

THERANOS – A SILICON VALLEY NIGHTMARE

how one founder sold a dream nobody questioned

How did a young Stanford student build a \$9 billion company around a machine that didn't work? This lesson explores the rise and fall of Theranos — the hype, the warning signs that were ignored, and the questions nobody asked until it was far too late.

C1
BUSINESS
English
Reading



READ

authentic business article



VOCABULARY

12 key B2 business phrases



PRACTISE

comprehension & gap-fill



ROLE-PLAY

decide together as a team



ABOUT THIS LESSON

This lesson looks at the rise and fall of Theranos, the blood-testing start-up that was once valued at \$9 billion. You will read an article about how Elizabeth Holmes won over investors, partners and the media, why so many warning signs were missed, how the truth finally came out, and what happened to its founder.



BY THE END OF THIS LESSON, YOU WILL BE ABLE TO:

- ✓ Use 12 new business phrases and collocations confidently
- ✓ Discuss the warning signs of hype, overpromising and weak oversight
- ✓ Debate a real business decision from different points of view

WARM UP — DISCUSS BEFORE YOU READ

Can you think of a product that was hugely hyped but failed to deliver?

What should investors check before putting money into a start-up?

Would you report a serious problem at work if nobody wanted to hear it?

Theranos – A Silicon Valley Nightmare

Elizabeth Holmes was young, ambitious, and focused. In 2003, she founded Theranos while still a student at Stanford University, with a vision to transform blood testing. She **modelled herself** completely **on** Steve Jobs, copying his famous sweaters and even adopting an unusually deep voice in interviews! She soon caught the attention of Silicon Valley with the promise of a small machine that could run hundreds of medical tests from one drop of blood.

Investors were quick to invest, drawn by her confidence and the potential to disrupt the \$70 billion laboratory testing industry. By 2014, Theranos was valued at \$9 billion. Holmes appeared on the covers of Forbes, Fortune, and Inc. magazines, celebrated as the next big name in tech.

However, **behind the curtain** at Theranos there was one small **drawback**. The blood-testing machine, named Edison, didn't really work. It was only able to run a small number of tests compared to what Theranos promised, and those it could perform often produced very inaccurate and **misleading** results. Engineers and scientists repeatedly **flagged up** serious problems, but no-one listened to their concerns.

Meanwhile, Theranos was getting increasingly popular. Walgreens, one of the largest pharmacy chains in the US, partnered with the company to offer its blood testing services in stores—believing it was **at the forefront** of convenient, fast diagnostics. This partnership made Theranos appear significantly more **reputable**. There was no turning back, as Theranos started to dig a deeper and deeper hole.

At Walgreens stores, customers believed their samples were being analyzed by **cutting-edge** technology—when in reality, the results were often generated using traditional machines in a back lab, or worse, were based on incomplete data from the Edison machine. This deception not only misled investors but put real patients at risk of receiving incorrect medical information.



BUSINESS TERMS IN THE ARTICLE

Valuation

The estimated total worth of a company, usually based on what investors are willing to pay for a share of it rather than on its current profits.

To disrupt an industry

To change an established market by introducing a new product or way of working that challenges the companies already in it.

Whistleblower

An employee who reports wrongdoing inside an organisation to the authorities or the media, often at great personal risk.

KEY PHRASES

to model oneself on

behind the curtain

a drawback

misleading

to flag up

at the forefront

reputable

cutting-edge

THERANOS IN FOUR STOPS

2003

Holmes founds Theranos while still at Stanford

2014

Theranos is valued at \$9 billion

2018

Holmes is charged with fraud and conspiracy

2022

Found guilty and sentenced to just over 11 years

In order to **get away with** such crimes and maintain their reputable image, employees were forbidden from sharing information across departments. Anyone who opposed Theranos' methods was either threatened with legal action or followed by private investigators. The board was also full of respected people, such as 2 former US secretaries of state who had **bought into** Holmes' vision and the technology that she represented. Their reputations kept the regulators away, while their failure to ask any questions about the technology left them completely **in the dark** about the technology's serious problems.

Eventually, the truth came out dramatically. Two employees risked their personal safety by contacting journalists to share what was really going on at the company. Holmes denied everything and turned to her lawyers to try to stop the story, but the facts were clear to see. Regulators started investigating Theranos, and the walls soon came crashing down. The Centers for Medicare & Medicaid Services found serious violations. Walgreens stopped its expansion with Theranos within weeks, and key executives resigned. Journalists, once **drawn to** Holmes's charisma, turned on her completely. Within months the grand illusion had collapsed.

In 2018, Holmes was charged with fraud and conspiracy, accused of costing investors more than \$700 million and putting patients in danger through incorrect test results, faked demonstrations, and repeated lies to doctors, investors, and regulators. She was found guilty of defrauding investors in 2022 and sent to jail for just over 11 years, ending one of the most incredible cases of corporate fraud in decades.



Theranos' story shows the darker instincts of Silicon Valley. It used the myth of the genius founder, the draw of "disruption," and the willingness of investors and media to believe a good story over hard science. Holmes didn't just sell a product; she sold a dream, and people bought into it without asking for any evidence.

"Holmes didn't just sell a product; she sold a dream, and people bought into it without asking for any evidence."

— from the article



MORE KEY PHRASES

to get away with

to buy into

in the dark

to be drawn to

 KEY WORDS & PHRASES

to get away with

reputable

behind the curtain

to flag up

in the dark

to model oneself on

misleading

to be drawn to

a drawback

cutting-edge

to buy into

at the forefront

1 BASED ON THE CONTEXT OF THE ARTICLE

Can you match the words in the box to the definitions listed below? Then add the word into the example sentence. You may need to change the form of the word to fit the meaning of the sentence.

- To believe in and accept an idea, plan or vision, often with enthusiasm: _____
 "The sales team won't _____ the new strategy unless we explain the reasoning behind it."
- Having a good reputation; trusted and respected by others: _____
 "Before we sign anything, let's make sure the supplier is _____ — ask them for at least two references."
- To draw attention to a problem so that it can be dealt with: _____
 "Please _____ any risks to the timeline as early as possible so we can adjust the plan."
- A disadvantage or problem that makes something less attractive: _____
 "The proposal looks strong overall; the only real _____ is the length of the implementation period."
- Without information about something that other people know: _____
 "Our regional managers were kept completely _____ about the restructuring until last week."
- The most advanced or modern stage of development: _____
 "Our clients expect _____ analytics, so we can't keep relying on spreadsheets."
- To copy the behaviour, style or methods of someone you admire: _____
 "When I first became a manager, I _____ my old boss — she ran the best meetings I've ever seen."
- To do something risky or unwelcome without suffering any negative consequences:

 "Could we _____ increasing our prices by a further 10% without losing our key accounts?"
- In a leading or most important position in a particular field: _____
 "Our aim over the next five years is to be _____ of sustainable packaging in Central Europe."
- Giving the wrong idea or impression, whether deliberately or not: _____
 "Some of these figures are _____ because they don't include the returns from the second quarter."
- To feel attracted to or interested in someone or something: _____
 "Most of our new clients _____ our flexible pricing rather than the brand itself."
- Hidden from public view, where the real activity or decisions take place: _____
 "The launch looked smooth to customers, but _____ the team was working until midnight to fix bugs."

2 CAN YOU ANSWER THE QUESTIONS BELOW ABOUT THE TEXT?

1. In what ways did Elizabeth Holmes try to imitate her idol?

2. What 2 factors attracted investors to Theranos?

3. True or false? Theranos' machine was not able to test blood.

☐ T ☐ F

4. True or false? Scientists working at Theranos didn't care to acknowledge the problems with the technology.

☐ T ☐ F

5. Based on the article, list 5 reasons why Elizabeth Holmes and Theranos were not caught sooner.

6. How did journalists react when they found out what was really happening at Theranos?

7. Based on the final paragraph of the article, what do you think is the broader message that the article offers?

3 FILL IN THE GAPS

Below you can find a dialogue between two colleagues. Can you fill in the gaps with the words and phrases from the box below? You may need to change the form of some of the verbs in order for them to fit into the sentence.

reputable

get away with

flag up

in the dark

mislead

buy into

cutting-edge

drawback

Due Diligence on a New Partner

ELENA (HEAD OF PROCUREMENT):

Mark, before we sign with this start-up, I'd like to _____ a few concerns. They promise _____ technology, but their data only covers their best month. They may not have _____ us deliberately, but it isn't the full picture, and we still have no references from a _____ client.

MARK (COO):

I take your point, but the board has completely _____ their vision. The only real _____ I can see is the price, but I agree that we can't _____ skipping due diligence on a deal this size. Let's ask for a live demo — the last thing we want is to leave the board _____ if problems come up later.

DISCUSSION QUESTIONS

Based on what you have read, do you think that Elizabeth Holmes wanted to trick investors from the beginning, or did she want to create a legitimate product?

How can a company make sure its board challenges its leaders instead of simply trusting them?

THE SCENARIO

A national pharmacy chain has been approached by a fast-growing health-tech start-up offering a new in-store testing device. The founder is charismatic, the media love the story, and a rival chain is said to be interested. However, the technology has not yet been independently tested. The leadership team must decide together whether to sign an exclusive partnership now, or insist on further checks first.

\$40M

upfront investment required for an exclusive five-year deal

0

independent studies of the device published so far

6 wks

before the offer is taken to a rival pharmacy chain

25%

projected rise in store visits if the launch succeeds

In groups of three or four, take on one of the roles below. Using these figures — and today's key phrases — discuss the benefits and risks of signing the deal from your character's point of view, then work together to reach a group decision.

THE HEAD OF BUSINESS DEVELOPMENT

- Is convinced that the deal would put the chain at the forefront of in-store diagnostics.
- Argues that the start-up's cutting-edge technology could transform the customer experience.
- Worries that hesitating now means a rival chain gets the deal — and all the publicity.

THE CFO

- Points out that \$40 million is a huge commitment to a product with no independent data.
- Questions whether the team has bought into the founder's story rather than the evidence.
- Wants a staged deal, with payments linked to clear performance milestones.

THE HEAD OF COMPLIANCE

- Flags up the risk of customers receiving misleading results — and the damage to the chain's name.
- Insists that the company cannot get away with skipping regulatory checks.
- Wants the device tested by a reputable independent laboratory before any launch.

THE BOARD ADVISOR (EXTERNAL)

- Is not emotionally attached to either option and can assess the decision from an outside perspective.
- Reminds the team that a big partner's name can make a start-up look far more reputable than it really is.
- Suggests a pilot in a small number of stores, with full access to what is happening behind the curtain.

USEFUL PHRASES

GIVING YOUR OPINION

"From my perspective, the evidence just isn't there yet."

"As far as I'm concerned, this is too good an opportunity to miss."

AGREEING

"I agree — we need to see the data before we commit."

"Yes, a staged deal would protect us if things go wrong."

DISAGREEING

"I'm afraid I can't go along with you there."

"I don't think we should buy into the hype just yet."

PERSUADING

"Let me flag up one more risk before we decide."

"If we don't act now, a competitor will be at the forefront instead of us."

REACHING A DECISION

"On the other hand, a pilot might be the safer move."

"On balance, I'd say it's time to..."

Group task: Once everyone has made their case, decide together — does the chain sign the exclusive deal now, negotiate a pilot, or walk away? Be ready to present your decision and reasoning to the rest of the class.