

Uber Interviews Heavyweights for a Crucial Job: Handling Travis Kalanick

Dow Jones Newswires

Uber Technologies Inc., in its search for a No. 2 to Chief Executive Travis Kalanick, is interviewing candidates with track records in large, established companies -- a sign the ride-sharing titan is looking to temper Mr. Kalanick's idiosyncrasies in exchange for a corporate culture more typically in tune with its size and ambitions.

Mr. Kalanick built a defiantly competitive startup culture at Uber over which he reigned supreme, turning it into a global concern valued at \$68 billion but also leading to a series of missteps that in February inspired him to publicly plead: "I need leadership help."

The search for that leadership help, in the form of Uber's first chief operating officer, gives hints as to the type of executive the company seeks. Mr. Kalanick and at least two Uber directors in recent weeks have interviewed candidates such as Thomas Staggs, the former Walt Disney Co. COO, Karenann Terrell, former chief information officer of Wal-Mart Stores Inc., and Helena Foulkes, executive vice president of CVS Health Corp., said people familiar with the candidates.

Uber is also seeking prospects with experience in fields with complicated labor and operational structures, such as airlines, said people briefed on the search. Ms. Foulkes is no longer in discussions with Uber, said a person familiar with the talks. It isn't clear who, if anyone, is on a short list.

This is Uber's first executive search directly involving the board, said one of the people familiar with the search. Uber declined to make Mr. Kalanick available for an interview.

Uber is describing the new COO to candidates as a partner to the 40-year-old Mr. Kalanick, not merely a deputy such as he has had in the past, these people said. Mr. Kalanick last month said he is looking for "a peer who can partner with me."

Mr. Kalanick wooed a No. 2 before, retail veteran Jeff Jones, telling him Uber was ready for a strong second-in-command, said a person familiar with Mr. Jones's tenure. Mr. Jones, hired from Target Corp. to be president of ride-sharing, soon found Mr. Kalanick unwilling

to be challenged, the person said. Mr. Jones left in March after six months.

Whoever becomes COO must help steer Uber out of the biggest turmoil in its eight-year history. In rapid succession, it has faced sexual-harassment allegations, a lawsuit over allegedly stolen technology, disclosure of an app to evade regulators, a falling-out with its headquarters city over a self-driving car test and an exodus of executives.

The blows have so far been mainly to Uber's image, but the incident are exposing it to legal challenges, threatening to slow its critical push toward self-driving vehicles and complicating its prospect of an initial public offering.

The new COO will also face problems with Uber's business model, which requires subsidies -- such as sign-up bonuses and cash rewards for reaching certain driving targets -- to keep its contract drivers driving. Uber said it lost \$2.8 billion last year on \$6.5 billion revenue, not including its unprofitable China business, which it sold, and other items such as stock compensation.

Mr. Kalanick has insisted on running Uber like a scrappy startup even though it is now a global company whose private valuation exceeds those of companies such as Ford Motor Co.

It operates in more than 70 countries with around 12,000 employees and 1.5 million contract drivers, yet it has no chief financial officer. Unlike smaller rival Lyft Inc., it has had no chief operating officer with company-wide duties. Until lately, it had a spartan human-resources department, said current and former employees; it brought on its latest human-resources chief in January, six months after her predecessor left.

"There is a point when you go from an entrepreneurial fly-by-the-seat-of-your-pants startup to a professional organization that needs all the structure and bureaucracy that goes with it," said Michael Barnett, professor of management at Rutgers Business School, "and they are big enough in terms of most measures to need that."

Current and former employees describe a workplace that could resemble

aspects of the startup world parodied in the television series "Silicon Valley." Mr. Kalanick, they said, established a culture that pressured staff to stay late to be present when strategic conversations happened and for fear they would get reprimanded for not having a strong work ethic.

A Kalanick hallmark has been night jam sessions -- "seshes," in Uber parlance -- that could last until 2 a.m. The CEO sometimes summoned employees with little warning, causing them to delay other projects and scramble to prepare for session topics such as how to capitalize on Uber's size. A topic might be debated each night for a week.

Mr. Kalanick played teams against each other, sometimes sowing resentment. Those elements went beyond fostering competitiveness, said some of the current and former employees, leading to disorganization and infighting.

Mr. Jones, upon leaving Uber, issued a statement that "the beliefs and approach to leadership that have guided my career are inconsistent with what I saw and experienced at Uber."

Uber shareholders continue to support Mr. Kalanick, including Shawn Carolan, managing director at venture-capital firm Menlo Ventures. "Founders bring something else to the table; they deeply feel and believe in the mission," he said. "I do believe Travis believes in the mission to the core."

The board hasn't considered replacing Mr. Kalanick, director Arianna Huffington, the media mogul, told reporters last month, "because it hasn't come up and we don't expect it to."

Mr. Kalanick and two other early employees have majority voting control in the seven-member board. The other directors are private-equity billionaire David Bonderman, venture capitalist Bill Gurley and an official from a Saudi Arabian government investment fund.

In prior searches, the board generally left Mr. Kalanick and other executives to conduct personnel reviews, though directors have in the past recommended executives, said people familiar with the search. This time, directors Mr. Gurley and Ms. Huffington are helping interview candidates. Uber has retained executive-search firm Heidrick & Struggles International Inc.

One of the COO's tasks will be to help Uber recover from those troubles, which included its ignoring California regulator warnings by putting self-driving cars on San Francisco streets in December. Uber withdrew the cars, got proper permits, and brought some self-driving autos back to the city. In February, a former engineer accused Uber of being permissive of sexual harassment. Mr. Kalanick condemned the behavior she described and ordered an investigation.

That month, Google parent Alphabet Inc. alleged Uber conspired to steal self-driving-vehicle technology, claims Uber denied. Then a video of Mr. Kalanick yelling expletives at an Uber driver emerged, prompting him to pledge to "grow up."

In March, Uber acknowledged an initiative to elude regulators with a fake version of its app, meant to circumvent stings. It said it ended the practice.

Mr. Kalanick's reputation likely isn't making the search harder than similar hunts elsewhere, said **Dora Vell**, CEO of executive recruiters **Vell Executive Search Inc.** -- the firm isn't involved in Uber's search -- because qualified executives usually believe they can handle a difficult leader.

The bigger problem, she said, is that Uber wants someone with so many qualifications and that it has such an unusual corporate culture. "The sum total of the requirements and the culture fit will make it very hard to find one person who has everything."

--Joann S. Lublin contributed to this article.

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