

Uber CEO is pushed out as company tries to clean up its act

June 21 2017, by Tom Krisher And Dee-Ann Durbin



In this July 10, 2012, file photo, Uber CEO and co-founder Travis Kalanick arrives at a conference in Sun Valley, Idaho. Kalanick said in a statement to The New York Times on Tuesday that he has accepted a request from investors to step aside. Kalanick says the move will allow the ride-sharing company to go back to building itself rather than become distracted by another fight. (AP Photo/Paul Sakuma, File)

Under Travis Kalanick's leadership, Uber's "Animal House"-style business plan was to grow as quickly as possible, steamrolling regulators while flouting the rules of workplace conduct.

Behavior at the male-dominated company didn't seem to matter. Riders embraced the app-based ride-hailing system as an inexpensive, easy-to-use alternative to taxis, and still do today.

But now Kalanick is out as CEO, resigning under pressure as the company he co-founded eight years ago tries to clean up its act and deal with a federal investigation and widespread claims of sexual harassment inside its offices.

In stepping down Tuesday night, Kalanick, 40, said in a statement that his departure would help Uber return to growth "rather than be distracted by another fight." That referred to efforts by the board and investors to oust him despite his outsized ownership stake. He will remain on the board.

A successor was not immediately announced.

The move comes as the world's largest ride-hailing company struggles to morph from a freewheeling start-up into a mature company.

By some measures, Uber was performing pretty well. While it's losing billions, the quarterly red ink is shrinking, and ridership and driver numbers keep growing in New York City, one of the few places that collect such statistics.



People make their way into the building that houses the headquarters of Uber, Wednesday, June 21, 2017, in San Francisco. CEO Travis Kalanick is out as chief executive, resigning under pressure amid a federal investigation and claims of widespread sexual harassment at Uber. (AP Photo/Eric Risberg)

But outside experts said the CEO had to go.

"Even though Kalanick was driving performance, the company is not sustainable in this form," said Jennifer Chatman, a business professor at the University of California at Berkeley. "The company is quite vulnerable to very, very expensive lawsuits. He couldn't stay."

Uber made a series of costly missteps under Kalanick that damaged its reputation, including the harassment claims and allegations of stolen trade secrets. Also, federal authorities are investigating Uber's use of a phony app that thwarted efforts by city inspectors to see if the company

was operating illegally.

To help Uber grow fast, Kalanick seemed to pick fights just about everywhere. He sparred with drivers over whether they were employees or contractors and got into a videotaped, profanity-laced screaming match with a driver over pay. A corporate mantra was "Principled Confrontation."

The company's unruly "brogrammer" culture came to light after a female engineer wrote a blog in February about being propositioned by her manager. Two outside investigations found sexual harassment, bullying and retaliation against those who complained.

Twenty people were fired after one investigation unearthed 215 complaints. Former Attorney General Eric Holder made a series of recommendations that the board pledged to adopt.

Kalanick apparently realized that his battle to hang on at the company was one fight too many.



In this Sunday, Feb. 26, 2017, file photo, Uber CEO Travis Kalanick arrives at the Vanity Fair Oscar Party in Beverly Hills, Calif. Kalanick resigned under pressure from investors at a pivotal time for Uber. Uber's board confirmed the move early Wednesday, June 21, saying in a statement that Kalanick is taking time to heal from the death of his mother in a boating accident "while giving the company room to fully embrace this new chapter in Uber's history." (Photo by Evan Agostini/Invision/AP, File)

"When you're at war with customers, employees, service suppliers, you can't build up a business model, and Kalanick was at war with everyone," said Ferdinand Dudenhoefler, director of the Center for Automotive Research at the University of Duisburg-Essen in Germany.

On the streets of New York on Wednesday, drivers and riders seemed unfazed by the shakeup, and business continued as usual.

Customer Pat Mastandrea said Uber's service is as good as ever. "I would say that one person doesn't make a company. I think the Uber organization as a whole is doing a good job," Mastandrea said.

Kalanick said earlier this month he was taking an indefinite leave of absence, in part to deal with a personal tragedy. In May, his mother was killed and his father hurt in a boating accident on a California lake.

During the past year, several senior managers left the company, including the president and chief financial and business officers.

Michael Ramsey, an analyst with the technology consulting firm Gartner, suggested this may not be the best time for Kalanick to leave.

The company, he said, could still thrive under the right CEO—a visionary like Kalanick but someone who can also bring a more grown-up work culture.



In this March 15, 2017, file photo, a sign marks a pick-up point for the Uber car service at LaGuardia Airport in New York. Travis Kalanick, the combative and embattled CEO of ride-hailing giant Uber, resigned under pressure from investors at a pivotal time for the company. Uber's board confirmed the move early Wednesday, June 21, saying in a statement that Kalanick is taking time to heal from the death of his mother in a boating accident "while giving the company room to fully embrace this new chapter in Uber's history." (AP Photo/Seth Wenig, File)

"But the company is still really just stretching its legs and becoming the mammoth that he envisioned," Ramsey said. "Is this the time to take away the leader whose ideas are behind a lot of the progress?"

Among those mentioned by analysts as possible successors are former Ford CEO Alan Mulally and former Virgin America CEO David Cush.

Facebook chief operating officer Sheryl Sandberg, whose name has also been bandied about, has no plans to leave, a person close to her said Wednesday, speaking on condition of anonymity because Sandberg has not publicly weighed in. A spokeswoman for Arianna Huffington said she, too, is not interested in becoming CEO but will remain on the Uber board.

Uber posted a \$708 million loss in the most recent quarter on revenue of \$3.4 billion. The loss narrowed from \$991 million the previous quarter. The company lost \$2.8 billion last year.

As for what lies ahead, investors have talked about taking Uber public on the stock market. The company was valued at close to \$70 billion the last time it sought capital.

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