

Uber CEO Kalanick resigns under investor pressure

21 June 2017, by Tom Krisher



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)

Travis Kalanick, the combative and embattled CEO of ride-hailing giant Uber, has resigned under pressure from investors at a pivotal time for the company.

Uber's board confirmed the move early Wednesday, 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." He will remain on the Uber Technologies Inc. board.

The move comes as Uber, the world's largest ride-hailing company, was having trouble morphing

from a free-wheeling startup into a mature company that can stanch losses and post consistent profits. After eight years of phenomenal growth by upending the taxi business, Uber had reached a point where the culture that created the company had become a liability that threatened to kill it.

In a statement, the 40-year-old co-founder said his resignation would help Uber go back to building "rather than be distracted with another fight," an apparent reference to efforts on the board to oust him.

It was unclear who would replace Kalanick.

The resignation came after a series of costly missteps under Kalanick that damaged Uber's reputation, including revelations of sexual harassment in its offices, allegations of trade secrets theft and a federal investigation into efforts to mislead local government regulators.

Uber lost an expensive battle for supremacy in China against Didi Chuxing and had to be satisfied with taking a stake in Didi as a consolation prize. Uber posted a \$708 million first-quarter loss, unable to turn \$3.4 billion in revenue into a profit. The loss narrowed from the \$991 million it posted in the previous quarter.

Investors have talked about selling stock in Uber to the public, a move that would imply a transition to an established business. The company was valued at near \$70 billion the last time it sought capital.

Kalanick's penchant for conflict undermined the company's prospects, said Ferdinand Dudenhoeffer, director of the Center for Automotive Research at the University of Duisburg-Essen. Ride-hailing itself remains a topic of intense interest for the tech and auto industries as they compete to see whether Silicon Valley or the automakers will reap the profits from the digitalization of how people get from one place to another. But "the significance of

Uber has declined because the company has not managed to present itself in a stable and socially responsible way," Dudenhoeffer said.

"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 Dudenhoeffer. "There is no business model in being at war. "

On Tuesday, the company embarked on a 180-day program to change its image by allowing riders to give drivers tips through the Uber app, something Kalanick had resisted. Drivers have said that Kalanick didn't value their labor even though it was the heart of the San Francisco-based company.

Uber's board said in a statement that Kalanick had "always put Uber first."



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)

But under Kalanick, the company developed a reputation for ruthless tactics that have occasionally outraged government regulators, drivers, riders and

employees. The company often flouted city regulations for taxi companies with a culture that encouraged "Principled Confrontation."

The company's hard-charging style has led to legal trouble. The U.S. Justice Department is investigating Uber's past usage of phony software designed to thwart local government regulators who wanted to check on whether Uber was carrying passengers without permission.

A key step toward Kalanick's downfall came in February, when former Uber engineer Susan Fowler posted a personal essay about the year she spent at Uber, writing that she was propositioned by her manager on her first day with an engineering team. She reported him to human resources, but was told he would get a lecture and no further punishment because he was a "high performer," she wrote.

That caught the board's attention and brought outside investigations that led to the firing of 20 people including some managers. Former Attorney General Eric Holder conducted one of the probes, finding that the male-dominated Uber didn't have the most basic policies to protect workers from harassment. Holder's report suggested procedures that most companies have had for years such as using performance reviews to hold leaders accountable.

Also, Kalanick lost his temper in an argument with an Uber driver who was complaining about pay. The profanity-laced confrontation was caught on a video that surfaced in February. Afterward, Kalanick said he needed management help and had to grow up. The company began searching for a chief operating officer.

In March, board member Arianna Huffington expressed confidence that Kalanick would evolve into a better leader. But Huffington, a founder of Huffington Post, suggested time might be running out.

He's a "scrappy entrepreneur," she said during the call, but one who needed to bring "changes in himself and in the way he leads."

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

Outside experts said the only way to change Uber's culture was for Kalanick to step aside. But Uber's ownership and voting structure made it difficult to oust him.

Kalanick took an indefinite leave of absence earlier this month, 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.

© 2017 The Associated Press. All rights reserved.

APA citation: Uber CEO Kalanick resigns under investor pressure (2017, June 21) retrieved 26 January 2022 from <https://phys.org/news/2017-06-uber-ceo-kalanick-resigns-investor.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.