

# **UBER: DID IT TAKE A LEFT TURN - CAN IT COURSE CORRECT?**

*Nina Radojevich-Kelley, Management Department Metropolitan State University – Denver, PO Box 173362, Denver, CO 80217, 303.556.847, [nradojev@msudenver.edu](mailto:nradojev@msudenver.edu)  
Debora J. Gilliard, Management Department, Metropolitan State University – Denver, PO Box 173362, Denver, CO 80217, 303.556.4682, [gilliard@msudenver.edu](mailto:gilliard@msudenver.edu)  
David Lynn Hoffman, Management Department, Metropolitan State University - Denver, PO Box 173362, Denver, CO 80217, 303.556.3061, [dhoffm20@msudenver.edu](mailto:dhoffm20@msudenver.edu),*

## **ABSTRACT**

Uber (originally UberCab) was founded in 2009 by Garrett Camp and Travis Kalanick who created a peer-to-peer ride sharing service utilizing a smartphone to connect partner-drivers and riders in major cities throughout America. As Uber looks to new directions, founding member Travis is forced to step aside, while a new CEO steps in to repair the damage. Can Uber survive the negative press, the litigation and a CEO that may not have had the company's best interest at heart?

## **INTRODUCTION**

### **Prologue- the question**

The vehicle is traveling down one road, but the minds of the participants are on different paths. Harry\* (actual participant with a changed name) has a PhD and taught for 30 years at a Northwestern University but retired and is augmenting his fixed income by driving for Uber. He is thinking about delivering his passenger and getting across one of the two bridges to make it home in time to help his disabled wife. Without telling his passenger, he makes a split-second decision to avoid the accident on the bridge he started towards, turning off the interstate to what looks like a dark street. Mary\*, his passenger (disguised name) watches the road on her map, with her finger poised above the emergency button because the driver's direction is off her route. Mary has connections with some of the early Uber financing groups and wonders if Uber can fix its issues- can this previously great investment turn around? The driver next to Harry's car looks over, recognizes the Uber symbol and wonders what it is like to drive for Uber, is it worth it, should he/she consider the competitor Lyft for a future ride or a future job?

### **The Disruption**

Uber emerged from a simple idea- press a button via a smartphone application and get a ride by hailing local drivers located within minutes. No cash is exchanged between passenger or driver and tips are included in the fare charged to customer credit cards registered as Uber members (Hoyt & Callander, 2012). Uber provides a service that allows customers to find rides quickly in cities that notoriously are overcrowded with limited taxi service availability, limited taxicab medallion opportunities for taxi expansion, strict regulations with for-hire vehicles/limousines, and jammed mass transit. Through the use of new technology and innovation, Uber created intense rivalry, disrupting the taxi industry which has long been stifled and un-innovative since it began in the

early 1900's (Posen, 2015). As Uber grew in popularity, it sparked hatred among taxi drivers and for-hire drivers whose income and profession were now in jeopardy-many of them wanting Uber 'dead'. With this hatred, interest and competition flared as the market began to recognize the notion that 'you are onto something **big** when everyone wants you dead'. Uber's business model is simple, sign up as a driver and receive 80% of the fare paid by customers, while Uber keeps 20% to manage the GPS-mapping technology system, to maintain the complicated data analytics system, and payment/referral dispatch systems (Caro, 2012). More specifically, the technology Uber utilized to disrupt the transportation industry- which Uber pays itself 20% per ride for, is a combination of the following: CoreLocation Framework allowing Uber to define geographic parameters and monitor device movements, MapKit to provide point to point directions, integrated mapping software which solves logistic issues, a payment integration system, push notification and SMS, a significant data analytics system and a telecommunications management system (such as with Twilio) (Abrosimova, 2017). As a result of these technologies, Uber catapulted itself forward to become the largest global ride-share network, connecting more than 5 billion trips for customers to date (Uber.com), with over 160,000 active drivers (Dogtiev, 2018).

## **TEACHING NOTE**

### **Overview of the case**

The case illuminates the rise of a very successful tech company from start up to a billion-dollar company. The case is rich with issues from regulation, public trust, board issues, and founder issues.

### **Suggestions for using the case**

The case can be used for both undergraduate and graduate strategic management courses with the emphasis on what should the company do now and in the long term. It can be used for marketing courses- how does a company rebuild public trust and image and how can it rebuild its reputation. It could be used in an introductory entrepreneurship course with a focus on the decision making by the founder, the steps the company went through to become successful, and what to do next. Entrepreneur classes could also focus on the skills a funder needs to develop as their business grows from a start up to a billion-dollar corporation. When should they step aside? Human resource students could examine the culture issues- what would it take to turn a culture around. Law students or employment law students could struggle with the employee versus independent contractor debate. Thus, the case has material for a wide range of courses.

### **Learning Objectives**

1. Analyze company actions by applying strategic management and marketing principles.
2. Analyze the macro-environmental forces.
3. Analyze the competitive environment using Porter's Five Forces Analysis.
4. Evaluate the leadership and actions taken.
5. Make recommendations for future courses of action.

### **Suggested Assignment Questions**

1. What did Travis do right and wrong? What were some of the issues that the founder, Travis Kalanick, created as the company he started grew in size, bureaucracy, and complexity? Did he grow his skill set from entrepreneur to the leader of a large corporation? Evaluate the actions taken by Travis Kalanick
2. What actions should Uber take to satisfy a worried public- is the emergency button enough?
3. Prepare an analysis of macro-environmental factors and discuss how they impact the industry.
4. Prepare a SWOT analysis
5. Prepare a Porter's Five Forces analysis of the industry.
6. Was Uber a disruptive technology, why or why not?
7. Should the traditional companies have seen this change coming and adapted to Uber?
8. Are Uber drivers considered employees or independent contractors?

### **REFERENCES**

(Available upon request)

\*The names have been disguised.