At AT&T’s Dallas headquarters late last year, Marty Webb, the telecom giant’s vice president of benefits, guided his leadership team through the final decision to move the company’s post-65 retirees to a fully insured private Medicare exchange, a dramatic shift from the long-standing practice of providing supplemental coverage through a self-insured group plan.

While AT&T vetted the proposals of the leading vendors, Aon Hewitt CEO Kristi Savacool spent four days camped in a Fairmont Hotel room, far from her office in suburban Chicago and just a half-mile down Akard Street from AT&T. For Aon Hewitt, and for Savacool, the stakes could hardly have been higher.

That’s because AT&T provides benefits for about a million people and its large number of Medicare-eligible retirees and dependents would make it the largest single group going into a retiree exchange. Winning the contract would be a game-changer for Aon Hewitt, doubling the number of participants in its retiree exchange and positioning it as a strong competitor to the established leader, Towers Watson, which just months earlier won head-turning contracts to run retiree exchanges for IBM and Time Warner.

No one asked Savacool to wait in the wings, but if Webb needed anything at all, she could be there in minutes. In the end, Aon Hewitt won the contract, which Citi equities research analysts valued at $40 million. But more than that, Aon Hewitt won the credibility that would attract more big clients to its budding healthcare exchanges.

**FAST FOCUS**

» Getting close to the client is part of Savacool’s management ethos.

» While at Boeing, Savacool integrated the largest aerospace merger in history.

» When her father had a stroke at the age of 62, she left college to help at home.
“Leadership is personal,” she explained during a recent interview in Aon Hewitt’s Lincolnshire, Ill., headquarters. “When leaders are going through big, macro-level, high-profile, high-risk or high-stakes changes, they often need and want their peer across the table. You go from being the CEO of Aon Hewitt to their business partner. Our work is about them and their employees.”

Lisa Bisaccia, chief human resource officer for pharmacy giant CVS Caremark, recalls working closely with Savacool to break a logjam in their negotiations on a complex HR outsourcing deal covering 200,000 employees.

“The thing that continues to impress me about her is she is just very authentic,” Bisaccia says. “I need a partner who appreciates how much skin we both have in the game, and Kristi gets it.”

Throughout her career, Savacool, 55, has had plenty of first-hand experience guiding teams through high-risk, high-stakes challenges. In 1997, while at Boeing, the Seattle-area native demonstrated her management chops integrating the largest aerospace merger in history, between Boeing and McDonnell Douglas. Soon after, she was helping her boss at the time, Alan Mulally (the recently retired CEO of Ford Motor Co.), manage a crisis that forced Boeing to temporarily stop making airplanes. The production shutdown wiped out more than $4 billion in shareholder value overnight and ultimately cost Boeing $2.6 billion.

“The economic implications, the employment implications, the brand implications are very high,” she says. “To lead through that kind of adversity, Savacool explains, requires a combination of fact-based analysis and collaboration built on trust. “You have to create an environment where people can tell you how things really are or you can’t get underneath the problems.”

When Hewitt hired Savacool away from Boeing in 2005, the prestigious benefits brokerage and human resources consulting firm was in big trouble, though nobody knew how big. Hewitt had gone public three years earlier and had recently acquired a large company that put it in the lead of the fast-evolving HR outsourcing business, but it was struggling with out-of-control growth and contracts it couldn’t fulfill. When it became clear the partners who made Hewitt the crème de la crème of HR consultants lacked the skills to manage a rapidly growing public company, the board looked to Boeing, one of its biggest clients, for an executive who could trim the fat and help propel the company forward.

In Hewitt’s 65-year history, Savacool was the first executive hired from outside the firm—a salient fact that escaped her during the interview process. Her reputation as an unapologetic cost-cutter from $54 billion Boeing might not mesh with the $2.8 billion Hewitt’s insular, nice-guy culture, but she saw a company whose values matched her own. The people at Hewitt found purpose in their work and put clients first.

“I found myself in a situation where they would have voted me off the island in five seconds,” she says. “You are asking questions that nobody wants asked, much less answered. If you’re in the seat of any of those leaders, this is a hard thing. You have built your career here. You have grown a great company. You are the market leader, the best brand in the industry, and all of a sudden you are in trouble.”

The benefits business may not be rocket science, but Savacool quickly realized she had a lot to learn. “I knew a lot more about airplanes and space stations and classified military programs than I did about benefits,” she admits.

Bryan Sansbury, now the chief operating officer of Aon Hewitt, had spent a decade with the company before Savacool walked in the door. “The difference was palpable,” he says. “When Kristi came in from Boeing, she brought a very focused, very balanced, very data-driven approach that was, to be frank, quite new to an organization that had been driven a lot by feel and consensus.”

There were a number of difficult and sometimes unpopular decisions to be made. “Kristi’s style and approach,” Sansbury says, “was an incredible asset in a relatively chaotic time.”

That style involves asking good questions, listening carefully for the answers, assessing a variety of opinions and quickly discerning what needs to be done.

“Some executives are flashy, and some are slow and steady,” says Bonnie Soodik, who became Savacool’s boss at Boeing after

AGE: 55
HOMETOWN: Long Grove, Ill.
FAMILY: Husband (of 33 years) Jeffrey Savacool; daughter Michelle, 27, works as a medical physicist in radiation oncology at Maimonides Medical Center in Brooklyn; son Matt, 23, is a senior at DePaul University in Chicago, majoring in sociology with a minor in industrial psychology
BOOK ON THE NIGHTSTAND: Boys in the Boat: Nine Americans and Their Epic Quest for Gold at the 1936 Berlin Olympics, by Daniel James Brown
FAVORITE VACATION SPOT: Family cabin on Hood Canal in Hansville, Wash.
CHILDHOOD HERO: Her father, the late Delmar Pepper, an electrical engineer who took up writing, woodworking and advocacy for the disabled after a stroke in 1981
GOOD WORKS: Court Appointed Special Advocates (CASA) for Children and Midtown Educational Foundation, a mentoring and educational development program for girls and boys in Chicago

“It need a partner who appreciates how much skin we both have in the game, and Kristi gets it.”
—Lisa Bisaccia, CVS Caremark
the merger with McDonnell Douglas. “She’s a bullet train. She can get big things done and do them one after the next.”

Soon after Savacool’s arrival, it became clear Hewitt’s troubles were deeper than anyone thought, and Savacool was instrumental in shaping the leadership that orchestrated its remarkable turnaround.

Before long, the new CEO, Russ Fradin, put Savacool in charge of the large-market benefits division, her first shot at running a core profit center. “The business was struggling, and the stakes were high,” she says. “I reached into my courage reserve to take the leap.”

In 2010, amid a period of consolidation that reduced eight HR service providers to four, Aon came knocking with a $4.9 billion offer. The Hewitt deal, the largest in Aon’s history, nearly tripled the size of its human resources consulting and outsourcing business. When Fradin left a year after the merger to become CEO of SunGard, Savacool was named co-CEO along with Baljit Dail, who followed Aon CEO Greg Case from McKinsey in 2005. Savacool has been flying solo since Dail left in March 2012.

It’s been a time of dramatic change. After the Hewitt acquisition closed, Case announced a global restructuring plan to streamline operations, resulting in the loss of almost 3,000 jobs around the world. But even as it was cutting back, Aon Hewitt kept investing heavily in healthcare exchanges and solutions to help clients develop the next generation of talent and deal with pressing retirement challenges, such as crushing pension liabilities and investment management.

**AMBITIOUS BEGINNINGS**

If Hewitt’s long-timers felt a bit of culture shock when the Boeing exec landed in Lincolnshire, they were not alone. Savacool had spent her entire 25-year career with one company in the place where she grew up, yet she knew how to navigate through environments where she didn’t seem to fit.

Savacool was born and reared in Boeing country, the fourth of Del and Juanita Pepper’s five children. Del Pepper worked at Boeing for 28 years, and when he had a stroke at the age of 62, Savacool left college to help at home.

*She’s a bullet train. She can get big things done and do them one after the next.*

― Bonnie Soodik, former Boeing executive

She took a job as a technical administrator at Boeing, one of three women on a team of 200 engineers and support staff in the military airplanes division. One of her first assignments was posing in the cover photo for a proposal to build an airplane part for the Navy.

Hungry to learn on the job, she inserted herself into every aspect of the department’s work. One day the chief engineer told her to top trying so hard since she would never advance beyond administrator. “He said he was doing me a favor by setting my expectations,” Savacool says. “I was just stubborn enough to stay, ask a lot of questions and learn as much as I could to prepare for my next role.”

Eventually she rose to chief information officer of the commercial airplane division, where she was responsible for all the technology required to design and deliver $40 billion worth of planes a year.

Boeing’s $16.3 billion purchase of McDonnell Douglas was expected to create an aerospace juggernaut. John Warner, Boeing’s chief administration officer and Savacool’s mentor, gave her the daunting task of integrating all of the services that supported the company’s global operations, from technology and building construction to human resources and office supplies. At the integration kickoff meeting, Savacool felt shell-shocked by the magnitude of the assignment and the credentials of the 18 other business leaders around the table. She told Warner he picked the wrong person.

He would have none of it. Instead, he told her, “You’re going to figure this out,” she recalls. “You are as capable as any of the other 18. You’re going to do a $17 billion merger.”

And then he said something that will sound very familiar to the many people Savacool has pushed beyond their comfort zone: “He said, ‘I’m not going to get in the way, but I’m always going to be here.’”

**THE HARD WAY**

Though Savacool never did go back to school in the traditional sense, she received her master’s degree in industrial project and program management from France’s Lille University through a distance program, and her résumé is filled with executive management programs from Cornell, Northwestern and Seattle universities. But the most enduring lessons came from her tight-knit, middle-class Catholic family. When Savacool moved back home after her father’s stroke in early 1981, she sacrificed one type of education for another.

“I had this time where I had the opportunity to see my parents lead through extraordinary adversity,” she says. “I wouldn’t trade that for anything.”

Del Pepper had lost the use of his right side, but by the time his daughter got married 10 months after the stroke, he had taught himself to walk again, determined to escort her down the aisle. Until his death in 1998, Pepper was an advocate for the disabled and worked one-on-one with new stroke victims.

“You just have a set of values you’re raised on and you have moments, whether it’s in your professional life or your personal life, where you see the importance of standing up for what matters,” Savacool says.

**WHAT MATTERS**

As Savacool’s career took off and her travel increased, her husband, Jeff, retired from his job as a Boeing aerospace engineer to stay home with their children, Michelle and Matt, who were then 8 and 5. Savacool understood the struggle Sansbury faced when she asked him to become COO, which required a move from Houston to Chicago. Not only did it mean uprooting his family, including three young children, but Sansbury’s wife, Julie, would have to give up her successful dermatology practice. When the couple took an exploratory trip to Chicago, Savacool scheduled a 6 a.m. meeting with Julie and showed up with her favorite Starbucks drink. They talked for an hour about work, family and life in Chicago. It turned out, Sansbury says, to be the most important conversation in their decision-making process.

“Work doesn’t stand alone. It doesn’t stand alone. It doesn’t for me, it doesn’t for the men, it doesn’t for women,” Savacool says. “As a leader you have an obligation. Yes, you have to deliver business results. But in my view, if you’re purpose-driven and thoughtful about the integrated lives of people who contribute to that, you get better results.”

Her “leadership-is-personal” ethic guides Savacool as she steers Aon Hewitt through a transformative time for the healthcare industry. Driven in part by the impact of healthcare reform but mostly
by unsustainable costs, private healthcare exchanges are gaining momentum.

According to a recent study by the Private Exchange Evaluation Collaborative, 32% of employers have implemented or plan to consider using a private exchange for their post-65 retirees before 2018, and 45% of employers plan to do so for their full-time active employees.

Small employers have used exchanges for many years, but brokerages like Aon Hewitt, Towers and Mercer are leading the way in the large-employer space, each offering a somewhat different approach. Savacool has put all of Aon Hewitt’s chips—to the tune of $100 million so far—in a model that requires all exchange clients, including very large companies that previously self-insured, to turn over the risk to insurance companies. Among Mercer’s exchange clients, by contrast, 25% remain self-insured.

The exchange business threatened to cannibalize Aon Hewitt’s own substantial business administering self-insured plans. “A private healthcare exchange isn’t necessarily the right solution for each client,” Savacool says. “But we believe a big proportion of the employer base over the next five years will move in that direction, and we’re enabling that.”

Aon Hewitt launched its private exchange for active employees in the fall of 2012, and more than 150,000 employees and family members from three employers enrolled in the first year. The next year, 18 employers signed on, enrolling more than 600,000 people for 2014. Aon Hewitt now expects more than 30 companies, including all 18 companies that participated in the Aon Active Health Exchange in 2014, to offer health benefits to more than 850,000 active employees and their eligible dependents through its exchanges.

When you blaze a trail, you are sure to make mistakes, and Aon Hewitt did just that launching its first exchange in 2011. Accustomed to scaling up benefits administration and human resources call centers when demand was strong, the team failed to account for the long, bureaucratic process to get people licensed to sell supplemental Medicare products.

Savacool soothed angry clients—who heard no end of it from their agitated retirees—by talking frankly about the problems, communicating exactly what she was doing to fix them and letting clients know how they could help. She assigned 600 people to process enrollments.

Savacool was surely unhappy with the rough start for a key project in which Aon had so much invested. But she’s at her best when it comes to managing through a crisis.

“It was fascinating watching Kristi move between these incredibly strategic discussions about how we were going to talk about shifting what we deliver and—no exaggeration—standing side by side with me by the fax machine at two in the morning sending applications to the carriers,” recalls Maureen Scholl, CEO of Aon Hewitt Outsourcing. “She was willing to do whatever was needed to get through what was a tough situation, and people love her for that.”

From her business mentors and from her family, Savacool learned that how you deal with people during the most trying times either breaks a relationship or cements it for the long haul. And that knowledge may have been instrumental in Aon Hewitt’s biggest win on the exchange front.

In the fall of 2010, AT&T consolidated all of its retirement programs with Fidelity Investments, which meant Hewitt was losing the giant pension operation of a major client. Though Savacool had her hands full integrating the merger with Aon, she made sure the transition went smoothly, investing thousands of manpower hours.

“I have never worked with an executive who was more professional in converting business away,” says Webb, AT&T’s benefits chief.

This gets to the heart of Savacool’s approach to clients. “I believe had we approached that situation in a different way, we may not have been selected as AT&T’s retiree exchange provider,” Savacool says. “Yes, we were disappointed. Yes, there was an economic impact. What’s important is the ethic around the relationship and the trust and confidence that you’re going to do what’s right.”

“Work doesn’t stand alone. It doesn’t for me, it doesn’t for men, it doesn’t for women.”
—Kristi Savacool, Aon Hewitt

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