



The last temptation of Mr. Harrison

JANUARY 16TH 2012

Yvan Allaire, Ph.D. (MIT), FRSC

Emeritus Professor of Strategy,
UQAM

Executive Chairman,

Institute for governance of private and
public organizations (IGOPP)

E. Hunter Harrison retired as CEO of the Canadian National Railways Corporation on December 31st 2009. His was a good, lucrative run at CN.

On his leaving CN, he held \$77 million in unexercised options with a further \$18 million in restricted shares to vest in the future. He is receiving a pension of \$1,590,000 a year.

In 2008 and 2009, he earned cash compensation of some \$10 million and in 2009 exercised stock options that brought him some \$31 million.

He was paid, upon retirement, a sum of US\$350,000 for two years for compliance with non-compete restrictions in his contract. Technically, that agreement ended on December 31st 2011.

So, the man now raising horses in Florida is certainly one of the roughly 2000 people in the USA worth more than \$100 million.

But he is reportedly restless, looking for ways to use his boundless energy and vast experience. That is all very understandable, very human.

However, the opportunity comes from an activist hedge fund intent on bringing changes to Canadian Pacific.

The fund wants Mr. Harrison to take over as CEO of CP and thus, unfortunately, to become the leader of a prime competitor of CN. That a hedge fund would make such an offer does not surprise. It is shocking, however, that Mr. Harrison would consider seriously going to work against all his former colleagues at CN and try hard to destroy the value of the company that made him wealthy.

CN is claiming that there are legal restrictions on Mr. Harrison going to work for a direct competitor. Whether there are such restrictions may be largely irrelevant in the contemporary world of finance.

But, in the world of normal people, in the realm of industry and commerce, there are moral and ethical restrictions on such behavior. Have we come to the point where one who has been highly paid to run a company may then jump without reprobatation to run its direct competitor?

If Mr. Harrison really wants to use his experience, talent and energy for good, why does he not offer his services, *pro bono*, to help the numerous railway companies in the developing world that would surely greatly benefit from his talent and experience.



Institute for governance
of private and public organizations

1000 De la Gauchetière St. West, Suite 640, Montréal (Québec) H3B 4W5

Telephone 514.439.9301 **Fax** 514.439.9305 **info@igopp.org** **www.igopp.org**

This article is available online in PDF format at www.igopp.org

© 2012, IGOPP. All Right Reserved.

Design: KarineBellerive.com