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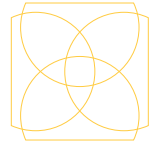
GOVERNMENT RELATIONS AND UBER IN BRAZIL

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ABSTRACT

Using the scenario of September, 2015 for Uber in Brazil, this paper analyses from a broad strategic Government Relations (GovRel) perspective what – in the view of the author and as the result of an academic effort, with no link to the company – could be done to improve its results within this complex regulatory environment. The paper also applies the concepts of strategy levels, *stakeholder* mapping and strategic thinking & planning methodology to outline a possible summarized working plan for Uber in Brazil regarding GovRel initiatives.

INTRODUCTION

This paper is based on a challenging academic exercise I commonly propose to my MBA students at Fundação Getulio Vargas (FGV). Instead of analyzing past events and cases, many times distant from the Brazilian reality, the idea is to select one current case involving the strategic use of GovRel in Brazil faced by any company (no size or sector restrictions), analyze it, present the highlights from a strategic perspective and – last but not least – indicate feasible strategies that, based on their judgement, could improve current situation for the chosen company at the GovRel level (e.g. image, reputation, *stakeholder* engagement, corporate and business results).

Let me emphasize that this is an ambitious effort, if one considers at least two aspects.

First, although valid and very common at the academy, to analyze and criticize past cases is by far much easier. As I frequently mention to my students, there is a need in this area to be careful to not fall in the trap of doing "strategic planning for the past". In other words, to say months (or even years) after a company make a certain strategic decision that it was a wrong one, is very easy. Similarly, to praise a successful right move or propose that a company should have done this instead of that, represents – let's agree – no hard task, specially already knowing which were the occurred results derived from those implemented actions and strategies.

Second, due to the simple fact that there is no right answer to this exercise. The suggestions made can be easily forgotten and left at the academic sphere; or some of them can even be adopted by the companies if they arrive to the ears of their Presidents (or, more specifically, to their GovRel professionals). But, anyway, there is no assurance that they will work or not – and that is the beauty of it, at least in my humble opinion.

This way, I decided to put together some ideas I gathered while leading one of the favorite cases chosen by my students – Uber in Brazil – and present a summarized version of this proposed exercise in this paper. By doing so, although not linked with the company, of course the company is totally free to consider some of the analysis and recommendations presented here.

BACKGROUND
Uber Technologies Inc. reached in July, 2015 the rank of the most valuable startup in history so far[2], with a market value of over US$ 50 billion. The Californian technology company, founded in 2009 by Travis Kalanick and Garrett Camp, operates today its mobile smartphone application (app) in more than 50 countries and 300 cities worldwide.

The idea behind its success is simple (as usually great ideas are). It provides a connection between individual transportation supply and demand, i.e. in one side, users that need to be picked up for a ride, and on the other side drivers that are available to render this service.

The "trick" is that the app uses the smartphone's GPS to locate and indicate the closest available choice for both involved parties. Also, there is a careful selection of drivers to be allowed to be included in the company's system, a previous register of clients and credit card information (so the transaction involves no physical money transfer), and an important evaluation of the driver and customer at the end of the service, among other operational details that are not our focus here[3].

This process is known as e-hailing and is considered by many specialists one of the ways (together with shared e-hailing) that can contribute to improve urban mobility in the future[4].

Despite this huge business success, Uber faces lot of challenges across the globe, especially in the legal and regulatory arena. Main arguments from some governments (at federal, state and city levels) and taxi companies include the allegation that the company uses drivers who are not licensed to drive taxicabs, do not pay the same taxes as similar services rendered by taxis, and are not adequately subjected to existing regulations[5].

In Brazil, Uber established operations (as per September, 2015) in Rio de Janeiro, São Paulo, Belo Horizonte and Brasilia, facing similar legal and regulatory challenges[6], being this particular operational environment worsened by the difficult economic times, political corruption scandals and post-electoral polarization the country is facing.

In particular, taxi organizations and its Syndicates, with strong political muscles, have been fighting Uber, either with legal actions, "anti-Uber" bills of law propositions, or even threats of violence in the streets, as widely – unfortunately – shown at media[7].

This scenario poses major challenges for a company like Uber to secure and grow its operations in Brazil, making it clear that GovRel must play a key role in any strategy development for the company.

That being said…how to start – i.e. moving from analysis to proactive and concrete movements? Take some time at this point to think: what would you do? As highlighted before, there is no unique answer to this exercise.

STRATEGIC THINKING X STRATEGIC PLANNING IN GOVREL
The task can be initiated with a process that is divided in 3 phases, or steps, as shown on Figure 1 below. In this academic exercise, although based on real events, emphasis will be on the first two phases, as the implementation would depend on the agreement of the company to the proposed strategies and action plan. ›

The main idea here is that strategic planning is not the same as strategic thinking, as pointed out by the Canadian Professor Henry Mintzberg in many of his works[8]. In fact, the former often hinders the latter, causing many professionals to confuse real vision with the manipulation of numbers and data. This way, we can say that the most successful strategies are derived from visions, not carefully detailed plans.

Therefore, strategic thinking (synthesis) should be seen as an activity with few concerns on details that comes before strategic planning (analysis), which comprehend a step by step process discussed after the definitions of strategy(s) at macro level originated in the previous phase.

STRATEGIC THINKING

The proposed aligned vision in this case is to achieve a regulatory framework in Brazil that is aligned with Uber's corporate and business objectives, providing a secure and predictable working environment for all shareholders and *stakeholders*, resulting in a positive license to operate.

Strategic Thinking	Strategic Planning	Implementation, monitoring and results measurement
- Alignment of vision, goals and objectives; - Macro level strategies;	- Information gathering and analysis; Generation and exchange of ideas; - Stakeholders mapping; - Suggested proactive and reactive actions/ scenarios planning; - Definition of the work plan	- Implementation of the work plan; Individual and joint actions/ follow-up; - Results (intended x deliberated x performed); - Reactions of the different stakeholders/trends; - Course corrections, if necessary

Figure 1: A 3-step process

With this in mind, a set of considerations are listed, here without the concern of detailing every point or consequence, in order not to inhibit possible ideas, as part of the strategic thinking phase:

- Although legal actions are part of the process, it is a desirable outcome to avoid, whenever possible outside courts, the current polarized conflict between Uber and taxis representatives (e.g. Syndicates). A constructive approach should be pursued
- Awareness for general public, Government, and other participants must be increased regarding key points important to the discussions related to Uber operation, in order to avoid confusion and misleading approaches by opponents. This may include benchmarks and past

international experiences that may be considered as lessons to be learned by the company that can be used in Brazil.

- Current approach of Uber in Brazil is based on institutional strategy, i.e. direct contact of the company with its *stakeholders*. An idea to be considered, without jeopardizing any direct effort and intended as a complement, is to develop and implement a sectoral strategy, i.e. bring other players with similar problems to join forces towards common proposals/solutions.
- A comprehensive influencers mapping must be conducted, in order to identify key *stakeholders* and other political, regulatory, media, and activist actors that may have little stake in the organization's success, but nevertheless shape, constrain or expand its opportunities and risks. Also, a selection of bills of law at Federal, State and City levels that may represent risks and/or opportunities should be put together, monitored and used as basis for future actions.
- Potential opportunities must also be sought that may enhance Uber's corporate image before key *stakeholders* and enhance its business case in the country.

STRATEGIC PLANNING

Considering the above points, a set of corresponding 5 macro strategies (i.e. name, objective and summarized action plan) could be designed to be further analyzed in detail and then deployed in the next implementation phase, as listed below:

I. CONSTRUCTIVE APPROACH

Objective: Avoid legal discussions/arguments outside the existing battles at courts.

Action Plan:
- Continue to respond adequately to legal moves at courts, and at the same time maintain, whenever possible, a cordial approach to opponents, aiming to effectively discuss concepts and intentions, not polarized and radical positions.
- Foster debate and bring studies to the table, using also the positive fact that the Uber experience from customers in Brazil are rated as positive by clients that experienced the services enabled by the app and support the use of it and its license to operate[9].

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[8] For instance, see Fall and Rise of Strategic Planning, HBR, January-February 1994 issue, available at https://hbr.org/1994/01/the-fall-and-rise-of-strategic-planning/ar/1, accessed in September, 2015
[9] See pool conducted with 2,000 São Paulo residents indicating that, available at www.vejasp.abril.com.br/materia/pesquisa-uber-taxis/

- As an example to be used in this constructive approach strategy, a recent study elaborated by CADE (Conselho Administrativo de Defesa Econômica/ Administrative Council for Economic Defense)[10] indicates, among other points, that:
    - The existence of smartphones for paid rides applications, as in the case of Uber, is positive for the consumer;
    - There is no economic evidence to justify a prohibition of this type of service;
    - The new market can be a superior substitute for private cars and taxis for certain groups of consumers;
    - Moreover, it would rival with taxis and private cars, which could bring price reductions at taxi runs, car rentals and even the values of new and used cars;
    - The study also states that not even the taxi drivers who do not own the licenses would be harmed: these professionals, according to the report, could use the application services in their area or choose to enter the market cabs or paid rides market;
    - The study concludes stating that it is necessary to discuss the regulation of individual transport market of passengers, and economic elements suggest that in a competitive and consumer point of view, the performance of new agents tends to be positive.

II. AWARENESS INCREASE
Objective: Bring more light on key data, facts, and concepts involved in the discussions at different fora in Brazil.

Action Plan:
- Use social media apps to deliver selected company info to customers, media, government representatives and other *stakeholders*. Examples may include relevant data and facts (Brazil and abroad), job generation (actual and planned), drivers selection and training processes, liberty of choice concept, positive impact of innovation and disruptive technology to overall society, conceptual difference of a technology company and a transportation company.
- Participate on ITC (Information Technology & Communication) events to properly present corporate positions to selected interested audiences.
- Implement an information campaign on selected media and promote debate, aiming to improve the company's reputation value[11]. ›

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[10] Available (in Portuguese) at www.cade.gov.br/upload/O%20Mercado%20de%20Transporte%20Individual%20de%20Passageiros.pdf
 See how to measure this at, for example, at www.reputationdividend.com
[11] See how to measure this at, for example, at www.reputationdividend.com
[12] See an example of support from Brazilian University professors to Uber at www.migalhas.com.br/Quentes/17,MI227168,61044-Professores+da+UERJ+defendem+Uber+como+adequacao+a+realidade
[13] For a detailed conceptual comparison between traditional strategy levels definition and the correspondent application on GovRel, see Navarro, Rodrigo (2015). Relações Governamentais Estratégicas. Clube de Autores, available at ww.clubedeautores.com.br/books/search?utf8=%E2%9C%93&where=books&what=rela%C3%A7%C3%B5es+governamentais&sort=&topic_id=
[14] Non-Government Organizations

- Use international cases, lessons learned and benchmarks as source for potential alternatives, risk avoidances and training to selected company's spokespersons (e.g. media training), such as in the case of Uber experience at Mexico city, New York, London, Paris, Berlin, Amsterdam, Madrid, Brussels, Chengdu, Montreal, New Delhi, Sydney and Kansas.

III. SECTORAL STRATEGY LEVEL

- Objective: Develop a sectoral strategy, aligned with and as complement to Uber's institutional strategy.

Action Plan:

- Approach other innovative tech companies that are facing similar challenges as Uber in terms of regulation and license to operate in the country (e.g. Netflix, WhatsApp, Airbnb) to present joint suggestions and proposals to common selected key Government *stakeholders*.
- Create a new private sector association (for example, "ABRIDI – Associação Brasileira de Inovação Disruptiva"/"Brazilian Association of Disruptive Innovation") to formally engage selected key *stakeholders* and preserve the individual corporate image of its members.
- ABRIDI should also be open to the academy and innovation supporters' participation at some level, serving as a destination to researchers, students and other interested public[12], thus contributing to spread the importance of innovation to overall Brazilian society.

Important to reinforce that the activities at this strategy level[13] should be conducted as a complement to its members' institutional approaches, without jeopardizing their direct efforts.

IV. *STAKEHOLDER* & PROPOSITIONS MAPPING

Objective: Identify selected key *stakeholders* and propositions that may represent risks and/or opportunities to Uber in Brazil.

Action Plan:

- Develop a comprehensive influencers mapping, that can include Government (all levels), media (all types), clients, suppliers, NGOs[14], among others.
- List current propositions at Federal, State and City levels that may represent risks and / or opportunities.
- As a non-exhaustive example, an initial and preliminary assessment of the above points, focusing on GovRel, may include (as per September, 2015):
    - Main *Stakeholders* at Government levels
- Executive Branch: Presidency, Civil House, Cities Ministry, Science & Technology Ministry, and Transportation Ministry

- Legislative Branch: House of Representatives (Presidency, Parties' Leaders, and Permanent Commissions), and Senate (Presidency, Parties' leaders and Permanent Commissions)
- Judiciary Branch: STF - Supremo Tribunal Federal (Supreme Court) and others (e.g. STJ – Justice; TST – Work)
- Union Prosecutor Ministry (Ministério Público da União): Attorney General's Office
- State and City Levels: Governors, Mayors, and local correspondent authorities to those above mentioned at Federal level
    - Main Propositions at House of Representatives
- Bill 1.584/15. Summary: changes law 9.503/97, to provide for the provision of remunerated service passenger transport through any technological application or service. Author: Paulo Teixeira (PT/SP)
- Bill 1.667/15. Summary: provides for the prohibition of the provision of individual public transport paid in cases specified. Author: Renata Abreu (PTN/SP)
- Bill 2316/15. Summary: changes article 135 of Law 9.503/97, establishing the Brazilian Transit Code, to prevent the circulation of private cars driven by electronic applications or any other device. Author: Laudívio Carvalho (PMDB/MG)
- Bill 2.569/15. Summary: regulates the exercise of the occupation of passenger transport by associative system of prior registration and call for specific application. Author: Carlos Manato (SD/ES)
- Bill 2.972/15. Summary: changes law 12.587/12, which "establishes the guidelines of the National Urban Mobility Policy", to provide for individual private transport. Author: Rogerio Rosso (PSD/DF)
- Bill 2632/15. Summary: regulates the individual private passenger transport and other provisions. Author: Alberto Fraga (DEM/DF)
- Bill 2.749/15. Summary: allows the utility service of individual passenger transport to be provided by any individual or legal entity that meets the specified requirements. Author: Laércio Oliveira (SD/SE).
    - Main Proposition at Senate
- Bill 530/15. Summary: proposes that drivers (like the ones from Uber) are not allowed to pick up passengers on the street, but only provide private transportation services through applications. It also provides that the members of the platform pay the same taxes as taxis, and also allows municipal revenues through taxes. Author: Ricardo Ferraço (PMDB/ES)
    - Main Propositions at State levels
- Minas Gerais: Bill 2.676/15. Summary: provides for the prohibition of the use of private cars registered in applications for transporting paid individual people. Author: Fred Costa (PEN)

- Rio de Janeiro: Bill 1.362/15. Summary: provides for the prohibition of the use of private cars registered in applications for transporting paid people in the municipality of Rio de Janeiro and other measures. Author: Vera Lins (PP)
- São Paulo: Bill 439/15. Summary: provides for the prohibition of paid transportation of passengers in private vehicles registered from applications not recorded in the organs and state and municipal departments competent to provide taxi services in the state. Author: Campos Machado (PTB)
  - Main Proposition at City levels
- Belo Horizonte: Bill 1.694/15. Summary: regulates the Individual Private Transport of passengers, as the text of the Law 12.587/12 and organizes the Individual Transport System from Private Sharing Network Providers (PRC). Author: Cesar Pablo (PSDB)
- São Paulo: Bill 349/14. Summary: prohibits the use of private cars registered in applications for paid transportation of people. Author: Adilson Amadeu (PTB)
- Brasilia: Bill 282/15. Summary: provides for the use of applications for the provision of individual transport and paid passenger. Author: Rodrigo Delmasso (PTN)

Of course this is an ever changing scenario, with propositions being sanctioned and becoming legislations, others dropped and new ones being proposed. As a common task to the GovRel professional, the update of such list of *stakeholders* / propositions has to be conducted periodically, as an important input to the adaption of strategy conduction.

V. OTHER POTENTIAL OPPORTUNITIES

Objective: Proactively and continuously monitor possible opportunities to reinforce Uber's image before key *stakeholders* and enhance its business case.

Action Plan:
- Keep contact with initiatives in the country that may be perceived by *stakeholders* as being value added ones.
- As an example, it could be established partnerships with selected car manufacturers to implement joint programs for specific publics. For instance, to promote the increase of the national fleet of hybrid and electric cars, that pollute far less than others, and enhance the experience of general public with this new technology[15].

IMPLEMENTATION

As stated before, this phase should follow a proper timeline according to corporate prioritization of the above listed 5 macro-level strategies deployment, if decided so by the company.

This encompass also the formation of multi-functional teams to properly conduct the selected initiatives, that must include the GovRel professional, even if he is not the direct manager of that particular task (or project).

Also, it would be necessary to define specific KPIs (Key Performance Indicators) to allow proper progress monitoring and adjustments on the strategies, if necessary[16].

Nevertheless, an initial approach of this phase could be:
- Strategies #1 (Constructive Approach) and #2 (Awareness Increase) could be initiated immediately;
- Strategy #3 (Sectoral Strategy Level) development can occur in parallel to the above;
- For strategy #4 (*Stakeholder* & Propositions Mapping), the different bills of law have their proper sequence of proceedings at their respective locations, but focus should be on Senate bill of law 530/15, considering its higher Federal level hierarchy;
- Strategy #5 (Other Potential Opportunities) can permeate the development of all others, and be treated as emerging strategies, to which the GovRel professional must always be aware.

CONCLUSION

As seen, it is a complex task to move from analyzing past cases and propose concrete, feasible strategies, especially in the GovRel environment, to current situations. Despite all challenges involved, and with no ambition or fear to see any recommendations here described to be used or not, I believe this academic exercise can stimulate others to apply strategy concepts, models and tools in similar GovRel cases, not only to foster academic production, but also to bring more light on the competencies necessary to these professionals to optimize their performance as an executive or consultant in the area. �֍

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[15] See a similar example involving Uber and BMW as reported by Forbes at www.forbes.com/sites/lianeyvkoff/2015/10/19/call-an-uber-catch-a-ride-in-a-bmw-7-series-like-a-boss/
[16] Details on how to implement KPIs based on the Balanced Scorecard (BSC) methodology can be found at Navarro, Rodrigo et al (2013). Estratégia de Empresas. Rio de Janeiro: Editora FGV.

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