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**uBiome**

Case Study

Abstract

The following document gives a description of the issues going on in a startup known as uBiome, their causes, and recommendations for the same

**Executive Summary**

uBiome was a startup started in the year 2012. It was raided by the FBI due to the various insurance frauds in April 2019 and filed for bankruptcy the same year-end and was shut down.

**Introduction**

UBiome was a startup founded in 2012 by a Ph.D. scientist from UCSF, Zachary Apte, and an entrepreneur Jessica Richman. It used to provide home test kits that used to give the patients a history of gastrointestinal disorders by analyzing the microbiome in their guts. The company used to charge the insurance companies of the patients for these kits. These kits provided the patients comfort as they were to be taken at home but were not beneficial enough as they did not provide a thorough diagnosis for the patients. There were various managerial, ethical, and cultural issues that led to an FBI raid in 2019. A $600 million dollar startup had to be declared bankrupt and was shut down in the year 2019. This document gives the details of the issues, their root causes, and recommendations on steps that would have saved the startup.

**Main Challenges**

* *Management* – Any company’s success is majorly based on its leadership team. uBiome’s leaders were not capable enough of managing and scoping the company. They did not take feedback from others and just laid out rules which the company employees were forced to follow. Richman was not a scientist, but when the scientists tried to raise their opinions, they were shut down and Richman did what she thought was suitable.
* *Culture of fear* – Employees perform their best when they have the freedom to work. The employees at uBiome always complained that they were continuously in a state of fear and were never given the liberty to work. Their growth was hampered and so was the company’s.
* *Misleading Strategies –* The management at uBiome made various strategies for growing fast in the business. They sold more kits to patients then asked for and used the same sample for testing again and again to grab more money. They even gave upgraded kits when there was no need. All these were charged to the patients’ insurance company. These were a few misleading strategies that the company used to go up the ladder without calculating the consequences.

**Causes**

* *Absolute Power* – Historian Lord Acton had stated, ‘Power tends to corrupt and absolute power corrupts absolutely.’[1] This is very relatable in this scenario. The management at uBiome had the feeling of absolute power and were under the misconception that the strategies they are implementing will lead them to success. They were so egoistic that they gave a deaf ear to seniors with experience. There is no scope for ego when you want to succeed. Also, the leadership had insecurities due to which they failed to take feedback that might have helped save the company. Ego and insecurities are the two major rivals of growth. When you want to succeed, you should push back your ego and insecurities. No one will lose power if he/she listens to or takes opinions from their subordinates. In fact, a company succeeds when all the employees work together hand in hand without the boundaries of position or power. If we exhibit our power in the correct way then success is bound to be ours.
* *Disconnect* – The downfall of a company can be predicted when there is a disconnect between the management of the company and its employees. The employees at uBiome were forced to follow the company policies strictly even if they saw a fault. When the experienced employees tried to raise their voices and tried to give opinions, they were shut down. They were constantly under the fear of their upper management. They did not have any liberty to work. The leaders were controlling and used an authoritarian style. Researchers have defined authoritarian leadership as “a leadership style that uses authority to control subordinates and demands unquestioning compliance or absolute obedience from subordinates".[2] Under such circumstances, one is bound to fail.
* *Greed –* Rusty Eric once stated, ‘As long as greed is stronger than compassion, there will always be suffering.’ This is the classic quote that defines uBiome’s condition. Apte and Richman were greedy and wanted to achieve success in the shortest time possible. Just to satisfy their greed they chose unethical ways such as selling more kits, upgrading the kits without patients’ request, charging the insurance company unnecessarily, etc. They forgot their initial goal of exploring the uses of the microbiome for medical healing and got misled by their greed. This was one of the major causes which led to their downfall.

**Recommendations**

* *Distributing the Power* – It is proven that democracy is better than dictatorship. Here, Richman and Apte followed dictatorship. Power should not be centralized. It is always better that power is distributed. If uBiome had to survive the best practice that it could have adopted is to set leadership at all levels and take feedback from its employees. Richman should have formed various sub-teams and should have elected a representative for each team. She should have coordinated with the representatives for setting up the company policies. Once the policies are set, a one-month time should be given to see whether the policies are beneficial to the employees as well as the company. She can meet with her representatives again in a month and revise the policies if needed. Also, employee feedback is a must. She can conduct periodic surveys where employees can give anonymous feedback for the betterment of the company. Below are a few points that can be taken into consideration for implementing workplace democracy:[3]
  + Be transparent
  + Gather feedback from your employees
  + Avoid a hierarchy
  + Delegate responsibility
  + Hold employees responsible when things go wrong
  + Forgive failure
  + Recognize employee achievement and success
  + Offer more flexibility and freedom
  + Set leadership at all levels
  + Strict policies should be held at a minimum.
* *Connect with employees* – Employees are the essence of a company. A company succeeds only if its employees are happy. Clearly, the employees at uBiome were not happy with its leadership and had a sense of fear. The leadership should have changed its policies and approaches so that the employees are happy. Happy employees lead to a successful organization. Apte and Richman should set up quarterly meetups with the entire organization where they can discuss what the organization is currently doing and what are the future goals. They can also have some sort of employee recognition programs in these meetups to motivate the employees. By doing this, they are making sure that the entire organization is in the loop and is aware of the next steps. They need to create a workplace where employees can easily convey their feelings to the upper management. Below is a list of do’s and don’ts that they can incorporate:[4]

|  |  |
| --- | --- |
| **DO** | **DON’T** |
| Set clear goals | Let disengaged employees hang around |
| Allow for humor | Limit learning opportunities to job |
| Prioritize respect | Force policies |
| Be flexible |  |
| Plan social outings |  |

* *Shift of focus* – Apte and Richman were more focused on making money rather than creating test kits which could have been more useful. Rather than using deceitful practices, they would have shifted their focus which would bring success automatically. It was clear that the test kits did not give an extensive diagnosis report. If Apte and Richman would have invested in upgrading the kits to give a better and more useful diagnosis then the sale of the kits would have increased automatically and the need for these deceitful traits would have not arisen. For achieving these they should have constantly kept on adding new results to the tests the kits performed and should have a quality check to validate the quality of the results is not degraded. The government can help here for keeping the test cost in control by keeping a higher limit on the cost the company can charge for the kits.

**References**

[1] Lord Acton. (1887). <https://oll.libertyfund.org/quote/lord-acton-writes-to-bishop-creighton-that-the-same-moral-standards-should-be-applied-to-all-men-political-and-religious-leaders-included-especially-since-power-tends-to-corrupt-and-absolute-power-corrupts-absolutely-1887>

[2] Rusty Eric (2014, April 6). The Fighter Within. <https://leavingfootprintsonthesandsoftime.blogspot.com/2014/04/the-greed-philosophy.html?m=1>

[3] Rea Regan (2020, August 23). Workplace Democracy: What Is It and How Can You Create It? <https://connecteam.com/workplace-democracy/>

[4] The McCormick Group Inc. (2021, July 27). How to create a Positive Work Culture. <https://www.mccormickgroup.com/the-dos-and-donts-of-creating-a-positive-work-culture/>

[5] Thomas R. Eisenmann, Olivia Graham (2021, June 9). uBiome.