

Carreyrou, John – Bad Blood

Alfred A. Knopf, 2018 [Business] Grade ★★★★★

Bad Blood is a masterpiece in dissecting how bad the suffering can become when there is no room, either inside an organization or outside, for those with diverging views. This is a story of how a multi-billion company turned to nickels within a few years with devastating consequences to patients, employees and investors. By only acknowledging the supporting evidence for a specific view without questioning, one will both get a worse understanding of how the world works and risk being fooled by people understanding human psychology. This book will teach you many valuable lessons in that respect.

The author, John Carreyrou, is an experienced investigative journalist at the Wall Street Journal. Having worked for the firm since 1999 he has won multiple awards for his articles. His stories have typically, but not solely, been about company-scandals. *Bad Blood* got raving reviews and was awarded as business book of the year in 2018 by both McKinsey and Financial Times.

The story is covering Silicon Valley company Theranos and its founder Elizabeth Holmes. The company's mission was to revolutionize the health care business by enabling blood tests at home. By drawing some drops of blood from the finger instead of a large dose from the arm in a typical venipuncture, the procedure promised to be both cheaper and simpler. Saving billions for the taxpayers, who did not want the company to succeed? The problem was a lot of great promises but not a lot of delivering. The technology the company built was not ready while CEO Elisabeth Holmes and the COO Sunny Balwani tried everything in their hands to hide the truth from the outer world. By using horrendous business ethics as well as lawyers with questionable tactics the company managed to keep the lies from destroying the company for

an impressive stretch of time (well learned from any oppressive regime), especially considering the renowned investor base and a very experienced board. In the end, the investigative journalism of the author Carreyrou contributed to stop the madness from continuing - and with it saved investors from plunging even more funds into the company. Most importantly it saved patients from getting the wrong results on their blood tests, potentially saving lives.

As often regarding business and investing Buffett has already said it in the best possible way. The following quote is described as who to hire but is fitting for founders as well and especially for Holmes: *"Somebody once said that in looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if you don't have the first, the other two will kill you."*

This is a reminder for investors of the importance to understand that even though the management signals smartness and ambition - together with a great story to back it up - it may all be built on lies. Having the circle of competence through own knowledge or contacts in order to question what a company signals can't be underestimated. By studying all the successful people who fell for the tricks of Theranos one can be sure of one thing though. We are all susceptible to be fooled. This is why it's so important to read this book and other similar books focusing on business scandals - such as Enron. I can't promise that it will make you avoid investing in the next fraud but hopefully the odds will be tweaked slightly in your favor. Possibly. Maybe...

If not, you still have a few hours of exhilarating reading in front of you. This business thriller will keep you wide-awake and I wouldn't be surprised if you read it in one sitting.

Niklas Sävås, August 15, 2019