TRANSPORTATION

Inside Uber CEO Dara Khosrowshahi's 4-year quest to root out the toxic culture that nearly sank the world's most valuable startup

Mark Matousek Apr 19, 2021, 4:39 PM EDT Share Save



Dara Khosrowshahi made it a priority to fix Uber's culture when he became the company's CEO in 2017. Uber; Mike Cohen/Getty Images for The New York Times; Samantha Lee/Insider

- **Dara Khosrowshahi made fixing Uber's culture his top priority when he became CEO in 2017.**
- **Since then he's aimed to make Uber more ethical and transparent.**
- **He's largely been successful at changing Uber's culture, Uber employees and a Wall Street analyst told Insider.**

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Dara Khosrowshahi was shopping for groceries in August 2017 when his phone rang. It was Arianna Huffington, an Uber board member. She had good news and bad news.

He asked for the good news first, he recalled in an interview with Recode in 2018. He was going to be Uber's next chief executive, Huffington said. The bad news was the board's decision had already been leaked to the press.

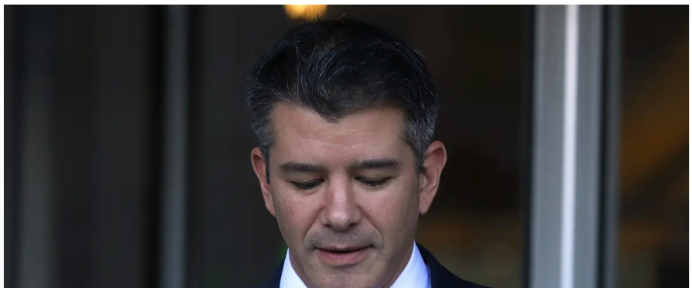
Khosrowshahi, who was 12 years into a successful but quiet tenure as the CEO of Expedia, was about to become a household name, whether he liked it or not. "I think what I was most scared of is this — the public profile of the job," Khosrowshahi said in an interview with Vanity Fair in 2018.

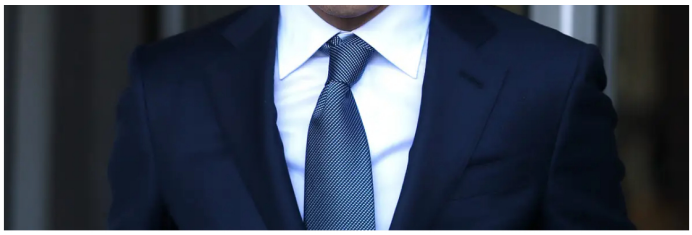
Following the messy departure of CEO Travis Kalanick in June 2017, Khosrowshahi had been hesitant about even interviewing for the job. He was comfortable at Expedia, where he had overseen a 72% increase in the company's annual profit. Why give that up for the potentially impossible task of fixing a startup whose culture had turned so rotten that employees were threatening and harassing their colleagues?

It was a friend — Daniel Ek, Spotify's CEO — who convinced Khosrowshahi it was a risk worth taking. As Khosrowshahi later recounted in interviews, Ek had told him that life was about more than comfort. With Uber, Khosrowshahi could do something big.

Big, and possibly overwhelming. Kalanick's aggressive leadership had produced tremendous growth and the kind of cultural ubiquity few companies achieve. But in the months leading up to his resignation, a series of reports and accusations wrecked Uber's already questionable reputation, moved 200,000 people to delete the company's app from their phones, and made investors afraid their money would be lost.

It began with an account from a former employee, Susan Fowler, who wrote in a blog post in February 2017 that she had faced retaliation after reporting her manager to human resources for sending her sexually suggestive messages. Four days later, Waymo — Alphabet's autonomous-vehicle division — alleged in a lawsuit that Uber had stolen its trade secrets. Less than a week after that, Bloomberg published a video of Kalanick belittling a driver who criticized him for cutting prices. In June, Uber fired an executive after Recode discovered he had obtained the medical records of a customer who had been raped by her driver.





Travis Kalanick left Uber in 2017 after numerous scandals. Justin Sullivan/Getty Images

By the time Huffington called Khosrowshahi, Uber was a mess. And while the new CEO would have a number of big-ticket items on his to-do list — including preparing for an IPO, crawling toward profitability, and holding off archrival Lyft — progress would hinge on whether he could first remake Uber from the inside.

Uber's financial performance under Khosrowshahi has been mixed. The company's revenue, operating margin, and profit margin have swung back and forth, partly because of the drop in ride-hailing demand during the pandemic. And while Khosrowshahi has led Uber to one annual profit, in 2018, the company achieved that only after selling parts of its business in Asia and Europe. Uber still has to prove it can make money without relying on windfalls.

But of the many tough choices Khosrowshahi has made in the past four years, the most significant have been aimed at making Uber not just a successful company but an honest and respectful one too.

The scandals of the Kalanick era threatened to slow Uber's growth, Dan Ives, an equity analyst at Wedbush Securities, told Insider. When Khosrowshahi arrived, repairing Uber's reputation and transforming its culture looked like a difficult task.

But, Ives said, Khosrowshahi has succeeded. Under his leadership, the company has "really cleansed itself."

Insider spoke with 21 current and former Uber employees about Khosrowshahi's key decisions, and the ways Uber's internal culture has changed under him. Uber did not make Khosrowshahi available for an interview, but the company arranged conversations with two Uber executives who have worked with him directly.

Into the fire

By the time Khosrowshahi took the helm, in September 2017, Uber's leaders knew they needed help. After Fowler's

essay gained widespread attention, the company hired former US Attorney General Eric Holder to investigate its workplace culture. Uber didn't release the resulting report publicly, but, according to Mike Isaac's book "Super Pumped: The Battle for Uber," its contents made one board member feel nauseated.

Uber did release the 13 pages of recommendations that Holder's team had made for how it could begin to fix itself. Their collective point was clear: Uber needed a makeover. Its board voted unanimously to accept all the suggestions, including spreading some of Kalanick's responsibilities among other executives and developing a more robust system to track complaints to HR. A week later Kalanick resigned under pressure from the venture-capital firm Benchmark, then one of Uber's largest shareholders.

"There was actually a sense of catharsis," one Uber employee said of Holder's investigation. "A lot of people were really sad that it had come to this point, but glad that we had this path to come out of it."

Around that time, Huffington said Uber would no longer tolerate "brilliant jerks," and Liane Hornsey, Uber's new head of HR, introduced a policy to eliminate racial and gender pay disparities.

Khosrowshahi would join a company that had begun to change its ways, but it still had a long way to go before its employees, drivers, customers, and investors could be confident it had left its old habits behind.

"The pugnacious nature of the company got it into trouble, but also, to some extent, is responsible for the fact that it's a terrific company," Khosrowshahi said in 2019 on the "Masters of Scale" podcast. But, he added, "It was clear to me that what got us here was not the right way forward."



Early in his tenure, Khosrowshahi rewrote Uber's guiding principles. Anushree Fadnavis/Reuters

Khosrowshahi started his campaign with the low-hanging fruit: rewriting Uber's corporate values. Two years earlier, during a weeklong company-wide trip to Las Vegas, Kalanick had given a two-and-a-half-hour presentation on the principles he believed should guide Uber, Isaac wrote in "Super Pumped."

Some, like "be yourself" and "customer obsession," would have fit in anywhere. Others, "toe stepping" and "principled confrontation" chief among them, reflected a mindset where collegiality and ethics took a back seat to winning.

Early in his tenure, Khosrowshahi, whom employees described as a calm, thoughtful presence and an attentive listener, started asking employees and drivers which values they wanted to prioritize. Their feedback led to a new list with a softer tone. "Meritocracy and toe-stepping" became "we value ideas over hierarchy." "Principled confrontation" was out, "we build globally, we live locally" was in. The most emphatic addition: "We do the right thing. Period."

Khosrowshahi made numerous decisions that showed he would enforce these new standards, even when it meant risking Uber's financial health. While he and his executives haven't always lived up to his ideals, they have over the past four years rid Uber of its most destructive habits. Profitability remains elusive and long-term success is uncertain, but wherever Uber's future lies, Khosrowshahi has turned it into a more reflective and considerate company.

Resetting expectations

Twice in the first half of 2017, Uber tried to recruit Tony West. Both times West said no. The former associate attorney general in the Obama administration was happy in his role as general counsel for PepsiCo, a stable Fortune 500 giant. He wouldn't move before he knew Uber was committed to reform.

As 2017 rolled along, West saw hopeful signs, including Uber's acceptance of Holder's recommendations. But it was Khosrowshahi who won him over, he told Insider. Over beers at Del Frisco's Double Eagle Steakhouse in midtown Manhattan, Uber's new CEO impressed West with his "quiet charisma" and the way he seemed not just unafraid of the challenges ahead of Uber but excited by them. Khosrowshahi, who just months earlier hadn't been sure he

wanted to even interview for a job at Uber, was now all in, and soon West was, too, as the chief legal officer.

Before West could attend orientation, he had a crisis to solve. The November weekend before he was scheduled to start, he was pulled into a four-hour meeting with Khosrowshahi and WilmerHale, a law firm Uber had hired to conduct an investigation after Khosrowshahi learned the company had failed to disclose that two people outside Uber had accessed data for 57 million of its riders and drivers in 2016.

Khosrowshahi and West felt the company had made a mistake by keeping the breach a secret, so West spent his first day calling state and federal regulators to tell them about it. The day before, Khosrowshahi had published a blog post on Uber's website about the incident.

Uber's new CEO wasn't under any outside pressure to tell the world about the data breach, but he still had done so. "This was a very early signal to me that I had made the right decision," West said.

More signals would follow. Khosrowshahi's effort to atone for Uber's oversight soon brought him to Joe Sullivan, the company's chief security officer. Sullivan had been valuable during Kalanick's tenure, reducing fraud on Uber's platform and using his security team to address driver-safety concerns (drivers in some countries had been threatened, beaten, and killed).

But Sullivan had also overseen a $100,000 payment to the hackers who had gained access to the data of 57 million riders and drivers before alerting Uber to the vulnerability that had allowed them to do it.

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Uber had initially seen the exchange as a win for its "bug bounty" program, which pays hackers who point out digital security issues that could be exploited by those with ill intent. Sullivan, in a comment to The New York Times, disputed the notion that Uber had engaged in "a cover-up." To Sullivan, what mattered was that Uber had fixed the issue before it turned into a serious problem.

Khosrowshahi disagreed. Two days after revealing the incident, he fired Sullivan. It wasn't just that he had failed to disclose the data breach. The main issue, The Times reported, was that Sullivan had not sought advice from outside counsel about how to handle the matter.



Khosrowshahi convinced Tony West, pictured above, to join Uber. Tasos Katopodis/Getty Images for Uber Elevate

The new CEO, it appeared, was sending a message: He would not tolerate carelessness around legal issues. The response to Khosrowshahi's disclosure seemed to validate his concerns, and the Department of Justice later charged Sullivan with obstruction of justice in connection with concealing the incident from the Federal Trade Commission, which had been investigating Uber's data-security practices when the hackers reached out to the company. Sullivan pleaded not guilty to the charges, and the case is awaiting trial.

In response to a request for comment, Sullivan directed Insider to a statement his spokesperson gave The Times after the Department of Justice filed its suit against him in 2020.

"If not for Mr. Sullivan's and his team's efforts, it's likely that the individuals responsible for this incident never would have been identified at all," the spokesperson said at the time, adding: "Uber's legal department — and not Mr. Sullivan or his group — was responsible for deciding whether, and to whom, the matter should be disclosed."

'Turn the lights on'

In the spring of 2018, Khosrowshahi would turn to a bigger, more critical transparency issue.

As with many companies, Uber required employees and contractors (and customers) who made sexual assault or

harassment allegations to use arbitration and sign a nondisclosure agreement, or NDA, if they wanted to settle their claims against the company.

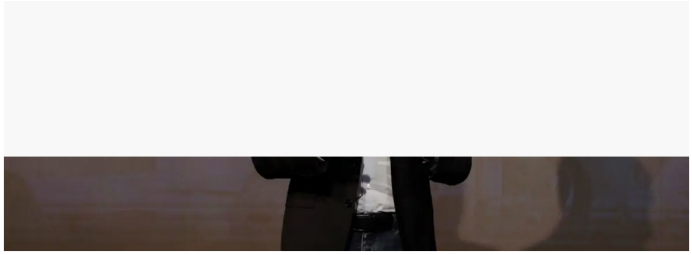
NDAs tend to put employees and contractors at a disadvantage against their employers, Ally Coll, the president and cofounder of The Purple Campaign, a nonprofit focused on ending workplace harassment, told Insider. Forcing workers to quietly settle sexual-misconduct claims and stopping them talking about them can make it difficult for victims to explain their work history during job interviews, allow perpetrators to evade accountability, and put employees in harm's way.

West and Kate Parker, then Uber's head of safety brand, believed ending the practices would help Uber "advance the ball on women's safety," West said. They brought the idea to Khosrowshahi, who thought it sounded promising and told them to keep working through the details.

A few months later, in May, employees from a number of departments — including safety, legal, and policy — walked Khosrowshahi through the pros and cons. The presenters supported the move, though they told Khosrowshahi it could increase Uber's legal costs, two people who were present said. At the end of the meeting, Khosrowshahi leaned back in his chair and asked each of the nine participants what they thought. There was consensus, the two people said, that the company should stop requiring the use of arbitration and NDAs for sexual-misconduct cases.

Within 24 hours Khosrowshahi gave them the green light. West announced the decision in a blog post on Uber's site. "Divulging the details of what happened in a sexual assault or harassment should be up to the survivor, not us," he wrote.

West made another promise: Uber would write and release a report detailing the number of sexual assaults and other safety incidents reported during Uber rides. "Dara recently said that sexual predators often look for a dark corner," West wrote. "Our message to the world is that we need to turn the lights on."



Uber said it plans to release new safety data every two years. Richard Drew/AP

By making those numbers public, Khosrowshahi knew he might damage Uber's reputation after all his work to repair it. There was a chance no one would be impressed by this effort at transparency and the report would merely shine a spotlight on the worst outcomes for riders and drivers.

Khosrowshahi never wavered in his support for publishing the data, one current and one former senior-level Uber employee said. His biggest concern, the current employee said, was that the numbers were right.

Uber released the report in December 2019 to heavy scrutiny. "Uber reveals extent of sexual assault problem: thousands of abuse reports a year," one headline read. (Uber said more than 99.9% of rides passed without even a minor safety issue.)

But the report received a positive response from women's-safety advocates, two people who worked on the document said. It made a powerful statement about Uber's culture, said Lisa Stoner, a senior director of community operations at the company. "That was a culturally defining moment, from my perspective," she said, "because it wasn't required by any law or any regulatory body."

The company is working on a new version, promising to keep its plan of publishing updated safety data every two years.

Moving forward

Whatever discomfort the safety statistics might have caused was nothing compared to the pandemic. As COVID-19 spread during the first half of the year, it magnified the racial and economic disparities in the US. The killing of George Floyd in May 2020 and the ensuing Black Lives Matter protests brought them into stark relief.

During the first company-wide meeting after Floyd's death, Khosrowshahi became choked up as he talked about how difficult it was to explain to his children what would make a person treat someone the way Derek Chauvin, the police

officer who knelt on Floyd's neck for nine minutes, treated Floyd, three Uber employees said. At one point, he had to take a moment to collect himself.

Some were struck by Khosrowshahi's willingness to appear vulnerable in front of the entire company. To Dianna Jones, a director of legal compliance at Uber and the cochair of the Black at Uber employee-resource group, Khosrowshahi's frank comments struck the right tone after the tragedy.

"I think it was very important for the organization to see, and, in particular, I think, even for our own community to see, that he saw what happened and it actually touched him," she said.

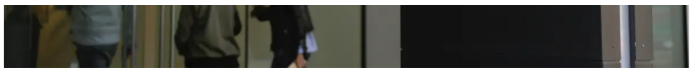
A month later, Uber announced several internal racial-justice initiatives, including a plan to double both the percentage of leadership roles held by Black employees and the amount of money it spent with Black-owned suppliers and contractors.

It was not the first time that Khosrowshahi, whose family emigrated from Iran when he was 9, had expressed an interest in promoting diversity and inclusion. According to Jones, he regularly attends the annual conference held by the leaders of Uber's employee-resource groups. Each group has a chance to talk to him once a quarter, and Black at Uber has been meeting with him every other month.

Still, Jones said, there is plenty of work for the company to do to create a better environment for its Black employees. In 2020, just 4% of those in leadership positions were Black.

"Tone at the top really matters, but it's the culture in the middle that actually makes or breaks whether or not culture improves," Jones said. "I think that that is a space where we are still learning."





Khosrowshahi has said a company can never finish improving its culture. Eric Risberg/AP

There have been other ways in which employees and contractors have felt the company has struggled to live up to its ideals on Khosrowshahi's watch. In March 2018 one of Uber's self-driving test vehicles, which had a safety driver at the wheel but who investigators say was watching a video on her phone — killed a woman crossing the street, even after employees had expressed fears the autonomous-vehicle unit was being reckless as it sought to impress Khosrowshahi with its progress.

Last year, some drivers and labor activists criticized Uber for fighting a California law that would have made drivers full-time employees, rather than contractors, and thereby guarantee them more robust wage protections and health benefits. Uber and other gig-economy companies promoted a ballot measure that allowed them to continue classifying their drivers as contractors, with some benefits. The measure passed in November.

Elsewhere, a handful of top executives have resigned or have been investigated following accusations of negligent or inappropriate behavior, including making racially insensitive comments and failing to take racial-discrimination complaints seriously.

On the whole, though, Uber appears to have made progress in improving its internal culture. Eight people who worked for Uber during Kalanick's tenure said they enjoyed the excitement and accomplishment they felt as the company grew, but some recalled a more combative workplace, where winning arguments was more important than being kind, and work-life balance was an afterthought.

That has changed under Khosrowshahi. The hours are still intense, but, current and former employees said, the company is more mindful of employees' priorities outside work, and the confrontational edge of the Kalanick years has softened.

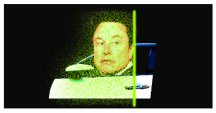
Khosrowshahi has said there is no end to improving a company's culture, but he has at least helped purge Uber of its worst impulses, those that led many to see the company as the embodiment of Silicon Valley's flaws.

It remains to be seen if Khosrowshahi can build Uber into a giant on the scale of Amazon or Apple. But without his

efforts, the company may not have had the chance to try.

Are you a current or former Uber employee? Do you have a news tip or opinion you'd like to share? Contact this reporter at mmatousek@businessinsider.com, on Signal at 646-768-4712, or via his encrypted email address mmatousek@protonmail.com.

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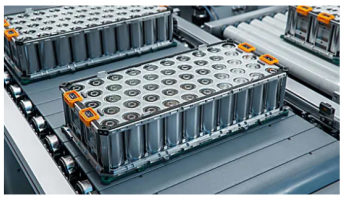
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