Working across many cultures at Western Union

The CEO of the global money-transfer company explains how it brings in the multicultural voice of the consumer through a broadly diverse team of top executives.

When Western Union Holdings CEO Hikmet Ersek rang the opening bell of the New York Stock Exchange in May 2015, it marked 150 years since the WU ticker was the first listed on Wall Street. Few businesses are as long lived. Western Union is one of only two companies still left from the original 11 in the Dow Jones Transportation Average.

Since its founding, Western Union has played a prominent role in American culture and commerce. The company built the first transcontinental telegraph line across the United States in 1861, issued one of the first consumer charge cards in 1914, launched the first domestic commercial satellite into orbit in 1974, and sold the first prepaid telephone card in 1993—not to mention sending the first CandyGram in 1959. Some of the world’s great tragedies have played out by Western Union telegraph. These include the last message sent from the Titanic, a distress call reading: “SOS SOS CQD CQD Titanic. We are sinking fast. Passengers are being put into boats. Titanic.”

You can’t send a telegram by Western Union anymore, but the company continues to thrive at the forefront of the cross-border, cross-currency money-transfer and payments industry. Across more than 200 countries and territories, the company has more than half a million agent locations, and it offers services

1 CQD was the contemporary maritime distress signal meaning “Come Quickly: Distress.”
through more than 150,000 ATMs and kiosks, along with the ability to send money to billions of accounts. In 2016, Western Union completed 268 million consumer-to-consumer transactions and 523 million business payments worldwide, moving more than $150 billion of principal for consumers and businesses.

McKinsey’s Kausik Rajgopal and Lang Davison recently sat down with Western Union’s CEO to talk about its multicultural customer base (and leadership team), finding the simplicity within complexity, and how Ersek surprised everybody with his choice to lead the company’s digital innovation lab in San Francisco.

**The Quarterly:** Western Union has a big global network of agents on the ground in a wide variety of countries. What makes this network distinctive?

**Hikmet Ersek:** For one thing, our customers aren’t like those of many other companies. We actually have two types of people we serve, the sender of the money and the person who receives it. For example, the sender could be an immigrant from a rural part of Tamil Nadu, who’s left India to find work in Canada. In this case, we have to understand that his relatives—the receivers—are in Tamil Nadu. They’re not in Punjab; they’re not in Pakistan. And that understanding has to drive where and how we open locations in Tamil Nadu, as well as where and how we open them in Canada. That’s a bit more complex than opening a typical retail location.

But what really sets us apart is the interplay between our digital business and the retail network. Our senders can send money from the phone in their hand, and the receiver can pick it up in cash. NGOs [nongovernmental organizations] can send money from their global headquarters in London, and their fieldworkers can pick it up in cash in a conflict zone. In India, parents of a university student in Canada can give cash to our agent in Mumbai, and the tuition payment is made to the university’s bank account.

In order to build a unique physical and digital network like this, you can’t sit in a corner office in Denver or San Francisco. You have to be in and understand the diverse marketplaces in the world. There is a lot of fundamental prework that has to occur before you can open anything. First you have to negotiate with the reserve banks. You have to talk things over with the regulators. You have to find the right agent for the location. And you have to begin all this with the voice of the customer in your head.

Many people say the voice of the CEO is very powerful. I don’t think so. The voice of the customer has more power. But if you can combine both voices in your day-to-day actions, it’s even stronger.
The Quarterly: You have built this network during a unique historical time, too.

Hikmet Ersek: Yes, to be fair, we have been lucky. Globalization has helped us—the expansion and mobility not only of goods and information but also of the global workforce. The increased movement of people across borders has been very helpful to our expansion. Globalization has also helped us have a unique brand. People may not speak English, but they recognize Western Union. Ours is a global language for moving money to support your loved ones. That’s Western Union.

The Quarterly: That would seem to put a premium on multicultural skills within the organization.

Hikmet Ersek: It does. Our customers have broadly diverse religious celebrations, school systems, languages, and beliefs. A multicultural understanding of these differences is required if we are to stay close to our customers—not only the senders and receivers of money but also the bankers, regulators, and agents. You need a multicultural competence simply to select the right agent for a given location, or to create the right app for a given country, one that reflects our brand in the right way. Cultural differences are complex, and therefore our business is, too. Thank God it’s complex. If it weren’t then maybe we wouldn’t be so successful.

The Quarterly: What kind of management approach do you need for this unique customer context?

Hikmet Ersek: Our people need their own multicultural competency if they are to understand the diverse needs of our customers. I call it “cultural dancing.” You don’t have to be Filipino to have that competence. You don’t have to be Indian or Turkish. But you do have to be open-minded to people’s needs and willing to step away from the perspective with which you see the world.

You also have to be willing to look beneath the surface, to look beyond the apparent first meaning of the words someone is using. Because the person speaking may not be using their primary language, it’s up to the listener to actively participate in finding out what the person actually means by what they say. If you’re only used to your home culture, you don’t have to do that. You can take things more at face value. But if you grew up in a multicultural environment, you think to yourself, “Maybe they didn’t mean it exactly like it sounds. Maybe there’s a second thought, a second meaning behind the first one.” That openness is important if you are on my leadership team.
By the way, I find that people in the US are more multicultural than they are given credit for. The business leaders in the US adapt themselves more easily than do those of some other countries. Perhaps one reason is that the US is built with and by immigrants. This country has an understanding of immigrants and an openness to diverse cultures that isn’t always present in other countries. I hope that doesn’t get put aside in the new political environment that seems to be emerging in the US.

**The Quarterly:** Your customers are diverse. And your leadership team is similarly diverse, right?

**Hikmet Ersek:** Among the nine executives that make up my top leadership team, we have 13 nationalities. These leaders have together worked in more than 40 cities globally—from Kabul to London, from Frankfurt to Riyadh. So they’re truly international, but they also have deep market experience, which enables them to stay connected to our diverse customer base.

**The Quarterly:** How does that diversity play out in your leadership assignments and in the roles you ask your leaders to take on?

**Hikmet Ersek:** I’ll give you an example. A few years ago, we decided to open a new office in San Francisco with a team that would be responsible for building WU Digital, Western Union’s digital and mobile business, a start-up within the broader company responsible for reinventing and expanding our money-transfer business for the mobile age. Who did I pick to lead this new effort? Not a cool, new tech genius from the Bay Area and Silicon Valley. I picked the leader of our Africa business, Khalid Fellahi. I picked someone who has the multicultural competence we’re talking about, the understanding of our diverse customer base and their needs. Even a new start-up within the company has to begin with the voice of the customer, and

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that’s what we got with Khalid. With that in place, he then hired 250 smart people from Silicon Valley, including the many engineers the effort needed. Now our digital business is the fastest-growing part of Western Union.

Many companies or investors would never dream of pulling a leader out of Africa to establish and run a multimillion-dollar digital business in the heart of the Silicon Valley. In fact, many people, both inside the company and out, said, “What are you doing?” Even Khalid was surprised. But I believe that if you understand the voice of the customer, then everything else will follow thereafter. And I think this decision was the right one, since WU.com has been growing in the double digits.

The Quarterly: Are there downsides to being multicultural?

Hikmet Ersek: Well, the upside to multiculturalism is you tend to learn quickly. But the downside, to generalize, at least, is that multicultural executives tend to be a bit less disciplined. Something about dancing between cultures that means you can sometimes be less disciplined. Or at least that it doesn’t come naturally: you have to learn it. You may have an ability to be forward looking and visionary, but you have to look backward, too, in order to fix what’s less efficient and effective. So the question becomes how you combine those two things in an organizational culture.
I was fortunate to have been trained in one of the best places, General Electric, where I spent the first years of my career. Jack Welch was one of the first guys to bring Six Sigma to Europe. And Six Sigma is all about discipline, even if it’s not exclusively that.

The Quarterly: Does that mean, that you’ve brought Six Sigma into Western Union?

Hikmet Ersek: We’re developing our own version of it, yes, with something called the WU Way. The WU Way is a kind of lean-management process-optimization environment, a disciplined approach based on the voice of the customer that can help this multicultural organization increase the discipline it needs.

RAPID REFLECTIONS
FROM HIKMET ERSEK

1. IF YOU WEREN’T CEO, WHAT OTHER JOB WOULD YOU DO FOR A DAY?
A professional basketball coach. I played semipro basketball in Europe years ago, and I still love the sport.

2. IS THERE A COMMON PIECE OF LEADERSHIP ADVICE THAT YOU THINK IS WRONG OR MISLEADING?
Many of us were taught that managers and CEOs should be the experts. But the truth is that leaders who don’t trust and empower their people lose in the long term.

3. WHAT IS THE MOST INTERESTING THING THAT YOU HAVE LEARNED ABOUT ANOTHER CULTURE?
Being culturally competent means being a good listener and being humble when interacting with others.

4. WHAT MEMORY STANDS OUT THE MOST FROM YOUR EARLY YEARS GROWING UP AS A CHILD FROM A MULTICULTURAL BACKGROUND IN EUROPE?
Celebrating both Christmas and Eid with my family gave me flexibility for life.
The Quarterly: One area the company has had to instill discipline is in the culture of compliance, given the regulated environment in which you operate. And in 2017, Western Union paid a $586 million fine imposed by the US Justice Department and Federal Trade Commission. Can you discuss some of the things you’ve done with regard to compliance?

Hikmet Ersek: When I became CEO in 2010, it became clear that compliance was one of the first strategic areas that we needed to invest in. The regulatory environment only continues to get more complex, and we needed to invest in the relationships and infrastructure to ensure we could succeed.

We announced the settlement in 2017, but the truth is that the conduct at issue mainly occurred more than five years ago. Over the past five years, we’ve made significant enhancements and investments in our programs, and today we invest 3.5 to 4.0 percent of our revenue in compliance. Part of this investment is in employees—more than 2,000 are dedicated to compliance—and in sophisticated technology to help keep “bad money” out of the system. We also strengthened our agent and customer education, and we put in place a new compliance governance structure.

Today, I think we all can see that globalization looks different than it did in 2010, and part of what that means is that there is less harmonization of regulations than many might have imagined. What that means for WU is that we believe these compliance investments can become a long-term competitive advantage. We’re one of the world’s most global companies, yet we have the relationships and infrastructure to successfully navigate local regulations—across more than 200 countries and territories.

The Quarterly: Did that mean creating a compliance department?

Hikmet Ersek: We already had a compliance department, but we decided that compliance had to be part of our culture as a whole, and not just the responsibility of one department. So we created a compliance committee at the board level, and then we looked to instill a culture of compliance at the other levels of the company, too. The same way everybody in a company is a brand ambassador, well, everyone has to be a compliance ambassador. And they have to carry out their daily activities with the discipline needed for compliance. For instance, every employee has to complete a compliance training class and become certified. And the tests are not easy, either.
It wasn’t popular on Wall Street, by the way. Our stock took a hit when we announced we’d be investing about 3 to 5 percent of revenues in compliance activities. It took a while to tell the story, to convince them that we could create a long-term competitive advantage.

**The Quarterly:** Describe your own growth as an executive.

**Hikmet Ersek:** One of my biggest growth areas has been to learn to put my own ego aside. Don’t think that I was always like that. I learned it. It’s something that you learn over the years. I may have my own ideas about something—for instance, about the importance of the WU Way—but I have to carry that to my team, taking the time to do that properly. The notion is to make your idea their idea. Then, once the idea takes hold, you can’t say, “Well, it was my idea in the first place.”

In the past, I would have said, “Hey, it was my idea first! Don’t forget me! I want to have the credit!” Right? You develop over the years. Or you don’t. Some people never develop. But being multicultural helps in this regard. You learn to adapt yourself more easily, to learn and to grow.

**The Quarterly:** What else have you learned over the years?

**Hikmet Ersek:** One thing I’ve learned is that leaders have to balance the complexity of the world by keeping things simple. Many people will show you how complex or how difficult an issue is. In some cases, they may be right, but most of the time it is their insecurity or they are just afraid to solve a problem.

As a leader, especially as a business leader, in a complex environment, it is important to keep things simple. If you have products and services that are too difficult to market and do not match customer needs, you will lose. The advice from me would be to create products and services that are simple for the customers. That will make you successful. The communication and the marketing of the complicated products and services, whatever they are—spaceships, medicine, hamburgers, or financial funds—has to be simple. Also, the company’s vision and goals for the employees, shareholders, board members, and all its other stakeholders must be stated simply so that all over the globe, in any culture, in any language, the intent of the message and the direction of the company are clear.
The Quarterly: How do you go about making things simple?

Hikmet Ersek: I do it by asking “why.” Asking why has been a recurring theme throughout my business life. During the Jack Welch period at GE, I went through the Six Sigma training and learned the concept of asking “why” five times. Asking why generates simple solutions that overcome complexities.

By asking why, you can be innovative, even within a long-established business, where your own success risks blinding you to future opportunities and transformation. I started the transformation at Western Union—into the digital era and into the compliance era—by asking the question why, and it kicked off an entirely new set of business solutions for our company to offer.

Hikmet Ersek is the president, CEO, and director of Western Union. This interview was conducted by Lang Davison, a member of McKinsey Publishing who is based in McKinsey’s Seattle office, and Kausik Rajgopal, a senior partner in the Silicon Valley office.