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1. Introduction

This coursework is based on report writing. In this coursework, I have prepared a case study report on the scandal of renown privately health technology corporation “Theranos” discussing its legal, social, ethical, professional issues. Theranos was a private organization that ensured that blood tests were concocted with a little bit of blood from the finger, and this can be done with exceptionally advanced technology.

Theranos was initially branded as a technological innovation company, established in 2003 and reportedly worth around \$9 billion until the bomb report revealed that it was a house of cards. The U.S Securities and Exchange Commission has charged the corporation with "massive fraud" involving more than \$700 million and continues to be the focus of the Department of Justice's ongoing criminal investigation (O'Brien, 2019). Its founder, Elizabeth Holmes, was celebrated as a success story by a female founder and often graced with magazine coverage. Yet the allegedly innovative technologies and methods of the firm remained notoriously mysterious. In September 2018, Theranos finally dissolved and her creator Holmes went from ambitious young bio genius to disgraced liar, dragging down Theranos with her (Griffith, 2018).

1.1 Aim and Objective

The key objective and aim of this course work are to prepare a case study report on the Theranos controversy on legal, financial, ethical, and professional issues, and to analyze steps that may be taken to mitigate the effect of the scandal.



Figure 1: Theranos Logo

2. Background of the scandal

Theranos was a private health and life sciences corporation founded by Elizabeth Holmes with the aim of revolutionizing medical laboratory research by allegedly revolutionary methods of blood collection, blood processing, and analysis of the resulting patient data (TUN, 2019).



Figure 2: Elizabeth Holmes

In 2002 Elizabeth Holmes arrived packed with thoughts at Stanford College. Dr. Phyllis Gardner, a teacher at Stanford Therapeutic School, took one. In 2005, the concept for the Theranos device was carried out for the very first time, which was a cartridge and a reading machine that had the mechanism to operate on the basis of microfluidics and biochemistry. The first model was named Theranos 1.0, and the company had plans to allow pharmaceutical companies to take advantage of the innovation to help them capture side effects in the midst of sedate testing (Ramsey, 2019). Henry Mosley was fired out of the job because he raised the company's trustworthiness and voice in the quality of its innovations. In September 2007 Theranos produced an unused model called the Edison. The gadget was an improvement by a Mordern Shirt company Fisnar glue-dispensing robot. By that time,

Holmes had hired the designer of the apple and made them responsible for the sculpture of the device.

In 2010 Silicon Valley had entered a tech boom. Holmes and Balwani approached Walgreens that year with a business offer to run health clinics. Theranos also pursued a partnership with Safeway, at the same time. The new collaborations meant Holmes had to build a new system capable of conducting more than just one blood test type. The miniLab was founded in 2011 and was called the 4s after the iPhone demonstration (Carreyrou, 2018). Theranos took over blood testing as a beta run in early 2012 at a Safeway representative wellbeing clinic. Safeway 's chief therapeutic officer had concerns inside the test about errors. It was brushed off by Safeway 's CEO and resigned after a year. In addition, Theranos signed a deal with Walgreens in 2012 to dispatch their gadgets in-store but missed deadlines without ceasing (Pagones, 2018).

In the 2014 Fortune Magazine, Holmes offered 200 blood tests and gradually increased the test by more than 1000. Holmes was inquired in the statement tapes detailed by ABC News in January 2019 only in the event that the claim was true. "Perusing it right now, I don't think it is," Holmes said. In February 2015, investigative reporter John Carreyrou from the Wall Street Journal obtained a clue about Theranos. On February 26, he reached a former lab chief at Theranos who told him of his almost untrustworthy and hurtful homes. At that very time, the company had produced much less quantity tests, and the output of those results was pitiful. Theranos had also thought of performing HIV experiments until Holmes and Balwani were talked out of it by the former lab director (Paradis, 2017).

After that, Holmes was scheduled to speak at a conference facilitated by The Diary in October. Holmes continued to discuss that her company and technology had no issues in the various media and press conferences. But the reality had begun to emerge. However, the documents prepared by the Food and Drug Administration stated that Theranos was using an unknown device that could not be run on the parameters set by the FDA. By the beginning of 2016, more controllers had found issues with Theranos. CMS, a blood test lab, highlighted the safety risks to the patients in the Theranos labs. In April, the SEC began to examine the company. In May 2016, Theranos President Sunny Balwani cleared the company, clearing Holmes as the sole beat official. After this abuse, Holmes had been ordered to be well away

from the blood test industry for two years. Theranos then settled with the administrative body for \$30,000 in 2017. Theranos was unable to run a clinical laboratory as part of the arrangement until 2019.

After a month, Theranos finally showed up at a logical conference, though there were still missing points of interest around the company's innovation. Theranos has turned to be centering on their modern test processor, the minilab. Theranos had to face several challenges in the very beginning of summer. The research laboratories were shut down after several months, 340 workers were fired from their employment due to the financial crisis. Theranos lacked cash at the end of 2017. And, in order to resolve the debt problem, Theranos made an arrangement with the Fortress Investment Group to work on the Zika virus which was approved by the Food and Drug Administration. The Securities and Exchange Commission (SEC) charged Holmes, Balwani, and the company with "massi extortion," although Theranos and Holmes had settled. In June 2018, the Department of Justice charged Holmes and Balwani with wire-fraud (Tun, 2019). Holmes, ahead of the prosecution, ventured down as CEO of Theranos.

By the end of the summer, it seemed to be the end of the company itself. The Wall Street Journal announced in September 2018 that the firm had informed its shareholders that it was preparing to shut down formally (Ramsey, 2019).

3. Legal Issues

- Holmes and former Theranos COO (and friend) Ramesh Balwani have been charged by a federal jury on nine counts of wire fraud and two counts of wire fraud conspiracy to sell blood tests containing falsified results to customers (Reilley, 2019).
- The Securities and Exchange Commission (S.E.C.) has charged Ms. Holmes with widespread fraud, accusing her of lying about her technologies and collecting \$700 million from investors (Gooch, 2018).
- Ms. Holmes and Mr. Balwani have been accused of misleading the public and their investors by endorsing tools and experiments that have not only not performed but have also put their lives at risk. Ms. Holmes had drawn up a spellbinding sales pitch and aggressively challenged anyone including her own employees who had concerns about her new blood-testing machines (Abelson, 2018).
- Former Silicon Valley investment banker Robert Colman and other indirect investors at Theranos brought the civil case. They accused Theranos of falsely claiming that his technology could diagnose from a drop of blood nearly 200 diseases (Gooch, 2018).
- The indictment charges that Holmes and Balwani defrauded physicians and patients by making false statements about Theranos' ability to provide accurate, quick, reliable, and inexpensive blood tests and test results, and by omitting details about the limitations and problems with Theranos' technologies (The U.S. Attorney's office, 2019).

4. Social Issues

- This company created false trustworthiness among clients, shareholders, staff, investors by providing wrong information and credible evidence on technology and collected \$700 million from investors.
- There was no equality to rights. So, the employees could not speak a single word against Theranos and Holmes. If the employees speak against the technology of the company they would be totally humiliated, if not fired, inside the company (Alvino, 2019).
- Theranos invented a plan to defraud patients by advertising a fake blood test advertisement with a single finger pinch of blood that was 'quick, accurate, and inexpensive' when they accepted it could not be done.
- The company has generated misleading news about the delivery of technology to the Department of Defense in the battlefield or on medevac helicopters to prospective investors, and the overstatement of the company's ties with the US Army has given Theranos the appearance of legitimacy (TUN, 2019).
- This company has not complied with the rules and regulations of the US Food and Drug Administration (FDA) and has forced workers not to complain about technology and to prepare for blood tests using other technologies. As a result, the client gets the wrong information that creates a huge lifestyle problem for the clients (Ramsey, 2019).

5. Ethical Issues

- Theranos had been lying to the public from the very beginning, and especially to the patients who used their product. Holmes showed no respect for the patients. She had not given them the right to analyze their blood accurately. She sabotaged their medical options, instead. If this situation were to be studied by a Kantian theorist, they would argue that Theranos behaved in an unethical manner.
- From the point of view of the theory of utilitarianism, it should focus on the overall happiness of all clients, but the situation of the Theranos Company appears to be the opposite. Patients and physicians who used the devices were also dissatisfied with the systems as they received incorrect details. Theranos has maximized the unhappiness of customers, shareholders, investors by losing most of its value, investor money and losing its contract with Walgreens, Safeway and Capital Blue Cross partners (DIPIETRO, 2018).
- The laboratories designed by Theranos did not comply with the rules laid down by the health authorities. They started a false blood test advertisement with a single prick of blood from the finger when they knew it couldn't be done (Fairington, 2019).
- Theranos submitted samples taken from third-party machines instead of using its own technology. She was lying about her technology and collected \$700 million from investors, creating false trustworthiness among consumers, shareholders, staff, clients, and offering less accountability and credible evidence.
- This organization is intimidating workers if they try to rise against Holmes, and has had unreasonable demands on the employee's time, raising the stress levels and adding to the fatigue of workers. They have not followed all the rules and code of conduct of the company (Ecker, 2019).

6. Professional Issues

- According to a report in Wired, former President of Theranos and COO Ramesh 'Sunny' Balwani wanted workers to be available 24/7 and to monitor their arrival and continuation of security logs daily. Research by Maslach shows that excessive demands on the employee's time are rising the stress levels and contributing to exhaustion (Fairington, 2019).
- In the documentary a former employee said, "Sunny and Elizabeth, they didn't care if we could figure out what wasn't working, or make sure we could actually solve these problems in a real way". Another criticized the pair for not wanting "real experiments" or "documentation," anything that would undermine their vision. If the employee questioned them, they would be totally humiliated, if not fired, inside the company. This is the opposite of compassionate directness, one of the core corporate values of Thrive Global, which encourages employees to face up to concerns rather than stifle them (Fairington, 2019).
- The Theranos Company had 800 employed people, due to the scandal all of the skilled, talented employees had lost their job and remain unemployment which affects the living lifestyle and they had to face rough time in the society because Theranos made their job, working capacity as false as the Theranos Company' technology due to the fraud.
- The fact that the technology of Theranos does not really function has been known to any employees, personnel. They were all unhappy to lie to partners, patients, investors in their business. Yet they kept the truth in them and told nobody. In relation to the crime issue, all workers and staff could contact the respective authorities to stop the work, instead forge their professional ethics.
- The Theranos Company knows about the technology limitation. To stay in the top, they endanger the company themselves, that they did not care about the further coming result they started working on and provided wrong data to their customer which was against their professional ethics (Ramsey, 2019).
- This company was building fake trustworthiness among their customers, shareholders, employees, clients, they provide less transparency and certainty about how their affairs are harming them and instead of doing goods.

7. Conclusion

After doing a lot of research on Theranos scandal, I understood the legal, social, ethical and professional issues that the company faced in 2015. The scandal had devastating consequences for Theranos. This scandal makes aware of a lot of ethical issues and morals that need to be followed in order to run a company successfully.

The Theranos Company has made the biggest fraud in the world of technology and medical sciences. Elizabeth Holmes, the founder of the company, was very passionate and ethically immature in his leadership. If Holmes had enough leadership packed with all kinds of ethics, morality, it would take the company to the peak level of technology rather than to its end. This company raises false expectations for all patients, clients, business partners, agencies and people who believe that they are building a revolutionary technology in the field of medical science that can monitor hundred diseases with a single drop of blood and deliver the results of medical precautions. Theranos should not have talked about technology that does not exist and should not have convinced many people to invest their money in the company doing fake advertisement. After being exposed to the public, the Theranos Business Controversy has not only destroyed the reputation and business of the company and has had a huge impact on all its investors, employees of this company. If Holmes and the staff operated the company morally and ethically, the company would not have gone through the scandal and would not have faced enormous problems. The Theranos investor did the blunder while investing money in the company. Investors should have once investigated where their money is being spent and what the impact of their purchase will be through their valuable investments. If the investor had done a Theranos survey, then they would definitely not have been in loss today. This scandal has spread awareness and provided knowledge to many Investors who invest their money without doing proper research. If this company had followed all the rules and regulation of the government, they would not have to pay an excessive amount of money for legal charges of massive fraud and they would have saved their company value of \$9 billion with great reputation.

Thus, the study of the Theranos scandal has provided a great deal of information about ethical actions and about the code of ethics that the corporation or organisation must obey in order to operate their business effectively. If any company or person is violating the ethical

rules and regulations for making their company larger and renowned, then it leads to downfall or exits of the company like Theranos. The acts of employees have a very significant role to play in the success or failure of the company and so it is necessary to respect employees and to develop their moral conduct towards the company in order to carry out tasks ethically. The main objective of the company should be to obtain unbreakable trusts and bonds between its clients, shareholders, creditors, and other agencies by complying with the rules established therein and to conduct the business properly without violating any laws. When the integrity, worthiness, loyalty, and bonds of the company have been lost, it is impossible to earn back and run the business properly. From this module of ethics, it has changed my seeing perspective of the world differently as everywhere in every corner of the world we must follow the ethical rules and behavior to settle down here and these terms should be executed in life.

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