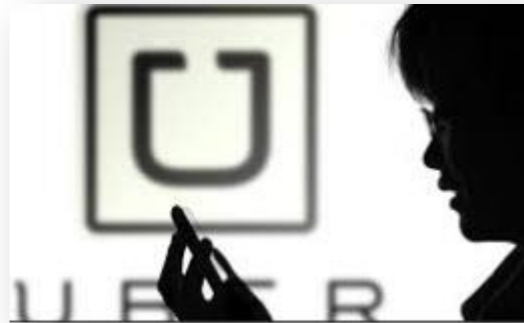
UBER



2009 – 2016 – Meteoric Rise

Uber, the world's first on-demand, peer-to-peer, car service, was started in 2009 by Garrett Camp and Travis Kalanick and officially launched, in San Francisco, in 2011. Kalanick was originally brought in as an investor / founder / advisor, but was quickly named CEO in December of 2010.

Although the "end product" is a service, the company is a software company at its heart – having created a phone app that allows someone to hail a nearby car and driver manned by private citizens who are independent contractors of the company. Initially company growth was slow – by 2013 the company operated in less than 50 cities. Between 2012 and 2015 the company tried many variations of its own service (such as UberChopper – a helicopter service) and developed many partnerships (such as with the navigation company TomTom). During these years Uber continued to grow and enter new markets both in the United States and throughout the world (China, India, Brazil) as well as take on billions of dollars in outsider financing and debt. In 2013 *USA Today* named the company its tech company of the year.

As the first-to-market in the US, Uber enjoyed 84% market share until early 2017 when scandal and poor decision making contributed to it losing fans and investor confidence, and market share dropped to 75%. In 2016 the company grew from 5,000 to 10,0000 employees and lost 2.8 billion dollars (US) in 2016 (on total sales of 6.5 billion).

2017 – Scandals and Struggles

In early 2017 grumblings began to surface about the toxic work culture at Uber (back stabbing, bullying and sexual harassment) and lack of diversity (approximately 6% of employees were female). As one USA Today writer put it, "The reports have painted the company's corporate culture as sexist, aggressive, and morally sketchy." The complaints were so pervasive that the company hired an outside law firm to investigate them, in order to report to the Board of Directors.

In February of 2017 Travis Kalanick, the CEO, was filmed on a dash-cam drunkenly berating an Uber driver who was questioning him about the company's revised pay structure. Thanks to social media, the clip became immediately viral. Rather than addressing the incident head-on, Kalanick was unapologetic for weeks. Backlash towards the company, as a result of the video and the reports from disgruntled employees, resulted in 200,000 Uber customers deleting their accounts when #DeleteUber started trending on Twitter.

On March 1, Kalanick admitted to Uber employees that he needed "leadership help" via this statement:

> *It's clear this video is a reflection of me—and the criticism we've received is a stark reminder that I must fundamentally change as a leader and grow up. This is the first time I've been willing to admit that I need leadership help and I intend to get it.*

In April of 2017 it was revealed the company was under investigation by the US Department of Justice, accused of creating software that allowed Uber drivers to go undetected in cities where the service was not yet approved. The company did not deny the existence or use of the software but said it was intended to keep their drivers safe, not to thwart regulations.

As bad-press upon bad-press mounted, the COO and president stepped down, with the president saying it was because of a difference in “beliefs and approach to leadership.” Some business bloggers speculated that having Uber on one’s resume might be a turnoff to future employers (anyone who condoned or endured a chaotic and undisciplined workplace such as Uber might not be the kind of worker you’d want).

In mid-June Kalanick took an indefinite leave of absence from his role, but continued to berate the press, the board and employees from afar, via social media. By June 20th, after multiple shareholders demanded his resignation, Kalanick resigned as CEO.

As the search for a new CEO began in the third-quarter of 2017, the board of directors began its own unraveling. A venture firm, Benchmark Capital, which had a seat on the board, sued Kalanick for fraud and breach of contract for his “gross mismanagement” of the company. Other shareholders then petitioned for Benchmark to be removed as a director, saying the company’s actions were “value destructing rather than enhancing.” As potential CEO names were put forth, members of the eight-person board began to take sides to promote their own choice or defend Kalanick (who continued to hold a seat on the board of directors, despite stepping down as CEO).

Ultimately the board decided that working cooperatively was in the best interests of all and a new CEO was named in late-August 2017.

Some Wall Street analysts suggested that the turmoil during the first eight months of 2017 caused the company’s plans to go public to be put on hold indefinitely. Soon after his announcement as the new CEO, Dara Khosrowshahi told the Wall Street Journal that the company would seek to go public in 18 to 36 months. The announcement was disheartening to many Uber employees who had stayed loyal to the company because they expected a stock-option windfall sooner rather than later, according to a report by the Financial Times.

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Discussion Questions:

Since Kalanick was an original organizer of the company, who should have been able to mentor or counsel him?

Given that by mid-June of 2017 the company had a nearly vacant C-suite (CEO, CFO, COO and president) – what is the role of succession planning in a company?

Could the company have weathered the poor-culture accusations and investigation, or the allegations of manipulating access in certain markets, if Kalanick hadn’t simultaneously put a very public face on the company’s shortcomings?

How can companies put checks and balances in to place when it comes to personnel (much like it might do with risk management of a physical asset); especially C-suite personnel?

Many of Uber’s indiscretions have been blamed on its being a startup that was growing faster than it could keep up. If you were a management consultant in 2015, who had the ability to see what 2017 would hold, what would you have done or advised?

Between 2012 and 2015 the company expanded into many similar models and partnerships in order to grow. What are your thoughts on the risks and / or strategic advantages of this approach?