




# Love & Leadership





Western Union  
CEO  
**HIKMET ERSEK**  
on the power  
of human  
connection and  
how it is driving  
the company  
forward. By  
Brunswick's  
**DAVE CARLSON**  
and **PATRICK**  
**RUTHERFORD.**

**I**N 2010, HIKMET ERSEK TOOK THE HELM OF Western Union, a company with a rich history of change and transformation. Founded 170 years ago, Western Union began as a domestic telegram service connecting the East Coast to the expanding western frontier of the United States and has since grown into one of the world's most recognizable brands.

Hikmet had risen through the ranks of Western Union, spearheading its international expansion. When he took the reins as CEO in 2010, more change was looming. The widespread adoption of digital and internet services beginning in the 1990s, and the rise of online payment companies like PayPal and more recently Venmo, Wise and others, seemed to spell an existential challenge for its cash-driven money-transfer business.

Under his leadership, the company has gone from strength to strength, showing a constant willingness to break with long-standing modes of operation and rapidly developing its digital services, all the while maintaining the resiliency of its core business. The company saw more than 80% growth in digital transactions year-on-year in 2020 and is on track to reach \$1 billion in revenue in 2021 in its digital business alone.

Hikmet's personal story is very much a part of his approach at Western Union. Born in Turkey to a Turkish father and an Austrian mother, he emigrated to Austria to study and begin his career. From his experiences, he developed a passion for supporting migrants and became a strong advocate for all the good that migration brings to the world.

The driving purpose of the company is connecting people, Ersek says, and the proof of that played out during the pandemic. When COVID hit, many industry analysts were predicting that a significant downturn in cross-border flows would negatively affect Western Union. Instead, migrants during the pandemic continued to send significant sums of money to their loved ones back home to support basic needs jeopardized by the crisis—things like shelter, medical supplies and food. As a result of its ongoing focus on services for the world's migrant population, the company is emerging from the COVID-19 pandemic stronger than ever. And the future is bright, as that population grows increasingly affluent and tech savvy.

Hikmet sat down with Brunswick's Dave Carlson and Patrick Rutherford to discuss his experience leading Western Union during these challenging times and his expectations for the future. Through it all, he returned again and again to the

importance of focusing on the company's global customer base, many of whom are immigrants opening opportunities for loved ones back home through cross-border money transfers.

### **Why did you join Western Union and how did you get your start with the company?**

I joined because of my father.

It was 1999 and I was at GE in the Jack Welch era back when GE was the place to be. I was fortunate enough to be among those selected to go to their executive training program in Connecticut. So after this, I was contemplating what I would do next with GE and I got a call from my father in Turkey saying he needed money for some medicine. My father did well for himself but was living on a pension and this was very expensive medicine. I was living in Austria and had to figure out how I could send him some money from my Austrian bank account to his Turkish account. It ended up taking a week for the money to get through the correspondent banking network and it was a very expensive transaction. It cost about 140 Euros at the time and that was more than 20 years ago.

Shortly after that I got a call from a headhunter saying that Western Union was looking to expand in Europe. It was mainly operating in North and Central America at that time with about 50,000 locations and they were looking for an executive with deep international experience to help lead the expansion. At first I said, "No way I'm leaving GE." But then I started thinking about my experience trying to send money to my father and how there must be millions of people who had the same struggle getting money to loved ones in other countries. The more I thought about it, the more I thought it was a compelling opportunity, to help Western Union create this global capability. So I joined the company and the rest is history.

Eventually I was able to send money to my dad in Turkey through Western Union and kept doing it for 16 years—and it cost a lot less than 140 euros every time!

### **We've heard stories about you going to literally hundreds of different countries to open new locations. Is that true?**

It is. The first place we opened after I joined was actually the Turkish Post Office. I flew there and said, "Why don't you use Western Union? We're building a global cross-border money-transfer business and people like my dad need better services." And they said "OK." So that's what we did. I'd

wake up early every morning and say where are we going to expand to next? As head of International I went to almost every corner of the world—almost 150 countries.

Even very early in our international expansion of the cross-border money-transfer business we knew that to truly be global we had to be everywhere, and you had to understand the people and the culture in each market. When you operate in markets far away from your own headquarters and embedded in a different culture than your own, you have to work actively to understand the local context.

We also need to have community managers in the markets that are sending money to these regions that understand the culture. In Chicago, you have to have someone who understands the Ukrainian community, and so on. So you become the bridge builders between these countries.

In the span of about 10 years we went from 50,000 locations, all in North America, to almost 500,000 around the world, the largest global retail network for sending and receiving money in the world. Even today this retail network is critical to what we are trying to do in the future because it means that our customers using our apps or other digital services can send money to almost anyone in the world, regardless if they have a mobile phone or bank account. We can pay out into an account, wallet or local currency.

**Do you think your own migrant story has influenced how you see the world and Western Union's role in it?**

Absolutely. I get emotional sometimes talking about the company because I tell people all the time that our customers aren't sending their money, they are actually sending their *love*. As someone who was a customer first and CEO second, I bring this appreciation to everything I do. If your mom calls you and says I need money, you are going to say yes, of course, because that's love. It's your mom. It's your dad. It's your sister or your best friend. Looking at these transactions from the perspective of someone sitting in New York, it may be hard to appreciate the impact of a customer sending \$100 back to their home country—but that might pay to send a child to school for a year. I am not the smartest person in the company sitting in this corner office, not by a long shot, but if you listen to the customer, they will tell you what they need and where they see their world going and that is what drives my decision-making every day.

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**What was it like leading the company in 2020?**

**And how has the pandemic affected your customers and the business?**

Well, first let me say it was probably the most challenging year we have ever seen. We are a people business and it was certainly strange not seeing people and not talking to people face-to-face. But one thing that proved important for us was that we connect people who have Zoom with people who have no way to get on Zoom—and the need to send money to loved ones had never been greater.

Each and every person at this company woke up every day to ensure that our customers could get those funds to those in need.

Even in normal times people often use our network to send money to loved ones for basic necessities like food, shelter and medicine, but during the pandemic our services had never been more crucial.

It was hard, I'll admit. For example, negotiating with someone from Nigeria, or Sri Lanka, or Japan, when you can't be there with them, even in the same country—it's challenging. But we knew the importance of what we were doing and we have never worked harder to ensure that our nearly 150 million customers in more than 200 countries and territories could send and receive funds, in more than 130 currencies, to and from almost anywhere, as the global pandemic raged with virtually no interruption.

We also undertook a broad range of initiatives to help our customers, like launching a global coronavirus relief drive, funding medical respiratory support machines, and waiving fees at the peak of the India outbreak. I am incredibly proud of each and every Western Union employee—they made it all possible.

**Western Union is on track to reach \$1 billion in digital revenue in 2021. What are your thoughts on this milestone?**

It is definitely the fastest-growing part of the business and the pandemic definitely accelerated that growth. But what surprised a lot of people was that our digital growth has been driven primarily not by people who used our retail services converting to digital, but by new customers coming to Western Union who had used other methods in the past, such as correspondent banking.

These people had a critical need to get money to loved ones and wanted to do it faster and cheaper without having to go to a physical location amid COVID and our digital app gave them the ability to that.

**You compete with many established players but also many “fintechs,” many of whom are digital payment startups. How do you view this cohort?**

I’ll say that fintech is not just “tech,” it’s “fin,” and when you are moving money across borders, the fin can be the hardest part. Moving money within borders is easy—that’s why it’s often free—but when you move across border it gets a lot harder. You have to convert currencies; you have to have licenses and regulatory know-how and customer service capabilities that span dozens of languages.

So to me, I don’t really look at it as fintechs versus established companies. I look at our global customer base and say how can we integrate all of our core strengths from technology, to financial services, to brand and compliance, to serve our customers better than anyone else.

We are also a profitable public company with about \$1 billion in operating cash flow, so that’s another difference between us and some of our digital peers who are private or venture backed.

**Does the iconic nature of the Western Union brand confer any competitive advantages?**

Yes, our brand absolutely is our strongest asset. We have one of the best-known brands globally. No matter where you go, the black and gold letters of Western Union mean something.

I think that’s a big reason we gained so many digital customers in 2020. All companies saw a flight to quality during the pandemic, which is natural—during times of disruption you gravitate toward people and brands you trust. That trust in our brand was already there even though they may not have used our services.

**How do you think globalization will look, post-pandemic, both at the geopolitical level and also at the individual migrant level?**

I don’t think globalization will ever stop. I also think it will accelerate in the near future but in a different way. In the ’90s, globalization was about people movement and trade agreements; now globalization is about the flow of data and information. How do you stop that? You really can’t. If you look at the big global issues facing the world today, climate change, economic inequality, et cetera, these issues require global coordination. As the world looks at supply chain issues and rising inflation, you have to have the IMF there along with the central banks.

At the individual level, I think you’ll see the movement of people around the world and across

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borders accelerate as we get further into recovery. COVID-19 created the ultimate example of an isolationist environment. People were confined to specific areas and as soon as vaccines started to take hold you saw the natural desire for people to become connected again. So I think we’ll see a lot of movement in the coming years.

**What’s next for Western Union?**

We want to think very differently about our addressable market. But we’ll build from our core strength, which is simple: We’re a company moving all currencies, for all use cases, anywhere in the world. There is so much opportunity, in part because of the trust in our brand. It will take some time and some more internal disruption to get there, but we have two key strategies we are pursuing.

The first is that we want to build a financial ecosystem around our core migrant customers. This demographic has a unique set of needs being so far from home, and the financial services they require are no exception. Nobody can serve this customer base like Western Union, so there is a big opportunity for us to think about how we use our strengths to break into entirely new markets, which is a very exciting opportunity for us.

The second is to build on the momentum we have in opening up our cross-border platform to other ecosystems, financial institutions and other businesses who have customers with cross-border needs. Simply put, a lot of people have the need for a global network capable of moving money cross-border, and potentially serving as the bedrock for a broader financial ecosystem. In terms of scale, compliance, regulation, technology and so on, replicating what we have is nearly impossible, even for the biggest companies in the world. So there is a lot of demand from companies to partner with us. We can be a white label or a branded solutions provider for them and we have already had a lot of success with major partners like stc Pay, Sberbank in Russia and Google Pay.

You’ll see us change quite a bit in the coming years, but at the core, we’ll still be doing what we are best at: connecting people with their loved ones. That will always define us—and the desire to connect or reconnect with loved ones has never been stronger—so we’ve never been more excited about the future. ♦

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