Suspension of Operation in London—Crisis Management Analysis of Uber

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Uber Technologies Inc. is the pioneer in ride-sharing business industry with its innovative business idea and strong technology support. Expanding rapidly into a large scale, many problems occur in various aspects that lead to significant crisis to the company. Seven crises happened in the year of 2017, among which the refusal to renew operation license in London is expected to have the most severe impact on Uber. The Five Stages Model is used to analyze the crisis management process of Uber. The company is still on the fourth stage, trying to clean up and put forward resolution towards renew difficulties. To get rid of the crisis, Uber may consider changing its operation practice in London, hiring professional communication team for negotiation with authority and public, and setting policies to compensate affected customers and employees in order to increase loyalty and improve company image.

Keywords: Uber, crisis management, London, renew license

Introduction

Founded in 2009 and headquartered in San Francisco, California, United States, Uber Technologies Inc. provides car transportation and food delivery services in more than 600 cities around the world (Wikipedia, 2017). Uber is a pioneer in ride-sharing business and customers can access to its service through either cell phone or mobile website. It has many innovations on both technology and service aspects where the regulations are deficient in many countries and cities. With lower price and higher availability, Uber is a huge threat for local taxi service, which is one of the main public transportation tools before the existence of Uber. Therefore, Uber is put under extremely high political risks. What is more, with huge technology investment requirements, Uber was aggressively seeking expansion and accepted investments for totally $11.5 billion from various venture capital and private equity investors in different countries (Wikipedia, 2017). It now operates in 82 countries around the world and has more than 40 million riders use the service in a single month (Uber, 2017). In 2016, Uber acquired Ottomotto LLC (Otto), a self-driving technology company, in order to develop new service and explore new market in the future. Seeing the benefits from Uber’s business, many new entrances are attracted into the market, such as Lyft and Didi Chuxing in China. The competition in ride-sharing industry becomes much fiercer as time goes by.

With such rapid growth and the heavy pressure from its competitors, Uber faces many problems and has encountered many crises in 2017. This case study will focus on the most recent crisis, in which Uber will be banned to operate in London from September 30, 2017, to analyze its causes and current crisis management...
strategy of Uber, and to provide possible solutions and recommendations with a reference to previous lessons learnt from Uber or other similar situations.

**Business Crisis of Uber in 2017**

2017 could be a tough year for Uber, as it has an extremely high exposure rate in the media and raises several controversial issues in the public. Some of the most famous ones are listed below.

**Delete Uber Movement**

In January when President Trump issued the executive order banning the immigrants and refugees from seven majority-Muslim countries from entering US, thousands of taxi drivers in New York City went on a strike. Uber at that time posted a message on Twitter to keep the fair price of service and not adjusting with demand during the protest, which was interpreted as to attract profit during the protest and a support for Trump’s order. Thousands of Uber customers deleted the APP to show their anger. As a result, Uber set aside $3 million fund to support affected drivers and its CEO was forced to leave Trump’s economic advisory council (The New York Times, 2017a).

**Gender Bias and Sexual Harassment**

In February, a former engineer of Uber Susan Fowler alleged that she was abused of sexual harassment and gender bias by her manager and HR, which raised heated discussion immediately. Faced with this bombshell, the CEO rapidly made an announcement to show his attitude and started investigation in the company. Following the investigation result in June, 20 employees were fired and new executives were hired to improve company culture (CNN Tech, 2017).

**Self-Driving Car Crash**

A self-driving Uber incurred a car accident in Arizona. While driving through the yellow light, Uber was hit by the HONDA behind it. Uber claimed that the self-driving car was properly programmed and was not at a fault and the police officer also supported that HONDA should take the full responsibility. However, this accident still raises public consideration about the flexibility and safety of self-driving cars, which seems a future development trend of Uber.

**Lawsuit With Alphabet for Trade Secret Misappropriation**

Uber was sued for trade secret information and using stolen technology by Alphabet, the Google’s parent company, and Waymo, the Google’s self-driving car division. The former Waymo employee Anthony Levandowski was accused of downloading secret files from Waymo when he joined Uber as the boss of its driverless car company Otto. Uber released a statement and said that the lawsuit is “a baseless attempt to slow down a competitor” (Bloomberg Businessweek, 2017) and is confident to beat Alphabet on the court.

**The Use of Software “Greyball” to Evade Authorities**

It is reported in March that Uber was under the criminal investigation by the US Department of Justice for using the software tool “Greyball” to help Uber drivers to identify and evade transportation regulators in some cities, even in those cities where Uber services have not been proved yet. Uber acknowledged the existence of Greyball but declared that this program was only created to “prevent fraud and safeguard for drivers” (CNBC, 2017).
“Hell” Program to Track Lyft Drivers

Uber is currently investigated by the Federal Bureau of Investigation and the United States attorney’s office in New York for its Hell program, which is suspected to illegally track the Lyft drivers and challenge the business of its main rival Lyft in the United States. A spokesman of Uber declined to comment on the news (The New York Times, 2017b).

After several crises during the year, the former CEO was pushed to leave the company, expecting the change of public image and recovery from current hard situation. The only silver lining to all this, is that some important lessons for crisis management can be learnt from previous experience, which probably provide some inspirations for solving the latest problem that the company meet.

Overview of the Latest Crisis—Banning of Operation in London

On September 22, 2017, the transport authority of London announced that it will not renew the license of Uber after its expiry at the end of September. The main consideration for this decision is the safety issue, the safety of Londoners and drivers of Uber. The Transport for London said that Uber’s operation in London is not “fit and proper” as it does not meet the requirements of industry (The New York Times, 2017c). Uber did not conduct adequate background check for Uber drivers. The way Uber dealing with criminal offenses did not provide strong protection for riders and drivers. Its use of Greyball software to evade the regulators puts public safety under great risks. Its competition with black-cab also raises great complains among public. What is more, its bunch of scandals in past few years, especially the beginning of 2017, such as the aggressive workplace culture may also contribute to this decision (CNN Tech, 2017).

London is the largest and most successful market that Uber developed outside the United States (The New York Times, 2017c). Despite of no direct relation, this is the first forcing out case after a series of scandals in 2017. It could be a deadly blow for Uber as other countries and cities would have a higher possibility to follow the steps of London and crack down on the company under current bad reputation of the company. As the direct stakeholder of Uber, the shareholders of the company will definitely suffer from a reduced profit. They may consider leaving the company, which could further ruin the company on both reputation and finance perspective. Over 40,000 drivers will also be significantly influenced, especially those who live on the income from Uber. The employees of London office will suffer from unemployment, increasing the financial burden of families. The customers in London cannot enjoy the lower price and convenience services from Uber any longer and it may make live harder. On the other hand, Uber’s main competitor, black-cab drivers welcome the decision as no one would share their business and profit. As the crisis is still going on, more consequences and affected parties could be seen in the near future.

Five Stages Analysis

Normally, crisis develops following a Five Stages Model, which consists of Sleeper, Big Bang, Lingering Cloud, Clean-Up and Resolution, and Learning Stage. Referring to the news articles about this issue on media including but not limited to The New York Times and CNN, the Five Stages Analysis is conducted as below.

Sleeper Stage

The Sleeper Stage is the time when warning indicators about a crisis should be identified, which could be long before the crisis actually happens. Although there is no obvious warning indicator, Uber should have anticipated the decision of London as its operation license will expire at the end of September in 2017 and is
needed renewing for future business. With no other information about the possible decision, Uber may estimate 50% of chances to lose its license and make corresponding preparation.

**Big Bang Stage**

During the Big Bang Stage, the breaking news comes out. On September 22, the Transport for London made the decision and announced to decline the renew of the license of Uber to continue providing service in London. The news spreads over media rapidly. Including Financial Times and The New York Times, which are main social media in British and the United States, media reporters wrote articles and comments towards the issue immediately to analyze possible causes and potential impacts of such decision. On social media, such as Twitter and Sina Weibo, people are discussing this sudden change on Uber, reposting relevant news and the progress of the event and sharing their opinions towards the issue. This news hits the world within one day and becomes one of the top news on almost every newspaper, which may further increase the effects of this event.

**Lingering Cloud Stage**

The Lingering Cloud Stage regards to the period when the impacts of the news shadow over the public before the company take an action towards the issue. For this crisis of Uber, the Lingering Cloud Stage is extremely short as the chief executive officer of Uber, Dara Khosrowshahi, reacted to the issue on Twitter just several hours later after the announcement of the decision. At the time of news breaking out, CEO’s message has already been attached to the news articles for circulation. Although it is not an official reaction from Uber, his immediate response and the sincere words used to some extend limits the potential negative influences of this crisis.

**Clean-Up and Resolution Stage**

This is the stage when the company starts to response to the crisis and takes actions, which is also the stage that Uber is currently in. Uber plans to appeal on the decision when it receives the evaluation result from London authority. The CEO posted a message towards the decision on Twitter on the same day of announcement. Uber also started a petition and received support from more than 750,000 people (The New York Times, 2017d). Two days later on the next Monday, Uber published an open letter from its CEO to apologize for company’s “mistake”. Uber is also seeking to meet with London transport authorities to clarify the issues accused on Uber and make possible changes on current practice to continue their business in London.

**Learning Stage**

After the crisis, the company should summarize its gains and losses during the process and learn precise lessons from the experience. Uber has not entered this stage.

**Crisis Management Strategy of Uber**

Faced with this shocked crisis and under the pressure of potential losses to the company, Uber has implemented a series of actions to solve the problem and expects to limit the negative influences. For crisis communication, the new CEO of Uber from end of August, Dara Khosrowshahi serves as the crisis leader. He first sent a Twitter message immediately after the announcement of decision, admitting that Uber is not perfect and asking for the public working together to “make things right”, which spread quickly and raises the attention. At the same time, a petition was started to explore support from the people. It seems that those who support Uber can gain confidence from this activity and more people are willing to stand on the same line as Uber when seeing their peers. On the next work day, Uber release an apology letter from the CEO. Instead of shirking
responsibility as usual, he admitted that there are problems existing in London and apologized in the first person for the mistakes even though the faults in London are not under his watch. Without specifying what Uber apologize for, this apology letter still gained high appreciation due to its conciliatory tone not the aggressive approach as its former CEO, which shows the company’s effort to change its culture and gives the public more confidence on the future of the Uber after several huge hits. Apart from public communication, Uber raises the appeal for the decision and tries to meet the Transport for London for negotiation, sparing more time and possibilities to find a solution for current situation.

**Recommendation**

It is obvious that Uber needs to make changes on the operation policy and practice in order to continue its business in London, especially those pointed out directly by the authorities. There could be a trade-off between short-term profit and license. Uber would better sacrifice some parts of the profit from “unsafe” practice to successfully renew its license and enjoy long-term profit. Proper negotiation strategy should be used and the bottom line for negotiation should be discussed within the company in advance. Uber may hire experts in communication or hold training session for its representatives to increase the possibility of success. Additionally, rather than “no comment”, Uber should increase information transparency and keep the public informed about the updates of the case, showing their sincere concern about the issue and the customers. Learning from Delete Uber crisis, the company may set aside certain amount of money for drivers and employees that could be affected by leaving London to show their care and protection, which may increase the loyalty in other cities and improve the stability of business overall. Some new strategies may also be put forward in other business area to prevent risks.

Challenges are always accompanied by opportunities. If Uber could solve London crisis properly, show its determination to make changes, and earn the trust from public, it may regain the markets where it was forced out previously or exploit new markets, which may bring company more profit and sustainable development in the future.

**References**


