



Hikmet Ersek

EDITORS' NOTE Prior to becoming CEO, Hikmet Ersek served as the company's Chief Operating Officer. He joined Western Union in September 1999 and has held several senior international roles of increasing responsibility within the company. Ersek began his career in financial services in 1986 at Europay/MasterCard in Austria. In 1996, he joined General Electric Capital, where he was responsible for retail sales, finance, and the card business. Ersek also represented the GE Corporation as a National Executive in Austria and Slovenia. In 2012, he received The Opening Minds Corporate Leadership Award from the Institute of International Education and Corporate Responsibility magazine's 2012 Responsible CEO of the Year Award. Ersek has a Master's (Magister) degree in Economics and Business Administration from the Wirtschaftsuniversität (University of Economics) in Vienna, Austria.

COMPANY BRIEF Western Union (westernunion.com) is a leader in global payment services. Together with its Vigo, Orlandi Valuta, Pago Facil, and Western Union Business Solutions branded payment services, Western Union provides consumers and businesses with fast, reliable, and convenient ways to send and receive money around the world, to send payments, and to purchase money orders. As of September 30, 2014, Western Union, Vigo, and Orlandi Valuta branded services were offered through a combined network of over 500,000 agent locations in 200 countries and territories, and over 100,000 ATMs and kiosks. In 2013, Western Union completed 242 million consumer-to-consumer transactions worldwide, moving \$82 billion of principal between consumers, and 459 million business payments.

How has Western Union evolved over the years?

We always connect with people – that is in our DNA.

When we talk about money transfer today, we are talking about connecting people

Connecting People Globally

An Interview with Hikmet Ersek,
President, Chief Executive Officer, and Director, Western Union

globally. Forty years ago, we had only the U.S. business and then we started operating in Canada around 35 years ago.

Probably the biggest breakthrough for Western Union started about 20 years ago in expanding our money transfer services with the growth of globalization and migration. Migration has always been here, but on a global scale, migration with globalization really had a substantial impact on our ability to move money.

The first element came from the fact that people migrated but they had no way to send money back home. They also had to deal with unbelievable fees.

Over the past few years, especially since I have been responsible for the international business, we have opened in other countries with the belief that if we build it right and, in a way that really works for our customers, then they will come.

It used to be that if you went to a location in New York, you could not send money to Vietnam or Chile, or rural areas in Mexico. Under my leadership, India has expanded from 3,000 locations to about 100,000 locations.

It is very important to us that the sender is able to transfer money knowing that his father can pick up that money immediately and go to the hospital, or that his kids in Vietnam can pick up money immediately and go to school.

Building this network was essential for Western Union in order to give migrants access to the world – they have no flags or borders, and yet they have grown to approximately 40 percent of the global population over the past 10 years.

We provide a needed solution for the migrant population of the world. We don't see it as a transaction – it is more than that for us. It is "Moving Money for Better." Better lives. Better futures.

I am also proud to say that we have always done very specific marketing in other languages and to specific cultures. At Western Union, we celebrate all holidays and recognize all religions, and special days.

We also deeply appreciate and understand the needs of the people across the globe and the critical importance of connecting families. This has been the secret of Western Union.

Thanks to the loyalty of our customers and the trust we share, we continue to be a successful global company. We are now at 500,000 locations and have over 100,000 ATMs and kiosks worldwide.

We operate in 200 countries and territories with the exception of North Korea and Iran.

How will you take the company to the next level?

Every transaction we do is electronic. People may think we're physically carrying cash to a location but that is a thing of the past. Our business is digital. We manage digital transactions in more than 121 currencies, and always via IT – on average 29 transactions per second worldwide.

However, make no mistake: the pick-up need for the customer remains a cash transaction. For example, 99 percent of the transactions in Africa are paid in cash.

So it was critical for us to bridge the divide and ensure that a cash capability is always available to our customers. I wanted to ensure that we could always reach the new customer segments. What would happen if people don't want to pay out in cash and want the money on an account or on their mobile wallet or a stored-value card?

This was probably the number-one thing I focused on – building the company so everyone in the world could use our services in any way they need to.

I determined that a critical step was putting the person on my team who is the head of Africa on the case. I asked him to go to San Francisco and open our digital office. I specifically didn't hire a Bay Area IT specialist – I hired someone who understands our customer needs and receiver needs, and who is extremely technologically advanced.

Two people opened the office in the Bay Area and it's now our fastest-growing business – sending money online and receiving money online. As of Q3 2014, it has grown about 38 percent. Our fast growing digital customer doesn't want to carry cash to a location or pick up cash at a location, and the only company who can do it in 200 countries is Western Union.

How hard is it to maintain quality standards as you grow and have you put metrics in place to track impact?

Given my background as a European Six Sigma trained professional, I still use that method every day. Improving the process is based on the customer needs, which means service excellence. Customers always tell us what the process should look like, so we optimize it to meet their needs and continue to improve our services.

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In our business, it's especially important that we get things right because we use an agent network. They are not our employees but indirect employees. The quality standards in New York are obviously different than those in San Francisco, just as the standards in places like Albania are also different than those in Rome or Helsinki. However, we have one brand and the expectations of our customers are the same everywhere.

The good news is that because of our impeccable operations, one can send money at the same speed worldwide. However, the service quality at the point of sale is quite unique and can be challenging for the individual, especially if you're a customer with migrant needs at the bottom of the financial pyramid.

Sometimes people in some countries are not treated with proper respect. Given this, we started customer programs like Club 500 where we choose high-traffic corridors and conduct special training with frontline associates along with the agents. Almost immediately, we saw that the number of transactions increased in locations where we had done the training.

Customers rate the service online for elements like how the service quality was in that location. If things were bad, we send our sales-force out to access the situation and find ways to remedy it quickly – customer feedback is paramount.

It is also important to note that our business has gotten more complicated as the regulatory environment has changed significantly which, in turn, impacts the overall strategy.

We started to ask more questions and get more callbacks, which is great. With that, we avoided bad money – we only have good money, which is obviously connected with our purpose of “Moving Money for Better.”

I realized that service quality had gone down because we, at times, rejected even good money. Sometimes a customer couldn't show us a valid ID or would send the same amount of money three times and it was suspicious.

I told our people that compliance is our competence. We're going to treat the customers well and explain why we're doing things, and build on our trust and invest in compliance. We know that our customers will choose us because they trust us and we trust them, and we're going to help them send money to their families.

It's still in the transformation process, but we have started to see the benefits of compliance and the competitive advantage of driving our service quality in 200 countries.

Transformation is the hardest for CEOs, especially if they have a very profitable product and are trying to develop the next product lines or find the next P&L that is profitable for their shareholders. But if you have fundamentals like Western Union has, you can bring about the transformation. It just takes time.

When I took over, I thought I would change everything; yet, I soon learned that was not a viable option. I had to make some tough decisions and my board, fortunately, supported me.

Some of our decisions were not always welcome by shareholders or customers, but I knew they were good long-term ideas for this company.

Western Union has innovated for over 160 years and we have shaped the history of this country, and the world. Every transaction we do changes people's lives. We are a company where we are always changing people's lives. We're solving needs for the customer and I'm very proud to transform this company steadily and with purpose.

The other things that you get easily distracted by are making your quarterly results, driving shareholder revenue, taking care of employee needs, and fixating on regulatory needs. But long-term, you have to keep focused on your goal. I have not changed my goal in four years. I said I would diversify the portfolio to adapt to new customer needs and I will remain true to that.

Did your people get onboard quickly and embrace your vision?

Change is really difficult, though I am a change agent.

Five years ago, when I was running 80 percent of the company, I put a large sign on my door that had a phrase about how my performance is linked to my compensation.

Before everybody came in my room, even clients, they would see it. People took pictures of it and sent them worldwide, so it had a strong response.

Change happens if you are a change leader. The danger is change that only happens because the leader wants it to. This can cause a kickback. Also, everybody wants to satisfy, but if that is the only focus, fundamentally change doesn't happen. So when the leader wants to change, it also has to be driven culturally all the way from top to bottom.

I actually went directly to the bottom – I wanted my people to feel the pressure from the bottom. It was extremely uncomfortable

and is still uncomfortable when I call people directly. I also listen to customer calls. I sit at call centers and make sure that things are going well.

Transformation has to be led from the top. If you are a change manager, I can only advise you to go and see things for yourself within your company.

How hard is it to get that change accepted by Wall Street?

It is beginning to be accepted. The shareholder is your boss – this is very important.

Sometimes the shareholders' vision differs from yours. Some shareholders have different needs and you have to adapt your vision to shareholder needs. Some of the shareholder needs may not fit in with company strategy, and some of it does.

We have had a shift of shareholders and the current shareholders do believe in our long-term strategy. We have very strong cash flow, good margins, and great customers. Our business is so valuable to many customers that it will continue to generate cash.

I communicate that this is a sustainable business but I need time to transform it to take the company to the next growth areas.

I'm aligned with the shareholders and I can ask them to trust me, but I also have to show them good performance.

One of the biggest changes in 2012 was that I invested about \$350 million in our pricing actions. Many shareholders didn't like it initially but now we are winning market share and growing again, and transformation is changing our core business. ●

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