Bad Blood Book Report

Author

Affiliation

Course

Instructor

Due Date

Bad Blood Book Report

High-level book summary

Bad Blood: Secrets and Lies in a Silicon Valley Startup is a book by John Carreyrou that details a modern era of corporate fraud cases. The author analyzes the case of a biotech startup that sought to revolutionize blood-testing technology globally. Theranos was established by Elizabeth Holmes in 2003 to develop desktop machines to assay blood samples. The blood testing concept was intriguing and made the brand get massive investments from the initial stages. The resources were key in supporting the company's growth. "In January 2010, Theranos had approached Walgreens with an email stating that it had developed small devices capable of running any blood test from a few drops pricked from a finger in real time and for less than half the cost of traditional laboratories." (Carreyrou, 2018, p. 92). The medical devices failed to provide accurate results, yet the company released them to the market without resolving the issue.

The company attracted investments from renowned personalities such as George Shultz, Sam Nunn, James Mattis, and Henry Kissinger, who held different positions on the board. Elizabeth received help from Sunny Balwani, who was helping in running all critical operations. "He told him he planned to quit. George asked him to hold off and to give Elizabeth another chance to address everything. Tyler agreed to do so and tried to set up another meeting with Elizabeth, but her rising public profile made her very busy." (Carreyrou, 2018, p. 209). Theranos threatened to issue a lawsuit, and Tyler reported being followed by unknown people. The company was using this deception to prevent individuals from spreading information that would tarnish the image of the billion-dollar brand. John Carreyrou, an investigative reporter from *The Wall Street Journal,* learned of the company's incompetence and interviewed Tyler and other former employees. The inquiry made the reporter learn more about the company than what was in the media. Theranos learned of the investigations and threatened to sue Carreyrou, but that did not deter him from publishing the results. The expose led to a public outcry, and government agencies took the initiative to analyze the validity of the claims. The result was a validation of Carreyrou's findings. Contractors such as Walgreens and Safeway, patients, and investors took Theranos to court, and the outcome was an 11-year prison sentence for the founder, Elizabeth Holmes. The book concludes by showing the rapid fall of Theranos and gives secrets of what occurs in many startups in Silicon Valley.

Fraud Triangle Analysis

Pressure

Elizabeth started her entrepreneurship journey early in life. “Elizabeth didn’t actually drop out of Stanford until the following fall after returning from a summer internship at the Genome Institute of Singapore.”(Carreyrou, 2018, p. 20). Her role model was Steve Jobs, the founder of Apple. The ambition to grow like Steve Jobs made Elizabeth develop a brand with unrealistic expectations. The pressure was intense because she needed to succeed like her role models, prompting her to engage in fraudulent activities to cover up the company’s shortcomings.

Opportunity

Theranos exploited the lack of regulatory oversight in the healthcare industry to introduce and sell a product using a concept without scientific foundations. Government agencies launched investigations following *The Wall Street Journal* expose, which exposed the regulatory loopholes the company had exploited. There was no proof that the technology was working, and the founder took advantage to build the $9 billion brand.

Rationalization

Elizabeth’s rationale for their decisions and actions was purely driven by ambition, and the fraudulent activities helped sustain the success. The component shows how individuals such as Holmes, who engage in fraud, have justifications for their actions despite there being an alternative they can pursue to solve the problems in the short and long term. The “fake it till you make it” mentality informed their actions and did not consider other legal or ethical options. The ambition at Theranos evolved into a toxic culture, fostering a psychological justification for the founder to persist in promoting the brand through deceptive means.

Fraud Schemes and Red Flags

Fraud Schemes

Dishonesty

The company did not provide critical information to its stakeholders. For instance, the blood testing device was released to the market, and brands such as Walgreens and Safeway entered into a partnership with the company. The devices did not provide accurate information, and none of the partners were aware of the technological issues. The employees who worked for the company and highlighted the issues were threatened with legal action after they quit for breaching the non-disclosure agreements. The deception enabled the company to operate and collect investors' funds for years without being discovered.

Deceptive marketing

Theranos entered the market with the disguise of offering a technology that would revolutionize how blood is tested. Albrecht et al. (2025) define deception as the act of unjustly profiting from others and intentionally sharing false information to convince others. The product was marketed deceptively, which made Theranos attract more investors and patients. It took years for the world to learn that tests were conducted with conventional equipment, not revolutionary technology.

Red Flags

Lack of a CFO: The CFO role is critical in any company to ensure they offer details of how many are used. Theranos had scaled into a $9 billion company, and it needed a finance officer in compliance with legal and corporate requirements. The absence of the CFO led Elizabeth to engage in fraudulent activities, and their actions went unsupervised.

Lack of openness in product functioning: Theranos did not offer clear information about the accuracy of the results it provides to patients utilizing their devices. It means that individuals would not compare it to conventional means in the healthcare industry. Theranos managed to control information about the product, and the public raised no issues.

Toxic culture: The stakeholders did not examine the organization's culture, and its activities remained opaque. Staff were coming and going, and investors did not question the high turnover rate. Engaging with employees would also have been critical to understanding the company's culture and operating environment.

Handling of dissent: Feedback from the patients and employees was suppressed. Theranos continued to highlight that their products had high accuracy rates, but there were no results to demonstrate how this was achieved. Ignoring how the company was handling dissent ensured that no issues occurred to affect its operations, and underlying challenges were not resolved.

Whistleblowing and Ethical Dilemmas

The primary role of whistleblowers is to expose any fraud in a company. Founders and employees engage in unethical and illegal activities that endanger lives and put others' investments at risk. Tyler Shultz and Erika Cheung witnessed the incompetence in the company. It prompted Tyler to resign and later provided critical information to John Carreyrou. The investigative journalist used the information to conduct further analysis, leading to the exposure of the fraud in Theranos. The risk for whistleblowers includes death and litigation. "The death of Ian Gibbons had also been a big setback. It briefly looked like they might be able to make up for it by calling his widow, Rochelle, as a witness." (Carreyrou, 2018, p. 214). Courage is necessary for employees to expose fraud and uphold their ethical responsibilities, even when facing organizational pressure.

The individuals' whistle blew because they saw the company violate ethical standards, which goes against their standards. The company only cared for the money it generated and did not adhere to scientific standards. Tyler and Erika quit their jobs and did not let the company's intimidation affect their ethical stance. By playing their roles as whistleblowers, Tyler and Erika exposed the rot in the company. A transparent and ethical culture can eliminate the need for whistleblowing, as fraud would be detected and handled before it escalates and affects the company.

Organizational Culture

Organizational cultures influence the behavior, actions, and thinking of employees, investors, founders, and other stakeholders. A dishonest and opaque culture allowed Elizabeth, Sunny, and others to engage in unethical practices for years without detection. The environment was sufficient to support fraudulent activities, and it was challenging for employees to report because of the fear of retaliation. Poor leadership and investor pressure are factors that made the toxic culture persist. “The other was a former technical supervisor in the lab who’d said that Theranos operated under a culture of secrecy and fear.” (Carreyrou, 2018, p. 242). Sunny was key in enforcing employees’ fear and secrecy in all the organizational operations. Introducing a culture of honesty helps to prevent unethical behavior and guarantees that the views of other stakeholders will not be ignored (Albrecht et al., 2025). The absence of honesty and openness in an organizational culture allows fraud, intimidation, lack of accountability, and unethical conduct to persist, as was the case with Theranos.

Conclusion

Theranos is a company that Elizabeth Holmes founded in Silicon Valley. It introduced a blood-testing technology designed to revolutionize assay testing in the healthcare industry. The testing devices did not provide accurate results, and lawsuits threatened employees who raised the issues. The expose by John Carreyrou in *The Wall Street Journal* led to further investigation by government agencies, and the outcome was an 11-year prison sentence for Elizabeth, closure of the company, and loss of investments by investors. The Theranos scandal had a momentous implication on innovations and investments in startups in Silicon Valley. The concentration shifted from market valuation and disruptive technologies to a culture of trust. Investors prioritized making the founder accountable to prevent human, legal, and business risks from emerging. In addition, government agencies have introduced stricter regulations, reshaping the management of startups in the healthcare and tech sectors. Carreyrou's writing style and investigative methods feature a seamless flow, a thought-provoking tone, and vivid descriptions that effectively portray the events at Theranos, enhancing the narrative and conveying critical themes. The “fake it, till you make it” culture widely embraced in Silicon Valley encourages individuals to engage in fraudulent activities to achieve success. George Shultz and other personalities failed to do a background check or question aspects of accountability that arose in Theranos. Such incidents impact consumer trust, especially for healthcare products and brands that emerge from Silicon Valley. The Theranos case was an eye-opener to stakeholders across Silicon Valley companies, and the lessons are critical in building brands that respect human life, offer value, and use innovation to compete in all sectors.

References

Albrecht, W. S., Albrecht, C. O., Albrecht, C. C., & Zimbelman, M. F. (2025). *Fraud Examination* (7th ed.). Cengage Learning.

Carreyrou, J. (2018).*Bad blood: Secrets and lies in a Silicon Valley startup*. Alfred A. Knopf.