

**Uber's Ethical Dilemma: A Look Into the Scandals Leading to Travis Kalanick's 2017  
Resignation**

Brian Smith

Walker College of Business, Appalachian State University

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Dr. Jessica Blackburn

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## **Uber's Ethical Dilemma: An Overview**

Uber, once heralded as a groundbreaking company in the transportation industry, found itself wrapped up in a series of ethical scandals that ultimately resulted in the resignation of its CEO, Travis Kalanick, in 2017. From harassment in the workplace to the avoidance of legal consequences at the cost of its customers, Uber has tainted its reputation in recent years. This essay delves into the various controversies and scandals that left a stain on Uber's reputation, in order to illustrate the ethical challenges that marked this period in Uber's history. Moreover, it will discuss how a company can comply with the three C's of business credibility—rather, how Uber failed to—and what it can do to remedy its issues.

Before delving into the specific controversies, it is essential to understand the context in which Uber operated. Founded in 2009, Uber quickly disrupted the traditional taxi industry by introducing a convenient and efficient ride-hailing service. Under Kalanick's leadership, the company experienced explosive growth, reaching a valuation of over \$60 billion by 2016. However, this rapid ascent came at a cost, with numerous ethical and legal issues surfacing.

### **Greyball Controversy: Circumventing Regulations**

The Greyball controversy revolves around Uber's use of a technological tool called Greyball to deceive and evade regulatory authorities globally. Mike Isaac's investigative piece in the New York Times, published in March of 2017, exposed Uber's covert tactics. In this article, Isaac explains how Uber's use of Greyball prevented law enforcement officials from enforcing local taxi regulations effectively. Greyball identifies these officials, who were attempting to regulate or investigate Uber in various ways. It then presents them with a fake version of the Uber app, which displays non-existent or "phantom" cars, preventing them from catching Uber drivers who have violated local regulations. Obviously, the use of Greyball raises serious

questions about the company's competence. While the tool showcases a level of technological sophistication, the application of such a tool to deceive regulatory authorities demonstrates a serious disregard for both legal and ethical boundaries. Competence should extend beyond technological prowess; rather, it should encompass ethical-decision making with such technology, a factor that Uber evidently overlooked in this instance.

### **Harassment Allegations and Toxic Workplace Culture: A Breach of Character**

Prior to Kalanick's 2017 resignation, Uber faced a barrage of allegations regarding the toxic workplace culture marked by sexism, harassment, and more. A Bloomberg article, published in the NYT in February of 2017 and authored by Sarah McBride and Eric Newcomer, shed light on the pervasive issues within the company. Former employees accused Uber of fostering a culture that tolerated and sometimes encouraged inappropriate behavior. This led to an internal investigation by former USAG Eric Holder.

Upon entry to the company, employees are asked to subscribe to fourteen core company values, such as "being 'obsessed' with the customer, and 'always be hustlin'," (Isaac, 2017). While the mantra of meritocracy, stepping on toes to rise to the top, and hustling may be borderline unethical, it helped propel the company to the major success it's seen in more than seventy countries. However, business credibility is not solely based on financial success but relies on the integrity of the organizational culture. Interviews, recorded meetings, and other reliable sources from current and former employees, "paint a picture of an often unrestrained workplace culture." (Issac, 2017). Included in the same article were reports of harassment, groping, use of slurs to quiet subordinates, and much more on behalf of management. Susan Fowler, a former employee, said in a blog post that her experience of discrimination and sexual harassment was routinely shrugged off by the human resources department at Uber. Furthermore,

Travis Kalanick's lack of immediate action to address the problems allowed the toxic culture to persist.

Kalanick eventually organized an all-hands meeting in which he apologized to his employees for allowing the culture to get to this point, claiming he was “authentically and fully dedicated” to getting to the bottom of the situation. However, his initial response was tone-deaf, bragging about the amount of women he had in the engineering sector of the company and downplaying the severity of the issues. Kalanick's response to the situation was a shortcoming, reminiscent of his 2014 “Boob-er” scandal, in which he referred to Uber as such because of how the company helped him attract women.

Travis Kalanick's mishandling of such harassment allegations serves as a cautionary tale for leaders in the business world. His delayed response, tone-deaf reaction, and lack of transparency contributed to the deterioration of Uber's corporate culture and reputation. In order for Uber and companies alike to be considered credible, its corporate structure must be made up of reliable characters and a culture that prioritizes its clients.

### **Data Breach Cover-Up: A Lack of Caring**

Uber's involvement in a massive data breach in 2016, affecting 57 million users, further tarnished its reputation. Instead of disclosing the breach publicly, the company paid hackers \$100,000 to delete the stolen data and keep the incident under wraps. Dara Khosrowshahi, Uber's CEO at the time, revealed the breach in a blog post on November 21, 2017. Uber's failure to promptly inform affected individuals and regulatory authorities about the data breach demonstrated a lack of transparency and a disregard for user rights. The delay in notification prevented users from taking necessary precautions to protect themselves from potential identity theft or other cyber threats.

The handling of the data breach demonstrated a severe disregard for the privacy and well-being of its users. Uber prioritized its reputation over its concern for the safety of users, stakeholders, and drivers. The decision to pay off the hackers rather than report it to the proper authorities and notify those affected shows its lack of caring towards the trust placed in it by customers and regulators.

While Uber's lack of responsibility in this aspect showcased a prioritization of its own interests over its customers', Uber's new management has made strides towards resolving the issue. Khosrowshahi disclosed the information shortly after being instilled as CEO following Kalanick's resignation, an example of how a business can build credibility through consideration for its stakeholders. Furthermore, Khosrowshahi's disclosure of how the company attempted to resolve the issue helped to make matters transparent to those involved, who had been left in the dark when it initially happened. In his blog post, Khosrowshahi stated, "None of this should have happened, and I will not make excuses for it. While I can't erase the past, I can commit on behalf of every Uber employee that we will learn from our mistakes. We are changing the way we do business, putting integrity at the core of every decision we make and working hard to earn the trust of our customers." It's clear that Uber is taking steps to improve both its transparency with its customer base and is rebuilding its credibility within the transportation industry.

### **Resignation of Kalanick: A Culmination of Ethical Failures**

Travis Kalanick's leadership style played a pivotal role in shaping Uber's culture. Described as aggressive and confrontational, Kalanick fostered a competitive environment that valued growth at any cost. This approach, while initially contributing to Uber's success, ultimately eroded the character of the organization as allegations of unethical behavior surfaced. According to reports, Kalanick's confrontational approach extended to interactions with drivers,

competitors, and even Uber employees. This aggressive character contributed to the toxic culture within the company, fostering an environment where unethical practices were tolerated or ignored.

The culmination of these ethical controversies came with the resignation of co-founder and CEO in 2017. His resignation marked a pivotal moment in Uber's history, and the transportation industry as a whole. While the departure of a CEO does not absolve a company of its past actions and ethical shortcomings, it signals an acknowledgment of failure and a change in leadership, in hopes that Uber's credibility as a company could be rebuilt. As discussed previously, the aftermath of Kalanick's resignation saw Uber attempting to reshape its image and move towards an ethical, transparent corporate structure.

### **Competent Business Practices: Reforming Workplace Culture**

In a New York Times article published in June of 2017, Mike Isaac and Daisuke Wakabayashi explored the potential future of Uber under new leadership: a step away from the over-aggressive expansion tactics of Kalanick and one towards proper treatment of customers and employees alike. Khosrowshahi, the previous CEO of online travel company Expedia, was met with the task of handling Uber's future ambitions. In the article, Isaac praises Khosrowshahi's handling of Expedia's own missteps in expansion, claiming, "Mr. Khosrowshahi appeared wary of taking a big, potentially lucrative risk on a groundbreaking new idea in his industry — and he came out the loser. To his credit, he helped steer Expedia to adjust from that mistake." In a miss that resulted in losing the buy on Booking.com, Khosrowshahi managed to create a turnaround for Expedia that has allowed it to keep up with the monster that is booking.com.

On the business front, Khosrowshahi initiated a shift in strategy, focusing on rebuilding relationships with regulators and mending Uber's reputation. The company moved away from aggressive tactics like Greyball and adopted a more collaborative approach with local authorities. This strategic shift aimed to demonstrate competence in complying with regulations and rebuilding trust with stakeholders.

In short, Kalanick's failures in leadership at Uber resulted in his resignation and a new face as the CEO of Uber. It's clear that Khosrowshahi intends to revive Uber's reputation as a credible business, and, given his past experiences as Expedia, there is a light at the end of the tunnel for Uber. While a company is not entirely at the will of its CEO, it's crucial to recognize how a face of a company can affect its stakeholders, customers, and employees. Kalanick's ethical missteps tarnished Uber's already shaky reputé, but Uber has placed its trust in a new face.

### **Conclusion: A New Era for the Ride-Hailing Giant**

Travis Kalanick resigned as Uber's CEO in 2017 due to a series of failures and scandals that revealed problems with the company's abilities, ethics, and customer care. Issues like a toxic workplace, questionable business practices, and a loss of customer trust created a serious credibility problem. Dara Khosrowshahi taking over marked a positive change for Uber. He led efforts to fix competence, character, and caring issues. Changes in workplace culture, business practices, and a renewed focus on ethical leadership showed a dedication to rebuilding the company's credibility. While Uber is still on the path to improvement, its story provides important lessons about the three Cs of business credibility: Competence, character, and caring need constant attention. This case is a warning for companies in competitive industries,

emphasizing the importance of ethical leadership, transparency, and a genuine commitment to social responsibility.

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