

BUSINESS & FINANCE

When an Ill Wind Blows in C-Suite

By JOANN S. LUBLIN

Few jobs take a greater toll than chief executive. Yet companies rarely know whether their new leaders arrive healthy enough to thrive in the pressure-cooker role.

CSX Corp. recently faced questions over how much the big railroad knew about the health of its new CEO, Hunter Harrison. The 72-year-old former head of Canadian Pacific Railway Co. took the CSX job in March. He sometimes uses a portable oxygen machine and often works from home due to an undisclosed medical condition.

CSX directors considered Mr. Harrison's age and experience before hiring him, a spokesman has said. Mr. Harrison insists he is able to lead the company's turnaround. At CSX's annual meeting on Monday, investors vote on an \$84 million payment for him. They likely will bless the package, which covers compensation forfeited when he left Canadian Pacific. Mr. Harrison has said he would resign without it.

Situations like the one at CSX are wake-up calls for boards, management specialists say. They highlight "the potential vulnerability to shareholders when a medical condition may prevent a chief executive from doing his or her job," says Paul Winum, a senior partner at RHR International LLP, a leadership-development firm. "This is something that will get more attention."

That vulnerability was exposed at United Continental Holdings Inc. in 2015, when Oscar Munoz suffered a heart attack less than six weeks after being named CEO of the airline. Mr. Munoz's lengthy hospitalization left United grappling with operational and labor-relations troubles without its permanent leader.



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CSX has faced questions about the health of Hunter Harrison, who became chief executive in March.

Fearful of violating U.S. job-bias laws, businesses typically don't investigate the health of their incoming chief, according to executive recruiters, reference checkers and coaches.

Yet employers legally may inquire whether an applicant can do the work and require medical tests tied to business necessity, says Patricia Sánchez Abril, professor of business law at University of Miami's business school.

The average age of a CEO of an S&P 500 firm who was appointed in 2016 was 53 years old, according to executive search firm Spencer Stuart. Prospective CEOs in their 50s appear healthy, though "we are probably taking a bit on faith," a director of three major corporate boards says.

Mr. Munoz was 56 at the time of the heart attack. He later received a heart transplant and resumed work last year.

A United spokeswoman declined to say whether directors questioned Mr. Munoz about his medical history before he joined from CSX, where he was president and chief operating officer.

American International Group Inc. hired 70-year-old

Brian Duperreault as its new leader this spring without seeking a physical exam or description of prior ailments because the big insurer believes he is in good shape, a person familiar with the matter says. Mr. Duperreault declined to comment about his health.

"Boards are more likely to give the CEO job to someone who works long hours than to someone who spends long hours working out," observes Sharon McDowell-Larsen, an exercise physiologist who runs an executive-fitness program for the nonprofit Center for Creative Leadership.

Ms. McDowell-Larsen believes directors should be sure a new leader has good exercise, sleep and eating habits.

CSX tried to learn about Mr. Harrison's medical history during initial discussions earlier this year with activist hedge fund Mantle Ridge about naming him CEO. He refused the railroad's request that an independent physician chosen by its board review his medical records. He declines further comment.

Mr. Harrison went on medical leave in 2015 after a bout of pneumonia and leg surgery. He had heart-bypass surgery in 1998. He has said

that his doctors cleared him to work for CSX and that fellow directors know his medical condition.

Dennis Carey, a vice chairman of executive-recruitment firm Korn/Ferry International, says companies are starting to pay more attention to potential chiefs' health.

Mr. Carey says that during three of his four latest CEO hunts on behalf of major U.S. companies, directors asked their front-runner to disclose the existence of significant medical problems "that would prevent them from doing the job effectively." Each of those finalists said they had no known health problems, he adds.

Other businesses such as Greif Inc. try to ensure leaders can handle the rigors of a demanding role. In 2014, then CEO David B. Fischer encouraged new operating chief Peter G. Watson to get in better shape for his 24/7 job.

At that time, he traveled so much that "he did not work out like he used to," Mr. Fischer recalls. The COO soon resumed exercising, adds Mr. Fischer, who gave him the reins in 2015.

—Paul Ziobro
contributed to this article.