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The Uber episode: Is monoculturalism the real problem?

One of the core issues is the alpha white male monoculturism which dominates the private equity/venture capital industry in the US

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Former Uber CEO Travis Kalanick. Photo: Reuters

The spate of articles following Uber chief executive officer Travis Kalanick's resignation after a series of controversies at the world's most valuable start-up reflect the "bandwagon effect" among analysts in the post-facto rationalization of such events, where much of what should have been obvious in the first place is repeated tiresomely after the event.

While deeply ingrained issues such as the "tech bro culture" and the affinity to crossing the ethical and legal boundaries in the conduct of business are indeed relevant, this article would attempt to look beyond and delve deeper into the fundamental malaise of which the Uber episode is merely a symptom. To my mind, the core issues are two: (a) the alpha white male monoculturism which dominates the private equity (PE)/venture capital (VC) industry in the US; and (b) the lack of genuine intent in driving true governance given the cozy nexus in the board as long as profits are generated by the company and its founders.

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Kalanick's behavioural traits in terms of risk taking have been eulogized by many—mainly led by hard-nosed PE investors and gullible employees—as it generated unimaginable valuation multiples in less than a decade. While such traits are a necessary ingredient for those seeking to disrupt on a large scale, these can be counterproductive if based on hubris accentuated by overconfidence and excessive optimism—a heady cocktail of traits which pave the way for judgemental biases and systemic flaws in an established pattern of decision-making bordering on being reckless while acting with impunity.

This was evident in Uber's actions across the world: the illegal tagging of iPhones, using the secret Greyball tool to trick law enforcement agencies and break privacy laws, sharing medical records of a rape victim, the Waymo legal suit for alleged trade secret

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The multifaceted controversies which Uber faced over the last many years were symptomatic of this primary trait of brash casualness—which was just fine with the investors as long as the company met its growth objectives. The board chose to ignore the fundamentals of their governance role and failed to provide guidance in correcting a trait which would ultimately endanger the company in many ways. It is worth recollecting that for all the talk of governance and ethical behaviour, investors backed Kalanick despite past investors and advisers calling him a "serial prevaricator" and "delusional".

And the prime reason for this was that Uber continued to see growing valuations. All that changed with the debacle in China, where it lost billions trying to outgun Didi Chuxing and posted an additional loss of $2.8 billion in 2016 on revenue of $6.5 billion. Once a founder, however visionary, loses this game of financials, the equation shifts in favour of the investors. This is exactly what happened to Apple Inc.'s Steve Jobs in 1983 and Sun Microsystems Inc.'s Scott McNealy in 2007. Till then, they were ring-fenced by the very same investors and the board and allowed to play the game on their own terms.

This is a reflection of the belief system encouraged and actively propagated by the PE/VC industry in the pursuits of outsized profits in the quest of promoting entrepreneurship at any cost. And core to this is the virtual absence of women in leadership positions. A study shows that start-ups with one woman founder or investor has about 50% women in the workforce as against the 10-15% in companies such as Twitter Inc., Facebook Inc., etc. To my mind the reason PE/VC funds function in this manner is the obscene levels of money at stake which they control and their need to keep this in a closed old boys club. Diversity in thinking and practices does not figure in its scheme of priorities. The primary investors into these funds too are from the same monoculture and hence the incentive to change is minimal.

Visionaries like Kalanick need to be encouraged for the entrepreneurial ecosystem to flourish and innovate, but this must be balanced with the benefit of sound advice, a culture which promotes restraint and a governance structure which actually provides timely guidance with active interventions. While seasoned full-time advisers are a must for most founder-led start-ups to steady the ship as it sails in these turbulent waters with their experience, sobriety and sound judgement, increased levels of diversity in the company and boards/investors would pave the way for a self-sustaining culture of restraint, propriety and accountability. It is this combination which will help prevent future episodes of this nature—and we must live in the hope that this will emerge as a fallout of the Uber episode.

As Mark Twain said: Good judgement comes from experience but experience comes only from bad judgements. And Uber has made many of them! It will now need courage to confront them and transform—not an easy task in a firm where there is effectively no second line and a corporate culture of unethical behaviour laced with poor judgement entwined in its operating consciousness.

Cultural cleansing in a corporate context is a very difficult transformation whose short-term costs are high and the process painful, but there have been celebrated examples of this when the board demonstrated the will to go through it. I was a part of this experiment in Xerox Corp., a legendary West Coast company too, in the mid-eighties and can vouch for its effectiveness if only the leadership is decisive enough and investors have the sagacity to withstand a few quarters of financial turbulence.

In the interest of Uber—undoubtedly a Silicon Valley icon in many ways—I hope this maturity will prevail in the board and with its investors.

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