S’15 Stakeholder Analysis

Before you begin working on this paper, please write your answers to the following questions:
- What do you believe is the most urgent problem in our society today? Is there a role for business in addressing this issue? Would a law help solve the situation?

Please provide a brief explanation of your answers. Thank you!

I believe that the most urgent problem in our society today is that every person and every company is often out to maximize profit in some way. They are often out for themselves, and instead of looking at how to uplift everyone together, they are simply looking for how to rise above everyone. Not just rise above everyone, but at the same time, pushing others down. I see this in business practices today, hear it in the news, and experience it even in every day classes. People will not collaborate or help each other on homework for fear of enabling that person to do better overall in the class than they themselves would have done. I have even heard students give incorrect answers intentionally to other students who asked a question because they wanted to do better than that student on an exam. (Though that occurred in high school).

I think that there is a role for business in addressing this issue because people often only see how companies are in cutthroat competition with each other. It is rare for companies to help each other on an everyday basis. It takes a tragedy or some sort of problem that affects multiple industries at once before companies begin to collaborate with the hopes of helping each other rise. Businesses need to have a common goal, even if it is just one of their many goals that enables society to see them working together to actually better society and the lives of citizens.

A law could potentially help solve this problem. For example, if there was a law that made it mandatory for all companies to do a certain amount of philanthropy hours, or donate a certain amount of their profits to a charity, or be involved in their community in some way, then this problem could potentially be rectified, or at least be on its way to being bettered. This would show a more unified front and help people to see businesses not simply as separate entities, but as an instrument of society.

1. Please provide a brief history of Uber and their business model.

Uber was founded in 2009 by Garrett Camp and Travis Kalanick. Although often thought of as equivalent to a taxi, Uber is not a taxi service. Uber does not own the cars that are utilized and does not hire cab drivers. Instead, it provides a service, and matches a driver with a car to a customer in need of a ride. Due to the emerging “peer to peer” economy, Uber created a smartphone app that allows riders to call for a private ride (Damodaran). Instead of actually paying its employees a wage, Uber simply takes a portion of the fare, and allows the drivers to keep the rest (Asher-Schapiro). Travis Kalanick, the CEO of Uber, identifies Uber as a logistics company, not a transportation company, and Uber invests mainly in technology infrastructure with the intention of expanding into other markets. It is using the car service market as its jumping off point (Damodaran). Due to the fact that Uber identifies as a logistics company and not a transportation company, Uber’s Terms of Service are the “company takes no responsibility over the behavior or actions of the driver during the ride. Choosing a safe, sane driver is up to you, the passenger” (Crook). In addition, Uber does not pay for gas or insurance, instead leaving that up to the driver (Asher-Shapiro). Presently, Uber is functioning in more than 250 cities and 50 countries (Scolaro, Morganteen). Currently, Uber is having issues with its employees, customers, many state governments, and numerous foreign countries.
2. Please describe the legal issues the company is facing.

Several of Uber’s drivers have been accused of crimes, most notably rape. This has occurred in several places, but most recently in Boston and New Delhi (Sen). Several states and cities have also brought a lawsuit against the company. In Portland, Oregon, city officials sued Uber for failing to meet local regulations, and prosecutors in LA and San Francisco are suing Uber under the accusation that it is gouging customers (Scolaro, Morganteen). LA and San Francisco are also suing Uber because of false advertising. They claim Uber advertises that it has "industry-leading standards" when it comes to background checks, but in reality, Uber does not even conduct fingerprint scans of its drivers (Wagstaff).

Uber is also facing legal issues on a global scale, with many occurring overseas. Various countries and cities have ordered Uber operations to stop, like New Delhi, Spain, Thailand, Bangkok, Madrid, Nevada, and Portland, Oregon because the governments state that Uber is not complying with local regulations (Scolaro, Morganteen). In Australia, "The government has told these companies not to operate," Taxi Council of Queensland Benjamin Wash said. Brussels, in Belgium, banned Uber in April and threatened drivers with a $12,000 (€10,000) fine. In Canada, Montreal’s mayor told reporters that UberX is illegal, and the city of Toronto has tried to shut all of Uber’s services down. In Germany, a Frankfurt Court ordered a nationwide cease and desist order that threatened a fine of up to $300,000 per ride for drivers, but was overturned.

In the Netherlands, the Trade and Industry Appeals Tribunal in The Hague ordered Uber to stop its UberPop service, claiming that it broke rules that drivers must be licensed. In South Korea, the Seoul city government said that Uber’s services violates its laws, and threatened to fine or jail drivers using non-properly licensed vehicles. In Spain, the city of Madrid plans to fine unlicensed Uber drivers and the government of Catalan hopes to impound Uber cars. A court in Madrid announced a preliminary nationwide ban on Uber, and the Taiwanese government plans to pull the app from local stores because it does not meet the country’s legislation. Uber was also declared illegal by the Thai government (Taylor). Finally, a French court banned UberPOP, the company's carpooling service (Wagstaff).

Not only is Uber facing legal issues externally, but internally as well. Because Uber needs drivers, and not all drivers have a car, or good credit, the company facilitates a meeting between drivers with subprime lenders, but this wording “subprime” does not appear in Uber’s marketing materials. In reaction, labor attorney, Shannon Liss-Riordenis is targeting Uber with the claim that the company has been cheating its drivers out of fair wages. Due to Uber’s claim that it is a technology company, its workers are classified as “contractors.” Liss-Riordan claims that Uber is “trying to mischaracterize what it actually is in order to avoid wage and hour laws.” She believes that Uber should pay for expenses for the cars, and that drivers who work more than 40 hours per week should be making overtime (Salomon).

Not only are citizens looking into the company, but so is the Federal government. This could pose a big legal issue. The federal government decided to look into Uber’s financing program, due to its “surge pricing” practice, where it charges a higher price on busy nights when demand for rides is expected to be high (Salomon).
3. Please describe the ethical issues the company should be addressing.

Uber has several ethical issues it should be addressing, most notably the issues of safety, both domestically and abroad. For example, in Australia, in Queensland, taxi drivers must undergo criminal checks, but because Uber is not classified as a taxi service, they do not have to (Taylor). Many people and other companies believe that Uber does not perform adequate background checks. They perform the bare minimum and they take no liability for the cars or drivers (Sen). This is an ethical issue because of how Uber portrays the background checks to customers. Uber has said it has the “safest rides on the road” and charges a $1 Safe Rides fee to fund its checks. But in actuality, Uber’s background checks, which are conducted through a company called Hirease, are not as thorough as the ones many taxi drivers must go through. Because Hirease does not require fingerprints, it runs drivers’ social security numbers through the type of records databases held by credit agencies.

This is not very efficient because they can be outdated or incomplete, and the records have the potential to come from less than reliable resources. In addition, credit checks only go back 7 years due to legal restrictions, and if a driver commits a crime after they are hired, there is no way for Uber to know unless they rerun the background check. This is an ethical issue that the company should be addressing because they are not providing the best safety measures for their customers that they could be. The higher price more thorough checks would cost, the possibility of prohibiting the growth of the company, and the potential shrinking of drivers to choose from are all potential reasons that Uber will not utilize a more in-depth database to perform the background checks, which is unethical (“Here’s the Problem”).

Another ethical issue Uber should be addressing is the fact that it is taking advantage of its drivers by urging them to sign up for subprime loans, and the fact that Uber does not pay expenses for the drivers, the way a company usually does. Uber does not pay for gas or insurance, rather it makes its employees do that, and it does not pay overtime for its drivers. This is due to how they classify their drivers, as contractors, and the company itself, as a logistics company, and a labor attorney, Shannon Liss-Riordon, is going after Uber because she thinks there is a case (Wagstaff). Additionally, Uber has cut fares for customers, causing its drivers to lose out on profit, as they have no say in the pricing, while still requiring its drivers to pay all expenses (Asher-Schapiro).

Uber is also taking advantage of customers. The company’s “surge pricing” practice is a major ethical issue that needs to be addressed by Uber. In one case, a woman was charged $362.57 after a 20-minute ride in Baltimore, and another customer in Denver was charged $539 bill after a 25-minute ride (Salomon). During an armed hostage crisis in Sydney, Australia, riders were quoted rates four times above normal. Taking advantage of storms, national crises, and people’s fears are completely unethical and the company needs to address these ethical issues (Wagstaff).

4. Please identify Uber’s stakeholders, and explain their interests and sources of power. You can answer this question in chart form and/or use bullet points.

Lobbyists for Uber
- Interests
  - Want the company to succeed.
Want the company to remain categorized as a “tech company” and drivers as “contractors” to avoid certain labor laws.

Want governments to allow Uber to function in their states and countries.

Want to prevent restrictive legislation from coming into being.

- **Power**
  - **Political**
    - Their actions have the ability to either push legislation through or prevent it from turning into law.
    - Their actions have the ability to help create regulations.
    - They have the ability to sway those in government.

Lobbyists against Uber

- **Interests**
  - Want the company to fail/remain checked.
  - Want the company to follow same guidelines and regulations as taxi companies.
  - Want governments to sanction/regulate Uber.
  - Want restrictive legislation to come into being.

- **Power**
  - **Political**
    - Their actions have the ability to either push legislation through or prevent it from turning into law.
    - Their actions have the ability to help create regulations.
    - They have the ability to sway those in government.

Government Entities

- **Interests**
  - Want to ensure the company is safe for citizens to use (foreign & domestic).
  - Want to make sure the company does not interfere with domestic companies (foreign).
  - Want Uber to follow guidelines/regulations/laws already in place (foreign).
  - Want Uber to be held accountable for certain taxes (potentially domestic & foreign).

- **Power**
  - **Legal**
    - States (countries) have the ability to bring lawsuits against the company if they feel they are in violation of state laws/regulations.
  - **Political**
    - They have the ability to create legislation to either help or hinder the expansion of Uber.
      - Countries have banned the use of Uber.
      - Countries have imposed fines on drivers of Uber vehicles.
    - Want Uber to follow guidelines/regulations already in place, and can impose restrictions if they refuse.
      - Countries have banned/created legislation to help level the playing field between Uber and taxi services.

Special interest groups

- **Interests**
  - Want to ensure Uber is safe for the public to use.
Want to ensure that Uber is not taking advantage of either its employees or customers.

- **Power**
  - **Political**
    - Their actions have the ability to cause legislation to be borne.

**Competitors**
- **Interests**
  - Want Uber to be held to the same guidelines/regulations as they are.
  - Want to ensure fair competition.
  - Want customers to realize the differences in safety between their companies and Uber.
- **Power**
  - **Economic**
    - Have the ability to affect Uber’s profits depending on how they respond.
    - Can cause customers to switch to using their company instead, thus affecting profits of Uber.
  - **Political**
    - By staging demonstrations, cause government entities and special interest groups to champion their cause, thus eventually leading to the creation of legislation or regulations.

**Media**
- **Interests**
  - Spreading awareness of ethical issues Uber needs to address.
  - Spreading awareness of legal issues Uber is involved in.
  - Educating the public about the practices and policies of Uber.
  - Informing the public about Uber.
  - Sensationalizing the problems Uber may be facing (now, not as direct/honest. Has an angle).
- **Power**
  - **Political**
    - By educating the public, they spread awareness and can cause public mentality to shift either for or against a company.
      - This can sway how a government reacts, and can cause legislation to be created.
  - **Economic**
    - By having the ability to sway public opinion, the media can indirectly affect the profits of companies.

**Customers**
- **Interests**
  - Want to be able to utilize a service to get them from point A to point B.
  - Want to have access to a quick and easy service.
  - Want to feel safe when utilizing said service.
- **Power**
  - **Economic**
    - Has the ability to either utilize the service or not, thus affecting profit of the company.
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- **Legal**
  - If something occurs, can bring a lawsuit against the driver or the company.

**Investors**
- **Interests**
  - Want the company to succeed.
  - Want to make a profit from the company.
- **Power**
  - Voting power
    - Has the ability to vote on policies for the company.
  - Economic
    - Has the ability to pull out and destroy the company.

**Employees**
- **Interests**
  - Want to be treated fairly.
  - Want to make a decent living wage.
  - Want to have a job where the employer pays expenses/insurance.
- **Power**
  - Political
    - Has the ability to reach out to/create special interest groups or lobbying groups who can cause legislation to come about (indirect).
  - Legal
    - Can bring lawsuits against the employer for unfair practices.
  - Economic
    - If they strike, the company makes no money.

5. **Please identify the subgroups that might exist within the stakeholders you identify, as well as the stakeholder groups that might be likely to form coalitions.**

- Subgroups for lobbyists for Uber are the groups that Uber has created through its “digital grass roots campaign.” In some states, like Nevada and Oregon, Uber has created petitions for the Governor and Mayor with the hopes of swaying lawmakers with public pressure (Wagstaff).

- Subgroups for lobbyists against Uber are made up of the taxi company lobbyists. They are anti-Uber and often will highlight negative aspects of the company, like its safety policy (Cook).

- Subgroups with government entities are regulatory institutes specific to each state, like the California Public Utilities Commission, or the SFMTA (Wagstaff). City councils, Mayors, and Governors are also part of government entities. Tax agencies, both state and federal, domestic and foreign are subgroups. Actual foreign governments and domestic governments fall under separate subgroups as well, since Uber is a global company (Wood).
• Subgroups for competitors are any other transportation service who is competing against Uber. This could be taxi services, limousine services, or other car services like Lyft (Wagstaff).

• Subgroups of the media are all of the different mediums like print, digital, televised, and all of the different forms of social media.

• Subgroups of customers not only involves the customers, but also customers who were in accidents and are now considered victims.

• Subgroups of investors are both the Board of Directors as well as investors.

• Subgroups of employees involve all of the drivers that have an Uber, as well as those who work at the actual company. Not to mention the unions that are made up of Uber employees, like CADA, which is sort of a union in California for Uber drivers, or the Seattle Ride-Share Drivers Association, which is a union that Uber drivers have formed in Seattle (Asher-Schapiro).

• Subgroups of special interest groups are groups like Teamsters, or public interest groups who are concerned for the safety of citizens, or the employees of Uber, or for the welfare of its competitors, like those in the taxi industry.

The media has the ability to form coalitions with any of the groups, either lobbyists for Uber or against it, as well as employees of Uber or employees in competing companies. Whichever will help tell and sell the story. Special interest groups are also likely to form a coalition with the media to help get their point across. Lobbyists against Uber are likely to form a coalition with special interests groups to ensure regulations are placed. Employees are likely to form coalitions with special interest groups or lobbyists to help ensure fair treatment, regulations for employment, and to tell the public how the company really operates. Victims of crashes when using Uber also may form coalitions with the media to tell their story and sway public opinion.

6. Please identify the stakeholders that should be prioritized based on those with the most power, legitimacy and urgency. Please explain your reasoning.

Customers have the most power because if Uber is global and so customers in every country have the power to either use or not use Uber. If customers do not feel safe using this service, they won’t, and profits will plummet. If they feel wronged or are injured, they can cause governments to create legislation to right it, or bring the company to court to be compensated for their injuries. They can form coalitions with special interest groups, or the media, and in doing so, possibly control the fate of a company. If public opinion of the customers goes against the company, the company has the potential to fail.

Government entities have the most urgency because Uber is a global company, and in certain countries and states governments are banning the use of Uber vehicles, or the company entirely. States have the ability to impose regulations and legislation, and Uber needs to be aware that these government entities have the ability to halt the expansion of the company, or completely alter how Uber does business at any time. Uber needs to learn and follow the regulations of the host country or
state, or work with the governments to rectify situations as quickly as possible, before the damage done to the company’s brand in that region is irreversible.

Employees have the most legitimacy because the public can relate to an employee being taken advantage of by their employer. If Uber is practicing unfair policies with its employees, many people will not want to support it. Employees also have the power to strike, and if the public sides with the employees, Uber will have to work hard to regain its reputation, and may have to concede to the demands of the employees.

7. Please describe 2 or 3 courses of action you would recommend and how these alternatives will impact the stakeholders you prioritized.

I would recommend that Uber discusses its policies and follow the regulations of where it is located. For instance, Uber should follow the regulations and guidelines of each individual state or country, to ensure that it is not constantly in combat with the different government entities. It is a bit more difficult to do, and it will probably affect its profits in the short term, and so affect the investors, but long term it will be in harmony with the different government entities, and profits will arrive because this strategy will help the company be built for longevity in different regions. Governments will not impose additional regulations or legislation, and most importantly, will not ban the company entirely. This will provide additional markets for Uber to be able to infiltrate and make more of a profit.

I would also recommend that depending upon the region, Uber go out of its way to ensure the safety of its customers, by installing some sort of SOS component to the app, or creating divisions to monitor the different vehicles in certain areas and if one of its vehicles goes off course, to contact the passenger or driver to find out what the situation is, and respond accordingly. Most importantly, I recommend that Uber find a reliable company, no matter the price, to perform stringent background checks, including criminal ones, to verify that the drivers are safe. In certain countries this can be difficult, but Uber should make it a priority. While this may cut into profits and so affect investors, it has the potential to make up for it by attracting more customers who did not feel safe before using this service, and customers are how a business succeeds.

Finally, I recommend that Uber establishes guidelines and pays for expenses for its drivers, such as paying for gas, or for insurance. Even if it is just one of the two, this will go towards creating good will between the employer and employee, and will help retain employees and lower turnover. Again, this may cut into the profit, but by being more fair and creating a more positive atmosphere to work, Uber has the potential to attract more employees and possibly make up or even surpass the profit that it would lose by paying for these expenses. All of these recommendations would lessen the ammunition that certain special interest groups and competitors have against Uber as well.

8. Would a law address any of the problems you’ve identified?

Yes. If there were laws in place that made it mandatory for Uber to identify as a certain type of business, then it would have to follow the rules and regulations that type of employer does. Or if there were a law that made it mandatory for Uber to utilize a specific company to perform background checks, then the safety issue would be addressed.

9. Please make a recommendation. Please make sure you connect your recommendation to your analysis (your answers to the previous questions).
I recommend that Uber creates a set of policies or guidelines that stipulates how in depth a background check must be. This should occur even in certain countries where safety may not be as high of a priority for the customers of that region. Uber should make it a company policy that they place the safety of their customers first. This would help the reputation of the company amongst customers and potential customers, and help head off potential lawsuits, or prevent them from occurring because the individuals they would be hiring would be safe and reliable. This would also prevent certain coalitions from forming and causing public opinion to turn against the company.

Uber needs to be in contact and communicate with the governments where it wants to operate to ensure that discourse does not continuously occur. Uber needs to be respectful of the regions where it operates because by barreling in with its own rules, Uber just succeeds in making enemies of the local companies and governments. By attempting to work with them instead of without or against them, Uber has the potential for anti-Uber lobbying to not come into being, or at least be smaller in size.

Finally, I recommend that Uber has fairer policies in regards to its employees. Without employees, a company is unable to function. Uber needs to treat its employees fairly and with respect. This means that Uber needs to make the sacrifice and pay expenses such as gas and overtime if an employee works over 40 hours a week. Employees have the ability to help promote the company brand, or tarnish it. Companies want their employees to advocate the company to others. This helps promote longevity of the company, market it to additional customers, and prevent harmful coalitions from forming.
Bibliography


