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# Rebuilding organizational culture through transformational leadership: success lessons from Uber's experience in startups

*Reconstrucción de la cultura organizacional a través del liderazgo transformacional: lecciones de éxito de la experiencia de Uber en startups*

*Reconstruindo a cultura organizacional por meio da liderança transformacional: lições de sucesso da experiência da Uber em startups*

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## Abstract

This study explores how transformational leadership can drive the success of startups by reshaping their organizational culture at a fundamental level. Using a case study approach, the research examines Uber's experience to demonstrate the impact of this leadership style. Despite facing numerous crises and scandals that threatened its organizational culture, Uber successfully overcame these challenges by adopting transformational leadership practices. The study reveals

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that embracing a transformative and innovative leadership approach is essential for enacting substantial cultural change within organizations. However, it also emphasizes that such transformation requires a significant investment of time and effort to achieve measurable and lasting results. This investigation highlights the pivotal role of leadership in cultivating an adaptive and resilient organizational culture, which is critical for the success and sustainability of startups.

**Keywords:** Startups, Organizational Culture, Transformational Leadership

## Resumen

Este estudio explora cómo el liderazgo transformacional puede impulsar el éxito de las startups al reformar su cultura organizacional de manera fundamental. Utilizando un enfoque de estudio de caso, la investigación examina la experiencia de Uber para demostrar el impacto de este estilo de liderazgo. A pesar de enfrentar numerosas crisis y escándalos que amenazaban su cultura organizacional, Uber superó con éxito estos desafíos al adoptar prácticas de liderazgo transformacional. El estudio revela que adoptar un enfoque de liderazgo transformador e innovador es esencial para implementar cambios culturales significativos dentro de las organizaciones. Sin embargo, también enfatiza que dicha transformación requiere una inversión considerable de tiempo y esfuerzo para lograr resultados medibles y duraderos. Esta investigación destaca el papel fundamental del liderazgo en la creación de una cultura organizacional adaptable y resiliente, que es crucial para el éxito y la sostenibilidad de las startups.

**Palabras clave:** Startups, Cultura Organizacional, Liderazgo Transformacional.

## Resumo

Este estudo explora como a liderança transformacional pode impulsionar o sucesso de startups ao reformular sua cultura organizacional de maneira fundamental. Utilizando uma abordagem de estudo de caso, a pesquisa examina a experiência da Uber para demonstrar o impacto desse estilo de liderança. Apesar de enfrentar inúmeras crises e escândalos que ameaçaram sua cultura organizacional, a Uber superou esses desafios adotando práticas de liderança transformacional. O estudo revela que adotar uma abordagem de liderança transformadora e inovadora é essencial para promover mudanças culturais substanciais dentro das organizações. No entanto, também enfatiza que essa transformação exige um investimento significativo de tempo e esforço para alcançar resultados mensuráveis e duradouros. Esta investigação destaca o papel crucial da liderança na construção de uma cultura organizacional adaptativa e resiliente, que é fundamental para o sucesso e sustentabilidade das startups.

**Palavras-chave:** Startups, Cultura Organizacional, Liderança Transformacional.

**JEL Classification: M13; M140; M540.**

## **1. Introduction**

Startups represent the forefront of the new economy, yet they operate in environments rife with risks and constant changes. While navigating these uncertainties, startups remain at the leading edge of economic innovation (Szarek & Piecuch, 2018). These challenging circumstances pose significant obstacles, making it essential for startups to build and maintain a strong reputation to survive in a competitive landscape (Karrarslan & Soylu, 2023). This necessity is often reflected in their corporate culture, which serves as a powerful tool for shaping the company's identity and attracting both talent and customers (Schein, 2010).

Effective leadership plays a pivotal role in shaping and guiding organizational culture, ensuring its successful communication to a wide range of stakeholders. Transformational leadership, in particular, is widely recognized as an especially effective leadership philosophy for driving cultural change within organizations (Goleman, 2010). A relevant case study is Uber, one of the leading startup companies in the United States and globally.

Uber faced substantial challenges due to its aggressive leadership style and toxic organizational culture, leading to numerous scandals and a subsequent decline in growth. This downturn critically affected the company's performance, bringing it to the verge of collapse (Conger, 2019). These challenges were evident in a series of notable incidents that underscored the company's internal dysfunction and controversial public image. For instance, Susan Fowler a young engineer who joined Uber in November 2015, exposed a toxic culture within the company, particularly towards women. On her first day of work, she was subjected to sexual harassment by her manager.

After filing a complaint with the (HR) department, she was surprised to learn that the manager would not be dismissed because he was a "high-performing employee" and she was given the option to transfer to another team. Over time, Fowler discovered that her experience was not isolated, as she encountered other women with similar stories. She also revealed a performance evaluation system that excessively prioritized growth, fostering a highly competitive and toxic environment.

One notable incident occurred when women were denied leather jackets promised as a company gift, with the justification that their exclusion was a form of equality. In February 2017, Fowler decided to leave Uber and published a blog post titled "Reflecting on One Very Very Strange Year at Uber" detailing her experiences. This revelation brought to light the internal issues within the company, ultimately leading to significant changes in its management.

However, the challenges were not limited to internal issues but also extended to incidents that sparked widespread public criticism. For example, Following President Trump's announcement of the travel ban targeting citizens of predominantly Muslim countries, Uber suspended surge pricing for rides to JFK Airport during the protests. However, this decision was interpreted as an attempt to undermine the strike initiated by taxi drivers, leading to the launch of the #deleteUber campaign. This backlash highlighted the perceived insensitivity of Uber's actions, as it appeared to prioritize business interests over solidarity with the protesters and the broader social justice movement (ISAAC, 2019). In response, Uber was forced to reevaluate its organizational culture and adopt a new leadership strategy to regain its market position.

The adoption of a transformational leadership approach was crucial in Uber's efforts to revitalize its organizational culture. This strategic shift led to the replacement of former CEO Travis Kalanick with Dara Khosrowshahi, under whose leadership the company has since worked to restore its image and stabilize its operations (Bastos, 2017).

Based on the foregoing, a key issue arises regarding the extent to which transformational leadership can reshape the organizational culture of startups facing deep structural crises. In the case of Uber, the previous leadership style entrenched a toxic organizational culture that negatively impacted internal performance and the company's market reputation. With the adoption of transformational leadership, the company aimed to drive a fundamental shift in its values and institutional practices. However, the question remains as to how effective this leadership approach is in achieving sustainable cultural change within organizations that have experienced profound cultural deviations. In other words, the core issue of the study is crystallized in the following central question: How did Uber leverage transformational leadership to reshape its corporate culture and regain control of its leadership?

## **1.1 Study Importance**

The importance of this study stems from its exploration of a critical topic that has garnered significant attention from human resources scholars. Additionally, the research examines a previously underexplored relationship between transformational leadership and organizational culture in emerging enterprises.

## **1.2 Study Significance**

The significance of this study lies in its investigation of a key issue that has attracted the interest of human resources researchers. By connecting transformational leadership with organizational culture in startups, the research offers fresh insights that could enrich both academic understanding and practical applications in this field.

## **1.3 Study Objective**

The study aims to explore how transformational leadership can reshape organizational culture to improve business success, drawing on Uber's experience in reclaiming its market position.

## **2. Literature Review**

Modern management's primary goal is to achieve change and transformation within organizations, with transformational leadership and organizational culture playing essential roles in this process. These elements work in tandem to shape the internal environment by fostering shared values, attitudes, and practices. Transformational leadership, as outlined by (Bass, 1985), is a key driver in inspiring followers and encouraging them to exceed expectations, thereby creating a motivating culture that supports organizational success. In line with this, McGregor and Burns emphasize that transformational leaders contribute significantly to organizational change by engaging in practices that promote innovation, commitment, and long-term achievement (Reid & Dold, 2018).

Additionally, Schein (2010) highlights the importance of leadership in shaping organizational culture through mechanisms such as resource allocation, reward systems, and the management of critical incidents, which collectively reinforce the values and assumptions that underpin the organization's identity. This literature review will address the inter-relationship between transformational leadership and organizational culture, and explore how these factors contribute to the creation of

environments that foster sustained organizational success in an ever-changing business landscape.

## 2.1 Transformational Leadership

According to Bass, transformational leadership is defined by a process in which leaders inspire their team members to transcend their personal interests and align with the broader goals and mission of the organization (Bernard, 1985, p. 25). This leadership style not only aims to expand and elevate employees' interests but also involves a moral and psychological process that establishes an ethical and transparent framework for organizational growth, free from coercive tactics (Moradi & Shahbazl, p. 455). Transformational leadership integrates individual aspirations into collective objectives, fostering a unified organizational vision. Leaders using this approach prioritize aligning organizational values, goals, and performance with a deep understanding of individual motivations. By raising employees' awareness of higher-order needs and aligning their personal identities with the organization's mission, transformational leadership boosts both employee morale and performance (Davis & Thilagaraj, 2022, p. 154).

Moreover, transformational leaders actively assess the strengths and weaknesses of their team members, setting goals that align with both individual aspirations and organizational performance objectives. They also inspire and empower employees to take on greater responsibilities, leading to higher engagement and productivity in the workplace (James & Ogbonna, 2013, p. 356).

### 2.1.1 Transformational Leadership's Components

The Four Key Elements of Transformational Leadership: Bass, a pioneer in the field, first identified the four components of transformational leadership: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Farnsworth, et al., 2002, p. 02). This discussion will examine each element to help managers effectively implement this leadership strategy in the workplace.

- **Idealized Influence:** A leader should serve as a respected and trustworthy guide for staff members, someone they can rely on to make the best decisions for the organization.
- **Inspirational Motivation:** Leaders who inspire team members to embrace the company's vision foster a sense of unity in pursuing

key objectives, such as increasing market share and revenue growth.

- **Intellectual Stimulation:** Leaders encourage innovation and creativity by promoting critical thinking and challenging traditional beliefs and perspectives to improve the organization.
- **Individualized Consideration:** Leaders pay close attention to the individual needs of each team member, acting as a coach or mentor, listening to their concerns, showing compassion and support, and maintaining open lines of communication.

## 2.2 Organizational Culture

Organizational culture comprises the set of shared core values that a group develops through the challenges of maintaining internal cohesion and external adaptability. These values become accepted truths, guiding new members on how to perceive, think about, and manage various issues. Organizational culture also refers to the shared behaviors, attitudes, beliefs, and symbols among the members of the organization, both as a whole and within individual units or other social categories within the organization. It is considered the most significant strategic factor for competitive advantage and a valuable source of insights that enhance performance. These common assumptions and values are learned through experience and interaction (Sayyadi, 2021, p. 8).

Organizational cultures can be adaptable, bureaucratic, achievement-oriented, or clan-oriented. For example, they can foster creativity, supportiveness, or bureaucratic processes. The most well-known typology of organizational culture was developed by (Cameron & Quinn, 1999) who proposed that four primary types of organizational culture—clan, adhocracy, market-oriented, and hierarchical—can be used to assess how culture influences an organization's performance (Afiquah, 2022, p. 48).

## 2.3 The Connection Between Organizational Culture and Transformational Leadership

Organizational culture and leadership are critical components in developing and enhancing organizational effectiveness. There is an ongoing debate about the relationship between transformational leadership and organizational culture—whether culture arises as a result of leadership or if leadership shapes culture. Transformational leaders have the ability

to motivate their followers and anticipate future challenges, proactively preparing for them. When leadership and organizational culture are aligned, followers' expectations and confidence increase, leading to a deeper understanding of the culture and smoother assimilation into the organization. Leadership plays a crucial and influential role in shaping and enhancing the organization's culture (Abourida , 2019, pp. 12-13). Transformational leadership impacts organizational culture in several ways (Sayyadi, 2021, p. 3):

- **Enhancing Trust and Commitment:** Transformational leaders build trust and commitment among subordinates.
- **Mobilizing Support for Change:** They rally support for the leadership's vision for change.
- **Fostering a Learning Culture:** Transformational leadership promotes a culture of learning by encouraging followers to explore new ideas and knowledge.
- **Creating a Trustful Learning Environment:** Leaders with strong transformational leadership skills foster trust and create an environment conducive to learning within the organization.
- **Influencing Key Cultural Dimensions:** Collaboration, trust, and learning are crucial aspects of organizational culture that are shaped by transformational leadership.

### 3. Methodology

The qualitative approach based on a case study is well-suited for this research as it provides an in-depth understanding of the complex interactions between leadership and organizational culture in the context of startups. This study adopts a case study methodology to analyze Uber's leadership transformation and its impact on organizational culture. Uber was selected as the analytical model due to its prominent leadership challenges and its leading role in the technology and ride-sharing sector, making it an ideal case for understanding the relationship between transformational leadership and cultural change in startups.

This methodology allows for a thorough examination of the internal and external dynamics that influenced Uber's transformation, offering valuable insights applicable to other organizations seeking to restructure their corporate culture. A comparative approach was also employed to

examine differences between crisis and reform periods, assessing the effectiveness of transformational leadership in driving sustainable change.

### **3.1. Data Collection Methods**

Data were collected from multiple sources to ensure a comprehensive and accurate analysis:

1. **Primary Sources:** These included an extensive review of Uber's internal HR reports, providing deep insights into internal leadership strategies and the evolution of organizational culture during periods of crisis and transformation.
2. **Secondary Sources:** These comprised an analysis of financial reports from both Uber and Lyft, allowing for a comparative assessment of financial and organizational performance during phases of crisis and recovery. Additionally, credible news sources were reviewed to document public controversies and perceptions of Uber during the leadership transition from Travis Kalanick to Dara Khosrowshahi.

## **4. Explaining how transformational leadership helped Uber change its organizational culture**

Uber is one of the most well-known startups, but its organizational culture and leadership nearly drove it to bankruptcy, making it an ideal case for analysis.

### **4.1 Overview of the Company**

Uber is a technology-driven platform that uses a GPS-enabled mobile application to connect drivers with passengers within a specific geographic proximity. The company was founded in March 2009 in San Francisco, United States. Since its inception, Uber has experienced rapid growth, expanding its operations to over 70 countries and more than 10,500 cities worldwide, including many locations in the Middle East. The Uber app is compatible with various modern smartphone operating systems, including Windows, iOS, and Android, and operates within the legal frameworks established by national regulatory authorities (Uber, 2023). In this section, we will examine Uber's state under the leadership of Travis Kalanick:

### 4.1.1 Cultural Characteristics of the Organization

Here are some of the key cultural traits of Uber in its earlier phase:

- **Mission:** To reimagine how the world moves for the better (Pereira, 2023).
- **Vision:** To provide everyone, everywhere, with access to reliable and safe transportation (Robins School of business, 2020).
- **Values:** Uber declared fourteen core values. Below are some of the most important ones, which have undergone improvement for the better, highlighting the gap between the stated values and their practical implementation:

**Table 1 - Values: Espoused Vs Enacted**

Espoused Values	Enacted Values
Let Builders Build	You can build as long as you toe the line
Meritocracy and toe-stepping	Leadership should not be challenged, and culture should go unquestioned
Optimistic Leaders	Hostile Leadership
Winning: Champion's Mindset	Only external adversity is to be challenged, not internal
Make Big, Bold Bets	Make Big, Bold Bets, but not against the company

**Source:** (Shreya et al., 2021)

It is evident that the values instilled by former CEO Travis Kalanick, which prioritized commercial operations over public relations, contributed to the development of a toxic workplace lacking in moral principles and appropriate conduct.

### 4.1.2 Realistic Leadership

Travis Kalanick's leadership lacked the inspirational qualities needed to foster a healthy organizational culture, focusing instead on rapid expansion at the expense of employee well-being. His leadership was primarily driven by financial gain, often overlooking emerging internal issues while prioritizing superficial aspects of operational performance. Kalanick's preference for individuals who mirrored his aggressive leadership style contributed to a toxic organizational climate, exacerbated by his narcissistic tendencies (Shreya et al., 2021, p. 6).

Aggression was a defining characteristic of Kalanick's leadership approach. He exerted extensive control over various facets of the

company, stifling employees' ability to engage in problem-solving discussions. Leaders with a propensity for rapid decision-making, like Kalanick, often prioritize eliminating obstacles without considering the collateral effects. His self-characterization as a military general, exemplified by his statement to a competing CEO that he would "see him in the trenches", reveals his perception of leadership as combative and high-stakes. This perspective turned professional interactions within the company into a state of conflict, framing competition as a struggle with existential implications.

Kalanick's personal conduct also became a point of controversy, with incidents such as derogatory remarks in public and private legal issues significantly damaging the company's public image and reputation (Ann, 2016). Known for his harsh demeanor, Kalanick pushed his employees beyond their limits to achieve objectives, often encouraging them to adopt "dirty tactics" against Lyft, their primary rival, to win over clients. However, it is important to acknowledge his entrepreneurial mentality, which promoted self-initiative and compelled staff members to think creatively in order to generate new ideas (FINANCHILL, 2023).

#### **4.1.3 Toxic Culture at Uber Under Travis Kalanick**

Uber's culture under Travis Kalanick closely resembled a market-driven culture, where rapid growth was pursued at the expense of customer well-being and employee satisfaction. Several defining characteristics of this toxic culture include:

Uber's environment was often compared to a mix of Thomas Hobbes', philosophy, *Animal House*, and *The Wolf of Wall Street*. This toxic culture spread under a youthful leader supported by an army of assistants, empowered by virtually unlimited financial resources and no legal or ethical checks and balances. The company was constantly engaged in battles for control and dominance, both internally and externally, through espionage, intellectual property theft, and lawsuits (Isaac, 2019, p. 14).

During Kalanick's tenure, a "bro culture" was also prevalent. Uber became known for its "work hard, play hard" mentality, with long work hours expected but accompanied by a significant degree of business management freedom. While this model might seem appropriate for a fast-growing multinational organization, Kalanick oversaw a rather homogenous workforce primarily composed of young white men, as many hiring decisions were made based on personal preferences. Employee evaluations

were often described as “arbitrarily problematic”, with little justification provided for performance reviews. Employees could receive low grades for “lacking hustle”, which was one of the organization’s core values.

The most alarming aspect was the pervasive atmosphere of aggressive behavior, sexual harassment, and abuse in a racially hostile environment that was further exacerbated by alcohol and drug abuse in Uber offices around the world (Robins School of business, 2020).

#### **4.1.4 Consequences of a Toxic Culture and Ineffective Leadership**

An investigation into Uber’s communication issues reveals that the absence of a supportive organizational culture was the core problem. Several incidents in recent years have shown that Uber promoted behavior viewed by many as predatory and overly aggressive (Lynch , 2017). As a result, the company now faces several significant issues, including:

##### **a. Lawsuits**

Uber has been subjected to multiple legal challenges, including a federal investigation into potential criminal activities related to employee sexual harassment and the circumvention of municipal transportation regulations (Lassiter, 2017). In addition, Alphabet Inc., Google’s parent company, sued Uber over allegations of intellectual property and trade secret theft concerning self-driving car technology (Hook, 2017).

Moreover, Uber previously employed a system called “Greyball” that allowed its drivers to evade “unruly passengers” and government investigators in regions where the company operated illegally. This practice raised concerns about Uber’s disregard for passenger privacy, and it was also used to circumvent local government regulations. These actions led the Department of Justice to launch a criminal investigation into the company’s misconduct (Cook et al., 2018).

##### **b. Regulatory and Safety Challenges**

Uber encountered legal and regulatory difficulties in numerous cities and countries worldwide due to its failure to comply with safety and transportation standards. The company’s treatment of its drivers has also been a point of contention, with critics claiming that Uber fails to provide adequate protections and rights for its workers. These challenges stem from leadership decisions, particularly those of Travis Kalanick, whose

actions created internal conflict and discord, ultimately undermining the company's stability and decision-making capacity (Ann, 2016).

### **c. Market Share Loss**

Kalanick's leadership and the company's toxic culture contributed to a significant drop in Uber's market valuation, which declined by tens of billions of dollars, allowing competitors like Lyft to gain market share. The following figure illustrates this:

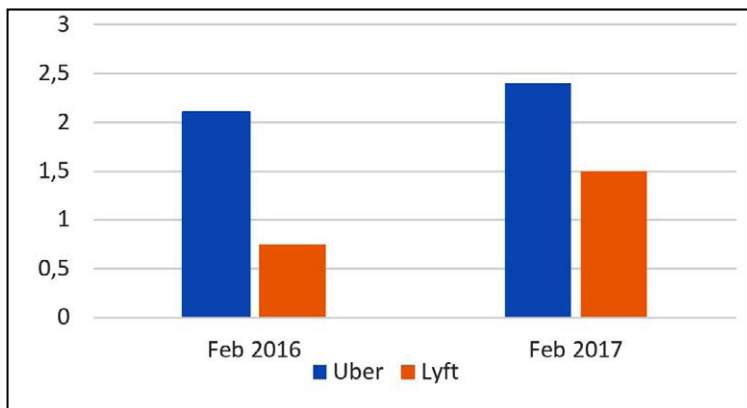


Figure 1- Market Share of Uber and Lyft (2016-2017)  
Source: (Hook, 2017)

The data clearly shows that Kalanick's leadership style and the toxic culture at Uber resulted in substantial market share losses during its crisis. Lyft, Uber's primary competitor, capitalized on this opportunity and expanded its market presence. Uber no longer commands 60% of the market, as it did in 2016 when it held twice the share of Lyft. This shift was largely driven by the #DeleteUber campaign. Notably, the analysis also includes Uber Eats in these results. Uber saw a 61% loss in market share compared to late 2017 when the focus was solely on the ride-hailing segment.

## **4.2. The Road of Uber Through Change**

Under Dara Khosrowshahi's leadership, Uber focused on transforming its aggressive and competitive culture into one that values cooperation, transparency, and respect. This shift required a complete overhaul of corporate policies and values to rebuild the company's reputation and foster a more ethical and positive work environment.

#### **4.2.1 Planning: Uber's Leadership Transformation Protocols**

Following numerous controversies that severely damaged Uber's image and stunted its growth, the company hired an external audit team to assess internal issues and recommend necessary changes. The recommendations focused on four key areas: accountability, trust, change, and tone at the top. Two of the most significant suggestions included reviewing and redistributing Travis Kalanick's responsibilities and making changes to senior leadership.

##### **a. Strengthening the Audit Committee**

The board of directors took steps to expand the audit committee's size, role, and independence. By adding independent directors, Uber's audit committee improved. One of the audit committee's key functions is establishing a direct reporting line from the compliance department. This structure ensures that compliance officers can report serious issues related to harassment or regulatory compliance directly to the committee without first going through management or the CEO.

##### **b. Internal Controls as a Regulatory Force**

Internal controls serve as early warning systems and safety measures. While typically associated with financial and accounting responsibilities, the most important controls related to culture and leadership include policies, monitoring procedures, and record-keeping. Developing a system to track complaints within this framework, rather than relying on organizational memory, will help identify repeat offenders (Belcher et al., 2018).

##### **c. Reframing Cultural Values**

Uber needed to realign its cultural principles to foster more positive and inclusive behaviors. To achieve this, the company took several steps (Holder, 2017, p. 4):

- Clearly defining values in collaboration with a reputable organization experienced in organizational change.
- Embracing inclusive values that promote a collaborative environment, such as teamwork, mutual respect, diversity, and inclusion.
- Reducing the total number of values and eliminating those that justified negative behaviors, like "Let Builders Build" and "Always Be Hustling."

- Encouraging senior leaders to embody these values daily, promoting a more collaborative and inclusive culture across Uber.

#### **d. Focusing on Training to Manage Behavioral and Cultural Shifts**

Training was essential to help staff understand how to align their decisions with the company's new values. The training was targeted at four key groups: interviewers, managers, HR, and senior leaders. Senior leaders were given time and resources to be trained in (Belcher et al., 2018, p. 9):

- Modeling inclusive leadership and addressing implicit bias.
- Creating a culture where employees feel heard and are free to share ideas.
- Developing essential management skills, including setting organizational goals, leading teams effectively, implementing institutional controls, and identifying and addressing problems with corporate controls.

#### **e. Modifications to Employee Policies and Practices**

Uber revised its harassment and discrimination policies to make clear that any behavior compromising the privacy or dignity of others is unacceptable. Policies also required managers to notify HR immediately of any known incidents of harassment or discrimination for further investigation. These policies were designed to protect employees from harassment by both coworkers and external parties. Additionally, romantic or personal relationships between employees were prohibited. The company also improved the performance review process to ensure fairness, rebuild employee trust, and eliminate bias and abuse. Flexible work arrangements were encouraged, allowing regular and routine remote work to support employees with family or other outside responsibilities (Holder, 2017, pp. 9-11).

#### **f. Selecting and Retaining the Best Employees to Strengthen Culture**

Research indicates that companies with high-integrity cultures outperform those without. Hiring the right people is the first step, followed by linking accountability and compensation at all organizational levels. By tying the company's values—such as diversity, inclusion, and ethical

business practices—to executive compensation, Uber ensured alignment with its new cultural goals (Belcher et al., 2018, p. 10).

### **4.3.1 Implementation: Transformational Leadership of Dara Khosrowshahi**

Dara Khosrowshahi was tasked with transforming Uber from a scandal-ridden startup into a more conventional and ethical business, while preserving the qualities that made it successful.

As a leader, he expressed empathy and emotion toward staff, offering them confidence that in times of fear or failure, he would be there to support them—a crucial step in achieving great things. Unlike his predecessor, Travis Kalanick, Khosrowshahi maintained a composed demeanor and demonstrated respect for women. He remained focused, took calculated risks, and consistently sought ways to simplify tasks for employees, adhering to the KISS principle “(Keep It Simple, Stupid)” (Kumari & Sharma, 2019, pp. 12-13).

#### **a. Cultural Modifications**

Uber acknowledges that its values are intrinsically tied to its culture and promotes these principles as part of its corporate identity (Huffington, 2017). Under Khosrowshahi, Uber replaced its old values with new ones that rejected the previous toxic culture. The company’s current values include (Uber Company, 2023):

- Could You Get It
- Trip Obsessed
- Build with Heart
- Stand for Safety
- See the Forest and The Trees
- One Uber
- Great Minds Don’t Think Alike
- Do the Right Thing

#### **b. Organizational Structure**

Significant changes to Uber’s organizational structure occurred after Khosrowshahi became CEO.

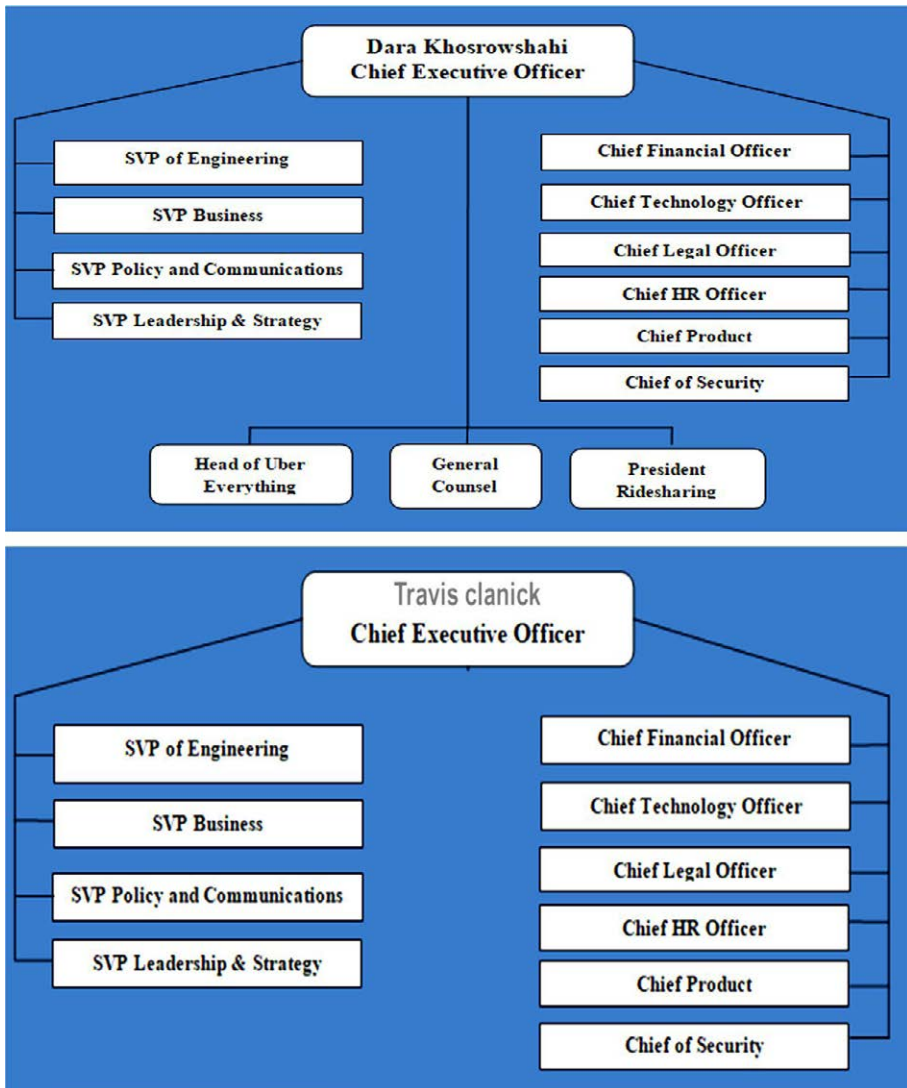


Figure 2- Uber's Organizational Structure Before and after  
Source: (Uber Company, 2021)

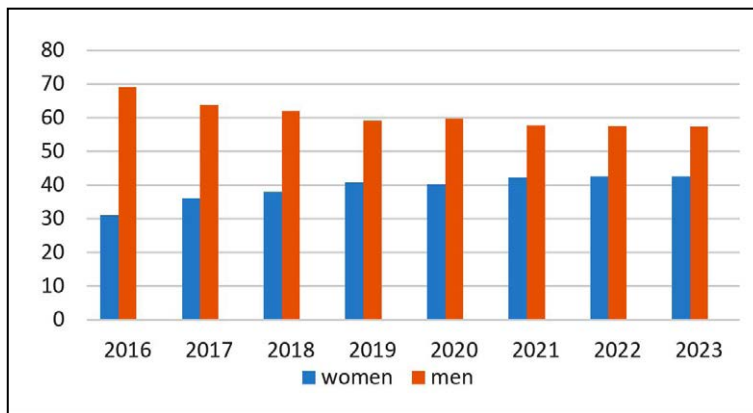
The figure shows that the senior management team experienced considerable reshuffling. The board of directors was seeking a Chief Operating Officer (COO) to share the responsibilities of the CEO—a role Kalanick had previously rejected, as he was unwilling to delegate authority. However, Khosrowshahi brought in Barney Harford, former CEO of Orbitz, as Uber's first COO in late 2017, emphasizing independence in leadership (Zeballos, 2018).

### c. Diversity and Inclusion

Khosrowshahi worked to improve female representation and promote inclusion among employees from diverse national backgrounds.

- **Female Representation**

Following Kalanick's dismissal and rising demands for transparency, Uber began releasing data about its workforce composition. The first report was published in 2017 during heightened scrutiny following allegations of sexual harassment and discrimination.



**Figure 3 - The Evolution of Uber's Female Representation**

Source: (Uber Company, 2022) & (Statista, 2023)

The data shows an increase in the proportion of women employed at Uber over time, particularly when compared to 2016, when Kalanick's hostile behavior toward women was at its peak. This demonstrates Khosrowshahi's commitment to implementing audit recommendations and enhancing female representation at the company.

### d. Demographic Diversity

Uber has also made strides in improving staff diversity by hiring employees from a wide range of nationalities, as recommended by the audit committee.

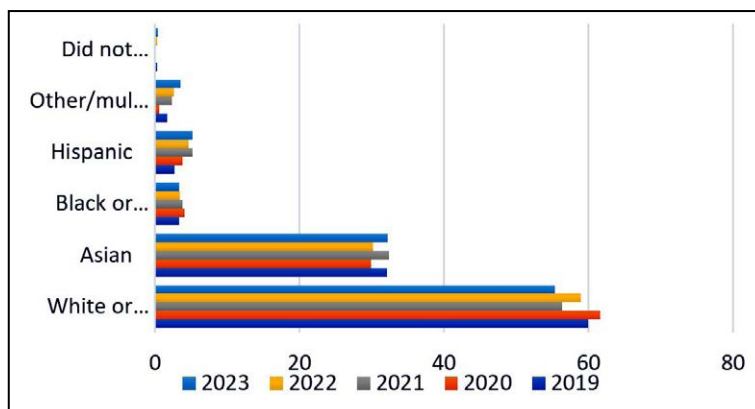


Figure 4 - The Evolution of Gender Representation at Uber  
Source: (Uber Company, 2023)

As the chart illustrates, Uber has increased the representation of minorities, although the majority of its workforce remains white, largely due to its US-based operations. Despite this, Uber has received numerous awards for its efforts in diversity and inclusion under Khosrowshahi's leadership.

### e. Achievement: Uber's Leadership Comeback

Lyft remains one of Uber's major competitors in the USA. The following comparison of revenue growth between the two companies highlights the impact of Uber's leadership transformation:

**Table 2 - Revenues for Uber and Lyft (Millions of dollars)**

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Uber	1.5	6.5	7.5	11.3	13	11.4	17.46	31.88	37.3
Lyft	-	0.34	1.06	2.16	3.62	2.36	3.21	4	4.4

Source: (Statista, 2023)

Based on the data, Uber experienced a remarkable growth rate of over 300% in 2016, far exceeding that of traditional businesses. However, in 2017, the company's growth rate plummeted to 15% due to various crises, including legal disputes, harassment complaints, and the #DeleteUber campaign. This sharp decline was especially concerning for a startup, particularly as Lyft capitalized on Uber's setbacks, achieving over 200% growth.

By 2018, Uber's growth rate rebounded to over 50% thanks to organizational and leadership changes. However, this still lagged behind Lyft's 100% growth, indicating that Uber's cultural transformation needed time to fully take effect. In 2020, global lockdowns due to the pandemic reduced growth in the transportation sector for both companies. In recent years, Uber has regained its competitive edge, achieving an 80% growth rate compared to Lyft's 20%. This resurgence demonstrates that the stringent standards Khosrowshahi put in place to repair Uber's reputation—such as increased transparency, regular financial disclosures, and diversity reports—are finally paying off.

## **5. Discussion**

Uber, recognized as one of the most significant and successful start-ups globally, revolutionized the vehicle-for-hire (VTC) industry with its innovative technology and organizational model. Initially, Uber achieved remarkable success through its simple app-based platform, disrupting the traditional taxi market and quickly establishing a dominant position with minimal competition. The company's rapid growth and substantial revenue generation positioned it as a market leader.

However, compared to its competitors, Uber's growth began to slow. This decline was largely attributed to severe internal issues within its organizational culture, which was characterized by a toxic, market-driven environment. The company faced multiple scandals, including sexual harassment, racial discrimination in hiring practices, and gender bias that favored men over women and white employees over other minorities. These problems were exacerbated by a profit-driven mindset that often-disregarded legality and ethics in its methods. The root cause of these issues was the leadership style of CEO Travis Kalanick, whose autocratic and confrontational approach led to widespread employee dissatisfaction.

In response to the crisis, Uber's board of directors formed an audit committee to assess the situation and recommend corrective actions. The first major step was the replacement of Kalanick with Dara Khosrowshahi as CEO. Khosrowshahi introduced a transformational leadership style, driving significant cultural changes within the company. He began by redefining Uber's core values, explicitly rejecting the problematic ones of the past. His leadership also involved a restructuring of the organization, including the creation of new executive roles, such as the Chief Operating Officer, to decentralize decision-making and reduce the concentration of power. Additionally, Khosrowshahi prioritized increasing

female representation and promoting demographic diversity, while also emphasizing transparency through the publication of annual reports detailing the company's policies and financial performance.

Khosrowshahi's leadership successfully restored Uber's reputation and reestablished its position in the market. The company's recovery highlights the crucial role that effective leadership and a positive organizational culture play in overcoming crises and achieving long-term success. Transformational leadership, coupled with strategic cultural reforms, proved essential for navigating challenges and regaining market dominance.

Uber's experience underscores the importance of addressing organizational culture and leadership to ensure business success. Companies must adapt their cultures to align with their missions, foster continuous growth and education, and remain resilient in the face of change. By learning from Uber's journey, startups can improve their chances of success and achieve sustainable growth.

- ✓ **Consequences of Autocratic Leadership:** Travis Kalanick's autocratic leadership style significantly contributed to the creation of a toxic organizational culture. This led to major scandals, including instances of sexual harassment and racial discrimination, undermining both employee morale and the company's reputation.
- ✓ **Cultural and Organizational Crisis:** Uber encountered a profound cultural and organizational crisis, stemming from a profit-driven mentality that often overlooked legal and ethical standards. This approach resulted in a damaging impact on the company's brand and overall performance.
- ✓ **The Critical Role of Transformational Leadership:** Dara Khosrowshahi's introduction of transformational leadership was pivotal in reshaping Uber's organizational culture. His leadership emphasized a redefinition of core values, greater inclusivity, and increased transparency, all of which were instrumental in addressing the company's internal dysfunction.
- ✓ **Rebuilding Reputation and Trust:** Through transformational leadership, Uber was able to effectively restore its reputation and rebuild trust among employees, customers, and investors. This shift not only rejuvenated its public image but also solidified its position in the competitive market.

- ✓ **Impact of Cultural Reforms on Organizational Success:** The cultural reforms implemented under Khosrowshahi's leadership were fundamental in transforming Uber's internal environment. These changes fostered a more positive workplace culture, contributing to the company's long-term sustainability and growth in a highly competitive industry.

Based on the findings from the Uber study, here are some suggestions that could help improve its cultural and organizational performance:

- ✓ Startups should prioritize transparency in internal decision-making and communication with stakeholders. This helps build trust and provides employees and customers with a sense of security and fairness.
- ✓ Startups are encouraged to adopt a transformational leadership style that focuses on changing organizational culture by motivating employees toward creativity and innovation. This type of leadership can improve team performance and create a healthy work environment.
- ✓ It is essential for companies to commit to promoting diversity and inclusion within their teams. Improving the representation of women and employees from different cultural backgrounds contributes to better performance and reduces cultural biases.
- ✓ Companies should focus on developing leadership skills among their managers through training programs that aim to improve leaders' ability to adapt to cultural and administrative changes.
- ✓ In the face of rapid changes in modern work environments, companies need the ability to adapt to cultural and structural challenges continuously. This requires flexible strategies capable of managing changes effectively.
- ✓ Companies should ensure that their values and organizational culture align with their strategic objectives. This will strengthen the company's reputation and promote long-term sustainability.
- ✓ This includes creating an environment that allows employees to freely express their opinions, offering emotional and professional support, which helps increase employee satisfaction and productivity.

During the process of writing the study on Uber, several limitations were encountered. Limited access to Uber's internal reports and documentation made it challenging to gain a comprehensive understanding of the company's internal operations and decision-making processes. The study relied heavily on publicly available data, such as financial reports, news articles, and interviews, which may not provide a complete picture. Another limitation of the study was the reliance on documented cases and reports to discuss issues such as toxic leadership and workplace harassment, which may have been influenced by confidentiality agreements or legal constraints, potentially excluding other significant incidents.

## **6. Conclusion**

Uber's experience demonstrates that transformational leadership is not merely a tool for managing change, but a foundation for rebuilding organizational culture and fostering a healthy, sustainable environment within companies. Through the leadership transformation witnessed at Uber under Dara Khosrowshahi's direction, it became evident that the profound impact of leadership extends beyond reputation recovery to include the promotion of transparency, inclusivity, and equality within the workplace. The company proved that addressing cultural and organizational crises requires a strong commitment to values and ethical principles that guide the organization toward sustainable success.

From this experience, valuable lessons can be applied across many other sectors, highlighting the importance of transformational leadership as a key tool for driving innovation, enhancing sustainability, and adapting to changes. Startups must understand that their growth is not solely tied to revenue or market share but also to the strength of their organizational culture, which can be the determining factor in overcoming crises and achieving sustainable growth.

The future holds numerous challenges and opportunities in the field of transformational leadership, especially with the rapid changes in modern work environments. Companies should continue adopting strategies that focus on developing a flexible organizational culture, while also strengthening leadership training that aligns with contemporary values and practices. Furthermore, learning from Uber's journey can help startups overcome their cultural and organizational obstacles, ensuring the achievement of sustainable growth and a bright future.

This study opens up several future avenues that could contribute to a deeper understanding of the role of transformational leadership in start-ups and the business sector in general. Some of these avenues include:

- ✓ The Effect of Transformational Leadership on Enhancing Diversity and Inclusivity in Startups
- ✓ Rebuilding Corporate Reputation After Cultural Crises: A Case Study of Uber and the Impact of Transformational Leadership
- ✓ The Role of Leadership in Shaping Work Culture and Developing a Healthy Environment in Startups
- ✓ Transformational Leadership in Addressing Organizational Challenges
- ✓ Adaptive Leadership Strategies for Overcoming Organizational Crises in Startups
- ✓ The Impact of Transformational Leadership on Innovation
- ✓ The Relationship Between Transformational Leadership and Employee Satisfaction
- ✓ The Impact of Cultural Transformation on Sustainable Growth in Tech Companies.

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