UNIVERSITY OF CAPE COAST

HUMAN RESOURCE MANAGEMENT IMPLICATIONS OF MERGERS AND ACQUISITIONS: A CASE STUDY OF THE MERGER BETWEEN ANGLOGOLD COMPANY LIMITED OF SOUTH AFRICA AND ASHANTI GOLDFIELDS COMPANY LIMITED OF GHANA

BY

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DECLARATION

Candidate's declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this University or elsewhere.

Candidate's Signature: ……………………… Date: ……………………

Name: ………………………………………………………………………

Supervisor's declaration

I hereby declare that the preparation and presentation of this dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature: ……………………… Date: ……………………

Name: ……………………………………………………………………….

ABSTRACT

The purpose of this study is to examine the true impact of the Anglo Gold/Ashanti Goldfields merger on human resource management. The study examines human resource management and practices of the two companies before the merger, steps taken to integrate the two practices, and their impact on human resource management of the merged company. Interviews with four key players in the merger negotiations from both Ashanti and Anglo Gold and prepared questionnaires randomly distributed to 100 employees drawn from Accra Head office and Obuasi mine site were used to collect data to support the issues examined.

The study finds that human resource management has very wide implications for merger success in general. Specifically for the Ashanti/Anglo Gold merger, the outcome of the study suggests that the confinement of human resource management to the back burner led to employee dissatisfaction because they did not see their interests taken into consideration.

It is expected that this study will add to existing knowledge about the impact of mergers and acquisitions on people issues, especially from an African perspective. Companies that are going into a merger and or acquisition will find this useful as a guide towards smooth integration in order to prevent some of the frustrations encountered by employees which undermine the realization of the very benefits that these companies expect to gain from these mergers.

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Last, but not the least, to Professor Jane Naana Opoku-Agyeman, my sister, mentor and role model. If all sisters were like you, what a pleasant place the world will be.

DEDICATION

To the memory of my late mother, Jane Edith Kwofie.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS

AG	-	Anglo Gold Limited
AGA	-	Anglo Gold Ashanti
AGC	-	Ashanti Goldfields Co. Ltd.
HR	-	Human resources
HRM	-	Human Resource Management
Lonmin	-	Lonmin Plc
Lonrho	-	London and Rhodesia and Land Company
M & A	-	Mergers and Acquisitions
NLC	-	National Liberation Council

CHAPTER ONE

INTRODUCTION

Background of the study

The merger between Ashanti Goldfields Co. Ltd. of Ghana, West Africa (AGC) and Anglo Gold (AG) of South Africa represented a significant milestone in the development of the mining industry in Ghana and Africa. For the first time, two African gold mining companies were coming together to form what was expected to be a world leader in gold production with one of the largest gold reserves in the industry.

The merger generated a lot of excitement for the whole country, especially for employees of AGC who were convinced by their leaders to support this decision of the Board as the best option available to solve the company’s financial difficulties. Meetings were held with shareholders to seek approval for the merger, and in May, 2004, the newly merged company, Anglo Gold Ashanti with headquarters in Johannesburg and West African regional offices in Accra was born.

Ashanti Goldfields was founded in 1987 and listed on the London Stock Exchange the same year. In 1969 it became a wholly owned subsidiary of Lonrho Plc, a United Kingdom – based company. In 1972 the Ghanaian government by Decree (NLCD132) gave the state 55% ownership of the mine. In 1994, as part of its divestiture policy, the government of Ghana sold part of its holding in Ashanti in a global offering. In connection with that offering, Ashanti was reorganised as a Ghanaian public limited company and began trading on the Ghana Stock Exchange. In 1996 it listed on the New York Stock Exchange. As at February 2004, the Ghanaian government owned about 16.8% of the company, Lonmin owned 27.4% and the rest was owned by individuals.

Unfortunately, the price of gold and the share price of the company in the late 1990s continued to dip, and local economic conditions began to worsen. As a result, workers of AGC in Obuasi staged a two-week violent strike action in May 1999 to back a demand for pay rise of 500%. The combined cost of mayhem and absence of productivity was put at $50million. A settlement of 6% was finally reached with the company's employees and business resumed as usual, or so it seemed (Anglogold Ashanti, 2004).

The AGC was soon to suffer a further major financial set-back when in September of the same year; fifteen Central European bankers issued a press statement which sought to restore gold as a 'reserve asset'. This caused the price of gold to rise, and companies like AGC which had hedged against the previously trading low price found themselves in debt. This state of affairs was to set the tone for the company to eventually have to look for a merger partner (Taylor, 2006).

Statement of the problem

The Board of the AGC, in 2004 decided to merge with the more solvent Anglo Gold of South Africa mainly to resolve its financial crisis. This nightmare had arisen as a result of a combination of technical problems, high overheads, and a malignant hedge book which had gone into overdrive and left the company with insurmountable debts. Indeed, shareholders of Ashanti received no dividend between 1999 and 2003 (Anglo Gold Ashanti-AGA, 1999); (AGA, 2000); (AGA, 2001); (AGA, 2002); (AGA, 2003).

The merger between AG and AGC is, at the time of this study, three years old. Shareholders have received dividends to demonstrate the financial benefits of the merger. However, the reaction of AGC employees appears to suggest some level of disappointment with the merger outcome. They feel betrayed by their leaders because promises given them that things would change for the better and that day-to-day administration would stay the same after the merger had not been kept. The manner in which human resource management policies and practices were addressed before and after the merger appeared to have impacted negatively on the overall merger outcome.

The researcher, who was the General Manager – Human Resources at the Obuasi Mine during the merger and soon after, observed a low level of morale on the mine which resulted in treats of industrial unrest the workers. Also, the general perception among several employees from discussions held with them appeared to suggest that the merger had failed to meet their expectations to be active players in the newly merged company. The new company had introduced voluntary severance which cut across the mine. The company also recruited expatriates to replace competent Ghanaians. There was poor communication and a different management culture. All these combined to rob them of their expectation of the merger outcome.

The problem associated with integrating the two organizational structures, dealing with cultural differences, building trust, and dealing with merger promises does exist. While existing literature from merger experiences acquired from European and American companies identify these issues as a problem, there is very little contribution from the African perspective. This study aims to find out how the knowledge of the full effects of HR policies and practices before, during and after mergers, can assist in the brokering and implementation of a successful merger.

Relevance of the study

The findings of this study provide useful specific information for the management of AGA to iron out significant and outstanding post merger human resource management issues. In general, companies that are considering merging and/ or acquisition in Ghana, especially, should find this study useful. Researchers should also find this focus on a Ghanaian experience worthy of further enquiry into the impact of HRM on mergers and acquisitions.

Objectives of the study

The general objective of the study is to examine the human resource management (HRM) implications of the merger between Anglo Gold of South

Africa and Ashanti Goldfields Company Limited of Ghana in order to suggest ways of improving human resource management.

The specific objectives of this study were to:

- Describe the state of human resource management in AGA;
- Identify gaps in the human resource management system in AGA;
- Evaluate the effectiveness of human resource management in AGA;
- Make recommendations to the management of AGA on strategies that can be used to enhance human resource management in AGA.

Research questions

In order to address the specific objectives, the following questions were posed:

- What is the state of human resource management in AGA?
- What gaps exist in the human resource management system in AGA?
- How effective is human resource management in the new company?
- What recommendations can be made to AGA management to improve human resource management in the company?

Scope and limitation

The scope focuses on:

- The methods of negotiations and communications used before and after the merger,
- Expectations of employees and

- Other HR issues like voluntary severance and employee morale etc in AGC before and after the merger.

This study made reference to the corporate Head Office in Accra Ghana and the Obuasi mine site which at the time of the merger employed the largest number of people and was the most complex of Ashanti's operations combining surface, underground, and tailings mining of gold. Some key employees who led the merger have resigned or retired and several live outside the country. There is a major redundancy exercise going on in Obuasi and is expected to cut across all levels of staff. This made gathering information from these employees challenging. The cost of travel, time frame and modes of electronic communication also posed challenges but were addressed as practically as possible.

Organisation of the study

This study comprises five chapters. Chapter one comprised background to the study, the problem, relevance of the study, objectives of the study, including general and specific objectives, research questions, scope and limitation of the study, and organisation of the study. Chapter two reviewed the existing literature on the study area. This comprised of views of various authors and their research findings on the human resource implications of mergers and acquisitions. Chapter three dealt with methodology, comprising research design, data collection methods, data processing and analysis. Chapter four covered a presentation of the results and analysis of findings. Chapter five includes the summary of findings, conclusions and implications of findings for further research and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

This chapter covers review relevant literature of major works in the area of Mergers and Acquisitions (M&A) and their implications for human resource (HR) management. It captures a review of major concepts of mergers and acquisitions; why the need for this phenomenon; how they have been done, their importance in the world of business; success and failure stories. This chapter also embodies a conceptual framework of motives for mergers, typology of mergers and their relationship to human resource issues and practices and how these impact on its management.

Concept of mergers and acquisitions

Mergers and Acquisitions represent part of a strategic approach used by many firms to achieve various objectives, major ones being to gain technical expertise or knowledge, expand into new markets or allocate capital. The motive of a merger in turn influences the extent to which the merging firms and their human resource practices are integrated after the merger. The need to plan well in advance and at the preparatory stage, have a systematic procedure or set of policies, particularly with regard to human resource issues cannot be overemphasised. Also because human resource issues are generally poorly understood and managed, they frequently do not meet performance expectations or even lead to divestiture (Louis, 1982, pp. 84-89).

Some researchers such as Buono, Bowditch and Lewis (1985), Mirvis (1985), and Wishard (1985) have examined the effect of mergers on HR management issues such as culture, structure and employee reactions. Understanding the impact of human resource issues on mergers and acquisitions is important because much of the information is unrelated to theory and thus cannot be applied broadly (Napier, 1989).

Merger and acquisition decisions and negotiations still typically centre on financial and legal issues, and rarely involve the personnel function. In a survey carried out by London Business School and Egon Zehnder of 40 British acquisitions, all 40 companies conducted a detailed financial and legal audit of the company they intended to acquire, yet not one made any attempt to carry out any audit of the company's human resources to assess the indigenous talent they were acquiring. Mergers are associated with job losses and a high rate of voluntary labour turnover. A number of studies report executive turnover in the first three years of acquisition, as high as 75 percent; and a staff turnover of at least 30 percent (Cartwright and Cooper, 1995).

Some commentaries draw similarities between mergers or acquisitions and the biological immune system of a human body. The immune system of a company, like the human body, is threatened and reacts as appropriate when new teams of decision – makers from merger acquisitions introduce new ideas and values into the host organization. A company merging with another only 25 percent its size intrudes 25 percent of new ideas into the existing population. The resultant reaction just like the body rejecting intrusion by disease is to raise temperatures among people (especially the minor partner), create tension, stress, exhaustion and other forms of rejection mechanisms. Turnover is very high, in-coming culture is rejected by the affecting people. When this intrusion rises above the tolerance limits resistance becomes the operating word. Individuals become bitter, and all the active promises made before the merger, so far as the employees of the acquired firm are concerned is now considered bait used to sell them out. Porter (1987) analysed 2700 mergers in the USA over a 36 year period and found a failure rate between 50 and 75 percent. Porter observed that the failures were mainly related to human problems.

One may sum up the perception of the employees by referring to a statement made by Cartwright and Cooper (1995: 34) that

- the publication of a plethora of distressing and often bitter anecdotal
- reports from displaced executives or merger casualties provoked
- considerable hypothetical speculation. The useful analogy between merger
- and marriage was identified and raised the important issue of partner
- compatibility; also there was recognition that merger or acquisition is a
- potentially major destabilizing life event in terms of its impact on the
- individual involved.

In terms of the degree of a person's adjustment and its anticipated stress, the event is considered to be comparable with bereavement.

History of mergers

Recent years especially the past two decades have seen an appreciable world-wide growth in mergers and acquisitions among business concerns. In 1989, there were 2,028 acquisitions in the United Kingdom (UK) (Acquisitions Monthly 1989) and 3,412 in the United States of America with the cost in 1989 alone estimated at US$355m. This upsurge in merger, acquisition, and other forms of collaboration activity reflects the changing social, economic, technological and market environments in which organisations now have to operate and respond. A survey of 12,000 senior managers in 25 countries drawn from six continents found that 45 percent of companies employing more than 1000 people had been involved in merger, divestiture or acquisition activity in a two year period between 1989 and 1991 (Kanter, 1991).

While the UK and USA have dominated the merger business, M &A among Japanese and German organisations have also increased substantially. Although the UK remains the direct investor in the USA with $123bn in assets at the end of 1989, it is estimated that Japanese Companies now have bought or built interest in at least 1433 US manufacturing plants employing some 300,000 people. At the same time there has been a trend towards the formation of joint ventures and other forms of strategic alliances. Between 1984 and 1988, the

European Commission recorded a 64 percent increase in the number of joint ventures between EC member states and non EC countries (Morita, 1992).

In spite of available powerful strategic arguments for partnering to gain competitive advantage the evidence continues to suggest that "conventional wisdom alone is an insufficient catalyst for releasing or achieving the synergistic potential of many 'promising' combinations). Estimate of merger failure rates vary from a pessimistic 77 percent to a more optimistic 50 percent (Cartwright and Cooper, 1995).

Motives

Research in finance, economics and strategic management provides the two major accepted categories of motives for mergers. These are financial or value maximising motives and managerial or non-value maximising motives (Holpern, 1983, Mueller, 1977).

Financial or value maximising motive

Under the financial or value maximising motive, the merger creates value for the shareholder and increases profits e.g. merger between Anglogold and Ashanti Goldfield Co. Ltd. (Anglogold Ashanti Ltd Information Memorandum (3rd March, 2004 Inc. (Pty) Ltd. "Such motives include increasing synergy through economies of scale or scope, applying knowledge and skills from one organisation to another and controlling a target firm's management and board to affect future performance" (Jenson and Ruback, 1983:5).

Non value maximising motives

This assumes other reasons for the merger which may include increasing sales or asset growth, increasing management prestige or power, and using mergers as a way to decrease uncertainty in the firm's external environment (Pfeffer, 1972). The literature does not link merger motive to outcomes, resulting in scanty information about how they may affect the structure or characteristics of merged firms during the implementation stage. Although researchers acknowledge the importance of whether or how mergers undertaken to achieve economies of scale affect employee reactions, careers, reporting relationships or compensation policies, these questions are not formally addressed, (Jenson and Ruback, 1983). Finance researchers agree that there are a variety of reasons for mergers and acquisitions but neglect the question of what impact those reasons may have on the mergers' implementation or how they affect human resource aspects (Napier, 1989).

Types of mergers

The US Federal State Commission classifies mergers into four categories: horizontal integration, vertical integration, concentric diversification and conglomerate diversification. These classifications seek to indicate a level of 'fit' between merging companies and to some extent, the strategic purpose of a merger or acquisition. The types of mergers are briefly described below.

Horizontal integration

A horizontal merger occurs when two firms producing the same product come together to create a bigger market share for their products e.g. the merger between Kumasi Brewery Ghana Ltd. and Achimota Brewery Ghana Ltd. was aimed at increasing a bigger market share for beer. The merger between AGC an AG was also to create a bigger producer of gold.

Vertical integration

When two firms producing different components of the same product merge: example, a car making company may merge with a company producing bolts and nuts that it depends on so that the two create a mutually beneficial company.

Concentric diversification

This occurs when companies performing different but related businesses merge e.g. a company producing winter clothes may merge with one producing summer clothing in order to ensure all year round marketability.

Conglomerate diversification

This occurs when a particularly large firm acquires a business which in its view represents the most promising investment opportunity available. The principal concern of the acquiring firm is the profit pattern of the venture and not the creation of product market synergy with existing busines (Pearce & Robinson, 2003)

The effects of merger on human resource management

Researchers have analysed other forms of mergers in considering the human resource post merger outcomes that usually take place. It is suggested that merger types and human resources practices should relate to merger outcomes, such as financial performance or employee reactions e.g. turnover, satisfaction, employee performance or absenteeism (Napier, 1989). From a managerial perspective, Pritchett (1985), describes the relationship between the merging firms as more or less co-operative and offers four types of mergers – rescue, collaborative, contested and raid.

Schweiger and Ivancevich (1987), define merger and acquisition transaction as mergers, planned divestiture, friendly acquisition and hostile takeovers, while Walter (1987) describes four reasons for mergers: to pursue related diversification, increase competitive strength, maximise earnings or limit risks. The typology presented for mergers suggests that motives for mergers (i.e. value maximising or non-value maximising) and the characteristics of the merging firms (e.g. sizes, resources and potential performance, similarities of cultures, business relatedness or image of each firm in the market place), may suggest a type of merger to pursue, whether extension, collaborative or redesign.

Extension merger

This type of merger allows one firm to merge with or acquire another for a "growth related" reason like a managerial pursuit as a way to diversify. Even though the acquirer may desire growth, it may not want to invest much other than financial resources, at least during the period immediately following the acquisition (Holpern, 1983, pp.41). The impact on human resources and other practices in an extension merger is likely to be low. By definition, the acquisition remains relatively independent. Thus the expected relationship will be distant yet "approachable." As with the Bank of America- Seafirst situation, the acquired firm may have access to the acquirer firms' skills, talent and resources when it needs them, but there is apt to be little active meshing of practices or moves to redesign policies.

Collaborative merger

In collaborative mergers, two firms join if the combination will benefit both firms in terms of operational output (production, marketing or prices) or financial gains or if one of the two firms will benefit in either output (exchanging skills, for example) or financial gains. The first type of collaboration is a synergy and the other is an exchange acquisition or merger.

Synergy combinations generate benefit from both product output and financial gains to both firms including creating a critical mass of resources to gain competitive advantage. In an exchange merger, an acquirer seeks some specific skills that can be transplanted from an acquired firm back into the acquirer. (Sater & Weinhold, 1987).The effect of collaborative mergers on human resources practices may be extensive; the change of practices could be significant in both firms in a synergy merger, new policies for both firms develop out of the existing ones. In an exchange merger, one and perhaps both will adapt to policies from the other firm, which are essentially new to the receiving firm.

Redesign merger

In redesign mergers, one partner seeks to gain control of another firm, especially if the acquired firm is in financial difficulty. If the acquirer is more advanced or sophisticated in technology or management skills or the image of the acquirer is stronger than the acquired firm, the acquired firm may be better off "moulded" or redesigned to the image of the acquirer. The impact on HR practices in this type of merger would typically mean adoption of policies, procedures, use of personal manuals and other such practices in the redesigned organisation.

Impact of mergers on human resource policies and practices

Existing literature suggests that the type of merger informs the corresponding impact on HR policies and procedure, for example, where a conglomerate acquisition is designed as an extension, integration would mainly be limited to financial criteria rather than HR issues; for other types e.g. horizontal merger designed as collaborative integration is likely to extend to operational and human resource issues or functions.

Typology suggests that the planned degree of integration will influence the type and extent of change in HR practices in each firm. Existing literature again suggests that mergers and acquisitions may lead to changes in major HR policy areas such as planning, selection, development, compensation, performance appraisal and employee relations (Bradly & Kora 1984).

Human resource planning, selection and turnover

Mergers do influence human resource planning, selection and turnover. The present framework suggests that top managers' turnover is affected by merger type. In collaborative and redesign mergers, there is greater integration and likelihood that one (usually the acquired) or both firms will undergo changes in management policies and direction.

Such changes in collaborative or redesign situation may mean the acquiring firm will need to identify which managers to keep (not necessarily top managers), provide replacement for the terminated managers and restructure human resource planning in the acquirer to incorporate remaining target. Because of anticipated changes in HR policies affecting performance expectations in the 'Redesigned' firm, there is a high chance that many managers in the firm will leave, voluntarily or involuntarily.

Top managers may also be likely to leave in collaborative mergers because of a perception of a lack of control following the merger. The managers may find their ranks or positions unclear, and this may create discomfort that may drive them into other organisations where they find their positions and ranks better clarified.

Compensation and benefits

An obvious change likely to occur in a redesign merger undertaken to gain control of management or the board will be a different criteria and compensation, and benefit programmes in the acquired firm. Because these policies are more visible, are likely to lead to cross firm comparison among employees further suggesting the need for consistency of policies. Marks (1982) gives as an example, a situation where sales people in an acquiring firm found their compensation practices and wage levels not as good as those in the target firms. The only way to remove low morale and productivity was for management to match the wage levels.

Human resource development and employee relations

The type of merger is also expected to relate to the extent and nature of employee relations and development in the acquiring and acquired firms. Several researchers including Steele and Obsorne, (1983) and Marks (1982) have discussed the importance of preparing and communicating information about a merger as a critical aspect for employee morale and productivity. Even though the reasons and approaches for mergers may vary, employees involved (whether in the acquiring or acquired firm) are likely to be interested in the reasons for the impact of the merger on the human resource management of the organisation, since these directly affect them one way or the other.

The impact on people in extension mergers will be relatively low once employees understand these and may be more willingly to accept limited information in the future. In redesign mergers, the acquired firm's employees will clearly need much communication and training in order to understand all the issues, in order not to make wrong assumptions for the purpose of the merger. Employees, for example may assume an acquisition was pursued because the acquired firm faced financial difficulties, and this may cause unnecessary tension. The emphasis in redesign mergers is likely to be on employee relations and development in the acquired firm. Acquirer employees need to be aware of the probable frustrations they will encounter dealing with acquired firm employees trying to learn new things in the acquiring firm.

Collaborative Mergers are apt to require employee relations and development action in both firms. Clearly synergy mergers may generate the greatest need for training and communicating, since employees from both firms are learning new ways of doing things.

Timing

Existing literature is inconsistent on the timing of changes for integrating human resource policy. While some researchers suggest changes should be immediate upon consummation of the merger (Searby 1969), others like Steele and Osborne (1983) and Marks (1982) propound a phased approach with the first three months used to retire or replace managers whose skills are no longer compatible with the merged firm's goals, and the second three to six months used to adjust human resource policies. However, the typology of the merger would determine the timing for change in HR policies. Extension mergers would require swift changes as these are relatively small, while redesign mergers would require changes of between twelve to eighteen months.

Collaborative mergers, particularly synergy type, would be likely to take the longest time for integration, since the partners would be inclined to review operations in both firms to identify areas that would be restructured. Exchange merger integration could also occur over a year or longer as the firms identify strengths in each firm that could be useful to the other. The lengths of times for each major phase of the merger can vary significantly.

Emerging issues

Cultural dimension of mergers

The role of organizational culture has increasingly emerged as a salient factor affecting the integration process and so influencing merger outcomes. The concept dates from an article in the Harvard Business Review on Organizational Ideologies, titled ‘How to Describe Your Organization’ and which received widespread attention from managers when the link between culture and organizational performance was powerfully argued.

The wider application of the concept of person-environment fit to an organizational context has been useful in emphasizing the inadequacy of a purely person-skill match. Work takes place in the presence of others in a particular organizational setting. The individual worker has to fit in with other employees and with the organizational climate, style of work and so on. Disappointing work performance therefore, is likely to be associated with poor person– environment fit, unmet expectations, cultural incongruity, and result in low job satisfaction.

If two organizations come together and their cultures are incompatible to the extent that many employees no longer fit into the environment and its dominant culture, or find the cultures ambiguous, fragmented or conflicted, the effects are likely to have a substantial and large- scale impact. The effect of combining different cultural types, as it influences managerial style, employee perception both prior to and during the integration period and the extent to which a single coherent culture emerges, is likely to have important consequences for both individual and organizational merger outcomes.

Organizational culture can be broadly considered as falling into four main types: Power, Role, Task/Achievement and Person/Support (Pearce and Robinson, 2003). Certain types of organisational culture are generally experienced by employees as more satisfying than others, depending on the degree of constraint they place on the individual (Cartwright and Cooper, 1982).

When two organizations combine, the resultant contact or acculturation invariably produces some form of culture shock. The effects may be mildly unpleasant, surprising and novel or extremely disturbing for organizational members, depending on how individuals evaluate the attractiveness of the other culture in comparison with and the degree to which they value their own culture (Cartwright and Cooper, 1982).

Stress dimension of merger

Empirical studies report evidence of stress-related physiological and mental health problems likely to have a negative effect on the performance of a substantial number of employees continuing up to six months or even for years after the initial organizational transition. In a study of 157 UK Savings and Loans institutions managers involved in so described “friendly” merger between two culturally similar organizations, post-merger measures of mental health taken six months after the merger became operational found that managers from both merging organizations had adverse mental health scores significantly higher than the general population norm. An abnormally high percentage of them recorded scores on the Crown-Crisp Experiential Index (CCEI), a clinical measure of mental health comparable with psychoneurotic outpatients (Crown and Crisp, 1966).

The human and financial cost of occupational stress to business and industry is increasingly being recognized. The US industry loses about 550 million working days due to absenteeism, with 54 percent of these absences attributed to stress (Elkin & Rosih, 1990: 739).

Best practice human resources management model

A good human resource management system in a successful merger has a characteristic process and actors. The process involves pre-merger planning, communication, retention of key staff, training and development with members of a merger and post-merger integration team as the actors. “The Case Against

Mergers," says that 'the deal breaker is usually bad post-merger planning and integration. If a deal is to stand any chance of success, companies must move quickly and decisively to appoint the new management team, cut costs and resolve cultural issues.'

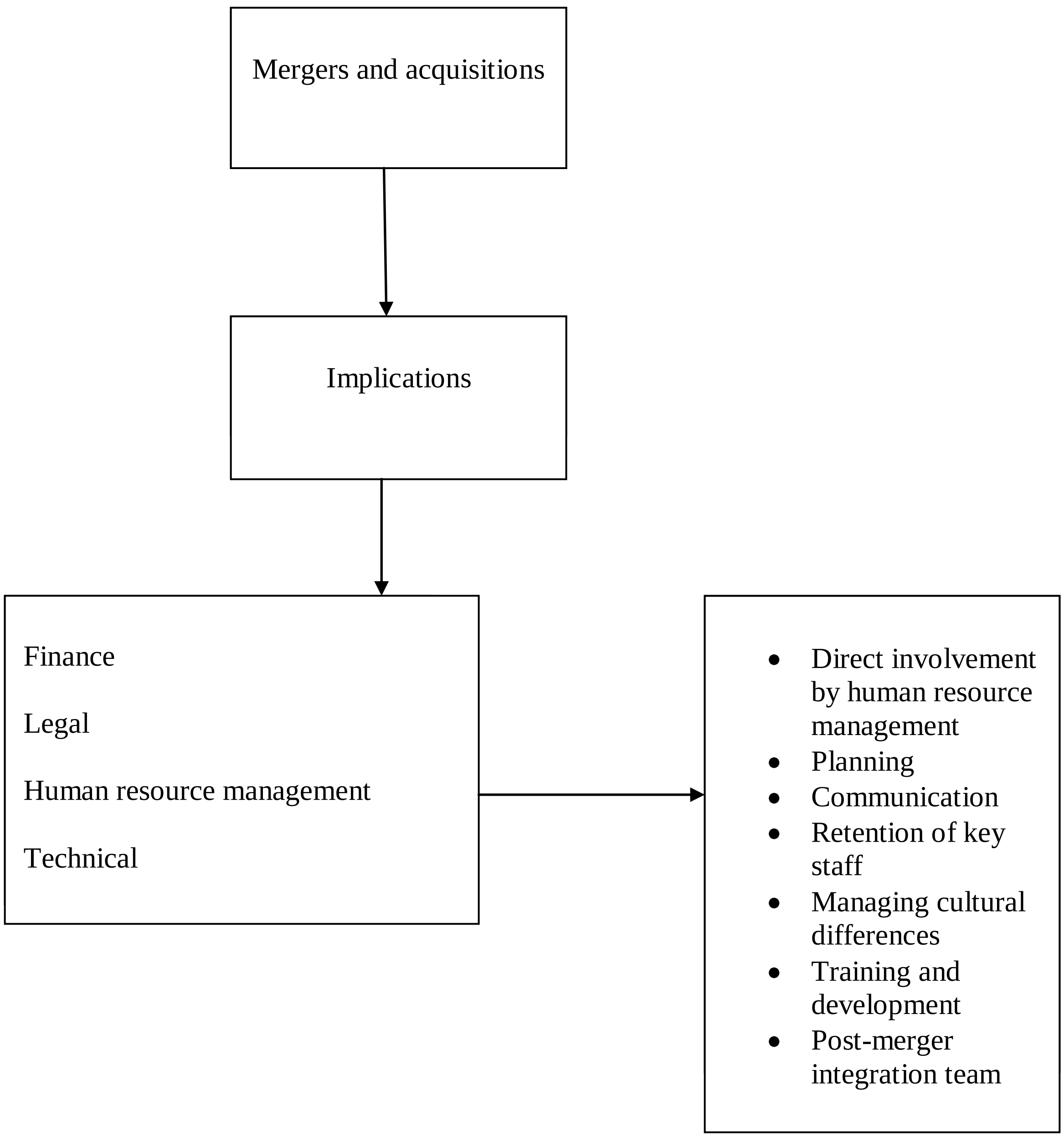

Figure 1: Best practise model of a successful merger

Source: Author's construct, 2009

Direct involvement by human resources

Existing literature, as already stated, suggests that the early planning discussions of mergers and acquisitions do not involve human resource practitioners, and these results in several post-merger problems including outright failure. In order to avoid this, human resource managers should be involved right from the due diligence stage to manage planning, communication, retention of key staff, cultural differences, training and development, and form part of the post-merger integration team.

If the legal and financial experts are driving the strategic work behind the integration, then a number of important considerations critical for the financial success of the merger, such as the productivity of the new employees, may be overlooked unless human resources and corporate communications staff provide their input.

Planning

Careful and early planning has been shown to influence the success of a merger. Success in merger and acquisitions correlates directly with the level of planning that goes into them. Plans must include realistic goals and reasonable timeframes and should cover all key aspects of an organisation including people, systems and organisational processes. They should also focus on work structures and processes between the merging organisations and on implementing structures and procedures that will allow the organisation to handle change brought about by the merger. Effective planning leads the way to a smoother implementation process and maximises the chances of success of the merger (Pinnell, 2001).

Communication

Extensive and regular truthful communication of issues before and after the merger is crucial for success. To be effective, the communication process has to be carried out in such a manner as to avoid confusing and mixed messages. The first issue to consider is the very people who have to carry the message. These have to be human resource staff members that are known to the institution and have always managed internal communications. The staff members need to communicate honestly, without vain promises and to focus on positive issues, otherwise rumours can begin to emerge, and this can have a negative impact within and outside the organisation.

Management must communicate clearly and regularly to all employees, all the implications of the merger including the planned changes and organisational processes, at all stages. The communication process should encourage a two-way feedback between management and employees to make the employees to feel that they are contributing to the merger process. By involving people at all the levels of the organisation, the merging companies are encouraging widespread acceptance of the merger process and reducing feelings of insecurity.

Retention of key staff

The retention of a talented and experienced workforce, which is often a major reason behind the decision to merge, should engage the attention of management both during and after the merger. Truthful and thorough communication with employees can play a significant part in management's retention strategy. Effective communication in this regard can reduce employees' sense of insecurity and give them a better picture of what the future holds for them. If management does not disclose thee true implication of the merger, they will lose the trust of their employees, causing them to either leave the company or remaining but losing their motivation to produce their best. "Don't expect employees to show loyalty if the employer does not act with the utmost integrity and sensitivity."

Pay and reward strategies also play an important role in the retention strategy. These should be addressed early on in the merger process and should not only focus on senior executive pay, but on the remuneration of employees at all levels of the organisation. Rewards must be the cement that helps bind the new company together more positively and effectively.

Managing cultural differences

Organisational culture is the set of important assumptions (often not stated) that members of an organisation share in common. An organisational culture is similar to an individual's personality-an intangible yet ever-present theme that provides meaning, direction and the basis for action (Pearse &

Robinson, 2003:298). Companies that are merging therefore ought to be aware of their cultural differences and the need to integrate them as essential towards achieving successful partnership and avoiding potential clashes and misunderstandings between the people in the two companies.

Conducting a cultural audit is an effective way of obtaining useful information about the two companies' differing cultures and helps evaluate differences and similarities in work standards and practices. That information can raise awareness of potential difficulties and issues in the merging process and allow the merging company to take steps to minimise culture clashes by building an effective communication structure (Pearce & Robinson, 2003). Part of the communication process should bring together people at various levels of the two organisations (not senior level only) and encourage them to take part in both social and professional activities together. This will bring out similarities and differences and help the two companies build on their common ground.

Training and development

The general perception is that mergers and acquisitions have become such a reality in business that normal training and development in all organisations should involve this topic, whether companies are considering merging or not. This is to prepare employees in case the need arises.

Under the best practise model, a company considering going into a merger should provide training in this area to senior and middle level management and should focus on all aspects of the merger process, including how to communicate these to the rest of the organisation. Such interventions will facilitate more effective leadership on the part of managers, who will have a better understanding of the key issues that arise during the course of the merger. Where managers cannot answer issues well, junior employees tend to distrust whatever they hear and also assume that executives are hiding the true intentions behind the merger. Effective training and development makes all employees feel part of the decision making process and give their support to the process (Pinnell, 2001).

Post-merger integration teams

Interviews with experts and the literature suggest that a full time post-merger integration team comprising all the critical areas of the organisation-finance, legal, human resources and operations should be set up and allowed to operate for between twelve and eighteen months into the merger. This will allow the team to manage the merger process, identify all issues arising, offer quick solutions to these and also collect and store information for future use.

Conclusion

There is a major role for the human resource management function in mergers and acquisitions. A review of the literature suggests that researchers concerned with success and / or failure look at contextual variables and longer-term contributions to integration, than at immediate personnel issues. Yet the evidence from analysis of failure and best practise model indicates that many personnel issues including, communications, managing cultural differences, training and development, are just the questions employees want answered immediately.

Researchers looking to the process of social interaction over time as an explanation tend to see the longer term interventions as the secret of success. In reality, winning the hearts and minds of employees is an immediate necessity and this involves the human resource management function before and after the merger.

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This chapter discusses the procedures used in the collection of field data for the study. It covers the study design, description of the study area, sampling procedures, data collection techniques, and sources of data.

Data types

The study is descriptive and involves comparative analysis of the human resource management before and after the merger. It describes the human resource management system in AGA before the merger, and identifies similarities and/or differences between the human resources practices before and after the merger. The Accra Head Office or Corporate office, housed all the strategic functions of the company. The reason for selecting members of staff of the head office in Accra was because they had first hand information about the merger. Also, because it was the venue for most of the pre and post merger meetings, staff members at head office were also in a position to interact with the various members who attended these meetings.

Since one of the key attractions of the merger, as previously stated, was to acquire information about the underground operations of the AGA Company based at Obuasi, the employees of the company were perceived to feel the direct impact of the merger first, and this accounted for their selection. Obuasi (which translates under the rock) is a mining town located in the Ashanti Region of Ghana with a population of about 100,000. It has had a long history as a gold mine, and boasted the world's richest underground gold deposits. The population is made up of mainly miners, farmers and traders. Employees at the AGA company were noted for their hard work and resolve, and also took enormous pride in their contribution to the success story of the mine (AGA, 2003).

Sampling techniques

Purposive sampling was used to select the human resource and other key staff who actively participated in the merger. These groups of respondents were chosen for the study because they had a lot of information about the merger and therefore could provide sufficient information. The human resource and key staff merger participants were drawn from the Ghanaian and South African merger committees. Simple random sampling was used to select 100 respondents out of 645 workers from Accra and Obuasi. All the 645 workers were assigned numbers after which the researcher generated random numbers from excel. The first 100 numbers ending with five were selected. The proportionate was applied to select 20 from Accra and 80 from Obuasi. The sample of 100 was adequate as the design is a case study and sample sizes are not very important in case studies (Sarantakos, 2005).

Data collection methods

A structured questionnaire was used to interview the key staffs of the company. The questionnaire was prepared and discussed with these respondents. It was a combination of open and close ended questions and was divided into seven sections. Open ended questions were largely used to give the respondents the freedom to express their feelings and thoughts. The first section focused on the respondents' impressions about the methods of communication that were used by management to inform them about the merger. The second part of the questionnaire dealt with the working conditions of staff members when the merger was effected. Part three examined the impact of the merger on the members of staff' careers. Section four ascertained whether or not the respondents co-operated among themselves when the merger was established. The fifth section examined the operating culture of the merger. Part six gave room for the respondents to comment on the merger. The seventh part of the questionnaire examined the demographic characteristics of staff members with regards to their gender, job designation and employee type. Appointments to administer the structured questionnaire were sought and duly held at the convenience of the respondents, both in Johannesburg and Accra. Permission was also sought and obtained to carry out the data collection exercise in Obuasi.

Data processing

Questionnaire returned from the field were studied to make sure that all answers were correct and consistent. Likert scaling was used in order to measure the attitudes of the respondents towards certain current practises. The Statistical Product and Service Solutions (SPSS) was the software that was used in obtaining the frequencies for the various objectives. The summarised data show distribution of frequencies, means, percentages and ratios of the responses.

Data analysis

The data was examined in the face of the responses, and the essential features and relationships determined. An analytical framework – human resource management policies and practices before and after the merger - was used to compare human resource management effectiveness in AGA.

The pre-merger questions were used to determine whether best practise model was used to drive the merger. The framework of the best practise model assumes that employees would have assumed the merger to have been successful if people issues had been addressed thoroughly.

Ethical consideration

The ethical practices pertaining to research in the social sciences were strictly adhered to. Respondents were guaranteed the right to informed consent and confidentiality.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

The analysis covers a description of best practice human resource management system for mergers and acquisitions; the state of human resource management in Anglo Gold Ashanti (AGA); the effectiveness of human resource management in AGA; and areas of improvement in human resource management in AGA.

HRM implications of the AGC/AG Merger

The typology of the human resource management implications of the merger between AGC and AG fits into a cocktail of Collaborative (both Synergy and Exchange) and Redesign. The two companies merged their operations and names (Anglo Gold Ashanti) and sited their headquarters in Johannesburg, South Africa. The benefits of this newly merged company, were listed to include

- Growth/Upside Potential: to provide an enhanced production profile
- Synergies – benefits derived from reducing financing and administrative costs
- Scale – AGA will have the production base ore reserves and financial resources which are anticipated to generate future value

- Operating Strength – AGA will have a portfolio of long life, low cost assets and different ore body types in the key gold producing areas of the world and
- Investment Appeal – the company is anticipated to have growth potential, size, liquidity and dividend yield to enhance appeal to the investment community (AGA, 2004, pp. 16)

The document was however silent about people-related issues like how the human resource management of the two companies were going to be integrated. Management of both companies through verbal communications assured Ashanti employees that the human resource management would not change for the first two years after the merger. What it did not tell them, was what to expect after the two years.

Human Resource management in the newly merged company therefore assumed an extension nature. This included no change in job titles, reporting structures, remuneration, disciplinary and exit policies and procedures. At this stage, the impact of the merger on human resource practices appeared low. The exchange nature of the merger however was seen in the transfer of skills and functions from one part of the company to another. For example, the creation of a department for Mineral Resources and Workplace Environment in Obuasi and managed by staff members from Anglo Gold, and the transfer of some staff from Ghana to South Africa, no sooner than the merger came into effect.

Anglo Gold was financially stronger and had more experience and better resources in terms of underground mining. By using this position to influence the change in board structure and also transferring skills and resources into Ashanti, Anglo Gold redesigned Ashanti. This combination of merger types also suggests how the human resource practices have been diversely affected.

State of human resource management in AGA

The state of human resource management in AGA were examined in terms of the extent of involvement of human resource managers in the pre-merger planning of the company, communication on merger issues, retention of key staff in the company, training and development of staff members, cultural differences of the merger company and the post-merger integration team of the company.

About 90% of the employees of AGA feel that the promises made to get them to buy into the merger have not been fulfilled. An analysis of the interviews conducted with the employees brought out the differences between the best practice human resource model in a successful merger and the merger between AG and AGC. The same 90% of the employees said that an ideal human resource system will ensure that promises made to employees are often fulfilled, but this was not the case with AGA. The respondents added that the company has failed woefully in fulfilling its promises to employees.

Extent of involvement of human resource managers in pre-merger planning

The managers agreed that even though human resource managers were part of the merger committee, human resource issues constituted only 11% of the discussions. Priority was given to finance (50%), legal (38%), and government/public interest (1%). Even though getting employee commitment featured prominently during the discussions, the unions and senior staff associations had limited involvement in the merger process. Employees were only told to expect no change in human resource management within the first two years after the merger. The overall effect was therefore negative. The best practice model, however, points at the direct involvement of human resource management from the due diligence stage to post-merger integration, in order to avoid several problems including outright failure.

Communication on merger issues

The best practice model suggests that communication on all merger issues should be carried out by human resource management employees who are well known by an institution or organisation. Communication by these employees should be truthful, unambiguous and regular. The process must encourage feedback from employees in order to make them feel that they are contributing to the merger success.

However, all the employees (100%) agreed that communication on human resource management was not effective. The results as presented in Table 1 reveals that fifty (50%) of the 100 employees who were interviewed disclosed that information about the merger were not from known human resource personnel, but were rather from the legal and finance members of staff, with whom employees had almost no direct relationship with them. As to whether or not information received on the merger was timely and accurate, 25% of the respondents refuted this.

Table 1: Respondents' impressions on the manner of communication

Impressions	Frequencies	Percentages
Information was not from known human resource personnel	50	50.0
Information was not timely and accurate	25	25.0
Consultations were never held with representatives	20	20.0
Merger message was not well managed	5	5.0
Total	100	100.0

Source: Fieldwork, 2009

The results in Table 1 shows further that communication was ineffective because consultations were never held with the employees' representatives to address their concerns about the merger. This was affirmed by 20% of the employees who were interviewed. The employees also disclosed that the merger message was not well managed. This was revealed by just 5% of the workers. They complemented this fact by adding that what they had been told was a merger, turned out to be a takeover.

Retention of key staff members

The best practice model suggests that management communicates its retention strategy thoroughly in order to reduce a sense of insecurity among employees. The managers conceded that even though one of the key attractions of AGC was its highly skilled employees, no retention strategy was communicated to employees. Of the 100 employees who were interviewed, 80 (80%) of them stated that their services were made redundant one year after the merger (Table 2).

Table 2: Retention issues after the merger

Retention matters	Frequencies	Percentages
Services were redundant one year after the merger	80	80.0
Job security was not guaranteed	20	20.0
Total	100	100.0

Source: Fieldwork, 2009

Table two reveals further that a voluntary severance was also carried out without the remaining 20% of the employees being assured of job security. Therefore, all the workers who were interviewed felt that their jobs were not secured and saw their future with the company as gloomy.

Training and development of staff members

The best practice human resource model encourages the training of senior and middle level employees in mergers and acquisitions in order to provide them with the needed tools for effective communication with their colleagues at the rank and file. A knowledgeable senior or middle level employee will be able to provide effective leadership and engender trust with the junior colleagues.

Table 3: Training and communication with employees

Responses from employees	Frequencies	Percentages
No special training was given to explain the merger	10	10.0
Did not understand the reasons for the merger	90	90.0
Total	100	100.0

Source: Fieldwork, 2009

The results in Table 3 disclose that ten of the senior and middle level employees who were interviewed affirmed that there was no special training conducted to explain the broad principles of mergers and acquisition to them. This prevented effective communication with their junior colleagues and in turn created a huge vacuum which was filled with wild rumours. Ninety of employees who were questioned said they did not understand the reasons for the merger. As a result, they felt alienated from subsequent developments.

Cultural differences of AG and AGC

The best human resource model points out the need to carry out a cultural audit in order to identify the differences between the two merging companies' cultures and their subsequent smooth integration. Organisational culture as already stated is defined as the set of important assumptions (often not stated) that members of an organisation share in common; a sort of the way we do things here.

All (10) of the senior and middle level employees who we listed race interviewed, listed race and different management styles as the main cultural differences between AG and AGC. While AGC employed predominantly Ghanaian or black managers, AG's top managers were mainly South African whites. The influx of white South Africans into the company and their placement into key positions no sooner than the merger, was consummated. This sent the signal to the Ghanaian employee that his or her dream of getting to the top was shattered. In the absence of effective communication to allay their fears, they saw their future in the company as bleak.

In terms of the company's management style, Ghanaian employees were used to a person/support cultural approach, while AG operated a semblance of a task/achievement approach. Ghanaian employees were used to an open door style where they could walk into their managers' offices to discuss job and personal related issues. They were consulted on key issues taken by management especially with the fixing of bonuses. Communication was also very open and regular. Bill boards displaying contemporary issues on health and safety were found all over the mine. Employee development was well emphasised with training at all levels sponsored by the company. Social events were well organised through the provision of a senior and junior staff clubs, which provided entertainment and sporting facilities.

Recruitment, placement, induction, development, disciplinary process and retirement were all guided by transparent procedures. This gave the Ghanaian employee confidence and a sense of ownership of the company. In view of the absence of a cultural audit and subsequent integration of the companies' cultures, the presence of AG's white South African managers and the task/achievement style was perceived by the Ghanaian employee as the behaviour of a victorious invading army. This style operates business without allowing much room for personal or individual concerns. Disciplinary process as operated by the Ghanaian employee, for example, was perceived by the AG managers as too long-winding and tilted in favour of the culprit. However, the framers of the Collective Bargaining Agreement had adopted this process in order to reduce subsequent litigation in the courts by aggrieved employees to the barest minimum. The Ghanaian employee also perceived this management style as a sort of "us versus them"- a means to alienate his personal concerns from those of the company. This created some bad blood in the initial stages, and almost resulted in an industrial unrest.

Even though the employees who were interviewed saw these cultural differences as possible causes of conflict, they also agreed that no cultural audit was carried out, neither were employees trained to understand each other. Social events were not organised even for employees who were transferred to other locations. As shown in Table 4, sixty one per cent of employees who were questioned said the merger had a negative effect on organisational culture, while 39 per cent said it had a positive effect. Management must therefore move quickly to organise training and social programmes as a means to improve the situation.

Table 4: Cultural issues in the merger company

Perceptions of employees	Frequencies	Percentages
Merger had a negative impact on organisational culture	61	61.0
Merger had a positive impact on organisational culture	39	39.0
Total	100	100.0

Source: Fieldwork, 2009

Post-merger integration team

All the 10 senior and middle level employees who were interviewed agreed that there was a post-merger AGC-AG integration team drawn from the functional areas of finance, legal, technical, corporate affairs and human resource management. However, the team was part-time. Its members managed their respective functional areas as well and therefore could not devote the needed time to manage this critical part of the merger. Problems arising out of the merger became difficult to address, and this further led to disillusionment among AGC employees especially. Another fallout from this, two of the managers said, was the loss of a unique opportunity to collect and store information about the merger.

The best human resource model states that there ought to be a full time post-integration team to see to the smooth transition. This should be in place from eighteen months to two years.

Effects of AGC-AG merger on human resource management

The ten senior and middle level employees who were questioned agreed that the overall effect of the merger on human resource management was negative. In view of the low-key involvement of the employees in the merger planning and execution, especially in the communication of issues, possible sources of conflict were neither identified nor removed. This has led to poor motivation in the company. To assess the effects of the merger on the human resource management in AGA, the employees were interviewed and the responses they gave were coded and rated on a scale.

Internal communications before the merger

All the 100 employees generally complained of poor communication before the merger (Table 5). Fifty of the respondents said they were not made to understand the reasons for the merger on account of poor communication from management. Twenty-five of the employees responded that the information received on the merger was not timely and accurate. They were therefore shocked by the outcome. The rest of the 25 respondents disclosed that their representatives were never consulted to addresss their concerns about the merger.

Table 5: Issues on communication before the merger

Communication issues	Frequencies	Percentages
Reasons for the merger were not understood	50	50.0
Information on the merger was not timely and accurate	25	25.0
Staff representatives were not consulted to address staff concerns	25	25.0
Total	100	100.0

Source: Fieldwork, 2009

Effects of the merger on employees' job roles

The respondents' perceptions were used to ascertain the effects of the merger on their job roles. The perceptions of the employees were ranked as Strongly Agreed (SA), Agree (A), Uncertain (UC), Disagree (D) and Strongly Disagreed (SD). Questions on job roles bordered on issues about job committment, productivity at work, specialised training, work value and operating principles during the merger.

As to whether employees have remained focused on their job during the merger, the findings in Table 6 shows that 90 of the 100 employees agreed to this fact, while 10 strongly disagreed. Eighty out of the 100 respondents who were interviewed strongly disagreed that priorities have been established in their areas of work since the acquisition, while 20 respondents were uncertain whether this had transpired. With regards to the company's productivity, 70 of the 100 interviewed staff members disagreed that productivity has been maintained ever since the merger was established. The analyses depict further that while 30 of the 100 respondents strongly disagreed to the fact that specialised training was given to prepare them for the pressures and dynamics of the merger, 70 of the employees disagreed. Of the 100 members of staff, 50 strongly disagreed that they feel more committed to their work since the merger.

Table 6: Effects of the merger on staff members' job roles

Issues on job roles	SA	A	UC	D	SD	Total
I have remained focused on my job during the merger/acquisition	0	90	0	0	10	100
Priorities have been established in my area of work since the merger	0	0	20	0	80	100
Productivity has been maintained during the merger	0	10	0	70	20	100
I received specialised training to help me prepare for the pressures and dynamics of the acquisition	0	0	0	70	30	100
I feel more committed to my work since the merger	0	0	20	30	50	100
My job was not threatened by the acquisition	0	0	30	0	70	100
My work is valued even after the acquisition	10	5	60	5	0	100
My work has become more challenging since the merger	100	0	0	0	0	100
New behaviours practices and operating have been established in my area of work since the acquisition	100	0	0	0	0	100
I have learnt new skills/technologies since the merger	0	20	0	30	50	100

Source: Fieldwork, 2009

Table 6 also discloses that 70 out of the 100 employees strongly disagreed that their job was not threatened, while 30 employees were uncertain about this. In terms of the work value of employees, findings from the research reveal that 60 of the 100 respondents were uncertain as to whether their work was valued even after the acquisition.

The analyses in Table 6 indicate further that all (100) of the interviewed staff members strongly agreed that their work has become more challenging and behaviour practices and operating principles that are new have been introduced in their working areas respectively. Fifty out of the 100 members of staff strongly disagreed that they have learnt new skills and technologies since the acquisition. After the calculated frequencies, the overall percentages of the effects of the merger on employees' current job roles were generated using a pie chart. The results are presented in Figure 1.

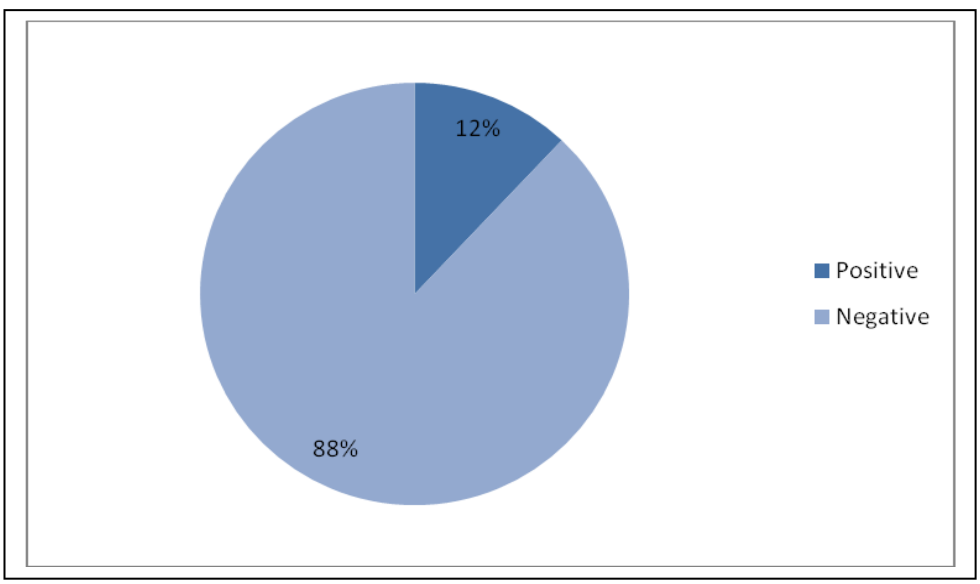

Figure 2: Effects of the merger on employees' current job roles

Source: Fieldwork, 2009

The findings as shown in Figure 1 depict that 88% of the respondents said the merger had a negative effect on their job roles. Though the merger came with more challenging job roles for them, the absence of effective communication on this issue prevented them from knowing what to expect. Only 12% of the respondents stated that the merger had a positivce effect on their job roles.

Effects of the merger on the personal development of the employees

Though all the employees (100%) who were questioned said the merger brought in its wake, new job challenges, they asserted that it however made their work roles more interesting. Therefore, they saw the merger as an opportunity to enhance their career. Fifteen percent of the employees in the corporate department said they were inspired by the merger to improve their academic qualifications and take up more challenging roles. However, 85% of respondents were uncertain about the direction their career. They attributed this to the ongoing redundancies which undermined the very confidence they had gained.

In examining the level of teamwork and collaboration in the company, five questions which focused on co-operation, teamwork and dialogue among colleagues within and across departments of the company were posed to the employees. Table 7 presents the research findings on these issues. All the 100 interviewed employees agreed that they have still maintained a strong relationship with the colleagues in their departments after the merger. As to whether teamwork continued after the merger 80 of the respondents agrees that they still got support from other teams and departments within the company, while 20 respondents disagreed.

The analyses reveal further that 90 of the employees disagreed that deliberations between departments have remained open and honest, while 10 employees agreed to this fact. With regards to whether partnerships have been created across departments, 50 of the 100 workers agreed. The results also showed that fifty of the respondents agreed that the merger has encouraged the sharing of diverse perspectives among themselves.

Table 7: Collaboration after the merger

Issues on collaboration	SA	A	UC	D	SD	Total
I still maintain a strong relationship with my colleagues in my department after the merger	0	100	0	0	0	100
My team still gets the support from other teams and other departments since the acquisition	0	80	0	20	0	100
Deliberations between departments have remained open and honest as it were before the merger	0	10	0	90	0	100
Partnerships have been created across departments since the acquisition	10	50	0	20	20	100
Sharing of diverse views have been encouraged since the merger	10	50	0	20	20	100

Source: Fieldwork, 2009

Effectiveness of human resource management in AGA

The differences between the best human resource model and what exists in AGA suggests that the human resource management in the merger company is weak. The outcome of interviews held with the 100 employees point to the fact that

- Human resource management did not have an effective role in the merger. Even though it was involved in some of the pre-merger discussions, there was not enough time allocated to it, and also human resource management was not considered key to the merger process. Careful and early planning to merge the work structures and processes of the two organisations was not done.
- Communication about the merger to employees was not carried out by known human resource managers. The messages carried out did not include planned changes. Employees had no place to send their complaints as key managers themselves did not understand all the issues. Not all promises were kept
- No retention strategy was communicated to employees
- There was no attempt to manage cultural differences.
- Senior and middle level employees were given no training into mergers and acquisitions; therefore they could not answer the questions of employees confidently.
- There was no fulltime post-integration team

Conclusion

The best practice model of a successful merger shows the direct involvement of human resource management right from the due diligence through the implementation of the merger process to manage planning, communication, retention of key staff, cultural differences, training and development and be part of the pos-merger integration team. The merger under study confirms that when human resource management does not play its natural role in mergers, the outcome is one of a turbulent transition.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The study was set out to achieve the following objectives:

- Describe the state of human resource management in AGA.
- Evaluate the effectiveness of human resource management in AGA.
- Determine the areas of human resource management in AGA that can be improved.
- Make recommendations to the management of AGA.

Summary

In order to accomplish the set objectives, a number of research questions were posed and the summary of the conclusions derived from the study are presented below:

A model human resource management system for a successful merger is composed of actors in the key function areas of technical, legal, finance and human resource management. They have a responsibility to plan, drive and integrate the process. The involvement of the human resource management function is to see to the successful planning, communication, retention of key staff, managing cultural differences, training and development and play a key role as a member of the post-merger integration team.

In spite of all the effort made by management to convince AGC employees through discussions at staff durbars, public radio and television of its benefits, employees continued to show some reservations about the merger because their true fears about their future, in their view, were not allayed. Commencements of serious business in the post-merger came with the reality of having to integrate the two organisational structures, deal with new culture and build trust, among other human resource issues. The outcome of these factors combined to confirm to employees that their worst fears have seemingly become reality.

In the merger, human resource management was not effective. While the best human resource model suggests that the involvement of human resource management in the early planning and post-merger integration stages, this merger had human resource management confined to the back burner. In view of this, employees generally believe that management did not tell them the whole truth about the merger and have therefore become cynical. The general sense of enthusiasm that existed before the merger has given place to apathy and cynicism. Employees do not trust their superiors and their initial support for the merger has waned.

The human resource management was not effective because it did not play its role in the merger effectively. The opportunity to take all employees on board by communicating the merger truthfully through known managers, training, middle and senior level employees, communicating a retention strategy, carrying out a cultural audit and being part of a post-merger integration team was lost. This has rendered human resource management ineffective and created a deep mistrust on the part of employees.

Conclusions

From the summary of the findings above, the major conclusions of this study are that the merger of the two companies has produced these major challenges:

- The human resource management of the merger was poor. Merger of job titles, reporting structures, remuneration, performance appraisal, training and exit policies were not clearly defined. The decision to leave the human resource management practices untouched for two years was not practicable
- Employees do not feel motivated because the very human resource management issues that they needed to address quickly were rather confined to the back-burner.
- Productivity has suffered. Employees spend more time worrying about the future than working because they find the future uncertain.
- Management has to address human resource management issues firmly in order to prevent further deterioration of conditions.

Implications of findings

From the results, there should be a refinement and redirection of policy in order to enhance human resource management practice during and after mergers and/or acquisitions. This is to forestall the human problems associated with mergers and ensure that all employees understand all the issues concerned about the merger.

Recommendations

In view of the above findings and conclusions, the following recommendations are made to the employees of AGA. Employees in the company through their staff associations should seek for:

- Training in the overall purpose of the merger. Any new practices should be clearly communicated to their staff representatives.
- Careful planning to integrate the human resource practices of the two firms clearly. This should be communicated to known and trusted senior and middle level employees at all stages of the merger. Failure to do this has proven to lead to confusion and sometimes, collapse of the merger.
- The establishment of a post-merger integration team of all the relevant functional areas available in the organisational structure. This will ensure the management of all matters arising from the merger until the company stabilises. This body should be available to answer all questions that bother employees.

- The convening of meetings so that managers should promise only what they can deliver. Vain promises lead to heightened expectations.
- Failure to deliver on these will lead to employee dissatisfaction.
- Education on the need for the merger. This can be achieve through the organisation of training programmes for all of them.
- Aggressive communication from management that will assure the remaining employees about their role in the new company.
- Voluntary severance for their colleagues who show limited commitment to the new management.
- The filling of the communication gap that exist between them and management, in order to build employee confidence and move towards the best human resource model.

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APPENDICES

APPENDIX A

REQUEST TO ANGLO GOLD MANAGEMENT FOR PERMISSION TO CARRY OUT SURVEY (GUIDELINE FOR INTERVIEWS WITH MANAGERS)

As part of my MA (HR) studies with the University of Cape Coast, I am conducting a research into the "HR Implications of Mergers and Acquisitions: A case Study of the merger between Anglo Gold and Ashanti Goldfields.

The objective of this study is to find out how HR issues have impacted on this merger, and also how HR issues can be managed before, during and after mergers in order to gain organisational harmony.

To arrive at an objective conclusion, I need your support.

Kindly find below a series of questions for you to answer as well as you can. All responses will be treated confidentially, as the purpose for this study is academic only. Thank you.

Elaine Kwami

QUESTIONNAIRE FOR HUMAN RESOURCE DEPARTMENT

1. List 3 top motives behind the merger
   a. …………………………………………………………………………
   b. …………………………………………………………………….........
2. What do you consider to be the 3 major reasons that informed the choice of AG as a partner?

a. ………………………………………………………………………………………

b. ………………………………………………………………………………………

c. ………………………………………………………………………………………

3. What were the 4 main similarities between the two mining companies?

a. ………………………………………………………………………………………

b. ………………………………………………………………………………………

c. ………………………………………………………………………………………

d. ………………………………………………………………………………………

4. What were the dissimilarities?

a. ………………………………………………………………………………………

b. ………………………………………………………………………………………

c. ………………………………………………………………………………………

d. ………………………………………………………………………………………

5. What kind of structures were put in place to manage the merger – before and after?

1. before the merger:

a. ……………………………………………………………………........................

b. ………………………………………………………………………….........

c. ………………………………………………………………………….........

d. ....

2. after the merger:

a. ……………………………………………………………………………...

b. ………………………………………………………………………………………

c. …………………………………………………………………………………....

d. ....

6. a. Briefly describe the role of the merger committee

……………………………………………………………………………………

……………………………………………………………………………………

……………………………………………………………………………………

b. Who constituted the merger committee?

……………………………………………………………………………………

……………………………………………………………………………………

…………………………..

7. In percentage terms which issues featured prominently during the merger negotiations?

Legal	( )	Financial	( )
Human Resource	( )	Any other? (Please specify)	

8. In order of importance, (1- hardly; 2-poorly; 3- sometimes; 4 quite often; 5- most of the time) which of the underlisted human resource issues featured prominently during the merger?

a. Timing
b. Merging Organisational Structures
c. Cultural issues
d. Salary and wages rationalization
e. Getting commitment from Union/Senior Staff Associations
f. Creating employee commitment

g. Merging job titles

h. Redundancies

i. Restructuring and closures

9. To what extent were the Unions and Senior Staff Association involved in planning the merger?

a. Large extent b. Limited c. None

10. List the major points of divergence between the Union, Senior Staff Association on one side and management on the other

a. ....

b. ………………………………………………………………………………

c. ………………………………………………………………………………

d. ....………………………

11. How were these resolved?

………………………………………………………………………………………

………………………………………………………………………………………

12. What were the 4 most challenging Human Resource issues that came up during the negotiations?

a. ……………………………………………………………………………

b. ……………………………………………………………………………

c. ……………………………………………………………………………

d. …………………………………………………………………………

13. What were the major differences in the Human Resource policies of the two mining companies?

……………………………………………………………………………………………

……………………………………………………………………………………………

14. Were these differences possible causes of conflicts? Yes ( ) No ( )

15. What have been the critical Human Resource problems/issues post merger? (Please tick)

a. Exit of key personnel
b. Industrial Unrest
c. Complaints about salary differences
d. Cultural differences
e. Managing post merger stress
f. Managing staff's negative impressions
g. Creating credibility among employers

16. How were these problems resolved?

……………………………………………………………………………………………

……………………………………………………………………………………………

17. What communication tools were employed in the pre merger period to disseminate information?

a. flyers

b. meetings

c. durbars

d. notices

e. other……………………………………………………………………………………

18. How effective were these?

a. not effective

b. quite effective

c. very effective

19. What were the expectations of the HR division before the merger?

…………………………………………………………………………………………

…………………………………………………………………………………………

20. which of these were these met?

21. Please evaluate the performance of HRD towards the success of the merger.

…………………………………………………………………………………………

…………………………………………………………………………………………

22. What do you think are the critical HR issues to be considered by a company contemplating a Merger

…………………………………………………………………………………………

…………………………………………………………………………………………

23. Was an employee attitude survey carried out about the merger?

…………………………………………………………………………………………

…………………………………………………………………………………………

24. Why or why

not?...

....

25 Was a skills audit carried out?

....

....

VOLUNTARY SEVERANCE/REDUNDANCIES

26. Have there been any voluntary severance or and / or redundancies carried out during the merger?

Yes ( ) No ( )

27. What were the locations and numbers involved?

Joburg ( ) Accra ( ) Obuasi ( ) Bibiani ( ) Any other location? Please state.

28. What were the numbers involved?

Executives ( ) Senior Staff ( ) Junior Staff ( )

29. What criteria was used?……………………………………………………

30. What are the benefits derived?..

31. What was the cost involved? ....

32. What attempts were made to find out how the redundant staff felt about the company?

……………………………………………………………………………………

33. How were these addressed?

……………………………………………………………………………………

……………………………………………………………………………………

34. How would you rate the current motivational level on the mine?

5 (Very High) 4 (High) 3 (Average) 2 (Low) 1 (Poor).

PERSONAL INFORMATION

Gender:

Male [ ] Female [ ]

Job Designation

Which location/country are you working in?

Corporate Office [ ] Operation [ ]

Mine Site [ ]

Which part of the merged organisation were you working before the merger?

Employee Type

Expatriate [ ]

National [ ]

APPENDIX B

QUESTIONNAIRE FOR EMPLOYEES OF ANGLOGOLD ASHANTI IN ACCRA AND OBUASI

As part of my MA (HR) studies with the University of Cape Coast, I am conducting a research into "The Human Resources implication of mergers and Acquisitions: A case study of the merger between Anglo Gold and Ashanti Goldfields Co. Ltd."

The objective of this study is to find how HR issues have impacted on this merger, and also how they can be managed before, during and after mergers in order to gain organizational harmony. To achieve this, I need your support in order to be able to arrive at an objective conclusion.

Kindly find below a series of questions and suggested answers. Pleas tick the answer you find most appropriate. All responses will be treated confidentially. The purpose for this research is academic only.

SECTION 1: INTERNAL COMMUNICATION DURING MERGERS/ ACQUISITION

No.	Statement/question	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1.	I understood the reasons for the merger/acquisition					
2.	I believe that management consistently and clearly					

	communicated all information regarding the merger/acquisition to me					
3.	Management used the appropriate media (memos, newsletters, face-to-face) to communicate details of the merger/acquisition					
4.	Senior managers conducted frequent meetings with employees during the merger/acquisition					
5.	The information received on the merger/acquisition was accurate and timely					
6.	Management showed willingness to solicit employee comments/feedback regarding the merger/acquisition					

SECTION 2: YOUR CURRENT JOB

No.	Statement/question	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1.	I remained/have remained focused on my job during the merger/acquisition.					
2.	Priorities have been established in my area of work since the merger/acquisition.					
3.	Productivity has maintained during the merger/acquisition.					
4.	I received specialized training to help me prepare for the pressures and dynamics of the merger/acquisition.					
5.	I feel more committed to my work since the merger/acquisition.					
6.	My job was not threatened by the merger/acquisition.					
7.	My work is valued even after the merger/acquisition.					
8.	My work has become more challenging since the merger/acquisition.					

9.	New behaviours practices and operating principles have been established in my area of work since the merger/acquisition.					
10.	I have learnt new skills/technologies since the merger/acquisition.					

SECTION C: HOW YOU SEE THE MERGER AFFECTING YOU

No.	Statement/question	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1.	The merger has brought opportunities for further personal development in the merged organisation					
2.	The merger/acquisition has enabled me to apply my experience to new challenges					
3.	The merger/acquisition has accelerated my mastery of new skills/knowledge					
4.	I see the merger/acquisition as an opportunity to enhance my career in the new organisation					
5.	I have been inspired, since the					

	merger/acquisition, to take on more challenging jobs					
6.	I now have the freedom and independence to do my job effectively					
7.	I feel in control of the direction my career is heading					
8.	I see the merger/acquisition as having no impact on my career					
9.	The merger/acquisition has made my life more stressful					
10.	I believe I have benefited from the merger/acquisition					
11.	I believe my interest was considered during the merger					

SECTION D: COLLABORATION DURING THE MERGER

No.	Statement/question	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1.	I still maintain strong relationship with my colleagues in my department since the merger/acquisition					
2.	My team still gets the support from other teams and other departments since the merger/acquisition					
3.	Deliberations between departments have remained open and honest as it were before the merger/acquisition					
4.	Partnerships have been created across departments since the merger/acquisition					
5.	Sharing of diverse perspectives (view) have been encouraged since the merger/acquisition					

SECTION E: CULTURE

No.		Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1.	The new management style gave me a culture shock					
2.	My own cultural values fit with those of the new company					
3.	The company is task-oriented					
4.	The current management style has impacted positively on my output					
5.	The company operating culture has affected general performance positively					
6.	The mood on the location is a positive one					
7.	The future of the company is bright					

SECTION F: OTHER COMMENTS

....

....

....

....

SECTION G: PERSONAL INFORMATION

Gender

Female ☐

Male ☐

Job designation

Which location/country are you working?

Are you working at the

☐ Corporate Office

☐ Operation

☐ Office or Mine site

Which part of the merged organization were you working before the merger?

Employee Type

☐ Expatriate

☐ National