

Theranos: A Case Study in Business Ethics

Kiki Berk, Southern New Hampshire University
Joshua Tepley, Saint Anselm College

1. Harms and Wrongs

- What's the difference between being *harmed* and being *wronged*?
- Which groups of people were harmed/wronged in this case?
- Which of these groups were harmed/wronged the most?
- Which is morally worse: harming someone or wronging them?

2. Lying and Bluffing

- What's the difference between lying and bluffing?
- Is there a *moral* difference between lying and bluffing in business?
- Was Elizabeth Holmes lying or bluffing? Can we know for sure?
- Is lying always wrong? What if a person believes the lie? What if the lie comes true? What if lying does more good for the world than telling the truth?

3. Ethics and the Law

- What's the difference between what's *legal* and what's *moral/ethical*?
- What's a legal "loophole"?
- Is it morally wrong for businesses to use loopholes in the law? If so, when? If not, why not?

4. Responsibility

- Obviously, Elizabeth Holmes and Sunny Balwani are largely responsible for this scandal. Are they the only ones? Which of the following groups is also partly responsible for what happened?
 - Members of the Board of Directors
 - Investors
 - Theranos employees (high-level, low-level)
 - Walgreens executives
 - Employees at Theranos Wellness Centers (inside Walgreens stores)
 - The U.S. Government (the FDA)
 - Doctors who allowed their patients to be tested at Theranos Wellness Centers
 - Journalists (like Roger Parloff) and the Media
- Besides Elizabeth Holmes and Sunny Balwani, who bears the most responsibility for what happened?

5. Punishment

- In 2018, Elizabeth Holmes settled an SEC lawsuit. The terms included: a \$500,000 fine, surrendering voting control of Theranos, and a ban on holding an officer position in a public company for 10 years. Is this punishment adequate and proportionate?
- Holmes is still awaiting trial for criminal charges (she is indicted on nine counts of wire fraud and two counts of conspiracy to commit wire fraud) and faces up to 20 years in prison and a \$2.75 million fine. Does Holmes deserve jail time for what she did?
- Should any other groups (see "Responsibility and Punishment," above) be punished? If so, how?
- In general, what's the purpose of punishment?

6. Lessons and Takeaways

- What lessons can be drawn from this case study?
- Can you apply any of these lessons to your own business?
- What's the most interesting or important thing you learned today?