ethikos Volume 32, Number 4. July 01, 2018

Corporate Culture: The tipping point has arrived

By Pamela M. Harper, CCEP, JD, MBA

Pamela M. Harper (pharper@griesinglaw.com) is a Member of Griesing Law, LLC and Chair of the firm's Corporate Transactions & Compliance and Government & Regulatory Affairs Practice Groups in Philadelphia, PA.

Corporate culture has reached a tipping point. Although it is widely recognized that corporate culture can be an asset or a liability, recently it has been highlighted as a liability — one that negatively impacts performance, dilutes brand equity, creates reputational havoc, and ultimately, diminishes shareholder value. During the last year, we have been subjected to a corporate landscape littered with toxic behavior and misconduct, most notably, Uber, Wells Fargo, Weinstein and Company, and Social Financial (SoFi), among others. In the case of Uber, the ride-share company serves as a cautionary tale of the insidious impact that poor corporate culture can have on an organization, and why setting and complying with ethical standards is critical to the bottom line.

Uber's cultural dynamic

Uber cultivated a culture that enabled and normalized bad behavior, as evidenced by cultural values that included "always be hustlin," among others. Uber software engineer, Susan Fowler's chronicle of sexual harassment was the catalyst that launched an internal investigation and subsequent scrutiny into business practices that were at best, dubious, and at worst, illegal.[1] A few of the more notable practices at Uber included:

- failing to timely report a data breach that affected 57 million users and then subsequently paying the hacker who stole the data $100,000, under a "bug bounty" program;
- the use of spyware called "Hell" that allowed Uber to spy on drivers from its competitor, Lyft;
- failure to carry out driver background checks and properly report criminal offenses, which resulted in the City of London revoking its license to operate; and
- engaging in possible violations of the Foreign Corrupt Practices Act (FCPA).

Dara Khosrowshahi, Uber's new CEO, who was given the task of addressing these and other problems, acknowledged that, "the culture went wrong, the governance went wrong, and the board went in a very bad direction."[2] While his predecessor, Travis Kalanick, labored under the illusion that Uber had a "public relations problem," Mr. Khosrowshahi recognized that "We don't have a PR problem; we have an 'us' problem — we behaved poorly." This "problem" helped contribute to Uber's $3 billion loss in 2016.

In an attempt to begin to address the culture, one of Khosrowshahi's first initiatives was to implement one of the investigation's recommendations to "reformulate Uber's 14 cultural values." Employee opinions were solicited, with more than 1,200 submissions received, and focus groups were conducted to establish a new set of cultural norms; one of the most compelling being, "We do the right thing. Period." These norms define the rules of engagement. They set the tone, expectations, and zeitgeist of the organization. This was the first in a series of steps that Uber took to rectify the damage that was done internally and to rebuild the company's image.

This document is only available to subscribers. Please log in or purchase access.

Purchase Login