Ethics, Culture and the Lessons of Theranos

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Jeffery Smith
Frank Shrontz Chair in Professional Ethics
Director, Center for Business Ethics
Seattle University
smitjeff@seattleu.edu
(206) 296-5714

Credit: HBO

http://www.seattleu.edu/cbe

cbe@seattleu.edu
Hot Startup Theranos Has Struggled With Its Blood-Test Technology

Silicon Valley lab, led by Elizabeth Holmes, is valued at $9 billion but isn’t using its technology for all the tests it offers

By John Carreyrou
Updated Oct. 16, 2015 3:20 pm ET

On Theranos Inc.’s website, company founder Elizabeth Holmes holds up a tiny vial to show how the startup’s “breakthrough advancements have made it possible to quickly process the full range of laboratory tests from a few drops of blood.”

The company offers more than 840 tests, ranging from cholesterol to cancer. It claims its technology can work with just a finger prick. Investors have poured more than $400 million into Theranos, valuing it at $9 billion and her majority stake at more than half that. The 31-year-old Ms. Holmes’s bold talk and black turtlenecks draw comparisons to Apple Inc. co-founder Steve Jobs.

But Theranos has struggled behind the scenes to turn the excitement over its technology into reality. At the end of 2014, the lab instrument developed as the linchpin of its strategy handled just a small fraction of the tests then sold to consumers, according to four former employees.

One former senior employee says Theranos was routinely using the device, named Edison,

Dimensions to the Theranos Story

- Culture
- Governance
- Reporting and Whistleblowing
- Regulatory Compliance
Reporting and Whistleblowing

Credit: Myung J. Chun / Los Angeles Times

Tyler Schultz and Erika Cheung

NDAs in Theranos...
overly broad language
public policy protections limited
Defend Trade Secrets Act

Confidentiality of Reporter
Protections Against Retaliation
Circumvention of Wrongdoers
Involvement of the Board of Directors
Regulatory Compliance

- Regulatory Arbitrage
  - Neglect of CMS
  - Gaming FDA Rules
  - Lobbying

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**How to Usher In a New Era of Preventive Health Care**

People should be able to get any lab test on their own. Waiting for symptoms and a doctor’s order may be too late.

By Elizabeth Holmes
Updated July 28, 2015 7:39 pm ET

Laboratory tests drive 70% of all clinical decisions in health care. They’re used to determine whether a patient should start taking medication and, if so, which one. They help doctors decide whether a patient should undergo medical procedures or be admitted to the hospital. And they’re used to identify an individual’s risk of developing health conditions such as diabetes or heart disease.

Yet many of us get lab tests only when we’re showing symptoms, which means we may already be sick. And too many of us find out we’re sick when it’s too late to change the course of these conditions.

It’s time to move away from reactive health care. Individuals instead need to be empowered.

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- Startup/VC Ecosystem
- Influence of Elizabeth Holmes
- Homogenous
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Culture

“fake it till you make it”
“move fast, break things”
lonely cowboys [sic]
“product traction”
“product momentum”
innovation as an end in itself

External

Internal

excessive risk taking
over-optimism
fear
intimidation
isolation
aversion to truth

Questions and Comments