

Business Policy and Strategy

Individual Research Paper

Topic: *Brands on Bad Behavior*

It is a well-known fact that over the past several years a large number of brands have struggled mightily with their culture, which ultimately had an impact on their financial performance. In this paper, each student will choose one of the following brands.

1. Uber
2. VW
3. Wells Fargo
4. WeWork

In your written paper, please provide a historical strategic context of the brand. Second, explore the role culture played in the performance decline of the brand. Third, demonstrate how did the culture impact financial performance? Fourth, I would like you to identify how your chosen brand is attempting to transform and renew its culture. In your discussion, please add your own opinion about their culture change strategy as well as comparisons to other brands. Use any piece of research or anecdotal evidence that you can find to support your opinions. **In addition, make sure you include content from class readings and discussions.**

Grading Criteria: Paper should include:

- Six to seven pages
- Well-researched (references placed at the end of paper)
- Due before class on June 1st. Please email to Professor Kelley at rskelley@vcu.edu.

Uber: Brands on Bad Behavior

Bryce Bowles
06/01/2021

On a cold winter evening in Paris, December 2008, Travis Kalanick and Garrett Camp couldn't get a ride. That's what led to the idea for the birth of Uber. On July 5, 2010, they completed their first ever Ubercab trip using the ridesharing app and business with the aim to take on the ridesharing and transportation industry. At first glance, the growth, idea, and strategy led to what seemed to be a great investment - the world's highest valued private startup (Blystone) but over the years, multiple events, hardships and controversies led Uber to have a reputation of a dishonest culture.

Uber was the first of its kind and an innovative company which, from the start, immediately held a competitive advantage with its product. The ease and simplicity of requesting a ride through an app on your phone led to its rising popularity. Once requested, the requestor's GPS location would be identified, the nearest active uber driver would drive to the rider, provide the ride, and the user's account would be automatically be charged for the ride. Due to funding from some big investors, massive growth and expansion occurred within the first five years including the areas of New York, Seattle, Boston, Chicago, Washington D.C. as well as abroad in Paris.

Along with this growth, came many controversies. Most notably, in 2017, Uber's corporate culture was outed for being highly hostile, sexist, and offensive, resulting in a company-wide investigation. CEO Travis Kalanick was forced to resign, along with more than 20 employees. Uber's IPO was one of the most highly anticipated of the year, and the company was valued as high as \$120 billion by Wall Street investors. The company went public on May 9, 2019 but fell flat immediately after. Uber made history with the biggest first-day dollar loss in U.S. history. (Blystone)

From the beginning of Uber's existence, rule breaking, competition, and speed of growth all were encouraged and got the company in significant trouble numerous times. Multiple industry and firm effects also contributed to the controversies such of lack of industry regulation, privacy laws, premature entry to market, lack of resources to implement ideas – you name it.

One example of the diminishing culture was its continued tension between its drivers and corporate. Uber drivers are mostly considered contracted workers (depending on the city) but one of the internal issues is of employee relations and whether they should be considered employees. Employees are entitled to minimum wage, benefits, overtime, breaks, collective bargaining, paid leave, and health insurance however this would cost Uber \$4 billion/year (PolyMatter). Drivers compete - but Uber makes the same commission regardless of who picks you up. Uber makes more money with more drivers. But drivers want the opposite - less competition so they can make more money. They look like other platform-vendor relationships such as Amazon and its sellers, Apple and app developers, both of which need their vendors but if YouTube leaves the app store, Apple can't replace it. But Uber can easily replace drivers; they're disposable. The internal tension alone is a big factor of why around 96% stop driving for the company in their first year. (Courtney) 75.8% of people who drive for Lyft say they are satisfied, compared to 49.4% of Uber drivers who are satisfied with their driving experience.

(Mitic)

Its competitive ambition has led to cases of stealing drivers from competitors. In 2014, they would offer sign on bonuses to Lyft employees as well as cases where over 117 Uber employees were ordering over 5,560 rides from competitors, then canceling their ride to waste their time and clog up their request system... (Fink) In addition to this, Uber stole about 50 employees from Carnegie Mellon's top robotics lab to help build self-driving cars (Lowensohn), not promoting the right thing to do.

Uber's lack of transparency in multiple areas has led it to be misleading, untrustworthy and quite honestly the greatest issue. Another so called "shady" practice Uber has used is manipulative surge pricing. The more rides that are being requested at the same time creates a high demand therefore Uber would increase its rate during those high traffic times. On New Years Eve of 2011, the premium increased seven times the normal rate. Then, less than a year later, they did the same thing when the demand went up due to hurricane Sandy, basically profiting off a natural disaster. And then, possibly the biggest one, in early 2017 there was a taxi strike at JFK airport - it was a response to Donald Trump's travel ban from seven Muslim countries. Uber continued operating during the strike and then right after, when the demand was really high, they got rid of the surge pricing and charged the normal rates. Many people saw this as supporting the travel ban and trying to take advantage of the taxi strike. It even led to "delete uber" trending on twitter – a monumental shift in customer loyalty (see market share chart below). This motivated hundreds of thousands of people to delete their uber apps and accounts.

According to NPR, there have been nearly 6,000 U.S. sexual assault claims from Uber within 2017-2019. In 2017, they lost their right to operate in London mostly due to safety concerns. In 2016, there was a class action lawsuit involving 25 million passengers claiming uber background checks were not as good as advertised. The company was calling them "industry leading", but they didn't require fingerprinting while some of their competitors did. The basis of the lawsuit ended in a 28.5-million-dollar settlement however, I think the bigger victory is the condition in the settlement that said uber can no longer use that type of terminology when referring to their background checks. Along with the drivers, there were also sexual harassment cases in their corporate buildings. In 2017 a woman named Susan Fowler famously came forward about her experience with it during the time she worked at uber.

This led to an investigation of the company that resulted in firing over 20 employees a few months later. In that same year their senior vice president of engineering stepped down during similar allegations and a board member resigned after making a sexist joke during a meeting about sexual harassment.

Example after example – you would think top leadership would try to control their companies image a little better, but they even contributed to it. Their former CEO and founder Travis Kalanick has very much played a role in creating a culture that contributed to the declined performance of the brand and negatively destroyed shareholder value. This included terribly inappropriate letters within the company, unprofessional rules for internal parties (I'm assuming which led to some sexual harassment claims) and then in early 2017 a video surfaced where he started to lose his temper during an argument with an uber driver – absolutely an inflection point moment in the company's history and definitely not the behavior you want from your leader...

In 2016, Uber was the victim of a cyber-attack with the exposure of personal data of their drivers and customers. It is believed that Travis Kalanick and others at Uber knew about the attack a month after it happened and yet it took over a year for them to disclose anything about it. Instead of disclosing it, they chose to pay the hackers about a hundred thousand dollars to delete the data that they had stolen and promised not to tell anyone about what happened - in the end they agreed to pay a 148-million-dollar settlement in connection with this cover-up. (Chappell) "Uber's decision to cover up this breach was a blatant violation of the public's trust," California Attorney General Xavier Becerra said in announcing the settlement.

In 2016 they started driving customers around San Francisco in self-driving cars without securing the necessary permits first. What made things worse is that the cars started breaking traffic

laws such as running red lights and even killed someone jaywalking. Numerous scandals and controversies, all involving Uber spread across mostly separate categories, all within the past decade, have had a tremendous impact on the culture within the company leading to a decline of Uber's brand.

As mentioned earlier, investors liked the idea of the service Uber produced enough to provide significant funding to create massive growth and expansion early on however, Uber always struggled to become profitable. It has been known to lose money as quickly as it gains it. Once Travis Kalanick got replaced with new CEO Dara Khosrowshahi in 2017, the losses narrowed however, overall losses in 2017 were up still up 61 percent from 2016 to \$4.5B. (Aiello) This alone explains the financial burden and costly role the poor culture has taken on Uber. The below Market share report demonstrates how the key inflection point events of 2017 progressed.



(Yeo)

COVID-19 has also impacted Uber's ability to become profitable, providing large losses in its ride-sharing business. The company's strategic investments in its food delivery business, Uber Eats, as well as California Proposition 22 along with Postmates has helped the company survive as people stayed home. (Blystone) After the Postmates acquisition, Uber's stock hit an all-time high however Uber Eats,

its self-driving cars, flying taxis, freight forwarding service and even bike and scooter business have all been accounted for hundreds of millions of dollars in losses.

Uber's culture has always been to be an ambitious, competitive, idealistic, and a forward-leaning innovative company. Khosrowshahi has the knowledge to know that you can't just swap out cultures immediately. Before publishing new set of cultural norms, he mentioned "Rather than ditching everything, I'm focused on preserving what works while quickly changing what doesn't." (Bershidsky) – a principle used to change the culture in the article 10 Principles of Organizational Culture by working with and within your current cultural situation rather than completely throwing out the old.

One of the first things he did to promote honesty was voluntarily disclosing a year-old hack that exposed the personal data of 57 million drivers and customers. (Bershidsky) In addition to replacing their CEO, Uber has attempted to improve its culture by rolling out a corporate education program plan by Harvard professors to provide training to upper, middle and lower management. More recent strategy attempts to save the business are the acquisitions that Uber has taken on. Uber has acquired companies to diversify its existing business, such as by launching a U.S. grocery delivery service, expanding its prescription delivery partnership with Nimble, and acquiring alcohol delivery company Drizly which are all great, but no one knows when the core business will actually recover.

At each step along the way, Uber has been a reactive company when it comes to bad news and always releases a new idea or service to combat the worries of investors/stakeholders. From the beginning, Uber has acted on things before fully researching or understanding the consequences. To combat the sexual assault claims from 2017-2019, Uber has taken significant measures to increase the safety of its service such as increased background checks for riders and a "panic button" in its app that connects to sensors in the driver's phones to detect possible crashes and also has even improved in

corporate social responsibility of becoming more involved in domestic and sexual violence including “safety features, survivor support programs, education for our riders, drivers and customer support agents, and Uber’s first-of-its-kind US Safety Report.” (Anthony)

When it comes to Covid-19, Uber has showed it has made a serious change. It has not only taken the necessary steps for drivers and riders to stay safe, but it even advised riders to not request rides. UberPool was suspended, short-term financial help was offered to drivers with COVID-19, stopped charging independent restaurants delivery fees, and mobilized Uber Freight, its freight-forwarding service, to move relief supplies, at cost. Uber also provided millions of free rides to health care workers – all seemingly very different than past actions the company has taken.

Being ambitious go getters is a great thing, but they must do it within the law to create more honest and openness to their employees and the public. Yes, push the limits and be aggressive but do your background research and have the resources in place to be able to make a move. And if you do make a mistake, they should come out with the complete truth including the old (and possibly new) cover-ups. This approach could be costly at first but would also create a new image/reputation.

Otherwise, Uber could risk ending up like Enron, a company with similar dishonesty issues that was brought down. I believe cognitive dissonance was a serious issue among top leadership until unified training on culture was held and many of them paid the price by being laid off. There is a clear need for honesty, transparency, while flat out trying to do the right thing instead of doing what works and fixing things along the way (lawsuits etc.). Khosrowshahi has “We do the right thing. Period.” as one of their new culture initiatives since 2017 but we will see if they continue to improve or go in the wrong direction again.

Citations

- PolyMatter, Evan. "The Economics of Uber." *YouTube*, YouTube, 13 July 2018, www.youtube.com/watch?v=jzFTwBkIC5o.
- Aiello, Chloe. "Uber's Loss Jumped 61 Percent to \$4.5 Billion in 2017." *CNBC*, CNBC, 12 Mar. 2018, www.cnbc.com/2018/02/13/ubers-loss-jumped-61-percent-to-4-point-5-billion-in-2017.html.
- Anthony, Brittany. "Driving Change - Committing \$2.6 Million to Combat the Global Crisis of Gender Based Violence." *Uber Newsroom*, Uber, 21 Apr. 2021, www.uber.com/newsroom/driving-change-2021/.
- Bershidsky, Leonid. "Uber's Big Problem Is a Culture of Dishonesty." *Bloomberg.com*, Bloomberg, 22 Nov. 2017, www.bloomberg.com/opinion/articles/2017-11-22/uber-s-big-problem-is-a-culture-of-dishonesty.
- Blystone, Dan. "The Story of Uber." *Investopedia*, Investopedia, 19 May 2021, www.investopedia.com/articles/personal-finance/111015/story-uber.asp.
- Chappell, Bill. "Uber Pays \$148 Million Over Yearlong Cover-Up Of Data Breach." *NPR*, NPR, 27 Sept. 2018, www.npr.org/2018/09/27/652119109/uber-pays-148-million-over-year-long-cover-up-of-data-breach#:~:text=Uber%20is%20paying%20%24148%20million,Uber%20paid%20the%20hackers%20%24100%2C000.
- Courtney, Will Sabel. "96 Percent of Uber Drivers Ditch the Company Within a Year." *The Drive*, The Drive, 20 Apr. 2017, www.thedrive.com/tech/9532/96-percent-of-uber-drivers-ditch-the-company-within-a-year#:~:text=96%20percent%20of%20Uber%20drivers%20stopped%20driving%20for%20the%20company,is%20%80%94not%20surprisingly%20%80%94money.
- Fink, Erica. "Uber-Nasty? Staff Submits 5,560 Fake Ride Requests." *CNNMoney*, Cable News Network, 12 Aug. 2014, money.cnn.com/2014/08/11/technology/uber-fake-ride-requests-lyft/.
- Lowensohn, Josh. "Uber Guttled Carnegie Mellon's Top Robotics Lab to Build Self-Driving Cars." *The Verge*, The Verge, 19 May 2015, www.theverge.com/transportation/2015/5/19/8622831/uber-self-driving-cars-carnegie-mellon-poached.
- McGowan, Brian. "Uber - The Controversial History." *YouTube*, YouTube, 26 Aug. 2020, www.youtube.com/watch?v=rsp9x_hoYrQ.
- Mitic, I. "Uber by the Numbers: Statistics, Usage, History (2020 Edition)." *Fortunly*, 24 Jan. 2020, fortunly.com/statistics/uber-revenue-statistics/.

Uber. "The History of Uber - Uber's Timeline." *Uber Newsroom*, 2 May 2018, www.uber.com/newsroom/history/.

Yeo, Liyin. "The U.S. Rideshare Industry: Uber vs. Lyft." *Bloomberg Second Measure*, 20 May 2021, secondmeasure.com/datapoints/rideshare-industry-overview/.

Yeo, Liyin. "Which Company Is Winning the Restaurant Food Delivery War?" *Bloomberg Second Measure*, Bloomberg Second Measure, 14 May 2021, secondmeasure.com/datapoints/food-delivery-services-grubhub-uber-eats-doordash-postmates/.