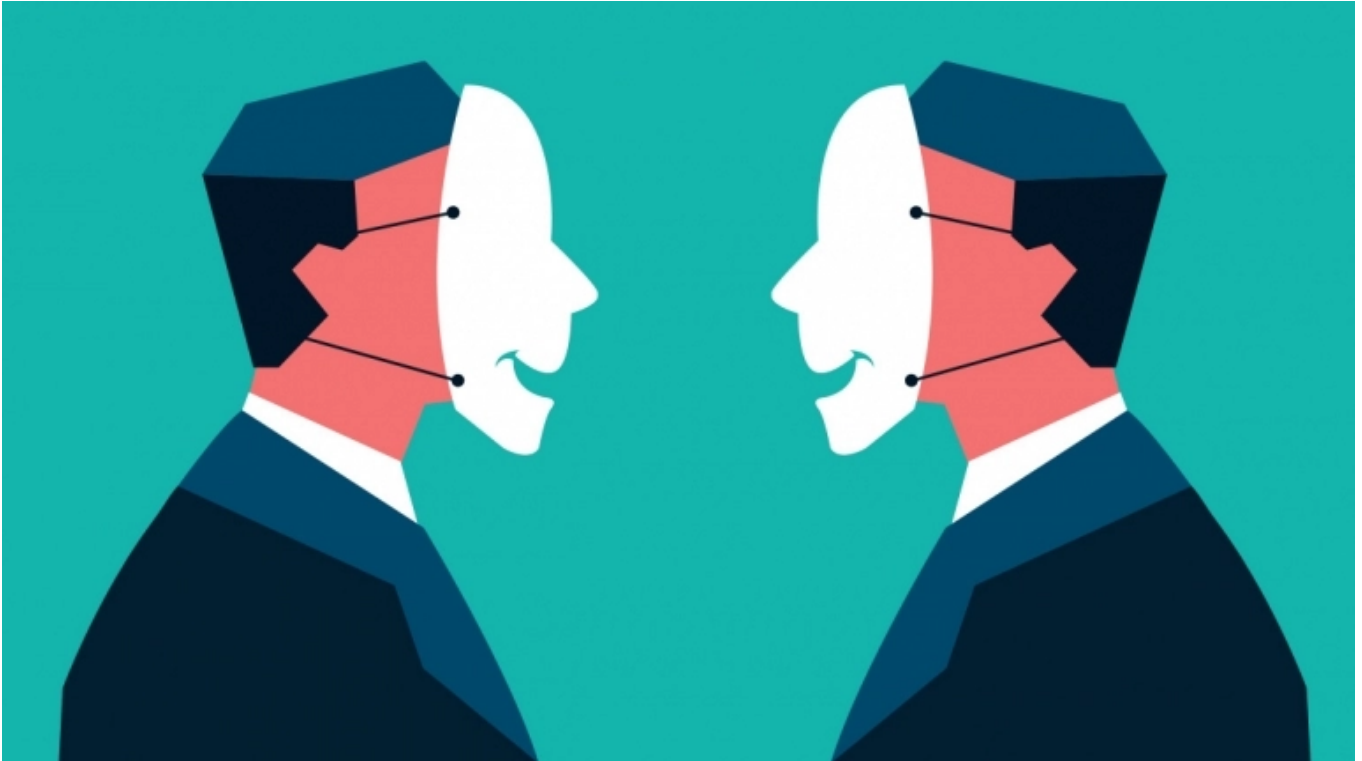


Fake it until you make it – Ethical Considerations in Innovation

15 October 2021



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"As our own species is in the process of proving, one cannot have superior science and inferior morals. The combination is unstable and self-destroying."

Arthur C. Clarke, English Physicist and Science Fiction Author

Innovation is an essential part of the technology development process. It is, however, a pursuit renowned for failure. The question "*who bears the risk of an adverse outcome?*" is perhaps not asked frequently enough.

Ethical decision making in business, especially ahead of new product launches, presents a new set of challenges. The Silicon Valley techspace has altered the dimensions of organisational scale and governance, with young CEOs more technology-savvy than business informed, and vying for venture capital support and funding. These next-gen business leaders often lack formal training, with many following the examples of Steve Jobs and Bill Gates, lauded for having left a traditional educational pathway in favour of pursuing their respective world-changing innovations.

Some [tech startups](#), seeking to weave a line between [scaling, venture capitalism and beating the competition](#), and hyped by social media, may bend the truth as part of their organisation's narrative. How far a bend though, before, ethically a business and its leadership should call a halt? In this article, we look at how ethical decision making, in an environment with millions in funding at stake, if not billions in the case of the unicorns (the name given to start-up companies with a valuation over \$1 billion), could be an expensive proposition.

Exaggeration or Interpretation?

"Fake it until you make it" is a prevalent strategy in the emerging techspace, capturing the thirst for rapid development, quests for the next unicorn and to be the next Elon Musk or Jeff Bezos. Pursuing [startup funding](#) can also mean the ethical drivers and principles that might influence a more traditional situation are overturned. In some circumstances, perhaps to ensure [viability and jobs](#), over-promising might be

excusable, but in the conduct of business, supply chains and [product offerings](#), startups must still be guided by actionable principles.

Styling herself after Steve Jobs comes the leader of one such emerging technology company – [Elizabeth Holmes](#), CEO of [Theranos](#). Founded in 2003, Theranos was focused on improving clinical diagnoses through [proprietary technology](#), including the nanotainer and the Edison and Mini-lab desktop testing units. Holmes, a Stanford drop out, amassed funding of \$9 billion with such experienced leaders including [General James Mattis](#), former Secretaries of State Henry Kissinger and George Schultz and the Clintons included in the Board of Directors, acting as deal makers and advisers.

By 2014, Elizabeth was being heralded as the youngest self-made female billionaire, with her personal worth estimated at \$5 billion, and afforded [significant personal recognition](#), including joining the [Board of Fellows at Harvard Medical School](#). [Her claim to be seeking to change the world was an emotive call to action](#), and contracts with other major corporations and the US military were used to further evidence the technology's advances. However, the quality and efficacy of the core systems were unproven at best.

Worse yet – not only was the revolutionary technology's dubious, but the results produced were untrustworthy, and investors were being defrauded by a CEO, whose methods to realise a vision were suspect.

“Move fast – break things”

Walgreens and other major US supermarket chains adopted the technology for use in [“wellness centres”](#), without seeking independent validation or examining the lack of certifications held by Theranos. As a spiral of demands from investors, developmental failures and internal challenges tightened, Holmes opted to run tests on third party machines, falsifying reports to meet orders, giving the impression that Theranos units were functional, with valid results.

The issues were numerous– the blood samples collected were too small to provide credible results, the testing practices misrepresented, and internal business practices designed to preserve secrecy.

Despite the [Forbes-lauded](#) businesswoman's promises, Theranos' 2013 projections were unachievable, with revenue forecasts severely downgraded. On top of that, Theranos had been running blood sample testing on cancer patients in 2013 in conjunction with Pfizer, without achieving FDA approval, subjecting the company to investor, and regulatory, scrutiny.

It was, however, disquiet amongst staff, particularly those involved in product testing and development, which led to the [Unicorn's](#) undoing. [Dishonesty in the projections](#) was noted, coupled with high turnover and [loss](#) of disillusioned staff. The CFO had been fired without replacement in 2007, the [COO Sunny Balwani](#) was in a relationship with Elizabeth and no medically qualified persons were present on the Board. After alerts from [whistleblowers](#) in 2015, US authorities commenced investigations into Theranos' diagnostic devices and practices, which, when coupled with the research by journalist [Steve Carreyrou](#), spelt the end for Theranos.

Ethics, Decisions & Outcomes

The accusations [Elizabeth Holmes faces in court](#) address empirical fraud – citing lies to investors, the board, medical personnel, and patients relying upon these tests. But the question of how deception of this scale could be countenanced runs deeper. In a “Fake It Until You Make It” environment – what is the bridge too far?

If we consider [normative ethics](#) – working to the Greatest Good for the Majority, this could be argued as a driving factor, if not moral imperative, for supporting healthcare advances. However, the [moral judgement – moral action](#) equation requires reflection on the level of moral hazard placed upon the targeted customers. At Theranos, there appears to have been a conscious decision to dispense with [consequentialism](#), and place at risk people with heightened expectations of outcomes but unaware of the risks from the scale of the deception underway.

Investigations have led to court cases, with settlements [paid to investors](#), including \$4.4 million paid to the state of Arizona, where discrete health issues clusters have been identified. Perhaps more concerningly, the collapse of Theranos has seen over one million lab results voided – results used to make health care decisions.

[Elizabeth Holmes](#) offers a [cautionary tale](#) for next-generation technology CEOs, [developers](#) and business founders, negotiating a fine line between innovation and supporting emerging technology. It is essential to achieve business outcomes, but a leader must [ensure adequate regard](#) for human life, values and ethics in product development, and in end-to-end supply chain building.



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