

CASE STUDY: RICH HOLE : FROM MINERAIS INC. TO ESKOR INC.

Catherine Lambert¹,
Daphnée Larivière²,
Vanessa Dassylva-Roy³,
Doina Muresanu⁴

Abstract:

The corporate acquisitions and mergers represent a very present organizational reality in the Canadian mining sector. The case "RICH HOLE: FROM MINERAIS INC. TO ESKOR INC." describes the experience of a changing situation (due to an acquisition) of a mining company in northern part of the province of Quebec. This change, initially supposed to touch only the components of the remuneration system, comes with a lot of concerns and discontents on several levels. Addressing to undergraduate students in business administration, the resolution of the case requires advanced knowledge in both human resources and change management.

Key words: mining sector, acquisitions and mergers, human resources management, change management

JEL classification: M12 Personnel Management

Presentation of the context

For several years, the price of gold is constantly fluctuating. Gold mines in general are struggling to cope with these changes, such as the Minerais inc. Rich Hole Division, located in Quebec (Canada), in the Abitibi-Témiscamingue region. Due to the volatile price of gold and a hostile bid, the shareholders of this mining company explored the opportunity to sell it. In 2013, the mining company Minerais inc. accepted the tempting offer of the American mine Eskor inc. As a result, several changes took place and these were not made without questions or concerns.

At the beginning of 2013, the Rich Hole mine was doing very well. At that time, the price of gold was very good, at about \$ 1225 per ounce. Despite all the good intentions of the leaders, a decline was to be expected and they foresaw the decline because they knew that the mines must bear many costs such as exploration, exploitation, administration, labor costs. - work, etc. Knowing all the financial burden of the mine, the leaders knew they would not survive a big price drop. It was at the same time that the mining company received hostile offers for its acquisition.

Rich Hole is a division of Minerals inc. and the latter wanted to sell Rich Hole since it had only one mine to its credit with a few other projects with no real economic benefits. This situation meant that Minerais inc. had no financial protection and as a result, it was completely dependent on this famous gold price.

Minerals inc. received some offers and among these, there was that of Eskor inc. which was particularly interesting. The mine is American and has many projects and some mines to its credit, which means that it is less subject to the price of gold. Minerals inc. therefore accepted the offer of Eskor inc. which has had the effect of removing a lot of shareholder uncertainty and greater value maximization. The sale was priced at several hundred million dollars. With this acquisition, Minerais inc. ensured viability of the mine despite the decline in the price of gold that was more than conceivable at that time.

¹ Student at Université du Québec en Abitibi-Témiscamingue

² Student at Université du Québec en Abitibi-Témiscamingue

³ Student at Université du Québec en Abitibi-Témiscamingue

⁴ Professor at Université du Québec en Abitibi-Témiscamingue, doina.muresanu@uqat.ca, contact for this paper

A wind of change

Prior to the acquisition, the executives and human resources managers of Rich Hole's division had very little information on the subject. Moreover, they did not really have any power in the face of this change. This created a very difficult and disturbing climate for Rich Hole. A human resources manager also heard a discussion between Donald, a miner and Billy, his foreman, who left him thoughtful:

Donald - Hi Billy! I would like to talk to you about my job. In recent weeks, I and my teammates have heard rumors that our mining company will be bought by a big American company. Is it true? Why this change? What will he bring more to the mine? It really worries me.

Billy - Good morning, Donald! You know, I can not really answer your worries. Even though I am in the frames, I have very little information. I tried to go to human resources for more information, but they know almost nothing either. They receive information drop by drop! I just know that if the leaders want to sell, it's for the sake of mine, that's for sure!

Donald - Ah, okay. I'm not hiding that it's stressing me! I am afraid of losing my job if the rumors prove true.

Billy - For now, I can reassure you. I did not hear anything about the fact that employees would be thanked. In addition, I'll admit that for my part, I'm not worried. Nothing is done and no one has information to give us. It does not help much to stress at the moment, we can not do anything.

Donald - That's for sure! If you have news, let us know! We would really like to hear from you. This is a very stressful situation for many minors. Many of us have families and several payments, we hope we do not end up on unemployment insurance. Some, especially me, even think of going back to school to specialize in another occupation if the mine closes or returns employees. I must admit that this option is not tempting for me since I love working here. But hey, we have to think of a plan B!

Billy - As soon as I have information, I'll let you know. Have a good day!

Following this disturbing discussion, Billy went back to the human resources to see if there was anything new.

Following Donald's worries, Billy tried as best he could to go in search of information. Before these discussions with the employees, Billy was not really worried. He did not fear his dismissal like many other people and if it happened, he said he had a plan B since he had a shovel at home and he could, at that time, sell his services. He had already experienced similar situations of change in other mines which made Billy not at all stressed. Despite his calm, he tried to reassure the employees as best he could, since he had no training at this level.

When he arrived at Human Resources, Billy learned that the mine had actually been purchased by Eskor inc. Human Resources had the information earlier in the morning and they planned a meeting in the coming days, reassuring all employees and executives.

HR work

For their part, when Eskor's offer was confirmed, the job of the human resources agents was first to go in search of information and pass it on to the workers in order to make them aware of the situation, but especially to reassure them. In addition, they must listen to them. Knowing that rumors run quickly, it is better to avoid false rumors than having to put out the fires. On the other hand, the collection of information was not so easy. Even for them, it is difficult to have precise answers about this change in progress.

During the official acquisition, several meetings were planned with the senior management of Minerais inc. and Eskor to settle everything. During this time, human resources officers planned meetings with all employees, especially to inform and reassure employees.

As a result of the obligation to act, human resources have had no choice but to implement the decisions of the Eskor managers. Several changes were required to adapt to the needs of the new company. Since Eskor inc. is an American company, insurance, benefits and group RRSPs have not been affected, because of laws and regulations that are different between those of the United States and Canada.

In fact, the determination of wages has undergone some changes. Prior to the acquisition, Rich Hole had his own salary range. It was based on criteria such as schooling, experience, supervision, physical effort, autonomy, impact in decisions and budget management. Each criterion was rated on a scale of 1 to 5, which ultimately gave a salary scale index. After the acquisition, the company had to adapt by using an external firm. She had to make a comparison for all the positions of the mine and for future hires.

The bonuses offered to executives have also undergone changes. Before, the bonus was based firstly on monthly objectives, and secondly, on profit sharing (at the end of the year, if there were profits, it was redistributed to executives according to their year of service. which helps with retention). Now, the new bonus program offers an annual bonus for executive employees, instead of quarterly. The bonus is then based on three main components:

- Based on overall organizational results with other Eskor mines (includes Silverpower, Bright Metals Inc. and Rich Hole mines)
- Based on the annual results of the Rich Hole (achievement of qualitative objectives)
- Based on the individual performance of the employee (Performance Management)

Eskor has also introduced a performance management system that also changes motivation. In fact, each employee sets a goal at the beginning of each year. The latter will have an evaluation at the end of each year to check the evolution of its objective, as well as to set a second one for the following year. Human Resources officers had to put the whole thing in place.

In short, the human resources officers had to adapt by making a comparison for all the positions present within the mine. This comparison was done in collaboration with an external group. Then, the human resources agents redid all the bonus based on the three components mentioned above. For this part of the change, it was necessary for the officers to explain the purpose of this bonus so that all employees understand this new system and adapt to it by setting good annual targets.

Official announcement

Human Resources officers had to accompany senior executives to announce to employees the acquisition and the changes that would follow. This official announcement was made five times: in front of the four different teams of miners and one in front of the executives and surface employees. So it was five meetings in front of more than a hundred people each. The miners did not show a lot of reactions.

Human Resources officers then wanted to reassure employees by inviting them to their offices to share their concerns and answer their questions. Despite the invitation, few employees have been to see human resources managers to ask questions, since it is not easy for workers.

In fact, the miners work far from the human resources offices (a few kilometers away). To meet human resources agents, workers have to travel that distance by truck from the company. It is often difficult for employees to find someone who can offer him a place in their truck. In addition, miners have to come to the surface earlier, which has the disadvantage that they lose their production bonus until they are no longer underground.

In short, following this announcement, the agents gave as much information as possible in order to answer the various questions. They heard of some concerns with word of mouth, but had very few visits from employees with questions.

The end ... really?

With the major change in the mine, several employees were assigned, including foremen, warehouse clerks, miners, and so on. Obviously, the change had given rise to rumors that only increased the fears of some regarding their position.

Billy continued to think about the situation, but in the end he was happy that this change became official because the new leaders have several specialists who are available to the mine to help them during the difficulties encountered. He feels even safer about the survival of the mine. It is certain that with the change concerning the bonuses, it can happen that it is penalized because of the new method of comparison and that it disappoints it. Donald is not affected by this bonus change, Billy told himself. One less disappointment for his employee.

The employees continued their respective tasks following the acquisition of the mine despite the disappointment of some of them for various reasons. This change created worries, but increased the life expectancy of the mine.

Questions

- 1. What is the nature of change and what are the areas affected in human resource management?**
- 2. Who are the actors affected by the change and how way are they affected?**
- 3. Have they demonstrated resistance? Why?**
- 4. Could the change have been achieved in another way? If yes, which one?**

References:

Collerette, P., Lauzier, M., Schneider, R. (2013). *Le pilotage du changement. Presses de l'Université du Québec*¹.

Bareil, Céline (2004). *Gérer le volet humain du changement. Les Éditions Transcontinental et les Éditions de la Fondation de l'entrepreneurship*

¹ The authors can provide the model of Collerette *et al.* (2013) on demand.