The bulldozer versus the diplomat: Inside the power struggle at Agnico Eagle that led to the exit of CEO Tony Makuch after 16 days

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A power struggle at Agnico Eagle Mines Ltd. AEM-T over corporate culture, personnel and strategy led to the big Canadian gold miner cutting ties with its new chief executive officer, Tony Makuch, only 16 days after he took over the job following a merger with his former employer, Kirkland Lake Gold Ltd.

Mr. Makuch's hard-driving, bulldozer management style repeatedly bumped up against the hands-off, diplomatic approach of Agnico's executive chairman, Sean Boyd, according to seven sources familiar with the situation. The clashes culminated in an emergency board meeting last week, during which the Toronto-based miner voted Mr. Makuch out and installed Agnico's president, Ammar Al-Joundi, as his replacement.

The Globe and Mail is not identifying the sources because they were not authorized to speak publicly on the matter.

Mr. Boyd declined to comment. Mr. Makuch did not respond to a request for comment.

When the $13-billion "merger of equals" between Agnico and Kirkland was announced in September, Mr. Boyd was Agnico's CEO and Mr. Makuch was chief executive at Kirkland.

There were already signs that combining the companies wasn't going to be easy. The two corporate cultures were very different. And Mr. Boyd and Mr. Makuch, the two men who would be the most powerful executives at the merged company after the transaction, had very different strategic visions, all of the sources said.

Over the past five years, Toronto-based Kirkland had transformed itself from a company in near-bankruptcy into one of the biggest and fastest growing major miners in the world. That was in large part because of Mr. Makuch's aggressive growth strategy, which saw the company buy and develop the ultrahigh-grade Fosterville mine in Australia, and later acquire the massive Detour Lake mine in Ontario.

With Detour Lake already one of Canada's largest gold mines, Mr. Makuch had plans for a major expansion. He was known as a hands-on mine manager who relished the nitty gritty and was used to getting his own way. And he was someone who did not believe in delegating authority.

Unlike the nimble Kirkland, Agnico was known as the industry's ultimate steady-as-she-goes gold miner, and Mr. Boyd as the quintessential gentleman delegator. He had led the company for 24 of its more than 60 years, and he thrived on building consensus and trusting employees to do their jobs.

Agnico had succeeded not by growing spectacularly, but by carefully managing its portfolio of nine mines, being superb technically and valuing airtight engineering over bluster. Over decades, it had earned a premium valuation, compared with peers such as Barrick Gold Corp. and Kinross Gold Corp., by not making reckless decisions on mergers and acquisitions, and by not overspending on mine construction.

Agnico's corporate culture was all about thinking long and hard before making key decisions, with strict risk-mitigating protocols around consultation and delegation.

Joe Foster, a portfolio manager with fund manager VanEck, Agnico's biggest shareholder, said it was apparent that the entrepreneurial and twitchy Mr. Makuch was going to struggle inside a bureaucratic operation like Agnico.

"Tony ran junior mining companies and Kirkland became a major company under his leadership. His skills are in growing companies, and not so much managing big corporations," Mr. Foster said. "Tony is just not cut in the corporate mould, like Sean is."

But even though there were signs during the takeover talks that blending Agnico and Kirkland would be a high-wire act, both companies were extremely motivated to get the deal done. After a terrific run in the markets, Kirkland's best days appeared to be behind it, in part because Fosterville's richest gold deposits were running out. The company was keen on finding a buyer while its valuation was still elevated. For Agnico, merging with Kirkland was appealing because a larger combined company would be more attractive to potential investors, who increasingly prize scale.

Both companies knew that in one sense selling the deal to the street would be easy. With a mine portfolio heavily skewed toward Canada and Australia, and almost no exposure to politically dicey mining jurisdictions, the combo would arguably have the best mine portfolio of any major gold company in the world.

On Sept. 28, the day the deal was announced, both Mr. Boyd and Mr. Makuch assured investors in a conference call that the merger was poised to create a new Canadian world-beater in gold mining. The deal would take at least three months to close, depending on the timing of regulatory approvals. Behind the scenes, all was not rosy.

For one, the planned organizational structure for the top of the combined company seemed designed to cause tension. Mr. Boyd agreed to relinquish his CEO position at Agnico and step into a newly created executive chairman role. Mr. Makuch was set to take over from Mr. Boyd as CEO.

While being executive chair would take Mr. Boyd away from the day-to-day running of the company, it would leave him with a large say over strategy, and primary responsibility for company culture, post-merger. He would also slightly outrank Mr. Makuch.

"If you're executive chair, you're above the CEO," said veteran mining financier Eric Sprott, who alongside Mr. Makuch was responsible for the success of Kirkland. "So I think Sean was running the show from Day 1."

As the deal moved toward its closing date, Mr. Makuch and Mr. Boyd clashed repeatedly over production targets for mines and capital expenditure plans.

Meanwhile, as the closing date approached, Agnico had not yet announced who would be filling many of the combined company's top management jobs. That meant senior people at both Agnico and Kirkland had been kept in limbo for more than four months. The reason for the delay was simple: Mr. Boyd and Mr. Makuch had different views about who should take some of the key positions.

Mr. Makuch wanted Kirkland's chief financial officer, David Soares, to take over from Agnico's long-time incumbent, David Smith. Mr. Smith had a sterling reputation as a conservative financial steward and had been at the company for more than a decade. Picking Mr. Soares, who had considerably less experience, did not go over well with Mr. Boyd and Agnico's board. Nor did it please several large institutional investors, who were becoming increasingly unnerved.

Mr. Makuch also pushed hard to install Kirkland's head of investor relations, Mark Utting, in a senior position within Agnico. But that, too, encountered fierce opposition. Agnico was routinely ranked among the highest in the industry for investor relations by the influential Brendan Wood International consultancy firm. Mr. Utting, a source said, was not highly rated by the analyst community for his responsiveness and communication skills.

Mr. Soares and Mr. Utting did not respond to requests for comment.

Mr. Makuch's mine production and capital expenditure plans caused consternation at the company. In particular, board members told him his targets for Kirkland's Detour mine and its Macassa mine, also located in Ontario, were overly aggressive. Mr. Boyd's team pushed back hard on the numbers, and appealed for caution and conservatism over spending, particularly considering the inflationary environment.

The transaction closed on Feb. 8 with little fanfare, other than a typical low-key celebratory dinner among Agnico employees and a few bankers who helped with the deal. When Mr. Makuch officially took over as CEO, the company had still made no firm decisions on mine strategy and personnel.

As it became clear that Mr. Makuch was not willing to bend on his demands, and that his micromanaging style was the new reality at Agnico, several senior Agnico managers threatened to leave the company. That, two sources said, was more than Mr. Boyd could bear. It prompted him to appeal to the board for what would amount to a confidence vote on Mr. Makuch.

The board met on the same day the company was due to roll out its quarterly earnings, and the sources said Mr. Makuch, at that point, was confident he'd end up keeping his job.

For those paying close attention on the evening of Feb. 23, it was obvious something was amiss. Agnico, ever the teacher's pet, was known for releasing its results with military precision at 5 p.m. EST. But on this occasion there was radio silence.

As the hours ticked by, analysts waiting anxiously to put out first-blush notes to clients about the numbers gave up and went to bed. Close to midnight, Agnico dropped the bomb. Mr. Makuch was out as CEO, after less than three weeks – which was all the more stunning considering that his predecessor, Mr. Boyd, had been in the job for more than two decades.

The board's decision came down to choosing between maintaining a corporate culture that had created wealth and stability for decades, or embracing a new culture that was phenomenally successful but had a limited track record. In the end, Agnico's old guard triumphed, and early talk of a near-even spilt between Kirkland and Agnico personnel in top roles did not materialize.

The newly constituted Agnico board, it was revealed in the earnings release, ended up being skewed eight-five in favour of Agnico. Most of the high-ranking leadership positions also went to Agnico. Mr. Smith stayed on as CFO, and incumbent Brian Christie retained the most senior position in investor relations.

On strategy, Agnico's traditional level-headedness also won out, with new conservative estimates issued for Kirkland's biggest mines, most notably a sharp reduction in both the production forecast and reserves at Macassa.

The corporate lesson to be gleaned from the power struggle at Agnico, according to Pierre Lassonde, chairman emeritus with the precious metals royalty company Franco-Nevada Corp., is that one style of management is not necessarily better or worse than another. He is an admirer of both Mr. Boyd and Mr. Makuch.

"In a merger, the toughest thing to get right is corporate culture," Mr. Lassonde said. "If you merge two organizations that are very different, it can be a total train wreck, to be completely candid. Or it can be a success."

In the end, Mr. Lassonde added, "a single culture has to emerge," and more often than not it's the culture of the more venerable company that triumphs.

With a report from Rachelle Younglai in Toronto

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