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Data Translation Challenge

Introduction:

Uber has fought tooth and nail to get to where the company is today. We are all aware of what the company has been through with Travis Kalanick at the helm and how lawmakers are obsessed with opposing Uber however they can. It is now up to Dara Khosrowshahi, Uber's newly appointed CEO, to steer the company into a positive light with the public and improve its stakeholder strategy. Khosrowshahi has the unique opportunity to implement significant changes to the way this revolutionary company conducts business. This memo analyzes Uber's key stakeholders and suggests recommendations for how Khosrowshahi should take the reins to cement Uber's legacy in today's digital landscape.

Situation Analysis:

The major problems that Uber is experiencing are coming from all angles, making it near impossible to conduct business without making changes. Internally, Uber employees have grown accustomed to operating in an environment that encourages bullying and fosters a "boys club" mentality. This is not an ideal corporate culture to attract top talent and increase employee retention. Khosrowshahi should put an end to this corporate culture and begin building trust with his employees by apologizing for Kalanick's leadership style (Kellerman, 2006) and declare that he will turn things around for the company. Uber currently commands market share over Lyft, but this could quickly flip if Uber's employees lose their patience with the toxic culture and find work elsewhere. If things go unchanged, the work force may collectively "cancel" Uber and join Lyft, which could lead to Uber losing its majority share of the market, as seen in Figure 5.

From a local perspective, taxicab drivers (“cabbies”) are demanding an increase in regulation on Transportation Network Companies (TNC’s), which include Uber and its competitors. In Seattle, city officials are determined to “level the playing field” between cabbies and Uber drivers. Current projections predict the taxi industry to rebound while Uber and Lyft lose billions (Roberts, 2019). Additionally, allegations of sexual harassment scandals in both Uber corporate offices and from riders accusing their drivers of misconduct forced Uber to pay \$4.4M to settle the charges (Hawkins, 2019). Uber must control the quality of service that their drivers provide. One of Uber’s competitive advantages over cabbies is the assumed level of service like having a clean car and peace of mind that the driver will not “scam drunk passengers” (Roberts, 2019). For the concern about sexual harassment, Uber must implement a zero-tolerance policy on this type of behavior from its drivers. Riders are Uber’s end customer, and so prioritizing their safety and peace of mind must be paramount.

From a global perspective, lawmakers are desperate to force Uber to classify its drivers as employees rather than independent contractors, as attempted through California’s AB5 law (Ongweso & Koebler, 2019) as well as California’s Proposition 22 (“Prop 22”) (Conger, 2020). This is where a stark contrast is evident between American and British policy, as the Americans passed Prop 22, allowing Uber to classify drivers as independent contractors which lead to provoking driver backlash (Roberts, 2019), while Britain’s Supreme Court moved to classify drivers as employees, granting them employment benefits such as “health care, unemployment insurance, and other benefits” (Satariano, 2021). With the British ruling, Uber’s excuse of being a “technology platform, not a transportation services company” (Ongweso & Koebler, 2019) is losing its bargaining power. Consistent growth can be seen over the past four years (besides 2020 due to the COVID-19 pandemic) across the globe, so it is well worth the time for Uber to

enhance their global strategy and prepare itself on how to manage operations in countries such as Britain. “London is one of Uber’s top 5 markets globally” (Satariano, 2021), so Uber needs to make things work in Britain if they want to retain the geographic market.

Plainly breaking the law (Ongweso & Koebler, 2019) and allocating budget to avoid local regulation will only hurt Uber in the long run. For example, the US Supreme Court deemed the ruling of Prop 22 unconstitutional, forcing Uber and other app-based companies to appeal the ruling (Chen & Padin, 2021), which is cutting even deeper into cash flow. Uber and other gig-economy app-based businesses allocated millions into persuading voters to support Prop 22 by convincing them that voting in favor would “*increase*, not *decrease*, workers’ rights” (Chen & Paden, 2021). It is this unethical behavior that wastes money and paints a bad picture of Uber in the public eye. This behavior is what Uber must leave behind along with Kalanick’s influence. The “wild west” days of the “gig economy” are numbered. As Figure 2 in the appendix depicts, Uber has not seen a profitable year in the past eight years, other than 2018 where a \$1 billion profit was recorded. All other years have indicated losses. If Uber can manage to win the trust of its employees, drivers, and riders, this would increase Khosrowshahi’s chances of increasing profitability for the company.

Stakeholder perspectives:

Khosrowshahi must win the trust of Uber’s employees. He needs to squash the “boys club” culture and command a more ethical and professional workplace. Khosrowshahi needs to re-establish company culture to attract the best and brightest of the technology industry to work for him. If enough stellar teams form at Uber, a positive feedback loop of innovations would be developed at his company. Khosrowshahi needs to make Uber the premier technology company to work for to stay relevant in the ever-evolving space. If the environment of bullying continues

to be tolerated and encouraged, nobody will want to work for Uber. Companies these days are getting “cancelled” due to unethical practices. If public outcry is strong enough to choose Lyft over Uber due to the ethical practices and behaviors of the companies, Lyft may have a chance to overtake Uber in market share (Figure 5). Uber must make a conscious effort to embed ethics into their culture to build a positive reputation with the public. A perfect start would be to recruit female drivers, as Uber has an “overwhelmingly male driver population” (Scheiber, 2017).

Riders are essential to Uber’s success as they are the company’s end customer. In response to the allegations of sexual misconduct by the drivers, Uber must make certain that their drivers never cross the line. Stringent background checks need to be made on all drivers and corporate policy must be made aware by all employees and independent contractors that driver reviews are taken extremely seriously. This way, Uber will be able to quality control their drivers while simultaneously maximizing the safety and well-being of the riders.

Cabbies are fighting for an even playing field to help them compete with the TNC’s. They continue to lobby for increased regulation in the TNC space as well as seeking help from city officials (Roberts, 2019). In recent Seattle forecasts, it is predicted that the taxi industry will grow in the next few years but not enough to be a threat to Uber (Roberts, 2019). It is advised to not spend significant resources on opposing the taxi companies. Focusing on revitalizing corporate culture and handling employment law is where Uber should focus its energy.

Lawmakers throughout the world are determined to force Uber to play by the same rules as all other businesses in the geography. Uber has notoriously and successfully evaded regulations and local policies regarding commerce, adopting a “do now, ask forgiveness later” approach to how it runs its business. The tides are turning for how much longer Uber can maintain this approach. British lawmakers have ruled that Uber drivers should be considered

employees to the company, therefore be eligible for benefits such as paid time off, health insurance, and other benefits. This was determined to be the opposite in California, where drivers are classified as independent contractors. Uber's global footprint spans 69 countries and it cannot afford to employ all its drivers as full-time employees with the current business model. So, Uber must find a way to make having employee drivers profitable to the company.

Action plan:

Khosrowshahi and Uber's executive leadership team should come together to develop a rebranding mission statement for the company. Taking the time to intentionally work through this exercise would serve as a level-setting opportunity for Khosrowshahi to set the stage for how Uber will conduct business in a post-Kalanick and post-pandemic era. Corporate values and the overall mission must be defined in a way that will attract top talent to seek Uber as an employer. Uber should strive to emulate PayPal's mission statement and corporate values as seen in Porter et al, 2021. PayPal has implemented ethical business practices that attracts and retains top talent while also cultivating a trusting customer base that love their products and services. If PayPal can achieve this, Uber can certainly make the necessary changes to mimic what they have accomplished and become an ethical and values-based company that is profitable.

Uber's data science team should use Britain as a case study on the effects of classifying drivers as employees rather than independent contractors. Uber's leadership must find a way to drive profitability for the company when drivers have full employment benefits and scale this idea for when other countries pass similar regulations. Uber must accept the notion that Britain will not be the last country to enact this type of policy, so a strategy must be developed that can be implemented as these regulations are enacted. Requirements through driving tests can be used to ensure all drivers perform at a prescribed level to effectively control safety and quality of

service. A zero-tolerance policy for sexual harassment and general misconduct could be implemented that would drive good behavior from drivers, reducing the legal costs that the company has accrued in the past (Hawkins, 2019). Uber will not need to resort to psychological tricks to control their drivers if they are classified as employees. Drivers will be required to do the job they were hired to do, which grants Uber the ability to control the quality of the service.

If this type of employment is not attractive to drivers, they can elect to remain classified as independent contractors, which is a solution where everyone benefits for Uber. The driver retains autonomy and flexibility that is associated with being a “gig-worker,” and Uber will not need to provide employment benefits. Uber can also provide training on how to best manage app settings to maximize driver autonomy. “Forward Dispatch” (Scheiber, 2017) and notifications about milestones to reach a certain goal should be easier for the driver to choose in the app settings. The issue with these system functionalities today is that drivers do not realize how to manage their settings to fit their needs, and instead revert to default settings which is setup to maximize rides and make the process addicting through gamification (Scheiber, 2017).

Lastly, Figure 2 in the appendix illustrates ‘Mobility’ being second to ‘Delivery’ in market segments for revenue generating Uber services. It is anticipated that revenue in ‘Mobility’ will increase as COVID-19 restrictions are lifted across the country and globe. Similarly, revenue generated from ‘Delivery’ may see a decrease as people begin eating at restaurants again rather than ordering take-out. Uber could develop a strategy around incentivizing involvement with other revenue generating market segments. Perhaps there could be a “multiplier” if an individual provides services to multiple segments which include mobility, delivery, freight, and other (Figure 3) such as maintenance on Lime bikes and scooters.

Evaluation of consequences:

With the changes proposed in this memo, a rebranding for the company as a whole would be an effective way to wipe the slate clean and begin building a new Uber, the just and ethical way. The new mission statement will enable Uber to work through the entire marketing strategy framework as described in Dolan, 2019. Additionally, insights on how to grow additional market segments that Uber did not have under Kalanick's tenure could be derived, helping to diversify the company's service offering and develop strategic plans to grow the different revenue streams.

Employing drivers will come as a cost due to employment benefits, but it also affords more control to Uber over their drivers. Uber would have more control over who they hire as drivers, ensuring that they recruit top talent which would influence rider sentiment about the level of service that is associated with riding with Uber over other competitors. With this enhanced level of service, Uber's reputation of being safe, efficient, and professional will cultivate a loyal customer base. Repeat customers generate more revenue than net-new customers, and Uber needs to generate as much revenue as possible.

Providing drivers with the choice to be classified as an employee or an independent contractor adds to the autonomy that the driver has by being a "gig-worker." If they want to drive for Uber strictly as a side hustle to make extra income on an as-needed basis, drivers will likely elect to remain independent contractors. The level of autonomy over their own schedule and location is the main benefit of this classification. But if the driver prefers to seek full time employment, they will need to adhere to all policies enacted by the company to maintain an elevated level of rider satisfaction. Uber will not need to resort to psychological tricks to coax the individual to work since they will need to do the job they were hired to do.

Connecting stakeholder interests:

By focusing energy on managing relationships with the key stakeholders mentioned in this memo and found in the stakeholder map in Figure 1, Khosrowshahi will be able to construct a positive feedback loop that will set the course for making Uber a profitable company. Stellar teams of Uber employees will be built when individuals can agree on the set of values and mission statement that Uber rebrands itself to. As described in Duhigg's 2016 article, improving staff's "psychological safety" will lead to enhanced performance, collaborative innovation, and the forming of "virtuous circles of trust" (Cardona & Wilkinson, 2009), which will keep them competitive with Lyft and other competitors.

Uber needs to determine how to manage its British drivers as employees, so they might as well develop a global strategy that will maximize profits in this scenario. Granting drivers with the choice to be classified as an independent contractor or a full-time employee would enhance Uber's reputation as being an ethical company that provides a choice which would attract more riders to choose Uber instead of Lyft.

Khosrowshahi along with the rest of the Uber leadership have a monumental challenge ahead. Managing relationships with key stakeholders is imperative to running a successful business, especially in this technological day and age. The failure to place ethics before profits is what got Uber here. Breaking more laws and ignoring your stakeholders is not the way this company is going to attain profitability. If Uber continues on the path that it is currently on, the company will crash and burn soon. Figure 2 shows the billions of losses as evidence enough. Customers have too many options these days and there is always a company out there that will be happy to take Uber's place as the top ride share app.

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Appendix:

Figure 1. Uber's stakeholder map.

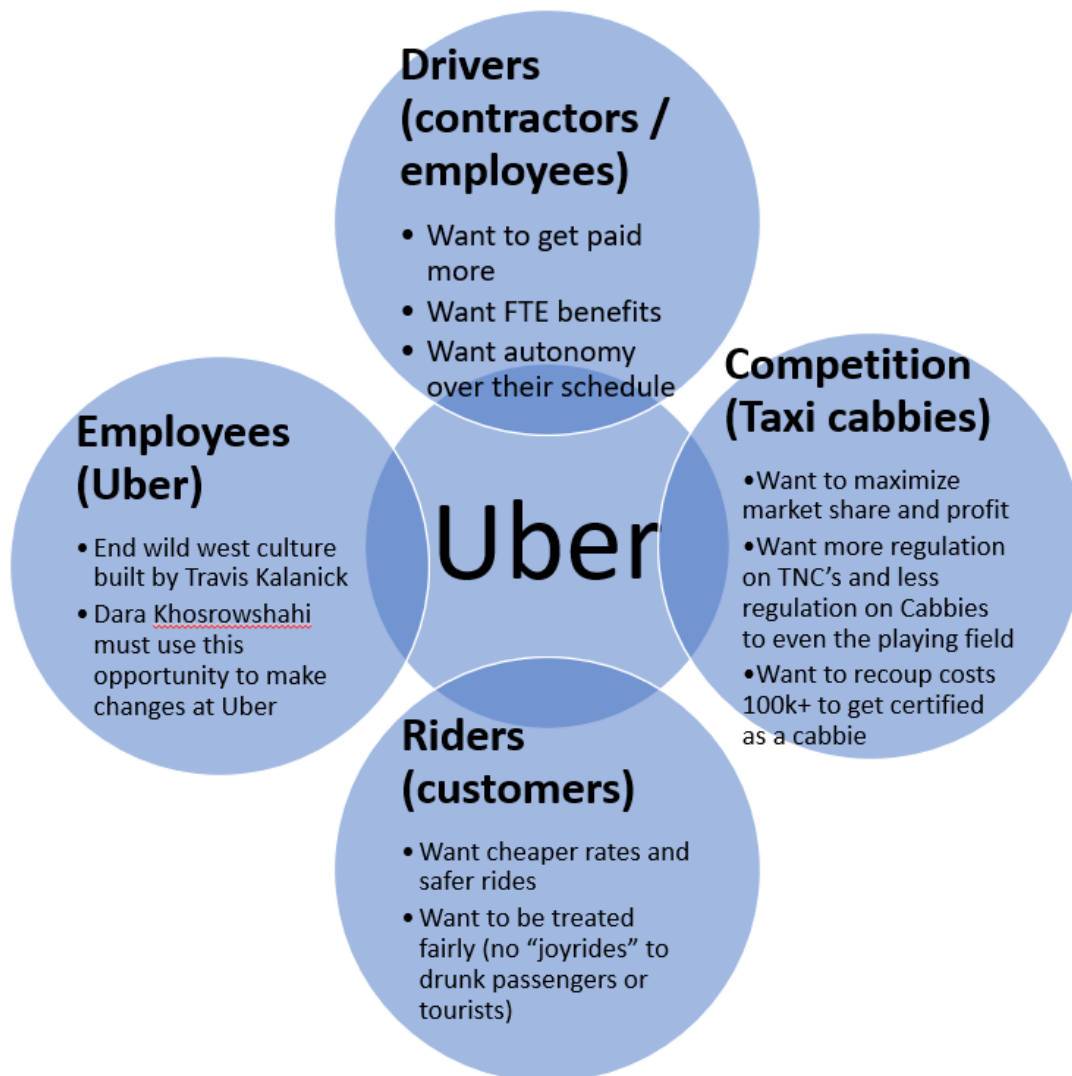


Figure 2. Uber's profit margins

Uber profit

Year	Profit
2014	(\$0.7 billion)
2015	(\$1.6 billion)
2016	(\$3.6 billion)
2017	(\$4 billion)
2018	\$1 billion
2019	(\$8.5 billion)
2020	(\$6.7 billion)
2021	(\$0.4 billion)

Note: Parentheses indicate loss.

Source: Uber

Visualization source: Iqbal, M. (February 2022).

Figure 3. Uber's revenue by segment

Uber revenue by segment

Year	Mobility	Delivery	Freight	Other
2018	\$8.9 billion	\$0.7 billion	\$0.3 billion	\$0.1 billion
2019	\$10.4 billion	\$1.3 billion	\$0.7 billion	\$1.3 billion
2020	\$7.9 billion	\$4.8 billion	\$0.9 billion	\$1.3 billion
2021	\$7.5 billion	\$8.3 billion	\$2.1 billion	\$0.4 billion

Note: Uber sold its Advanced Technologies (ATG) self-driving division to Aurora in 2021.

Source: Uber

Visualization source: Iqbal, M. (February 2022).

Figure 4. Uber's revenue by region

Uber revenue by region

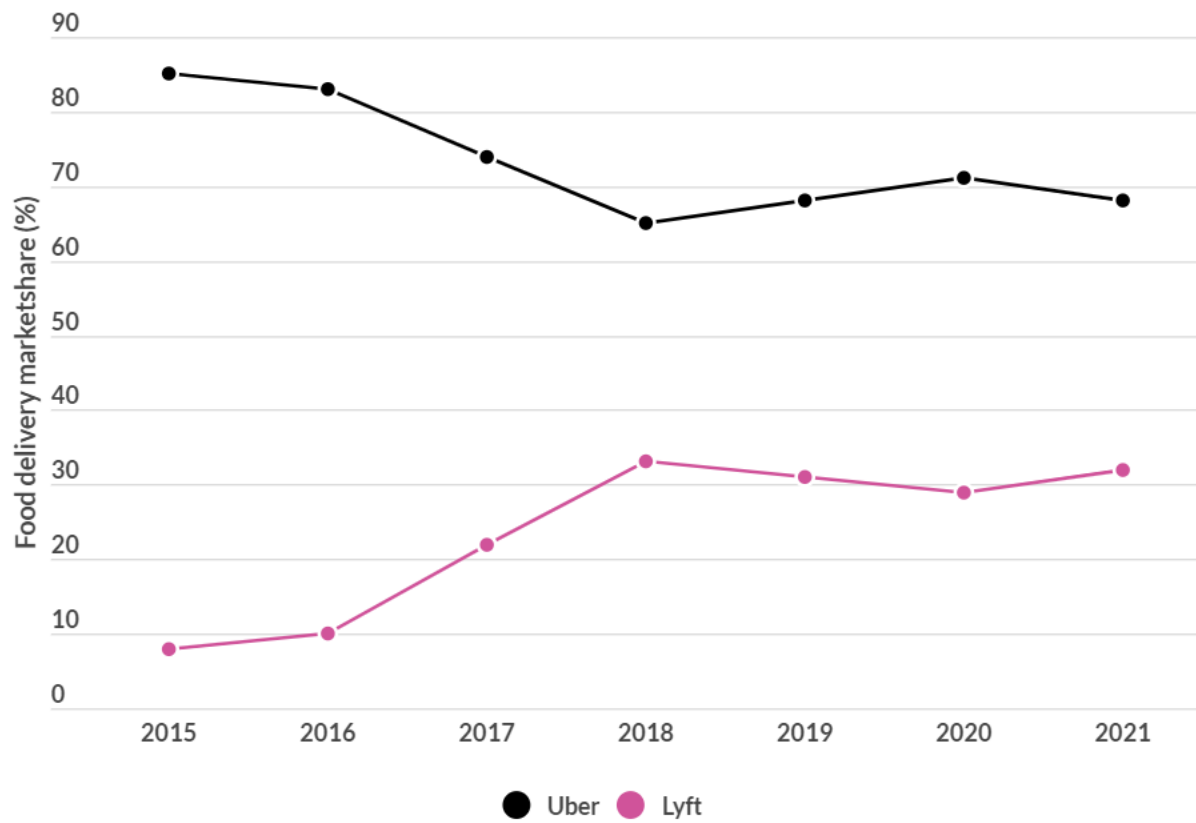
Year	US & Canada	LATAM	EMEA	APAC
2018	\$6.4 billion	\$1.9 billion	\$1.7 billion	\$1 billion
2019	\$8.5 billion	\$1.9 billion	\$2.2 billion	\$1.2 billion
2020	\$6.8 billion	\$1.3 billion	\$1.8 billion	\$1.5 billion
2021	\$10 billion	\$1.4 billion	\$3.2 billion	\$2.7 billion

Source: Uber

Visualization source: Iqbal, M. (February 2022).

Figure 5. Uber vs. Lyft market share

Uber vs Lyft: market share



Source: Company Data

Visualization source: Curry, D. (January 2022)