Oler & Waegelein, 2011; Slangen & Hennart, 2008; Yildirim & Birinci, 2013). Using acquisitions to access new markets can also pose challenges and risks. For example, not fully understanding the risks associated with the pursuit of increased market share may lead to an acquisition that simply covers costs and does not generate synergies or deliver expected benefits (Bertrand & Betschinger, 2017).

Other market related motives identified in the literature include the opportunity to deal with overcapacity (Bower, 2001; Wernerfelt, 2011), gain/maintain competitive advantage (J. Grant, 1991; Kohers, 2004; Lin, Chen, & Chu, 2015), enable economic survival (Pereira, 1999) and to create value (Alhenawi & Krishnaswami, 2015; Brealey, Myers, & Allen, 2008; Burghardt & Helm, 2015; Cefis & Marsili, 2015; Cowie, 2002; Eren & Zhuang, 2015; Gaughan, 2013; Gaur, Malhotra, & Zhu, 2013; Hitt, Harrison, & Ireland, 2001; James, 2002; J. Kim et al., 2011; Krug & Aguilera, 2005; Lambrecht, 2004; Morellec & Zhdanov, 2005; Oler & Waegelein, 2011; Toppenberg et al., 2015; Yildirim & Birinci, 2013).

2.7.2. Motive: Create Synergy

Acquisitions that offer opportunities for synergy through combining complimentary capabilities can create value. Similarly, access to new knowledge through an acquisition can create value for the acquirer by enhancing their competitive position in the marketplace (Hitt et al., 2014). Within the education sector "economic survival has been cited as a significant motivator for mergers and acquisitions" (Pereira, 20 August, 1999, p. 22) . As Pocorobba (1999, p. 309) noted, "mergers facilitate the combined organisation to procure new technology, new facilities and develop new programs/courses". Harding and Rovit's (2004) study explored the significance of corporate strategy alignment to corporate planning in acquisitions and identified that few CEOs had a clear strategic rationale for an acquisition or comprehended the role the acquisition would make to their organisation's long-term financial performance. The study also identified that half of the companies that engaged in acquisitions actually thought that they had a clear strategy for the acquisition prior to the activity, however, after the acquisition, the same companies concluded that they had been imprudent, resulting in poor integration of the two companies.

2.7.3 Motive: Go Public [via an IPO]

Often initial public offering (IPO) organisations are used to seek out acquisition targets driven by the initial capital infusion at the IPO. "Going public is not only a financial decision but also a strategic choice" (Reuer & Shen, 2003, p. 197). Companies use IPOs to create public shares to enable the acquisition of target organisations (Brau & Fawcett, 2006b; Celikyurt, Sevilir, & Shivdasani, 2010). For example, Vocation Limited, the company that was the result of the joining of three VET businesses, Avana, Bawm and Customer Service Institute of Australia, was taken to an IPO in 2013. Its initial public offering was at AUD$1.89 a share, placing it at the highest end of an IPO price range after investor demand outpaced supply for a share sale that raised AUD$253 million (Cole, 2013). At the time, the Australian Financial Review reported that "the single biggest selling point of the coming initial public offering of education roll-up Vocation is the demise of TAFE and an increase in government spending on the private sector. Fund managers who met Vocation's high-profile management team this week were told government funding to TAFE has grown at a compound annual growth rate of 6.2 per cent over the five years to 2011. Government funding to the private sector has increased by 22.4 per cent compound annual growth rate over the same period. Bank financiers, colloquially known as 'Fundies', were told that while there's plenty of scope for Vocation to expand via bolt-on acquisitions, its first couple of years will see growth concentrated on organic opportunities" (S. Thompson, Macdonald, & Friemann, 2013b).

Acquisitions are often cited as a motivation for an organisation to go public (C. Anderson, Huang, & Torna, 2017; Brau & Fawcett, 2006a) and consequently a means for creating public shares and an infusion of capital to purchase acquisitions (Celikyurt et al., 2010). A number of researchers, however, have found that whilst organisations go public, the greater number of acquisitions by public organisations involve privately owned targets (Capron & Shen, 2007; Faccio et al., 2006; Moeller et al., 2004). This suggests that a deficiency of information on private acquisition targets increases the risk of the acquiring organisation not properly understanding or evaluating the assets of private targets (Reuer & Ragozzino, 2008). A deficiency in knowledge [a large unknown as illustrated by the Johari Window – see Figure 15] may be overcome be acquiring strategic industry specific intelligent knowledge, as suggested by Kaplan and Norton (2005). Industry intelligence brings together information from various sources, which is then analysed to produce new insights that inform and guide the organisation's acquisition activity. This includes information/knowledge regarding calculating the size of markets, scrutinising competitors and/or selecting potential acquisitions (Daniel, 2007).

2.7.4 Motive: Profit Maximisation [Agency Issues]

Organisations design strategies and formulate acquisition decisions to grow the profit interests of the company's shareholders. In this case, "shareholder's interest is of utmost importance, subordinating managerial interests. For example, all companies exist to make profit for their owners, and this profit maximisation is achieved when the added value created by the acquisition excels the cost of the acquisition" (Addo, 2000). Conversely, as another study proposes (Baumol, 1967), organisations maximise revenues subject to a minimum profit requirement, suggesting that sustainable revenue growth is a goal pursued by managers in their engagement with acquisitions.

From a value creation perspective, the size and number of acquisitions matter less than the discipline with which they are identified, purchased, integrated and managed. Organisations are more successful at acquisitions "when they apply the same focus, consistency, and professionalism to it as they do to other critical disciplines" (Ferrer, Uhlaner, & West, 2013, p. 1). The ability to approach acquisitions in this manner focusses the strategic capability of the organisation on delivering a competitive advantage (Agrawal, Ferrer, & West, 2011; Rehm, Uhlaner, & West, 2012).

CEO and Board responsibility is concerned with the governance of the organisation and assumes that the governance function is delegated to CEOs as 'agents' by principals [owners/shareholders] of the organisation. It is the CEO's responsibility to maximise shareholder returns (Benn & Bolton, 2011) and when the interests of self-serving CEOs and principals are aligned, then both parties will benefit (Angwin, 2007; Eisenhardt, 1989b; Miller & Sardais, 2011). Several studies have cited that an acquisition may disregard the interests of the shareholders and take place in an attempt by a CEO to maximise their own wealth, resulting in a negative impact upon the shareholders. This explanation of CEO behaviour has its origin in the separation of ownership and control (Severiens, 1991), which argues that companies are either owner or manager controlled (Fama & Jensen, 1983b).

2.8 Behavioural Considerations

2.8.1 Managerial Hubris

Managerial hubris is defined as over-confidence (Haywood & Hambrick, 1997; Malmendier & Tate, 2005) and as suggested by Roll (1986), some acquiring CEOs can make errors in their valuation of an acquisition target because they are over-confident about the possible synergies of the proposed acquisition. In some cases CEOs may rationally pursue their own goals, through an acquisition, at the expense, of the organisation's shareholders' interests (Jensen & Meckling, 1976). "A headstrong, over confident CEO, combined with a compliant board creates a decision making process where there are no checks on hubris and large, value destroying actions often follow" (Damodaran, 2012). It has been argued that managerial hubris is a result of self-attribution bias (Ferris, Narayanan, & Sabherwal, 2013) whereby an over-confident CEO may place a greater emphasis on their personal decision making in preference to others. This can result in taking greater risks associated with an acquisition or an overestimation of the potential synergies to be gained from the transaction.

Corporate governance and business ethics (Klein, 1995) become a concern when the CEOs/organisation's pursuit for profit maximisation turns into greed. In Oliver Stone's film

‘Wall Street’, financier Gordon Gecko summarises the ethical philosophy of the [acquisition] raiders with the famous words: “Greed is good”. In an important distinction it is worth noting that a motive for profit is ideally completely different to greed, which is an intense and selfish desire for wealth and power. A profit motive is about making money to grow the company in real ways. Growing an organisation has the potential to increase stakeholder value, however, value laden conflicts between longer-range societal concerns and more short-term overwhelming forces, such as greed, can exist (Cagan & deMause, 1999) and derail an acquisition. Steve Forbes, publisher and two-time Republican presidential candidate is quoted as saying "capitalism … is seen as being based on greed. It puts profits before people” (Allen, 2015), suggesting that a profit motive based on greed in an acquisition carries some risk.

When companies such as Octaviar (Cameron, 2008) or Allco (John, 2010) collapsed, owing hundreds of millions of dollars, the losses are usually confined to the investors, lenders, suppliers and employees (Currall & Epstein, 2003). However, when a training provider such as Acquire Learnings group of RTOs collapses, the potential fall-out to the broader community is much greater (Atkin, 2017). Whilst this is taxpayers’ money and students’ futures at stake (Cook & Jacks, 2017) the nature of how organisations are funded does make generalisations possible in regard to businesses. However, there is also a valid argument that for-profit RTOs in the business of providing government financed, essential services such as education and training should be subject to a far stricter regime of oversight and regulation than their peers operating in other sectors and funded by shareholders, for example (Warburton, 2016).

Supporting the requirement for greater oversight, as one source notes “it has been decades since the creation of profitable and sustainable ventures was the real goal of anyone involved in creating high growth organisations” (Brannback & Carsrud, 2014). Rather, it seems that there are other drivers. One, for example is greed, another is hubris. These may be stronger underlying motives. Greed is a human attitude with an intense desire or longing for excess wealth, status or power with the drive to acquire or possess more than is needed. Managerial greed is where an executive cannot have enough, they are never satisfied and the more they have, the more they want (Brannback & Carsrud, 2014; Haynes, Campbell, & Hitt, 2017;

Predrag, 2017). "Greed uses asset grabbing [acquisitions], instead of capital accumulation, as its major means for wealth maximization without constraint, in a winner-take-all economy" (Andreff, 2018, p. 1). Studies have found that CEO greed has a negative relationship on shareholder wealth (Haynes et al., 2017), which carries over to employees, customers and the greater community "who pay the tolls of executive greed" (Miller & Le Breton-Miller, 2007, p. 28). Understanding the drivers of executive greed, such as over-confidence, narcissism, hubris, feelings of entitlement and envy may explain why some acquisitions fail to live up to expectations (Hiller & Hambrick, 2005).

2.8.2 Decision Making Behaviour and Bias

If acquisitions have the potential to erode rather than add value for acquiring organisation shareholders, then why do so many companies get it wrong? It appears that the decision to acquire is made first and the scrutiny [due diligence] trails behind, and most often the decision to acquire is determined by the CEO (Bebchuk, Grinstein, & Peyer, 2010; Malmendier & Tate, 2004). With a brainwave or a moment of brilliance [or insanity], the CEO decides to embark on an acquisition of a target organisation for strategic [or empire-building] reasons (Nickerson & Zenger, 2008). There are many corporate examples of disappointing acquisition decisions made by CEOs (Nyberg, Fulmer, Gerhart, & Carpenter, 2010). For example, Disney's CEO, Michael Eisner, in an effort of empire-building, pushed the Board for the acquisition of Capital Cities/ABC in February, 1996 for US$19 billion. By April 1996, Disney reported that the costs of acquiring Capital Cities/ABC Inc. had put the company into a US$25 million loss (Peers, 1996).

As a number of studies also reveal, the role of CEOs can be critical in influencing acquisition decisions (Damodaran, 2012; Salancick & Pfeffer, 1997). As an example, on Sunday, April 8, 2012, without consultation, Facebook Inc.'s Mark Zuckerberg, considered to be a determined and head strong CEO, informed his Board of Directors that he intended to buy Instagram, an online photo-sharing service. Mark Zuckerberg is the majority shareholder of Facebook, the social media company that he created (Insight, 2012). Major corporations and their CEOs usually negotiate every detail of an acquisition with the Board and senior executives before deciding to proceed, but not in the case of Facebook. Without consulting the Board throughout the process, Mark Zuckerberg and co-founder of Instagram Kevin Systrom negotiated Facebook's acquisition of Instagram for three days in Mark

Zuckerberg's private home. At that point Instagram had generated zero profit in its two years of operation. Yet, Zuckerberg subsequently advised the Facebook Board that he had negotiated a US$1 billion buy-out of Instagram (Bercovici, 2014).

Kahneman and Tversky (1979) suggest that decision making can be made based on subjective assessments of probabilities that are different to objective or true probabilities and that people use shortcuts when making decisions in uncertain conditions. Kahneman and Tversky (1979) identified three heuristics [shortcuts] that people can use to make a decision – representativeness, comparing a new event to a similar known event; availability, relying on memorised examples; and anchoring and adjustment, where a relevant value is used as a determinant to estimate an unknown value and then adjusting the reference point to generate an answer. Kahneman and Tversky (1979) suggest that these heuristics are effective, but can also lead to serious errors in decision-making. Their study of how people manage uncertainty and risk is referred to as 'Prospect Theory', which explores psychological behaviour where a person can be risk adverse on one occasion and risk seeking on another. Prospect theory describes the underpinnings of the behavioural approaches to acquisitions and can be used to explain the behaviour of CEO's in decision making. Kahneman and Tversky (1979) demonstrated limited heuristics "reduce the complex tasks of assessing probabilities and predicting values to simpler judgmental operations" (Tversky & Kahneman, 1974, p. 1124).

Plous (1993, p. 233) identifies confirmation bias as a form of cognitive bias that confirms a person's pre-existing beliefs and where a person selectively gathers and remembers information and is biased in its interpretation (Bogan & Just, 2009). If confirmation bias exists in an acquisition, it is because the decision maker has attached a bias to the information which supports their views. Individuals become more and more certain of their beliefs which can lead to the permanency of false beliefs (Ross & Anderson, 1982). When considering an acquisition, it is suggested that a CEO could exhibit a confirmation [selection] bias in their decision making (Bogan & Just, 2009), or may deliberately not seek additional information because it has the potential to change the final decision. As well, as Bogan and Just (2009, p. 942) noted, "executives review fewer pages of information" [than non-executives] and are less likely to change their minds on seeing new information".

Another issue is, as Gudmundsson and Lechner's research (2013, p. 278) illustrates, that over-confidence and cognitive bias by CEOs can "help firm creation, but also contribute to firm failure". Johnson and Fowler (2011) associate over-confidence with ambition, success and self-esteem. Behavioural researchers such as Haleblian and Finkelstein (1993) identified that over-confident executives had a tendency to view themselves as "better than average" and as an earlier study noted, the tendency of over-confidence can lead to selectively viewing information that confirms a proposed acquisition (Langer, 1975).

2.8.3 CEO Hubris and Narcissism

As the literature suggests, it is not always rational strategy that motivates an organisation to pursue acquisitions. Rather, there is a wealth of literature which highlights hubris that causes over-confident CEOs to pay too much for acquisitions (Haywood & Hambrick, 1997) and which ends up destroying value (Haywood, Shepherd, & Griffin, 2006). It can be the over-confidence of a CEO who "usually pay(s) too much …(because) CEOs fall in love with deals and don't walk away when they should" (Bower, 2001, p. 93). Jemison and Sitkin (1986) theorised that the main reason for poor acquisition performance was because of failure in the management process. In an empirical study that reinforced this theory, (Jemison & Sitkin, 1987) it is suggested a lack of analysis and consideration of the critical issues involved in an acquisition, combined with an early closing of the deal, can lead to poor acquisition performance. In a similar way, Very and Schweiger (2001) report that when an acquirer fails to walk away from a deal [on seeing certain flags], they often pay too much for the acquisition and fail to create value. This suggests that "executives must learn to walk away from deals that do not make sense and consider alternative [to acquisitions] growth modes" (Capron, 2016, p. 454).

Roll (1986) reported executive hubris as a motive for corporate acquisitions. Defined as people with "extreme self-confidence" (Tang, Li, & Yang, 2015, p. 1699), excess pride and arrogance (Malmendier & Tate, 2005), this aspect of the CEO has often been cited in the literature as a driver of acquisitions (A. Chatterjee & Hambrick, 2007, 2011; Haywood & Hambrick, 1997; Malmendier & Tate, 2005; Roll, 1986; D. Zhu & Chen, 2014) and also for the excessive premiums paid for such acquisitions (Haywood & Hambrick, 1997). Overconfidence can be an indicator of CEO hubris and is well documented as a motivation for some corporate acquisitions (Chin, Hambrick, & Trevino, 2014; Park, Westphal, &

Stern, 2011; Roll, 1986). Typically the overconfident CEO believes that their personal talents warrant the pursuit of increased risk in acquisitions. In their pursuit of "dynamic and grandiose strategies" overconfident CEOs tend "to generate more extreme performance" - more big wins and big losses (A. Chatterjee & Hambrick, 2007, p. 351). From the literature, it also becomes evident that CEO hubris explains why "bidding organisations infected by hubris simply pay too much for their targets" (Roll, 1986, p. 197).

2.8.4 Narcissistic CEOs

Executive narcissism is defined as a sense of entitlement with a positive view of self (Campbell, Goodie, & Foster, 2004). Narcissistic CEOs believe that they are due more positive outcomes than other people (Campbell, Bonnacci, Shelton, Exline, & Bushman, 2004), they are unique and special (Emmons, 1984), that they are more intellectually astute and appealing than they really are (Gabriel, Critelli, & Ee, 1994) and have better managerial traits than others (Campbell, Rudich, & Sedikides, 2002). It has been argued that narcissistic personality traits imitate the characteristics that have been noted in aspects of organisational leadership behaviour (Board & Fritzon, 2005). Successful senior managers have been portrayed in terms of self-confidence, alertness, aggressiveness, dominance, enthusiasm, extroversion, independence, creativity, personal integrity and socialising/networking – some of which are similar descriptors of narcissism (Luthans & Lockwood, 1984; Quinn, 1984; Stogdill, 1948; Yukl, 2008). A manager's ability to influence and manipulate power within an organisation has been an associated characteristic of managerial success (Kipnis, Schmidt, & Wilkinson, 1980). Kets de Vries and Miller (1985), in studies on organisational leadership, identified the characteristics of exhibitionism, self-centredness, grandiosity and lacking of empathy as terms used to describe CEO narcissism (Campbell, Goodie, et al., 2004; A. Chatterjee & Hambrick, 2011).

2.9 Merger and Acquisitions Stakeholders

In acquisitions there are many internal and external groups and individuals who have a vested interest in the success of the acquisition. Known as stakeholders, they can be organisations and individuals who can influence the outcome of the acquisition or who are impacted by the acquisition (Freeman, 1984). Stakeholders in acquisitions can be identified and grouped according to their economic and legal rights in the acquiring and target organisations (Preston, 1989), and they can also be identified by their resources and potential impact on organisational sustainability and growth (Frooman, 1999). As well, stakeholders can be determined by their position of influence in the economic and social network (Pajunen, 2006) and classified by not only their economic interest, but also by their current identity within the target organisation and if their position is 'threatened' or not (Rowley & Moldonevau, 2003).

Value creation as a driver for acquisitions, is where CEOs, acting as agents, look after the interests of the organisation's shareholders, as they strive to create surplus value. This surplus value can take the shape of either operational or financial synergies or both. Operating synergies can be gained by economies of scale, elimination of inefficient management and cost savings. Financial synergies target improved cash flow (Amihud & Lev, 1981). In both cases, CEOs who are acting in the interests of their organisation's shareholders will endeavour to generate surplus value by engaging in an acquisition, only if and when it is projected to create value.

In terms of unlocking stakeholder value, a KPMG survey suggests that "…83% of acquirers still fail to unlock shareholder value following their [acquisition] transactions (KPMG, 1999b, p. 10)". Other evidence points to fifty per cent to eighty-three per cent of acquisitions do not live up to company and shareholder expectations (Clayton, 2010; Coffey et al., 2001; Gosh, 2004; S. Kaplan & Weisbach, 1992; D. King et al., 2004; Kitching, 1974; KPMG, 1999b; Marks & Mirvis, 2011a; J. Martin, Combs, & Moran, 2009; J. Martin & Davis, 2009; Sudarsanam, 2004). The reality is also that senior executives, in their role as agents, can be opportunists exploiting the organisation for which they work, acting in self-interest and damage the long-term performance of the organisation (Antoine & Kleiner, 2015; Certo, Dalton, Dalton, & Lester, 2008; Denis, Denis, & Sarin, 1997; Ellis, Reus, Lamont, & Ranft, 2011; Fama & Jensen, 1983a; Fung, Jo, & Tsai, 2009; Jensen, 1986; Marks & Mirvis, 2011b; Ullrich, Wieseke, & Van Dick, 2005), rather than what might be expected – that they are motivated "to do what is best for the company and its shareholders" (Miller & Sardais, 2011, p. 6).

As is evident, acquisitions driven by CEO hubris/narcissism and related agency theory can erode shareholder value. Research on the effects of hubris suggests that overconfident CEOs can overpay for an acquisition and so reduce shareholder wealth. Agency theory suggests that shareholders and senior managers have different interests because the management and the control of the organisation are separated. In this case, managers will act in their own self-interests and not always try to maximise shareholder value (Letza, Sun, & Kirkbride, 2004). Empire building by creating a bigger company through acquisition may provide a CEO greater status and an increased salary.

Moreover, according to Letza et al, "stakeholder interests are … diverse and conflicting … individual employees or suppliers or even shareholders always have different as well as changeable attitudes toward, interests in and relationships with, a particular corporation over time" (Letza et al., 2004, p. 255). Business relationships between two organisations, via acquisition, can be connected to other business relationships such as customers and suppliers of the other organisation (Hakansson & Snehota, 1989, 1995; Johanson & Mattsson, 1988). As a consequence of this inter-connectedness, the customers and suppliers of the other organisation can have an impact on one or both organisations (Gadde & Mattsson, 1987). These relationships [networks] can change and evolve as a result of the continuing interface between the two organisations. In the event of an acquisition, the relationships of the acquiring and target organisations can change and also the inter-relationships of their employees, customers and suppliers (H. Anderson, Havila, & Nilsson, 2013). Stakeholder groups can include creditors, advisors, directors, employees, government [and its agencies], owners [shareholders], customers [students], suppliers, unions, industry associations, professional bodies and the community at large (Birkinshaw, Bresman, & Hakanson, 2000; D. King & Taylor, 2012; Raukko, 2009).

2.9.1 Buyers

Acquiring organisations or buyer individuals can be hostile, multiple hostile, friendly or white knights (Sudarsanam & Mahate, 2006). The hostile acquirer is an organisation that raids the acquisition of assets, thus destroying a well-established company. A multiple hostile acquirer is an acquirer facing multiple hostile opponents and a friendly acquirer has no rivals. The white knight buyer in corporate takeovers is where "a friendly bidding organization actively seeks a target that is resisting acquisition by a hostile bidding firm" (Niden, 1993, p. 28). Typically, the white knight sweeps into the game-play when a target is under siege and saves the target from a hostile bidder. Often paying too much for the acquisition, the white knight ultimately suffers what is described as the 'winner's curse', resulting in the erosion of longer term value (Sudarsanam & Mahate, 2006, p. S8). Other studies of a white knight described the acquirer as "acting in the interest of their shareholders, [who] may enter the control contest because they believe they are investing in a positive net-present value [NPV] project" (Carroll, Griffith, & Rudolph, 1999, p. 163).

An empirical study of 'white knights' determined that their motivation was unclear in light of subsequent poor returns for shareholders (Niden, 1993). The study concluded also that white knights consistently pay too much for their acquisitions [Kaplan's purchase of Carrick], as opposed to maximising synergy. Similar to Niden's (1993) findings, Banjeree and Owers (1992) found evidence that white knights suffered losses as a result of their acquisitions and reported that white knights typically overbid for a target and that the only one to benefit from the take-over are the target's managers and shareholders. In support of this proposition, other research found that the "market does not believe it is in the white-knight's shareholders' interest for the white knight to acquire the target" (Carroll et al., 1999, p. 170). Rather, their research deduced that a white knight reduces shareholder value due to inadequacies in the white knight's management decisions. In reaction to an uninvited hostile takeover bid, the target organisation will often try to entice a competing white knight bid to improve the terms of the initial offer (Jennings & Mazzeo, 1993; Schwert, 2000). This maximises the value of the target company's shares at a cost to the acquirer. As a consequence, the stocks of a white knight can display negative abnormal returns because they overvalue the target company, while the target stocks often perform strongly (Banjeree & Owers, 1992; Boebel & Harris, 1991; M. Bradley et al., 1983; Carroll et al., 1999; Eichler & Maltritz, 2010; Niden, 1993; Sudarsanam & Mahate, 2006).

One white knight in the Australian private education sector is reportedly Kaplan Australia which outbid Holmesglen TAFE with its purchase of Carrick Education [est. turnover AUD$60m] for purportedly $1 and took on the company's accumulated debt. Carrick, an established national education company offering higher education and VET courses [dual provider], was at risk of collapsing in 2010 after losing AUD$13.8m (MediaTaylor). Identifying an opportunity to buy into an established privately owned RTO, government-owned Holmesglen TAFE had 'loaned' Carrick AUD$6.5m. "Holmesglen acted rashly in lending $6.5m to loss-making Carrick to secure an option to buy a stake in the provider while keeping it afloat, only for the new Baillieu government to eventually ban all TAFEs from making such acquisitions" (Trounson, 2011). "Treasury and Skills Victoria eventually took over the negotiations and offered a deal to Kaplan but didn't tell Holmesglen. The TAFE only became aware of it when notified by Kaplan and then managed to renegotiate a slightly improved deal. Under the final agreement Kaplan agreed to repay Holmesglen \$3.5m, but only after four years and with no interest, resulting in a \$3m impairment on the loan. However it also agreed to pay Holmesglen an additional \$1m a year over four years for so-called consultancy services" (Trounson, 2011). Shortly after the acquisition of Carrick Education, Kaplan also acquired the Franklyn Scholar Group of four RTOs, which they later divested at a loss to Acquire Learning in September, 2015.

2.9.2 Sellers

Greater acquisition activity appears in industries undergoing deregulation and this is partnered by greater numbers of divestments (Mulherin & Boone, 2000) due to a significant number of acquisitions failing because organisations have not learned from their acquisition experiences (Meschi & Metais, 2015; Papadakis & Thanos, 2010; Schoenberg, 2006). There appears to be a direct link between acquisition experience and acquisition performance (Barkema & Schijven, 2008; Finkelstein & Haleblian, 2002; Haleblian & Finkelstein, 1999; Haywood, 2002; Ingram & Baum, 1997; Porrini, 2004; Zollo, 2009; Zollo & Meier, 2008a, 2008b; Zollo & Singh, 2004) and acquisition divestments. A number of studies have revealed that between thirty-three per cent and fifty per cent of acquisitions are later divested (Fluck & Lynch, 1999; S. Kaplan & Weisbach, 1992; Mitchell & Lehn, 1990; Porter, 1987; Ravenscraft & Scherer, 1987), suggesting that some acquisitions do not live up to performance expectations. If an acquisition fails to return positive value, then management is incentivised to divest [Kaplan's sale of Franklyn Scholar to Acquire Learning] or close down the acquisition [Kaplan's closure of Carrick's VET division] (Fluck & Lynch, 1999).

Potentially, the acquisition of a target which is in trouble, by an organisation in the same industry, may result in lower value, because the organisation in the same industry may also be going through difficult times simultaneously as the target (Shleifer & Vishny, 1992). It is suggested that divestment could be considered as a managerial strategy to achieve entrenchment. This would imply that managers select manager-specific acquisitions in order to make themselves invaluable and when the acquisition no longer provides entrenchment benefits to the manager, they divest it (Fluck & Lynch, 1999; Matsusaka & Nanda, 1995). One option in the divestment of an acquisition is to divest a non-core part of the company, and "revenue may come from liquidating superfluous assets" (Collan & Kinnunen, 2009, p. 56). If a company chooses not to divest an acquisition, it does have the abandonment option, whereby the acquirer can close down part or all of the acquisition, as was the case with Kaplan owned Carrick Education. According to Collan and Kinnunen (2009) "the option to abandon gives the acquiring company protection against an unsuccessful acquisition and a possibility to get rid of unwanted assets. Using the abandonment option may depend on a number of reasons, but the reason that is of most interest to us is the want to concentrate on core business and to abandon non-core assets" (Collan & Kinnunen, 2009, p. 57). Studies of acquisition divestments have found that shareholders of acquiring organisations do not benefit, and if the seller organisation is in financial distress, the shareholders of that organisation may also not see any gains (Sicherman & Pettway, 1987).

2.9.3 Shareholders

Research on share-price performance has emphasised that the anticipated gains from an acquisition are not realised. While the acquiring organisation may generate positive returns prior to acquisition announcements, this does not appear to be the case in the post-acquisition period (Bhagat, Shleifer, & Vishny, 1990; Rau & Vermaelen, 1998). Amit et al (2010) classified mergers and acquisitions into three target groups: firstly, companies which engage in mergers and acquisitions to avoid bankruptcy (Pastena & Rudland, 1986), secondly, highly liquid target organisations which have accumulated free cash flows (Jensen, 1986) and thirdly, all other mergers and acquisitions, being those organisations that are neither likely to go into bankruptcy nor highly liquid (Amit et al., 2010). The authors found that shareholders of companies in financial difficulty had the lowest abnormal returns and shareholders of highly liquid target companies had the highest.

Evidence shows that shareholders of the acquired company benefit most from an acquisition agreement, especially if the shares [value] of their organisation had flattened and had no likelihood of improving. Acquired organisation shareholders do have the opportunity to sell their shares and search for other, more profitable investment opportunities. If the acquirer has miscalculated and over-estimated the target organisation's value, then its shareholders will most likely suffer (Capron, 1999; S. Chatterjee, Lubatkin, Schweiger, & Weber, 1992; Datta, 1991). Also the shareholders of the acquiring organisation may have to deal with an increased debt load that the acquiring organisation may require to fund the acquisition. A simple formula is as follows: the higher the liabilities the lower the likely shareholders' equity [as assets - liabilities = equity]. Henry et al (2003) assert "study after study has shown that about two-thirds of buyers [in corporate acquisitions] fall behind their corporate peers in returns to shareholders … in many cases it takes years for investors in the 'winning' company to get back to the price where they started" (Henry, Der Hovanesian, & Foust, 2003). Research has identified that acquisitions can have a negative influence on shareholder value (M. Arnold & Parker, 2009; Krishnan, Masulis, Thomas, & Thompson, 2012; Mueller & Yurtoglu, 2007) as well as employee performance and welfare (Cartwright & Cooper, 1990; Cartwright, Cooper, & Jordan, 1995; Correia, e Cunha, & Scholten, 2013; Covin, Sightler, Kolenko, & Tudor, 1996).

Jenson states that "managers should make all decisions so as to increase the total long-run market value of the firm" (Jensen, 2002, p. 236). As synergy is a motivator for acquisitions, it makes sense that the integration of the two organisations should produce a combined performance greater than what they could accomplish independently. However, "acquisitions quickly go from numbers to considering the impacts on people … to impacted groups. As a result, considering and enlisting stakeholders becomes important to achieve success for any acquisition" (D. King & Taylor, 2012, p. 2).

2.9.4 Advisors

In pursuing an acquisition, the acquiring organisation will depend on advisors to enable their acquisition decisions. However, engaging a large number of advisors can delay the deal and increase the costs of the acquisition. Because the key advantage of acquisitions involves faster access to required resources than internally developing these resources (D. King & Taylor, 2012), the use of a large number of advisors, and possibly some with self-interests, may slow the acquisition process. In the case of public acquirers and targets, advisors may be necessary to help ensure CEOs and Boards satisfy their fiduciary obligations to their shareholders.

Hunter and Jagtiani investigated 5,337 mergers and acquisitions which took place between 1997 and 2000, specifically researching the role of advisors, the fees they were paid and the speed with which they finalised the transactions (Hunter & Jagtiani, 2003). Their findings revealed that top-tier advisors completed a larger number of deals and in a quicker time than lower tier advisors. However, when top tier advisors were used, the synergistic gains for the acquirer deceased. According to Hunter and Jagtiani (2003) top tier advisors charge more and get the job done in a shorter timeframe, however this often results in reduced value for the acquirer.

Some financial advisors who provide advisory services are considered 'boutique' advisors (W. Song, Wei, & Zhou, 2013). According to Song et al the combined M&A market share of large advisory organisations fell from 94% in 2005 to 77% in 2006, while the market share of boutique organisations rose to 28% in 2006 up from 18% in 2005. "Boutique advisors are generally independent (i.e., free of conflicts), often specialize in certain industries, and have expertise in M&A. On the other hand, they are usually small and not well known" (W. Song et al., 2013, p. 95). Song et al's research found that while boutique advisors are less diversified than large full-service advisors, they do have specialised knowledge of certain industry sectors and carry less potential of conflict of interest. During the period 1995 to 2006, 22 per cent of the 2016 deals researched by Song et al, included boutique advisory organisations and 30 per cent of the target organisations also used boutique advisors. The authors state "that the use of boutique advisors by the acquirer positively affects deal outcomes. An acquirer with a boutique advisor pays a lower premium for the target" (W. Song et al., 2013, p. 114).

2.9.5 Employees

Following an acquisition, the management structure of the acquired organisation can change. The acquiring organisation takes control of the combined company as the legitimate owners, however, sometimes the managers of acquired organisations know their company, industry and sector better. Nevertheless, layoffs or demotions of former top executives of the acquired organisation are generally first on the agenda of the new controlling management team. The effects of acquisitions on a wide range of management issues, include culture clashes (Brousseau, 1989; Buono, Bowditch, & Lewis, 1985; Crouch & Wirth, 1991; Galbraith, 2012; MacNeil, 2000; Marks, 1997; Somers & Bird, 1990; Veldsman, 1997), human resource and industrial relations issues (Profusek & Leavitt, 1984), structure and restructuring (Mirvis, 1985), and employee reactive behaviour (Wishard, 1985).

Schweiger and De Nisi found that the announcement of an acquisition resulted in a variety of dysfunctional outcomes such as job dissatisfaction and the intention to depart amongst company employees (Schweiger & DeNisi, 1991). At top management level, some departures are voluntary and others are involuntary. A study by Krug and Hegarty (2001) reported that one-third of company executives were terminated within three years of the acquisition. Their study also found that "two-thirds of the executives left for voluntary reasons, about one half of these executives left because of lower job status or alienation. They had negative perceptions of the long-term effects of the acquisition similar to executives who were terminated, suggesting that these executives also left involuntarily even though they were not terminated" (Krug & Hegarty, 2001, p. 194).

Engert et al (2010) developed an *Organisational Health Index Framework* [Figure 17] which acquirers can use to assess the cultural compatibility of the two organisations. The framework has the ability to produce detailed quantitative analysis of an organisation's culture across nine broad categories being direction, coordination and control, innovation, motivation, environment and values, capabilities, external orientation, accountability and leadership. Information from the quantitative analysis allows for statistically significant comparisons between the acquirer and the target organisation that establish their cultural compatibility.

The pre-acquisition negotiation process may affect the inclination and ability of senior executive teams to work together after the acquisition. Walsh's (1989) study found that the greatest number of top executives departed shortly after the completion of the acquisition. This finding is supported by Krug and Hegarty who found that pre-acquisition negotiations appeared to have a significant effect on executives' perceptions and that they played a significant part in determining the level of future organisation-level top management departures (Krug & Hegarty, 2001; Krug et al., 2015).

Acquiring organisation senior management involved in acquisitions should not "ignore the people issues at their peril [and the] issues of culture, values, behaviour and working styles should be carefully managed from the very beginning of the process" (Price, 1999, p. 39). Greengard proposes that "the development of a new culture, effective communication and camaraderie are some of the key human resource matters to be addressed" during an acquisition (Greengard, 1997, p. 53). The importance of communication is also cited by Zhu et al (2004, p. 242) who state that "information should be communicated to employees only when it is carefully designed and delivered purposefully. Communication … needs to vary in its openness, depending on the nature of the information to be communicated, the goals of the organization, the specific needs and concerns of the employees, and the different needs and expectations of acquiring and acquired company employees."

Creasy et al (Creasy, Stull, & Peck, 2009/2010) suggest that, as outcomes, job satisfaction and organisational citizenship influence the success of an acquisition. The overall performance of the organisation can be impacted by how employees respond to an acquisition. Steynberg and Veldsman (Stynberg & Veldsman, 2011) cite the 'people factor' as a main contributing influence upon acquisition failure and recommend a process for people integration to increase the likelihood of success. In support of Steyman and Veldsman, Vinten (1993) suggests that ignoring the human resource aspects of an acquisition can have destructive results. Employee relations are threatened and behavioural problems can arise. Vinten suggests that in order to overcome these difficulties, human resource managers should participate in the acquisition from the beginning of the process. In the particular case of higher education institution mergers, the literature cites the importance of developing new relationships within the newly formed academic organisation, supported by improving staff morale (Amandvand, Heidari, & Hosseini, 2012; Harman, 2002; Harman & Meek, 2002). Employee retention and satisfaction (Krug & Aguilera, 2005; Krug & Hegarty, 2001; J. Walsh, 1988, 1989) are cited as integral components of maintaining customer retention and loyalty (Kato & Schoenberg, 2014).

2.9.6 Customers

Customers who trusted the newly acquired organisation can be affected by an acquisition. This is because the products and services of acquired companies may be altered in quality and price. Post-acquisition, an organisation may decide to discontinue an acquired brand.

If the acquiring organisation decides to abandon a product or service altogether, formerly loyal customers are ‘left out to dry’ and have to search elsewhere to satisfy their needs. According to Toledo and Lopez, “this may impact loyalty to the new company/brand and compromise a company’s ability to maintain clients” (2016, p. 35).

A company brand can influence customers’ relationships with the company, using cognitive [rational] aspects, affective [emotional] aspects and behavioural aspects, and these convert into attitudes, beliefs, and ultimately, loyalty (Gobe, 2010). The empirical study by Zollo and Meier (2008) identified customer retention as a long-term performance indicator of acquisitions stating that “the ‘success’ of the acquisition might have generated negative effects on other ongoing initiatives within the organisation or in the market dynamics with competitors, customers, suppliers, business partners, local communities, and government institutions” (Zollo & Meier, 2008b, p. 60). In support of Zollo and Meier, Degbey states “that keeping customers in the dark during the pre- and post-acquisition phases may be a recipe for failure or acquisition value destruction” (Degbey, 2015, p. 20) and suggests that successful acquired organisation customer retention is a critical performance indicator in acquisitions. Other empirical studies in the areas of marketing and strategy have found that a high degree of post-acquisition integration can be damaging to customer retention (Homburg & Bucerius, 2005; Kato & Schoenberg, 2014; Zollo & Meier, 2008b). The inability to retain customers can have a negative impact on an organisation’s financial performance and may explain why some acquisitions fail. Kato and Schonberg concluded that an understanding of the impact that mergers and acquisitions can have on the customer-supplier relationship is required from a stakeholder perspective.

2.9.7 Government

As a stakeholder, Government can play one or all of three roles. Firstly, as a funding body as in the case of student education within Australia, secondly as a regulator of takeovers and acquisitions and thirdly as a regulator of the performance of RTOs. In some cases, organisations engaging in an acquisition will be required to make submissions with relevant government agencies for regulatory approval. Government agencies, such as the ACCC and the Australian Government Takeovers Panel, will review the filing and determine if there are any anticompetitive or labour force implications. The Takeovers Panel [The Panel] is the ‘go to venue’ of choice for resolving disputes in takeovers given its establishment was designed to facilitate timely and commercial outcomes. Managing government, and the broader community, in an acquisition can strengthen the organisation's 'regulatory resistance' to the deal (D. King & Taylor, 2012).

2.9.8 Stakeholder Reaction to Failure

Hubert and Julien state that "in an acquisition operation, we need to consider two litigation risks: that of the acquirer and that of the target" (Hubert & Julien, 2015, p. 4). In 2012, US shareholders legally challenged 93 per cent of M&A transactions valued in excess of $100 million and 96 percent of transactions valued over $500 million. Most cases were settled, however, in more than 80 percent of the settlements, the only respite to shareholders was additional disclosures. Most lawsuits were usually in the form of class actions, relating to acquisitions that resulted in large settlements involving allegations of conflicts of interest (Daines & Koumrian, 2013). "Common allegations include the failure to conduct a sufficiently competitive sale, the existence of restrictive deal protections that discouraged additional bids, and conflicts of interests, such as executive retention or change-of-control payments to executives" (Noked, 2013). Typically larger acquisition bids, involving significant amounts of money, hostile bids, acquisition offers with target termination fee provisions, offers with a higher percentage of cash financing and controlling shareholder squeeze-outs are associated with significantly more legal actions and litigation (Krishnan, Masulis, Thomas, & Thompson, 2010).

Research conducted by Lowry and Shu (2002) on litigation risk within an initial public offering (IPO) found that organisations engaged in listing an IPO employ underpricing as a form of protection against future litigation costs. This means that some organisations with greater litigation risk intentionally underprice their IPO. This activity is seen as a strategic form of insurance against potential litigation. Lowry and Shu's results indicate that higher underpricing significantly lowers litigation risk and that 6% of the US organisations that listed an IPO between 1988 and 1995 were sued in class actions (Lowry & Shu, 2002). These class actions resulted in settlements averaging 10% of the IPO proceeds and some reputational damage.

Corporate litigation is generally followed by increased executive turnover, increased departure of both internal and external directors and a reduction in CEO powers (Aharony, Liu, & Yawson, 2015). Reputational damage to the company following a law suit can motivate directors to exit from defendant companies when the legal action can potentially affect their personal reputations. This can also impact upon potential candidates from accepting board positions in the sued company (Aharony et al., 2015, p. 289).

2.10 Due Diligence in Acquisitions

Due diligence refers to the investigation and analysis of a company conducted in preparation for a business transaction. It is the duty of the company's directors and officers to act judiciously in evaluating associated risks in all transactions and particularly in acquisition activity (Michalowski, 2011; Scanlon, 2010). With global acquisition activity topping a record US$5 trillion in 2015 (Kiersz, 2015) and the importance of knowing what you are acquiring, conducting due diligence is critical to any prospect of long-term success.

Due diligence allows "the buyer to exercise prudence and conduct a suitable search, but it cannot provide an iron clad assurance that everything is okay" (Watson, 2007, p. 18). Wendt et al (2010) support Watson's (2007) proposition stating that by not conducting pre-closing due diligence could result in "shareholder derivative suits alleging that the officers and directors failed to fulfil their fiduciary duties" (Wendt, Tillen, & Moyer, 2010, p. 49). Acquiring organisations' legal counsel have historically been responsible for due diligence, however, the pre-acquisition process should not overlook compliance and internal auditing requirements. Equally important as financial and legal information gathering in acquisitions, is to identify environmental and cultural due diligence. Successful post-acquisition integration relies upon the acquirer and target organisations effectively merging the two organisational cultures. In the case of environmental due diligence, factors such as the regulatory and political environments would be considered.

Acquisitions are a favoured method of "achieving growth targets and appeasing key stakeholders" (McDonald, Coulthard, & De Lange, 2005, p. 2). McDonald et al's qualitative study investigated the due diligence process in screening an Australian acquisition, and evaluated the impact of previous merger/acquisition experience in successful M&As. Consistent with earlier research (Childs, 2007a; Elison & Ruggeri, 2008; Fisher, 2014; Nachescu, 2010; Perry & Herd, 2004; Sinickas, 2004; Sinkin & Putney, 2014), McDonald et al (2005) identified due diligence as critical in screening potential acquisition targets.

Organisations should be weary of a dependency on financial data from the due diligence process as the only predictor of acquisition success and that simply engaging in the due diligence process does not assure the success of an acquisition nor does it create improved shareholder value (Nachescu, 2010; O'Flaherty, 1990). Inadequate due diligence can have a negative influence on the acquirer’s own brand and reputation (Vu, Moisescu, & Ha, 2011). The issue here is not about doing due diligence, but actually in not doing it well. Acquisition failures can be attributed to a deficiency in rigour during the due diligence process, poor synergy in acquisition choice, ‘off’ timing, poor or lack of strategic decision-making, CEO hubris and greed (Perry & Herd, 2004).

A better understanding of a potential acquisition can be achieved by using both financial and behavioural due diligence as a process (Latukha, 2013; Marks & Mirvis, 2011a). Engaging in the due diligence process before pursuing the acquisition is vital and according to Flanagan et al (2004) the use of internal auditors as part of the acquisition team when assessing a target acquisition can help increase success. “Focusing on factors that lead to M&A failure may seem pessimistic, but understanding the negative realities allows managers to shift attention to factors that lead to greater success during due diligence phases and eventually to the success and survival of the merger or acquisition” (Allred & Holstein, 2005, p. 23).

During an acquisition, due diligence requires a thorough risk assessment and resource alignment between the two organisations. Throughout the process, both the acquiring and target organisations need to communicate with the management and boards of both organisations. Informing and involving the relevant internal and external stakeholders will steer an acquisition towards success (Childs, 2007b; Fisher, 2014). According to Childs “adopting proactive and comprehensive due diligence includes risk assessment, resource alignment, model validation and integration” (Childs, 2007b, p. 24). Acquisitions should involve an extensive amount of due diligence by the acquirer. The intention of due diligence is for the acquirer to ensure that they know what they are buying and much more. Due diligence activities typically include financial matters, technology, intellectual property, customers/sales, contracts/agreements, employee matters, tax matters, insurances, related party matters, property and usually a disclosure schedule (Harroch & Lipkin, 2014).

Elison and Ruggeri (2008, p. 28) suggest that the “core point of diligence has been to provide an acquirer with enough information about a target to pave the way for an informed decision about whether or not to pursue the transaction, and if so, at what price and on what other terms”. PriceWaterhouse Coopers identified that the acquisition of a business increases the risk exposure of the acquirer and requires risk management strategies for the combined entity (PWC, 13 December, 2012). A number of studies have highlighted the need for alignment between corporate strategy and acquisition strategy, noting that acquisitions are viewed differently by the varying stakeholders (Harding & Rovit, 2004; Haywood, 2002; McDonald et al., 2005). While Haywood’s (2002) research has taken an organisational learning perspective to study how an organisation's acquisition experience helps it to learn how to select the right acquisition, McDonald et al’s (2005) study concluded “that participants saw each merger or acquisition as unique. This meant their experience was difficult to exploit” (McDonald et al., 2005, p. 9). Capron suggests that executives rush into acquisitions and states that acquisitions “become the strategy rather than the tool of strategy execution” (Capron, 2016, p. 454) and that the root cause of acquisition failure is that “managers ask the wrong questions and fail to ask the right questions” (Capron, 2016, p. 460). With the responsibility of creating shareholder value, acquiring organisation CEOs should utilise due diligence teams to ensure that their acquisition strategy will work out as anticipated (Ryan, 2010, p. 26).

2.11 Governance

“Governance encompasses the system by which an organisation is controlled and operates, and the mechanisms by which it, and its people, are held to account. Ethics, risk management, compliance and administration are all elements of governance” (GIA, 2018). A number of stakeholders within a company have the responsibility of good governance in order to create and maintain value for shareholders (B. Black, 2001; Bozec, 2005; Devers, McNamara, Haleblian, & Yoder, 2013; Pham, Suchard, & Zein, 2011). Both company boards and managers have governance responsibilities in regard to acquisitions (Brown, 2007; Cigola & Modesti, 2008; Jensen, 1986) and Board Directors in particular, have a fiduciary duty to the company and to act in the best interests of the company's shareholders (B. Black, 2001; Bozec, 2005).

Essentially, organisations have an ethical responsibility to manage the operations of the entity in respect to governance. However, failure in governance systems can occur and failure is not restricted to the private sector. Failure in respect to governance can also occur in the public sector. In fact, 'getting it wrong' in the public sector can have serious consequences on those directly affected, the electorate, the tax payer, industry, the economy and a country's brand and reputation. Any failure in governance from a political perspective can result in damaging the public's trust in the country's leaders and political system. "While failure may be just as inevitable, it is all the more important to prevent or learn from mistakes. Yet, in the public policy realm, plenty of examples remain of cases where important lessons remain unlearned, mistakes are buried, responsibility is deflected and the causes of the original failure continue unchallenged. Often, the same – or at least similar – mistakes are repeated time and again" (Derwort, 2016).

Failure has been defined as the 'mirror image of success' (McConnell, 2010b), and the reasons for failure are not always unequivocal. Policy failure can exist in political systems. This could be due to poor design or the inability of the policy to effectively address the problem it was intended to solve. On the other hand, a well-designed policy could also fail because of some unforeseen occurrence (Bovens & 'T Hart, 2011; Derwort, 2016). Much of the research on policy success and policy failure has not focussed on what causes the problems which result in repeated failures (Howlett, Ramesh, & Wu, 2015). Peters (2015, p. 261) suggests that greater research needs to be conducted on "the broader political or socio-economic environment in which these policies [failures] are embedded". McConnell (2015, p. 221) argues "a policy fails, even if it is successful in some minimal respects, if it does not fundamentally achieve the goals that proponents set out to achieve". Peters (2015) supports McConnell's argument and states that policy failures may be "a symptom of a broader failure in governing" suggesting that institutional failure may result (2015, p. 264).

Based on the review of the literature on acquisitions it is apparent that companies must have the necessary skills and capacity to support their acquisition activities. Successful acquisitions flow from a clearly defined corporate acquisition strategy that establishes the level of activity and skills needed for screening, valuing, negotiating and closing the deal. How the acquisition will be integrated is equally important after the deal has been closed. There has been an assumption that executives can predict the future of their business accurately enough to choose a clear strategic direction. However, when the future is uncertain, this approach is dangerous and can lead to strategies that fail to take advantage of the opportunities that successful acquisitions can provide. What is apparent from the literature is that there is no 'magic formula' strategy leading to a successful acquisition. Clearly there is a difference between making acquisitions and making them work.

Little academic research exists on the Australian RTO acquisition process, thus making it difficult to compare the results of different studies. The exploration of acquisitions in the private education sector and in particular within the Australian environment, remains unresolved. Due to increasing acquisition activity throughout the study period, the proposition of how to best manage an acquisition in the private education sector merits exploration, resulting in both valuable practical and theoretical implications. The literature review has identified a knowledge gap in relation to the specific requirements of Australian RTO acquisitions. The problem remains, with so many guides and prescriptions available for how to make acquisitions work and managers who want their acquisitions to succeed, then why have so many RTO acquisitions failed to live up to expectations? The knowledge gap has revealed that it is critical for each RTO acquisition to have its own strategic logic and process for value creation to ensue.

2.12 Conceptual Framework

There are many acquisition models from the most basic to intricate and detailed processes. Sudarsanam views the M&A process as one of decision making, highlighting the requirement for organisations to manage four critical elements within the process (Sudarsanam, 1995):

1. "Fragmented perspective on the acquisition held by different managers,
2. Escalating momentum in decision making,
3. Ambiguous expectations of different managers about the benefits of the acquisition,
4. Diversity of motive among managers in lending support to the acquisition".

Sudarsanam assessed the value-creating performance of acquisitions in a number studies from the US, the UK and some European countries and concluded that while the shareholders of target companies are generally better off with abnormal returns of up to 40%, the shareholders of acquiring companies often experience a loss in value. As a consequence of his research, Sudarsanam developed a five-stage model (Sudarsanam, 2003) for mergers and acquisitions that promotes the merger and acquisition process as an holistic transaction.

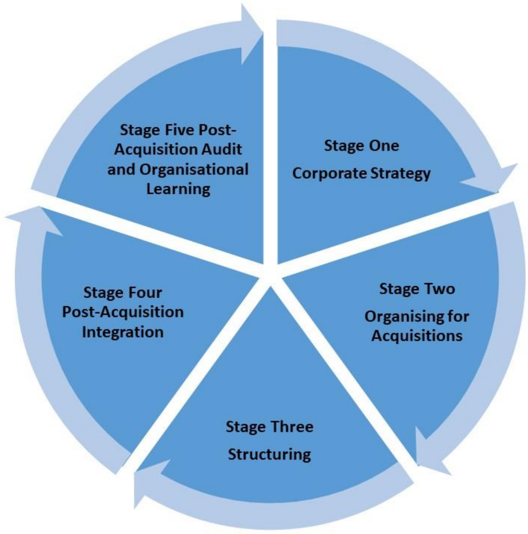


Figure 6: Sudarsanam's Five Stages of M&A (2003)

Sudarsanam (2003) identifies the stages [Figure 6] as interlinked, based on a decision-making sequence. He suggests that by understanding the inter-connectedness of each stage, managers will be better able to identify the weaknesses and embedded risks in one stage that will go on to influence subsequent stages, thereby improving execution success or conversely heightening the chance of failure. A conceptual framework is often used as a conceptualisation tool during the early stages of a study (Knight, Halkett, & Cross, 2012). As a research tool, the conceptual framework is intended to assist the researcher in developing an understanding of the phenomena. Figure 7 illustrates the conceptual framework which provided the foundation for the development of the research questions as well as a focus for the design of the research (Leshem & Trafford, 2007) and subsequent findings. Adapted from Sudarsanam's five stage M&A model, the conceptual framework (Figure 7) creates a starting point and provides direction for the study.

The framework has considered the varying stakeholders involved in the acquisition of an RTO and for the purposes of this research has isolated the industry regulator, ASQA and government funding bodies. Specifically, the conceptual framework considers the ‘place’ of the acquirer, the seller/target and other stakeholders, such as business advisors, shareholders and employees.

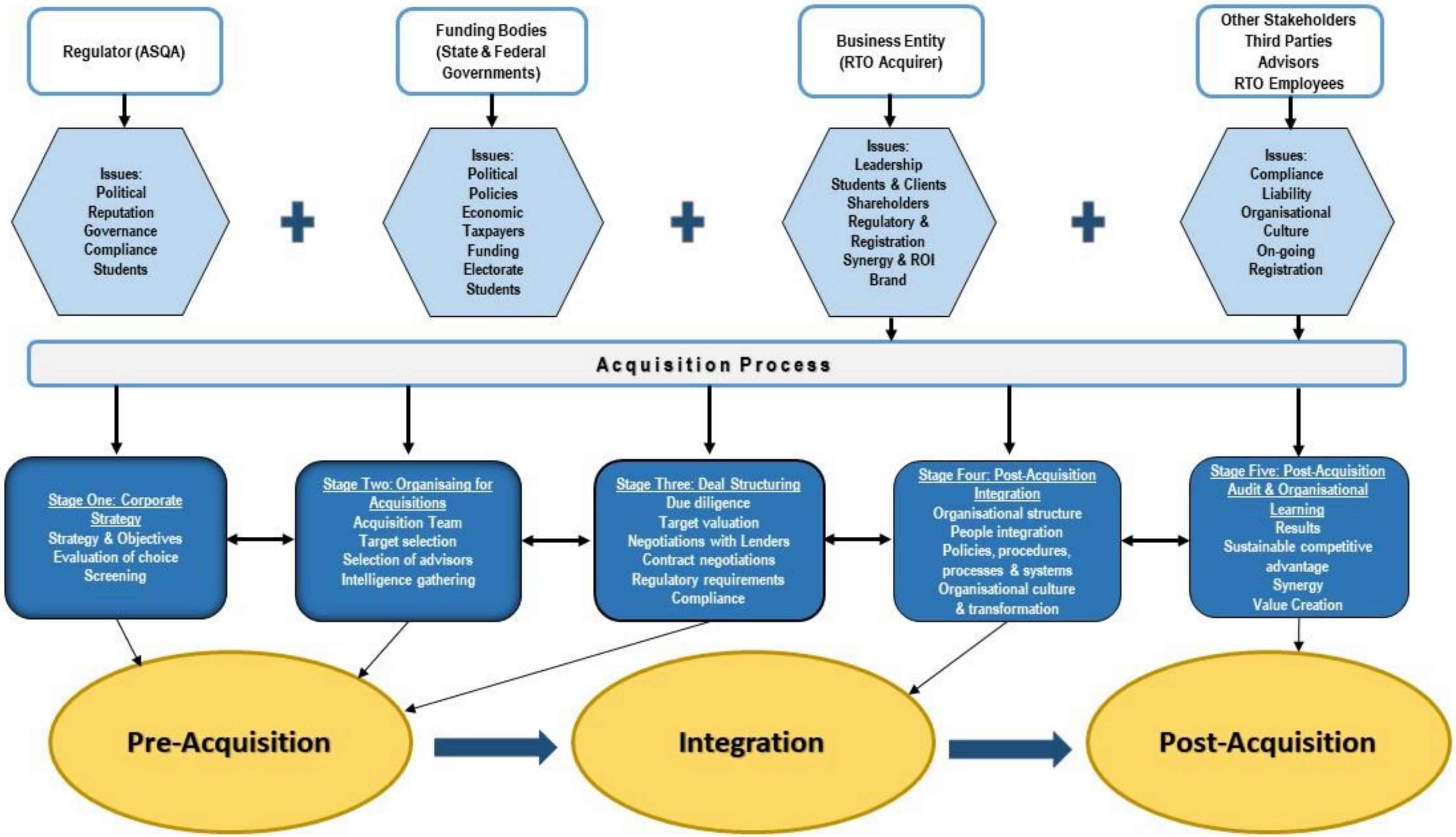


Figure 7: Conceptual Framework
Three Phases: Pre-Acquisition, Integration, Post-Acquisition

The three phase conceptual framework will steer the research and serve as a guide to achieving the stated research question and objectives. It has been selected in preference to a five stage model, as it as it represents a synthesis of the literature on acquisitions and is intended to explain the phenomenon under investigation. It is important to note that an understanding of other informants of concepts and theories about the phenomena being studied, including sources other than literature, will contribute to the body of knowledge in regarding RTO acquisitions. The theories, beliefs, values and perceptions held by the participants in the study will be considered as important insights of the phenomena.

The central features of the conceptual framework are based on Sudarsanam's *Five Stage Model for Mergers and Acquisitions* and takes into consideration RTO acquisition stakeholders with a primary focus on the acquiring organisation [Business Entity] and relevant stakeholders who have a vested interest in the long-term performance of the acquisition. Within the conceptual framework, the three stages of pre-acquisition, integration and post-acquisition are an amalgamation of, and informed by, Sudarsanam's model as follows in Figure 8 below.

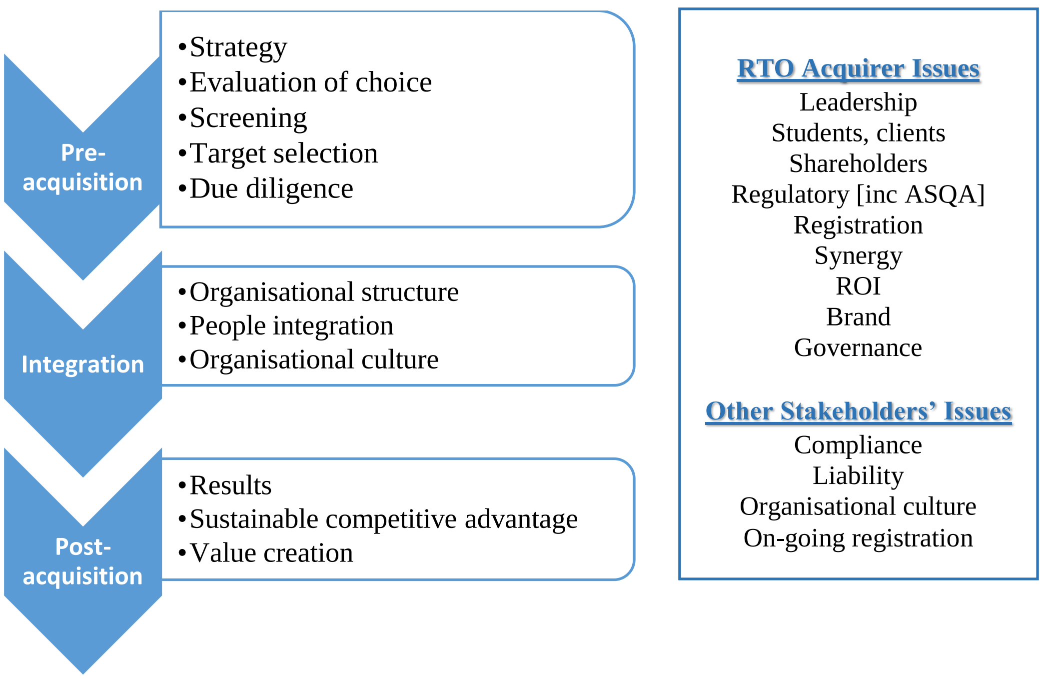


Figure 8: Three Stages of the Conceptual Framework

With an understanding of acquirer motives, challenges and outcomes of acquisitions from the literature, the study's focal point will be on the 'lived' experiences of several stakeholders in acquirer companies and stakeholders related to acquirer companies. The approach proposed is a qualitative study based on the lived experiences of fourteen stakeholders who had recently been involved in the acquisition of a registered training organisation/s, thus, the study takes an acquirer's perspective, in order to gain direct insight from senior management; staff involved in the acquisition – their expectations, process and outcomes. To broaden this viewpoint, the study sought information from business advisors and brokers, and some acquired [and perhaps divested] company employees.

2.13 Concluding Comments

This chapter has presented an overview of the literature which has informed the development of the conceptual framework. Due to the limited nature of the literature found on acquisitions of private registered training organisations, the literature on the phenomenon has been discussed broadly. Various aspects related to acquisitions have been explored in this chapter which have provided a foundation for the study.

CHAPTER THREE
RESEARCH DESIGN

3.1 Introduction

The purpose of this chapter is to present the approach and the methodology for this study, which addresses the research question *"What factors contributed to the success and/or failure of acquisitions of registered training organisations in the Australian Private Education Sector between 2012 and 2017?"* This chapter begins with a discussion on 'lived experience' and considers the theoretical research strategy of qualitative phenomenology to address the study's research objectives. The research process, research design and details of the selected interview technique and considerations regarding the collection and interpretation of the data are included along with the rationale for decisions made in relation to the research and methodology.

3.2 The Theoretical Research Paradigm and Perspective

There are different levels of theory, which have overarching concepts such as paradigm. A "research paradigm is the set of common beliefs and agreements shared between scientists about how problems should be understood and addressed" (Kuhn, 1962). The term paradigm, disseminated by the work of Kuhn (1962) is commonly used to describe the various points of view that researchers take in their search for explanations (Dervin, 1992). Rosengren (1989) suggests that a paradigm is a broad viewpoint, perspective, or lens that permits social scientists to have a wide range of tools to describe society. Paradigms are philosophical and theoretical frameworks which can be used within a discipline to formulate theories, hypotheses, generalisations, and the experiments performed in support of them. According to Guba (1990), research paradigms can be characterised through their:

- Ontology – What is reality?
- Epistemology – How do you know something?
- Methodology – How do you go about finding it out?
- Methods – How do you collect and analyse the findings?

Crotty (1998, p. 10) defines ontology as the study of being with assumptions concerned with what constitutes reality, being 'what is' and Cohen et al (2007, p. 7) define epistemology as being concerned with the nature and forms of knowledge. Methodology is the strategy which lies beneath the choice and use of particular research methods and it is concerned with the what, why, how, where and why of data collection and analysis (Guba & Lincoln, 1994). Crotty (1998, p. 3) describes methods as the techniques and procedures used to collect and analyse data, and as the "strategy, plan of action, process or design that informs ones choice of research methods". The data can be collected using either quantitative or qualitative [or a combination of both] methods. Crotty's paradigm consists of a number of components, including ontology, epistemology, methodology and methods (Scotland, 2012, p. 9). Whilst omitted from Crotty's research process, he does bring ontology together with epistemology, claiming the two are mutually dependent and difficult to distinguish conceptually when discussing research issues, stating that "to talk about the construction of meaning [epistemology] is to talk of the construction of a meaningful reality [ontology]" (M. Crotty, 1998, p. 10). According to Crotty (1998, p. 10), ontology is the study of being, constituting reality, or in other words, 'what is'. Figure 9 illustrates the research paradigms according to Hay (2002) and Crotty (1998) and explains the terms and the relationship between each. Crotty advocates that a structured but broad approach is necessary to allow researchers to make sense of the vast amount of available research approaches. Figure 9 demonstrates the coherence within the research process and the fit between the research method/s used and the kind of conclusions drawn.

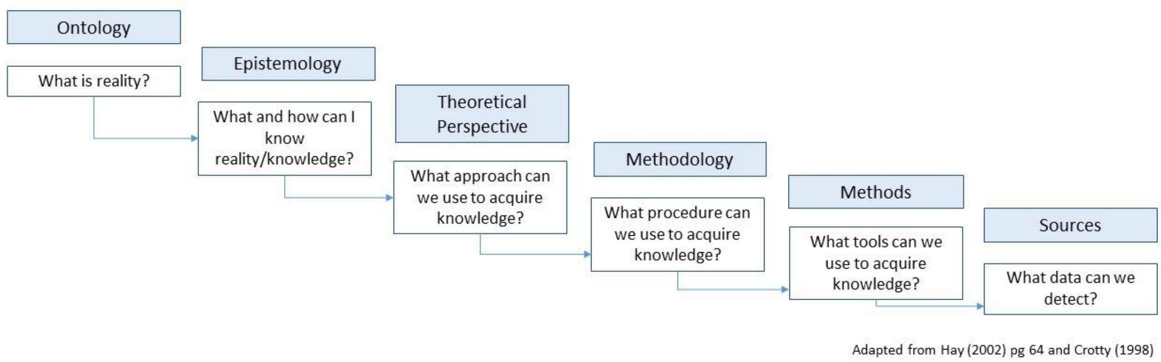


Figure 9: Research Paradigm Relationships (Patel, 2015)

Ontology and epistemology create an holistic understanding of how knowledge is viewed, how the researcher sees themself in relation to this knowledge, and the methodological strategies they use to un/discover it. Epistemology explores what constitutes valid knowledge and how it can be obtained (M. Crotty, 1998; K. Richards, 2003) and is about the assumptions which one makes about "the very bases of knowledge … its nature and form, how it can be acquired and … communicated to other human beings" (L. Cohen et al., 2007). Ontology explores what constitutes reality and how we can understand existence (M. Crotty, 1998) and what it is possible to know about the world (Ormston, Spencer, Barnard, & Snape, 2014; Snape & Spencer, 2003).

Ontology embraces the philosophy concerning the kinds of things that exist and epistemology deals with the philosophy concerned with the nature of knowledge itself, what we can know and how we can know it [the means and conditions for knowledge], and includes how we can know what exists. This study recognises the importance of a participant's position of reality [ontology] and seeks to demonstrate an appreciation of what they consider to be acceptable knowledge [epistemology]. Ontology and epistemology are interconnected. How we can 'know', depends on the nature of the objects of knowledge, and determining what exists and its nature, depends on how we can know. Essentially, ontology is concerned about what is true and epistemology is about methods of figuring out the truths (Scotland, 2012). Figure 10 illustrates the ontological and epistemological concepts and their relationship to objectivism/constructivism and positivism/interpretivism.

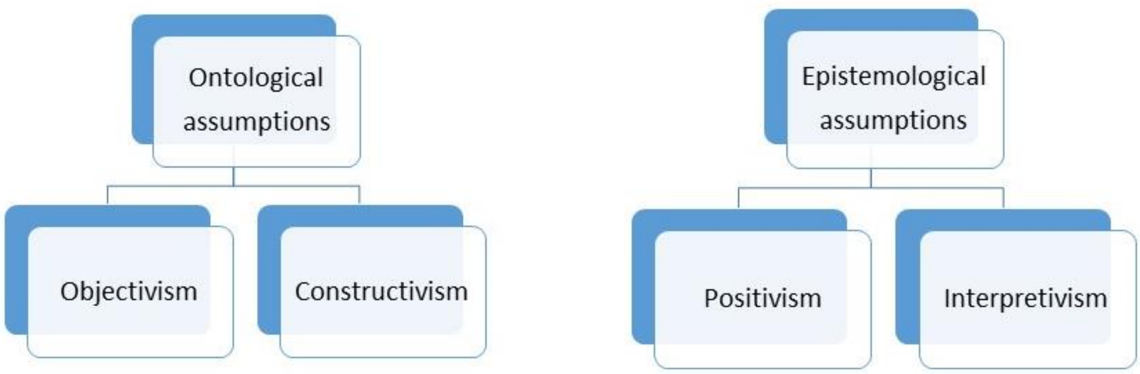


Figure 10: Key Philosophical Paradigms in Research Methods (Al-Saadi, 2014)

The two most common paradigms are positivism and constructivism. Positivism, which is an epistemological position, views the researcher as a scientist. The researcher is on a quest for knowledge which is underpinned by realist ontology, where facts are facts (Tuli, 2010). Positivism, focuses on the importance of objectivity and evidence in seeking out the truth and explains how and why things happen using measurement, correlation, statistical logic and verification. Typical methods used in positivism are surveys, questionnaires and random sampling. Positivist researchers consider that there is a single reality, which can be quantified and identified, and therefore in measuring reality, they are more likely to use quantitative research. According to the positivism/objectivism paradigm, the truth is always objective and static. Constructivist researchers believe that there is no single reality or truth (De Gialdino, 2009).

Post-positivism, a second version of positivism, came about as positivist thinking and tradition was founded on the concept that if laws and rules are only derived from observation, then it is also possible that a future observation proves an exception to a current rule or law (Ormston et al., 2014). Positivism proposes that reality can be known exactly, and the post-positivist approach maintains that reality can only be known approximately (Al-Saadi, 2014).

Interpretivism sees the researcher as a detective. The researcher is on a quest for subjective knowledge, taking an inductive or theory-building approach to the research. Interpretivism is underpinned by a subjectivist ontology where people are people. Typical methods used in interpretivism are in-depth interviews, analytical approaches and ethnographic studies. Interpretivism and constructionism hold opposing views to that of positivist and objectivist traditions (Bryman, 2008; M. Crotty, 1998). Interpretivism sees that there are ways of knowing about the world other than having to observe it, namely through perceptions and interpretations of the world. People use “perceptions to interpret what their senses tell them” (Al-Saadi, 2014, p. 3). Reflecting on events rather than only on lived experiences brings an understanding which is based on our knowledge of the world (Ormston et al., 2014). Interpretivists prefer the collection of data through humanistic qualitative methods (Matua & Van Der Wal, 2015). Table 8 summarises the philosophical research positions of ontological and epistemological concepts and their relationship to objectivism/ constructivism and positivism/interpretivism.

Table 8: Key Philosophical Research Positions and their Underlying Assumptions (Al-Saadi, 2014)

Ontological Positions [nature of the world and existence]	
Position	**Assumptions**
Objectivism	• Reality exists independently of our beliefs or understanding • Reality can be observed directly and accurately • A clear distinction exists between our beliefs about the world and the way the world is • Only material or physical world is considered real • Social phenomenon and their meanings cannot change • Events have causes and determined by other circumstances • The causal links between events and their causes can eventually be uncovered by science • Life is defined in measurable terms rather than inner experiences • Notions of choice, freedom, individuality and moral responsibility are excluded
Constructionism	• External reality exists but is only known through human mind and socially constructed meanings • There is no shared social reality, only a series of different individual constructions of it • Reality is subjective • There exist only estimate or approximate observations or views of reality • Social phenomena and their meanings are continually being accomplished by social actors • Social phenomena and their meanings are produced through social interaction and are in a constant state of revision • Life is defined in estimate terms based on inner experiences of humans where choice, freedom and individual responsibility are appreciated
Epistemological Positions [nature of knowledge and how it is acquired]	
Position	**Assumptions**
Positivism	• The world is independent of and unaffected by the researcher • Facts and values are distinct • Objective and value-free inquiry is possible • Disputes are resolved through observations • Methods of natural science are appropriate for the study of social phenomena • Knowledge is produced through the senses based on careful observation • Only phenomena [and hence knowledge] confirmed by the senses can be genuinely regarded as knowledge • Knowledge is seen as hard, tangible and objective • Knowledge is arrived at through gathering of facts • Social world is approached through the explanation of human behaviour
Interpretivism	• The researcher and the social world impact on each other • Facts and vales are not distinct • Objective and value-free inquiry may not be possible since findings can be influenced by the researcher's perspectives and values • Methods of natural science are not appropriate for the study of social phenomena for the social world is not governed by law-like regularities but mediated through meaning and human agency

	• Knowledge is produced by exploring and understanding the social world of the people being studied • Knowledge is seen as personal, subjective and unique • The researcher understands the social world using both his/her as well as the participant's understanding • Social world is approached through the understanding of human behaviour

Positivism views reality as other than the subject who knows reality, whereby the subject is not allowed to 'interpret' the reality. In epistemology, interpretivism considers knowledge as a social development with several points of view and influences of various types of meaning which is not a strict definition of reality, but rather an interpretation of reality. Dudovskiy (2016) suggests that the primary data generated via interpretivist studies may be associated with a higher level of validity because data in such studies tends to be trustworthy and honest. According to Guba and Lincoln (1994, p. 110) interpretive epistemology is one of subjectivism which is based on real world phenomena.

The interpretive paradigm allows the researcher to view the world through the lived experiences and perceptions of the research participants. In following the interpretive paradigm, the researcher has adopted a constructivist epistemological perspective, focusing on the participants' experiences, in order to construct and interpret meaning from the collected data and understand that the context in which the research is conducted is critical to the interpretation of the data (Willis, 2007, p. 4). By using an interpretive paradigm, the study seeks to critically review acquisitions of private RTOs through exploring the experiences of the participants who represent the various stakeholders involved in the acquisition process.

3.3 Methodological Framework

A theoretical framework guides the qualitative researcher to be able to effectively interpret the data. The researcher needs to consider the objective, goals and purpose of the study. For instance a researcher may wish to describe behaviour, comprehend beliefs or elucidate the phenomenon. To do this, the researcher will either observe the participants, interview them or engage with them. Therefore, the appropriate theoretical framework should be selected to achieve the objective of the research.

3.3.1 Methodological Approaches

Phenomenology and phenomenography are related methodologies, which came to the fore as qualitative research methods in the 1980s (Marton, 1981, 1986; Svensson, 1997). "Phenomenography and phenomenology share the term ''phenomenon'' which means ''to make manifest" or "to bring to light". Phenomenography, with the suffix -graph, denotes a research approach aiming at describing the different ways a group of people understand a phenomenon (Marton, 1981), whereas phenomenology, with the suffix -logos, aims to clarify the structure and meaning of a phenomenon (Giorgi, 1999)" (Larsson & Holmstrom, 2007, p. 55).

The aim of the research method is to examine the way people experience, conceptualise, realise and understand various aspects of phenomena. In an important distinction, "phenomenography is the empirical study of the differing ways in which people experience, perceive, apprehend, understand, conceptualise various phenomena in, and aspects of, the world around us" (Marton, 1994, p. 4424). As Assaroudi et al (2016, p. 217) explain "the focus of phenomenography is on what is known as the second-order perspective and the different ways that people can experience the same phenomenon, while phenomenology primarily emphasizes the first-order perspective and the similar essences that are derived from various experiences". According to Assarroudi and Heydari (2016, p. 218) "the famous story of the elephant in a dark room and people's different perceptions of it when they touched its different parts, is an almost perfect example for describing phenomenography. By collecting and integrating different experiences of a single entity (the elephant), we can have a better and more precise understanding of the entity as a whole".

The nature of both methods, phenomenology and phenomenography, have been explored by a number of researchers (Bowden, 1986; Bowden & Walsh, 1994; Johansson, Marton, & Svensson, 1985; Marton & Booth, 1997; McAuley, Duberley, & Johnson, 2007; Prosser, 1993; Saljo, 1988; Svensson & Theman, 1983), and are considered as coherent research methods. Phenomenography concentrates on description by collecting data from face-to-face interviews, for example, with generally a small number of participants and seeks an understanding of the participants' reflection of their experiences (Marton & Booth, 1997) by establishing an empirical orientation as the participants' experiences and subsequent perceptions are investigated, while phenomenology primarily focuses on the 'essence of the phenomenon' (Hitchcock, 2006).

Phenomenology is a fitting theoretical framework and was deemed the most appropriate research approach for this study because it is concerned with 'phenomena', the appearances of things or things as they appear in our experience, and/or the way things are experienced and therefore the meaning of things in our experiences. . There are two approaches to the qualitative research method of phenomenology. The approach taken is described as developmental phenomenology, where the researcher asks questions only of participants who have direct connection and understanding of the phenomena under investigation (Bowden, 2000). The approach in this study attempts to understand and interpret the selected stakeholders' (senior management in acquiring organisations, business advisors, brokers and employees) perceptions and interpretations of their 'lived' experiences in an RTO acquisition.

Phenomenology, founded by Edmund Husserl, was developed to investigate different phenomena. The focus of phenomenology is people's lived experience of a phenomena. Phenomenology focuses on the meaning that people give to their daily experiences and can take either a descriptive or an interpretative approach. In phenomenology the research focuses on understanding the lived experiences of the participants and at the same time avoiding the risk of the researcher's subjective bias (Van Manen, 1997). To avoid the risk of bias and pre-conceptions, the researcher should keep their pre-understandings 'bridled' (Dahlberg, 2006) when collecting and analysing the research data. Table 9 provides a summary of the differences between phenomenography and phenomenology.

Table 9: Comparing Phenomenography and Phenomenology
Adapted from: (Assarroudi & Heydari, 2016; Barnard, McCosker, & Gerber, 1999)

Phenomenography	**Phenomenology**
The aim is to describe the variety of perceptions and understandings of the experienced phenomenon from different viewpoints and from a perspective that views ways of experiencing phenomena as closed but not finite.	The aim is to reveal the essence of a phenomenon of interest and to clarify experiential foundations in the form of a singular essence.
Second-order perspective is the main approach which tries to describe the perception of a participant regarding an experience. A second-order perspective in which experience remains at the descriptive level of participants' understanding, and research is presented in a distinctive, empirical manner.	First-order perspective is the main approach which tries to describe the essence of the phenomenon, requiring phenomenological reduction of the experience.
Analysis would lead to identifying and recognising perceptions and outcome space	Analysis would lead to identifying and recognising meaning units.
The structure and meaning of a phenomenon as experienced can be found in pre-reflective and conceptual thought.	A division is claimed between pre-reflective experience and conceptual thought.
An emphasis on collective meaning.	An emphasis on individual experience.

Because different people experience a phenomenon in different ways, the researcher will seek to identify the various views that the participants have of the phenomenon [RTO acquisitions]. In phenomenological research the subject and the object are not separate or independent of each other. As Ornek (2008) explains, a person simply cannot deal with an object without experiencing or conceptualising it in some way. In this sense, the subject and object are not independent of each other. According to Van Manen (1997) the themes developed from phenomenological research can be understood as the structures of [lived] experiences. This is particularly valuable to this study as it will allow the researcher to gain greater depth of insight into the phenomena.

Phenomenology is a qualitative research method within the interpretivist paradigm and is focussed on revealing and describing different relational, experiential, content-oriented and qualitative conceptions which correspond to the way a person understands or experiences the world (Sandberg, 2000). Unlike other quantitative research methods, for which sampling designs seek random representative samples, purposeful sampling in phenomenological qualitative research seeks information-rich participants in order to investigate a complete range of conceptions/perceptions (J. Anderson, Adey, & Bevan, 2010). The focus of interpretivist phenomenology is on the participants' experiences and their subsequent perceptions of the phenomenon under investigation. The researcher has chosen the interpretivist phenomenological approach for this study because it investigates how a group of people [stakeholders] view or understand the phenomena and it provides for the collection of rich descriptions of lived experiences and the essence of the phenomenon. The interpretive aspect of analysing phenomenological interviews focuses on variation in the perceptions and experiences of the participants and in the "ways of seeing something" and allows the researcher to develop descriptions of understanding (Pang, 1999).

Essentially, phenomenology is a qualitative research method of collecting data, usually in semi-structured in-depth interviews that allow for a comprehensive discourse revolving around the subject under investigation. The aim of phenomenology is to take the participants' differing experiences and understandings, and characterise them "in terms of 'categories of description', logically related to each other, and forming hierarchies in relation to given criteria. Such an ordered set of categories of description is called the 'outcome space' of the phenomenon concept in question" (Marton, 1994, p. 4424).

3.3.2 Lived Experience

Because the participants have had direct 'lived' experience of the phenomenon being studied, phenomenology is the research method that has been selected for this study. Van Manen (2007, p. 16) defined lived experience as "experience-as-we-live-through-it in our actions, relations and situations. Only through reflection can we appropriate aspects of lived experience". Lived experience in qualitative research, is a representation and understanding of the research participants' experiences, choices, and options and how these experiences influence their perceptions (Given, 2008). The purpose of exploring the lived experiences of the research participants is to uncover the meaning and essences in their experiences and the research area being studied and to provide rich, in depth, descriptive and interpretive information that will foster a greater understanding of the phenomenon under investigation.

3.3.3 Research Method Rationale

There are several ways in which various stakeholders may experience or understand an RTO acquisition, because people experience a phenomenon in different ways. Through phenomenology, the researcher has sought to identify the multiple conceptions that stakeholders have for the phenomenon of an RTO acquisition. Because phenomenology is a form of empirical research, the researcher is not exploring their own reflection and awareness, but the reflection and awareness of the study's participants (Orgill, 2002). Essentially, "empirical research is based on observed and measured phenomena and derives knowledge from actual experience rather than from theory or belief" (Cahoy, 2018).

There is a myriad of methods and approaches to choose from for a research study, however, for this study the phenomenological research method has been selected. The reasons for this are threefold. Firstly, it is important to consider the multiple phases, influences and outcomes when addressing a complex phenomenon, but it is also fundamental to investigate the complexities and the dynamics between all the involved elements (Cutler & Carmichael, 2010). Secondly, the experience may not be perceived the same way for all stakeholders and/or for all forms of acquisitions. Thirdly, RTO acquisition experiences are subject to increasing complexity and diversity, because of the extensive course offerings, domestic versus international student cohorts and public versus private ownership. Because of these three reasons, the study needed to incorporate a research approach and techniques that allowed the researcher to deal with the dynamics and richness of the phenomenon and provide insightful data that can inform future RTO acquisitions. Phenomenology as a research methodology provided the greatest potential in addressing the research question and had the potential to reveal new aspects and particulars of the studied phenomenon as well as the investigation of the hidden relationship between the conceptions and the RTO acquisition experience. The use of phenomenology made sense because of the complexity of RTO acquisitions.

3.3.4 Research Method

Qualitative research is an empirical research method which results in data which is not in the form of numbers (Punch, 1998, p. 4). Involving an interpretative, naturalistic approach to the phenomenon, qualitative research studies things in their natural setting, attempting to interpret the phenomena in terms of the meanings that people bring to them (Denzin &

Lincoln, 1994, p. 2). Qualitative research is exploratory seeking to understand and explain how and why a phenomenon takes place. Quantitative research, on the other hand, collects data numerically which can be ranked or determined in units of measurement. Quantitative research is used to test a theory to either support or reject it and establishes laws of behaviour and phenomenon across different settings. The data collected from quantitative research is summarised using statistics, by describing patterns and through forming connections.

This study has chosen to use the qualitative research method. In qualitative research the researcher is closely involved with the participant's view of the phenomenon. This enables the researcher to identify any issues that may be missed by using quantitative research. Utilising a narrative, descriptive approach, qualitative research enables the researcher to gain new insights by examining knowledge that may otherwise be unknown or unavailable to the researcher. Denscombe (2010) purports that analysis of qualitative data allows for contradictions or ambiguities in the data and that this is an actual reflection of social reality.

Methods for collecting data used by qualitative researchers include direct observation, interviews, documents, analysis of artefacts, visual materials, cultural records and personal experiences (Denzin & Lincoln, 1994, p. 14). This study uses open-ended questions in semi-structured, in-depth interviews to generate qualitative data. This allows the research participant to use their own words to describe their lived experiences in detail. This approach assists the researcher to develop a real sense of the participant's understanding of the phenomenon. The interpretation of the data will use a thematic analysis as proposed by Braun and Clarke (2006). The purpose for using thematic analysis is to identify themes, that is, patterns in the data which are important to addressing the research question. The analysis will interpret and make sense of the data.

The intention of this qualitative, interpretative phenomenological study was to depict a 'lived experience' of the phenomenon. The research focused on the contexts and meaning of human experiences and lives for inductive driven research. The rationale for using this qualitative research method was to enable the researcher to gain an understanding of the underlying motivations and reasons of the phenomenon and to reveal established trends in opinions, perspectives and thoughts, leading to the development of a sound foundation for a new conceptual framework. The strength of the study is in its ability to provide textual descriptions of the key stakeholders' experiences with acquisitions of RTOs in the Australian private VET sector. As Marton (1986, p. 34) emphasises, "it is a goal … to discover the structural framework within which various categories of understanding exist. Such structures [a complex of categories of description] should prove useful in understanding other people's understanding".

3.4 Sample Design

3.4.1 Sample Selection

Sampling is defined as "the statistical process of selecting a subset (called a 'sample') of a population of interest for purposes of making observations and statistical inferences about that population" (Bhattacherjee, 2012, p. 65). Purposive sampling, also referred to as expert, judgement, selective or subjective sampling, involves the choice of participants who are in the best position to provide the information required (Teddlie & Yu, 2007) and is an effective sampling method where there are only a limited number of potential participants who can serve as primary data sources, due to the study's aims and objectives and the research design. Purposive sampling method is a type of non-probability sampling technique and it enables the researcher to rely on their own judgement when selecting participants from a population, based on their own knowledge of the population and the phenomenon under investigation. Researchers often use purposive sampling because they can obtain a representative sample by using a sound judgement, which can result in economies of scale in regard to time and cost (K. Black, 2010; Saunders, Lewis, & Thornhill, 2012). By applying the purposive sampling method the participants of the study were selected based on their expertise in and 'experience' of the phenomenon under investigation.

In combination with purposive sampling, the researcher also used snowball sampling. Snowball sampling "relies on referrals from initially sampled respondents to other persons believed to have the characteristic of interest" (T. Johnson, 2014). This form of sampling is considered a valuable method in a variety of research populations (Vogt, 2005) and "in some research environments, [snowball sampling] may be the only effective method and the deciding factor in whether research can be conducted at all" (N. Cohen & Arieli, 2011, p. 424). Snowball sampling is very effective in locating, accessing and involving participants from a specific population where the researcher anticipates difficulty in accessing a representative sample of the population, especially hidden or hard to reach participants (Valdez & Kaplan, 1999). Snowballing allows for the research sample to be expanded by asking one participant to recommend other participants for interviewing (Babbie, 1995; Crabtree & Miller, 1992) which enables the researcher to reach hidden populations, which are "defined as subsets of a larger population that are hard to target with traditional (e.g. random) sampling methods" (Griffith, Morris, & Thakar, 2016).

The nature of this research study is such that it was imperative for the researcher to establish trust with the participants. In order to gain access and to foster cooperation with the participants, the researcher needed to demonstrate that they were acting in 'good faith'. The choice of this sampling method is relevant to this study because it makes possible the statistical estimation of the number of mutual relations in a given population (Goodman, 1961).

Using the combination of snowball and purposive sampling enabled the researcher to gather rich data and increase the breadth and depth of the conclusions drawn from the research (Abrams, 2010).

3.4.2 Sample Size

The forte of qualitative research is in its ability to investigate a topic in depth (Carlsen & Glenton, 2011; Collingridge & Gantt, 2008). "A small number of well-selected homogeneous interviewees [with adequate exposure to or experience of the phenomenon] can produce highly relevant information for analysis" (Cleary, Horsfall, & Hayter, 2014, p. 473). Qualitative methods (Dreher, 1994; Flick, 2002; McQuarrie & McIntyre, 2014) using interview-based studies involving a small number of respondents are becoming more prevalent for complex interviews and when they meet the purposeful sampling criteria the researcher has determined that are necessary for the study. "Sample adequacy in qualitative inquiry pertains to the appropriateness of the sample *composition* and *size*. … Samples in qualitative research tend to be small in order to support the depth of case-oriented analysis that is fundamental to this mode of inquiry" (Vasileiou, Barnett, Thorpe, & Young, 2018). In support of Vasileiou et al, Crouch and McKenzie (2006, p. 484) state that "justification of small-sample studies hinges most frequently on … assumptions [broadly speaking] which underwrite investigations of personal experience in a largely subjectivist framework". Because qualitative research samples are purposive, as opposed to probability, the participants in this study were selected based on their ability to provide responses of depth based on their experiences relevant to the phenomenon under investigation.

This research study has focussed on the variants of a phenomenon and of the experiences arising in it. The participants embodied and characterised the 'lived' experience under investigation and represented the key stakeholders involved in the acquisition of an RTO/s during the study period. The research sample of participants was studied intensively and chosen purposefully. The fourteen participants represented relevant RTO acquirer companies and included people in various roles such as in-house legal advisor, legal counsel for the ACCC, senior management, business advisors and brokers, and some acquired company employees. The number of study participants is consistent with the use of phenomenology as a research methodology (Guest, Bunce, & Johnson, 2006; Morse, 1994) and "it is realistic to believe that sufficient information may be collected from approximately three to six individuals" (Sanders, 1982, p. 356). Whilst the number of participants may appear a small sample size, it is relevant because it is representative of the stakeholders involved in acquisition activity within the Australian RTO market during the study period.

3.4.3 The Participants

The intention of this research was to gather data in the form of insights regarding the 'lived experiences' of the participants about the phenomenon of acquisitions in the private education sector. Hycner (1999, p. 156) states that "the phenomenon dictates the method (not vice-versa) including even the type of participants". With this in mind, the researcher selected purposive sampling, as it is considered appropriate non-probability sampling used to identify the participants (Welman & Kruger, 1999) in addition to snowball sampling. The research sample was selected based on the rationale for the research, accessibility of the participants, stakeholder representation of the participants and the researcher's judgement (Babbie, 1995; Greig & Taylor, 1999; Schwandt, 1997). Specifically, the identified participants must "have had experiences relating to the phenomenon to be researched" (Kruger, 1988, p. 150).

Asking participants to sign an informed consent agreement is the basis for the conduct of ethical research (Holloway, 1997; Kvale, 1996). The researcher's informed consent agreement was based on Bailey's (1996, p. 11) recommended inclusions. The inclusions stated the purpose of the research, the risks associated with the research, the fact that involvement was voluntary, the participant's right to stop at any time and the procedures [in accordance with Victoria University's ethics standards] used to protect the confidentiality of the participants. The informed consent form was provided to participants prior to the interview and all participants signed and agreed to the recording of interviews.

The first step was to email the participants a short set of questions [appendix 5] as a thought provoker in preparation for the face-to-face interviews. The individual interviews, which ranged from one hour to two and a half hours, represented a cross section of the stakeholders involved in RTO acquisitions during the study period of 2012 to 2017 and were audio recorded. The researcher conducted the semi-structured in-depth interviews by utilising the pre-determined interview questions [appendix six] which were "directed to the participant's experiences, feelings, beliefs and convictions about the theme in question" (Welman & Kruger, 1999, p. 196). The researcher assigned a confidential title [code] to each participant and recorded his or her interviews as separate recordings. The researcher has reviewed the recordings, made notes, identified key words, phrases and statements in order to identify key themes. The identities of the organisations referred to in the interviews, the participants and their roles are confidential and as such have been given pseudonyms. In order to maintain the confidentiality and privacy of the participants in this research study, their identities are withheld and the organisations which they discussed, in some cases, have been given fictitious titles. In respect of the participants' privacy, they have been allocated a unique title as listed in Table 10 below.

Table 10: List of Participants

Internal or External to the Acquiring/Target Organisation	**Participant**
Internal [acquirer organisation]	CEO 1
Internal [acquirer organisation]	CEO 2
Internal [acquirer organisation]	The CFO
Internal [acquirer organisation]	The In-House Legal Counsel
External	The Barrister
External	The National Internal Auditor

External	The Business Broker
External	The Auditor
External	The Financial Advisor
External	The National Industry Association
Internal [target organisation]	The National Administration Manager
Internal [target organisation]	National Student Services & Engagement Manager
Internal [target organisation]	The National Administration Manager [2]
Internal [target organisation]	The Training Consultant

3.5 Data Collection

The phenomenological methodology of data collection is the use of open-ended, in-depth, semi-structured interviews. In the interviews, the participants are encouraged to articulate openly about their experiences and encouraged to give concrete examples within their discussions. The interviews are recorded and analysed. The data collection in this study consisted of primary data. Based on Boon et al (2006) the research process for this study is conceptualised in the following diagram.

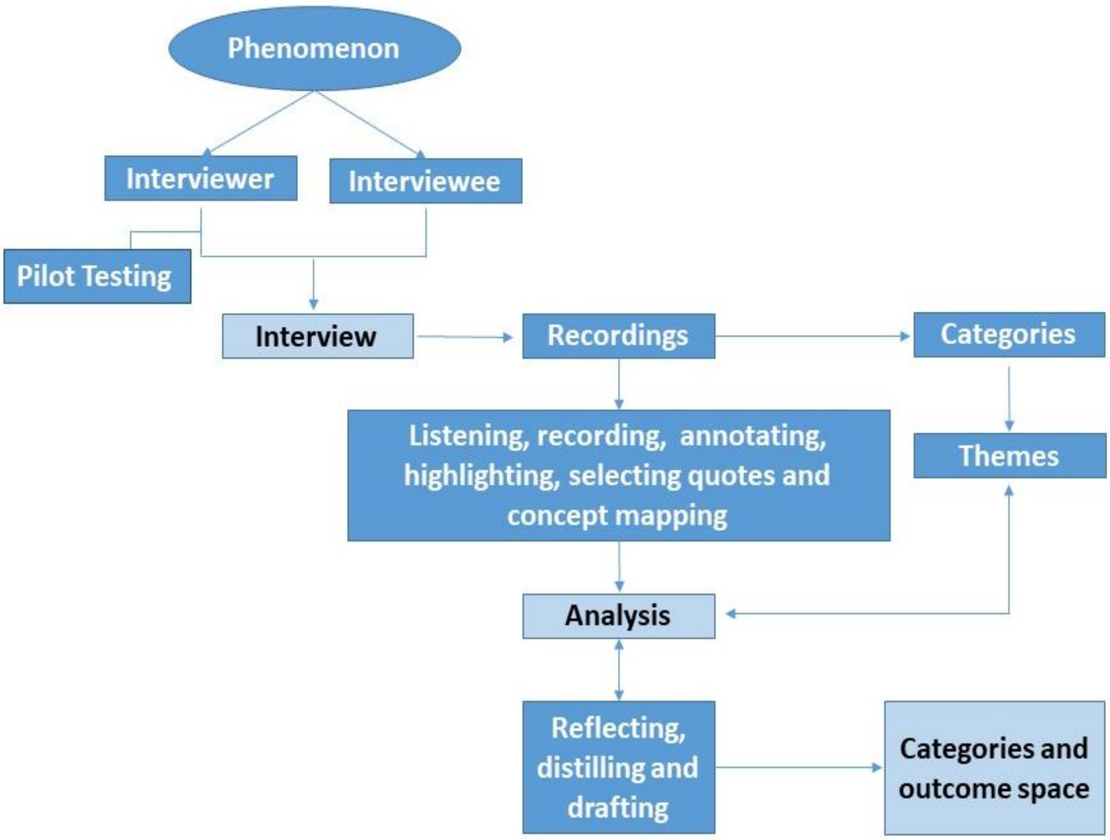


Figure 11: The Research Process
[Based on Boon et al, 2006]

Qualitative research asks the ‘why’ and ‘how’ questions that need to be answered and allows the researcher to study the phenomenon where there is a link between cause and effect (Dharamsi, 2009; Yin, 2009). Qualitative research methods have been embedded in business and management research studies for a long period of time and can provide valuable insights into the matters that are of interest to both business practitioners and researchers (Cassell, Buehring, Symon, & Johnson, 2006b).

According to Noor (2008), the emphasis of qualitative research is on meaning in preference to quantification. Noor suggests that the research question seeks to explore, interpret or obtain a deeper understanding of particular issues and that interviews are the most appropriate means of seeking multiple perspectives from participants due to their feasibility, acceptability and effectiveness. Face-to-face interviews were determined as the best means of obtaining the qualitative data sought in this study. The face-to-face interviews allowed the researcher to establish a rapport with the participants, as well as clarification of their answers during the interview. In addition, the face-to-face interviews allowed the researcher greater control over the research variables by providing direct contact with the participants, as well as providing the researcher with the opportunity to collect additional related information (Bryman, 2006). The intention of interviewing was to ascertain what was in and on the participant’s mind. This is at the core of the phenomenological research study, that is, the perception of the lived experience from the perspective of the participant (Patton, 1990). The semi-structured interviews were conducted at a time and place of the participants’ choice. Audio recordings of the interviews have been captured and these constitute the data for the study.

The phenomenological research approach predominantly uses open-ended, non-directive and semi-structured interviews for data collection. Prior to the interviews with participants, a set of thought provoking questions [appendix five] was sent to start the thinking process of the selected participants. The questions and consent forms were emailed (Meho, 2006) out one-two weeks prior to the interviews to the participants. The intention of the thought provoking questions was to encourage the participants to think about and consider how they react to issues, so that the following semi-structured interviews could be framed along the lines of thought that were most natural to participants. The emailed questions consisted of three open-ended questions that were simple, clear and easy to understand. The questions represented the central research question and specific objectives of the study. This was useful as it allowed the participants' time to consider their thoughts and assisted in reducing bias error caused by the characteristics of the researcher.

Interviews can take one of three forms, being unstructured, semi-structured and structured (Britten, 2006). The researcher determined that the use of the semi-structured interview technique was the most suitable for this study as it allowed for a structured agenda with the flexibility to ask subsequent questions. From the participants' perspective, semi-structured, in-depth interviews provided for the participants to explain their responses and to supplement their answers with more in-depth responses and information as they deemed necessary (Kelle, 2006). The use of semi-structured in-depth interviews are a valuable method of collecting data on the key stakeholders' personal experiences, perspectives and histories, especially because sensitive ideas were under investigation. The interviews were designed to encourage the participant to reflect on his/her experiences and then relate those experiences to the researcher in such a way that the two come to a mutual understanding about the meanings of the experience/s of the phenomenon (Orgill, 2002).

To reduce the risk of compromise, the interviews took place at the participants' workplaces or if they preferred, at another convenient location. The researcher used a systematic process of investigation based on semi-structured in-depth interviews because the content of the participants' discussions was sensitive and confidential by nature. The one to two hour interviews were recorded and analysed (Crowley, Harre, & Tagg, 2002; Ishak & Bakar, 2012; Leech & Onwuegbuzie, 2011; L. Richards, 1999; M. Walsh, 2003; Welsh, 2002). In writing up the findings, the researcher referred to Wolcott for guidance (Wolcott, 2009). The collection of qualitative data assisted in the understanding of RTO acquisition processes, especially those that emerged over time and provided detailed information about the setting and context under investigation. The analysis of the data was aggregated and the words or images were systemised into categories of information and represented the diversity of ideas gathered during data collection. The objective of the research was to seek pure self-expression from the participants, with non-interference from the researcher. Hence, the researcher engaged in the process of bracketing so that the participants were only aware of their own ideas and perceptions about the phenomenon of interest, and as such, there were no 'leading' questions from the researcher.

Throughout the data collection phase of the research, the researcher adopted McNabb's (2002) suggestion of developing a map for facilitating qualitative analysis which influenced early thinking processes about data collection using the phenomenological methodology (McNabb, 2002). In accordance with Van Den Berg's recommendations (2008) of using interviews as a means of collecting research data about the 'lived experiences' of the participants, the prepared open-ended questions with prompts, remained flexible according to the experiences of the individual participants (Van Den Berg, 2008).

3.6 The Research Question

The central research question was developed with guiding questions forming a sub-structure to the central theme. The nucleus of the research question was in the exploration of the central underlying significance of the experience shared within the different lived experiences.

The research question addressed by this study was:

> *"What factors contributed to the success and/or failure of acquisitions of registered training organisations within the Australian Private Education Sector between 2012 and 2017?"*

The semi-structured, in-depth interview questions can be found in Appendix Six. The questions were shaped to elicit insights from the lived experiences of the participants and to gather focused, qualitative textual data from the representative stakeholders involved in RTO acquisitions. The questions were arranged to logically explore each of the three phases of the conceptual framework: pre-acquisition, integration and post-acquisition.

3.6.1 Ethics

The researcher gained ethics approval from Victoria University [HRE16-217] and the participants were provided with information regarding the research process and asked to sign a consent form, prior to conducting the research. As this research study requires a qualitative analysis of narrative data, the method used to analyse this data must be quite different from more traditional or quantitative methods of research. Essentially, the researcher is focused on meaning; the meaning of the experience, behaviour and narrative regarding the phenomenon under investigation.

3.7 Data Analysis Approach

The analysis of the phenomenological data requires a series of steps (Sjostrom & Dahlgren, 2002). The first step is for the researcher to become familiar with the material by listening and re-listening to the audio files and reading through the interview notes. Familiarisation with the material is important to the researcher's understanding of the data. Next is the compilation of the participants' answers to the interview questions, followed by reduction of the individual answers in order to identify pivotal parts of the dialogue. Similar participant' responses will then be categorised and grouped and contrastive comparisons will be formulated to include the descriptive character and similarities of the responses.

Thematic analysis is a method for identifying, analysing and reporting themes within the data, which is flexible and appropriate for interpretative phenomenological analysis. Thematic analysis is different to other methods of analysis such as discourse analysis, decomposition analysis and grounded theory, that seek to develop themes within the qualitative data, due to theoretically bounded patterns in the data (Braun & Clarke, 2006, p. 87). Most notably, these different analysis methods seek out patterns or theses across an entire data set, instead of within a data item, as such is the case in an individual interview. In the first stage of the analysis of phenomenological data, the researcher used an emergent strategy, to allow the method of analysis to follow the nature of the data itself which may emerge or change throughout the analysis stage. The researcher focused on a deep understanding of the meaning of the description. In order to unravel the crucial meaning/s of the experience, the researcher abstracted out themes based on the commonly held views of the participants by using thematic analysis (Braun & Clarke, 2006). These themes are essential aspects discovered through the thoughtful engagement with the description of the experience to understand its meaning. Essentially, two types of themes emerged, collective themes that occurred across a group of participants who have had a similar experience and individual themes that were unique to one or a few individual participants.

Colaizzi (1973, pp. 29-30) studied learning in an educational environment from a phenomenological perspective, commenting that in some cases his findings were descriptive and empirical rather than reflective in nature and that they required interpretation by the researcher. Colaizzi (1978, pp. 48-71) later suggested a data analysis model following a sequence of steps including a thorough review of the recorded interviews in order to develop an understanding of the individuality of each participant, their professional background and their personal experiences. This is followed by identifying statements which significantly relate to the phenomenon under investigation, and then developing interpretive meanings of the statements. Next is the grouping of the interpretive meanings into clusters, which then emerge into themes. The themes are then developed into descriptions, and; finally the overall substance of the themes is identified.

Following Colaizzi's 'step' model, the data analysis model used for this phenomenological study is chiefly based on the work of Marton and Booth (1997, p. 114), with insight from Marton and Säljö's (1984) work. The analysis process worked through three phases, each of which had the potential to prompt a re-examination of an earlier phase. The first phase requires active listening - listening and re-listening to all the experiences, several times to identify the key aspects/issues of the phenomenon and then identification of variation/s for each aspect/issue - listening to the experiences to identify possible variations in the way this was experienced. This is followed by structuring the 'lived' experiences. This is done firstly by separating the 'lived' experiences into levels, if possible, and then clustering the 'lived' experiences into a structured outcome space.

In the data analysis model described above, the active listening phase requires the researcher to act as an independent observer. All interviews are listened to several times before making any notes or formal analysis of the data. The variation identification phase captures any significant variation between the participants' responses on a single issue. The final phase of the data analysis model provides for "an outcome where the categories of description are defined in terms of increasing complexity, in which the different ways of experiencing the phenomenon in question can be defined as subsets of the component parts and relationships within more inclusive or complex ways of seeing the phenomenon" (Marton & Booth, 1997, p. 125). Utilising Martin and Booth's approach in the final stage of data analysis allows the researcher to identify the different ways in which the participants experienced, conceptualised, perceived and understood the various facets of the phenomena which allowed for the development of subsets of importance and complexity.

Jennings (2007, p. 484) proposes that the use of qualitative software programs may not be necessary, “because it is peopleware, not software, through which the analysis is conducted”. Basit (2003) suggests that the use of software such as NVivo may not be feasible to code a small number of interviews and that the decision to use software or not can be based on the size of the project. In support of Basit, Blair (2015, p. 14) in reference to his own data analysis, states that there is “no clear-cut ‘best’ option but that the data coding techniques needed to be reflexively-aligned to meet the specific needs of my project”. This reflection suggests that, when coding qualitative data, researchers should be methodologically thoughtful when they attempt to apply any data coding technique; that they do not assume pre-established tools are aligned to their particular paradigm; and that they consider combining and refining established techniques as a means to define their own specific codes. During the data analysis, the researcher searched for comparisons in how the participants experienced the phenomenon under investigation and examined for meaning within the relationships in the data (Colaizzi, 1978). Using Hycner’s (1999) recommended data analysis process, the researcher commenced with data reduction. Words were identified which best represented the emerging themes that had potential to form into categories of meaning and patterns unravelled by “pulling the data apart and putting them back together in more meaningful ways” (Creswell, 2007, p. 163). For example, the word ‘greed’ was used by some participants, and this formed a theme within the findings. Bailey (2018, p. 132) states that “the multipronged process of analysis requires that the researcher make sense of the data: break it down, study its components, investigate its importance, and interpret its meanings”.

Credibility in research is the confidence that is placed in the data and the analysis of the data. Credibility in qualitative data is synonymous with validity in quantitative data. When conducting face-to-face interviews, credibility can be enhanced by jotting down memos. The use of memos allows the researcher to capture the raw data through ideas, insights and observations. According to Groenewald (2008, pp. 505-506) “memos add to the credibility and trustworthiness of qualitative research. Memos aid the analysis in that the researcher records the meanings derived from the data”.

As suggested by Creswell (1998, 2014) the phenomenological data analysis was advanced through the process of reduction, the analysis of specific statements and themes and an examination of all possible meanings. Data which was collected through face-to-face, in-depth interviews was focussed on themes [based on the research objectives] rather than the individual person. This method of data collection is frequently used in descriptive phenomenological research (Giorgi & Giorgi, 2003). The researcher not only looked for similarities but also for differences in the data. "The researcher has to show a way to describe similarities and differences that should be supported by the data from transcriptions. Having excerpts from the interviews to support the categories can provide this" (Ornek, 2008).

The face-to-face interview with each participant was of sufficient length [one to two hours], detail and content to form the basis of the phenomenological analysis that followed. Each interview was one description of one individual's 'lived' experience. The data analysis started with the interviews as a 'pool of experiences' and developed the experiences into descriptions "in which the structure and essential meaning of the differing ways of experiencing the phenomenon are retained" (Marton & Booth, 1997, p. 114). The audio recordings were analysed following the phenomenological approach. The reliability of the study was promoted through the interpretive process. This was achieved by the researcher exercising fidelity to the data and interpretive awareness. During the analysis the researcher analysed the whole of the recordings rather than taking them out of context. This enabled the researcher to familiarise, condense, theme, compare, group and contrast the participants' conceptions of the phenomenon.

3.8 Themes

Themes provide insights into how the participants make sense of the events and situations in their lives [experiences] and, are one way of consigning meaning to a lived experience. They capture data in relation to the research question and present levels of patterned responses or meaning within the data (Braun & Clarke, 2006, p. 89). Themes started to emerge from the data in the telling and recording of the participants' stories and descriptions of their experience's in RTO acquisitions. The world of lived experiences is both the object and source of research data (Van Manen, 1990). The participants' lived experiences were described in the form of a narrative and through the use of emergent themes. The analysis of the data then probed into the themes to identify multiple layers of meaning.

The researcher identified a number of themes and endeavoured to maintain the themes in harmony with the meaning of the participants' descriptions. Generally, there were two types of themes, collective themes of commonly held views that occurred across the group of participants [e.g. issues with integration] and individual themes that were unique to one or a few individual participants, for example the behavioural characteristic of 'greed'. The identification of individual themes was important as they represented additional hierarchical perspectives of the 'lived' experiences. The process of the phenomenological analysis required the continual sorting of the data and sought a "description, analysis and understanding of experiences" (Marton, 1981, p. 177). In addition to themes, attributes and patterns were identified and different categories and threads were developed as part of the analysis.

From the analysis of the audio recordings the data revealed descriptive themes/categories of understanding of the participants' experiences of the phenomenon under investigation (N. King, 1994; Moustakas, 1994). Determining the themes required summarising, validating and modifying ideas as required, before finalising the collective general and individual unique themes. Finally, using the themes as a basis, the researcher developed a new framework for managing the acquisition process of RTOs in the Australian private VET sector.

3.9 Reflexivity and Bracketing

> "A researcher's background and position will affect what they choose to investigate, the angle of investigation, the methods judged most adequate for this purpose, the findings considered most appropriate, and the framing and communication of conclusions."
>
> (Malterud, 2001, pp. 483-484)

Qualitative research involves a continuous process of reflection on the research (Yilmaz, 2013), and "learning to reflect on your behavior and thoughts, as well as on the phenomenon under study, creates a means for continuously becoming a better researcher" (Watt, 2007, p. 82). As the researcher, the process of reflecting on oneself, is known as reflexivity and engaging in reflexivity allows the researcher to provide a more valid and unbiased analysis. Reflexivity is the fundamental thinking process that assists the researcher to identify any potential influence throughout the research process. Reflexivity involves the realisation of a frank self-examination of the values, interests and prior experiences of the researcher that may impact the research data and analysis (Primeau, 2003). This involves examining and consciously acknowledging the assumptions and preconceptions that the researcher brings into the research and which could potentially impact the results (Kleinsasser, 2000). As the researcher, it was important for myself to be aware that my own experiences may influence research decisions and outcomes and that engaging in reflexivity throughout the research process can minimise the risk of being influenced by my own experiences and interpretations.

3.9.1 Bracketing

Bracketing, which has its origins in phenomenological research, suspends judgement on selected elements by keeping them outside of the brackets, which then allows for a focus on the phenomenon within the brackets. Spiegelberg (1973, p. 3) suggested that for Husserl (1859-1938), reduction led to an understanding of the particulars of a certain phenomenon, which could then be used by phenomenologists to interpret 'universal essences' of a phenomenon. Bracketing requires the researcher to deliberately put aside their own beliefs about the phenomenon being investigated or what they already understand about the phenomenon, prior to and throughout the study (Carpenter, 2007). By placing a temporary halt to one's personal experiences, such as in bracketing, allows the researcher to demonstrate validity of the data collection and analysis process (Ahern, 1999). Giorgi (1997) suggests that only the researcher, and not the participants, should adopt the process of bracketing, because it is the participants' lived experience that is under investigation and not that of the researcher. Interpretative phenomenological research focuses on the meanings of lived experiences and has been considered by researchers, including Berger and Luckmann (1966), Denzin (1989), and Garfinkel (1967). These and other researchers refer to bracketing as "the suspension of the researcher's cultural values and expectations rather than of any existential presuppositions on the part of the participants" (Richardson, 1999, p. 63).

Because phenomenology is a form of empirical research, the researcher acknowledges that she is studying the awareness and reflections of the participants and not those of her own. In order to remain neutral to the thoughts of the participants, the researcher engaged in the process of bracketing. In other words, the researcher approached the interview and the data to be analysed with an open mind, blocking out any involvement of her own perspectives. This was important as according to Tufford and Newman (2010, p. 85) "emotional reactions and past experiences or cognitive biases of the researcher have the potential to obfuscate, distort or truncate data collection and analysis". Engaging in effective bracketing can successfully increase the integrity and validity of the data collection. Petty et al (2012) studied qualitative research methods and methodologies, including phenomenology, and discovered that phenomenology brings about the consideration and identification of individuals' lived experiences by examining the meaning of a phenomenon. Petty et al (2012) suggest that it is vital for the researcher to engage in bracketing, that is setting aside their own views, in order for them to gain a deeper understanding of the phenomenon. Petty et al are in support of semi-structured interviews as a means of investigating the experiences and views of the research participants. On the other hand, Roberts (2013) cites the value of the interpretative phenomenology research methodology whereby the researcher does not engage in bracketing and instead allows their own preconceptions and beliefs to have a place in the research process. Bevan (2014, p. 136) states that descriptive phenomenological research is "*a total method of research*" and requires the use of descriptive and structured questions based on themes of experience.

3.9.2 Overcoming Bias

To overcome bias, the researcher identified what was expected and then deliberately put aside these ideas through the process of bracketing (Hamill & Sinclair, 2010). Bracketing also ensured that the researcher did not permit her own assumptions to influence the data collection or inflict her own understanding and construction on the data (L. Crotty, 1994; Polit & Beck, 2008). By putting aside her own ideas about the phenomenon it was possible for the researcher to explore the experience from the perspectives of the stakeholders who have 'lived the experience'. The audio recordings of the interviews were then analysed and followed up with telephone calls if clarification was required (Green, 2013; Pratt, 2009).

3.9.3 The Researcher

The researcher engaged in bracketing throughout the data collection and analysis stages of the study by putting aside their own lived experiences with the phenomenon. The researcher worked from 2009 to 2015 in a private RTO which was in both the VET and higher education sectors. During that time, the researcher held a number of positions including Academic Director, Director of Quality and Compliance and General Manager, Learning and Development. Whilst the researcher was an observer to the acquisition activity within the sector throughout the study period and, at times, intrinsically involved in some peripheral activities, the researcher refrained from allowing her experiences to impact the study, the data collection and the final analysis. During the face-to-face interviews, the researcher's focus was to acquire a more profound understanding of the nature or meaning of the participants' everyday experiences (Munhall, 2007). The directive of the questions and the manner in which the researcher asked them during the interviews did not influence the way the participants told of their 'lived' experiences and stories. Similarly, the intention of the semi-structured interviews was to seek in-depth information regarding acquisitions of RTOs in the private education sector, in order to provide an understanding of the phenomenon and how this understanding may shape future acquisitions. Therefore, it was appropriate for the researcher to engage in reflexive bracketing while exploring how the participants made sense of their lived experiences with the phenomenon.

3.10 Concluding Comments

This chapter has discussed and explained the research method and approach adopted for this study. This study is founded within an interpretative phenomenological paradigm and with a particular focus on thematic analysis of the data. Through reflexivity, the researcher is self-aware of her own lived experiences and has engaged in bracketing in an effort to hold her own lived experiences, preconceptions and biases in abeyance, while endeavouring to attain the lived experiences of the research participants.

CHAPTER FOUR
FINDINGS

4.1 Introduction

This study sets out to answer the research question: *"What factors contributed to the success and/or failure of acquisitions of registered training organisations within the Australian Private Education Sector between 2012 and 2017?"* This chapter presents the findings from the interviews with selected stakeholder groups involved in RTO acquisitions. The stakeholders were invited to reflect on their [lived] experience in acquisitions that took place over the study period 2012 to 2017, a time that saw a large number of RTOs grow rapidly through acquisition, yet was also accompanied by many collapses. The study seeks to identify the motives and factors that influenced the success and/or failure of these acquisitions in the Australian Private Education Sector.

Participants were asked questions based on the research objectives to elicit their thoughts and opinions. Given the length of the interviews only excerpts from the interviews will be cited in this chapter. Studying the underpinning lived experiences of the interviewees has provided perspective and insight, which form the foundations of the discussion in Chapter Five. The findings are structured as follows: responses to questions addressing the three research objectives in sequential order, with thematic responses organised according to the broad categories of strategy planning, formulation and execution, with external/internal influencers or considerations highlighted. These considerations and contributing factors include students, course materials, governance, corporate competencies and resources, personal values and aspirations, and acknowledged obligations to segments of society, and shareholders.

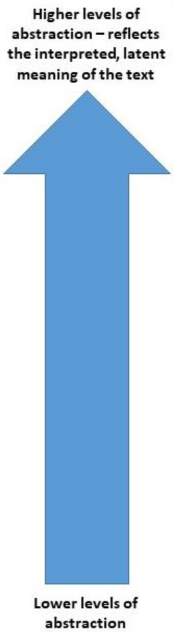
Using semi-structured questions and qualitative inquiry, participants' narratives are explored and the analysis of the interviews has allowed for phenomenological reduction by portraying units of meaning. Whilst the participants' responses offer an individual description of the phenomenon, these descriptions also often represent a 'shared voice' [collective general categories]. The findings consider the varying activities embedded in the identified three acquisition phases, highlighting that every step in the acquisition process is fundamental to the outcome of the acquisition and its potential value creation for the acquirer's shareholders. "Key differences between acquisition success and failure lie in understanding and better managing the processes by which acquisition decisions are made and by which they are integrated" (Haspeslagh & Jemison, 1991, p. 3). This comment advocates and is endorsed by this other comment "one must take a processual perspective. It is not enough to look upon fragments of the process, but one must take the whole process into consideration to understand the parts" (Risberg, 2003, p. 2).

4.2 Process of Analysis

The study's research question explored the lived experiences with textual data collected in the individual, face to face in-depth interviews. The data collected based on the lived experiences is complex, multifaceted and carries meaning across multiple levels. The objective in the data analysis by the researcher has been to transform a large amount of interview texts into a highly organised and concise summary of results. The resulting data was used to form categories and themes as a process of data abstraction. The initial step in the analysis was to listen to the interviews multiple times to gain a general understanding of what the study's participants were discussing as their personal lived experiences. From this, came the development of meanings that were formulated into codes, categories and then themes. This process of condensing the data required the preservation of the core meanings within the data. Codes were assigned as 'labels' that best described the condensed data and then categories were developed by forming together those codes that related to each other through their context or meaning [see Figure 12]. These categories described different aspects, similarities or differences of the text's content that aligned together. Themes were developed from the categories which expressed underlying meanings and were intended to communicate to the reader on both an intellectual level and an emotional level. The subsequent themes are descriptive and meaningful.

The qualitative content analysis has allowed the researcher to systematically transform the large amount of textual data into an organised and concise summary of key results. The analysis of the raw data from verbatim interviews was the basis used to form the categories and themes. The researcher reviewed the initial groupings of meaning and cross referenced the overall meaning by exploring and categorising the complex phenomena, providing textual accounts of the participants' lived experiences. The analysis of the data revealed that the human experiences were complex, multifaceted and often carried meaning on multiple levels.

By comparing codes and appraising them to determine which codes seem to belong together, categories were developed by grouping together the codes that related to each other through their context or content. These categories described different aspects, similarities or differences that belonged together. The resultant categories formed themes that were found in two or more categories. By using data that was rich with latent meaning, the analysis then went on to develop themes. Figure 12 below is an example of the process taken by the researcher to develop the themes which are later discussed in detail and aligned to each of the research objectives.



Overarching Theme	Integration of two companies through the eyes of a target employee
Theme	Poor cultural and organisational integration
Category	Management actions and non-actions
Code	Kept separated
Condensed Meaning of Units	Involved lives and emotions, kept very separate in the dungeon, a cultural thing, plenty to hide.
Meaning Unit	*"What you forget is that there are people involved with lives and emotions and I know you have to do what is best for the business and there is always going to be casualties .... it can be managed a lot more humanely I think. ... we were kept very separate, we weren't allowed to talk to anyone, like we don't want these guys knowing what those guys are doing ... we were kept in the dungeon ... very much a cultural thing and that gives the impression that there is something to hide ... there probably was plenty to hide there ... makes it emotionally difficult to give your all." [The National Administration Manager [2]]*

Figure 12: Sample Content Analysis

Through the process of analysis, the researcher identified 342 participant statements significant to the study which were the foundations of the themes discussed in the findings. It was imperative that the researcher was vigilant of non-bias by maintaining awareness of her pre-understandings of the phenomenon so that this did not influence the analysis or the results. The following findings are in order of the stated research objectives and in addressing each research objective, themes have been identified and discussed as an outcome of the study's participants' lived experiences.

4.3 Strategic and other Considerations involved in RTO Acquisitions [RO1]

The participants were asked to reflect on their personal experience and to identify the major considerations in the acquisition of an RTO. All participants held strong views on what they considered as important considerations in their experiences on the subject of RTO acquisitions. As evidenced in the literature, (Ferris et al., 2013) it has been argued that managerial hubris is where an over-confident CEO may place a greater emphasis on their personal decision making in preference to others. This, amongst other factors, can result in poor strategy planning and taking greater risks associated with an acquisition or an overestimation of the potential synergies to be gained from the transaction.

4.3.1 In Strategy Planning & Formulation

Strategy planning and formulation are critical stages in the acquisition process according to the literature. Collectively, the findings suggest that what takes place in the pre-acquisition phase [strategy planning] lays the foundations for everything that follows. A number of key decisions are made at this stage of the process, commencing with adopted strategy, either planned or emergent, which identifies a strategic need [to generate value for the organisation by expanding into a market, penetrate a new market or diversify in order to diffuse risks in their own industry] and subsequently identifies a target for acquisition.

The two CEOs interviewed for this study were both involved in a number of acquisitions as the acquirer and in the case of CEO 1, also in the divestment of several acquisitions. The senior executive and business advisory positions discussed the initial considerations to be determined in planning an acquisition of an RTO and stated the successful identification of an appropriate target for acquisition was the first priority. CEO 1 discussed the opportunity that arose for ABC to purchase an RTO for A$1, after a Victorian TAFE had walked away from the deal, stating this acquisition was viewed as an opportunity. Opportunity acquisitions were also discussed by the *Business Broker*, who when asked if they ever went proactively looking, said:

> "*So often we would go and screen,* [VET targets] *go and look and say here's the criteria, go and do the research and get in contact with them. That is one way of going about it* [but] *sometimes they hear about you and what you are doing*

and ring up and other times people working in the business, through their natural conversation come across other great businesses or people or opportunities, call it industry or market intel".

[Consideration: opportunistic, financial]

Primarily, three types of acquisition sources were identified by participants who were senior executives [Figure 13 below]. These can be classified as opportunistic, reactive and proactive. As confirmed by other executives, many of the RTO acquisitions made between 2012 and 2017 were opportunistic, a view also confirmed by *the Business Broker* who stated that most of the RTO acquisitions he was involved in were opportunistic.

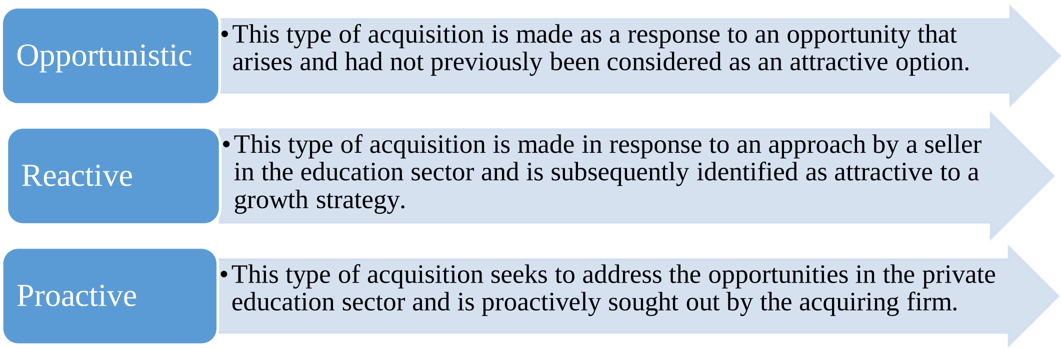


Figure 13: Acquisition Types as identified by Participants

CEO 1, who had extensive acquisition experience across a number of industries, described that one opportunistic acquisition that he had been involved in, also resulted in later divestment because the acquisition did not live up to corporate expectations.

"A large international education company purchased three groups of Australian RTOs within months of each other, to later close one and sell off the other, eventually giving the [later] buyer $2million to take it off their hands."

[Considerations: down-stream impacts, non-compliant [VTG] post deal making to avoid litigation]

CEOs have two options for organisational growth – build or acquire. The build strategy requires increasing market share and revenue and is often referred to as organic growth. Acquisitions allow for acquired growth, which presents an opportunity, but not without some very real risks. As in the case identified by *CEO 1* above, CEOs who embraced an opportunistic strategy in acquisitions, initially see the deal as attractive but, often realise that sustained performance is hard to come by. Reflecting on their collective experiences, it seems the lesson for organisations strategically positioned properly for growth would be to proactively look for acquisitions and look at considerations further downstream, as the reasons for failure soon become apparent. Arguably, many of these acquirers were motivated by opportunity and seem to confirm what Wolf (2012) noted of corporate acquisitions, without clear goals they had done little or no pre-acquisition planning.

[Consideration: strategic planning (due diligence), lack of industry intelligence]

The Business Broker who was also an investor in a number of successful RTOs stated:

> *"If you are looking to buy an RTO, it is about what you are actually buying it for … the choices are around what you are actually trying to get into … be that long-term secure government contracts, or VET-FEE HELP funding in particular. My role was to manage the transactions, the buying and selling of the RTOs and raise the capital.*

[Consideration: immediate financial goal, long-term secured government contracts]

In relation to the question "how did you identify which RTOs to target?" *The Business Broker* stated:

> *Different RTOs for different needs, we felt that bringing some scale, vision and strategy to the way that education was provided would help us build a model that was differentiated in the market and ultimately do well as shareholders in that. So we bought a platform business and we went and bought other businesses to bolt onto that at the right price."*

[Consideration: scale and differentiation in the market, plus shareholder return]

4.3.2 Strategy Execution

Strategy execution is the process of putting into action the plans to achieve the organisation's strategic goals. Executing a strategy requires substantially more time, effort and resources than strategy formulation. "A brilliant strategy … can put you on the competitive map, but only solid execution can keep you there. You have to be able to deliver on your intent" (Neilson, 2008).

The Business Broker identified several strategy execution considerations in an RTO targeted for acquisition, stating:

> *"Price is a main key factor, a strong cash flow, a diversified customer base, a good track record with its registrations and with its audits, good relationships with the government and funding agencies with contracts in place ... a cost efficient model.* [Did you proactively go looking for these RTOs or were they just opportunities that arose?] *Both."*

[Consideration: financial (cost efficient), opportunistic]

The In-House Legal Counsel who worked in a large RTO that was eventually deregistered, stated that acquirers were targeting RTO acquisitions based on the:

> *"Courses on scope[4], followed by student numbers and then the real estate, where the campus is located, they would be the definite primary number one things, ... but my experience in the industry thus far, is that it has always been about the student numbers more than anything else ... and how much money is in the kitty* [VET FEE-HELP]".

[Consideration: acquisition target attributes (nominal interest), primary aim VFH funding]

[4] Scope is the list of accredited courses that an RTO is approved by ASQA to deliver.

Identifying an RTO target for acquisition requires an acquisition strategy and plan. Several senior executives and business advisors stated that many recent RTO acquisitions failed because the acquiring organisation did not have a structured approach to RTO target identification. Instead they engaged in an emergent strategy by 'seizing the day' and purchased what came across their desk as an opportunity for acquisition and what looked good on paper. According to *CEO 1,* opportunities for acquisition presented themselves and without solid investigation, were acquired in a rush for growth, resulting in growth at any cost. The Training Consultant also held this view, saying:

> *"Goliath buying David … this is what happens when you have a big organisation with big deep pockets, if you are someone like XXX going and buying RTOs all around the place, then XXX has a responsibility to maintain and watch those RTOs. It is irresponsible to procure an* [opportunity] *asset and then not look after it".*

[Consideration: post-acquisition factors, strategy execution]

Poor acquisition target identification was a major consideration in the view of most participants. *The National Internal Auditor* stated that a number of RTO acquisitions had taken place for the wrong reasons. Some acquirers were buying RTOs for access to VFH loan funding, without fully considering the strategic considerations for the purchase. *The National Internal Auditor* stated:

> *"*[A private equity owned RTO] *purchased RTOs with no apparent rationale except the opportunity of additional access to VET FEE-HELP. They didn't thoroughly look into what they were buying … what ended up being a raft of non-compliances."*

[Consideration: due diligence [failures]; decision-making biases]

Target identification in acquisitions is a critical step in the pre-acquisition phase and *"given the nature of the problem, … the identification of acquisitions targets … is a difficult task"* (Polemis & Gounopoulos, 2012, p. 262). The findings verify that target acquisition is a process with a clear set of selection criteria that are aligned to the organisation's strategic objectives for the acquisition. Described by *The Business Broker* as "market intel", industry intelligence was important in target identification, as well as 'intel' on factors such as [local] market conditions and changes, pricing, funding sources and student diversity, compliance with the regulators, competition, reputation and the health of the RTO. These were all considered important when identifying an RTO for acquisition [formulating], but only became evident downstream and often too late in the acquisition process.

From the participants' comments, it appears that a 'proactive' acquisition strategy is a process that is planned, centrally managed and with clearly formulated objectives, while opportunistic acquisitions are more aligned to an emergent strategy where, over time, patterns arise in the actions and behaviours of an organisation, even though these actions and behaviours were never overtly intended. This can occur "when an environment directly imposes a pattern of action on an organization" (Mintzberg & Waters, 1985a, p. 258). According to the participants, a number of the RTO acquisitions that took place between 2012 and 2017 were opportunistic acquisitions based on an emergent strategy that in hindsight reflected the deep influence of the environment [inclusive of VFH] which imposed a pattern of action on an organisation (Mintzberg & Waters, 1985a) and on the influence of externalities on acquisition selection criteria founded largely on securing VFH funding, that was described by one participant as 'rivers of gold'.

According to *The In-House Legal Counsel* a strategic consideration in the target identification process was an understanding of what you are buying. Understanding what you are buying requires due diligence and asking the right questions about *"the IP, student enrolments, phantom students, scope"*. In contrast to the rational consideration, *the CFO* commented that in her view…

> *"CEOs misread the environment, overestimated their personal skill and control, which led to disastrous consequences, all because they had no clear strategy and did not understand what they were buying."*

[Consideration: CEO hubris, due diligence, industry intelligence, and strategy execution]

4.3.3 In Due Diligence

In the case of acquisitions, due diligence is the level of judgement, care, prudence, and determination that an organisation would reasonably be expected to do, prior to the purchase of another company. This includes fully understanding all of the obligations of that target business, its outstanding debts, pending and potential legal actions, leases and rental agreements, warranties, long-term customer agreements, employment contracts and employee entitlements. The simple statement that "*deal making is glamorous, but due diligence is not"* (Cullinan, Le Roux, & Weddigen, 2004) may explain why many acquisitions fail to create value. As the literature has identified, due diligence is a formal, comprehensive process of appraising a target organisation in order to establish the target's assets, liabilities and viability. When due diligence is perfunctory or the 'real' truth is illusive, the intended acquisition increases in complexity and risk. If an acquirer does not do due diligence or just a cursory process, they may end up making a purchasing mistake. The seller may deliberately leave out details or fudge numbers and present a 'façade' of the business opportunity. Without verifying the details specific to the acquisition of an RTO, the acquisition my well prove to be a high risk investment.

Moreover, the due diligence process as applied to RTO acquisitions as suggested by the participants is substantially different from the standard diligence required in other types of corporate acquisitions. *The Business Broker*, *The Auditor* and *The Financial Advisor* indicated that the 'standard' due diligence representations and warranties are not sufficient to cover the complexities of acquisitions of registered training organisations. Standard due diligence typically covers the financials, taxation obligations, employee entitlements, corporate documents, contracts and agreements, real property, insurances and intellectual property. According to *The Auditor:*

> *"Being an accountant, management of information … I can't tell you how many places can't tell you how much it costs to run a course. What's your tipping point? How many students do you need to make it profitable?"*

[Consideration: industry insights, strategic planning gaps]

Asking the right questions before the deal is closed can help in avoiding issues after the acquisition is completed. *The Auditor* indicated that knowing the difference between a 'good' RTO and a 'façade' will help the acquiring organisation identify the gaps and potential risks. The risk however for acquirers new to the RTO and VET sector is that they may not thoroughly understand or appreciate the often hidden threats [and risks] involved and how to react to those threats. One participant identified a number of RTO acquisitions where the acquirer did not do sufficient due diligence to truly understand what they were buying. In one particular case, *CEO 1* states:

> [The acquirer] "*relied on the due diligence conducted by a competing purchaser and failed to do little more than a desk top due diligence process. The acquiring company then paid $1 for the target RTO and assumed what they thought was $48 million of debt in the deal. But the real debt balance of roughly $78million was finally identified in the subsequent 6 months by the company's US forensic auditors.*"

[Consideration: Strategy formulation - failure in risk identification and CEO hubris]

Determining what the assets are and consequently the value of an RTO requires a due diligence process that understands the intricacies of training providers. For example, what may look good on paper, may actually be a liability in the long term. *The National Industry Association,* an industry advisor to the private education sector, stated:

> *"we do know of inappropriate practices, where the acquirer thinks they are getting a book of students ... to then find out they are all phantom students[5]."*

[Consideration: strategy planning weakness, lack of industry intelligence, role of trust]

The findings indicate that a key part in strategic planning is the completion of a rigorous due diligence process in order to identify, manage and mitigate the industry specific risks associated with an RTO acquisition. *CEO 1* discussed an RTO acquisition where the acquirer was so focused on the opportunity that they neglected the strategic consideration

[5] Phantom Students are enrolled, funded students who fail to engage in learning, are inactive, do not progress and do not complete their courses.

of due diligence to the point that they relied on a competing acquirer's due diligence findings. He went on to say:

> *"you can't skip on the due diligence process … with the acquisition of XXX what was overlooked was the quality of materials, I think they were more concerned with the financial outcome and did a lot of work on the money flow, the money coming in which was over 90% government funding. XXX ticked a lot of boxes for them, and where the opportunistic side of it came about was because XXX was a distressed business that was up for sale, but there was a Victorian TAFE looking at buying it, until the state government said 'No you are not buying that' … so there was a weakness in due diligence process … the due diligence was so skinny because they believed that the TAFE, being a government body had done that work … and they got it for a dollar".*

[Consideration: strategy formulation - due diligence, opportunism, decision-making bias]

The majority of participants indicated that for many RTO acquisitions the connection between a growth strategy and cutting the deal gets lost during the due diligence stage. According to *The Auditor* due diligence typically focuses strictly on financial, legal, tax, and operations issues, and because of this the typical due diligence process fails for RTO acquisitions that invites closer inspection of the business in terms of course and student quality, as well as conditions on registration, de-registration of scope, regulatory audits, and any outstanding non-compliances.

[Consideration: strategic planning (long-term growth), regulatory considerations]

According to *The Business Broker* and *The Financial Advisor* a strategic due diligence process for an RTO acquisition should explicitly identify and verify the relationships, capabilities and assets that make the RTO the best acquisition target for the acquiring company. Informed acquirers are characteristically better at applying their organisational skills to a target's marketing, sales, operations, training product development, and overall organisational management. As *The Broker* stated, again, *"market intel"* is required.

The Business Broker, The Auditor and *The Financial Advisor* were consistent in their opinions that business advisors conducting due diligence for companies in acquisition mode have an obligation to substantiate the appropriateness of the target's price. Participants cautioned of the risk of not fully understanding what you are buying in an acquisition, with *CEO 1* suggesting that:

> *"You need a management team that does the ground work and then merges into the target after the acquisition".*

[Consideration: strategy formulation and strategy execution inter-connection]

As a strategic consideration, thorough RTO due diligence should additionally include identification of targets who do not disclose critical information [e.g. the reasons for selling, transparent financial statements, funding audits, loss of funding, de-registration of scope, regulatory audits, non-compliances, conditions on registration as cited by *The Industry Association*]. As previously cited, poor due diligence can result in high risk acquisitions, for example targets, who are involved in regulatory audits due to non-compliances, are acquired and then result in legal proceedings, as in the case of the Kaplan and Acquire Learning transaction [cited by *CEO 1* and *The National Administration Manager [2]]*. Also the purchase of targets which are under financial duress and carrying large debts, as cited by *CEO 1*, generally result in acquisitions which fail to meet expectations. Interestingly, all participants cited rapid growth in student enrolments, phantom students, low student progression and compliance issues as potential risk factors that needed to be examined by due diligence in the strategy planning stage.

[Consideration: strategic planning (industry insight)]

In addition, some participants suggested a buyer needed to thoroughly understand what it is that they are getting for their money. Scope of registration is a major component in an RTO acquisition. The term scope relates to training packages consisting of individual courses an RTO is accredited to deliver [for example, Diploma of Hair Salon Management]. ASQA tightly controls an RTO's scope of registration and requires that RTOs ensure compliance to the regulatory standards [such as get the paperwork right, evidence of assessments, volume of learning] of the course, course resources and learning materials and currency of the trainers. Typically most training packages for VET qualifications are reviewed and updated every three years. This requires the RTO to update and amend their scope of registration accordingly. Depending on the extent of the qualification update, the RTO may need to develop entirely new training materials and resources. This process can represent a significant investment in time and money, especially if the training delivery is online. *The National Internal Auditor* and *CEO 1* warned that an acquirer who does not understand the value and currency of scope, risks purchasing an RTO whose scope is about to expire, making the certified qualifications, training materials and potentially the RTO, worthless. In the words of *CEO 1*:

> *"You can never do enough due diligence. There are some quick fixes and successes that you can put in place ... it gets back to student outcomes ... it is circular, if you are giving a return to the shareholders, then that means that all the other parts of the value chain have to be done properly".*

[Consideration: strategic planning, industry insight, lessons learned post acquisition]

The findings indicate that before engaging in an RTO acquisition, a substantial amount of due diligence is required. Post-acquisition, it is important to reflect and identify lessons learned plus build a knowledge bank [of data, documents and sources] to inform future planning and actions. The participants cited three critical due diligence activities in pre-acquisition. These were:

(i) having 'market intel' [strategic planning and strategy formulation],
(ii) asking the right questions [strategic planning], and;
(iii) knowing what you are buying [strategic planning].

Asking the right questions, as suggested by some participants, involves making enquiries about the status of sector specific matters such as funding contracts, regulatory audits, compliance issues, student cohort and profile, currency of courses on scope and the trainer resources. Knowing what you are buying and having 'market intel' go hand in hand. It is about identifying what you know and what you don't know and then utilising advisors who are close to industry to try and fill the gaps. By planning the due diligence process carefully and properly anticipating the related issues that may arise, the acquirer will be better prepared to engage in the acquisition or to walk away from the deal. Asking the right questions, knowing what you do know, knowing what you don't know and knowing that you don't know what you don't know, become important issues in the due diligence process. *CEO 1* stated that:

> *"Synergies are over-rated … my education* [lessons learned] *has been you are not going to know everything … you can't do enough due diligence … it is the old axiom … your knowns, your unknowns and some stuff you don't know about and you can't actually see".*

[Consideration: strategic planning, industry intelligence, risk management]

4.4 Identify Measures of Success by Management in Acquisitions [RO2]

RO2 set out to identify the perceived and actual measures of success on the assumption that a gap in industry specific knowledge may have lead executives of acquiring businesses to under estimate and or miscalculate in their initial strategy formulation. This potential gap is useful if it were able to be objectively identified for future acquisition practice.

The 2015 McKinsey Global Survey on M&A practices and capabilities reports that two thirds of low-performing acquisitions are due to a lack of organisation, skills and capacity on the part of the acquirer. A company's acquisition objectives will more likely be successful when they are clearly defined by strategy. However, the literature tells us that the chance of success in an acquisition is approximately 20% to 30%. This is not an outcome that would be acceptable to most CEOs and their organisations. There is no reason to believe that this outcome would be any different in the acquisition of RTOs. Every acquisition is faced with challenges, some generic and some unique to a specific industry. To increase the potential of success, it is essential for acquirers to understand and try to avoid the pitfalls or triggering factors which can lead to failure (Galpin & Herndon, 2000; Nicholas, 2004).

Critical success factors are defined as *"the set of circumstances, facts or influences which contribute to the project outcomes"* (Lim & Mohamed, 1999, p. 243). The participants viewed success as being measured by how well the RTO acquisition meets the acquirer's strategic objectives – described in terms of resources and capabilities or in terms of organisational structure – for the acquisition. This will be dependent upon clear goals, strategic plans to deliver on the goals, managing obstacles and mitigating risks, effective communication and capable leadership.

4.4.1 Perceived Measures of Success

The research participants' responses regarding the actual and perceived measures of success in RTO acquisitions are listed in Table 11 based on the frequency each measure was mentioned by the participants.

Table 11: Summary of Perceived Measures of Success

Strategic Objectives	Perceived Measures of Success
Resources [Financial]	'Bigger is better'. Newly acquired RTO 'bolts' on for acquirer organisational growth
Capabilities [Growth]	Newly acquired RTO represents market share expansion/resource capabilities
Resources[(Financial]	Newly acquired RTO has existing government funding in place – revenue potential extension
Resources [Financial]	Newly acquired RTO has growing student enrolments
Organisational structure	Acquisition complements the acquiring organisation's business/operations [vertical/horizontal]

4.4.2 Actual Measures of Success

Samples of between two and ten participants are considered adequate to yield data, implying that no new themes would be generated by subsequent data (Parse, 2001). The research participants' responses regarding the actual measures of success [Table 12] in RTO acquisitions are included based on the frequency each measure was mentioned by the participants. The participant's identification of the actual measures of success have been aligned to the strategic objectives in order to categorise each of the success measures. In some cases there is repetition in the responses of the participants.

Table 12: Summary of Actual Measures of Success [learned experience]

Strategic Objectives	Actual Measures of Success

Organisational structure	• 'Good fit' with the acquirer's existing portfolio
	  • Effective management/leadership
	  • Experienced as RTO operator
	• The quality of the target company – not in distress
	  • Viable operation with diverse sources of revenue [not funding dependent]
	  • Experienced and reliable staffing with currency of trainers.

Resources and capabilities	• Target identification strategically planned and executed
	  • Experienced team with industry intelligence required for due diligence and implementation
	• Active student enrolments
	  • No phantom student enrolments

Governance	• Good governance and compliance to regulatory standards is on-going
	  • Current courses on scope
	  • Compliant reporting on AVETMISS, HEIMS
	  • Compliant audit checks
	  • Currency and qualified trainers

People, culture and systems	• People and systems integration
	  • Retain key personnel of target company
	  • Align corporate cultures of the two companies through communications and training
	  • Integrate the best of the two systems
	• No employee resistance due to an effective communication plan
	  • Employees feel secure in their employment

Industry intelligence	• 'No surprises' – what you see is what you get
	  • Active student enrolments
	  • Compliant operations
	  • Diverse revenue sources
	• Due diligence that didn't disappoint
	  • Experience industry team required to provide intelligent insights

Compliance systems	• Retention, progression and completion of enrolled students • Accurate reporting – AVETMISS, HEIMS • Compliant ASQA audits
Shareholder return	• Financial viability • Diverse revenue sources
Talent retention	• Retention of key personnel

	• Successful on-going operations
Confidentiality	• Tight secrecy throughout the deal • Avoid disruption to target workforce • Avoid competitors in a bidding war
Systems, processes and procedures, people and culture	• Post-deal integration • Sustainable long-term performance and viability

4.4.3 Perceived and Actual Measures of Success

Table 13 presents a summary of the perceived and actual measures of success, as in the two previous tables. The results are organised across the three stages of acquisitions, being pre-acquisition, integration and post-acquisition. What becomes evident in Table 13 is that senior executives of acquiring businesses were looking in the wrong places. In stage one, the pre-acquisition stage, there is a clear gap in sector specific knowledge or intelligence. Moreover, a key lesson seems to relate to the capacity to walk away. In the second stage of integration and the third stage of post-acquisition, the core issues are people, culture and systems integration. As Table 13 shows, little thought was seemingly given to these critical areas, particularly in regard to the sustainability of the business post acquisition.

Table 13: Comparison of Perceived and Actual Measure of Success

Acquisition stage / Success considerations	**Perceived Measures of Success**	**Actual Measures of Success [Lived experience]**
Pre-acquisition planning		**Be prepared to walk away**
Sector specific intelligence	On the market for sale	The quality of the target • Strategic choice of acquisition target • Not in distress • Get the price right
	Passes standard due diligence	Due diligence - ‘No surprises’ what you see is what you get • Active student enrolments • Compliant operations • Diverse revenue sources • Due diligence that didn’t disappoint Experienced industry team required to provide intelligent insights
	Registered with ASQA	Compliance with regulatory hurdles
	Newly acquired RTO has growing student enrolments	No phantom student enrolments
Confidentiality	Close the deal quickly	Tight secrecy throughout the deal

		• Avoid disruption to target workforce • Avoid competitors in a bidding war
Shareholder return	Target RTO represents market share expansion/resource capabilities	Financial viability [short and long term considerations]
	Acquired RTO has existing government funding in place – revenue potential extension	Diversified revenue streams
	'Bigger is better'. Newly acquired RTO 'bolts' on for acquirer organisational growth	Target identification strategically planned and executed. Genuine student enrolments
Organisational structure	Acquisition complements the acquiring company business /operations [vertical/horizontal]	'Good fit' with the acquirer's existing portfolio • Effective management/leadership • Experienced as RTO operator • The quality of the target company – not in distress • Viable operation with diverse sources of revenue [not funding dependent] Experienced and reliable staffing with currency of trainers.
(Post-deal) Integration	**Perceived Measures of Success**	**People and Culture**
Operational Efficiency	Business as usual	Structure, systems, processes, and people and culture
Organisational Synergy	Business as usual	No employee resistance due to effective communication plan • People and systems integration • Retain key personnel of target company • Align corporate cultures of the two companies through communications and training • Integrate the best of the two systems • No employee resistance due to an effective communication plan Employees feel secure in their employment
Post-acquisition	**Perceived Measures of Success**	**People and Systems Integration**

Governance	Business as usual	Retention, progression and completion of enrolled students AQSA relationship / reports
Compliance	Business as usual	Compliance with regulatory standards - on-going *AVETMISS compliant, HEIMS data reporting*
Talent retention	Business as usual	Retention of key personnel • CEO • Training Manager • Compliance & Quality Manager • HR Manager • Administration Manager • Key trainers Successful on-going RTO operations

Whilst there were common responses to the actual and perceived measures of success, there were also several individual responses that are worth noting. Study participants from the senior executive group, *CEO 1* and *CEO 2*, for example, also cited drivers of success as following [in no particular order]:

- Complete and clear objectives and goals with an understanding of the rationale behind the acquisition.
- Transparent pricing evaluation.
- Risk management in place, prior to the take-over.
- Structured process.
- Having the required qualities of [good] communication skills both internally and externally.
- Having the required qualities of [good] coordination, both internally and externally.
- Management team skills, competence and effort.
- The quality of advisors.

4.4.4 Strategic Choice

Within their discussions, the participants held similar views of measures of success specific to RTO acquisitions. For example, choosing the 'right' RTO to acquire is the first measure of success; counter intuitively, a distressed business was viewed as a risk factor for a successful acquisition outcome. The majority of participants uniformly identified the strategic choice of target as important and with hindsight suggested the process should be facilitated by an acquisition team in the 'know' with 'market intel'. Getting the price right, doing the due diligence and being prepared to walk away were considered the first steps towards a successful acquisition.

Establishing the organisational structures, systems and processes early in the acquisition was also considered important to acquisition success. Importantly, this consideration included an integration plan for the human element [*CEO 1, The Business, Broker, The National Administration Manager [2]]*. Moreover, acquiring an RTO with good internal governance and a demonstration of compliance to regulatory hurdles was also considered a key measure of success [as determined by all participants].

The findings suggest that making a strategic choice of acquisition target is the first step towards success. Overall, there needed to be a good 'fit' between the two organisations, both strategic and cultural, with pre-acquisition planning and integration based on trust and transparency and sound due diligence informed by market intelligence. Later, effective communication was needed to inspire confidence and support successful integration.

4.4.5 Sustained Performance

Finally, for an acquisition to have a successful outcome, it must result in an increase in shareholder value quicker than if the two companies operated as separate entities. The essential point being that "the completion of deal does not ensure the success of the resulting organization" (Galpin, 2008, p. 57). Participants were asked, based on their 'lived' experiences, what influenced sustainable performance. Whilst every RTO acquisition is different and comes with its own challenges, the industry and the principle remains the same. The participants suggested several factors that contribute to sustained performance. These factors traverse across the three acquisition phases, indicating that each phase is linked. No matter where in the acquisition process a factor falls, it was viewed as contributing to sustained performance. *The Student Services and Engagement Manager* thought:

> *"small wins and building momentum were important to achieving sustained performance."*

Sustainable performance was regarded as heavily influenced by work done in the pre-acquisition phase, but the integration phase was also important. *The In-House Legal Counsel* recommended not leaving the acquisition:

> *"as a separate entity quietly ticking along … start merging it straight away into the parent company … and doing it quickly … integration, do your systems talk to their systems, do you have a decent records management system, is it AVETMISS compliant, who does the HEIMS data reporting, who does the reports to ASQA … it is a material change, so you need to notify ASQA … who is managing that relationship?"*

Having the ability to take a short and long-term perspective to an RTO acquisition was considered another measure of success. Sustainability is a long-term objective of an acquisition and demonstrates success over a period of years. The findings indicate that an organisation that has a sense of obligation to its shareholders will make decisions based on the potential impact on future results, rather than short-term results. Sustainable RTO acquisitions measure their performance by having a focus on traditional profitability and leverage metrics and tend not to *"bet the farm"* [according to *The In-House Legal Counsel*] on risky acquisitions. In addition, the *Financial Advisor* stated:

> *"For the acquisition to be successful, it has to be short-term and long-term. It has to make strategic sense for the longer-term aspirations of the business. The acquisition has to be integrated well and that can always pose difficulties with staff culture, systems, tech, IT and the regulatory stuff. There is always* [a need for] *looking at the synergistic benefits of the acquisition from financial metrics, as far as, is it revenue driven?, is combining the two businesses going to give good growth opportunities?, or is it that you are just literally merging two businesses together, so you would be looking at what is the strategy in buying this business?"*

Acquisitions differ by their very nature to organic growth in a business. They require a new corporate identity and a process to manage the integration of the two companies. This process typically starts with a state of duality from the very beginning of the strategy.

Timing, clarity of objectives and an understanding of what is being acquired are all factors that will influence sustainable performance. According to *CEO 2* sustained performance also relied on …

> *"making sure the RTO provides a quality education, and the measures for that are, number one is completion rates, employment outcomes, the students' satisfaction and the employers' satisfaction and any feedback you can get from the regulator and compliance record … have someone do an independent audit review, financial due diligence, legal due diligence, we extended it to an educational due diligence as well … the three main criteria were: the right market, the right quality of education, and third, the right compliance".*

Moreover, another important factor for sustained performance according to most participants was the involvement and integration of employees from the start of the process. The aim of this involvement should be to create a unified identity around a shared vision. Conversely, employee disengagement was viewed as a key indicator of post-acquisition dysfunction. *The Auditor*, for example said …

> *"I think it revolves around goodwill. Goodwill of the staff, goodwill of the students, goodwill of the proprietors … the ability to assimilate processes … you want to make sure that there is a win/win situation here".*

4.4.6 Lessons Learned

A learning organisation has been described as an environment where people repeatedly increase their ability to create the outcomes they desire, where novel and extensive configurations of thinking are cultivated, where collective ambition is released, and where people are continuously learning how to learn together (Senge, 1990). *The Business Broker* identified that a key lesson in the acquisition of an RTO was more tangible. In his words:

> *"without stable regulatory and government policy and funding* [for training and RTOs] *you can be here today and gone tomorrow".*

Learning organisations continually grow and transform their capabilities in a drive to improve performance. Organisations can learn from their acquisition failures and successes and take the crucial lessons on board to adapt for the future. When asked what they thought organisations could learn from the failure of a RTO acquisition, *The In-House Legal Counsel* stated … "*Learn what not to do".* Continuing, with reference to a particular RTO failure, she said:

> "*When Vocation* [Limited] *went bust, one of the businesses that XXX acquired was one of Vocation's pride and joy apparently, and it was meant to be the golden goose, you beaut, everything fabulous ... unfortunately* [the Vocation] *ABC College was also a big white elephant and their staff walked around with a sense of entitlement and they were rude and quite aggressive and they didn't like central XXX people asking them for things because they thought you owe us rather than we owe you. So it is that mentality which is wrong ...".*

[Lesson 1: Do your due diligence. The company was found to be non-compliant to the RTO Standards, and was closed within 18 months of acquisition.
Lesson 2: Beware of hubris, be prepared to walk away
Lesson 3: Consider post-integration culture]

The In-House Legal Counsel went on to say:

> *"Give you an example - there is a Privacy Policy for the whole of XXX, which includes ... all of their other colleges and ABC College has their own, and it is different. ... That is what you would learn from a failure, the danger of over-extending yourself in the terms as a purchaser".*

[Lesson 4: Over confidence
Lesson 5: Integration of policies, processes and systems]

"The knowledge gained from failures [is] often instrumental in achieving subsequent successes?… In the simplest terms, failure is the ultimate teacher" (Modesto & Zirger, 1985). If any lessons have been learned by the private RTO sector, it would be to understand the industry, know what you are buying, diversify the revenue streams and don't let greed get in the way of clear thinking.

4.4.7 Integration

Literature shows that the integration process is a critical factor to a successful acquisition. Integration usually takes place after closing the deal, however, planning for integration should occur earlier. Integration needs to be viewed and planned from a structural, process and cultural perspective. RTO acquisitions, as reported by the participants, failed to manage the integration process effectively. As a result they experienced issues such as: lower productivity and performance [*The National Administration Manager*]; a loss of key employees, and employee resistance, as well as low morale, and decreased employee engagement [*The National Administration Manager [2]*] and slow execution and missed deadlines [*CEO 1*].

A number of participants suggested that the acquiring organisation often miscalculated the scale and scope of change in the integration process, as well as the level of assimilation required between the affected departments, subsidiaries and management teams when taking on an RTO acquisition. In reference to integration, *The CFO* stated *"make sure you have a strong team who can go in and make the transition a lot smoother."* Acquisitions have a huge impact on employees in both the organisations involved. According to the participants, when faced with 'getting things done', many senior managers overlook the need to manage the people factor within acquisitions and that few managers balanced the need to get things done with an awareness of the emotional impact on target organisation employees.

The National Administration Manager [2] was very critical of the organisation in which she worked and of the new owners who set out to keep the various parts of the business separated, saying that *"what you forget is that there are people involved with lives and emotions and I know you have to do what is best for the business and there is always going to be casualties .... it can be managed a lot more humanely I think. ... we were kept very separate, we weren't allowed to talk to anyone, like we don't want these guys knowing what those guys are doing ... we were kept in the dungeon ... very much a cultural thing and that gives the impression that there is something to hide ... there probably was plenty to hide there ... makes it emotionally difficult to give your all."* When referring to the staff Christmas party *The National Administration Manager [2]* stated *"it was very cliquey, it was a very elaborate do, spent a heap of money on it ... very cliquey. If you had a black wrist band on, you could drink a special champagne, otherwise you just got the ordinary* *beer and wine … it was only for the executives, who had their partners there as well and no one else did … words are cheap if you do not follow it up with the appropriate actions".*

Several participants had experience as employees of target organisation acquisitions and considered it a risk for the acquirer to overlook the human factor when there is so much going on. One participant named an acquirer who over-promised and under-delivered in its communications to target organisation employees. The acquiring organisation 'hyped' up the positives of the acquisition to target employees, with *The National Administration Manager [2]* stating:

> *"in the initial stages with YYY, the CEO was sending emails to everyone with a video link and he was actually doing videos … I felt I was being informed and there was a glimmer of hope there and I thought oh maybe this is going to be different, but again the actions weren't supporting the words … we were going to be all one big group and that XYZ was going to be very much a part of the family … it became quite evident that it wasn't going to be one big group. It was going to be segmented pockets of the different businesses."*

While many managers were instinctively aware of the importance of integration, few acknowledged that it is vital to capturing real value from acquisitions. The participants said that most senior managers appeared to be more comfortable dealing with costs and synergies rather than with organisational culture, despite the potential of culture to enhance or destroy acquisition value. *The CFO* suggested that it is necessary to put the right people, teams, leadership and structures in place; both to stabilise the target company and to secure its value.

As stated by *The In-House Legal Counsel* in reference to the need for *"doing it quickly"*, plans for integration should begin early in the acquisition strategy. The findings suggest that staff of the target organisation can suffer from cultural confusion and misunderstandings and that there is considerable ambiguity concerning the roles of the two organisations [acquirer and target] and the changes that need to be made. This ambiguity can result in impediments to effective integration and can lead to irrational decisions and behaviour in the integration stage. The common theme raised by the participants in their discussions was that human factors, such as employees feeling at risk of losing their jobs, managers leaving, feelings of isolation and resistance to change, which result from an acquisition, are given too little consideration and are commonly not managed well, if at all. *The National Administration Manager* suggested that some of these problems included an uncertainty about job security with the fear of redundancies occurring.

Several participants gave examples of when an acquirer purchased a target organisation and did not integrate the RTO quickly, but allowed it to operate independently for some time. The target organisation employees settled back into 'business as usual' and no radical changes took place. It also resulted in the acquired organisation employees *"taking their foot off the pedal"* [*CEO 1*]. *CEO 1* went on to tell of an acquiring organisation turning its attention to one of its acquisitions some three years after the purchase. The acquired organisation had started to face significant financial problems and the situation started to change dramatically. Internal audits started taking place, the CEO of the acquired organisation was made redundant and staff started resigning or going on sick/stress leave. When the acquirer attempted to integrate the acquired RTO back into the larger organisation there was little transparency in the actions that ensued and minimal communication, albeit many rumours. As a consequence, staff became disenfranchised, the culture became toxic and the situation turned for the worse, *"retrospectively there was clearly no understanding of what the acquirer had actually purchased"* as they had no prior experience within the VET sector and *"there was a total lack of strategic direction"* in regards to managing the integration process. Ultimately, the decision was taken to divest the 'problem', making the acquired organisation someone else's problem.

While the integration of the two organisational cultures is important, managing the structure of the new organisation and integration of the systems and processes are also important. "Current and former CEOs who have successfully led major transformations - say that culture isn't something you 'fix.' Rather, in their experience, cultural change is what you get after you've put new processes or structures in place" (Lorsch & McTague, 2016). In light of the magnitude of the investment committed to acquisitions, participants suggested that the acquiring organisation should be aware that the target organisation would operate as it had in the past. Participants recommended that continued attention to the new acquisition was needed, with a communication and integration strategy [*The CFO* and *The*

National Administration Manager [2]] in order to integrate and operate the new business for sustained performance. In the view of *The In-House Legal Counsel*, the acquiring business should:

> "*start merging it straight away into the target company … and doing it quickly … Integration, do your systems talk to their systems, do you have a decent records management system, is it AVETMISS compliant, who does the HEIMS data reporting, who does the reports to ASQA … sharing information, sharing IP"?*

The participants' experiences highlighted that successful integration requires early and detailed planning, communication, decision making regarding structures, process and systems and the consideration of people and culture. The primary challenges for integration are integrating two organisational cultures, forming and managing the new structure of the merged organisation and integration of the likely multiple systems and processes.

4.5 Identify risk factors associated with Australian RTO acquisitions [RO3]

There are several risk factors inherent in acquisitions and despite awareness of the foreseeable threats, problems and crises can still arise. Motives for acquisitions can include the drive to increase profit, to increase CEO managerial prestige to increased sales and access to additional resources or competencies (Brouthers, Van Hastenberg, et al., 1998; Trautwein, 1990; Walter & Barney, 1990). Each of these motives comes with potential risks.

Acquiring an RTO involves risks that are aggravated when those managing the acquisition and determining decisions are not purposely focused on the complete internal and external environments of the private education sector. Another risk is when they fail to have contingency plans to address unforeseen business, service, staffing, funding, compliance and leadership liabilities and challenges.

It is well documented in literature that most acquisitions fail to deliver on value creation expectations (Brouthers, Van Hastenberg, et al., 1998; Hussey, 1997; M Lubatkin, 1983; Morck et al., 1990). The problem can be founded in a flawed strategy in acquisition target identification, however other problems intrinsic to the Australian private education sector can occur as the result of insufficient rigor in understanding the risks. Participants identified industry knowledge as being more valuable than any quantitative metric when it comes to identifying RTO risks. What looks attractive on paper is of little value if the target organisation will require significant compliance turnaround efforts that will stretch internal resources or even pose an existential threat by a loss of funding and/or de-registration as an accredited training provider.

In regard to identifying and understanding risks, participant *CEO 1* stated *"a history of poor student outcomes and phantom students"* were high risk indicators. Other indicators of risk associated with a RTO acquisition target, are identified in Table 14. Of the risks in Table 14, the most likely to lead to RTO deregistration are risks associated with the national regulator, ASQA.

Table 14: Industry Risk Indicators

Indicator	**Industry Risk Indicators**
Resource capability	Rapid growth in student enrolments.
Structural	Acquiring for market share expansion, at all costs, including vertical/horizontal integration.
Governance	Evidence of non-compliance to funding contracts and Regulator [ASQA] standards.
Structural	The use of third party brokers for student recruitment.
Financial	High dependence on government funding.
Resources	Low, if any, international student enrolments.
Resource capability	Low student completion rates.
Governance	Evidence of government and/or regulator audits.
Structural	Imposed conditions on the business by the regulator [ASQA and/or TEQSA – if the RTO is a dual provider].

Irrespective of these risks *The Training Consultant* stated that *"the hype in the marketplace at the time overshadowed clear thinking and strategy with overconfidence pushing risk aside. It was almost like a buying frenzy."* This point identified by the Training Consultant, is not captured in industry risk indicators, which is a rational reflection of lessons learned from acquisitions. Rather the key lesson, is of the impact of environmental context that drove what could be described as an 'herding effect'. This is discussed further in section 4.5.5.

4.5.1 Students

Students are the customers of RTOs and in an acquisition the acquiring company is actually buying the revenue from the payment of the students' tuition fees. RTOs typically have access to four identifiable customer segments with varying revenue streams:

1. Domestic students
2. International students
3. Workplace trainees/apprentices
4. Corporate client training

Domestic student enrolments are either self-funded or government funded, either federal or state based on the course. International students are not eligible for government funding hence they are essentially full-fee paying students. Workplace trainees/apprentices are often state government funded, while corporate training clients are usually paid for by the organisation. The study participants suggested a consideration of students in responses to all interview questions. As an example, all participants agreed the student profile of the RTO was a major consideration in an RTO acquisition. One related concern was over students who might have been 'phantom students' – these were *"students who are enrolled but don't actually exist"*, meaning that the students were not active learners, had not commenced the course or were not progressing through their course. As well, the participants suggested that having a diverse student group representing each of the customer segments was a risk mitigation strategy. Thus, for example, if an RTO's entire customer base was made up of government funded domestic students enrolled in VFH funded Diploma courses and the RTO consequently lost its VFH funding agreement and/or registration, then the business was likely to collapse. *The In-house Legal Counsel* stated:

> *"if you are wholly dependent on funding and that changes, or government changes, that revenue source is turned off, which means that you as an RTO have to find an alternative revenue source [students]and*

quickly. In the RTO world it is good to have a mixture of revenue sources, domestic, international, funding, fee for service … then it helps cushion the business against risks".

[Risk consideration: diverse funding sources, risk mitigation]

The National Industry Association also stated that acquiring a distressed RTO was fraught with risk when it came to students. Student records that were not up-to-date could lead to excessive time spent on 'clean-up' compliance activities, which may in turn distract the acquirer from the real task at hand or worse be seen by the regulator as a non-compliance, which could threaten the RTO's registration as a training provider.

4.5.2 Shareholders

Companies such as Australian Careers Network, Vocation Limited, Intueri Education and Ashley Services were listed on the Australian Stock Exchange and Acquire Learning was amidst IPO plans to list with estimates putting the company value at A$700 million, when troubles delayed the float. Gerard Brody, Chief Executive of the Consumer Action Law Centre was reported as saying that "there's a clear connection between the troubles in the sector and the roll-up model used by companies after quick growth, which saw them hoovering up smaller operators to gain scale. The pursuit of customers bankrolled by the government led to an outbreak of unscrupulous operators in the sector" (Danckert, 2015). Vocation Limited was listed on the ASX for thirteen months and its shares went from a float price of A$1.89 to A$3.30 then fell to 12cents. Vocation ended up facing class actions by its shareholders [which were still on-going in 2019] for allegedly not disclosing that two of its RTOs had failed VTG audits and the resulting pay-back and subsequent loss of state funding. Australian Careers Network listed with an IPO price of A$1.70 and rose to A$3.43 a share before the company collapsed. Similarly, Ashley Services listed in 2014 at A$1.66 a share and went the same way as the others.

The Barrister stated:

"Vocation Limited … I think it was a fraud … [John Dawkins] biggest mistake of his life, he will pay for it. He is being sued along with all the

> *other directors ... pump and dump is the expression. You string together these things* [RTOs] *in this kind of moral vacuum that we lived in and you say this is the magic pudding, it will keep growing forever ... it won't go on forever. And in the case of Vocation that ridiculous share price blew up within weeks, months. It didn't last long. It didn't take the market long to realise ... by then the founders had cashed in most of their chips ... and left it to the mug punters* [shareholders] *out there who had bought this nonsense. I regard it as a classic share market fraud ... fools' gold"*.

4.5.3 People

"At the end of the day, businesses are people, owned by people, managed by people, run by people and for people. If you get the people wrong, then you can forget everything else" [*The Business Broker]*. Essentially, people play an important role in the functioning of an organisation as managers, administrators or as customers and people often identify themselves with the organisation in which they participate, either as an employee, student, shareholder or regulator.

The National Internal Auditor who, in her discussion of one of the company's acquisitions, said the RTO had been acquired and left to run by itself for about 12 months. When management decided to step in …

> *"they got rid of a lot of senior staff, put in a couple of staff members from the Western Australian campus of XXX to work across the two RTOs, but policies and processes weren't implemented, nor the same, so it became a bit tricky for those managers who were across both RTOs to have consistency… there was resistance and in honest conversations with* [the acquired staff], *they were not happy with XXX's reputation because XXX was in the media at that stage."*

The RTO that *The National Internal Auditor* was referring to was at the time before the ACCC for inappropriate marketing practices and the acquired RTO's staff felt that they were being tarnished by ABC's bad practices. *CEO 1* stated that the long-term sustainability of an RTO acquisition relied on the proper coordination and cooperation of the people. Referring to the failed acquisition of AXX, he said:

> *"I wasn't involved in the acquisition, but … a big aspect of an acquisition is that you are acquiring people and I don't think there was a lot of DD* [due diligence] *work done on the quality of the people at AXX".*

The Barrister, The CFO, The Financial Advisor and *The National Industry Association* had a shared view in their comments regarding CEOs of RTOs. Each commented that CEOs needed to pay close attention to the people issues, particularly at times of change such as an acquisition. In their view, they needed to have a mindset that recognised people as the most important asset of an organisation and that this must be planned for prior to acquisition and considered through integration of the respective workforces.

4.5.4 Governance and 'The Public Purse'

According to McMillan (2007) "accountability is a necessary adjunct to the power that government exercises in our society… The role of government in all those activities is manifested in laws that command and restrict, as well as laws that encourage and permit. In short, the power of government is pervasive, and accountability is an indispensable check on how that power is exercised".

VFH loan funding was a topic that came up time and time again in the participants' interviews. Participants saw the easy and ready access to VFH funding as a primary driver of RTO acquisitions between 2012 and 2017. In just 12 months [2014 to 2015], 15 RTOs doubled in size and increased their number of full-time equivalent students by over 600 in each institution. VFH funding grew exponentially, as more and more RTOs marketed their courses as 'no up-front fees', offered incentives to prospective students such as free IPads and laptops, alcohol and even marijuana (J Hare & Loussikian, 9 November, 2016). "Despite it being apparent by the beginning of 2015 that some providers were engaging in unacceptable practices to sign-up students, DET appears to not have fully used its powers to protect Government revenue, or the people being misled and signed up for debts to be repaid to the Commonwealth" (Warburton, 2016). As a result, student indebtedness also increased. VFH loans became a lucrative source of income for private RTOs in the VET sector with more than 80 per cent of the VFH funding going to private RTOs between 2012 and 2017.

The harm to Australia's education reputation from people who graduated with poor or non-existent skills, started to become a concern. Former Victorian Liberal minister for education and training, and current Chief Executive of the International Education Association of Australia (IEAA), Phil Honeywood, suggested that damage to Australia's education reputation was of great concern. "Students exited the system with an inferior qualification and the damage that's done to brand Australia will have long-term consequences." In his [Phil Honeywood] view, "we need to have a high quality VET system and guarantee that around the world" (Bolton, 2018). Worse, in addition to receiving no or a poor qualification, students were also left with VFH debts, in some cases, without their knowledge.

According to *The Barrister* the Government was 'asleep when the total value of VFH loans reached A$2.9 billion in 2015 and there was a growing climate of concern regarding the quality of the qualification students were receiving. In some cases, students were signed up to VFH debts for courses that they would never complete. *The Barrister* stated:

> *"If you allow this amount of money to be handed out this easily, without proper controls you will breed corruption. As simple as that… there was no proper oversight as to who was getting it* [money] *and what it was being used for … the ACCC was receiving hundreds of complaints and I suspect that the Department* [DET] *would have been too. In one case, a recruiter drove 600 kilometres from Sydney to an aboriginal mission on the outskirts of a little country town in the back blocks of NSW with a boot full of laptop computers. The recruiter held a party at which they handed out these computers and everyone was invited to fill in forms, in fact they* [the recruiters] *were filling in the forms and signing them up as most of them were not capable of filling in the forms. How can this be? …*
>
> *It took a long time, in fact years, before they* [the Government] *stopped it, which is astonishing given the rumours that were flying around. Nevertheless eventually they did stop it, thank God, but not before billions*

> *of dollars flowed out of the system …. I know of one family who earned about $100 million* [of VFH funding] *in a period of 18 months … all tax payer's money, intended to be spent on education and none of it was, none of it… The thing that I found extraordinary was that these organisations could qualify in Canberra to receive all this money when they were run by people who themselves were illiterate and no-one from Canberra ever said to them, the operators, show me your qualifications for teaching. What is your educational background or achievement? How is it that you are running a registered training organisation when you yourself haven't done Grade Six? It is just bizarre… generally speaking you are required to demonstrate competence before you get any money whether it is public or private … it is fraud what happened … why wasn't it picked up in Canberra?"*

[Risk consideration: lack of governance invites bad behaviour]

Governments must be accountable for their actions and accountable to their citizens, the taxpayers. Being accountable means that a government will assume goals and that they are responsible for following through and reporting on these goals. Government must also be clear about the measures that are needed to achieve these goals. *The Business Broker* discussed the role of government as the regulator of the VET sector, both from a funding perspective and from an educational point of view, emphasising that no matter what, the sector is highly regulated.

> *"The regulatory environment is huge. It is a pro and a con. Depending on your perspective … rightly or wrongly, the government can change the landscape and put you out of business* [just] *like that*."

4.5.5 Red Flags [Indicators of Risk]

Acquisitions at best are breakeven situations and at their worst, they are complete failures (M Lubatkin, 1990; Morck et al., 1990). When asked what factors contribute to an acquisition failure *The In-House Legal Counsel* stated:

> *"Ego* [of] *the purchasing party* [CEO/senior management], *therefore not doing due diligence, taking things on face value. Senior management never have the power to go and buy an RTO, they need to present a business case to the Board of Directors, who will then consider it …."*

[Risk consideration: decision making behavioural factors]

When asked why he thought RTO acquisitions failed, *The Student Services and Engagement Manager* said:

> *"White ants! People acquiring something that they didn't think they were going to get. You know, baggage, they weren't aware of* [what sort of baggage] *…it could be small things or a number of small things, could be compliance issues, or funding issues, or departments that haven't been running well … they have no idea of how to run an RTO or the intricacies of it."*

According to *The Financial Advisor: "Some of the red flags would be where you are just buying the classic roll-up strategy* [with the intention to list on the ASX and access investor monies] *and you are just buying a business on a low multiple and then rolling it up into a larger business or listed entity, where you know the market is going to value it on a higher multiple. If that is the only reason for buying the business, the valuation uplift from the roll-up, then to me that is always a red flag".*

[Risk consideration: greed, big is better]

While an acquisition presents a great opportunity for growth for the acquiring business, acquisitions also involve several risks that can lead to failure. Risks can be intensified when the people responsible for managing an RTO acquisition and making the critical decisions are not fully focused on the industry environment of the private VET sector. Another area of concern is when the acquiring company management fails to have contingency plans to address unforeseen business risks associated with service delivery, staffing, funding, compliance and leadership liabilities and challenges. These were some of the many elements of poor strategy that led to risk/s or raised 'red flags' according to the majority of participants. Singly or collectively they were a contributing factor to acquisition failure. Some other risks cited included getting the price right, poor integration and culture fit. However, one risk more specific to the VET industry, as the *Business Broker* noted, was lack of industry knowledge, as this was more valuable than any quantitative metric when it came to identifying RTO risk factors. Moreover, in regard to identifying and understanding risks in the higher education and VET industry, *CEO 1* stated *"a history of poor student outcomes and phantom students"* are major red flags.

Summarising, the indicators of risk or red flags most discussed by the participants were student related issues, an over dependence on government funding and non-compliance. Rapid growth in student enrolments was seen as a possible indicator of phantom students and therefore a red flag. Growth more conventionally would often be viewed as a determining factor for success, however in the education industry it was more likely the harbinger of serious business risk associated with a particular RTO (Carson, Holloway, & Lozner, 2014; Hess, 2010). The reality also is that the bigger an organisation gets, the harder it is to manage and this invites another major risk. As some participants stated, in their experience the rapid growth in RTOs they witnessed, resulted in a number of non-compliance issues with the regulators, which is turn led to [limiting] conditions being placed on business operations, or worse de-registration and/or fines. Non-compliance is a major red flag as it singly could lead to the demise of the business, with little to no room for negotiations with a regulator strictly applying the rules. Dependency on government funded students was also considered a red flag because of the potential loss of funding revenue in the event of changes to funding contracts, regulations or policy changes associated with Government [and competing political agendas]. Irrespective of these risks, flagging a lesser appreciated impact of situational influence, *The Training Consultant* stated that:

> *"the hype in the marketplace at the time overshadowed clear thinking and strategy with overconfidence pushing risk aside."*

[Risk consideration: situation influence, herd effect: where good people can follow bad. "Good managers – even great ones – can make spectacularly bad choices" (Meissner, Sibony, & Wulf, 2015, p. 1)]

The red flag is concerned with the nature of the market situation – much of the RTO acquisitions were not alone in their actions. In effect there was considerable surrounding noise [activity in the market] and there was some urgency to get on the bandwagon and catch the opportunity. In decision making terms the example illustrates the use of heuristics or simplified decision making shortcuts when making decisions in uncertain conditions as reported by Kahneman and Tversky (1979). Three heuristics [shortcuts] that people can use to make a decision – *representativeness*, comparing a new event to a similar known event; *availability*, relying on memorised examples; and *anchoring*, where a relevant value is used as a reference point to estimate an unknown value and generate an answer. Kahneman and Tversky (1979) suggest that these heuristics are effective, but can also lead to serious errors in decision-making, as seemingly was the case in many of the RTO acquisitions during the study period.

Other risks identified by participants include a short-term view/strategy, taking the eye off the ball, which resulted in internal issues, business mistakes, increased stress on the infrastructure, employee dissatisfaction/loss of confidence, increase in student complaints, cash flow issues, increase in regulator and funding audits and litigation. Examples of this last risk, litigation, are plenty. One example is Acquire Learning, which sued Kaplan Australia for misleading and deceptive conduct relating to its purchase of Franklyn Scholar [an RTO] from Kaplan. Similarly, the Australian Competition and Consumer Commission [ACCC] took action against the Australian Institute of Professional Education; Empower Institute, Unique International College and Phoenix Institute [on the basis of inappropriate marketing]. The ACCC has investigated a number of colleges since 2012, obtaining settlements from many for example Careers Australia was forced to pay back $44 million, the Australian Vocational Learning Centre repaid $225,940, and Acquire Learning was fined $4.5 million.

4.5.6 Brokers

Seeing an opportunity, education brokers such as Acquire Learning and sales agents such as those used by Unique International College and Get Qualified were reported to have actively entered the marketplace. These brokers and agents were described as engaging in high-pressure sales tactics, such as door-to-door sales techniques and cold calling over the telephone. Their incentive was a commission for each student enrolment. It led in effect, in some cases at least, to what was described as unscrupulous marketers targeting vulnerable Australians and exploiting taxpayers to the tune of billions of dollars.

The use of brokers, such as Acquire Learning, was also regarded as a risk factor [and red flag] for RTO acquisitions. This was because commissions motivated these brokers and they often used unscrupulous marketing tactics to sign vulnerable students up to VFH funded Diploma courses, regardless of whether or not the student had the ability to successfully complete the Diploma. Some brokers were being paid a 30% commission [of the course fee]. Careers Australia eventually bypassed the use of brokers by establishing its own call centre to recruit students; while Acquire Learning [initially a broker] went the other way by purchasing a number of RTOs to secure the total revenue stream in place of only being paid a commission. This cavalier approach taken in the industry is well captured by the *National Administration Manager*:

> "*Third party brokers used call centres to target potential students, canvassing enrolments over the phone, asking potential students for their tax file numbers and completing VET FEE-HELP forms on their behalf. They signed students up and sent them a link to an RTO's online learning website. The RTO then kept the student 'active' for six weeks* [until census date] *and then collected the exorbitant fees for a VET FEE-HELP funded diploma. These RTOs charged $19,990 for a Diploma of Management while a TAFE charged $7,800 for the same diploma. On top of that, they would enrol the student in a dual diploma [Management and Business] and 'double' dip for the VET FEE-HELP funding … progression rates fell through the floor because the learning was all online and the student cohort was made up of unemployed people, people with a disability and low-socio-economic Australian citizens*."

[Risk consideration: in an environment of no accountability with high returns, there is a risk of unscrupulous behaviour]

In one case as explained by *the Barrister*, a sales agent acting on behalf of a RTO sold $25,000 diplomas using door-to-door sales tactics in disadvantaged communities, including former Aboriginal missions in Wagga Wagga, Walgett, Bourke and Taree in 2014 and 2015. This same agent also signed up 65+ year-old members of a bocce club in Orange, NSW to an online Diploma of Hairdressing Salon Management, giving them each a laptop as inducement to sign.

4.5.7 Funding Dependency

Many RTO acquisition decisions during the study period of 2012-2017 were based on a single motive, to access VFH loans. For example, the Australian Institute of Personal Trainers had 2,200 students start a year-long diploma of business. At an average fee of $9,000 per student, this generated $20 million of income for the Institute. However, not one student completed the course or graduated. Another RTO, had 623 students commence a nine month Diploma of Management with a fee of $19,675 per student. This generated $12 million of income for the RTO but once again not a single student completed the course or graduated (Manning, 2016a). *The National Internal Auditor* stated that the private equity owned company, for which she worked, had acquired a number of RTOs to secure access to VFH funding, however, one of the RTOs lost its NSW government funding for non-compliance reasons. Illustrating the inter-related nature of the sector, this action by one State government department had a domino effect, and set off a chain of events across State legislatures that ultimately lead to the closure of the entire group of RTOs. ASQA audits, at the time, had the potential to impact a RTO's state funding agreements. Most of the state funding agreements had a clause which enabled the State to withdraw their funding if the RTO was under investigation by the Regulator. *The National Internal Auditor* stated:

> *"The state governments all came in* [and] *audited all of the RTOs and never found a non-compliance ... umm who pulled the pin first? New South Wales Smart and Skilled pulled the pin first, on the funding and then everybody else* [followed] [on what grounds?]. *Actually they didn't have*

> *any grounds. They decided that politically they were not going to support an organisation that was in front of the ACCC. Management fought this but they weren't successful. Because all these funding contracts were year by year, they started falling through* [not renewed]. *Then Student Loans* [post 2016] *which was the majority of the business was transitionally approved and then not … there were rules in there that if you had had a funding contract removed, retracted, then you would not get VET Student Loans* [funding]. [Asked if she was with the organisation to the very end?] *Up to the very last minute. I met the administrators when they came in to shut the doors down. Everyone else had left".*

Participants reported that building an RTO business solely dependent upon government funding was at high risk of failure. One issue is that government funding contracts post-acquisition can be volatile and retaining funding for the long-term is uncertain. There are also inherent risks in such transactions, with terms set forth in the applicable state and federal government funding contracts. A specific expectation among other things is the maintenance of certain levels of compliance, which may not be within the acquiring organisation's control, that often saw senior management display quite naïve, ill-informed behaviour. As *The National Administration Manager [2]* stated:

> *"Occasionally the CEO of ABC would stand up at the monthly thing* [townhall briefing] *and say oh we've got this case going with the ACCC but we're right, we're alright, we are through it all. But clearly they weren't".*

When asked why the acquisitions made by ABC went wrong, *The National Administration Manager [2]* illustrating the risk of a possibly unforeseen event that preceded an inevitable chain of effects:

> *"I don't think it was really meant to last. I think what started to sink it* [bring it down] *was the change in the VET FEE-HELP rules … I know that they were keeping people* [students] *engaged until census date, and then they were dropping by the wayside and then they would get more*

> students. *Ethically, I don't think, in my opinion, they were doing it right … I think when you are ripping people off on a massive scale that when one of the wheels falls off, then the whole thing implodes".*

[Risk consideration: in the absence of a strategic plan, short-term greed is a red flag for failure]

Due to non-compliances found in regulatory audits and their troubles with the ACCC, the company ABC lost its VFH funding contract and eventually collapsed.

4.5.8 Regulators

Apart from losing government funding because of withdrawn funding contracts, are concerns with regulatory changes in funding arrangements, laws and regulations that could potentially materially impact an RTO acquisition, business, sector and/or market. Changes made by the government or a regulatory body, such as ASQA, can increase the costs of operating the RTO, reduce the attractiveness of the acquisition and/or change the competitive landscape entirely. Such a major regulatory change occurred in 2016 with the cessation of the VFH scheme on 31st December, 2016. *CEO 2* stated:

> *"The market changed significantly. There were issues in the sector, around VET FEE-HELP and the whole concept of acquiring RTOs went on the back burner … EFG avoided some of the pitfalls that other RTOs have had and part of its success is of the strategy behind the RTO acquisition strategy. The strategy was to acquire RTOs where we believed there would be a skills shortage and hence the likelihood of continued government funding support. None of the businesses that we acquired actually had VET FEE-HELP funding and it was always our plan* [to apply for VET FEE-HELP] *however due to the change in government process* [we didn't get VFH] *they probably still have an application in for VET FEE-HELP now, because it all got stopped ... We wanted to diversify our funding risk because one RTO was mainly in Victoria and it had a substantial exposure to the Victorian funding arrangement* [VTG] *and VET FEE-HELP was obviously another way you could diversify, but also the funding was more lucrative. But we kind*

of dodged a bullet in many ways because we didn't get addicted to a 'bad drug [VFH funding]*"*.

[Risk consideration: diversification of funding sources, government funding dependency]

In managing the risk of the target organisation losing government funding, a number of the participants concurred with the opinion of *The National Internal Auditor* who stated that:

> *"the acquiring firm should ensure that the target firm has adopted a sound corporate governance structure and compliance practices that align with industry good practice and enable it to maintain funding contracts. Gain greater clarity and confidence around the regulatory risk framework and the target firm's ability to manage regulatory change. Build an RTO business model which is resilient to government funding. Understand both regulator expectations and business processes and challenges. Identify process improvement opportunities to ensure the effective, consistent and on-going management of compliance and regulatory obligations for training delivery."*

[Risk consideration: sector knowledge and understanding]

All interview participants agreed that because of the heavily regulated nature of the industry, regulatory transformation will remain with the VET sector for the foreseeable future and a new way of managing these transformations will be vital to RTO operators and acquirers. *The Industry Association* suggested that an effective approach to the regulatory change management process will require a *"higher level of engagement and coordination among the operators in order to remain viable."* Conversely, as the popular *caveat emptor* (buyer beware) saying goes, if you enter an acquisition blind to the sector specific conditions, the risk is almost certain that the acquisition will fail.

4.5.9 Greed

Avaricious managers of RTOs succumbed to the pursuit of VFH funded students. Several participants reported that two RTOs became so greedy that they were accessing data from job advertisement websites to target job seekers. *The National Administration Manager [2]* in her discussion on greed said:

> *"It is just a shame that people get greedy basically*. [Is that what you think the problem was?] *Yes, how much money can we get for how little work? The RTO is a simplistic business … I feel that the people who are making the money aren't doing it right and the people who are doing it right are not making any money".*

Discussion of unscrupulous management behaviour in RTO acquisitions was common across the participants. One participant with 'inside knowledge' stated that the Australian Institute of Professional Education [AIPE], based in Sydney, cost taxpayers almost $1 million per graduate in 2014 because it received $111 million in Commonwealth funding with only 117 students completing diplomas. Under the VFH loans scheme, the government paid RTOs up front when they enrolled vocational students to courses, with students required to pay the money back once they had earnings of more than $54,000 per year. The RTOs predominately delivered over-priced VFH funded Diploma courses online. This was an efficient and economical delivery mode, however, only about 7 per cent of students ever completed online diplomas during the study period. The main beneficiaries of the VFH scheme were the RTO owners, the brokers and the salespeople. Some RTOs received large amounts of VFH government funding, such as Phoenix Institute which jumped from $2.4 million in 2014 to $106 million the following year – a phenomenal 4,185 per cent increase.

The Barrister was the most vocal in regard to unscrupulous operators stating that:

> "*XXX College were just crooks … and they had a race to the bottom as well … What I find most shocking about this, is that you are dealing with education which is one of the original charitable objects recognised in English law, in the time of Elizabeth, right health, education, old age, and other things are supposed to be sacrosanct and therefore it is not meant to be a free for all which is open to money grabbers to steal money from the Commonwealth purse which is intended to actually benefit Australians who have otherwise not had the opportunity …"*

Acquire Learning which started out as a broker and then also became a RTO operator through several RTO acquisitions, went on to purchase the job website, Career One. It was alleged that Acquire, in its capacity as a broker, contacted unemployed people who signed up for job alerts with Career One and pressured them into signing up for expensive diploma courses, preferably with one of the Acquire owned RTOs, such as Franklyn Scholar. *The National Administration Manager [2]* reported telling of her own husband who:

> *"Had applied for a job through Career One, thinking it was just a job website ... started getting calls from people saying have you thought about becoming a chef, have you thought about doing this, that and the other? And he said, look mate I am over 60 years old! Oh but you could do an apprenticeship. You would be eligible for it. He said 'Do you think I am going to stand on my feet and do a commercial cookery course or whatever?"*

The Barrister discussed similar examples of Colleges that he had acted against, on behalf of the ACCC, stating that:

> "*The flow of VET FEE-HELP led immediately to a race to the bottom for who will we sign up as students ... people* [sales agents] *went straight out to the back blocks of New South Wales, Queensland, WA, and signed up people in aboriginal communities, sometimes three or four times over, the same person was doing four courses with different organisations,* [how did that get through the system?] *how did it? You tell me. It should not have, but it did. Alarm bells should have rung. There was so much money in the scheme that you could afford to hand out laptops and cash ... when you consider that this trip to one little country town to sign up 40+ people was worth over one million dollars, it was worth their while and the laptops".*

[Risk consideration: Opportunity plus 'easy money' leads to unscrupulous RTO operators]

There were 258 VET providers approved for VET FEE-HELP funding in 2015. Of these providers, 41 had 1,000 full time equivalent student enrolments and 17 had in excess of 2,000 enrolments. Sixteen of these providers, doubled their size [enrolments] in 12 months. Nineteen private RTOs received 80% of the VFH expenditure in 2015 (Warburton, 2016).

The Barrister stated:

> *"Canberra was literally stuffing the pockets of crooks with money, stuffing them full of money, they couldn't get enough of it … the whole thing was a vicious fraud. The whole thing. It was a fraud. These colleges were fraudulent because they never intended to educate these kids. … they were very street savvy, they worked out within minutes how to run rings around Canberra. Not hard to do … it is not a magic pudding in fact and it is going to have a finite date with a conclusion … it won't go on forever".*

[Risk consideration: poor policy design and regulatory failure fuelled greed]

4.5.10 When to Walk Away

As highlighted in Table 14 Industry Risk Indicators, a fundamental lesson for avoiding an unsuccessful acquisition, is to know when to walk away. The participants were invited to discuss the red flags that would suggest when an acquirer should walk away from an acquisition. "As important as recognizing the right investment is recognizing the wrong one - because due diligence turns up systemic weaknesses in the business or the price is just too high. The question too many companies forget to ask is not 'How to close the deal?' but 'When to walk away?' … successful acquirers know that the ultimate goal of due diligence is to determine a walk-away price." (Varma & Shankar, 2006). It makes good business sense for a CEO to learn to walk away from a deal which does not create value or provide a mode for growth (Capron, 2016, p. 454).

> *"With all bets, the more you gather and analyse, the more chance you have of winning the bet or, just as importantly, not taking on the bet at all"* (Brady & Moeller, 2014).

Having the ability to walk away from an acquisition requires market intelligence and rigorous due diligence to recognise when the deal is deeply flawed and does not stand up to close scrutiny. In the end, walking away from an acquisition "is as much about managerial humility as anything else. It's about testing every assumption and questioning every belief. It's about not falling into the trap of thinking you'll be able to fix any problem after the fact" (Cullinan et al., 2004). When asked what would make you 'walk away' from the deal? *The Business Broker* stated:

> *"in the education space there is* _not_ *a lot of experience in buying businesses or selling businesses or what to look for and there is not necessarily the appreciation of the rigour that should be applied and one of the biggest messages is make sure you have experienced advisors and experienced lawyers ... who know what the pitfalls are".* [What would make you walk away?] *"Red flags ... if the compliance audits had red flags all over them or if there was a question mark raised by the regulator in our discussions with the regulator ... lots of little orange flags ... you can generally judge the quality of the business based on the owner and get a feel for it ... do they drive a pink Lamborghini ...we do joke about it, but a politician or an ex-minister on the Board is a reasonable indicator of failure ... the financial things ... sustainability of earnings ...what have the behaviours been of students, completion rates, when did they last invest in course materials, have they capitalised all the course materials, what is the tenure of the trainers been, where are the students coming from, are they using agents, a whole list of things* [would make you walk away]".

The participants indicated that the pressure to close the deal quickly, can prevent senior management from considering all the issues fully or doing a thorough due diligence and this can lead to premature conclusions in regard to the real value of the acquisition. In this particular instance, the time given to analysing the data and considering a wide range of options, diminished as the senior executives rushed to consummate the deal. The more that these senior executives identified with the particular acquisition, the less likely they were to walk away. *CEO 1* went on to say that the XXX acquisition never made any money from day one, the assumed debt was double what was originally thought, and the RTO was infested with inherent problems such as above market rental agreements and non-compliances in administration, scope and trainer qualifications. Eventually after 26 years in business and major losses, the VET division of XXX was closed down and the higher education arm was peeled off to another RTO within the group in 2013. *The National Industry Association* stated that:

> *"you can always make the books look good, you can always make the resources look glamourous, but it is about the student outcomes* [progression and completion of course]*… if that is not really evident and it is not strong, then I would have my doubts* [and walk away]*."*

[Consideration: Red flags are good reasons to walk away]

The majority of participants implied that the proper execution of an acquisition starts and ends with the strategy. "*No one ever plans to make a bad RTO acquisition"* said *CEO 1*, who went on to say *"... many acquisitions are made that organisations later regret".* Determining when to walk away from an acquisition is heavily dependent upon the value of the due diligence process. This is more than just a process of verifying information and data. The participants suggested that due diligence should include scrutinising the RTO target for its strengths and weaknesses, unreliable assumptions should surface and flaws in the strategy should be identified. Issues such as phantom students, dependence on government funding, non-compliances, regulatory audits, cash flow problems were consistently identified by the participants as 'red flags' to walk away. This suggests that "Starting due diligence immediately and finding the skeletons quickly allows for a quicker walk-away" (Nead, 2018).

4.6 Participants' Closing Reflections

At the conclusion of the interviews, the researcher asked the participants if there was one last thing they would like to emphasise in regard to the acquisition of an RTO.

Their comments follow.

CEO 1:

> *"Look for industry-based qualifications where the industry has growth, look at the fundamentals, find one* [RTO] *that is self-sustaining without government funding. That would be the holy grail."*

CEO 2:

> *"It is not rocket science; it is all about business. Demand, quality, and compliance and due diligence … the business principles are always the same."*

The Barrister:

> *"If you devise a scheme and hand out large amounts of Commonwealth money without any proper oversight control, you will lose the lot, quickly, amazingly quickly.*

The CFO:

> *"Make sure you already have a strong team in place, which includes leaders."*

The National Internal Auditor:

> *"It is like investing in anything. You look at the governance, you look at the Board … try and work out what their modus operandi is."*

The Business Broker:

> *"There is only one thing I would recommend and that is proceed with caution."*

The Auditor:

> *"Look at the people, look at the students, systems yes, but it is the owner and the students. Look at the teachers."*

The Financial Advisor:

> *"Be able to weather the market risk and be nimble enough to replace or find new revenue streams."*

The In-House Legal Counsel:

> *"Manage the risk. You can reasonably foresee the risks ahead."*

The National Industry Association:

> *"There is never a guarantee, in fact there is never a guarantee in business, in anything."*

The National Administration Manager:

> *"It hasn't quite turned out the way it was supposed to be."*

National Student Services and Engagement Manager:

> *"You need to have a real passion for education if you are going to run an RTO. Sales people running an RTO, is a terrible idea."*

The National Administration Manager [2]:

> *"It doesn't always work."*

The Training Consultant:

> *"Generally, mergers and acquisitions are hard, but in this industry space which is full of prickles, it is even harder."*

In reviewing the final remarks of the study's participants, patterns emerged that can be linked to RTO strategy stages – formulation or execution, and to structural or process considerations. Table 15 summarises these considerations in terms of structure and process. Strategy formulation is the course of action that an organisation plans to take in order to achieve defined objectives and execution is where the important strategic and operational decisions are implemented. An acquisition requires some form of structural change and this should be a strategy which is both planned and executed in an effort to improve performance. According to Mittal and Jain (2012, p. 51), engaging in acquisitions is a cyclical process which involves measuring performance, mapping the differences in performance and executing the strategy [see Figure 14]. This is deemed to be useful in achieving the objectives and as a knowledge base for the management of future acquisitions and their performance.

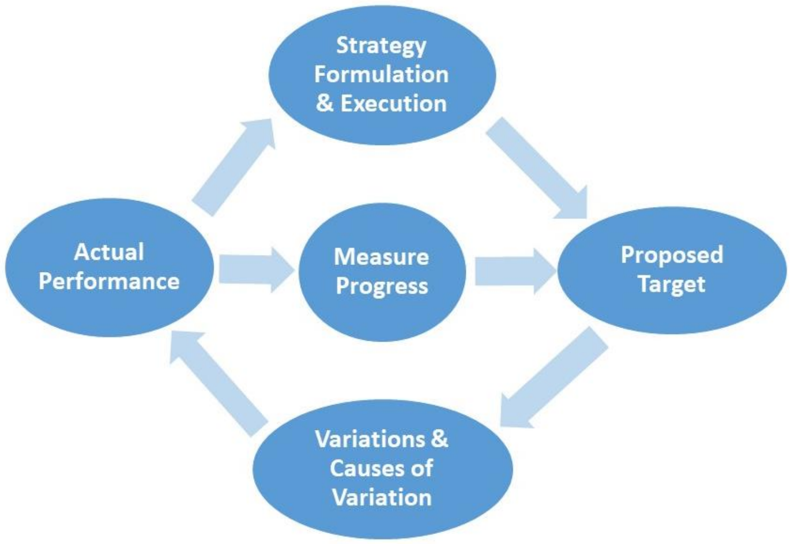


Figure 14: Strategy Formulation and Execution Model
(Mittal & Jain, 2012, p. 51)

Taking a long-term view to strategy is important and vital to give the organisation structure, direction and focus. Chandler (1962, p. 13) suggests "structure follows strategy [and] strategy is the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals". Table 15 charts the various strategy factors summarised by the study's participants and provides valuable insight of the elements of strategy involved in acquisitions. What has become evident is that acquirers must have well-articulated acquisition strategies that, when executed, deliver on value creation.

Table 15 summaries the participants' perceptions of the role/s each stakeholder in an RTO acquisition, in regard to strategy formulation and strategy execution.

Table 15: Stakeholder and Strategy Table

Stakeholder	**Strategy Formulation**		**Strategy Execution**	
	Structure	**Process**	**Structure**	**Process**
Senior Executives	Industry based qualifications			

Senior Executives	Leadership team			
Senior Mgt		Manage risks		Manage risks
Advisor				Quality, compliance
Advisor		Caution		
Advisor	People, students		People, students	
Advisor	Be nimble	Mitigate risk		Mitigate risk
Advisor			No guarantees	No guarantees
Training Consultant	Board		Board	Governance
Training Consultant		Commitment		Commitment
Training Consultant		Be prepared for failure		Be prepared for failure
Employees		Loyalty		Loyalty

4.7 Inter-relationships in Acquisition Stages

Many of the study's participants referred to the importance of the pre-acquisition stage and its potential impact on the post-acquisition stage. For example, if an acquirer had conducted a superficial due diligence process, this will most likely lead to revelations of 'unknowns' with dangerous outcomes. It has become apparent that managing the acquisition process is holistic whereby each of the stages are interdependent and traverse each other. From the findings, it is difficult to identify a distinct line between each of the three acquisition stages, and in fact it appears that the considerations within each stage are intrinsically linked and the activities within each stage traverse forwards and backwards. This finding is supported by that of Kim and Olsen (1999) who found that the determinants of successful post-acquisition integration started with the determinants of successful pre-acquisition management processes. This finding also confirms what Sudarsanam (1995) noted in his work. All the considerations, as highlighted by the participants, required for RTO acquisitions indicate that they should be considered in the pre-acquisition phase or even before that and most must be considered within every phase. Moreover, experience would suggest the common element is quality of management, particularly in the formulation stage of strategy [pre-acquisition], while in stage 3 of the process [post-acquisition], it is issues related to AQSA that determine success or failure. As might be expected by a regulatory agency, AQSA applied process in a rigorous and objective manner. Often, arguably from a provider's viewpoint, it may have also appeared in an unforgiving way that caught out both good and less scrupulous operators without any differentiation.

Table 16 summarises key risk mitigation considerations arranged by phases and identified according to structure and process factors. As the table suggests there are interconnections between considerations across phases and red flag considerations have been identified in relation to avoiding failure of acquisitions in the VET sector. Less known considerations such as student profile, course currency and scope are similarly red flag considerations, often emerging as belated post-acquisition realities that compromise survivability of the RTO business.

Table 16: Acquisition Phase (Risk Mitigation Red Flags) Considerations

Consideration	**Pre-Acquisition**		**Integration**		**Post-Acquisition**	
	Structure	**Process**	**Structure**	**Process**	**Structure**	**Process**
Target Identification		🚩				
Due Diligence		🚩				
When to walk away		🚩				
Integration			✓		✓	
Students [profile]	🚩					
Courses currency and scope	🚩					
People and culture	✓		✓		✓	
Governance & the Public Purse [Govt]	🚩		✓		🚩	🚩
RTO Acquisition Failure	✓		✓		✓	
Strategy	✓		✓		✓	
Brokers			✓		✓	
Funding [Dependency/ Diversified streams]			✓		✓	🚩
Regulators	✓		✓		🚩	🚩
Greed	🚩	🚩	🚩	🚩	🚩	
Sustained Performance	✓		✓	✓	✓	✓
Lessons Learned [Knowledge bank]	✓					✓

4.8 Concluding Comments

Chapter four has presented the participants' lived experiences of RTO acquisitions over the period 2012 to 2017. The findings have been discussed in context of RO1 [strategic considerations], RO2 [perceived and actual measures of success] and RO3 [risk considerations]. The findings indicate that the three-stage acquisition process in the VET sector is no different to other strategic acquisitions, but there are unique variations to the industry sector, evident in both structure and process related considerations. The '*buyer beware*' caveat thus remains applicable. The industry specific conditions to be concerned about are principally over-reliance on government funding, the need for diversified revenue streams, caution in terms of governance regulatory issues that can often be less visible, and the student body profile. Performance indications in terms of success factors and more typically red flags or risk of failure indicators are also identified.

CHAPTER FIVE

MATCHING STRUCTURE, STRATEGY AND CULTURE

5.1 Introduction

Chapter 5 is a discussion of the results and also includes a discussion on RO4. Emerging themes are discussed in terms of the 3-stage acquisition process that was presented in the conceptual framework. Participants' responses are summarised and organised into relational process and structural themes that highlight primary considerations driving acquisition strategy, sector-specific success and failure factors, and decision-making red flags.

The research question addressed by this study is:

> *"What factors contributed to the success and/or failure of acquisitions of registered training organisations in the Australian Private Education Sector between 2012 and 2017?"*

From the findings, it is evident that there is no magic formula for success in RTO acquisitions. Rather, the industry suffers the same high potential for failure, albeit for primarily similar 'quality of management' reasons. Assuming a process perspective, however, the focus shifts from an acquisition's result [share market or price] to the drivers that shape these results: the need to match structure, strategy and culture that together allow a transfer of capabilities that in turn can lead to competitive advantage. From a process perspective, acquisitions are not viewed as independent, one-off deals. Rather, they are a method of achieving corporate renewal by matching structure, strategy and culture. "The transaction itself does not bring the expected benefits; instead, actions and activities of the managers [both before and] after the agreement [that] determine the results" (Haspeslagh & Jemison, 1991, p. 12).

RO1 identified the key strategic considerations of acquisitions, RO2 the measures of success and failure and the findings concluded that essentially executives were looking in the wrong places, lacking insight and ignored post-acquisition activities. RO3 was an extensive survey of risk factors with a number of red flags being identified across the three stages of the acquisition process. This chapter will explore contextual and relational factors, and RO4 the decision-making framework for executives considering acquisitions in the sector.

The acquisition process is not a series of fragmented steps. Rather, it needs to be seen as an inter-connected process that should be considered holistically, as Sudarsanam (1995) similarly advised. The findings from this study suggest that connecting the pre-acquisition, integration and post-acquisition phases may yield better acquisition outcomes and performance, always with the caveat that risks associated with acquisitions are high and sector specific knowledge or intelligence is paramount. This is supported by recent research (Weber et al., 2011) and as related studies also suggest, success factors [and failure too] are variable according to the industry (Weber & Tarba, 2011; Weber, Tarba, & Rozen, 2012; Weber, Tarba, Stahl, & Rozen, 2012).

5.2 Contextual and Relational Factors in Acquisitions

Context is the situation, the environmental circumstances or the specific setting in which an event occurs. Typically environmental circumstances are factors that an organisation often has no or little influence over. These external factors are industry-wide and are likely to affect all companies in a certain industry. In considering the acquisition of an RTO, it is important to understand the environment surrounding the target company. If the acquirer has little knowledge regarding the regulatory, legal, market, technological and competitive developments with the environment, then it is important to remain alert in the decision making process whether to acquire or not with the acquisition. Contextual factors in the environment invite strategic uncertainty (Elenkov, 1998; Van Huyck, 1990) and if strategic uncertainty is high, it may be better to 'walk away' from an acquisition. This choice raises relational considerations, such as CEO hubris, greed and blind spots compounded by a failure to ask the right [insider] questions. These relational considerations are less visible but they are central to what literature has identified as 'quality' in management factors that can lead business into dead-ends and to failure.

In the education [VET] sector, there is specific contextual or environmental knowledge [such as governance, funding regulations, and course profiles] required in order to make an informed decision. Typically, this knowledge is also not known to many, being dispersed amongst only a few within an organisation. Consequently, while acquisition negotiations can take on a level of urgency in order to close a deal, acquisition managers are well advised to make use of the time before a deal is finalised, to exercise due diligence and focus on negotiating and seeking out the intangibles versus deal making for best price outcomes.

The role of government as we have witnessed, is critical to regulated industries, as is the oversight by operators [regulators] within these industries. The findings may be relevant to not only RTOs, but could be extended to businesses in any industry that is heavily regulated and dependent upon government funding. Historical evidence supports this proposition. For example, the Royal Commission into the Home Insulation Program [HIP] which was established in December 2013 has an uncanny parallel with the VFH policy decision. Commissioner Ian Hanger, criticised "the Labor government's haste, bad design and lack of safety in the A$2.7 billion program, which was a key part of the $42 billion February 2009 stimulus package to protect the economy against the global financial crisis" (Grattan, 2014). Before the program's commencement on 1 July 2009, there were about 200 registered installation businesses. This number quickly increased to 8,359 registered businesses with a workforce of more than 12,000 by October 2009. The Report of the Royal Commission into the Home Insulation Program stated that:

> "The decision to effectively terminate the HIP had a profound effect on businesses which manufactured insulation and which were engaged in the installation of it. In particular, businesses that had operated quite profitably and stably before the announcement of the HIP were encouraged by the Australian Government, through the HIP, to engage workers, increase production of insulation by investing in manufacturing facilities and equipment and to conduct a very large number of installations in a short space of time. When the HIP was suspended in mid-February 2010, it was without warning to these and other businesses, with the effect that their quite well-founded expectations were upset, their investment decisions disturbed and considerable loss incurred. Had the HIP been better designed and administered [by government], such loss would have been avoidable" (Hanger, 2014, p. 4).

Organisational characteristics and people considerations are internal to business relational factors and include the resources and capabilities of the company and its ability to engage in an acquisition, which as a process can be very complex without the required skills and resources. In order to strategically grow through acquisitions, a company needs internal resources which include financial resources and management capabilities. Acquisitions are capital-intensive because the acquiring company requires a large premium as payment for the target. A company's resource endowment is therefore crucial in determining whether an acquisition is possible or not. Organisations with strong internal resources are more likely to acquire other companies, however, organisations which do not have strong internal resources may merge with another organisation/s in an endeavour to go to an IPO to facilitate the capability for acquisitions.

Acquisitions are complicated external growth strategies that need to be executed by experienced and knowledgeable people. Management capabilities and experience may increase the success of an acquisition, however, if there is little internal management experience then it is imperative to have an external advisory group to strategically advise on the acquisition process (Dyer et al., 2004; Hoffman & Schaper-Rinkel, 2001).

5.3 Connecting the Acquisition Phases

Connectedness between acquisition phases suggests that one informs and is informed by the other. The progression from one phase to the next should be seamless, resulting in no fragmentation or disconnection. This can be achieved by establishing links between each stage through a continuity in acquisition team staff and a close consideration of the critical success factors they each promote in the respective stages. Repeatedly, the participants stated that industry insight [intelligence], knowing what you are buying, knowing what you don't know and doing deep due diligence are factors contributing to sustained performance of RTO acquisitions. To gather the required intelligence and maintain the links between the acquisition stages, a team of individual experts with the 'right knowledge' should be formed. The team could work independently of the acquisition process, but have oversight responsibilities across the process, in addition to knowledge acquisition requirements.

Acquirers can build their acquisition capabilities through the formation of an industry intelligence team of advisors and experts relevant to each deal. The team can expand the acquirer's capabilities to understand the environment, identify and evaluate targets. Where target acquisitions were previously evaluated purely based on their geographic reach, scope and access to government funding, the team will evaluate them on criteria based on the Author's proposed *Four-Stage Decision Making Acquisition Process Model [RTO]* [Figure 13]. The industry relevant due diligence capabilities therefore reside with the team and will incorporate the organisation's capability to integrate an RTO acquisition into their own, including a fully considered approach requiring decision making of go/no-go acquisition potential, evaluation of cost and operational synergies, and overall strategic fit.

5.4 Decision Making Framework for Acquisitions [RO4]

As the preceding discussion of study findings shows, there is a vital role for market and industry specific intelligence for acquisition success. This issue was perhaps less evident in the three stage acquisition process model, which is a simplified framework describing a complex set of activities in any acquisition. Principally, this simplified structure tends to shift the focus from the crucial element in Sudarsanam's five stage model – the strategic intelligence process, which involves activity such as a forensic examination and filtering process pre-acquisition. Another activity that is perhaps less visible in the 3-stage model is lessons learned in the post-acquisition stage, and which in turn potentially informs stage 1 of any future acquisition by providing insights both tacit and explicit, held in a knowledge [and document] bank. Consequently, what became evident was that the planning stage in Sudarsanam's five stage model was somewhat diminished in priority by the use of the 3-stage model and so an initial and primary result was to reintroduce [and re-emphasise] the earlier planning aspect of strategy into the abbreviated acquisition model.

The rationale for initially considering the 3-stage model was based on the premise that it is a simplified model which encompasses the often complex acquisition activities. It provides a useful focus through which to formalise the acquisition process (Habeck, Kroger, & Tram, 2000a). However, as a result of the study, the three-phase model for acquisitions as originally illustrated in Figure 7 [the conceptual framework] has been updated to incorporate the study's insights into a proposed four-stage decision making framework to support managers in an acquisition process – see Figure 15. The four stages (with risk factors in **red** text) are described as follows:

- Stage 1 Industry intelligence,

- Stage 2 Forensic investigation, which concludes a go-ahead or walk away [based on identifiable red flags] decision point that determines acquisition action,
- Stage 3 Integration process, and
- Stage 4 the Residuum, which is related to post acquisition activity including the creation of a knowledge bank for future strategic planning.

Each stage has a Yes/ No decision point, with risk factors and industry specific red flags identified. Equally, recognising the interconnectedness between each defined stage, and considerations identified in terms of strategic planning, strategy formulation and strategy execution are shown to overlap, as well as potentially influence each preceding stage.

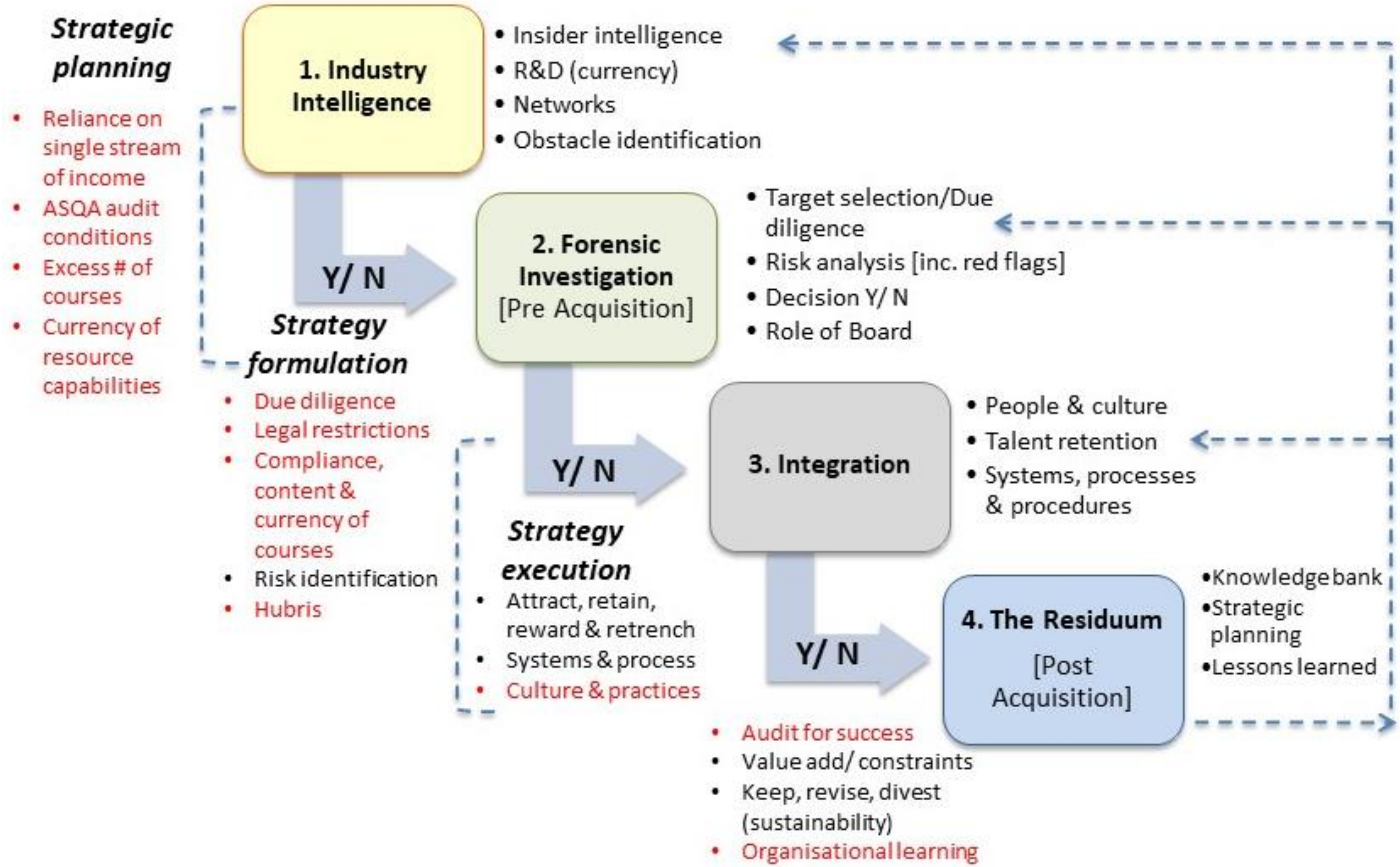


Figure 15: Four-Stage Decision Making Acquisition Process Model [for RTOs]

5.4.1 Stage 1: Industry Intelligence

Senge's (1990) conceptualised idea of a learning organisation can become a foundation for strategy formulation and execution. This could mean that as a learning organisation, a strategy may encompass an approach for change through strategic agility. Strategic agility "requires a metamorphosis from the organisation as mechanistic 'working machine' to … an organic, accelerated learning organisation that produces shared knowledge as a key by-product" (Roth, 1996, p. 32). Throughout the participants' conversations, knowledge appeared as a common theme … know what you are buying and know what is involved behind the façade.

The old saying "knowledge is king" (DeJesus, 2013) could be rephrased as "knowledge is a strategic resource" (Bolisani & Bratianu, 2017, p. 68) and be viewed as a strategic capability. Knowledge within organisations could be considered as intellectual capital and as stated by Bolisani and Bratianu (2017, p. 68) "its strategic feature suggests a detailed analysis of the whole phenomenon". With knowledge comes the power to make strategic acquisition decisions and choices further supporting the author's development of the Four-Stage Decision Making Acquisition Process Model [RTO].

Broad experience and a deep understanding of the Australian private education sector, as well as an ability to review and evaluate opportunities [ask the right questions] is critical to the RTO acquisition process. The research has demonstrated that this is particularly evident in a turbulent and complex industry such as vocational education and training, where a thorough understanding of the market conditions is crucial, suggesting that substantial experience and industry expertise should be emphasised over functional expertise. This would appear to be particularly relevant to RTO acquisitions such as those seen between 2012 and 2017. In some cases for example, where RTO growth was driven by motives of money and greed, it may be difficult for a potential acquirer to identify and understand such behaviour without the insight of industry experts.

Assemble the industry intelligence team by developing an internal operational group made up of representatives from HR, finance, sales and marketing and operations. The team should also consist of external experienced advisors such as lawyers, accountants, financiers, valuation experts, and RTO operations and compliance experts. To successfully acquire an RTO, there must be cohesion in the team's decision making and planning and constant communication amongst the team members. Someone appointed by the CEO, and supported by the Board, must have clearly defined responsibilities and authority over the team.

The pre-acquisition stage requires the team with members of varying subject-matter expertise, to be responsible for exploring and analysing the market conditions, prior to target selection and due diligence. The unit should lead a screening and valuation process across broad parameters of the education industry and pressure-test business assumptions. The acquisition approach the organisation ultimately takes will depend on the information provided by the team and how the team expects a deal will support specific company objectives. Ideally, the team should not lead the acquisition of a target but should provide subject-matter expertise prior to and during due diligence and later by being involved in, and accountable for, integration and sustainable performance.

From a value creation perspective, this early [pre to pre-acquisition] stage of the acquisition process means that the size and number of targets matter less than the discipline of actually understanding the industry landscape. For example, from the findings, a major consideration has proven to be the influence/control that the regulator and state and Federal governments have over the industry sector.

The team's pre-acquisition planning should involve how the systems and processes will be integrated and should not ignore the people issues. This task entails looking beyond the due diligence process and planning ahead in order to determine how to transform parts of the acquired business, while simultaneously protecting the business's momentum and so avoid potential revenue loss. Essentially, the acquiring organisation should take the lead in post-acquisition integration, while remaining sensitive to the cultural differences of both companies. The acquisition team can greatly assist in this matter, by sitting between the two organisations and making objective, fact-based recommendations and decisions about the appropriate approach for both parties.

In their review on acquisition performance, King et al (2004) remarked that "existing empirical research has not clearly and repeatedly identified those variables that impact on acquiring organisation's performance". They concluded that "researchers may not be looking at the 'right' set of variables" and should pay greater attention to nonfinancial [structural and relational] variables, which are, according to them, currently underrepresented in theory and research” (D. King et al., 2004, p. 196). Acquisitions are a multilevel, multidisciplinary, and multistage phenomenon (Javidan, Pablo, Singh, Hitt, & Jemison, 2004), which require integrative frameworks and models such as the adaption of Johari’s Window, to encapsulate the complexities of each facet, increase self-awareness and to act as a communication tool (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009; D. King et al., 2004; Shimuzu, Hitt, & Pisano, 2004; Stahl & Voight, 2008).

5.4.2 Stage 2: Forensic Investigation [Pre-acquisition]

The Johari Window model represents information and what is known or unknown. By adapting Johari’s Window model to the business activity of due diligence of RTO acquisitions, the intelligence team can verify the data, information and/or knowledge to enable a better informed acquisition decision. US Secretary of Defense, Donald Rumsfeld famously stated “Reports that say that something hasn't happened are always interesting to me, because as we know, there are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know [information possibly held by the seller or even unknown to the seller]. But there are also unknown unknowns – the ones we don't know, we don't know” (Rumsfeld & Myers, 2002). Recognising that ‘unkowns’ do exist is the first step in a forensic investigation of a target organisation. The acquirer should seek to expose what it is that they do not know in an attempt to minimise what they may never know. Acquirers should be prepared for the unexpected by having an ‘intelligence team’ of experienced people with the relevant industry experience, insight and knowledge.

Whilst originally used as a tool to improve communication within groups, the Johari Window [Figure 15] has been adapted to provide leaders the opportunity to better understand themselves and their relationships with others (Alimo-Metcalfe, 2002). With this in mind, the Author has further adapted the Johari Window [Figure 16] to allow for the leader/s of an RTO acquisition to use the adapted model in the pre-acquisition stage, by focusing on moving information from the blind spot into the ‘known’ or open and attempt to either move information from the façade quadrant into the known or not.

Figure 16: Johari Window
(adaption of the Johari Window by *Luft & Ingham, 1995)*

Figure 17: Acquisition Due Diligence Process Window [Knowledge]
(adaption of the Johari Window by the Author)

5.4.2.1 Due Diligence

Using the Johari's window model [Figure 16] and reframing it [Figure 17] to fit the acquisition due diligence process allows the acquiring intelligence team to better identify what it is that they do not know about the target and the potential risks to this lack of information. An important area is the 'blind spot' and determining what is unknown to the seller and known to the buyer, however, what is critical is the area classified 'hidden', as this is the area of missing information for the acquirer. The 'hidden' area of the due diligence window model is where the seller tightly holds information which it deliberately does not disclose to the buyer. The area of particular importance is the façade. This is the 'smoke and mirrors' that the seller has used to hide the truth. This could be issues with non-compliances, loss of funding or regulatory audits. Whatever it is that is unknown to the buyer, it holds the potential to impact the long-term viability of the acquisition. It is the team's task to determine if the information void to them is just a simple information gap or is it a situation of denial, delusion or deliberate omission by the seller. The findings or knowledge gained will inform the organisation's decision to acquire or to walk away.

The Acquisition Due Diligence Window [Knowledge; Figure 17] represents the best case scenario for an RTO acquirer in regard to information, data and knowledge. The Known quadrant is about the known knowns and represents mutually agreed facts about the seller from the buyer's perspective. It is about transparency, honesty and awareness, and the team must decide to act upon this knowledge or not. These are facts which could be about the RTO's organisational structure, operations, student cohort, courses on scope etc. The facts are the knowns of 'business as usual'. Whilst this information is known to both the seller and the buyer, it is reasonable that both companies will come to different conclusions about the information based on its complexity and truthfulness. This information is important, however, it does not manage risks within the acquisition for the 'unexpected'. Put simply, just because something has never transpired, does not mean it does not exist or could happen.

The blind spot quadrant is about the known unknowns. This area may contain emerging risks for the RTO acquisition as the buyer knows that there is information which he does not know. Unexpected events may arise, which should be considered in a risk assessment strategy, for example what if the target RTO lost one of its major corporate clients and consequently a revenue stream. In the blind spot the seller has information which it does not share with the buyer.

Within the façade quadrant, the seller knows, while the buyer does not know. The buyer may suffer from complacency, where they may prefer 'not to see' risks or danger on the horizon and continue to paint a 'rosy picture' of the 'landscape'. In this scenario, the buyer knows that there could be information that they don't know and chooses to turn a blind eye, while the seller chooses not to raise the issue/s. This could also be a case of 'smoke and mirrors' where the seller 'covers up' an issue/s. For example, the denial by Vocation Limited to their shareholders that they would not lose their VTG funding when they were being audited by the Victorian education department illustrates this.

The unknown quadrant represents the true unknowns. This is where both the buyer and the seller, do not know, what they do not know. Managing the unknown in an RTO acquisition will require sector awareness, rich industry experience and resilience in the acquirer's systems and processes, as well as the ability to adapt quickly. This would certainly have been the case when the federal government ended the VFH scheme and private RTOs had to reapply for funding in the new Student Loans scheme [2017], with many missing out.

The purpose of the acquisition due diligence window is to expand the area of 'known' through disclosure and information seeking and to minimise the facade, the unknown and the blind spot areas of the model, thereby reducing the amount of information/data that is unknown and minimising risk. In some cases, the team will need to be extra 'diligent' in order to uncover what information the seller is withholding from them [blind spot and facade]. Experienced team members, should understand what they need to know, but currently don't know and where they need to go, to get the true and correct information, for example, consulting with ASQA and/or the Department of Education. By using the Acquisition Due Diligence Window model, the team will identify opportunities to create value, risks that can potentially be mitigated and issues that can or cannot be rectified. If information is power, then the power must be with the acquirer to have any chance of success. This may be threatened, however, if the acquirer engages in an emergent strategy acquiring an RTO as the opportunity arises, without fully utilising the expertise of the intelligence team and the due diligence window model. This would bring with it the inherent risks associated with the façade and blind spot areas of the model.

There is no single metric that can evaluate an RTO as a desirable acquisition target. At the very least, in addition to the usual due diligence activities such as financial viability, legal, commercial and human resources, the following, as identified by the participants, should be specifically considered by the team, utilising the due diligence knowledge window of the adapted Johari model to facilitate the forensic investigation stage:

1. Ownership/leadership [capability] of the target organisation;
2. Non-compliance with funding contracts;
3. Non-compliance of the *Standards for Registered Training Organisations (RTOs) 2015*, which are managed by ASQA. ASQA uses the Standards to ensure the delivery of nationally consistent, high quality training and assessment across the VET providers and compliance with the standards is a requirement of RTO registration;
4. Currency of courses on scope;
5. Currency of teaching and learning resources;
6. Currency and qualifications of trainers;
7. Authenticity of student enrolments;
8. Progression of student cohort;
9. Course delivery mode/s [online, face-to-face, workplace, blended];
10. Experience of operators/CEO/Board; and

11. Government – likelihood of regulatory change/s.

5.4.2.2 Empower the Board

The In-House Legal Counsel stated *"Senior management never have the power to go and buy an RTO, they need to present a business case to the Board of Directors, who will then consider it …."* The primary duty of an RTO's Board of Directors is corporate governance. Board Directors of some companies have typically spent much of their time on committee reports, audit reviews and budgets instead of focussing on the future performance and direction of the company. There needs to be a balance of Directors' time and their focus. When the organisation is engaging in RTO acquisition strategies, it becomes imperative that Directors remain abreast of the market environment and on what's on the horizon. Board Directors should have successful business track records. Acquisition strategy is an area where the varied experiences and skills of veteran Board Directors enable them to bring significant value to a transaction. However, this is only possible if they are involved early in acquisition strategy, as opposed to considering a strategy after it has been developed by the CEO and senior executives.

According to Wilderotter, "strategy needs to become a collaborative process where different opinions can be put on the table [and] different options can be reviewed and discarded. This shifts the board's attitude from reactive to proactive and can infuse a degree of radicalism into the boardroom. Effective directors don't shy away from bold strategic questions, such as "what businesses should this company own?" [and] "What businesses should this company not own?" (cited in Huyett & Zemmel, 2015b).

Board engagement may be enhanced by assigning individual Directors specific roles in the acquisition process, working collaboratively with senior executive managers or even in the team. Directors who intrinsically know the Australian private education industry should challenge the executive team and have the resolve to ask the hard questions. Strategic discussions with informed, independent opinions can take place with Directors focussing on long-term acquisition goals which are well formulated and strategic.

Monitoring CEO motives for acquisitions is another critical oversight of the Board. CEO hubris or 'ego' as suggested by *The In-House Legal Counsel*, versus a disciplined acquirer is the responsibility of the acquiring organisation's Board. The disciplined CEO will continually rebalance the company's portfolio, acquiring companies that they believe are undervalued by the market and whose performance they believe they can improve. Similarly, the disciplined CEO will divest an RTO when market conditions are favourable or when their ability to further improve the performance of the RTO diminishes. This strategy was attempted by Kaplan International Australia and New Zealand Managing Director, Rob Regan who divested the Franklyn Scholar Group in 2015, however the tactic back fired when the acquiring organisation Acquire Learning successfully clawed back their purchase monies, due to allegations of misleading and deceptive conduct during the due diligence stages of the buy-out (Danckert, 2016b).

Donald Gogel, the chairman and CEO of Clayton, Dubilier & Rice, suggests that "boards should have at least one person who has the responsibility to think like an activist investor" (Cited in Huyett & Zemmel, 2015a, p. 4). Ultimately, Boards have an important role to play and they should ensure their CEOs view RTO acquisitions and divestitures as a tactical tool to maintain a strategic edge and value creation for shareholders.

5.4.2.3 Governance

Failure in the public sector can have significant consequences on an industry and a society at large. A policy failure in the public sector can damage the public's trust in the government and drain taxpayers' money. Failure has been defined as a negative concept and as a 'mirror image of success' (McConnell, 2010a). McConnell argues that "a policy fails, even if it is successful in some minimal respects, if it does not fundamentally achieve the goals that proponents set out to achieve" (McConnell, 2015, p. 221). There are many possible reasons as to why a government policy may fail, suggesting that when we consider policy failures they should be viewed in the broader context of their political and socio-economic environments (Peters, 2015).

The Barrister was scathing in his comments regarding the government's negligence in being responsible for and managing the public purse. His opinions are supported by the Auditor General's 2016 report titled *Administration of the VET FEE-HELP Scheme*, which listed the Department of Education and Training's shortcomings as:

- "Putting growth of the scheme ahead of integrity and accountability.

- Not paying sufficient attention to risks identified in a regulation impact statement.
- Inadequate monitoring, investigation and payment controls for poor or non-compliant [education] providers.
- Until 2016 there was little analysis or internal management reporting to identify emerging problems.
- There were no arrangements with the regulators – the Australian Skills Quality Authority and the Australian Competition and Consumer Commission (ACCC) – to swap information about low quality or unscrupulous colleges.
- Not effectively controlling payments to colleges. The payments system relied heavily on the knowledge of a single staff member.
- Not acting soon enough to warn students about dodgy colleges" (General, 2016-2017, p. 8).

It is imperative that any acquirer of an RTO has a thorough understanding and comprehension of the regulatory environment in which they will be operating, particularly as policies (and governments) can change overnight. *The National Industry Association* criticised the government for failing to monitor the explosion in VET FEE-HELP loans, particularly the fast-growing colleges that became some of the biggest players in the industry. It was some of these colleges, Careers Australia, Australian Careers Network, Vocation Limited and Unique International College that made multiple acquisitions and subsequently collapsed due to a raft of non-compliance issues that in turn led to the loss of government funding. Another lesson learned, according to the participants, is to ensure that the target RTO has a diversified revenue stream and is not fully reliant on government funding. Only delivering accredited courses was also considered a risk, as any non-compliance could lead to deregistration of the RTO.

5.4.2.4 Shareholders

The rise of shareholder primacy theory can be traced back to the influence of economist Milton Friedman who argued that the social responsibility of business is to increase profits (Friedman, 1970). Six years later, agency theory was being used to explain why it was the sole obligation of corporations to maximise profits (Jensen & Meckling, 1976). Agency theory suggests that corporate executives act as agents for the owners of the business, the principals, and maximising shareholder value becomes a shared goal that serves to align the interests of shareholders and management.

Investing in value creating companies is the objective for shareholders. Just as a company acquires a target RTO, investors acquire shares seeking a total return to shareholders [TRS]. Investing in and riding the recent RTO wave has proven to be a downhill ride with massive losses in ASX listed companies such as Vocation Ltd., Intueri Education, Australian Careers Network and in private equity owned Careers Australia and others for shareholders. In the case of New Zealand owned Intueri Education, the company lost “$210 million in market value and in January [2017] ditched its listing on the ASX, but the boss of Intueri Education was also reported as saying that the company had strategic plans in place for 2017 and would emerge as a survivor in the great listed education wreckage on both sides of the Tasman” (Evans, 2016). Unfortunately for Intueri’s shareholders, the company did not survive, as it subsequently went into voluntary administration in June 2017 (BusinessDesk, 2017).

According to leading commercial law organisation, Arnold Bloch Leibler, “Shareholder activism has begun to shake the foundations of the Australian listed company landscape” (Leibler, 2016, p. 3). A number of shareholder class actions arose in the wake of the collapsed ASX listed RTOs. Caveat Emptor, yet again.

5.4.3 Stage 3: Integration

Acquisitions have an enormous impact on the employees of both the acquirer and target organisations. As indicated by the participants, it is the human element that often gets overlooked in the acquisition process. Cultural issues can have a major bearing on the outcome of an acquisition. It has become evident that at the outset of an acquisition, it is important to start planning the integration stage of the acquisition. Typically, senior executives focus on ‘hard’ factors such as systems and assets and neglect the ‘softer’ people side of the process until it is too late. The planning stage of the acquisition should be about creating the right environment and circumstances for a successful integration of the organisational cultures and the people. Some leaders may behave in a manner which is not consistent with achieving the best outcome for the acquisition by talking about integration but not actually investing in making it succeed and at the extreme, may dismiss or disregard issues of corporate culture and values.

One measure of success in an acquisition is the "continued goodwill and commitment of all managers and employees of the acquirer" (Shrallow, 1985, p. 34). Executives can underestimate the significance of merging the two organisational cultures and the well-being of the target's management and employees. Different management practices can create conflicting behaviours. By using an organisational survey tool, such as McKinsey's Organisational Health Index Framework [Figure 18], acquirer teams can assess the cultural compatibility of the two organisations. However, this requires executive commitment, time and resources. It also requires both the target and acquirer firm employees to participate in the survey, which may be difficult if the acquisition is not yet public knowledge.

Figure 18: McKinsey's Organisational Health Index Framework
Source: (Engert et al., 2010, p. 4)

An alternative to surveying acquirer and target firm employees, is to conduct an analysis using publically available information to assess the management and culture of both organisations. Organisations communicate their approach to organisational culture and values through their website, annual reports, modes of recruitment and mission statements, for example. This is about approaching the analysis of organisational culture compatibility from an outside-in perspective. From the announcement of an acquisition to integration, senior executives should understand the importance of culture compatibility in order to avoid cultural clashes as the two organisations come together.

Once the acquisition process has commenced executives may become narrowly focussed on structuring the transaction, signing off on the due diligence and completing the transaction. This stage can become a balancing act, where an executive is juggling strategic and tactical challenges and attempting to plan the integration stage. As illustrated in the participants' discussions, if an executive is not committed to the sustainability of an acquisition and they do not map out the integration and post-acquisition stages early on, then this is a sure sign that they have not personally invested in making the acquisition succeed for the long-term. Instead, they are seeking quick, short-term gains, as was witnessed during the study period and the VFH loans scheme.

In addition to managing the people and culture in an acquisition, executives must also actively manage the integration of the acquired operations and processes. This can be accomplished through a combination of advance planning and post-acquisition monitoring and reviewing procedures.

5.4.4 Stage 4: The Residuum

Closing the deal is just the beginning. Because many acquisitions fail to live up to corporate expectations, the challenge now is for executives to ensure that the acquisition delivers the value that motivated the acquisition in the first place. The residuum or post-acquisition stage is primarily about strategy execution. At this stage the focus is on maintaining what has now become the new 'normal'. Executives, at this stage, must be diligent in protecting the core business from internal distractions and external predators. The key to achieving a sustainable acquisition is in the early development of an effective integration plan, implementing it successfully and overcoming the forecast and unforeseen challenges along the way and post-acquisition.

RTO acquirers would from conducting a post-acquisition review which would involve the primary stakeholders. The review allows for the organisation to assess and learn from the experience. The review will bring to light what went wrong and what went well and this can impact the value an acquirer may put on future acquisitions. The lessons learned and insights gained from the review may include:

- A rationale for acquisition/s;
- Valuing a target organisation;
- How to do due diligence that really matters;
- Steps in the negotiation phase;
- Planning for integration and post-acquisition stages;
- Industry-based [insight] identification of risk factors; and
- Knowing when to walk away.

The knowledge that can be 'banked' [learning knowledge bank] from the review is so valuable that executives must plan for the review ahead by setting aside resources and sufficient time to conduct the review properly. The key stakeholders in the review should include the industry intelligence team, negotiators, advisors, board members and so on. The process is to review the strategic planning of the acquisition at its various stages against the actual events and assess the impact of any major variances. As a result the lessons learned can be captured in a formal Guideline for Acquisitions [knowledge bank] for future acquisition activity. The Guideline for Acquisitions would be revised after every acquisition, making the necessary changes to the structure of the strategic acquisition plan, it's reporting and evaluation methodology.

The review, which strictly speaking is an analysis of the entire acquisition process, [stage-by-stage], provides a mechanism for better decision making about future acquisitions. It will help to ascertain whether the initial assumptions were correct, to the steps that the acquirer took to close the deal, to the final outcome regarding long-term sustainability. Conducting the post-acquisition review closes the planning and learning loop of the author's *Four-Stage Decision Making Acquisition Process Model [RTO]* [Figure 15].

5.4.5 Summary of Recommendations

When VET FEE-HELP was first introduced into the sector in 2008, there were restrictions on the courses that could be eligible and which organisations could offer the loan scheme. In 2012 all Australian states signed the National Agreement on Skills and Workforce Development [NASWD]. This opened up the new source of Commonwealth funding for higher level VET courses and shifted the encumbrance of the final debt to the individual student. The conditions to become a VET FEE-HELP [VFH] provider were made more lenient and it became easier for largely private, for-profit providers to be eligible as VFH providers. As a result of the uptake of VFH by private providers, the VFH scheme rapidly expanded from 2012 to 2017. Private for-profit training providers quickly identified VFH as a lucrative source of revenue and the flurry of Australian private VET training organisation acquisitions during the study period 2012 to 2017 were primarily fuelled by access to the readily available VET FEE-HELP funding. By the end of the VFH loans scheme, a number of RTO acquisitions were failing or had failed. In some cases these RTOs had listed on the ASX and as a results shareholders lost their investments. This study has endeavoured to understand why some acquisitions failed and what could have been done to minimise the failures. While this study was not looking at the role of Government, a recommendation for future acquisitions in the public sector must include consideration of the role of the regulator AQSA, as that agency is a major determinant of sustainable success. The following table 17 brings together a number of recommendations that are a consequence of the findings of this study and are intended to act as a guide for future RTO acquirers.

Table 17 : Summary of Recommendations

Recommendation	Action
Engage an Industry Intelligence	Identify and assemble the industry intelligence team members based on experience and expertise.
Conduct an Environmental Scan	Using an industry intelligence team, develop an understanding of the environment in which the target RTO operates.
	Use the time before a deal is finalised, to exercise due diligence, focus on negotiating and seeking out the intangibles [for example, non-compliance to RTO standards] versus deal making for best price outcomes.
Relational Factors	Seek out specific knowledge about the target RTO [such as governance, funding regulations, and course profiles] in order to make an informed decision.
	Identify and understand the roles of government as a funding source and the regulator [ASQA] as the 'industry police'.
	If CEO hubris, greed and blind spots exist, compounded by a failure to ask the right [insider] questions, then be prepared to walk away.
Connect the Acquisition Phases	Establish links between each stage through continuity in the acquisition team and a close consideration of the critical success factors they each promote in the respective stages.
Four Stage Acquisition Model	Adhere to each of the four stages: • Stage 1 Industry intelligence, • Stage 2 Forensic investigation, which concludes a go-ahead or walk away decision point that determines acquisition action, • Stage 3 Integration process, and • Stage 4 the Residuum, which is related to post acquisition activity including the creation of a knowledge bank for future strategic planning.
Forensic Investigation	Expose the unknowns and due diligence [& empower the Board]

Integration Process	Create the right environment and circumstances for a successful integration of the organisational cultures and the people. Take care of the shareholders.
The Residuum	Post-acquisition review and strategy execution.

5.4.6 Caveat Emptor – Buyer Beware

What was unique for many of the RTO acquisitions which took place during the study period of 2012 to 2017 was that they were motivated by the ready access to VFH funding. The role of due diligence in the pre-acquisition stage was minimal in many cases which resulted in an oversight regarding compliance to the regulatory body's [ASQA] registration requirements and standards. Caveat emptor is a principle in contract law which puts the onus on the buyer to conduct thorough due diligence prior to purchasing an asset. Essentially, the acquirer of an RTO should ensure that they have access to all the relevant information they require to make an informed and reasonably sound acquisition. Unfortunately for companies such as Vocation Ltd, Australian Careers Network and Acquire Learning, their RTO acquisition due diligence did not send flashing lights and warning signals of [acquired] non-compliances which led to their deregistration by ASQA. The wider issue here is the fact that the Government pays dollars [funding] on behalf of the student to the RTO to deliver training and then the student is indebted to the government to repay the student loan. There is a triangular, interconnected fiscal and reputational relationship which broadens the concept of 'buyer beware'.

5.5 Concluding Comments

As noted in chapter one, in an extension to previous research, this study seeks to explain the variances in RTO acquisition performance across the 3-stage process, and in doing so it has identified several factors that contribute to the success and/or failure of RTO acquisitions. Typical 'red flags' [warning signs] in the VET sector, as illustrated in Table 16, could include factors internal to the company such as sole reliance on government funded student enrolments and externally to the company issues related to compliance and the regulatory body, ASQA. It is interesting to note that most red flags were structural. Throughout the period 2012 up to December 2016 when the VFH loans scheme ended, the Australian private education VET sector experienced a large number of RTO acquisitions with some relatively large organisations being formed and listed on the ASX. Many of these acquisitions however failed to live up to shareholder expectations, with some even being deregistered and experiencing a corporate collapse. As noted, it would seem the majority of these failures could be attributed to inadequate sector knowledge and weak pre-acquisition planning that ignored many red flags, as well as blind spots to the second and third phases of acquisition. With hindsight, it might be said, acquirers seemed unable to walk away, seemingly mesmerised by the easy access to money, without the tangible effort and no accountability, facilitated by the regulator being 'asleep at the wheel'.

The revised 4-stage model [Figure 15] with linkages across each stage is an explicit basis for senior management considering future acquisitions in a government regulated sector such as VET. As previously discussed, whilst strategy is frequently considered as what organisational leaders plan to do and consists of an analytic process for establishing long-term goals and actions, (Capron, 2016; Mintzberg & Waters, 1985b; Waterman et al., 1980), strategy has a broader perspective and involves a sequence of decisions and can be either intended, realised, deliberate or emergent. "Comparing intended strategy with realized strategy, … has allowed us to distinguish deliberate strategies - realized as intended - from emergent strategies - patterns or consistencies realized despite, or in the absence of, intentions" (Mintzberg & Waters, 1985a, p. 257).

This study articulates the direct associations between critical success factors within each acquisition stage [of an RTO], as well as between the pre-acquisition and post-acquisition stages. The limited existing research and literature explaining this phenomenon, fuelled the researcher's interest in investigating acquisitions of RTOs in the Australian private education sector. An endeavour has also been made to stabilise the role of context and process, by emphasising the importance of process and by identifying how these connections can better explain sustainable acquisition performance.

The participants, in general, emphasised that RTO acquisitions that failed to integrate properly achieved neither strategic nor organisational fit. While these responses supported prevailing academic theories on motives for acquisitions and why they fail, an important pattern began to emerge. The results indicated that varying aspects of the acquisition process could influence the ensuing outcome of the 'deal'. Although the participants pondered over the unique circumstances of each situation, the researcher found that the same process-related problems reappeared again and again throughout the interviews. It became clear that, while the problems of strategic or organisational fit differed, the same problems in the acquisition process kept emerging. This study has identified several of these factors as fundamental to the RTO acquisition process.

Taking multiple viewpoints of what's needed to execute an RTO acquisition strategy successfully can assist in identifying which capabilities the acquiring organisation needs, which it already has, and which might be acquired through the development of a team. It is evident that before contemplating the acquisition of an RTO, the acquirer will need to have explicitly defined deal strategies in place and have the strong internal acquisition capabilities required to implement them. The findings signify that a lack of strategy formulation, poor strategic planning and a lack of clear understanding of the inherent risks associated with RTOs are the primary influencers in the acquisition failures that took place between 2012 and 2017. This implies that acquiring organisation CEOs and senior executives must set clear and consistent expectations of an acquisition and of the different organisation units, teams and groups involved in the process, including explicit mandates for each team, as well as responsibilities and roles for the corporate strategy executive, related corporate divisions and vital support functions.

In conclusion, to engage in successful acquisitions of RTOs, companies and their Boards should focus on developing organisational capabilities and structured approaches to industry intelligence, target selection, due diligence and post-acquisition integration. A key element of this capability is factoring in the role of government and the regulator, ASQA.

CHAPTER SIX
CONCLUSION

6.1 Overview

Chapter 6 summarises the study, identifies some primary contributions made by the study; and the study's limitations and scope for further research. This study has investigated the multi-dimensional aspects of acquisitions of RTOs and in particular, *"What factors contributed to the success and/or failure of acquisitions of registered training organisations in the Australian Private Education Sector between 2012 and 2017?"* The phenomenological research approach has explored the lived experiences of the participants who represented industry stakeholders, such as middle and senior managers, finance and business advisors, who had personal experience with the phenomenon. The interview findings support the existing literature and research, however, they go beyond this by reducing the shortfall in the existing literature. Investigating acquisitions in the private education sector is valuable not only to improve the general understanding of the phenomenon in an unconventional research setting, but also to test the extant and emerging theories in practice, in a rapidly changing environment. Several Australian RTO acquisitions have occurred recently and failed, which reinforces the timeliness of this study. The researcher believes that the findings from this study will prove valuable to Australian private registered training organisations, and will have broader potential for research beyond the scope of this study. The same principles could apply to other sectors and/or private non-university higher education providers, implying further significant research potential with a wider context, addressing the determined framework.

Many studies have found that acquisitions have a negative impact upon the acquiring organisation's performance (Billett & Qian, 2008) and fail to live up to shareholder expectations. Similarly, the period 2012 to 2017 saw a large upsurge in acquisitions of RTOs that was followed by a large failure rate, with unfortunate implications for countless students, employees, shareholders and tax payers. Understanding why many RTO acquisitions failed and the factors that contribute to these failures, has the potential to inform future acquisition strategies. The research question that informed this study is:

"What factors contributed to the success and/or failure of acquisitions of registered training organisations in the Australian Private Education Sector between 2012 and 2017?"

The key findings of the study identified the factors which lead to acquisition failure including insufficient knowledge, poor understanding of what you are buying [due diligence] and ignoring the risks or red flags. Successful acquisitions were those that were planned and started with strategy formulation, knowledge acquisition and effective strategy execution. The identification of actual success factors in Table 12 provides a guide for future acquirers of RTOs.

Reviewing the thesis, Chapter One introduced the study and set the context in which the study took place. Registered training organisations [RTOs] are training providers registered by the Australian Skills Quality Authority [ASQA], or, in some cases, a state regulator as in the case of Victoria and Western Australia; to deliver accredited vocational education and training [VET] services. Australian RTOs are businesses which are either privately owned or publically listed on the Australian Stock Exchange. Some private providers developed aggressive expansion plans. This resulted in a flood of diploma offerings from private providers at vastly inflated prices. The fees charged by some private providers were often five times higher than those charged by TAFE colleges. There was also a marked shift to online course offerings, away from face-to-face classroom delivery, considerably reducing infrastructure and delivery costs. Between 2012 and 2017 a large number of RTO acquisitions took place.

Chapter Two presents an overview of the literature relating to acquisitions. Based upon the comprehensive review and discussion of the literature, a conceptual framework was developed, which informed the following chapters. The overview of the literature established the importance of acquisition strategy and provided background information that is necessary in understanding the study's objectives. It also established the research as an important link in developing knowledge in relation to acquisitions of VET registered training organisations in the Australian private education sector and the factors that can contribute to success and/or failure of these acquisitions. The chapter concluded by outlining the conceptual framework for the study based on identified stakeholders and a 3-stage acquisition process.

Chapter Three outlined the research design, study methodology and interview process. The study approach was based on the phenomenological research method that attempts to understand the selected stakeholders' [senior management in acquiring organisations, business advisors, brokers and employees] perceptions and interpretations of the 'lived' experience in an RTO acquisition. There are various ways in which various stakeholders may experience or understand an RTO acquisition, because different people experience a phenomenon in different ways. Through phenomenology, the researcher has sought to identify and understand the multiple notions that stakeholders have for the phenomenon of an RTO acquisition. In addition to the snowball sampling method, the researcher used purposive sampling. Purposive sampling, also referred to as expert, judgement, selective or subjective sampling, involves the choice of participants who are best qualified to provide the information required (Teddlie & Yu, 2007) and is an effective sampling method where there are only a limited number of potential participants who can act as primary data sources, due to the study's aims and objectives and the research design.

Chapter Four documents the findings from the interviews with the participants who represented various stakeholder groups within RTO acquisitions. The study was designed to critically examine the extent and nature of acquisitions of registered training organisations in the Australian private education sector and the qualitative phenomenological method approach resulted in an extensive range of data collected from senior executives, middle managers, employees and advisors to the sector. The findings indicate that failure in the pre-acquisition stage, compounded by a lack of understanding and knowledge of the risks and red flags now highlighted in Figure 17, are major contributors to RTO acquisition failure. During the interviews, participants were asked for detailed descriptions of situations in which RTO acquisitions had been successful or unsuccessful. The participants emphasised that RTO acquisitions that failed achieved neither strategic nor organisational fit. While these responses supported prevailing academic theories, an important pattern began to emerge. The results indicated that varying aspects of the acquisition process could influence the success of the overall 'deal'. Although the participants pondered over the unique circumstances of each situation, the study found that the same process-related problems reappeared again and again throughout the interviews. It became clear that, while the particular problems of strategic or organisational fit differed, the same problems in the acquisition process were repeated. While RTO acquisition successes were few between 2012 and 2017, the conservative actions taken by some RTOs, such as Think Education and Navitas, protected these organisations and prevented them from following 'the herd' and collapsing. Another identified key factor in acquisition success would be to know when to walk away. Finally a very strong industry specific consideration would be to diversify funding sources [not being government funding dependent] and to maintain complete compliance with regulatory requirements which are clearly known.

Chapter Five discussed the findings with considerations specific to the Australian private education sector. Unlike most prior research, the findings identified an industry specific additional factor in the RTO acquisitions process which is critical to informed RTO acquisition strategies and decisions. This is illustrated in Figure 15 titled *'Four-Stage Decision Making Acquisition Process Model [for RTOs]'* which incorporates a team of knowledge experts with industry insight. Questioning the utility of the earlier three-phase model of acquisitions, pre-acquisition, integration and post-acquisition, the expanded decision-making framework now includes a pre-pre-acquisition industry intelligence stage. Each stage in this framework has sector specific risk factors or red flags also highlighted. Presence of and inadequate mediation of one or more of these red flags was seen as a prompt to walk away [from the acquisition]. This latter capacity [walk away] is also emphasised as a key strategic consideration in the pre-acquisition process, and it was seemingly not evident in the RTO acquisitions that were more driven by behavioural considerations that included management hubris and greed for what was described by some as the 'rivers of gold' and represented by easy access to government VFH funding.

6.2 Theoretical and Practical Significance of the Study

The study's theoretical contribution lies in closing the 'knowledge gap' relating to the acquisition of registered training organisations. No such previous study was identified by the author and specifically one relating to the government and corporate interface in a heavily regulated [ASQA] and publically funded [VFH] environment. Figure 15 Four Stage

Decision Making Acquisition Process Model [for RTOs] is the refined model developed as an outcome of the study's findings. The model is the contribution to the body of knowledge, with specific industry considerations, made by the author and as articulated across the findings of the study. What transpired from 2012 to 2017 was created by the government with their 'open purse' of ready access to funding for VET training. The sector became a 'free for all' with acquisitions being fuelled by the greedy, good governance and ethical practices slipped and the charlatans moved in. The deal breaker happened when the government closed the VFH scheme on 31st December, 2016, leaving many new acquisitions riding the non-compliance wave and without funding for their operations. The contribution of this study is the identification of the high risks created when an organisation is financially dependent upon the purse strings of government funded schemes. The risk is in the potential changes by government, which an organisation may not anticipate or prepare for. Any changes in laws, regulations and or policies can materially impact the security of the business and the market in which it operates. This can potentially reduce the attractiveness of an RTO acquisition and change the competitive environment. It is evident that acquisitions have many moving parts, but the study found that the critical part [access to VFH funding] could not be controlled. Upon reflection, the regulator [ASQA] failed to identify non-compliant RTOs early enough, the government took its foot off the pedal and did not adequately control the flow of monies and unscrupulous operators bagged millions along the way. An RTO acquirer will need to form expectations about the possible outcomes for future regulatory decisions, and each decision will require the updating of these expectations. Consistent decision-making around regulatory risk requires the acknowledgement that regulatory risk is inevitable, supporting the adage of 'buyer beware'.

The stakeholders involved in RTO acquisitions were 'entrapped' in a dynamic environment during the study period of 2012-2017. Students for example, found themselves with large VFH debts, little training and in some cases non-compliant qualifications which were recalled by the regulator. This study is important for shareholders, company boards and senior management as it provides insights that may potentially mitigate the risk associated with the acquisition of a private registered training organisation. Previous studies of acquisition performance have not specifically investigated what is unique to RTO acquisitions, nor identified what fuelled the rapid growth of the sector between 2012 and 2017. Importantly, this study found that high performing companies that pursued RTO acquisitions were 'none the wiser', failing to identify the associated risks and failing to plan mitigation strategies in order to minimise the risk of failure. The study also found that RTO acquirer industry type was not a predictor of post-acquisition success, but rather industry intelligence was.

This study moreover, found that the heavily regulated Australian VET sector should be a signal for caution for senior management when considering potential acquisition targets. Acquiring an RTO that is government funding dependent and regulated by ASQA, without other reliable funding sources, is equivalent to 'putting all your eggs in the one basket'. As shown by the impact of changes to the VFH loans scheme, the number of approved private providers went from 220 to 132 overnight in 2017 and the amount of VFH funding went from $1.470 billion in 2016 to $78,131,044 for the first six months of the VET Student Loans [VSL] scheme in 2017. Moreover, for the first six months of 2017, approved RTOs were initially given approval for the VET Student Loans Scheme [VSL] only until 30 June 2017. To become fully approved, RTOs had to reapply for the scheme and successful applicants received approval for only between two and a half and the maximum allowed seven years commencing on 1 July 2017. The effect was to dramatically shrink the flow of funds and increased governance expectations in order to retain this funding.

From 1 July 2017 to 31 December 2017, 144 RTOs were approved as VSL providers, however, this was down from the 167 providers originally approved under the transitional arrangements in the first half of 2017. The decrease in approved VSL RTOs reflects the results of the first application round for full approval, during which applicants were systematically assessed against the course provider requirements in the *VET Student Loans Act 2016* and *VET Student Loans Rules 2016*. The amount paid to approved RTOs in 2017 was $200,335,628 for 42,220 enrolled students (Australian-Government, 2018). By December, 2019 there were 177 approved VSL providers [23 TAFEs, 13 other public organisations, such as dual sector universities and 141 private RTOs] delivering courses to 41,167 students.

Whilst this phenomenological study contributes to the understanding of acquisitions of Australian RTOs, the findings also offer insights for the domain of acquisitions through the lived experiences of the study's participants. Understanding such insights, allows for the lessons learned to be applicable in different business settings, which are government funded and regulated. In addition, the study provides new insights for further research into the phenomenon.

6.3 Study Limitations

The limitations of this study are broadly related to the sensitivity of failed registered training organisations and in some cases the on-going legal pursuit of company directors of these companies. For example "Former federal treasurer John Dawkins breached his duties as a director of a training company that collapsed by not taking 'requisite care and diligence' in its management, the Federal Court found on Friday [31 May, 2019]. Mr Dawkins was chairman of Vocation, an ASX-listed vocational skills and training company that collapsed in 2015 while Mr Dawkins was chairman. Mr Dawkins, then-chief executive Mark Hutchinson and chief financial officer at the time Manvinder Gréwal all face a potential five year ban from sitting on boards and financial penalties for breaching their duties" (Gillezeau & Fowler, 2019).

Whilst the majority of RTOs were/are located on the east coast of Australia, the study's participants were Melbourne and Sydney based. The sample size was small, however this is not unusual for a phenomenological study. Some identified participants declined to participate in the study in fear of incriminating themselves or 'being sued' due to ongoing litigation or investigations of RTOs with which they are or were associated. Attempting to collect qualitative data through in-depth, semi-structured interviews with participants discussing specific RTOs which could not be identified due to potential litigation was another limitation within the study. Several of the RTOs discussed by the participants are still under-going legal action with some senior executives facing charges and fines enforced by ASIC and the ACCC and consequently, whilst discussed, could not be specifically identified by name within the findings. Also, interviewing Board members of acquiring and target companies may have proved beneficial to the findings.

Finally, the focus of this study was acquisitions of private RTOs within the Australian VET sector and the findings may not be applicable to RTOs outside of Australia.

6.4 Further Research

The overarching aim of this study was to identify the factors that contributed to the success and/or failure of acquisitions of registered training organisations in the Australian Private Education Sector between 2012 and 2017. While recognising the limitations of the study, the researcher believes that she has largely achieved the study's aim and developed an acquisition model which will benefit future RTO acquirers. The Four-Stage Decision Making Acquisition Process Model [for RTOs] [Figure 15] developed in this study has provided a 'big' picture of the phenomenon and has laid the foundation for further research into each of the individual stages of the model. Whilst not the focus of this study, it became apparent that the roles of government and the industry regulator, ASQA, are intrinsic to the success or failure of RTO acquisitions. In particular, compliance with the government published RTO Standards is a key consideration. Most notably, RTOs with ASQA enforced conditions due to non-compliances would be considered high risk, red flag acquisitions. Moreover, by their very nature, government funded industries are subject to volatility of changes in political leadership, changes in priorities and essentially, changes to funding models.

Acknowledging the role that inherent non-compliances to regulator standards and the cessation of VFH funding in 2017 played in the collapse of a number of RTO acquisitions it is recommended that further research into acquisitions within government funded, highly regulated industries may benefit businesses in strategy formulation and execution for future acquisition strategies. Also further longitudinal research into the lessons learned from this study could bring further insight into the factors which contribute to the success and/or failure of acquisitions of registered training organisations in the Australian Private Education Sector.

In November, 2019, former non-executive chair of Vocation Limited, John Dawkins was disqualified by securities regulator ASIC from holding directorships for two years and was fined $25,000 for his involvement in the collapsed ASX listed training college, Vocation. Mr Dawkins, Vocation's former managing director Mark Hutchinson and former chief financial officer Manvinder Grewal were charged with "misleading and deceptive conduct" over a capital raising in 2014 as the company struggled to stay afloat. Dawkins, Hutchinson and Grewal were accused of failing to disclose the facts in regard to Vocation's loss of funding contracts to shareholders. In regard to Dawkins Federal Court Justice John Nicholas stated "His breach of duty flowed from his uncritical acceptance of information and advice provided to the board by Mr Hutchinson and other members of that team … the fact that the capital raising was allowed to proceed without disclosure … to the market on the basis of the vague, incomplete and misleading information provided to the board by Mr Hutchinson on 7 and 8 September 2014 is a matter in relation to which Mr Dawkins must carry a significant measure of responsibility" (Letts, 2019). The example of what transpired with Vocation Limited suggests that specific research into the role [and transparency] of RTO boards during the study period of 2012 to 2017 is worthy of consideration.

According to McMillan (2007) "accountability is a necessary adjunct to the power that government exercises in our society… The role of government in all those activities is manifested in laws that command and restrict, as well as laws that encourage and permit. In short, the power of government is pervasive, and accountability is an indispensable check on how that power is exercised". During the study period of 2012 to 2017, it became apparent that, as one study participant stated, "the government was asleep at the helm'. Research into the role of governance and why it took the Government so long to react to the VFH debacle may provide valuable guidelines for future funding endeavours for training and education.

Another consideration for further research would be an in-depth study exploring the role of 'greed' in fuelling acquisitions of businesses which have ready access to government funding. Finally, further research into the impact of stricter regulatory conditions and tighter controls on student loans funding on acquisitions of RTOs and within broader the RTO industry is worthy of consideration.

6.5 Concluding Comments

Whilst this study has examined acquisitions of registered training organisations within the Australian vocational education and training sector, the lessons learned are also applicable to private non university higher education providers [NUHEPS]. Acquisitions do have the potential to drive significant growth for organisations, if the process is clearly defined and understood with the oversight of an independent team of industry experts who ideally have access to information not in the public domain.

Finally, the study highlights factors that can impact RTO acquisitions and contributes to the literature on the topic by developing new insight into the phenomenon as it relates to sustainable, post-acquisition performance. The development of the Four-Stage Decision Making Acquisition Process Model [for RTOs] with its inclusion of the first stage of industry intelligence is particularly relevant to the acquisition of RTOs and a number of other sector businesses which are heavily regulated and government funding dependent.

As the quotation attributed to Benjamin Franklin, below, suggests knowledge [or what might be described as sector specific intelligence] ensures the best returns. The quotation encapsulates much of what this study has identified and recognises the vital role of knowledge when it comes to an investment [acquisition].

> *"An investment in knowledge pays the best interest."*
>
> Benjamin Franklin
>
> *The Way to Wealth, 1758*

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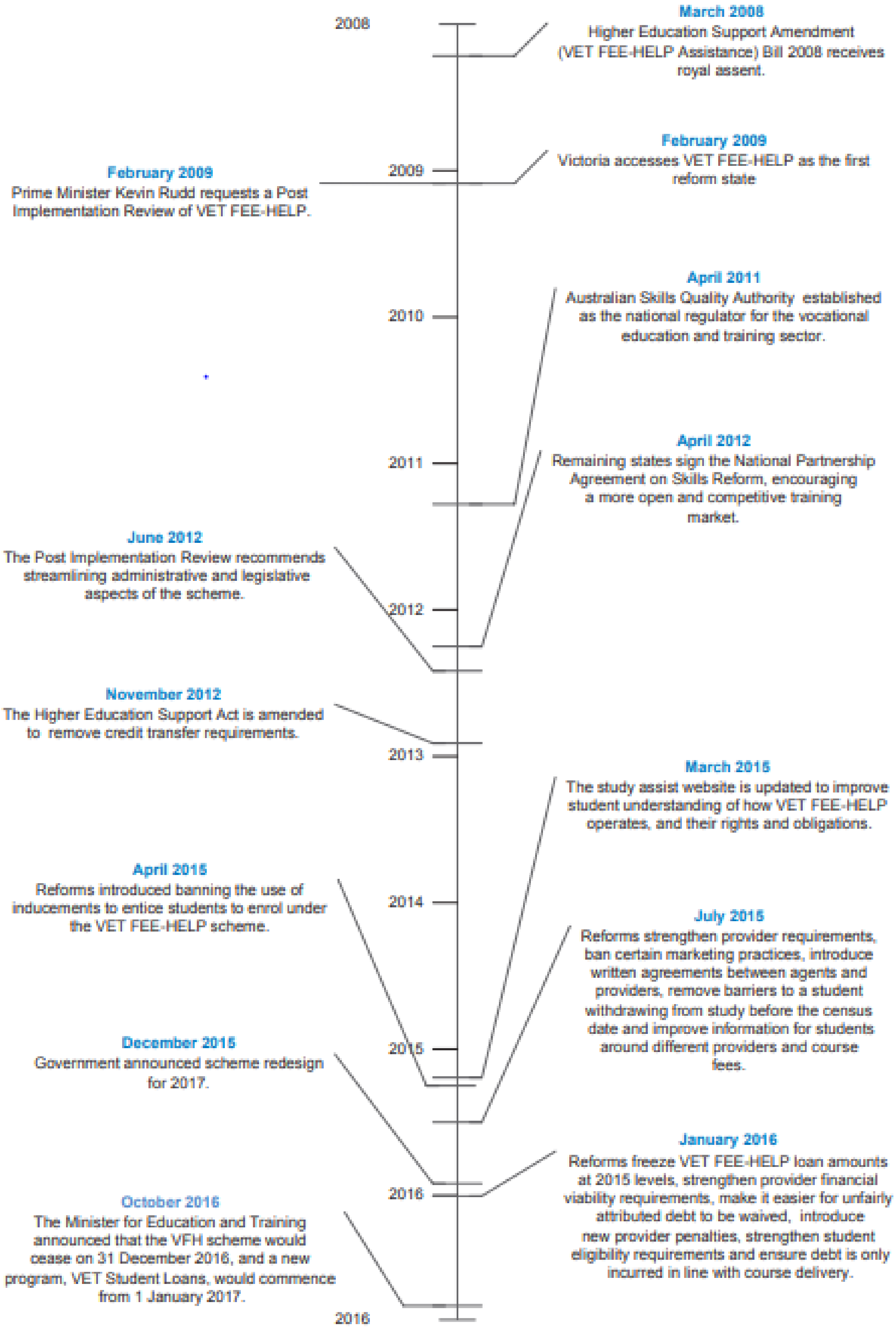
Appendix One: Key developments in the VET FEE-HELP Scheme



Source: ANAO Report No.31 2016–17 Administration of the VET FEE-HELP Scheme

Appendix Two: Three Business Examples

<u>RTO Example 1: Australian Careers Network</u>

Australian Careers Network [ACN] was publicly listed on the ASX [ASX Code: ACO] in December, 2014. ACN was a leading provider of vocational education and training services and was formed from the coming together of two primary operating companies: Community Training Initiatives Pty Ltd [CTI] and Centre of Vocational Education [COVE]. At the time of going into voluntary administration, the Group was comprised of 18 corporate entities (including Smallprint), which it had acquired along the way.

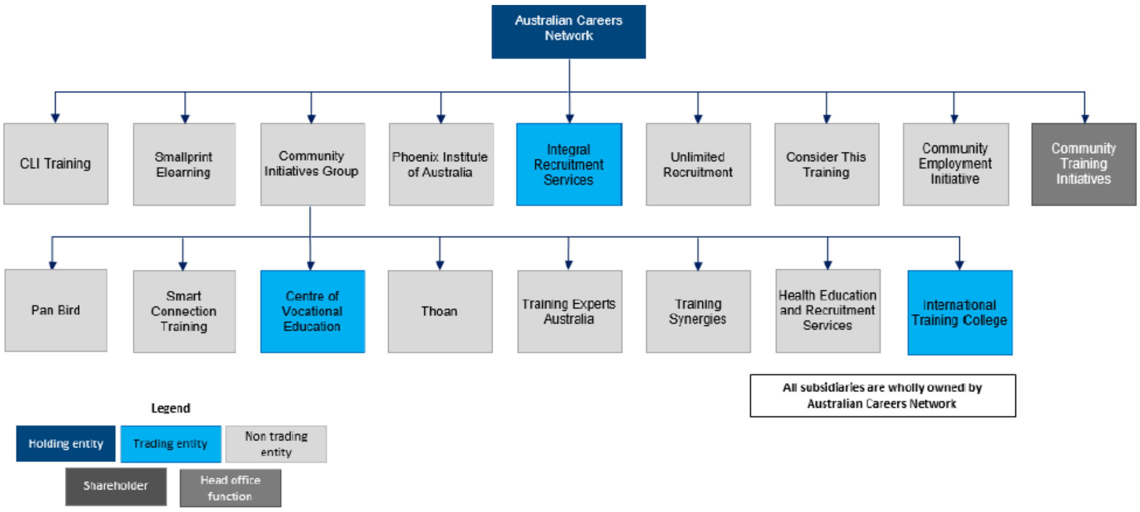


Figure 19: Australian Careers Network Corporate Structure
Source: Report by Administrators Pursuant to Section 439A of the Corporations Act, 26 April, 2016

The Group of RTOs was a full service vocational education and training services provider in Australia, with its primary service models comprising:

1. workplace training and classroom based accredited certificates and diplomas;
2. heavy equipment licensing;
3. simulative and flexible learning;
4. industry-experienced training and assessment; and
5. partnering with job seeking agencies to provide employment pathways to students seeking employment upon completion of a qualification.

In 2015, one of ACN's entities, Phoenix Institute of Australia, received A$106,667,172 in VET FEE-HELP funding, however by March 2016, after 18 months on the ASX, Australian Careers Network was placed into voluntary administration.

Table 18: A Summary of the Australian Careers Network's Operations and Acquisitions
(Source: Developed by the Author)

Entity	Comments
ACN	The ASX listed holding entity in the Group.
CEI	CEI was a non-trading entity.
CIG	CIG was the holding company of Pan Bird, HERS, Smart Connection, Thoan, COVE, TEA, TS and ITC.
CLI	CLI was a non-trading entity which was historically utilised to hold contracts with external brokers. This entity has no assets.
COVE	COVE was acquired by the Group in September 2014 and traded on a limited basis as at the date of the Administrators' appointment. It offered certificate courses in civil construction, warehousing and carpentry. It is due to wind down operations by the end of April 2016.
CTI	CTI provided shared services to the Group, including payroll, marketing, IT, finance and management functions. CTI also provided a treasury function to the Group. When the Group was operating at its peak in September 2015, CTI had 230 employees.
CTT	CTT was the first RTO acquired by the Group. CTT wound down its operations following the purported termination of its State Government funding contract in June 2015. It offered mostly certificate courses in diabetes management, early childhood education and aged care.
HERS	HERS traded as Haley College and was purchased in 2014, previously offering certificate courses in aged care and hospitality. The entity did not trade whilst under the control of the Group.
IRS	IRS was purchased in March 2015 and continues to trade, providing corporate information technology training on a fee for service basis. It trades as Wizard Training from its Melbourne and Canberra offices. The assets and operations of this entity were sold by the Administrators during the administration period, following a national marketing campaign.
ITC	ITC continues to trade offering certificate courses in sports, fitness and recreation and has approximately 250 international students, operating in the Gold Coast. The Administrators have accepted an offer for the assets and business of ITC.
Pan Bird	Pan Bird traded as Heron Assess and offered certificate courses in kitchen operations and food processing. It ceased trading in December 2015 with circa 100 students transferring to other RTO providers due to the purported termination of its Victorian Training Guarantee [VTG] funding contract with the Victorian Department of Education and Training.
Phoenix	Phoenix conducted the primary business within the Group and accounted for circa 95% of revenue for YTD FY16. Phoenix offered diploma courses in business, leadership and management, early childhood education and care and community services, and had approximately 22,000 enrolments prior to the cancellation of its ASQA registrations.

"Australian Careers Network collapsed … after a slew of legal and regulatory troubles linked to accusations of misleading and deceptive conduct by brokers of educational courses acting for the company by the Australian Competition and Consumer Commission" (Danckert, 2016a).

Table 19: Timeline of the Australian Careers Network

Date	Event
30 Sept 2014	The Group was formed through ACN acquiring 100% of CTI, CEI, CLI and CIG via a scrip-for scrip transaction. Approximately $77 million in shares were issued to CTI's founders in consideration for the transaction. In addition, approximately $34 million of convertible notes were converted to fund the acquisition of Smart Connection, Pan Bird, Thoan, COVE, International Training College and HERS.
20 Oct 2014	The Group's initial prospectus was lodged with ASIC.
26 Nov 2014	Due to apparent errors in the initial prospectus, ACN's replacement prospectus was reissued.
10 Dec 2014	ACN completed a share purchase agreement between Community Initiatives Group and Training Experts Australia and Training Synergies.
15 Dec 2014	ACN was admitted to the ASX Official List with 83,719,363 securities, raising $13.8 million in capital net of underwriting costs via its IPO. This allowed the Group to fund the acquisition of Training Experts Australia, Training Synergies and Phoenix.
13 Jan 2015	ACN completed a share purchase agreement of Phoenix, a registered RTO with CRICOS registrations.
2 Feb 2015	Mytimelearning.com.au – the online platform of Phoenix was set up to assist with the provision of training services to students.
3 July 2015	ACN provided a 2015 earnings guidance on the basis that the prospectus disclosed forecast EBITDA of $22.48 million, with the updated guidance being $24 million to $27 million.
15 August 2015	Phoenix received its last VET FEE-HELP advance from the Commonwealth in the amount of $13.33 million.
18 August 2015	ACN provided another upgrade to earnings guidance increasing the EBITDA of $27 million to $29 million for FY15.
25 August 2015	ACN declared a fully franked distribution to shareholders of $0.13 per ordinary share which resulted in a total distribution to members of $10.887 million.
31 August 2015	CTT commenced legal proceedings in the Supreme Court against the Victorian Department of Education and Training (Department) claiming that the Department has improperly purported to terminate CTT's VET Funding Agreement.
1 Sept 2015	ACN announced a conditional purchase agreement to purchase the business of "Smallprint" and "Catapult", which maintain Australia's largest range of learning resources, for circa $23 million. The sale did not proceed and approximately half of the deposit was subsequently returned in March 2016, being circa $1 million.
15 Oct 2015	ACN was placed in a trading halt at its own request.
17 Nov 2015	ACN announced that the Commonwealth would defer certain payments which had been due to Phoenix on 15 October 2015 until 15 November 2015, subject to Phoenix providing certain information to the DET. The Commonwealth subsequently extended the deferral until 30 November 2015.
19 Nov 2015	ACN announced that Phoenix had been engaging with the ACCC in connection with an investigation into alleged misleading or deceptive conduct. ACN further announced that on 18 November 2015, it had received notice from the ACCC that it concluded its investigation and was considering the merits of instigating proceedings against Phoenix in the Federal Court.

24 Nov 2015	Notification was received from ASQA that it had cancelled Phoenix's VET and CRICOS registrations. Phoenix proposed to seek an urgent stay of the decision or apply for a full review.
25 Nov 2015	ACN announced that the ACCC and the Commonwealth had commenced proceedings against Phoenix and CTI.
27 Nov 2015	The DET made a decision to continue to defer VET FEE-HELP payments payable to Phoenix until 15 January 2016. The deferral was to allow the DET to conclude its investigations into whether all student enrolments were bona fide and whether Phoenix had satisfied the tuition assurance requirements.
9 Dec 2015	Phoenix closed its Queen Street, Melbourne facility as a result of the Commonwealth's deferral of VET FEE-HELP payments. The closure affected approximately 260 students, with the remaining circa 11,000 students continuing their studies via the Mytimelearning online platform.
15 Dec 2015	Phoenix applied to the AAT for reviews and stays of ASQA's decisions to cancel its registrations as a NVR RTO and as an approved provider on the CRICOS. In addition, it was announced that Phoenix had lodged an application with the Federal Court to quash the DET's decisions to defer VET FEE-HELP payments.
18 Dec 2015	The AAT ordered that ASQA's the decision to cancel Phoenix's registrations as a NVR RTO and an approved provider on the CRICOS be stayed pending the outcome of the proceedings. The stays were conditional upon Phoenix not enrolling any new enrolments and not engaging in any marketing activities.
14 Jan 2016	The Secretary of the DET revoked the determination that an advance of VET FEE-HELP assistance payments totalling circa $160 million be made to Phoenix on the basis of non-compliance with tuition assurance requirements.
10 Feb 2016	The Commonwealth advised that it was suspending the approval of Phoenix as a VET provider and was further considering revoking Phoenix's approval as a VET provider. Phoenix was given 28 days to provide a written submission as to why the VET provider approval should not be revoked.
12 Feb 2016	A directions hearing was held in the ACCC proceeding in relation to the allegations of misleading or deceptive conduct against Phoenix. The Australian Council of Private Education and Training (ACPET) notified Phoenix that its ACPET membership would be terminated in accordance with clause 6.2 of the ACPET Constitution and that the resolution would be defective at the expiration of seven days from the date of the letter unless Phoenix requested that the matter be referred to a general meeting of ACPET in accordance with clause 6.3 Phoenix did not do so.
15 Feb 2016	The hearing in Phoenix's application for review of the DET's decisions to defer VET FEE- HELP advances concluded in the Federal Court. Moshinsky J reserved judgment.
7 March 2016	The Federal Court handed down its judgment in respect of Phoenix's application for review of the DET's decision to defer payment of VET FEE-HELP advances. Moshinsky J ruled that, inter alia, the decisions to defer the advances were valid and the proceedings be dismissed.
17 March 2016	In a media release ACPET purported to terminate Phoenix's tuition assurance membership.
21 March 2016	The Board held a meeting and the Directors resolved to place each entity of the Group into Voluntary Administration pursuant to section 436A of the Corporations Act 2001.
23 March 2016	The Commonwealth revoked Phoenix's approval as a VET provider pursuant to section 33(1) of Schedule 1A to the Higher Education Support Act 2003 (Cth) and made a determination under section 35(1) that the revocation which would have no effect for the purposes of assistance payable to Phoenix students who had not completed their VET courses of study as at that date.
11 April 2016	Administrators sell Integral Recruitment Services Pty Ltd trading as Wizard Corporate Training

26 May 2016	Centre of Vocational Education Pty Ltd sold

RTO Example 2: Vocation Ltd

Vocation Limited [The Group] was one of Australia's largest providers of vocational education training through face-to-face courses in class rooms, industrial facilities and online. The Group was publicly listed on the ASX and was formed from the coming together of three companies: AVANA, BAWM and Customer Service Institute of Australia [CSIA].

Vocation Limited comprised of 22 acquired corporate entities when it went into voluntary administration. The Group operated in all major Australian states and territories through its RTOs providing training to both government and corporate customers. State and Federal government contracts were a major portion of the Company's operating revenue. Vocation's training was aimed at assisting job-seekers, apprentices and skilled workers in six streams:

1. sales;
2. customer service;
3. hospitality;
4. leadership and management;
5. logistics; and
6. foundation skills [including disability services and employment re-training]

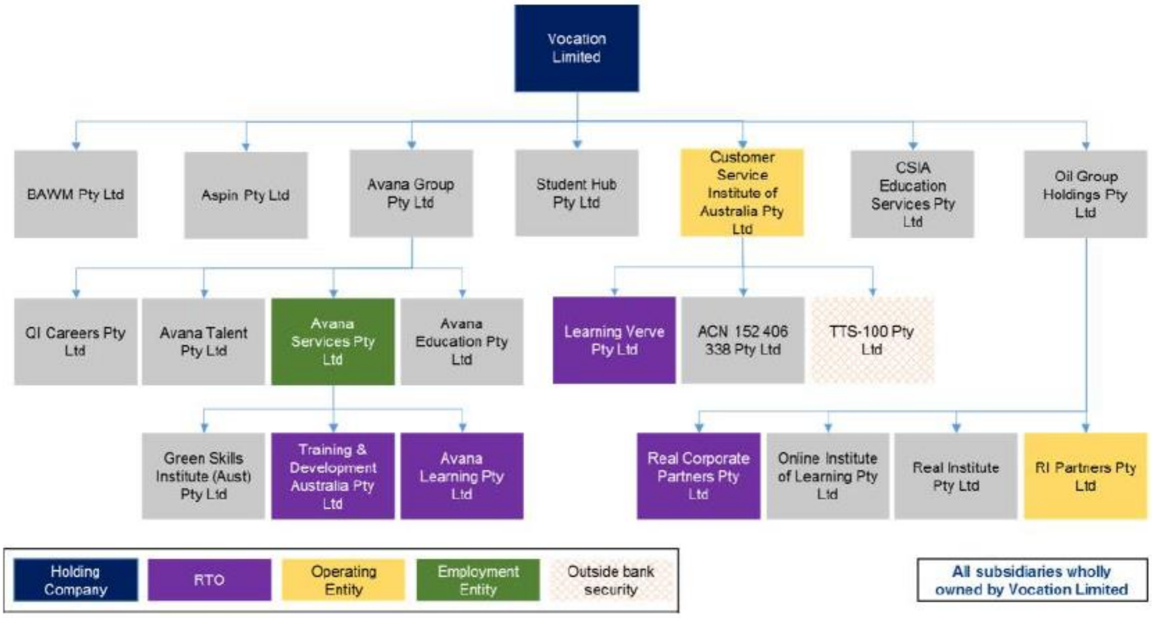


Figure 20: Vocation Limited Corporate Structure
Source: Report by Administrators Pursuant to Section 439A of the Corporations Act, 21 December, 2015

Vocation Limited lodged its prospectus with the ASX in November, 2013, after "*securing commitments for 134 million shares at the A$1.89 offer price*" (S. Thompson, MacDonald, & Friemann, 2013a). The initial public offering [IPO] was managed and underwritten by Macquarie Capital and UBS. After 23 months on the ASX Vocation Limited went into administration in November, 2015.

Table 20: Timeline of Vocation Ltd

December 2013	Vocation Group commences its operations, formed through the merger of Avana Learning, CSIA and BAWM. Company listed on the ASX.
April 2014	Acquired the Australian School of Applied Education (ASAE) and 50% of the Australian School of Management (ASM).
May 2014	Acquired Real Institute.
July 2014	Acquired the Endeavour College of Natural Health for $83 million.
July 2014	BAWM advised by government regulators that funding payments would be withheld until issues were resolved. The Department of Education and Early Childhood Development (DEECD) commenced a forensic audit of BAWM and Aspin, particularly with respect to the delivery of three particular courses.
September 2014	Group issued shares to raise $74 million equity.
October 2014	Settlement with DEECD resulting in $20 million in government funding being repaid and BAWM and Aspin relinquishing their Victorian funding contracts.
November 2014	Two RTOs, Aspin and BAWM, ceased their business.
December 2014	The Group amended its banking facilities to repay $35 million of secured debt. Subsequently, as a consequence of operating performance, the Group's bank loans became classified as current liabilities. The Group negotiated a further amendment to its banking facilities which required the Group to materially deleverage its balance sheet. In order to address this situation, a comprehensive strategic review was undertaken which ultimately saw significant parts of the business sold in order to reduce the level of the Group's secured debts.
March 2015	The Group sold ASM and ACAE for $16 million (including $1 million deferred consideration).
April 2015	The Group sold Endeavour Leaning Group for up to $74 million to Study Group.
June 2015	The Group sold OzSoft Solutions for $3 million.
August 2015	"Project Boskap" commenced, tasked with securing at least $10 million of new funding over the following 3-6 months. It is our understanding that the Directors had identified that this additional funding was required in order for the Group to remain solvent. A short-form information document was provided to approximately 12 potential financiers (including debt, equity or hybrid funding).

September 2015	Deed of Settlement entered into with the State of Victoria agreeing a repayment plan with respect to $7,257,884.41 owing by BAWM and Aspin and Learning Verve such that Vocation would bear responsibility for the payments on an instalment basis until March 2017.
23 November 2015	The Group announced that it was embarking upon a further debt restructuring and capital raising effort in order to fund the working capital of the Group.
24 November 2015	First instalments of a $4.2 million contribution from the original founders of Vocation received, totalling $1.7 million. The terms of this contribution are confidential but will be subject to further scrutiny by the Administrator/Liquidator.
25 November 2015	The Group announced that following discussions with its current and potential investors, it was clear that the additional funds required would not be injected into the Group. As such the Board resolved to appoint voluntary administrators.

RTO Example 3: Study Group Australia

Study Group was established by Andrew Colin and Duncan Greenland in 1989 in the United Kingdom. In 1994 the company, British Study Group was formed and a third shareholder/director John Collyer was added. Forty per cent of the business was acquired by the Daily Mail Group in 1996, and the company became Study Group International. The company then expanded into Australia and the US. Paying an estimated UK£44 million the Daily Mail Group purchased the remaining 60% of Study Group in 1999. Australian private equity company Champ purchased Study Group for AUD$176.4 million in 2006 and in July 2010, sold it to Providence Equity Partners for AUD$660 million.

> "Study Group has continuously broken new ground in the international education sector, with a history of exceptional investment, programmes, collaboration, facilities, contributions, and awards. Our leadership continues today with a relentless focus on international student needs, and a drive for growth in the modern education age" (https://corporate.studygroup.com/about-study-group/our-history).

Study Group was a private equity owned international, dual sector training provider delivering both higher education and vocational education in Australia. Study Group Australia was issued with a notice of intention to cancel the registration of all of its VET Colleges in September 2017. The company went to the Administrative Appeals Tribunal

(AAT) and sought a stay of the decision, however, in January, 2018 ASQA cancelled the registration of the VET division of Study Group Australia Pty Limited (RTO number 5806) and its multiple VET training businesses. A number of these businesses had been Study Group acquisitions, which were no longer registered to deliver accredited courses. AQSA's decision, cancelled the registration of:

1. Australian College of Physical Education [ACPE];
2. Martin College;
3. Australian Institute of Applied Sciences [AIAS];
4. Embassy English;
5. Taylors College;
6. ANU College;
7. Flinders International Study Centre; and
8. Taylors Unilink.

The cancellations were for the following non-compliances:

1. Low qualification completion rate, where students were enrolled through the VET FEE-HELP scheme;
2. Failure to determine student suitability for their course prior to enrolment;
3. Inaccurate and misleading sales and recruitment practices and a failure to provide students with accurate and consistent information about a course and its fees prior to enrolment;
4. Failure to appropriately assess and consider the needs of a prospective learner prior to enrolment and to monitor and support students during their enrolment, resulting in limited student engagement in the qualification;
5. Insufficient resources, including trainers and assessors, to deliver the qualifications to the number of students enrolled; and
6. Failure to provide an appropriate amount of training to learners and assessment systems that did not comply with all requirements of the training packages and the VET Quality Framework.

ASQA's regulatory decision only applied to VET courses offered by Study Group Australia. Higher education courses, English Language Intensive Courses for Overseas Students (ELICOS) and Foundation Programs offered by Study Group Australia under its various trading names are separately regulated by the Tertiary Education Quality and Standards Agency (TEQSA) and were not affected by ASQA's decision.

Table 21: Timeline of Study Group

Study Group	
1994	Study Group launched in the UK
1996	40% of the business acquired by the Daily Mail Group
1996	Study Group expands into Australia and America
1997	Study Group acquires Education Training Australia (Martin College and Higher Education)
1998	Study Group International acquires Centre for English Studies (CES), Taylors College and the Gold Coast Business School.
1999	The Daily Mail Group became the 100% owner of Study Group, paying an estimated UK£44 million
2006	Study Group was acquired by Australian private equity company Champ and Peterson Investments, having been sold by Daily Mail Group for A$176.4 million
2009	Study Group acquires ACPE and AIAS, both of which form part of the Study Group Career Education division.
2010	UK based Providence Equity Partners took ownership of Study Group for AU$660 million
2017 [August]	Providence Private Equity prepares Study Group for sale in a deal that could fetch more than AU$1 billion. (Carter & Murdoch, August 9, 2017)
2018 [January]	ASQA cancels registration of Study Group Australia Pty Ltd trading as: • Australian College of Physical Education [ACPE], • Martin College, • Australian Institute of Applied Sciences [AIAS], • Embassy English, • Taylors College, • ANU College, • Flinders International Study Centre, • Taylors Unilink.

Conclusion

Australia's vocational education sector grew rapidly and seemingly flourished with the deregulation of the skills and training sector and the introduction of VET FEE-HELP in 2008. The take-up of the Federal Government's VET FEE-HELP funding grew at an extraordinary rate from approx. $29m in 2009 to nearly $3 billion in 2015. In addition to this, another $3 billion was spent in 2015 by state governments subsidising certificate and/or 'non-diploma' courses for hundreds of thousands of students.

As a result of the large financial returns that appeared for the taking, the VET industry quickly became a multi-billion dollar acquisition opportunity, which attracted a frenzy of buyers and sellers. The experience of RTOs such as Vocation Limited, Study Group, Careers Australia, Acquire Learning, Ashley Services, Intueri Education, Sage Institute, Australian Careers Network and others, illustrate the perils of an industry sector which was hungry for growth through acquisitions and the pursuit of revenue and profits, in preference to adhering to compliance and governance requirements. Several of the high profile acquisition failures within the sector, were linked to colleges that were owned by companies listed on the ASX and profits for shareholders took priority over compliant training delivery to students.

Under the federal VET FEE-HELP scheme, private vocational colleges gained virtually unregulated access to government student loans for every student enrolled. Fees charged by the private RTOs for funded courses were generally substantially higher than those charged by TAFEs. Aggressive sales tactics by salesmen who lured students to sign up to over-priced, often online courses with the lure of a free laptop. Some private RTOs received millions of dollars of government money while delivering very little education to their students.

Appendix Three: Semi-Structured In-Depth Interview Questions

RO1: Identify the strategic and other considerations involved in the acquisition process of Australian RTOs between 2012 and 2017

Q1. What are the strategic considerations in the acquisition of an Australian RTO?

RO2: Identify [actual and perceived] measures of success by management in acquisitions of Australian RTOs.

Q2. What are the measures of success for an RTO acquisition?

Q3. In your opinion, what factors contribute to RTO acquisition success?

Q4. Post-acquisition, what factors contribute to sustained performance?

RO3: Identify risk factors associated with Australian registered training organisations acquisitions

Q5. What are the risks associated with an RTO acquisition?

Q6. In your opinion, what factors contribute to RTO acquisition failure?

Q7. Do you think organisations can learn from RTO acquisition failures?

Q8. What factors would make you 'walk away' from the deal?

Q9. In summing up, is there one thing that you would like to emphasis in regard to RTO acquisitions?

RO4: Develop a framework to support senior management decision-making in the acquisition process of RTOs for long-term performance.

N/A

CAREERS AUSTRALIA
Institute of Education & Training

Appendix Four: Careers Australia Letter to the Department of Education

PRIVATE & CONFIDENTIAL

BY EMAIL

Senator the Hon Simon Birmingham
Minister for Education and Training
Department of Education and Training
GPO Box 9880
Canberra ACT 2601

Dr. Michele Bruniges
Secretary
Department of Education and Training GPO
Box 9880
Canberra ACT 2601

15 April, 2017

Dear Minister,
Dear Dr. Bruniges,

Re: Careers Australia Group Ltd

Over past weeks a number of people have kindly spoken either to you personally on our behalf or with your colleagues at the Department of Education and Training ("the Department") about Careers Australia Group ("CAG" or "the Company") and the threat to its continued existence as Australia's largest private provider of vocational training. We are writing to you on behalf of the Board of Directors with the sole purpose of advising you directly of the salient facts and alerting you to what is likely to unfold this coming week without the Department taking appropriate action and CAG and the Department working together for an outcome in the interest of students and others.

CAG - Key Facts

- CAG currently has a total of more than 15,000 enrolled students at various stages of their education
- Over 7,000 students of our students opted into the VSL scheme from the VET- FEE HELP scheme
- CAG is Australia's largest trainer of enrolled nurses with almost 3,000 active nursing students
- It is Australia's largest private trainer of apprenticeships and traineeships with 2,000 currently in training
- The Company has worked with >2,5OO employers across the group and currently provides national training for the likes of Westpac, QBE, Johnston & Johnston, Ramsay Healthcare and many others
- Over 200 suppliers support the Company
- CAG employs more than 1,100 people based in 15 campuses across the country
- CAG has also started to provide some training services internationally with contracts in China, India, Indonesia and Malaysia

Level 6,515 St Pauls Terrace, Fortitude Valley OLD 4006 | PO Box 1433, Fortitude Valley QLD 4006 | (07) 3020 8500
| info@careersaustralia.edu.au
Careers Australia Group Limited. .ABN 52 122 171 840
Careers Australia Education Institute Pty Ltd, ABN 76 120 675 505, RTO 22479. CRICOS 03224D
Careers Austral1u Institute of Training Pty Ltd. ABN 30 122 082 204, RTO 31470. CRICOS 03026K

CAG - Ownership and Capital Support

- CAG is owned by an international group of Ultra High Net Worth Individuals and Families whose capital is managed by the London-based White Cloud Capital (www.whcloud.com). These families come from Europe, India and China respectively and constitute long term family capital with a track record of working with governments around the world. Indeed, the head of our Indian family was an invited guest to Prime Minister Turnbull's business dinner held on Tuesday 11 Apri l, 2017 in Mumbai
- The families invested total equity of AUD105m into CAG and employed over AUD100m of free cash flow over the last five years to develop CAG into a more professional training provider with focus on content, student experience, top notch teachers, student support, alumni and job placement

Consequences and Realities of the Transition Period to VSL

- CAG's very existence is now at serious risk due to the Department's recent decisions and non-engagement with providers (including TAFE). We recognise the problems that the Government and the Department have had to fix, and CAG and other remaining providers can assist in this process through engagement, and become a part of the solution
- CAG has received no payment from its major client, the Commonwealth Government, for three months (soon to be four) due principally to the design and management of the transition from the VFH to the VSL regime. In Ql 2017 CAG spent $56.6m to honour its commitments to provide quality education to students in nursing, trades, apprentices, business services, community services, aged care, child care and hospitality. The Commonwealth Government has provided $0.00 in funding, whereas $5.4m was received from state governments
- During this transition phase CAG was supported by its shareholders to the tune of almost $60m. This support was undertaken on the assumption that the Department would deliver on time with its scheduled payments and also award CAG, having been deemed qualified to be awarded an interim VSL licence, a permanent licence to operate on a commercial and sustainable basis.
- First and foremost, CAG needs the DET to meet its payment obligations and be a responsible sector partner - "doing what it says it will, when it says it will." For example, there cannot be any more letters out of the blue, like that received post 5pm on Friday 31 March informing CAG that a multi-million dollar scheduled payment for the next day would not be made! This type of behaviour shows no understanding or regard for the cash flow realities of businesses. In turn, CAG seeks to improve continuously to be a first class partner for the Government and always deliver on time whatever is requested or required to do

Consequences and Realities of No Permanent VSL Licence

CAG is one of the 146 private providers that were denied a VSL licence on 10 April, with next to official reasoning as to why. Any historical problem that the Department has had with private training providers is not solved by killing the provider market - this just create new problems.

- For many providers like CAG, Commonwealth government funding is the major component of their business model. The "surprise" removal of this funding source has an immediate and significant impact on a company's ability to continue trading.
- What made this decision even more shocking was that there had been close to zero communication from the Department to indicate any concerns about CAG might exist. Indeed, to the contrary, the few interactions with the Department gave us the understanding that we are fully compliant with the VSL guidelines.

- One of the consequences of not having a VSL license is that a number of training providers will have to stop enrolling Diploma of Nursing Students. CAG has up to 2,850 nursing students in training at any one time in dedicated facilities in Adelaide, Brisbane, Gold Coast, Melbourne and Sydney. (Our "Performance Rate" in our VSL application for these nursing students is more than 60%.) We are also aware that other training companies, including another one in Adelaide that has more than 150 nurses being trained, have not been granted their VSL license. In addition, due to the complex ANMAC accreditation process that places limits on each training provider, it will not be possible to easily transfer existing nursing students or for other training providers to enrol more new students in the future, to meet the demand for these nurses in hospitals, aged care facilities and other health facilities.
- CAG's continued existence is now threatened as without (i) timely payments from the Department and (ii) the ability to continue enrolling and training students under VSL after 1July 2017, the upshot of all this is that the Company cannot continue as capital providers will not continue to fund the business.

What Happened This Past Week?

- The non-payment by the Department of the scheduled amounts on 1April had already placed severe strain on the Company and shareholders' patience was already thin
- The surprise of CAG not receiving a permanent VSL licence with its massive impact on CAG's viability was the proverbial straw that broke the camel's back as the shareholders were not prepared to provide further financing in such circumstances.
- The severe liquidity pressures and the indication from the shareholders that they would no longer finance the cash deficits means that the Board of Directors are under a legal obligation to cease trading and call in a voluntary administrator if the Company cannot meet its future obligations. At the same time, we are all keen to try and find a solution rapidly.
- In addition, the above factors plus the failure to secure the VSL licence all amount to a so-called Material Adverse Change under our banking arrangements with National Australia Bank and Westpac. The two banks were notified on Tuesday and Wednesday.
- On Wednesday evening Westpac appointed an Investigating Accountant ("IA") to assess CAG and its immediate cash flow requirements to ascertain whether there is a basis to provide support and prevent the collapse while a longer term solution is found. The IA spent all of Thursday at CAG undertaking its work
- Also on Wednesday evening the Board of Directors at CAG appointed PPB as the administrator to act in the event that no solution with the banks can be found or a "white knight" emerges.
- The Board of Directors has met at least daily to assess the situation and ensure that it is both pulling out all the stops to find a solution and abiding by all its legal and fiduciary responsibilities.

What Is Now Set To Happen This Coming Week?

- As things presently stand, the Board of Directors, with legal advice from Minter Ellison, has concluded that it will have to hand over to PPB first thing on Wednesday 19 April
- PPB has advised us that their first actions that same day will almost certainly be to close most, if not all, of the campuses. 15,000 students and more than 1,100 staff will be affected by this action and face an uncertain future.

How Can This Be Prevented And What Can The Department Do To HELP?

- The banks are assessing whether or not to support the business and might decide to extend short term funding to enable the business to meet its immediate obligations and win time to find a solution. One of the key questions from the banks is whether or not the Department will make overdue and future payments, assuming of course that CAG has delivered. The banks have to deliver any financial support in writing by first thing on Wednesday 19 April or the CAG Board of Directors will hand over to PPB.
- Earlier today CAG received a potential "white knight" offer from a highly credible party potentially to inject up to A$40m of new equity. The conditional offer would take several weeks to be implemented, not least since the party wants to undertake some due diligence including getting reassurance that the government will be a reliable commercial counterparty and the banks will show appropriate flexibility to enable CAG to reshape itself and return to financial health

What the Department can do to here is to:

- Release the overdue payment on Tuesday 18 April (or de minimis provide written confirmation that the funds are being remitted within days) and also confirm (subject to appropriate commercial terms) that the scheduled payment on 27 April is set to be made. This will ensure that the bank believe that CAG is a secured 90 days trading entity and enable the Directors not to hand over to the administrator;
- Open up a close dialogue over the coming weeks during which the "white knight" can undertake discussions with the Department;
- Agree with the Department on (i) an accelerated timetable for the formal review of the VSL and (ii) provide CAG with feedback now on its concerns/criticisms of CAG so that these can be addressed rapidly to the Department's reasonable satisfaction Not only will this provide several weeks' worth of liquidity in which to put in place the right long term solution, it would send an important message to the banks and the "white knight" as well as maximise the chance that more than 15,0000 students and 1,100 employees will get a secure future of some form rather than be out on the street on Wednesday morning.

The Future

- Both public and private training providers need a strong, collaborative, working relationship with the Department that is based on mutual trust, transparency and proper professionalism.
- We understand our role and have been working in recent months to address issues that had previously been of concern to the Department, including investing millions of dollars. We have a shared objective to provide the best possible training and skills enhancement solutions for government and private sector companies by ensuring availability of relevant quality vocational training, pathways to jobs and concomitant reduction of youth unemployment.

We acknowledge that CAG has made mistakes in the past and has areas of improvement. These are being rapidly addressed, and we would emphasize that we strive to have a culture continuous improvement. We are also totally transparent and more than happy for the Department to send an observer to meetings of CAG's board meetings to see everything first hand.

We very much hope that you and your colleagues at the Department will support us and the banks to save the largest private vocational training provider in the country, secure the education of its 15,000 students and employment of its 1,100 staff. This will also save the investment of the taxpayers who ultimately have been CAG's main revenue source instead of drawing down further taxpayer money to sort out the costs of administration and failure.

Yours sincerely

[redacted]

Patrick McKendry
Executive Chairman

[redacted]

Nicholas Watkins
Non-Executive Director &
Managing Partner, White Cloud Capital

Appendix Five: Emailed Questions

QUESTIONS and INFORMATION TO PARTICIPANTS

Name: ____ Mobile: ____________________________

Email: ____

Your Participation

Thank you for agreeing to participate in a research project entitled "*A Critical Review of Registered Training Organisation Acquisitions within the Australian Private Education Sector*".

This project is being conducted by a student researcher, Kristina Nicholls, as part of a Doctor of Business Administration study at Victoria University under the supervision of Dr Keith Thomas, from the College of Business at Victoria University.

Project explanation

The objective of this study is to critically examine acquisitions of registered training organisations (RTOs) in the Australian private education sector. The findings of this study are intended to contribute to the body of theory surrounding acquisitions of Australian RTOs and provide a viable framework to guide senior executives throughout the acquisition process.

Questionnaire

Please complete the following three questions and email the completed questionnaire to: businesswisdom@onthe.net.au

Question One:
Reflecting on an RTO acquisition in which you have had an involvement, what was the prime strategy for pursuing the acquisition?

Question Two:
In your opinion, what are the top three factors that contribute to successful RTO acquisitions in the Australian private education sector?

Question Three:

a. What would make you 'walk away' from an RTO acquisition?

b. If so, what are the red flags?

Any queries about your participation in this project may be directed to the researcher:
Kristina Nicholls
m. 0417 559 159
e. businesswisdom@onthe.net.au

If you have any queries or complaints about the way you have been treated, you may contact the Ethics Secretary, Victoria University Human Research Ethics Committee, Office for Research, Victoria University, PO Box 14428, Melbourne, VIC, 8001, email researchethics@vu.edu.au or phone (03) 9919 4781 or (03) 9919 4461.

Appendix Six: Study Participant Face-to-Face Interview

Thank you for agreeing to be a part of a study into the acquisition of registered training organisations (RTOs) in the Australian private education sector.

The objective of this study is to critically examine acquisitions of RTOs in the Australian private education sector. The findings of this study are intended to contribute to the body of theory surrounding acquisitions of Australian RTOs and provide a viable framework to guide senior executives throughout the acquisition process. There will be no discomfort to you and the study poses no risk to any research participant.

The research question that will be addressed by this study is:
"What factors contribute to the success and/or failure of acquisitions of registered training organisations in the Australian Private Education Sector?"

Introductory Protocol
To facilitate note-taking, I would like to audio tape our conversations today. You have agreed to this on the consent to participate form. For your information, only the researcher on this project will be privy to the tapes which will be eventually destroyed after they are transcribed. Essentially, (1) all information will be held confidential, (2) your participation is voluntary and you may stop at any time if you feel uncomfortable, and (3) there is no intention to inflict any harm.

Thank you for your agreeing to participate.

This interview has been planned to last no longer than one hour. During this time, there are several questions that I would like to cover. If time begins to run short, it may be necessary to interrupt you in order to push ahead and complete this line of questioning. If at any time, you feel uncomfortable, we can pause/stop the interview.

Introduction
You have been selected to participate in this study because you have been identified as someone who has a great deal to share about their experience with acquisitions of registered training organisations within the Australian private education sector. The study does not aim to evaluate your opinions or experiences. Rather, the intention of the study is to learn more about RTO acquisitions, and hopefully learn about how to help improve their long-term success.

Interviewee Name: ____
Position: ____
Organisation: ____
Date: ______________________________

Interview Questions

Section One:

Identify primary and secondary considerations involved in the acquisition process of Australian RTOs.

1. What do you think are the primary and secondary considerations in the acquisition of an Australian RTO?

Section Two:

Identify actual and perceived measures of success by management in acquisitions of Australian RTOs.

1. What do you see as measures of success for an RTO acquisition?

Section Three:

Identify factors associated with sustained performance in acquisitions of Australian RTOs.

1. Post-acquisition, what factors do you think contribute to sustained performance?

Section Four:

Identify factors associated with failure of Australian registered training organisations acquisitions.

1. In your opinion, what factors contribute to RTO acquisition failure?
2. Do you think organisations can learn from RTO acquisition failures?
3. What factors would make you 'walk away' from the deal?

Section Five:

Summary

1. In summing up, is there one thing that you would like to emphasis in regard to RTO acquisitions?

Thank you for your time today.

Appendix Seven: Ethics Approval

-----Original Message-----
From: quest.noreply@vu.edu.au [mailto:quest.noreply@vu.edu.au]
Sent: Thursday, 20 October 2016 3:01 PM
To: Keith.Thomas@vu.edu.au
Cc: kristina.nicholls@live.vu.edu.au; romana.garma@vu.edu.au
Subject: Quest Ethics Notification - Application Process Finalised - Application Approved

Dear DR KEITH THOMAS,

Your ethics application has been formally reviewed and finalised.

» Application ID: HRE16-217
» Chief Investigator: DR KEITH THOMAS
» Other Investigators: MRS Kristina Nicholls, DR ROMANA GARMA » Application Title: A Critical Review of Registered Training Organisation Acquisitions within the Australian Private Education Sector » Form Version: 13-07

The application has been accepted and deemed to meet the requirements of the National Health and Medical Research Council (NHMRC) 'National Statement on Ethical Conduct in Human Research (2007)' by the Victoria University Human Research Ethics Committee. Approval has been granted for two (2) years from the approval date; 20/10/2016.

Continued approval of this research project by the Victoria University Human Research Ethics Committee (VUHREC) is conditional upon the provision of a report within 12 months of the above approval date or upon the completion of the project (if earlier). A report proforma may be downloaded from the Office for Research website at: http://research.vu.edu.au/hrec.php.

Please note that the Human Research Ethics Committee must be informed of the following: any changes to the approved research protocol, project timelines, any serious events or adverse and/or unforeseen events that may affect continued ethical acceptability of the project. In these unlikely events, researchers must immediately cease all data collection until the Committee has approved the changes. Researchers are also reminded of the need to notify the approving HREC of changes to personnel in research projects via a request for a minor amendment. It should also be noted that it is the Chief Investigators' responsibility to ensure the research project is conducted in line with the recommendations outlined in the National Health and Medical Research Council (NHMRC) 'National Statement on Ethical Conduct in Human Research (2007).'

On behalf of the Committee, I wish you all the best for the conduct of the project.

Secretary, Human Research Ethics Committee
Phone: 9919 4781 or 9919 4461
Email: researchethics@vu.edu.au

This is an automated email from an unattended email address. Do not reply to this address.

Terms and Conditions

Please Note the Following Terms and Conditions