

## Questions

### 1. How did the external environment create opportunities for Uber to set up and then expand internationally?

Advances in, and falls in the costs of, digital technology allowed Uber to set up a platform bringing together taxi customers and drivers. Uber uses the technology to map and match the location of customers and taxis. The platform bills customers, pays drivers and is also used to determine prices – when demand is high prices rise. (See <https://medium.com/yalantis-mobile/uber-underlying-technologies-and-how-it-actually-works-526f55b37c6f>.) The legal environment in some countries allows Uber to keep costs down because its taxi drivers are seen as self-employed so the company avoids paying the minimum wage, sick pay, holiday pay, and social security/national insurance contributions.

The digital platform can be used across borders facilitating Uber's international expansion. Its international expansion can be seen in the context of a globalizing world where barriers to e-commerce were declining. Uber would claim that its success is also due to an important element in the microenvironment i.e. the dissatisfaction of customers worldwide with traditional taxi services whether that be on price or with waiting times.

### 2. What evidence could Uber use to claim that it is a successful company?

The evidence would presumably include the rapid growth in revenues and passenger numbers and the number of foreign markets in which it is operating, all in a relatively short period of time since 2009. Uber might also point to its success in out-competing multinational rivals such as Lyft.

### 3. a) Categorise the main PESTLE challenges Uber faced in 2017 in its external environment.

Uber faces various legal challenges in both the US (the DoJ case and the FBI investigation) and the EU (the ECJ judgement and the tribunal decision in the UK). The allegations of sexual harassment, the strikes, and exploitation of drivers, and the non-payment of social security contributions could be seen as arising from various elements of the external environment but particularly from the social environment.

### b) Analyse the impact of these challenges on Uber's costs and its reputation. In answering this try to find out the outcomes of the various legal investigations into Uber.

Uber's costs will rise if the company has to treat drivers as employees and it faces fines from the judicial authorities. The company may encounter difficulties recruiting suitable female workers given the sexual harassment case. The departure of a number of senior executives, including the founder and chief exec indicates that the challenges in the external environment have damaged the company.

(For some reputational effects see <https://www.bloomberg.com/news/articles/2018-09-12/uber-accused-of-saving-500-million-a-year-by-cheating-drivers>; and <https://techcrunch.com/2017/06/13/kapor-uber/>.)

### 4. It is reported that Uber was making \$1bn a year losses in China (Fortune 7 August 2016 <http://fortune.com/2016/08/07/uber-china-didi-chuxing/>). What elements in the external environment contributed to Uber's failure in China?

The external environment in China caused Uber problems which it found difficult to manage. It ran up against a sociocultural environment very different to that in the West. In China the concept of Guanxi is important: this involves business being conducted on the basis of social

networks of executives exchanging favours and accepting mutual obligations. Such exchanges are not solely commercial but can involve helping a member of the network not lose face or status which are important in China. The political, legal, and regulatory structures in China are complex and difficult to navigate for western MNCs like Uber (see <https://hbr.org/2016/08/the-real-reason-uber-is-giving-up-in-china>). It is also argued that Uber had difficulties in its microenvironment e.g. competing with its main Chinese rival.

**5. What evidence from its external environment suggests that Uber has been badly managed? Consider whether the company's problems could be related to it being a start-up.**

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The critical reactions of legal and regulatory authorities to Uber's behaviour could be viewed as evidence of mismanagement. Similarly, responses in traditional and social media to the sexual harassment case and the video showing the altercation between the CEO and a taxi driver indicate either poor HR policies or inadequate enforcement of the policies.

Students might use the issues highlighted in the case to raise questions about the culture and governance of the organisation which is heavily influenced by those at the top of the company. Start-up entrepreneurs, like Kalanick often see themselves as risk takers and disrupters of traditional forms of doing business. This, along with the fact that they are often lauded, at least initially, by the media and investors, may lead them in to risk taking behaviours damaging to the company. Also such entrepreneurs may flourish in the early days when the company is relatively small but may struggle when the organisation grows to a point where it requires the introduction of professional systems of governance and management. Entrepreneurs sometimes find it frustrating adjusting to what they regard as slow-moving, bureaucratic systems of control.

(See the Holder Report commissioned by Uber in response to some of the issues it faced at <https://drive.google.com/file/d/0B1s08BdVqCgrUVM4UHBpTGROLXM/view>—a summary of the report is available at <http://fortune.com/2017/06/13/uber-internal-investigation-results-public/>; and also see <https://www.nytimes.com/2017/04/23/technology/travis-kalanick-pushes-uber-and-himself-to-the-precipice.html?ref=collection%2Fsectioncollection%2Ftechnology>.)

In the context of the task, students could be asked to research Uber's most recent performance on e.g. revenues and passenger growth and whether it has managed to turn a profit.