

# Theranos Scandal - Silicon Valley Scandal Indicative of the Current Investment Culture

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## Abstracts

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### SUMMARY

The news of the Theranos' scandal, given the previous widespread media acclaim of Elizabeth Holmes and her Edison devices has prompted questions over whether more should be done to prevent firms from greatly exaggerating technological capabilities in the race for investment and venture capital. The scandal has also provoked questions over the lack of regulation within Silicon Valley which has grown to become the most influential hotspot, disrupting businesses and wider society alike.

### KEY HIGHLIGHTS

Elizabeth Holmes, founder, and CEO of Theranos, claimed her technology could perform a blood test that could check for hundreds of diseases from a single drop. An innovation that she claimed would save millions of lives and "change the world" by greatly reducing the monetary cost of administering blood tests.

In October 2015, the Wall Street Journal reported that Theranos was using traditional blood testing machines instead of the company's own 'Edison' devices to run blood tests due to the Edison machines returning erroneous and inaccurate results.

As Silicon Valley has grown geographically and in monetary value, CEOs of companies have garnered celebrity among more mainstream audiences. Abandonment of

investment fundamentals, particularly skepticism of outlandish ideas has led to instances of startups acquiring valuations far beyond what is rational for such young and yet unprofitable companies. Famously, Snapchat acquired large amounts of funding before generating any revenue.

Margaret O'Mara, a historian that specializes in the relationship between technology and society, surmises, 'It's baked into the culture. If you are a young start-up in development - with a barely existent product - a certain amount of swagger and hustle is expected and encouraged'. The cost of establishing a startup has reduced dramatically over the past 20 years, owing to increased proliferation of digital infrastructure. Combined with the significantly increased amount of venture capital now available, particularly in Silicon Valley and the wider San Francisco area, many 'unicorns' are able to continue operating using growth-oriented goals with no discernible path to profitability.

## **SCOPE**

Understand the scandal

Learn about how it grow

See how it has affected the industry

## **REASONS TO BUY**

What is Theranos?

Who is it's CEO?

How bad was the scandal?

## Contents

### **1. OVERVIEW**

- 1.1. Catalyst
- 1.2. Summary

### **2. THERANOS EXAGGERATED ITS TECHNOLOGY**

- 2.1. Company methods were inaccurate and claims were wild
- 2.2. The media's role in the hyperbole

### **3. HOW SILICON VALLEY ENCOURAGES CONFIDENTIALITY**

- 3.1. Increasingly investors value people over ideas or fundamentals
- 3.2. Digital Infrastructure has lowered barriers to entry
- 3.3. Aggressive use of NDAs

### **4. DISSOLVEMENT AND RAMIFICATIONS**

- 4.1. Increased investor skepticism
- 4.2. Lack of consequence for careless investment

### **5. APPENDIX**

- 5.1. Abbreviations and acronyms
- 5.2. Sources
- 5.3. Further reading

### **6. ASK THE ANALYST**

### **7. ABOUT MARKETLINE**

## List Of Figures

### LIST OF FIGURES

Figure 1: Federal Funds effective rate 2000-2001

Figure 2: Silicon Valley investment levels, 2000 - 2020

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