# SCHOOL OF ECONOMICS AND MANAGEMENT

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# Power Dynamics in Corporate Scandals

A holistic analysis of the Theranos and Wirecard corporate scandals

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# Abstract

This study examines the various essences of power displayed within corporate scandals, and how it can prevent scandals from getting exposed. Building on management studies, this research aims to fill a literary gap wherein corporate scandals are explored but not through the lens of power. Adding this lens is instrumental when interpreting how scandals occur, given how various actors have different interests and resources at their disposal. In that vein, our paper applies the Four Faces of Power framework to understand how power dynamics operate among various actors involved in the scandal. Our results indicate that Theranos and Wirecard, the two scandal companies researched, were protected by the faces of domination and subjectification on a systemic level, and within this context, extensive manipulation and coercion were exercised by several actors to defend these structures and identities. This abuse of power made it difficult for actors such as employees, media platforms, regulators, and short sellers to expose Theranos and Wirecard as their efforts of resistance made small impacts and were largely met with failure. Nonetheless, as the subjectification and domination shattered, the actors attempting to bring the scandalous behaviour to light were eventually able to resist the dominance of Theranos and Wirecard along with the actors defending them. This led to the eventual downfall of both companies, as they could no longer sustain hiding their wrongful actions. Our research showcases the importance of regulating power imbalances within large organisations if they want to avoid large scandals such as Theranos and Wirecard.

**Keywords:** Power, Power Dynamics, Corporate Scandals, Documentaries, Actors

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# 1. Introduction

## 1.1 Background

"*Power tends to corrupt, and absolute power corrupts absolutely.*" (Lord Acton, 2015)

As can be interpreted by the quote above, power as a phenomenon often implies a negative meaning as it can be used to serve one's self-interest and cause harm, rather than be used for the good of society (Hardy, 1996). The meaning and interpretation of power have been researched thoroughly academically as it delves into different types of subjects including sociology, political science, psychology, and organisational studies (San Juan, 2005). It can be expressed and manifested in many different ways, for example through knowledge, resources, and language (Pfeffer, 1992). Because the power in itself is complex and ambiguous, it is therefore important to have a nuanced view of what it entails and its consequences (Foucault, 1980).

One area where power can be associated with corruption is within corporate scandals (Banerjee, 2008). These occurrences have been increasingly put into the spotlight due to increased media coverage and public awareness surrounding corporate wrongdoing (Mukherjee, 2016). Despite reforms being implemented by governments to combat these scandals, they have not seized and corporate greed in terms of economic self-interest is bound to remain (Bakan, 2005). After the turn of the century, there has been an increased focus on integrating business ethics into management and business studies to prepare future managers for these issues (Adler, 2002; Gray & Clark Jr, 2002). How to analyse and approach the realities of companies attempting to hide and deceive their stakeholders through ethically questionable and/or illegal operations is, therefore, given more significant attention today. When observing cases like Wirecard and Theranos, it is no doubt understandable why scandals gain the mass attention that they do (See Rubio, 2020; Hartmans; Jackson & Haroun, 2023).

The Theranos and Wirecard scandals are of specific interest to us and will serve as our main focus scandals. One reason is because of their implication on people's lives and society overall. In the Theranos case, people were misdiagnosed with the company's blood tests leading to them

being "forced to void or correct 1 million blood results" (Twaij, 2022). On the other hand, Wirecard's fraud included 1.9 billion euros that were missing from their financial accounts which led to significantly stricter regulations and affected the image of German companies greatly (Storbeck & Chazan, 2020). We also chose these specific cases as they are relatively new and not as studied as other scandals, like the Enron scandal. Moreover, we also have previous knowledge about these scandals owing to our studies and, thus, had a specific interest to delve deeper into them. Lastly, comparing a healthcare company in America and a FinTech company in Germany could prove interesting to show how scandals occur across different cultural contexts and industries.

In these scandal cases, power can be used by different actors such as a company's individual employees and managers, but also regulators, investors, and media, leading to power dynamics that express themselves in different ways (Clegg, Courpasson, & Phillips, 2006). The results of scandals often have impacting consequences for several of these parties, including the company, their employees, the shareholders, society overall, and often other innocent bystanders (Gilles, Alain, & Naoufel, 2020; Groysberg, Lin, Serafeim, & Abrahams, 2016). Therefore, analysing how power dynamics can shape how actors attempt to unveil and/or resist exposure is of substantial interest to us. Studies on corporate scandals often observe the relationship between a few of these actors, for example, organisations and the media (Tumber & Waisbord, 2019), or the company management and their employees (Lilly, Durr, Grogan, & Super, 2021). However, as Michel Foucault, one of the most influential and popular theorists on powers would say, power operates and is embedded throughout all parts of society (Foucault, 1988). As such, it is not enough to simply grasp the dynamics of relationships between a few actors.

In an ever-changing and interconnected world, we believe understanding power dynamics from a more holistic perspective to be of the essence. This is because power dynamics involves seeing the complex relationships between people and how tension, friction, and conflict can arise and affect the actions committed by the different actors (For example Hafner-Burton & Montgomery, 2006). We perceive the actors involved in corporate scandals to be acting simultaneously in a complex field of tension. These actors' different interests might lead to them using resources such as money, connections, and/or hierarchical status to exert power and take action to achieve

their goals. To do this, they attempt to dismantle other actors and resist their displays of power if it clashes with their own self-interests. Understanding and unravelling this grand field, however, will be complicated and bring a substantial challenge as the focus of our thesis is on several parties. In the end, we believe our study to be of interest as this research could shed light on a new perspective of power within corporate scandals not yet uncovered, since after all:

"*Power is everywhere*" (Foucault, 1990, p. 93).

## 1.2 Research Purpose and Questions

As mentioned, our area of research is focused on bridging the lack of understanding of the power dynamics and interplay between the different actors involved in corporate scandals. We see this research hole as a problem in the sense that current literature has a too fragmented view of the relationships between the different actors, leading to a limited understanding of how power operates among several actors in cases of significant events such as scandals.

The intended outcome of this research is to shed light on the power dynamics and imbalances among actors involved in corporate scandals. Therefore we see it as necessary to explore the subject of power dynamics from a more holistic perspective, taking a grander field of several actors into account. The term holistic will be used throughout this study to imply an understanding of the dynamics between several important actors in the field of conflict instead of, for example, simply observing the manager and subordinate. Gaining a clear comprehension of this will add another important dimension to the current literature on power and corporate scandals

It is important to clarify that we are conducting a thesis on corporate scandal "cases". In this context, the word case suggests that we are not only focusing on the period after which a scandal has been disclosed and may be formally referred to as a scandal. Instead, we extend the research area by investigating how the scandal commenced, and how certain actors tried to expose it whilst other actors tried to contain it.

The purpose of our study is to investigate, discuss and analyse the power dynamics between the most impactful actors involved in corporate scandals from a holistic perspective. In doing so, this

can also provide an understanding of patterns between the scandals. We will conduct an in-depth analysis of the scandal cases surrounding the companies Theranos and Wirecard based on the documentaries released on their scandals: *Skandal! Bringing Down Wirecard*, and *The Inventor: Out For Blood In Silicon Valley*. In studying these cases, our goal is to fully understand the power field in which the different actors operate and how there was a failure in containing and/or exposing the scandals.

Within the scope of this research, we believe that actors' actions of power are often shaped by their personal motives and interests, and how they utilise resources available to them to carry out an objective (among other aspects). While personal motives and interests are somewhat self-explanatory, resources can be understood as something an actor uses to impress power upon others such as money, reputation, networks, etc. (Perrow in Fleming & Spicer, 2014, 238). Additionally, observing the different actors' failures in attempting to bring on or prevent the scandal from occurring, will aid us in establishing how the actors' different power dynamics can implicate the failure to expose the scandal. These approaches will be further explained in Section 4.1 as they will play an integral part in our data collection process.

Moreover, we will draw upon and apply Fleming and Spicers' (2014) framework on the Four Faces of Power. These Four Faces of Power will serve as useful theories to analyse our data as they together encompass both episodic, meaning individual and direct use of power as well as systemic, meaning power that exists through created societal structures, identity, and norms. Applying the Four Faces of Power which the authors refer to as coercion, manipulation, domination, and subjectification, allows us to understand the dynamics between episodic and systemic power in the context of corporate scandals as we take several of the different actors involved into account.

In line with our research purpose and study approach, we have constructed the following central research question:
- How can the Four Faces of Power shed light on how power dynamics operate among actors and implicate the failure to expose/contain corporate scandals?

## 1.3 Managerial Relevance and Contribution

First, as our study is focused on the occurrence of corporate scandals, there is an explicit connection to management as a subject. The organisational and management perspective plays a substantial role in why corporate scandals occur in the first place as it is the decision-making and fraud behaviour occurring within these that enables them (Maulidi & Ansell, 2021). Also, as previously mentioned in Section 1.1, the concept of power is a commonly used phenomenon that has inspired and contributed to the continuous studies of, for example, power in relation to organisational and managerial perspectives.

As our study will be done by using a semi-inductive research approach and we will use documentaries as our main source of data collection, the results of our research will provide new perspectives or insights on how power dynamics can be studied from various different data sources. We believe this can contribute with necessary context on how scandals can be observed from a different perspective. Our broad focus area and unique data collection approach may therefore provide a deeper comprehension of how power dynamics operate in corporate scandals on a more holistic level.

Furthermore, we believe this knowledge can also be used and applied to other areas where different power dynamics occur, by parties such as regulators, policymakers, and other academics. For example, when observing social relationships, politics, and education from a broader perspective, our study may provide awareness in these areas of different power dynamics that affect these areas as well. eDue to how each player operates in the field of tension, our research could contribute to seeing different types of power imbalances which, in turn, can be used to create strategies to combat these. Based on our results, we dive deeper into future research areas in Section 7.1.

## 1.4 Delimitations

As our research can be considered to be quite broad since we aimed to analyse several of the actors involved in the corporate scandals, limiting the scope of our study is of the essence.

Firstly, since we are conducting a study that discusses a lot of different actors' perspectives in corporate scandals, we will not analyse or discuss the specific actors in detail. Rather our focus will be on providing an insightful general idea of the interplay between several of the most important actors playing a role in the corporate scandals. The word "most important" is of note here, as taking into account "all" the actors involved in these scandals is not our objective. Instead, we aim to provide a general understanding of how the most impactful actors and their dynamics affect corporate scandals from a perspective of power. Although other subjects can be applied to corporate scandal cases including decision-making, law, ethics, leadership, and management theories, these will not be addressed in detail within the scope of our research.

Regarding the scandals, we are using case studies from the past 8 years and onwards, as we believe their recency adds to their relevance. These will also be restricted to scandals that have a substantial negative impact, have garnered significant attention from the media, and include several actors in order to be relevant for our study. Furthermore, the scandals our attention will be focused on are those that transpired in Western countries, specifically Europe and North America. This is because documentaries around these regions were more easily accessible and we already researched some of these cases during our studies. Thus, we wanted to delve deeper into them. As each case study we intend to study needs to be analysed in detail to take all the different actors' perspectives into account, we will not examine more than two corporate scandals.

## 1.5 Thesis Structure

Our thesis is divided into seven chapters in total. Discounting this first chapter, Chapter 2 contains our literature review where we identify and bring relevant studies on corporate scandals to light. Next, in Chapter 3  we contextualise power and then focus on our theoretical framework, delving deeper into how Fleming and Spicer's Four Faces of Power will be incorporated into our study. Chapter 4 is our methodology part where we delve into our research design, as well as how we will proceed with our data collection and data analysis. In Chapter 5, our case studies of Theranos and Wirecard will be presented separately, and will also include our findings and our interpretations based on the insights gathered. Our discussion where we answer our research

question will take place in Chapter 6. Lastly, Chapter 7, our final chapter, will conclude our thesis' main findings and ideas for further studies.

# 2. Literature Review

## 2.1 Corporate Scandals

There exists a substantial amount of literature about the different stages of corporate scandals and some are very specifically written for certain industries and cases. Due to our thesis topic, our focus will be placed on the production of scandals and the most fundamental research in this area. Firstly, we aim to provide an understanding of the nature, behaviour, and pre-scandal process of corporate scandals. Our second intention is to grant the reader an understanding of why seeing corporate scandal and its dynamics through the lens of power is valuable. This will be done by problematising current literature and clarifying what components it's currently missing.

### 2.1.1 A General Understanding

To begin addressing the phenomena of corporate scandals, it is first essential for us to give a brief comprehension of their nature and meaning. Scandals on their own can imply an event in the form of a publicization of a misdeed committed by someone to a grand and negatively oriented audience filled with collective outrage (Garrard & Newell, 2006; Adut, 2008; Jacobsson & Löfmarck, 2008). They can occur both as a short single event and as a long-term episodic event with varying stages depending on the severity and location of the scandal (Adut, 2008). The media acts as a link, helping the scandal transpire by connecting the publisher's scandalous information and bestowing it onto the public (Ehrat, 2011; Palmer, 2012).

Corporate scandals resemble and share the previously mentioned characteristics although they specifically are tailored to situations revolving around businesses. Bonini and Boraschi (2010, p. 242), define them as "widely publicised incidents involving allegations of managerial wrongdoing, disgrace, or moral outrage on the part of one or more members of a company". MacDonald and Marcoux (n.d) state that it means "a moment of public crisis, a situation in which some wrongdoing – real or apparent – becomes the subject of publicity and public scrutiny."

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There are several types of corporate scandals, depending on what areas and subjects are involved. Hung, Wong, and Zhang (2015) gather and roughly allocate corporate scandals into three categories including "Political scandals", "Market scandals" and "Mixed scandals". They explain that political scandals require the misuse or ruining of political contacts. For example, this involves bribery of politicians or the evasion of tax payments. Scandals that implicate the company's actions within the market instead of the political arena are referred to as market scandals. Some examples include accounting fraud and embezzlement of firm assets. Finally, mixed scandals consist of elements from both political and market scandals.

With these definitions in mind, it is important to point out that corporate scandals, as is implied, are a result of scandalous behaviour, for example, fraud (Zona, Minoja, & Coda, 2013). Since our research question focuses on how power dynamics impact corporate scandals and what prevents scandalous behaviour from erupting, we can not analyse scandals as an independent phenomenon. Instead, we must take all the behaviours that lead to scandals into account. Current literature does not simply focus on scandals alone, the term is instead rather incorporated into books and academic articles that include other focuses on the specific behaviour that allows for the scandals to happen.

One general umbrella term which can be used to describe behaviour leading to scandals is corporate wrongdoing. Although not an official umbrella term, it has been used in both definitions above but also in several titles of books and articles aiming to provide a general sense of types of wrongful behaviour within organisations (See, for example, Palmer, 2012; Palmer, 2013 & de Medeiros Rocha & Roglio, 2021). The specific wrongdoings a company can commit vary case by case, but they are interconnected and can contain behaviours such as organisational fraud, corruption, failure, misconduct, and unethical behaviour. Thus, the reader should be aware that the research we reference will potentially include several of these terms. Studying these examples will help us achieve our aim to identify the frames of power that can be applied to these scandalous behaviours.

Now that we have produced a picture of what corporate scandals and wrongdoing entails. It is already starting to become apparent to us what type of literature would be needed to address our

specific research question. Tricking the public, abusing the market, and getting politicians to get what you want, seem to have an apparent connection to the possession and abuse of power. We, therefore, see corporate wrongdoings and scandals as events that are naturally created and shaped by the use of power and the different dynamics of power which the actors possess within a field of tension. Thus, throughout the literature review, our aim is to search to see if the current literature does provide any perspectives that could be related to our interest in the study. We will begin by attempting to understand the specific causes of why wrongdoing transpires.

## *2.1.2 Determinants for Corporate Wrongdoing*

The classic historical framework for studying reasons for corporate wrongdoing is the "fraud triangle" (Van Akkeren, 2018). This model is well established in academia and recognised by several disciplines as well as anti-fraud professionals (Homer, 2020; Van Akkeren, 2018). It suggests that three conditions influence fraud to occur. These are Motive/Pressure, Opportunity, and Rationalisation. As explained in detail by Dellaportas (2013), Motive and Pressure refer to the driving internal or external force that might incentivise someone to commit fraud. Opportunity implies having the perception of there existing a possibility for a fraud to be committed unnoticed. Finally, Rationalisation involves justifying the wrongdoings one is about to commit to maintaining one's self-image and persona of truthfulness. Worth to note is that the theory has been significantly criticised for its simplicity as well as lack of generalizability and applicability (see Dorminey, Fleming, Kranacher & Riley, 2010; Hirschi & Gottfredson, 1989; Wolfe and Hermanson 2004). One example is that it does not take a fraudster's skill and capability to commit the fraud into account at all (Lokanan, 2015).

As a result, additional perspectives have been added to the original theory, one of the most popular ones being the "fraud diamond" theory created by Wolfe and Hermanson (2004). They incorporated "Capability" into the other factors explaining why fraud occurs. Capability means that the person executing the fraud must have the abilities and skills necessary to take advantage of the existing opportunity (Wolfe and Hermanson, 2004). Otherwise, in spite of having the motivation, opportunity, and realisation, the fraud may still not be committed (Mackevičius & Giriūnas, 2013). Wolfe and Hemanson state that a need for power can drive individuals to commit fraud and that capability is connected to the amount of power possessed. However,

although they perceive this to be the case, it is not discussed further in any way. This leaves a lot of questions remaining in the air. How big a role does power actually play in the production of fraud and specifically in what way? Leaving these questions unanswered is problematic as there exists an obvious connection, even according to the authors themselves.

After conducting an extensive literature review, we gathered general information about the determinants for scandalous behaviour found and constructed the following sub-chapters thereafter. We also discovered two research papers that also specifically investigated the precedents of scandals. Thus, we aligned our findings together with theirs (See Figures 1 and 2) to compare, fill in the gaps and determine whether some perspectives were missing. To provide clarity and structure, the following sub-chapters will explore the internal and external determinants for wrongdoing by observing situations where the fraud triangle/diamond can be applied. Even so, these determinants should not be seen as separate as they are interconnected and affect each other (as Zona et al, 2013, clearly show in their dynamic model).
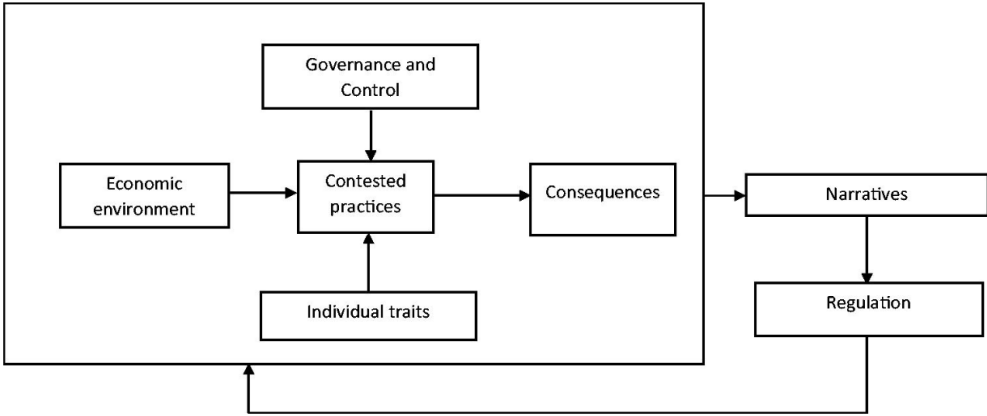


*Figure 1: "Conceptual framework for the study of fraud and scandals" (Van Driel, 2018 p. 1263).*
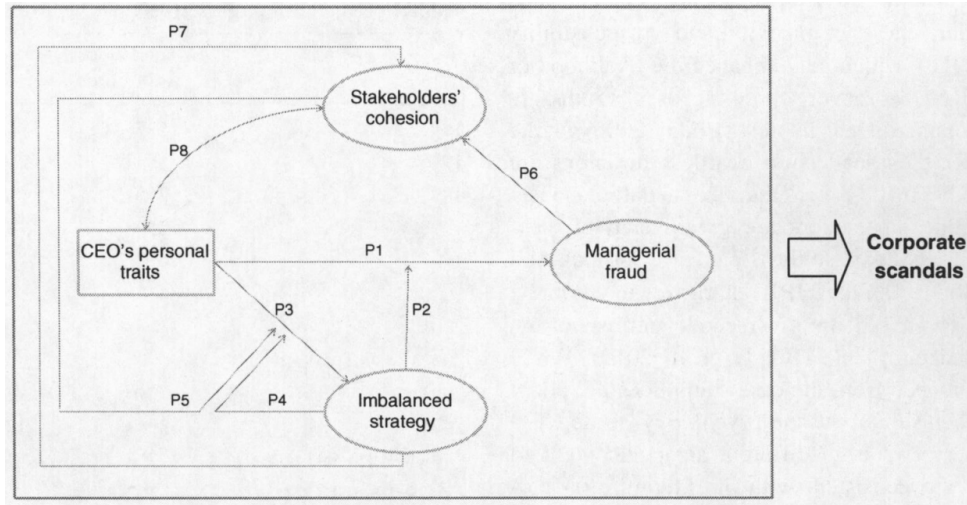
*Figure 2: "The antecedents of corporate scandals" (Zona et al, 2013, p. 271).*

**External Determinants**

From an economic perspective, one of the main motives and pressures to commit wrongdoings is industry and economic booms along with new innovation (Gray, Clark Jr & Frieder cited in Van Driel, 2018). These factors can create an asymmetry of information in exciting and uncertain markets where the possibilities are endless (Hollow, 2016; Toms 2017). Dynamic market situations along with increased competition lead to increased risk-taking due to the increased competitive pressure (Baucus & Near, 1991). It also provides opportunities to employ deception against investors who often remain oblivious regarding the new market situations (Klaus, 2014). When combining this with the existing emphasis businesses already have on creating shareholder value, it inevitably entails increased eligibility to do whatever it takes to satisfy them as they are seen as the main driving force of the organisation (Dobbin & Zorn, 2005).

Fraud is also likely to occur when the economy faces more negatively pressing situations. Pressure on people to survive stemming from economic downturns is the main reason for this (ACFE, 2009). Opportunities for fraud may thus grow as more companies reduce their costs by cutting the workforce and lowering internal control measures (Gill, 2011). Furthermore, exposure to unfavourable financial news in a company often intensifies feelings of helplessness, despair, and loneliness, which may subsequently lead individuals to rationalise unethical thinking

(ACFE, 2009). Additionally, these situations also put pressure on the company to take shortcuts to put on a good face externally, reach its goals, and preserve its status (Vousinas, 2019).

Another factor that influences the rate of wrongdoing is the number of regulations governments and other regulators decide to implement in order to combat company fraud (Cooper, Dacin & Palmer, 2013). A significantly regulated market severely limits people from conducting unethical behaviour, though too little regulation or regulation implemented in a reactionary way may instead lead to more unwanted outcomes (Cole, Johan & Schweizer, 2021; Hail, Tahoun & Wang, 2018; Skeel, 2005). Since we live in a capitalist environment, regulators must achieve a balance between controlling the market and allowing for free market competition to flourish (Toms 2017). However, this has proven to be difficult. Instead of managing to enact laws that prevent scandals from arising, regulators most often simply establish new statutes as an instantaneous response after a scandal has already been brought to light (Jones, 2011). Moreover, gaps in supervision, overlapping jurisdictions, and in extreme cases, bribing of regulators can be used by fraud companies as a means to avoid detection (Sanyal, 2005).

**Internal Determinants**

Growing markets and new innovations also affect organisations in the way that they both grow in size and are constantly developing in complex and unpredictable ways (Baucus & Near, 1991; Brewster, 2003). Thus, due to the increased size and novelty of these businesses, rules of conduct and norms of business ethics are often inadequately specified, granting increased opportunities for easily hidden fraudulent behaviour to take place (Skeel, 2005). For instance, through moving assets around a network of connected firms (Brewster, 2003), or by misrepresenting information about the company's financial status (Harris, & Bromiley, 2007; Zona et al, 2013). This is also made possible due to board members being easily manipulated, convinced to look the other way, or even certain members being put onto the board to serve as puppets for business' self-interest (Chandler & Macniven, 2014; Hollow, 2014). Therefore, although corporate governance structures are necessary to make sure that a business is "being well run and in the right direction", the board is easily compromised and voidable due to the sheer complexity of the company structure (Tricker, 2009, p. 38).

Yet, wrongdoing is not only a result of circumstance or the organisational context. Research points at individual characteristics and decision-making playing a key factor in the appearance of scandalous behaviour (Zona et al, 2013). Besides the obvious factor of greed impacting fraud (Skeel, 2005), recent studies show that incentives primarily include hubris (Balleisen, 2017 cited in Van Driel, 2018), incompetency (Schell, 1990), high ambitions (Holmes, Bromiley, Devers, Holcomb & McGuire, 2011). and financial need (Woloson, 2012). Most of these factors can be applied to managers and executives whose personality and values is an important indicator for the conduction of unethical behaviour (Bragues, 2008). They can also use their charismatic leadership (Howell, & Avolio, 1992), or take action to falsify financial reports. This in order to paint a more successful image of the company then is the case which can convince stakeholders to invest more in the company (Zona et al, 2013). In turn, this creates a cycle of fraud as it grants further incentives for managers to continue using lies to gather resources and commitment from the stakeholders of the company (Zona et al, 2013).

Furthermore, as the manager is vital to the company's strategic decision-making, an unethical manager often advocates for imbalanced corporate strategies. Zona et al (2013, p. 266) define this as "the persistent implementation of strategic over-stretching toward one single goal, at the expense of firm performance and success in the long run". Overconfident and risk-taking managers may therefore prioritise short-term expansive gains over long-term balance (Zona et al, 2013), for example by focusing too much on achieving profitability while ignoring the workforce. Consequently, this leads to ineffective management as the company as a whole fails to take into account the balance of multiple goals required. (Kaplan & Norton, 1992)

Companies led by people who engage in unethical and fraudulent behaviour also reflect on the climate of the corporate culture throughout the entire organisation. (Biggerstaff, Cicero & Puckett, 2015). As such, it will eventually generate a corporate culture filled with unethical practices and groupthink among both top management and employees (Klein and House, 1995; Zimmerli, Richter & Holzinger, 2007). For example, top management can promote "profit at any cost" cultures and implement cutthroat performance evaluation methods to the point where employees feel incentivized or pressured to take part in fraud simply to reach the expected results (Elms & Nicholson, 2013).

This also leads to the risk of employees rationalising unethical behaviour as they can apply a "personal risks and awards" mentality, prioritising achieving the company's goal to prevent getting sanctioned (Killingsworth, 2012, p. 967). As this scandalous culture becomes institutionalised within the organisation while promoting a false front to the outside world, it creates a cycle of fraud which results in further immoral practices (Elms & Nicholson, 2013). Furthermore, it becomes difficult for people who disagree with the culture to speak up and question it as they get ignored, pushed out, or even threatened (Killingsworth, 2012).

**Compiling the Literature on Determinants**

After analysing our findings and comparing them to Van Driel's (2018) and Zona et al's (2013) research, we have covered most of the important determinants of fraud and scandals. It has also become apparent that the determinants are largely impacted by other actors' actions and interests such as regulators and stakeholders of the company. However, the authors barely touch upon this fact beyond the general implications their actions have on the scandalous companies' behaviour. Zona et al focus primarily on how the individual traits of managers impact for example stakeholder cohesion. However, the focus is too narrow as the broader economic and political implications that also influence fraudulent behaviour are not addressed. We question this since it has become clear that these factors do play an instrumental role in the production of scandals.

This perspective is instead provided by Van Driel as he refers a lot to how regulations and market situations affect fraud. However, although this study grants us a broad conceptual framework, it barely touches upon the interplay between these factors and how they can interact and affect each other in unpredictable ways. Moreover, he does not mention corporate culture as a determinant, although existing literature does conclude that it plays a major part as a determinant for scandals. This is problematic as neither Van Driel is able to present a framework that encaptures enough factors that play into the developments of scandals.

Overall, these studies do not explain how the dynamics between different determinants stemming from all different levels, meaning individual, organisational, and contextual, shape scandalous behaviour. As both actors claim to have written studies about what leads to fraud or corporate

scandals, we believe they contradict each other. This is because their determinants do not completely match each other and the focus of what determinants are observed varies. This is problematic since if the objective is to describe determinants for fraud and scandals, then certainly they would have come to more similar conclusions. It is difficult to understand the applicability of studies that claim to provide frameworks of what leads to fraud and scandals which, in turn, produce different results.

Furthermore, individuals' capabilities and motives which lead to fraud are addressed in the studies. However, the actors whose aim is to bring the scandalous behaviour of the company to light are not. This is troublesome as the other actors' interests and actions are, of course, equally as important as the organisation conducting fraud. Consequently, several questions remain unanswered and the authors thus fail to address this essential point of view. Going forwards, we aim to seek out literature that can provide more of an understanding of the actors that investigate and combat the company's unethical behaviour.

## *2.1.3 Bringing Scandalous Behaviour Into Light*

This section will identify how companies' scandalous behaviour is brought to light by studying specific actors playing this role. Their specific interests and what role they play in the process will also be explained. Of course, this can vary on a case-by-case basis, yet we believe the examples mentioned here provide a general overview. By doing this, it provides a clearer framework on how to approach and consider the power dynamics between the most important actors in the later chapters.

The actors that undoubtedly play the most significant part in discovering and uncovering corporate scandals are the media and journalists (Clemente, Durand & Porac, 2016; Dyck, Morse & Zingales, 2010; Ehrat, 2011; Entman, 2012). As has been previously established in 2.1.1, a requirement for a scandal to take place is for the mass public to have been enlightened, thus achieving societal awareness (Ehrat, 2011). Hence, there is no scandal without the involvement of the media (Adut, 2008; Entman, 2012). Journalists' main objectives are to discover and publish interesting stories, as such corporate wrongdoings are certainly of interest to them (McNair, 2019). They have the abilities and resources necessary to ask the tough questions, get

into contact with companies' stakeholders to gain information, and frame the news in a way that puts organisations in a negative light in the public's eyes (Maier, Jansen & von Sikorski, 2019). No doubt, this explains why they often receive anonymous tips from unknown parties as the media is being used as a medium to spread information (Henderson & Greaves, 2012).

Of course, governments and regulatory bodies are the main institutions that play a role in the identification and uncovering of scandalous behaviour. Not only due to the importance of preserving the rule of law within society but also to preserve the reputation and trust received from the public (Hail et al, 2018), They do this by implementing laws to both combat and prevent misbehaviour to occur. Along with the government, regulatory bodies, including auditors, ensure that companies' financial statements and internal controls are correct and legally produced as they have the authority to demand the information released (Francis, 2004; Hogan, Rezaee, Riley Jr & Velury, 2008) Consequently, these regulators possess the ability to investigate, bring charges and publicise information to the public if fraudulent behaviour is found (DeFond & Zhang, 2014)

Besides societal institutions like regulators and media, individual actors oftentimes are also essential to the discovery of scandals. Whistleblowers are especially common figures that are instrumental in relaying information about wrongdoing occurring within a company. (Gottschalk, 2019). Whistleblowers are internal figures from within a company, most often consisting of employees or executives with insight into the company procedures (Dasgupta & Kesharwani, 2010; Mesmer-Magnus & Viswesvaran, 2005). People resort to whistleblowing for numerous reasons, for instance, to uphold a sense of justice and combat unethical behaviour in the company or to protect themselves and their personal integrity. (Johnson, 2003; Jubb, 1999). Whistleblowing most frequently starts through internal reporting systems first, but if ignored, information is instead provided to the media or government (Jubb, 1999).

Although not an obvious impactor, short sellers can also aid in bringing a company's scandalous behaviour into light (Cole, Johan & Schweizer, 2021; Karpoff & Lou, 2010). Their main source of income is betting against the stock/share price of a company through borrowing and selling unowned shares to then rebuy them at a lower cost before returning them to the granter (Asquith,

Pathak & Ritter, 2005). As such, they have a natural motive to undermine a company's reputation (Dyck, Morse & Zingales, 2010). By identifying unethical behaviour committed by a company by investigating its financial statements, market position, and business dealings, they can use these weaknesses to compromise its performance (Karpoff & Lou, 2010). This is often done by publicising valuable information or bringing it to the media, alerting the public and other investors which potentially reduces the stock price even more (See for example Jakubeit, 2021).

Having identified the determinants for fraud and the different actors impacting corporate scandals, it is clear that the literature already suggests that there exists some underlying dynamics between the different actors. Unfortunately, this fact has, as previously mentioned, not been particularly researched in depth as we only seem to locate general frameworks and a few sentences about the interplay. Consequently, it would seem the literature is missing insightful understandings of how all the different actors, including those opposing the scandalous company, act dynamically together within the field of tension. This is troublesome as the distribution of power between the different actors affects the situation.

Discussing the determinants, the different actors, and their interests involved in creating the scandal is one thing. However, the recited literature does not explain the perspective of how these factors change over time. This is problematic as static models and theories often do not provide a complete picture of, for example, what occurs during a scandal. This raises a few interesting questions which could relate back to our research question regarding what causes the failure to expose and contain a scandal. What factors are the most impactful ones over a period of time? Are they all considered to be equally important? Do the different actors' interests and resources change and how does that affect their behaviour? A lot of context surrounding the distribution of these factors over time and their explanation is non-existent. Due to this, we now aim to find out whether there exists research that touches upon this issue.

### 2.1.4 The Scandal Process

Relating back to our research question, our study aims to identify how power imbalances lead to corporate scandals and what prevents them from erupting. We shall now address the specific timeline of what occurs before a scandal emerges. Although there is no general timeline of the

process of scandals as all of the cases are unique and different, there are common steps and behaviour which encompasses most case studies.

Clemente, Durand, and Porac (2016) state it in the sense that the pre-scandal stage consists of the discovery of the transgression occurring within the company, and the publicity of this transgression, leading to disapproval from the public and society. After that point, the scandal technically commences. The authors further remark that the duration of the pre-scandal case can vary significantly, from between a few months to several decades, depending on how successful companies are in keeping their behaviour a secret. According to them, discovery occurs at the point when actors such as whistleblowers, media, regulators, and short sellers make the behaviour known outside its secret community.

Attempts of discovery are often met by organisational responses as a way to deter criticism and protect their own reputation (Clemente, Durand, and Porac, 2016; Sims, 2009). Companies often attempt to resist by concealing their transgressions from the media and alternatively, staying quiet, or if no longer possible, attempting to deter the different actors' from going public with the information (Joshi, Anand & Henderson, 2007). In more unusual circumstances, organisations disclose misconduct proactively and transparently in order to reduce unfavourable effects, otherwise called "stealing thunder" (Arpan and Pompper 2003). Ordinarily, however, companies resort to persuasion and, in the worst case, intimidation tactics against whistleblowers and media as well as utilising litigation in legal procedures to ensure non-disclosure of information (Clemente, Durand, and Porac, 2016). To avoid backlash, Hirsch and Milner (2016) explain that the media and whistleblowers often await the right time to strike as they need enough official sources and evidence to get their point across. They state this is often essential, as going up against companies, especially big ones that are well respected and have deep contacts with government officials can be a difficult process.

Hirsch and Milner (2016) delve deeper into the pre-stages of a scandal. The two authors created the model portrayed below in Figure 3, specifically portraying the process leading up to the eruption of a scandal. They state that the main tipping point lies in between the scenarios of "outsider awareness", where some knowledge about the scandalous behaviour exists outside the

company, and "public knowledge", where the behaviour becomes public knowledge. It is the final piece of information or circumstance of which the media can use as an official source to truly have what it takes to publish and begin the scandal.
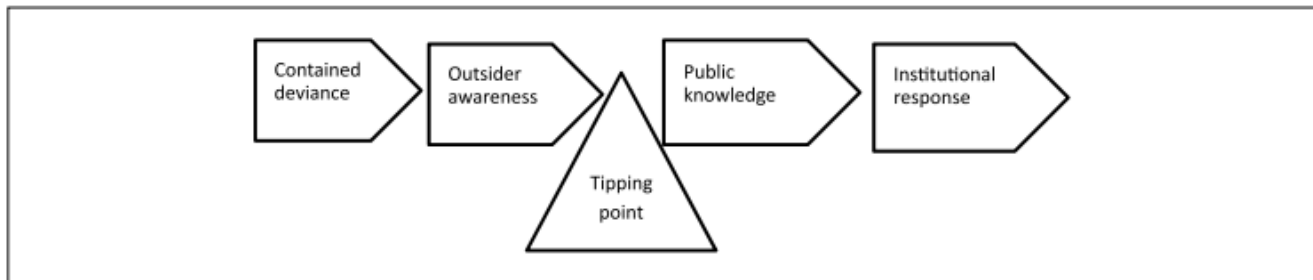


*Figure 3: "Stages en route to scandal" (Hirsch & Milner, 2016, p. 448).*

This model presents a framework that sufficiently helps us understand what the process leading up to a scandal entails. In spite of this, it is missing fundamental knowledge about the finer details of events that could implicate whether a scandal goes past the tipping point or deters backward from it. The model does not paint a clear picture of situations where there is an attempt to bring a scandal into the public light but it fails and therefore remains in the outsider awareness stage. This is troublesome as naturally if a company resists and takes countermeasures to assure that the scandalous behaviour does not get leaked, this could affect the staging process of the scandal. Some interesting questions naturally result from this. How does that even happen? What power dynamics led to the radical change? Were the other actors simply coerced or manipulated into accepting the company's scandalous behaviour?

### *2.1.5 Summarising the Literature on Corporate Scandals and exploring the gap*

As is showcased by our literature review, the existing research on corporate scandals focuses on explaining the determinants, actors, and stages that produce and impact scandals. External determinants that lead to fraud and potential scandals include the market situation and regulation while internal determinants relate more to corporate culture, individual characteristics, and issues surrounding corporate governance. The primary actors involved in a scandal case vary but usually involve the company management and their employees, regulators, media, investors, and other stakeholders. These actors have different interests and resources which impact whether they decide to combat the scandal or in ways that allow it to occur. Finally, the pre-scandal stage

involves four steps; Contained deviance, Outsider awareness, Public Knowledge, and Institutional response. Between the stages of Outsider awareness and Public knowledge lies the tipping point which is the final point of no return when it comes to the eruption of the scandal.

Although the literature on corporate scandals is well-researched and detailed, we have concluded that both our main topics, corporate scandals, and power, have barely been studied together. Furthermore, other researchers agree that most literature in the field has focused mostly on micro perspectives (Palmer, Smith-Crowe & Greenwood, 2016) and that most models and theories are quite static in nature (Zona et al, 2013; Zyglidopoulos, Hirsch, Martin de Holan, & Phillips 2017). This means that they fail to take into account the context of how the dynamics occurring within a scandal develop over time and why scandalous behaviour can even be accepted for a time. After reviewing our literature review, we have thus identified several holes in the current research.

Does there, however, truly exist a research gap in the literature that, if addressed by our study, would add anything relevant to the current literature? As we have shown several examples in the different sections of the literature review, approaching factors such as determinants for fraud, the different actors' dynamics, and the pre-scandal stage process from a perspective of power is an area of interest. Not only can understanding power dynamics between several different actors provide a further understanding of why scandalous behaviour is committed but it can also shed light on how the dynamics change over time. The fact that the literature is missing this perspective is problematic as power in our mind is an important context that can be used to understand the production of a scandal.

As an example, governments play a substantial role in exposing companies that commit fraud, yet companies can use their power against politicians to influence and bribe them to accept the unethical behaviour occurring in companies. The initial confinement may occur for as long as the interest in doing so remains, but the closer one approaches the tipping point, the interest may change, and so will the actions taken. Then, thanks to the power possessed by politicians then switching interests, the power dynamics change radically. Therefore, without understanding the

impact power can have on the dynamics of the different actors, it is difficult to provide detailed frameworks on determinants of scandals due to the dynamics changing over time.

Power, therefore, adds a new dimension to understanding what occurs during the pre-scandal stage of corporate scandals. Powerful companies may be able to use their resources to resist the scandal from occurring or resort to intimidation or persuasion tactics to influence the media and whistleblowers. By delving further into specific scandals, applying the lens of power could provide a deeper comprehension of how scandals can be resisted and how the way the dynamics change between the actors over time impacts the behaviour of the scandalous company. As a result, this may lead to new understandings of how to identify and address power imbalances between the different actors which can be taken into account when studying future scandals.

Current data thus clearly indicates that there exists a research gap when observing corporate scandals from a more holistic perspective while applying theories of power. As we have proven that there is enough interest to research this, our research aims to bridge that gap. But what exactly does power entail to us? What specifically is it we will be observing and what are the theoretical perspectives we will apply? We will delve deeper into this now.

# 3. Theoretical Framework and Approaches

## 3.1 Contextualising Power

There are multiple authors, scholars, and philosophers within and outside of management studies, whose various notions of power have made a significant impact on the field of business, organisational and management studies. Examples of such thinkers are but are not limited to, Peter Drucker, Jeffrey Pfeffer, Michel Foucault, Peter Fleming, and André Spicer. Their works have focused on varying aspects of power and its effects within organisations. For instance, how power is a mode of action, which can be possessed and transferred (Dreyfus & Rabinow, 2014), but also how power is reproduced through discourse and that this discourse affects how power is distributed within an organisation. They also discuss how people view diversity within an organisation and how it imposes identities on subjects in a working relationship (Dreyfus & Rabinow, 2014; Townley, 1993; Barratt, 2002).

Others, such as Drucker, have explored the idea of power and ethics and ask to what extent [does a manager's] responsibility to the organisation permit him, or perhaps even compel him, to resort to privately unethical behaviour for the good of his organisation? (Drucker, 1973, p. 219). This particular view on power and ethics in management studies has been critiqued as it implies that businesses have a special ethical status and are, therefore, exempt from ordinary moral rules (Hoffman & Moore, 1982, p.293). Alternatively, a common approach to looking at power in management is by looking at how managers can leverage their power and draw on their resources to manage their teams better (Pfeffer, 1992). This approach is highly interesting in organisational politics. Therefore, it can be seen that there are various ways of looking at power within the frame of management studies.

While these approaches are important for the contextualisation of the different views of power within this field, this thesis will be utilising the framework by Fleming and Spicer (2014), the Four Faces of Power, as its driving theoretical tools. These frameworks will be further explained in Section 3.2.

## 3.2 The Four Faces of Power

This research draws from the theoretical framework, the Four Faces of Power, outlined by Fleming and Spicer in their article called *Power in Managements and Organisation Science* (2014). This article takes a closer look at the concept of power by different scholars and applies them to management studies. In analysing various scholars' definitions of power in managerial contexts and categorising them, Fleming and Spicer conceptualise the numerous ways in which organisational power can function (Fleming & Spicer, 2014, p. 238). Using their framework thus supplies us with theoretical tools to analyse different types of power dynamics that take place between the internal and external actors involved in corporate scandals. While it may seem that the Four Faces of Power's application is restricted to actors within an organisation, Fleming and Spicer specify that it can also be applied to external actors, as shown in their framework, Four Sites of Power (2014). However, since we are not using the Four Sites of Power, we believe it is important to clarify this nuance. In applying the Four Faces of Power to our findings, we will be able to answer our research question and the purpose of understanding power dynamics operate among actors and implicate the failure to expose and contain corporate scandals.

| Focus | Faces of power | Description | Theoretical roots | Core mechanisms | Representative studies |
|---|---|---|---|---|---|
| Episodic | Coercion | Direct mobilization of power | Dahl (1957) | Formal position | Weber (1947) |
| | | | | Personality | House (1968) |
| | | | | Ability to reduce uncertainty | Crozier (1964) |
| | | | | Possession of valuable resources | Pfeffer and Salanick (1974) |
| | Manipulation | Attempts to ensure action and discussion occurs within accepted boundaries | Bachrach and Baratz (1963) | Manipulation of rules | Salznick (1949) |
| | | | | Shaping anticipated results | Gouldner (1970) |
| | | | | Network positioning | Burt (1995) |
| | | | | Mobilization of bias | Alexander (1979) |
| Systemic | Domination | Attempts to make relations of power appear inevitable and natural | Lukes (1974) | Articulating ideology | Alvesson (1987) |
| | | | | Manufacturing consent | Burawoy (1979) |
| | | | | Conformity with institutions | Fligstein (1987) |
| | Subjectification | Attempts to shape sense of self, experiences, and emotions | Foucault (1977) | Disciplinary regimes | Townley (1993) |
| | | | | Construction of identities | Du Gay (1996) |
| | | | | Articulation of discourse | Maguire, Lawrence, and Hardy (2004) |
| | | | | Governmentality | Holmqvist and Maravalias (2011) |

*Figure 4: "Four Faces of Power" (Fleming & Spicer, 2014, p. 241).*

Figure 4 summarises the Four Faces of Power based on the type of power, a short description of it, who coined the term, and the mechanisms of the specific kind of power (Fleming & Spicer, 2014, p.241). The Four Faces of Power can be divided into the dimensions of coercion, manipulation, domination, and subjectification (Fleming & Spicer, 2014). The perspectives on the different types of power provided by the Four Faces are of value as the documentaries of Wirecard and Theranos display various instances of coercion, manipulation, domination, and subjectification that fit the aforementioned definition. Therefore, it will be a useful perspective and theoretical tool when it comes to analysing those actions.

**Coercion**

By Fleming and Spicer's definition, this is the "type of power involves someone getting another person to do something that he or she would have not otherwise done. They are simply told what to do 'or else'" (Fleming & Spicer, 2014, p. 242). The authors ask, what gives people the ability to force another person within an organisation into doing something they would not normally do? (Fleming & Spicer, 2014, p. 242). They identify a range of powers where an actor employs political manoeuvring (French & Raven in Fleming & Spicer, 2014). These include the natural ability to engage in organisational politics, drawing on political power based on the official position they hold, and their possession of resources that the organisation considers valuable (Mechanic in Fleming & Spicer, 2014). These factors determine how an actor is about to coerce another into doing something they normally would not do.

**Manipulation**

Manipulation can be described as agenda setting where "there is no direct exercise of coercion here. Instead, there is an implicit shaping of issues considered important or relevant" (Fleming & Spicer, 2014, p. 242). When it comes to setting agendas, the construction and manipulation of rules is an important process (Fleming & Spicer, 2014, p. 242). Further research into this highlights that political and power dynamics shape these rules and manipulate practices so they fit within predefined parameters (Fleming & Spicer, 2014, p. 242). Another technique of agenda-setting in corporations is by shaping the anticipated outcomes of various behaviours (Fleming & Spicer, 2014). This includes the manipulation of employees'/actors' perceptions about the future expressions of power. Fleming and Spicer here provide an example of factory

workers who are often given a sense of powerlessness and therefore, have lower expectations when it comes to their political actions (2014). Here, agendas are set via the mobilisation of bias which occurs when assumptions are systematically conveyed into decision-making, marginalising some actors while empowering others (Fleming & Spicer, 2014). This echoes Foucault's idea of power and discourse, where power is reproduced through discourse, empowering certain individuals while repressing others (Foucault, 1990).

**Domination**

This dimension "shapes our very preferences, attitudes, and political outlook" (Fleming & Spicer in Fleming & Spicer, 2014). This definition talks about an organisational ideology that can be cultivated through corporate cultures, field-wide assumptions (similar to agenda setting from the previous), or societal-wide assumptions (Fleming & Spicer, 2014). Related to this is how corporations function as institutional domains in the way they make certain assumptions legitimate, standard, and more prudent. It concerns how institutions can act as political forces to shore up existing collective rules and force actors to adopt certain practices because those practices are deemed more normative (Fleming & Spicer, 2014). This, too, echoes Foucault's perspective on institutions being political bodies that make certain practices, ideologies, and perspectives normative (Foucault, 1990).

**Subjectification**

Subjectification is a type of influence that seeks to determine an actor's very sense of self, including their emotions and identity (Fleming & Spicer, 2014, p.244). While domination shapes what is considered worthy of political effort, subjectification is about what the person is: their lived sense of identity (Fleming & Spicer, 2014, p.244). While domination makes a social order normative, subjectification normalises the way of being in that social order. Here, the focal point is how actors become subjects of power through a series of micro-practices that occurs in daily life (Foucault in Fleming & Spicer, 2014, p.245).

There are various ways in which subjectification can occur within the modern workplace. Teams and surveillance can promote self-monitoring, which results in the employees self-regulating themselves as though their supervisor was always around; a practice known as "self-governing"

(Foucault, 1990, Foucault in Fleming & Spicer, 2014). Here, Fleming and Spicer also highlight the concept of Foucault's discourse (2014). Discourse constructs and furthers the idea of what is normal and correct, and can produce power by constructing employees' social realities and guiding their behaviours in a certain direction (Fleming & Spicer, 2014). These discourses have the power to achieve political agendas through processes of self-management, self-reflection, and self-governance (Fleming & Spicer, 2014, p.245).

# 4. Methodology

## 4.1 Research Design and Data Collection

This thesis follows an interpretative research design, wherein the corporate scandal documentaries can be viewed as observatory case studies for it. Interpretative research design is about meaning-making (Schwartz–Shea & Yanow in Al, 2013). Its purpose is to interpret how specific actors in particular times and locales make sense and behave within their contexts (Schwartz–Shea & Yanow in Al, 2013, p. 10-11). As such, we want to explore the (inter)actions of the various powerful or powerless actors at play within the context of corporate scandals, and how their power impacts why the scandal is dragged out. To do this, we will study the scandals as displayed within the documentary, *Skandal! Bringing Down Wirecard* and *The Inventor: Out For Blood In Silicon Valley.* As sense-making is always contextual, a concern with 'contextuality' motivates our interpretative research practice design in how we will gather and interpret our data (Schwartz–Shea & Yanow in Al, 2013, p. 10-11). Therefore, when gathering and interpreting our data, we will ensure to contextualise each factor to the situation it is in.

The target sample of this research is the actors involved in Theranos and Wirecard corporate scandals. As it is difficult to get access to parties involved in these, considering they are either now bankrupt and/or facing lawsuits, we have selected documentaries as our main data source. Additionally, the reason we have opted for documentaries as our primary data sources is due to these documentaries having an arguably holistic recount of the unethical and scandalous events occurring, all organised within one piece of media.

This paper has an interpretive approach in its research design and a semi-inductive methodology (qualitative coding). Our inductive methodology allows patterns and findings to emerge from the raw data itself, rather than imposing preconceived ideas of what the results will be beforehand (Thomas, 2006). In an inductive manner, we would like the theory to emerge from the data and coding process, rather than finding data to support our presumptive theory. However, to guide and organise our coding process, we do establish three approaches (further explained in 4.1.1), making it more semi-inductive. In that sense, while we know that power is everywhere as Foucault (1990) says, we do not assume what kind of power dynamics, actions, or resources we

will see. We will examine only what versions of power (interests, resources, and failures) we yield once we have finished our qualitative coding.

Figure 5, below, provides a step-by-step of how our research will be conducted.

## Research Design: Step by Step Outline

**Step 1**
Watch documentaries

**Step 2**
Gather transcripts; rewatch documentaries to check whether transcripts align

**Step 3**
Code the transcripts individually based on the foundational statements (see Section 4.1.1)

**Step 4**
Create a timeline of events within scandal, incorporating findings from the codings

**Step 5**
Analyse the timeline by applying Four Faces of Power (Fleming & Spicer, 2014)

*Figure 5: Own illustration on Step-by-step outline of research design*

As displayed in Step 1, we first watched the documentaries; *Bringing Down Wirecard,* and *The Inventor: Out For Blood In Silicon Valley* online. The first documentary explores Wirecard whilst the latter explores Theranos. The documentaries themselves are located on Netflix and HBO. In Step 2, we discovered the transcripts of the documentaries online. The transcripts were acquired online via the websites: Springfield! Springfield! (n.d) and TV Show Transcripts (2022). For accuracy purposes, we rewatched the documentaries with the transcript in hand and rewrote and fixed visible issues with the text to ensure all the dialogue was correct.

These transcripts are the main source of data where descriptive coding will be conducted upon. This process will be further discussed within Section 4.1.1 as well.

### *4.1.1 Methodology: Qualitative Coding*

This subsection dives into Steps 3 and 4, outlined in Figure 5.

The methodology we will use for data collection is qualitative coding, specifically descriptive coding, and will be done via the software Nvivo. Coding can be understood as a method of assigning a word and/or short phrase that dictates an essence or meaning to data (Saldaña, 2013). Descriptive coding is an approach to qualitative coding, which includes summarising data using a singular word, most often a noun, that captures the general message of the data (Saldaña, 2013). The data can come in the forms of field notes, journals, transcripts, documents, et cetera. Descriptive coding is useful within this study as it allows a foundation for qualitative inquiry, and its main objective is to help the coder understand what they saw and heard (Wolcott in Saldaña, 2013). Additionally, the reason we opt for descriptive coding as our main method is that by identifying several themes and interpreting them, we can get a more accurate understanding of the power landscape among the different actors involved. Through this methodology, we hope to identify a timeline of events where the corporate scandals in Theranos and Wirecard are shaped by the different uses of powers that the actors possess and act upon.

A challenge we faced here was in deciding whether both parties of researchers should code both transcripts or divide them between us. Upon discussion, we decided to assign one documentary to each of us. This meant that we would be in charge of our own documentary and coding it in-depth, but still generally code the other documentary in case the other missed out on something. In doing so, we were able to combine both our findings and triangulate the codes with each other.

Our semi-inductive approach is showcased in the descriptive coding process as we did not tackle it with predefined codes in mind. Rather, we decided we would both code the transcripts individually and afterward compare our findings with each other. In doing so, we hope to have a more well-rounded body of results for analysis. As we code individually, we decide to frame our codes by dividing them into internal actors (Theranos and Wirecard employees, management team, investors) and external actors (media, regulators, consultants), to have a more holistic

approach that looks across multiple players. For each kind of actor, we will code based on three approaches:

1. Actions that display the interests of different actors.
   a. Different actors have different interests or personal motives, that influence the decisions they make, and the actions they take These interests can be political, financial, career-focused, personal, or social (Fleming & Spicer, 2014). In coding through the lens of identifying interests, we can get a better understanding of power and how it can be shaped by the contrasting interests of various actors involved in the scandals.

2. Actions that display actors using resources.
   a. A resource is something that gives you power that others do not have (Perrow in Fleming & Spicer, 2014, 238). Resources can be used to achieve objects and/or influence people. This approach is useful within this research as we view hierarchy, organisational position, reputation, social standing, money, and connections as resources. In using the approach of resources, we can identify and analyse when actors are using resources to achieve goals in their own interests and/or retain their power. Different actors have different resources, and we assume that more powerful actors have more resources. Thus, coding for resources will also aid us in understanding the power dynamics among actors.

3. Observe whenever a failure happens.
   a. Failures can include but are not limited to, whenever someone is denied access to something/someone when an actor is unable to expose a truth, when actors are unable to hide the truth, when actors are unable to convince the media, public, etc. of a narrative.
   b. In looking for these failures, we can observe a pattern of powerful forces at play in sustaining unethical behaviour and how other actors try to uncover these unethical behaviours.

Additionally, by coding and categorising the transcripts through the aforementioned approaches, we aim to identify the timeline in which the scandals occur (outlined in Step 4 of Figure 5). Within the timeline, we will select two to three episodes, which display prominent events which

shape the outcome of the corporate scandals. In making the timeline, we will demonstrate an understanding of the entire scandal that occurs between Theranos and Wirecard. Thereafter, we will dive deeper into the key episodes to respond to our research question of how the actors' uses of the Four Faces of Power (Fleming & Spicer, 2014) contributed to the scandals and its failure to come to light.

Lastly, like many interpretational methodologies, coding is clearly a subjective procedure (Sekaran & Bougie, 2016). Thus, we must triangulate our arguments using different sources of data to eliminate bias. This will be done by using magazines, newspaper articles, other academic case studies, and interviews on the cases of Wirecard and Theranos. Triangulating our findings might also be useful when we disagree on a code as it might provide us a point of reference on which code to move forward with.

### 4.1.2 Quality of Qualitative Research

Many researchers face the problem of objectivity, as positivism would dictate that is the only way to ensure reliability (Wolcott, 1994). Yet, when it comes to interpretative research, there are other ways of verifying the work. One of these ways is known as assessing the quality of the research (Wolcott, 1994).

According to Wolcott, there are various ways to assess and ensure quality within interpretative research. Some of these are but are not limited to, ensuring a clear research design, ensuring the validity of data collection, and maintaining reflexivity (Wolcott, 1994). A clear research design outlines an appropriate data collection method and identifies an appropriate sample population where valid data can be sourced (Wolcott, 1994). In line with the appropriate data collection methods, the validity of the data collection should encapsulate steps to guarantee that the data collection steps are valid in capturing the phenomenon we are studying (Wolcott, 1994). Finally, researchers are required to critically reflect on their positionality, biases, perspectives, and assumptions throughout the research process. This can be done in various ways such as through debriefings and ongoing discussions about their interpretations of the data (Wolcott, 1994).

In that vein, this research has included a thorough research design within Section 4.1, displayed an outline of the data collection source and method through Figure 5, and added a section on our biases and limitations within Section 4.4.

It is imperative we mention that this research does not strive for generalisability. As it is an interpretative research on scandal cases, the study is embedded within the context of the company, and its actors. Additionally, the act of interpretation is very subjective and biassed, which we will further discuss in Section 4.4. Therefore, given that this study is interpretative, it is difficult to generalise its findings and apply them to other companies' scandals.

## 4.2 Data Analysis

This research uses an interpretive content analysis of its data findings to draw meaningful answers to our research question. Interpretive content analysis can be understood as a process by which one makes "inferences about sources and receivers of communication from evidence in the messages they exchange" (Osgood in Drisko & Maschi, 2015, p. 3). It is a technique that uses a blend of manifest and latent content analysis (Lasswell in Ahuvia, 2001) for identifying certain characteristics of messages. Manifest content analysis seeks to find the explicit meanings from contents, whereas latent content analysis analyses the meaning which is not overtly expressed within the content but is rather, implicit and needs to be drawn upon through interpretation (Drisko & Maschi, 2015, p.4). Both methods approach the same content from different yet interpretive angles, however, both come together to provide the researcher with a holistic overview of the content.

In that vein, we will conduct an interpretative content analysis of the key episodes selected from the scandals' timelines (which will result from the coding processes). These milestones will display dimensions of power among the internal and external actors, and how the actors tried to contain and/or expose the scandals. This will be analysed through the frameworks provided by Fleming and Spicer (2014) to answer our research question. In doing so, we can see the explicit and implicit ways in which power dynamics are interrelated within the Wirecard and Theranos scandals. It will also show us how various actors act upon their personal agendas and draw on various resources to secure their interests and exert power over others.

## 4.3 Ethical Considerations

As our study will not involve any participants, the ethical implications of the research we are conducting are limited. We are dealing with issues that have greatly impacted people's work, life, money, and arguably, society as a whole due to the consequences of scandals. Even so, the scandals we look into have already garnered substantial media attention, and studies have already been conducted on them. Moreover, several years have passed since the scandals arose. Consequently, we do not consider the need for reflection on confidentiality, welfare, or privacy strictly necessary. Despite this, as master's students studying at a well-esteemed university, we still feel responsible for providing sources and information that are reputable and credible. Considering the implications these scandals had for people, it is still of great importance for us not to take our study for granted and give it the research time and thought it requires. By getting feedback on the ethical implications from both our supervisor and other fellow students, we aim to proceed with the caution required.

## 4.4 Limitations and Reflexivity

Our foundation as well as the use of methodology, data collection, and analysis approach is, according to us, efficient and well within academic boundaries. There are, despite this, flaws and potential shortcoming of conducting this study that needs to be addressed. Although using documentaries as a way of gathering data is unusual, it has been done before. For example, in the edited book Interacting and Organizing by Cooren (ed. 2007), documentaries are utilised as data to research organisational communications occurring within management meetings. On one hand, the authors Wieder, Mau, & Nicholas (2007) argue that documentaries cannot be considered to be data due to several reasons which we will explore in the upcoming subchapters. On the other hand, Sanders (2007) states that documentaries can be used as valuable data if they can aid in answering a specific research question of the study and if the data gathered cannot be contradicted by separate information that the documentaries do not include. With this in mind, we will proceed to address some of the issues with using documentaries as data.

### *4.4.1 Bias and Misinterpretation*

Using documentaries as a primary source of data may lead to difficulties relating to bias both when considering the production of the documentary and ourselves. Regarding documentaries, they are often made with clear political or cultural agendas in mind (Nisbet & Aufderheide, 2009; Smith & Rock, 2014). This may entail including points of view and perspectives which are skewed based on the interests and opinions of the creators behind the documentary (Baker & Gentry, 2007). In the case of documentaries on corporate scandals, exposing company misconduct and fraud is an obvious intention for why they were made in the first place. This could lead to the media company behind producing the documentary only including certain types of information and discarding narratives considered to be uninteresting or going against this agenda (Clemente, Durand & Porac, 2016). Furthermore, the interviewees that openly participate in these documentaries by providing information might represent themselves and the organisation in a particular way. This can be shown by participants withholding information (Graham, Grewal & Lewis, 2007), or altering it to protect themselves or others from legal action or getting their reputation tarnished (Bergen & Labonté, 2020; José Patrício Bispo, 2022). This, however, is a potential risk that can occur in qualitative interviews generally.

As mentioned, our own potential biases also possess a problem as our interpretations of the data garnered from watching the documentaries can vary a lot. Our interpretations may affect the coding process in the way that confirmation bias occurs due to our established beliefs, values, and previous experiences (Hammond, Keeney & Raiffa, 1998; Schumm, 2021). Moreover, due to our semi-inductive approach to the coding process, we need to establish a clear purpose and prioritise what content to analyse as we run the risk of facing large amounts of scattered data without direction.

It does not come as a surprise to us that documentaries are often constructed with different agendas in mind and that they, at times, do not portray reality as much as one initially can believe (Eitzen, 1995; Smith & Rock, 2014). Consequently, we made sure to choose and work with documentaries deriving from corporate scandals we already have insight into thanks to our studies. Moreover, these documentaries have been provided with good reviews and have avoided any type of significant controversy (Leigh, 2022; Rotten Tomatoes n.d) As mentioned previously

we are also making sure to triangulate the data garnered from the documentaries with other sources to provide a better picture of the scandal.

Overall, as qualitative coding and interpretive content analysis can be considered to be very subjective, we must reflect on our approach to the process to combat potential biases and misinterpretations. During the course of our master's programme, the importance of us as future managers having a reflective mindset has been one of the key lessons taught to us (Gosling & Mintzberg, 2003; Mintzberg, 2011). As such, we believe it is important to reflect on the fact that we will have different interpretations of the documentaries, the codes we make, and how we interpret the code. This derives from the fact that we both have different backgrounds, life experiences, and personalities (Calvard, 2020). As such, it is only natural that we have different interpretations of the same data. Nonetheless, we believe that having different positionalities and opinions is advantageous as it diversifies our understanding of the subject as we can challenge each other's viewpoint to produce a better final work. (Hunt, Layton & Prince, 2015).

### 4.4.2 Limited scope

Although documentaries, in contrast to movies, are created with more educational and reality-based intent, there are still elements of entertainment included in them as producers have to make it attention-grabbing to watch for viewers (Cabeza San Deogracias & Mateos-Pérez, 2013). This often results in, for instance, the addition of dramatic music cues, dramatic cuts, and the use of juxtaposition (Lipson & Baqué, 2019). One example of where this occurs is science tv, as documentaries have shifted to being seen as "factual entertainment" rather than purely educational content (Campbell, 2016). Moreover, because of the amount of editing that occurs when documentaries are filmed (Juel, 2006), it may affect our study as we do not get access to the entire picture of how the power dynamics played out during the different scandals. Our access could, for example, possibly be limited by the fact the producers may cut some information and valuable scenes from the movies due to possible time constraints or other reasons.

Using documentaries as our primary data can therefore be questioned as we might not even get a complete understanding of the cases. However, as we are fully intent on conducting a study

about corporate scandals and have a little more than a month to do so, we saw this as the best methodological approach. Not only is the data itself easily accessible, but considering our holistic approach to the study, attempting to conduct interviews with all the actors involved in the specific scandals that emerged years ago is both inefficient and difficult. With our time frame, we cannot know everything about everyone involved. Instead, we need to gain an overview of all the different actors involved and understand how their power dynamics in a scandal case can be played out generally.

Overall, in alignment with Sander's (2007) beliefs, we believe our documentaries provide enough material and realistic data to be sufficient for our research as they can be used for answering our specific research question. Furthermore, by triangulating with all information and studies already available, we will not have a problem with identifying wrong or substantial missing information.

# 5. The Corporate Scandals

## 5.1 Theranos

### 5.1.1 Scandal Description

In 2004, Theranos was created by Elizabeth Holmes, a young woman who dropped out of Stanford University at 19, to revolutionise the American healthcare industry(Gibney, 2019; O'Brien, 2022). The company claimed to have acquired a solution that only required patients to provide a few drops of blood to identify markers for disorders like cancer, diabetes and cholesterol. The device called Edison was presented as a quicker, cheaper and more accurate method to use for blood testing (Gibney, 2019; O'Brien, 2022). This idea was met with open arms from the (American) public, investors and even influential politicians. In reality, Theranos' Edison was unable to provide the functionality it promised. It was later known that Theranos was using commercially available equipment and blocking test results just to keep the company afloat (Gibney, 2019; Smith, 2023). Once Wall Street Journal's article came out exposing this, Theranos snowballed into lawsuits and eventual bankruptcy in 2018 (Gibney, 2019; O'Brien, 2022).

### 5.1.2 Scandal Overview: The Timeline

Based on our results derived from coding *Inventor: Out For Blood in Silicon Valley* (Gibney, 2019) along with triangulating our results with other newspaper articles (O'Brien, 2022; The newspaper TheWeek, 4 January 2022), we constructed a timeline for the events that occurred within Theranos until its downfall in 2018. This timeline, resulting from our coding process, summarises what occurs in the events leading to the scandals, the actors' actions, the interests and resources they reflected, and the failures they faced. A table displaying the overall interests, resources, failures and actions of the Theranos actors can be viewed in Appendix 1 and 2. The timeline can be summarised in the following episodes, and Figure 6 shows a more in depth summary of the episodes:

- Episode 1: Theranos' foundation is built (2004-2010)
- Episode 2: Theranos goes public, but turmoil begins internally (2011-2014)
- Episode 3: Downfall of Theranos (2014-2018)

| 2004 - 2010 | 2011 - 2014 | 2014-2018 |
| --- | --- | --- |
| • Elizabeth Holmes gets idea for Theranos (Nanotainer and the Edison)<br>• Drops out of Stanford<br>• Builds a socially and politically influential network | • George Shultz joins Theranos<br>• Holmes has built a strong reputation as a woman in tech<br>• Walgreens partnership is signed<br>• Internally, employees feedbacks are ignored, the machines don't work, surveillance increases and Gibbons commits suicide | • Employees leave Theranos and whistleblow; Theranos lawyers get involved<br>• Wall Street Journal publishes article tipped off by whistleblowers<br>• Holmes/Theranos tries to deny allegations but more articles come out<br>• Holmes and Balwani are charged; Theranos shuts down |

*Figure 6: Own illustration of the Theranos timeline*

The main specific and general actors we identified during these episodes are:

- Internal actors:
    - Theranos management, including Elizabeth Holmes
    - Theranos employees, including employees
    - Lawyers hired by Theranos
- External actors:
    - Whistleblowers (who were employees first, but left the company)
    - External partner companies
    - Media platforms
    - Investors

Within this paper, we have elected to focus on Episode 2 and Episode 3. This selection is due to the fact that Episode 2 and 3 show the power dynamics and imbalances among various internal and external stakeholders involved within the Theranos scandal. Additionally, Episode 2 shows various instances of Holmes and the Theranos management team drawing on dominant ideologies to establish hierarchy and basis for manipulation and coercion upon internal and external actors. Whereas Episode 3 shows the consequences of the aforementioned actions, and a retaliation from the other actors when they begin to challenge the way in which Holmes and the

Theranos management team took advantage of the dominant ideology. We believe that in focusing on these episodes, our research question of how Fleming and Spicer's different powers are reflected in the making of the scandal, and how these powers implicate the failure to expose the scandals, can be answered successfully.

## 5.1.3 Interpretation of data using Four Faces of Power

**Episode 2: Theranos goes public, but turmoil begins internally (2011-2014)**

A large factor that contributed to Theranos, especially Holmes' success, was the domination that was occurring within American society during the time of Theranos' uprising. Domination can be understood as when actors influence others through the construction of ideological values that become hegemonic (Fleming & Spicer, 2014, p.243). As the field of bio-medicine and technology was, as largely still is today, a male-dominated field, the public was excited to see a young woman take up space to revolutionise the industry. Therefore, our interpretation indicates that whilst Holmes did not construct a dominant ideology of promoting women in medicine and technology herself, she definitely benefited and utilised it to her advantage. This can be seen her interviews where she talks about being an iron lady in technology (Holmes in Josh "Bones" Murphy, 2016, 01:03), and in how the public and her employees called her an inspiration to young, ambitious women who want to become scientists (Josh "Bones" Murphy, 2016, 00:19). This domination not only helped Holmes in gaining public support for Theranos but also in enabling her and her management team to comfortably utilise coercion, manipulation and subjectification upon internal and external actors to meet their own personal interests.

This dominant rhetoric and ideology that propelled Theranos not only inspired the public and Theranos employees, but also aided in subjectifying actors. While it is unclear as to how she gained access to him, it is known that Holmes skillfully persuaded and wooed George Shultz (the former American secretary of state) into investing in Theranos and joining her board of directors. It is said that Shultz was in love with Holmes and thought that she was a brilliant woman who was going to change the healthcare industry (Smith, 2023). Therefore, though he did not care much for the product itself, he invested millions into Theranos because he believed in her (Smith, 2023). We argue that here, domination goes hand in hand with subjectification. While domination shapes what is considered worthy of political attention, Subjectification goes deeper,

constituting what the person is: their lived sense of identity and selfhood (Fleming & Spicer, 2014, p. 244).

This is precisely what we see here because Shultz presumably first paid attention to Holmes due to the dominant ideology surrounding her. However, what got Shultz to invest and 'fall in love with her' was her subjectified influence over him that came through her convincing storytelling skills, charisma and charm (Gibney, 2019). While one can argue that Holmes manipulated George Shultz into believing her, we argue that she went beyond manipulation and impacted Shultz's sense of rationality. His grandson, Tyler Shultz who worked for Theranos, said that Shultz had "completely lost his mental edge" when it came to Holmes, making him devoted to her (T. Shultz in Smith, 2023). George Shultz's faith and self-assurance in her went so deep that even when his own grandson told him about the deception, lies and surveillance going on within internally, he sided with Holmes over him.

Additionally, Holmes' domination also enabled her and the Theranos management team to manipulate internal and external partners without being questioned. We interpret her dominance as helpful in this situation because her being a young, well known and liked woman in the biomedicine and technology field supported by the likes of George Shultz theoretically meant that she could do nothing wrong. This made it easy for her and Theranos to manipulate investors and partner companies. When Theranos opened their doors to the public in 2012 to bring in more investors and partnerships with external companies, it resulted in a partnership with Walgreens. Theranos exaggerated and lied, thereby manipulating Walgreens, about the Edison's capabilities, but interestingly, Walgreens never checked on Edison's aptitude themselves (Gibney, 2019). In lacking transparency and lying to fit a product to fit within a certain parameter, we see Theranos' actions as what Fleming and Spicer (2014) would call manipulation. It cannot, for instance, be seen as coercion as Theranos seniors did not use direct force upon Walgreens to partner with them. Theranos' ability to manipulate Walgreens so easily signifies that they held significant power and credibility, which also echoes the dominance ideology that supports her, within the biomedical industry.

While the Walgreens partnership opened many doors for Theranos externally, things were heading south internally within Theranos, as the top management started displaying coercion (Fleming & Spicer, 2014). With the Walgreens partnerships, Theranos' products began to test real patients, making Theranos employees nervous as they knew that the Edison did not function well. This can be understood when one of the employees says, "I couldn't feel comfortable with running these tests on patients because, at the end of the day, I wouldn't run them on myself." (Cheung in Gibney, 2019, 01:18:02). However, their concerns were brushed aside by the Theranos management team. Disregarding concerns and criticism was becoming common within Theranos. Moreover, to produce test results, Theranos began to sabotage blood samples and use commercially available machines from Siemens (Gibney, 2019).

This practice of disregarding feedback and putting up a dishonest facade by using external technology can be understood as the management drawing on coercion. According to Fleming and Spicer, coercion is the direct use of power to force someone to do something (2014). In this case, when the Theranos management team disregards their employees' feedback and protests, they are forcing them to go along with their deceptive scheme of fooling Walgreens and their patients. Here, the employees are in a submissive, and therefore powerless, position and are unable to push further in their protests as their managers have the resource of positionality and hierarchy over them.

One of the employees who especially tried to question the unethical and dominant practices at Theranos was Ian Gibbons, and due to this, he also faced coercion. Gibbons, a blood scientist at Theranos, was one of the few employees who consistently feedbacked the management team and told them how the Edison was not progressing in the right direction due to all the cut corners (Gibney, 2019). Yet, Gibbons stayed with Theranos because he believed that the idea was revolutionary, and perhaps, because he needed job security. In 2013, Theranos forced Gibbons not to testify in a Theranos patent lawsuit, which put Gibbons in a depression as he was torn between doing what was correct and keeping his job. Unable to cope with this pressure, Gibbons committed suicide in 2013 (Gibney, 2019). By forcing him into a decision he could not make, we argue that the Theranos management coerced Gibbons.

As previously said, coercion can be understood as exercising hierarchical power, and forcing a subordinate to do something they would not do out of free will. The definition reflects how the management team was towards Gibbons (Fleming & Spicer, 2014). Unable to go against his ethics, he committed suicide, something he would not have done either had he not been coerced by his superiors. Therefore, we can be certain that Theranos utilised explicit force against Gibbons, and not implicit power, which is more associated with manipulation. By not paying respects to Gibbons' family, it is clear that the management saw their actions as justified in order to achieve their own interests. Often, actors that possess large hierarchical power feel justified in exercising it through coercion if it helps them achieve their own motives (Fleming & Spicer, 2014). Therefore, when taking a closer look into the power dynamics between the Theranos management team and Gibbons, it is clear that coercion was often used by the superior actors towards subordinates to ensure that Theranos' unethical practices remained hidden.

Lastly, as Theranos' popularity grew externally, the management team began to become more paranoid internally. This led towards subjectification of their employees. As the management team knew that they were manipulating the public, their investors and their partners, they took extra steps to ensure security and surveillance internally. Holmes, herself, in an interview said that she hopes that her team are 'most paranoid people in the world' (Holmes in Gibney, 2019). In line with this paranoia, the management team started increasing security within the office, making the windows bulletproof, began closely watching their employees and even "keystroking" them (Gibney, 2019). In turn, the employees began policing themselves, would keep an eye on eachother, and stopped communicating openly, saying that they were paranoid of each other (Gibney, 2019, 00:54:32).

When taking a closer look at the employees' response in how they began to police themselves and each other on behalf of the management team, their behaviour can be compared to subjectification. While subjectification usually occurs on a more macro-level, we argue that by changing the very being of the employees and making them more paranoid of themselves and each other, Theranos seniors were subjectifying and influencing their employees on a micro-level. With harsher security measures, Theranos management essentially influenced the employees' very sense of self, including their emotions and actions (Fleming & Spicer, 2014).

Thereby, through constant surveillance, the employees' were subjectified into their sense of self which was more paranoid like the Theranos management and Holmes wanted.

Overall, Episode 2 shows us that the Theranos management teams' actions reflect all Four Faces of Power. These actions were directed towards internal actors, their employees, and external actors, their investors and partners. They were able to exercise these powers by drawing on dominant ideologies and with their resources such as money, socially and politically influential connections, their pragmatic reputation and Holmes' powerful storytelling skills. In theory, they used these resources, and directed these powers to achieve their interests: making Theranos the next disruptive technology. In reality, they used these resources and directed these powers to conceal their unethical and deceptive actions.

**Episode 3: Downfall of Theranos (2014-2018)**

In this episode, we see that the dominant ideology that protected Theranos and Holmes was starting to become challenged. This is often the case within ideologies that subjugates certain actors, therefore, making them question and challenge the dominant hegemony (Fleming & Spicer, 2014). This resistance to the dominant ideology that protected Holmes and Theranos can be seen when employees start to leave the company, the media companies such as the Wall Street Journal begin investigating Theranos, and regulators are prompted to do more thorough investigations of Theranos. This eventually led to Theranos losing its partnership with Walgreens. These events are further explored below.

When the downfall of Theranos began, their management team began to use coercion toward ex-employees and media outlets as a way of threatening them. There were two employees, Tyler Shultz, and Erika Cheung, who left the company and decided to whistleblow Theranos' wrongdoings to the Wall Street Journal. When the Theranos management found out about the whistleblowing, they hired David Boeis, a notoriously powerful American lawyer, and sent lawyers and lawsuits in Shultz and Cheung's way (Gibney, 2019). Boeis sent multiple lawyers, or as George Shultz called them "thugs", in the way of Shultz and Cheung (G. Shultz in Gibney, 2019, 01:32:10). These lawyers verbally assaulted and threatened the whistleblowers and John

Carreyrou (editor at the Wall Street Journal) unless they stopped spreading 'misinformation' about Theranos (Gibney, 2019).

Nonetheless, the Wall Street Journal still published an article that exposed Theranos, catching the public's eye (Carreyrou, 2015). When one breaks down the use of lawyers, lawsuits, and physical/verbal force toward the whistleblowers and media outlets, it is clear that Theranos is utilising a direct mobilisation of power (Fleming & Spicer, 2019, p. 241). This act, understood as coercion, was an attempt to silence the employees and media. But the coercion was not fruitful as the previously mentioned actors felt a moral sense of responsibility towards the public and the stakeholders being deceived. Therefore, while the Theranos management team used coercion to silence actors, it was not successful as the actors' moral obligation was stronger.

Nevertheless, Theranos continued their attempts at manipulation in hopes to regain their power and forge success. By 2016, the Wall Street Journal's first article had blown off Theranos' cover with the help of the whistleblowers (Carreyrou, 2015; Gibney, 2019). Yet, the Theranos management team kept denying the allegations internally and externally. This can especially be seen with George Shultz, who was subjectified and manipulated by Holmes to the point where he did not even believe his own grandson, Tyler Shultz. George Shultz contended that Holmes had always been "truthful in all his conversations with him" (G. Shultz in Gibney, 2019, 01:25:28). These denials by Theranos can be understood as attempts at manipulation, as opposed to coercion which is an explicit use of force. Given that Holmes was lying and calling the Wall Street Journal articles and regulators' reports mere allegations, it can be seen that she was trying to implicitly shape the narrative to fit her motives: protect Theranos. Holmes and Theranos' management team's act of limiting the issues to fit within certain boundaries fits Fleming and Spicer's definition of manipulation. While the two actors must have successfully managed to manipulate (some of the) employees, the external actors (regulators and media) were not buying it and continued to release more proof of their deception.

In holding Theranos accountable for their unethical actions, the external actors such as whistleblowers (who were internal employees, but now external) Walgreens, the media, and regulators can be seen using coercion again. As Fleming and Spicer (2014) say, coercion is

putting someone in a position they would not normally like to be in by using valuable resources against them. This is displayed in how the external actors such as the whistleblowers exposing the truth about Theranos, the FDA and the CMS cornered Theranos about how their machine did not pass medical standards, in how the Wall Street Journal released more articles about Theranos' reality, and in how Walgreens ended their partnerships with Theranos (Gibney, 2019). In this case, the whistleblowers' and the Wall Street Journal's resources were inside information, the regulators' resource was their function and positionality in society, and Walgreens' resources were their money and reputation among American consumers. This act of coercion effectively ruined Theranos' public reputation and perception and drained their monetary resources due to all the lawsuits they were facing (Gibney, 2019). By being coerced in this manner, Theranos could no longer deceive the public about how revolutionary they were, they had to face the music of their actions. Therefore, in 2018, Theranos was shut down, unable to find any suitable buyers.

Unlike Episode 2 which showcased how the Theranos management team uses the multiple Faces of Power (Fleming & Spicer, 2014) against various actors, Episode 4 shows a retaliation from other actors towards the management team. Our interpretation shows that without the Holmes and Theranos superiors' dominance being challenged - which prompted the employees, media, regulators, and partners to use coercion - Theranos' downfall would not have occurred in the way it did; as the management team tried to manipulate and coerce their way out of it. Therefore, Episode 3 shows how Theranos tried to retaliate against the other actors to contain the scandal, but failed and had to face the consequences of their unethical and deceptive actions.

## 5.2 Wirecard

### 5.2.1 Scandal Description

Wirecard, a German business, was established in 1999.  Before it came to be the FinTech company we know today, it was concentrated on payment processing for gaming and pornography sectors (Erskine, 2022). Later, along with organisations like Google, Visa, and Mastercard, it instead focused on offering online payment systems and payment services (McCrum, 2020a). In 2015, when the Financial Times started looking into the business' accounting practices and reported that €250 million was missing from its balance sheet, it raised

suspicions of wrongdoing (McCrum, 2020b). Despite temporary setbacks, Wirecard continued to thrive until 2019 when the Financial Times accused the company of accounting fraud in Singapore (Rubio, 2020).

This led to a significant drop in the stock market and an investigation conducted by the German Financial Regulator, BaFin. In an effort to refute the allegations, Wirecard hired KPMG and later EY to conduct an internal investigation (McCrum 2020a). EY, however, refused to certify the financial statement because they were unable to prove the existence of €1.9 billion (Erskine, 2022). The controversy revealed Wirecard's dishonest tactics, which prompted its filing for bankruptcy 10 days later. Markus Braun, the company's CEO, was arrested and charged while Jan Marsalek, the COO, fled the country (Erskine, 2022). German FinTech legislation has, since then, become more stringent as a result of the Wirecard affair, which is regarded as one of Europe's greatest scandals (Storbeck & Chazan, 2020).

### 5.2.2 Scandal Overview: The Timeline

To reiterate, we gathered data on the Wirecard case through watching the documentary *Skandal! Bringing down Wirecard* and triangulating the data by also researching several newspaper articles. Similarly to the Theranos case, we concluded a timeline portraying the main events. A table displaying the overall interests, resources, failures and actions of the Wirecard actors is shown in Appendix 3 and 4. The timeline can be summarised in the following episodes, and Figure 7 shows a more in depth summary of the episodes:

- Episode 1: Wirecard's Growth and the establishing of a subjectified and dominated Germany (1999 - 2013)
- Episode 2: Financial Times' first report on Wirecard revenue fraud  (2014-2015)
- Episode 3: The Zatarra report and Wirecard's resistance (2016 - 2018)
- Episode 4: Wirecards downfall and shattering of the Subjectification and Domination (2018-2019)
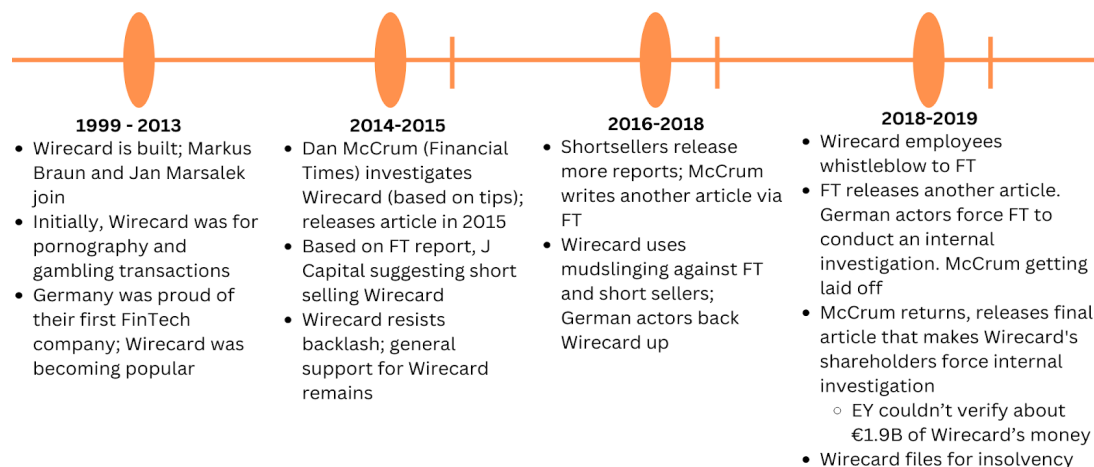
**1999 - 2013**
- Wirecard is built; Markus Braun and Jan Marsalek join
- Initially, Wirecard was for pornography and gambling transactions
- Germany was proud of their first FinTech company; Wirecard was becoming popular

**2014-2015**
- Dan McCrum (Financial Times) investigates Wirecard (based on tips); releases article in 2015
- Based on FT report, J Capital suggesting short selling Wirecard
- Wirecard resists backlash; general support for Wirecard remains

**2016-2018**
- Shortsellers release more reports; McCrum writes another article via FT
- Wirecard uses mudslinging against FT and short sellers; German actors back Wirecard up

**2018-2019**
- Wirecard employees whistleblow to FT
- FT releases another article. German actors force FT to conduct an internal investigation. McCrum getting laid off
- McCrum returns, releases final article that makes Wirecard's shareholders force internal investigation
  - EY couldn't verify about €1.9B of Wirecard's money
- Wirecard files for insolvency

*Figure 7: Own illustration of the Wirecard timeline*

The main specific and general actors we identified during these episodes are:
- Internal actors:
  - Wirecard management, including Markus Braun, Jan Marsalek, and executives
  - Wirecard employees, including employees and whistleblowers
- External actors:
  - German regulators, including politicians and BaFin
  - Media, including German media and The Financial Times
  - Short sellers
  - Investors

Based on the four episodes identified, we aim to specifically analyse Episodes 1, 3 and 4 through applying our theoretical framework. This is because, although Episode 2 contains the first official accusation of Wirecard by the Financial Times, the accusations and responses from the German actors play out in a similar way. The Financial Times starts accusing Wirecard and they, along with German society, act to deflect the accusations. Overall, we found that Episode 2 did not have as strong an impact as Episode 1, 3 and 4 did. Episode 1 covers the foundation and

establishes the cultural implications within Germany which plays a substantial role in the case. Episodes 3 and 4 contain accusations that resulted in more consequences than episode 2. Consequently, skipping Episode 2 means not a lot will be missed out on from the perspective of power. It also grants us the opportunity to in detail focus our attention towards the main happenings.

### *5.2.3 Interpretation of data using Four Faces of Power*

**Episode 1: Wirecard's Growth and the establishing of a subjectified and dominated Germany (1999 - 2013)**

In the Wirecard case, we argue the most apparent and recognizable factor impacting the dynamics in the scandal is how the systemic powers of domination and subjectification (Fleming and Spicer, 2014) interplayed with each other and impacted the actions of the actors involved in Germany. This interplay is a result of the initial establishment of a subjectified Germany. The subjectification can be seen in the documentary where the German member of parliament Cansel Kiziltepe, explained that there existed a general mindset in the country of pride for German companies and that they "do not make mistakes" (Erskine, 2022, 0:20:27). We perceive this as the German actors forming identities, desires and values based on who they want to be and thereafter acting on it. This relates to subjectification (Fleming and Spicer, 2014), as German identity and self perception played a substantial role in influencing the actions of the German actors.

Also impacting this fact was that German politicians and media had craved for a proud German digital FinTech company for a long time. Specifically, German politicians wanted a digital champion company, such as a German Facebook or Google, a role which Wirecard fit into perfectly. The German parliament member Florian Toncar stated that German politicians were proud to be able to say "Hey! We have a FinTech company" (Erskine, 2022, 0:05:53). This self perception became part of Germany's official culture and norms which means their identity was integrated deeply into German culture, norms and ideology. Thereby, this also established what Fleming and Spicer (2014) calls domination as these values were institutionalised and became part of the societal norms which everyone believed and followed. As such, this clearly shows how subjectification played a substantial part in the establishment of a dominant ideology.

These systemic powers played a substantial role in impacting the power dynamics between the actors as the German actors' subjectification and the presiding domination relating to Wirecard as an important proud German company impacted what they believed was right and wrong. This became clear when the Financial Times and short sellers involved decided to attack the company's reputation. Attacking Wirecard was interpreted as an attack on the country of Germany itself. To defend Wirecard, thereby Germany itself, the German actors created a shield of subjectification and domination. In doing so, the entire country's perception of Wirecard carried on meeting the anticipated result of 'German companies can do no wrong'. By upholding the image that German companies are proud and truthful, it protected the ideology from outside harm. As neither the Financial Times nor the short sellers shared German culture or beliefs, they had completely opposing interests and were naturally not impacted by the subjectification or domination occurring within Germany.

The subjectification and domination surrounding German society also impacted Wirecard's employees as they felt a sense of pride by working for a champion German company with a great reputation. This was also reinforced by their CEO, Markus Braun (Erskine, 2022) who portrayed himself as a dreamer and visionary, and often emulated Steve Jobs, another world wide known popular leader (Alderman & Schuetze, 2020). He managed to strengthen their employees' subjectification and draw upon domination, by creating company culture with unified identity and a sense of "us" against "them". A Wirecard employee described that "We thought Dan McCrum was making a quick buck. They were the bad guys, and we were the good guys." (Erskine, 2020, 0:51:55).

In a sense, Braun consequently managed to convince his employees to support them through the use of manipulation as he also used deception to shape the employees image of the company in a positive light. This is different from coercion which implies someone is forced to do something which they would not have done otherwise (Fleming and Spicer, 2014). In this case, Wirecard's employees were persuaded and, thus, happily worked and stood up for the company. Another important character who often used coercion instead was the COO of the company, Jan Marsalek, who was described to possess a natural charm and confidence (Erskine, 2022). The

documentary shows that through the direct mobilisation of power, which Fleming and Spicer considers to be specific to coercion, Marsalek used his formal position and personality to get people to do what he wanted. This is not to be considered as manipulation as he's not indirectly attempting to shape the conversation or results. Clear examples of this will be provided later on.

Unfortunately for Wirecard, negative rumours about the company had existed outside of Germany for several years and its operations had silently been under scrutiny (Erskine, 2022). The documentary makes clear that the company has had a history of using intimidation tactics and even physical force, meaning coercion (Fleming and Spicer, 2014), against those daring to question it to make them stop. A clear example of this was the case with a short seller, Tobias Bosler, who had investigated Wirecard but immediately stopped doing so after being physically threatened by Wirecards lawyers. He explained that "I received an unwanted visit from three men in front of my office who threatened me massively and demanded that I immediately close my short position." (The newspaper get to text, 24 July 2020). This kind of coercion is different from manipulation as Wirecard managed to coerce Bosler by directly mobilising power through using their resources in the forms of connections and money to hire shady lawyers. These, in turn, physically silenced and deterred Bosler away from further researching the company permanently which he would not have done otherwise.

Naturally, The Financial Times and short sellers eventually got insight into the rumours (Erskine, 2022). As the Financial Times main motive is to discover interesting stories and short sellers to find a company with stock believed to be overvalued, the film explains this incentivised them to investigate Wirecard. This eventually prompted them to work together to discover clear evidence about the company's scandalous behaviour. It did not take long until the first major allegation against Wirecard was brought up. One of the most impactful discoveries however, was the Zatarra Report which impacted the power dynamics of all the actors significantly.

**Episode 3:  The Zatarra report and Wirecard's resistance (2016 - 2018)**
After being contacted in 2016, Dan McCrum, the main Financial Times journalist investigating Wirecard, was informed that a short seller intended to publish a new report on Wirecard (Erskine, 2022). As a result, the documentary explains that McCrum decided to write a story immediately

after it was published to also be the latest media channel with intel about the company's behaviour. Called the Zatarra report, it contained several allegations against Wirecard, including money laundering and other types of fraud (Rubio, 2020). When published, it resulted in Wirecards stock dropping radically for a short amount of time. The response was massive in Germany, as the accusations were made from short sellers, who all have a bad reputation in Germany. Specifically the German politician Cansel states in the documentary that "In Germany, short sellers have a bad reputation. The perception is because they are betting on the share price dropping, they are actively seeking to destroy companies." (Erskine, 2022, 0:19:57). As a result, the German actors's subjectified and dominated mindset was challenged by allegations towards a well regarded German company. This prompted them to respond in force.

We will now describe the actions of each individual actor during this time period and link them to the theoretical Fleming and Spicer's (2014) perspectives of power. This is because the most impactful happenings took place during and shortly after the publication of the Zatarra report.

*The Financial Times and Short Sellers*

By publishing reports and writing articles on Wirecard's wrongdoing, The Financial times and the short sellers involved, in our mind, aimed to shape the public opinion to present a reality that went against the currently existing one in Germany. Together, they acted as each other's resources by cooperating to gain information and provide more substantial publicity to the Zatarra report when released. As a way of combating the existing narrative of Wirecard being a digital champion company and of a subjectified and dominated Germany, the newspaper and short sellers attempted to use manipulation (Fleming and Spicer, 2014) to attempt to distort the existing reality within Germany and convince people that Wirecard was a scandalous company. This is the opposite of coercion because direct mobilisation of power is like a formal position or personality which forces someone to do something. Although it could be argued that they use valuable resources as in information they possess to apply direct power, their intention was not to get Wirecard to do something. It was rather a way to reach out to the company's stakeholders by challenging the existing perceptions and norms.

*Wirecard*

Due to Wirecard's stock price dropping significantly after the report was published, Wirecard deployed several resistance tactics during this period. This was to protect themselves against the attacks from the Financial Times and short sellers.

For example, Wirecard used coercion (Fleming and Spicer, 2014) to try to force and intimidate both the Financial Times and the short sellers who published the Zatarra report to stop looking into them. One way this was done was by the company pursuing legal action against them (McCrum, 2020a). In this way, they directly used their lawyers as resources to intimidate their attackers to stop doing what they intended, thus hopefully scaring them off. This is different from manipulation as there is a direct mobilisation of power and there is no attempt to shape the agenda or conversation in a way to persuade someone.

Another way coercion was used was when Jan Marsalek himself managed to set up a meeting with a Financial Times reporter involved in investigating Wirecard (Erskine, 2022). During the meeting, Jan Marsalek attempted to intimidate the reporter by saying that he had experience dealing with corrupt journalists. He also made sure to point out that he had insight into the Financial Times as a company. The Financial Times employee specifically said that Marsalek "talked at length about how he had direct experience of journalists who were taking bribes to write negative articles" (Erskine, 2022, 0:31:29). These instances show a direct mobilisation of power through Marsalek using secret knowledge of the newspaper gained from his connections. This is to influence and deter the Financial Times from further investigating them. Neither this is an act of manipulation as Marsalek is attempting to intimidate the reporter to do something he would not normally have done rather than shaping his perception.

Moreover, During the interviews Braun had with both international and German journalists regarding the allegations, he would successfully use manipulation (Fleming and Spicer, 2014) by simply denying the accusations and then shaping the conversation within his boundaries and setting the rules. He did this by reducing the seriousness of the questions, answering in a manner that they had more important things to do and specifically stating that "we do not get distracted by all of this noise" (Erskine, 2022, 0:51:04). This differs from coercion as there is no direct

mobilisation of power to get someone to do something. Rather it is a way to frame the situation in one's favour

Wirecard also accused the short sellers of market manipulation and then linked them to the Financial Times whom they accused of being in collusion. This led to Wirecard succeeding in manipulating the conversation, shifting the attention from their fraudulent practices and placing mistrust in short sellers, who had a bad reputation in Germany (Erskine, 2022). In this way, they reshaped public opinion and also smeared the Financial Times by linking them to the short sellers and thus mobilising the preexisting bias against them. This can not be considered coercion as there was no direct mobilisation of power. Instead, Wirecard focused on influencing the different actors' perception of their attackers and in that way shaping the conversation to benefit themselves.

Wirecard also attempted to use coercion (Fleming and Spicer, 2014) by mobilising their power by using their resources of money to silence or influence reporters to stop writing about them. One of The Financial Times' employees explicitly recalled that someone from Wirecard had gotten hold of their telephone number (McCrum, 2020a). The employee mentioned that "I was offered money to quietly remove the Wirecard posts from Alphaville." (McCrum, 2020a). By doing this, coercion was used as they attempted to influence the employee to stop writing about the company which they would not have done otherwise.

Another way Wirecard resisted was by finding dirt on their accusers by using their connections like spies and hackers to spy on and follow both short sellers and Financial Times employees (Erskine, 2022). The documentary shows that they also used expensive tools to spy and listen in on the editor of the newspaper's office. The most shocking decision Wirecard made however, was to create and install a fake whistleblower within the Financial Times who, with the help of hacked internal information and fake insider knowledge managed to further discredit the newspaper (McCrum, 2020a). In his article, McCrum explains that "Wirecard's associates, helped by an Indian hacker team, had invented their own 'whistleblower' who published this cache of supposed evidence as a file called Zatarra Leaks. It included hacked correspondence between hedge funds, clandestine surveillance photos of investors at their homes — and my

emails." (McCrum, 2020a). Wirecard, thus, conducted espionage and gathering of information by using manipulation (Fleming and Spicer, 2014) to further smear the Financial Times and put itself in a positive light. We perceive this as manipulation as the intention of getting hold of the secret information was to publish it to the public to shape the conversation surrounding the newspaper rather than directly mobilise power and make them stop.

Their main resource, however, remained to be the systemic power of a subjectified and dominated (Fleming and Spicer, 2014) Germany. This is because Wirecard truly did not need to do much for the other actors within Germany to come to their aid. The episodic powers they use upon coercion and manipulation simply amplify and reinforce the already existing systemic power taking place and aiding them in the current field of tension. Furthermore, Wirecards resistant tactics were in large part made possible due to the amount of connections they have ranging from gangsters, lawyers and hackers. They even had insiders and investors among the German Financial regulator BaFin who owned stocks in the company (Jakubeit, 2021). By leveraging their social connections, they managed to protect their interests and exert control by influencing the environment and the actors trying to stop them to protect the status quo. We see this as another lens of domination (Fleming and Spicer, 2015) taking place as Wirecard attempted to facilitate and protect the assumptions and collective rules of German companies existing within Germany.

*Wirecard's Employees, German media and Regulators*
The current subjectification and domination residing within German society were challenged after the allegations made by the Financial Times and short sellers. Because these allegations were made by short sellers who have a bad reputation in Germany, they were immediately disregarded. The German politician Cansel specifies that "The Zatarra report wasn't seen as credible […] It was seen very strongly as an attack on Germany itself, on German companies" (Erskine, 2022, 0:20:15). In response, several German media outlets opted to use manipulation, by stating that the Financial Times were in league with the short sellers and they were jointly attacking a German company through market manipulation (Erskine, 2022). As such, they shaped the conversation and had a narrative control over what they wanted the public in Germany to believe. Along with them, Wirecard's employees flocked to the company's defence,

using manipulation (Fleming and Spicer, 2014) by also accusing the newspaper of colluding with the short sellers. As mentioned before, this was thanks to Wirecard's and Braun's influence over them, the employees saw the attackers as enemies trying to destroy their proudful company (Erskine, 2022).

Although the regulators initially did not pay much attention to the report, it eventually sparked the attention of the German financial regulator BaFin. Due to their subjectification and their being dominated by the existing norms and culture in Germany, instead of looking into Wirecard, they decided to investigate the Zatarra report and its authors instead (McCrum, 2020b). We perceive these actions to be a use of coercion as the regulators directly mobilised their formal position, legislative capabilities and resources and used them to force the short sellers to comply with an investigation that they would not have committed otherwise.

Overall, we would argue that domination (Fleming and Spicer, 2014) played a key role as it was drawn upon by the German actors given that their actions were influenced to protect and preserve the current culture and norms in place in the country. In this way, they made their "pro-German company" identity and mindset appear natural and unharmful. After having this mindset and worldview challenged, the actors, therefore, protected the established interests and institutional values in place. It came as no surprise then, that due to the overwhelming support for Wirecard by the German actors involved in the case, Wirecard's share price stabilised after a while and nothing more came out of the allegations (Erskine, 2022). It could be argued that the discourse around the company had been changed and that they could be related to the allegations, but most of the controversy was instead shifted towards the Financial Times and short sellers.

**Episode 4: Wirecards downfall and shattering of the Subjectification and Domination (2018-2019)**

Soon, the subjectification and domination that enforced the German actors' behaviour would come to shatter. The first step began in October 2018 when The Financial Times was contacted by an internal whistleblower called Pav, who worked at Wirecard in Asia (Kilby, 2022). He provided McCrum with information relating to everything from operations to Wirecard's company structure that showed clear and crucial evidence relating to Wirecard's unethical

behaviour. In Kilby's (2022) article, Pav explained that "At the time, there were Brexit sentiments, so it came across like the FT was trying to damage this German fintech darling for nationalistic reasons […] That is why I realised that I had to change the sentiment from within Germany." Consequently, we would argue that he used manipulation (Fleming and Spicer, 2014) as he played a role in disproving the existing narrative in an attempt to change everyone's perception of Wirecard. This is not considered coercion as he did not directly mobilise his power to force Wirecard to do something they otherwise would not have.

The information surrounding Wirecard's dealings in Asia gave the Financial Times the resources they needed to truly dig for concrete evidence that could be used (Erskine, 2022). After reviewing the data, they wrote yet another article on Wirecard and published it, thus once again attempting to use manipulation (Fleming and Spicer, 2014) to influence and shift the current narrative existing of Wirecard in Germany. The report published specifically provided solid evidence of how Wirecard was using "round-tripping", meaning moving a sum of money between different locations to deceive auditors (McCrum, 2020a). As a result, Wirecard stock price did not only decrease when this information was made public, it completely crashed and remained low for a major time going forward. This had several repercussions and influenced the power dynamics between the actors even further.

The response from Wirecard was both immediate and desperate, as they once again used manipulation (Fleming and Spicer, 2014), by painting themselves as victims of market manipulation. They denied the allegations and accused The Financial Times of manipulating the market along with short sellers once again (Rubio, 2020). This was done through the help of spies portraying themselves to be investors, who managed to discover information from the Financial Times before they published the report and phrased it in a way to make the newspaper come off as even more suspicious (Erskine, 2022). Thus, they managed to shape the narrative around the newspaper and made people believe they were rotten to the core, clearly portraying manipulation rather than the direct use of power.

As with many dominant norms, while some try to challenge it, most try to defend it and preserve the norm. This can be seen with the German media and Wirecard employees once again coming

to the company's defence. They made similar claims as before, therefore applying manipulation (Fleming and Spicer, 2014). The major difference this time was the actions of Germany's financial regulator BaFin. They did not only disregard McCrum's allegations but instead decided to investigate the Financial Times and filed a criminal complaint against them (McCrum 2020b). He explains that "In April, BaFin filed a criminal complaint against […] me, plus a string of traders and hedge funds I'd never spoken to. I had the strange sensation of watching colleagues report and edit a piece about our impending prosecution." (McCrum 2020b). Even worse, BaFin even went so far as to ban short selling of Wirecard for two months to protect Wirecard from speculators. This to us is a clear example of using coercion (Flemming and Spicer, 2014) to us as BaFin is directly mobilising power by using its position as a formal regulator within society to investigate and force the newspaper to comply with releasing information they otherwise would not have. This is different from manipulation as they are not trying to shape or portray them in a certain way through influence, rather they took direct action which stopped the short sellers from being able to continue their short selling on the company.

Following the ban on short selling and the criminal investigation into the Financial Times, Wirecards share price once again started to recover (Erskine, 2022). Eventually, the pressure and controversy surrounding the newspaper became critical which forced the editor of the Financial Times to conduct an internal investigation. He also decided to lay off McCrum temporarily to rebuild their reputation and calm the tension (McCrum, 2020a). During this time, politicians kept campaigning and continued using Wirecard as a show of the success of Germany as a country. Lena Kampf, a German journalist, alleged that even Angela Merkel, previous chancellor of Germany, had "campaigned for Wirecard" during her visit to China in 2019 even though the company was under scrutiny (Erskine, 2022, 0:06:00). We see this as German politicians drawing upon subjectification (Fleming and Spicer, 2014) by them facilitating Wirecard's success and naturally aligning it with the success of Germany as a country. Thus, reinforcing the existing perceived picture of Wirecard as a German digital champion company and furthering the dominant narrative.

While the newspaper was still under investigation, McCrum went back to analysing the evidence he had received from the whistleblower. After reviewing the data and returning to work, he

eventually concluded that most of Wirecard's business was completely fake. Several of its customers, revenue and sales simply did not exist (Erskine, 2022). This final piece of evidence provided tangible evidence which was impossible for even Wirecard to deny as it clearly showed holes in the company's financial statement. This is because, as McCrum himself states, "Here are the partners that don't exist, here are the customers that don't exist, here is everything you need to switch on the blue lights…" (Erskine, 2022, 1:12:40).

Once this vital information was made public, the scandal finally reached the tipping point and, in our opinion, propelled the eventual shattering of the subjectification and domination that had surrounded Germany. As such, McCrum had finally managed to manipulate (Fleming and Spicer, 2014) the narrative enough that it impacted the power dynamics and influenced Wirecard's defenders to switch positions. German media started to shift their attention to Wirecard and asked them more tough questions, now manipulating the conversation in a sense by providing their audiences with a more suspicious picture of the company (Erskine, 2022).

This caused the Wirecard investors to panic and it was them who eventually demanded Wirecard to conduct an internal investigation out of fear that the controversy could impact their investments (Taub, 2023). This is an obvious use of coercion (Fleming and Spicer, 2014) as they leveraged their financial investments to force Wirecard into conducting an investigation, which they would not have done otherwise. Wirecard had to comply as they hired KPMG and later EY to prove the accusations false (McCrum, 2020b). Perhaps fearing that something was bound to happen, Braun, not surprisingly, had one final trick up his sleeve. Wirecard's last resistance tactic was to attempt to merge their company with Deutsche Bank (Taub, 2023). Taub (2023) states that "the leadership plotted a takeover of Deutsche Bank—an acquisition so huge that Wirecard's balance-sheet fraud might be buried in the deal.". We see it as they attempted to employ manipulation against all actors by shifting the narrative away from their wrongdoing and towards the potential merging with Deutsche Bank.

Finally, EY refused to sign off on the financial statement of the company as €1.9 billion was missing as they could not prove the money existed (Alderman & Schuetze, 2020). After learning about this, the actors within Germany who had defended Wirecard could no longer justify their

actions and turned against the company (Erskine, 2020). Therefore, the subjectification and domination that had existed in Germany for several years shattered, the tipping point was passed and the scandal finally erupted.

# 6. Discussion

## 6.1 Addressing our Research Question

To answer our research question accurately, we have divided this section into two parts. Part 1 focuses on how our interpretations of Fleming and Spicer's Four Faces of Power (2014) help shed light on the power dynamics between different actors in corporate scandals. In Part 2, we incorporate our interpretations based on power and discuss how these power dynamics implicated the failure to contain and expose the scandals.

**Part 1: Shedding light on power dynamics in corporate scandals**

After analysing our data results and applying Fleming and Spicer's framework, we have discovered both similarities and differences in how the Four Faces of Power play out in both the Theranos and Wirecard scandal cases. By providing our findings and comparing the cases to each other, this allows us to provide a detailed and relevant overview of our findings.

As a reminder, part of our research purpose was to investigate, discuss and analyse the power dynamics between the most impactful actors involved in corporate scandals based on a holistic perspective. In doing so, this can also provide an understanding of patterns between the scandals. Our goal was to fully understand the power field in which the different actors operate. By achieving this purpose, the main research question we aim to answer in this discussion chapter is: How can the Four Faces of Power shed light on how power dynamics operate among actors and implicate the failure to expose/contain corporate scandals?

Based on our findings, we have identified several instances of all the four faces of power; Coercion, Manipulation, Domination and Subjectification playing their parts. We will further explain the implications they had on the scandal now. The main two faces of power that we believe laid the foundation leading to the scandals occurring and influencing most actors in both cases are domination and subjectification. This is no surprise to us, as systemic power reflects throughout broader society, identity and institutions. Although subjectification and domination can not directly be used as they are systemic, they were constantly drawn upon or facilitated by both Wirecard and Theranos. This is not only because they themselves managed to sell a positive

image of themselves and gain a beneficiary reputation, but it is also a consequence of society and its different actors' shaped perceptions, expectations and beliefs.

In the Wirecard case, this is the main reason why we made it so the episode names included "subjectified Germany". German identity and a sense of internal pride for German companies directly also played into establishing domination in the sense that this identity became part ofGerman culture and values. Politicians had longed for a digital champion company they could be proud of and Wirecard played that role perfectly. The systemic power gave Wirecard the perfect scapegoat to hide their illegal operations under. Of course, this positive reputation along with the success of the company drew the attention of investors and cooperators who wanted to involve themselves in their success. Their employees were also proud to work at such a successful company. As a result, before the main scandal process even started, we perceived that a subjectification and domination barrier layered itself over Germany, shaping the dynamics among the German actors in the way that everyone was on board with the Wirecard train.

Similarly in Theranos, the domination surrounding society affected the way in how people perceived the company. Although in this case, the dominant ideology revolved around Elizabeth Holmes herself more than the meaning of the actual company. Also, subjectification did not play as big a role here as there existed no sense of American identity and pride for American companies that helped Theranos the way it did in German ideology helped Wirecard. In America, people were smitten by her charisma, vision and inspirational story. The media portrayed her as a brave visionary young woman in a male dominated bio-technological field, she met with several politicians who wanted to hear about her story and investors flocked to her solely because they were convinced by Holmes' herself alone. This idea of America wanting a young, visionary woman in a male dominant field became the dominant narrative that supported Holmes, and was what she drew on to further Theranos' success, inspire the masses and grow her social and political network.

As such, the systemic narratives that shaped people's perception of what they wanted to be true became a pivotal part for the companies conducting their scandalous behaviour as most actors initially were blindly in awe of their success. When observing the power dynamics between the

different actors, the connection between the systemic and episodic faces of power became apparent to us. Through the lens of subjectification and domination existing on a systemic and societal level, it is within these contexts that the episodic powers were directly used by the actors involved. This in order to either combat or reinforce the current narratives or beliefs existing within people or society. In other words, the subjectification and domination surrounding Wirecard and the domination surrounding Theranos were the foundations which influenced how the actors used coercion and manipulation against each other.

This was made apparent in the Theranos case as, for instance, Holmes and her associates managed to employ manipulation against their stakeholders through using deceptions by overvaluing and making false claims about the capabilities of the Edison machine. Walgreens did not care to pry deeper into the machine and instead let themselves be persuaded to invest by Holmes. In this way, the manipulation tactics aligned with the domination surrounding society as her visionary and inspiring female leadership was cheered on by society, making it easy to trust her message. While Theranos had possessed a positive image externally however, the domination of Holmes' reputation within Theranos started faltering as more employees faced the realisation of the company's operations. This can be seen in how they coerced Gibbons into a position where he committed suicide, disregarded employee criticism and deceived their investors. Thus, the positive narrative that had existed internally now saw a shift as more employees began to disprove of Theranos, and Holmes as a person. To resist this, Theranos used coercion to intimidate employees from speaking up, resulting in a culture of suppressed dissent and toxicity.

In Wirecard's case, the initial stages of the scandal did not include much struggle internally. It played out differently, as Theranos employees were directly involved with the Edison and quickly realised that it did not work while Wirecards fraud was not as easily recognisable. Instead, the subjectification and domination of society impacted the German actors so strongly that Wirecard barely had to involve themselves in resisting the accusations. In truth, the media, regulators and employees' response to all the reports being published was very extreme. All Wirecard really had to do was join the media and their employees in manipulating the narrative and reinforce the belief that a proud German company was vulnerable to market manipulation by untrustworthy short sellers. This in order to reinforce the existing German identity, values and

culture. Coercion was also used as the regulators in Germany opted to investigate the short sellers and Financial Times while Wirecard attempted to bribe and intimidate them.

This response proved a great shock to us and showed how truly impactful the power of subjectification and domination can be as they acted as a powerful resource for Wirecard throughout the scandal process. The Financial Times naturally could not have foreseen the immediate shielding of Wirecard due to the subjectification and domination that had surrounded German society like a barrier. Interestingly, when Theranos started being surrounded by controversy regarding their machine, the outside actors including media and regulators were prone to be silent or neutral rather than actively support them or really question them. We interpret this silence as a kind of silent support due to society not wanting to accept that the woman they believed in and wanted could do anything wrong, clearly upholding the domination existing in society.

**Part 2: How power dynamics implicate failure to expose scandals**

As mentioned in the previous section, positive perceptions as well as societal support for Wirecard and Holmes, allowed the scandals to be contained for as long as they did. In having dominant and subjectified support, both companies were able to utilise other forms of power such as coercion and manipulation to draw out the exposure of the scandals. This section discusses how these forms of power formed fields of tensions among the various actors, which are important to observe when understanding their power implicated in the failure to expose the sandals. Figures 8 and 9 display how the tension looked when the scandals began internally, whereas Figures 10 and 11 display the tipping point wherein the scandals were exposed.
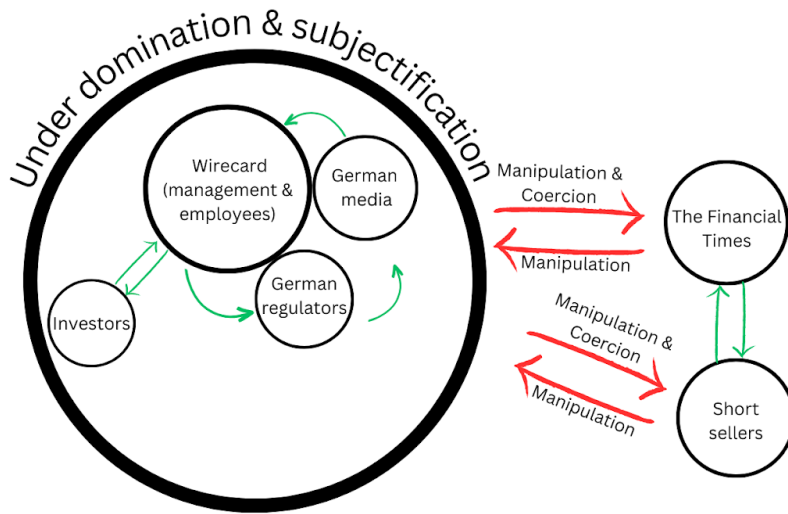
*Figure 8: Own Illustration of Wirecards' Field of Tension (making of the scandal)*
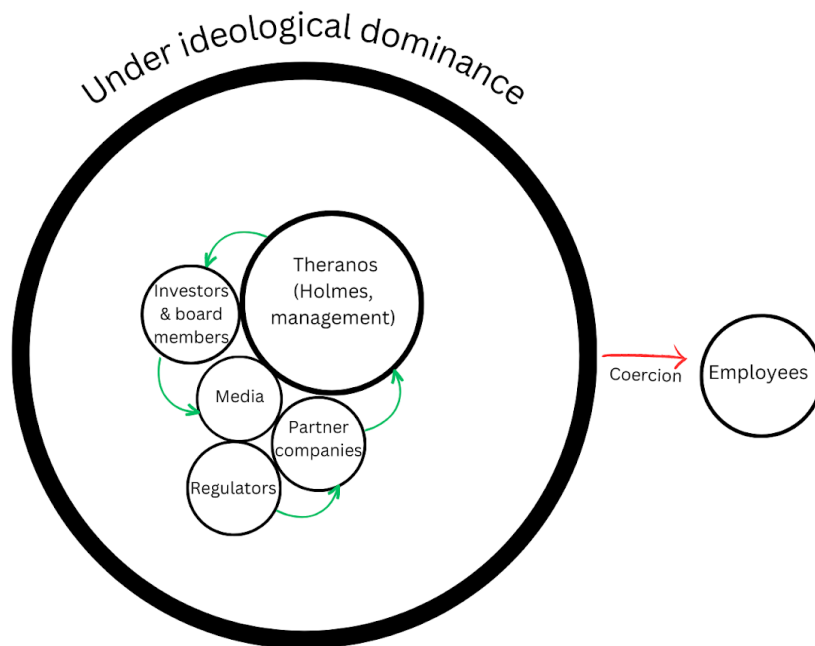


*Figure 9: Own Illustration of Theranos' Field of Tension (making of the scandal)*

As showcased above and mentioned previously in Part 1, most of the internal and external actors involved were motivated and blinded by Theranos and Wirecard's vision, leaders, and technology. This ideological dominance, along with their resources such as power, network, and money, enabled them to exercise powers such as manipulation, coercion, and subjectification.

However, as also showcased in Figures 8 and 9, not all actors believed in systemic powers that had affected the views of the companies. In Wirecard's case, short sellers and the Financial Times were external actors investigating and trying to expose the company's actions. However, these actors were never believed because the Financial Times was portrayed as colluding with short sellers, who had a bad reputation within Germany. While not similar, within Theranos, internal employees were starting to question their technology, unable to give open feedback, and unhappy with the harsh security, deception, and lies from their seniors. However, their voices were ignored and employees were told to "sit down and do their job" (Cheung in Gibney, 2019, 01:18:30). In both cases, these actors attempted to resist the company's actions, and correct the scandal but failed to because they did not have the resources, such as public support, money, and in some cases reputation, to do so. This is because, as established, the companies were powerful due to the reasons stated above. Therefore, whenever actors would try to resist, they were met with coercion and manipulation. Ultimately, this power dynamic drew out the scandal and implicated the failure to expose it, leading to a field of tension among the actors.

The following Figures 10 and 11 show a shift in the field of tension, bringing us closer to the tipping point where the Theranos and Wirecard scandals could no longer be sustained by the companies.

## Challenging domination & subjectification
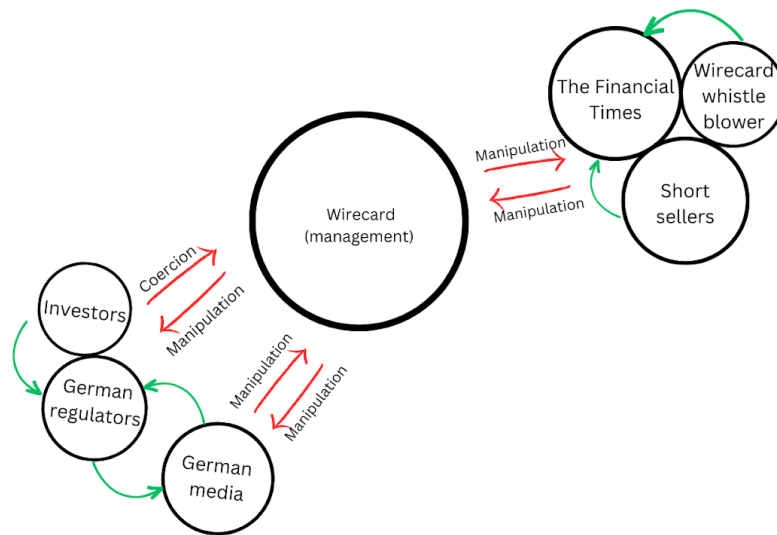


*Figure 10: Own Illustration of Wirecards' Field of Tension (tipping point)*
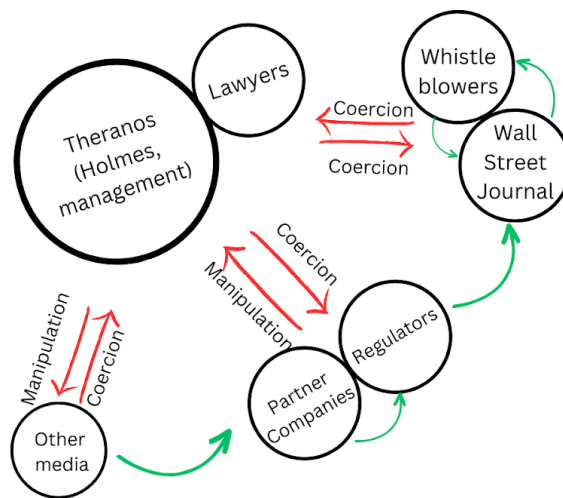
## Challenging dominant ideology



*Figure 11: Own Illustration of Theranos' Field of Tension (tipping point)*

There is a prominent shift that occurs in Figure 10 and Figure 11. All the actors who were not in conflict with Wirecard and Theranos suddenly switched sides and the systemic power that had

influenced them no longer did. The actors attempting to bring forth the scandal thus succeeded in challenging the ideological dominance or subjectified identity therefore enough to make an impact. An interesting factor to note is that in the Wirecard's case, the actors who move out of the barrier are in some way challenging the entire dominant ideology and their previous subjectified identity that Germans have about themselves, meaning the 'German companies can do no wrong' mindset. On the other hand, the actors in Theranos who move away from the barrier are not challenging the ideology that more women should be in bio-medicine/technology, but rather challenging the way Holmes herself drew on that dominance. Given that much of both companies' power to manipulate and coerce other actors relied on the systematic power of domination and subjectification, it was difficult for them to contain the exposure of their wrongdoings for much longer. This led to the eventual failure of the management teams of Wirecard and Theranos, as they could no longer sustain their unethical actions and keep them hidden.

As shown in Figure 10, whistleblowers, the Financial Times and short sellers, and the regulators and investors combined their resources such as insider knowledge, money, and reputation to successfully manipulate the existing systemic narrative and expose Wirecard. Similarly, Figure 11 showcases how whistleblowers and the Wall Street Journal, and the regulators and partner companies, combined their resources of insider knowledge, money, and positionality to coerce and expose Theranos. This was possible due to them no longer believing in the ideological dominance that once protected the companies.

## 6.2 Critical Reflection

Overall, we believe our findings and conclusions have several important implications and serve as a sufficient basis for the continuation of studies about corporate scandals and power. Still, observing and analysing our data and results with a critical mind is important. As our methodology solely includes the use of secondary data, this naturally remains the main limitation of our study. Several events we have mentioned were not shown in the documentaries, we instead incorporated them from other sources. This resulted in some difficulty in producing an accurate timeline and they should not be perceived to be without faults. Still, the interpretive and inductive nature of our study has been well explained and we argue that our results provide

important perspectives on power which would have been difficult to show without using our methodology.

Conducting a highly interpretive study comes with both its advantages and disadvantages. After reflecting on each other and examining our results, we identified a few points that are valuable to consider when reading this thesis. First, as we use predetermined approaches by observing actions through interests, resources, and failures, this might have prohibited us from grasping and identifying all the relevant data to put in relation to power. By looking at the documentaries with clear approaches in mind, we may have missed some uses of power that could not be seen by using these approaches. Furthermore, it is worth further addressing the biases of the documentaries. It remains clear to us that the documentaries are far from neutral in their descriptions as they approach a certain point of view, clearly putting the scandalous companies in a negative light from the start. While this in itself does not necessarily pose a problem, it could have impacted and compromised our interpretations due to the fact that portraying some actors as good and some as bad means occurrences could have been left out. This, in turn, may have prevented us from fully taking a holistic perspective into account.

Of course, our individual biases have made an impact on our interpretations when analysing the data. That being said, the only disagreement in interpretation we had was when it came to the resisting actors of both companies. In Theranos, we argue that they are using coercion as a way of putting Holmes and the Theranos management team in a position they do not want to be in. Whereas, in Wirecard, we say they are using manipulation as a way of changing the dominant narrative. We have chosen to keep this difference in interpretation within our thesis because as discussed in Section 4.2, we are doing an interpretive analysis that strives for contextuality rather than generalisability. Simply because a dimension of power is coercion in one does not mean the same actor can be seen as using coercion in a different setting; because context matters. Therefore, given the environments of Theranos and Wirecard, we have deduced that this difference in interpretation adds a dimension of contextuality as both scandals occur in different contexts and manners.

The use of Fleming and Spicer's Four Faces of Power as a theoretical framework has granted us an understanding of how power can be related to corporate scandals. However, applying these four faces to a number of circumstances occurring which include nuances and events that are difficult to interpret has proven difficult at times. Simply referring to the use of power as coercion or manipulation, for example, may provide a useful initial understanding of power in relation to scandals. Yet, they could be perceived as not taking into account the finer details which show the use of power which could have been more easily identified if more additional theories or perspectives on power were used to analyse the data. Thus, we believe our research will prove beneficial and act as a first introduction to the subject, it may be lacking in theoretical depth.

# 7. Conclusion

To summarise, this paper aimed to answer the research question, 'How can the Four Faces of Power shed light on how power dynamics operate among actors and implicate the failure to expose/contain corporate scandals?' This research question was answered by looking into the corporate scandals of Wirecard and Theranos. To do so, we employed an interpretative research design which included a descriptive coding of two documentaries, *Skandal! Bringing Down Wirecard,* and *The Inventor: Out For Blood In Silicon Valley*. Following that, we applied and discussed our results through the framework of the Four Faces of Power by Fleming and Spicer (2014).

Our results and interpretations display that the management teams of Theranos and Wirecard heavily drew and benefited from ideological domination and, in Wirecards' case, a subjectified mindset existing throughout Germany. This garnered them social support, and hierarchical positionality and evaded suspicion from the public and regulators. It also enabled them and incentivised them to use coercion and manipulation against the other actors involved to protect their ideology or identity. As discussed in Chapters 5 and 6, the power dynamics mainly displayed the companies' management and senior members as holding a large amount of power, due to their resources, expertise, money and network. This enabled them to utilise faces of power such as manipulation and coercion, and continue their unethical actions as there was little to no pushback on their authority. Here, the other actors such as employees, media platforms, investors, regulators, and whistleblowers were at the submissive end of the power relationship, therefore failing to expose their managers even if they wanted to. However, once the dominant ideology they were drawing on was challenged, due to public suspicion, employees leaving the company, and/or the release of public reports and articles, the aforementioned actors began to gain power. This growth in power motivated them to expose Theranos and Wirecard's reality. Eventually, the companies could no longer hold up their image to the public as the truth about their actions and unethical practices was finally brought to light and believed by society. This led to the downfall of Wirecard and Theranos, highlighting that once the power balance shifted, their scandals could no longer be contained.

Understanding the role of domination and subjectification and how these systemic powers can influence the use of manipulation and coercion showcases the importance of critically examining narratives, identities assumptions, and dominant practices within corporations and management teams. Additionally, it would also promote transparency and hold organisations accountable for the promises they make externally, to the world, and internally, to their employees. Both cases, especially Theranos, show a toxic culture of security, surveillance and secrecy within the company which should also be challenged. It can be assumed that had such unethical practices not existed within the company, the scandal would have been exposed much sooner or better yet, not occurred in the first place. Both companies and this research's results serve as a reminder of the risks associated to the public, corporations and regulators that while a company might be revolutionary in theory, it does not exempt them from robust checks, and actively ensuring that their products and services fit within legal and social parameters. Finally, it serves as a reminder to the social world and the management and organisational studies world that power imbalances within large corporations can lead to similar abuses of power if not mitigated early on.

## 7.1 Future Research Suggestions

Our thesis can be considered an introduction to how power is an important factor when researching corporate scandals based on a holistic perspective. Therefore, there are several directions that future research can dive further into, in more detail, research the relationship between power and corporate scandals. Such research could be valuable in understanding the different ways in which power imbalances can impact the ethics of a company and shed light on the subjective experiences of the actors involved. One of the future directions we estimate can be investigating how power influences organisational culture and practices, and how such cultures might further or mitigate abuse of power imbalance. Understanding how a company's norms, systems and values mould the internal hierarchy and power dynamics can be imperative in developing strategies to address and prevent unethical behaviours.

An alternative direction of research could be to examine how corporate scandals vary across different industries, cultural contexts, and countries. This could provide how power imbalance and the occurrences of corporate misconduct are also impacted by social and cultural contexts. Therefore, a comparative approach may identify how external factors can also impact and

contribute to corporate scandals. Such research can be important for governments, certain societies and regulators, and alert them to intervene if they notice such patterns within organisations of their context. Finally, future research could also adopt a quantitative method, such as network analysis, to understand how power dynamics and abuses of power occur within corporate scandals. In this example, network analysis could be a valuable way of analysing the network of relationships among different actors and shed light on how certain actors may ally with prominent figures and/or lobby their way into positions of power. Such research could reveal more discrete power structures and bring forth a different pattern of power distribution among various actors involved in corporate scandals.

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# Appendix 1: Theranos Nvivo Codebook

| Name | Description | Files | References |
|------|-------------|-------|-----------|
| External actors | | 0 | 0 |
|   External companies | | 0 | 0 |
|     Actions | | 0 | 0 |
|     Failures | | 0 | 0 |
|       Failure to see diception | | 1 | 4 |
|     Interests | | 0 | 0 |
|       Distancing from Theranos | | 1 | 1 |
|       Expanding themselves | | 1 | 2 |
|       Money | | 1 | 2 |
|     Resources | | 0 | 0 |
|       Money | | 0 | 0 |
|       Positionality | | 0 | 0 |
|   Idea | | 0 | 0 |
|   Influencers | | 0 | 0 |
|     Actions | | 0 | 0 |
|       Supporting Holmes & Theranos | | 1 | 5 |
|     Failures | | 0 | 0 |
|     Interests | | 0 | 0 |

| Name | Description | Files | References |
|------|-------------|-------|-----------|
|       Furthering own image | | 1 | 6 |
|       Ventures | | 1 | 5 |
|     Resources | | 0 | 0 |
|       Expertise | | 1 | 1 |
|       Loyalty from public | | 1 | 3 |
|       Money | | 1 | 2 |
|       Political network | | 1 | 2 |
|       Reputation | | 1 | 2 |
|   Media & Newspapers | | 0 | 0 |
|     Actions | | 0 | 0 |
|       Investigating Theranos | | 1 | 8 |
|     Failures | | 0 | 0 |
|       Failure to expose scandal | | 0 | 0 |
|     Interests | | 0 | 0 |
|       Duty | | 1 | 18 |
|       Exposing Theranos | | 1 | 19 |
|       Investigating Theranos | | 1 | 20 |
|       Money | | 0 | 0 |
|       Support and promote Holmes | | 1 | 9 |
|     Resources | | 0 | 0 |
|       Expertise | | 1 | 7 |
|       Money | | 0 | 0 |
|       Network | | 1 | 3 |
|       Reputation | | 1 | 2 |

| Name | Description | Files | References |
|---|---|---|---|
| Idea | | 0 | 0 |
| Interactions & Interplays | | 0 | 0 |
|   Studying Theranos | | 1 | 2 |
| Internal actors | | 0 | 0 |
|   Holmes | | 0 | 0 |
|     Actions | | 0 | 0 |
|       Charming the public | | 1 | 10 |
|       Decieving | | 1 | 32 |
|     Failures | | 0 | 0 |
|       Blinded by Theranos & ambition | | 1 | 29 |
|       Failure to build Edison or see the impracticalities | | 1 | 9 |
|       Save Theranos | | 1 | 6 |
|     Interests | | 0 | 0 |
|       Charming the public | | 1 | 29 |
|       Helping public | | 1 | 45 |
|       Motivating employees & public | | 1 | 14 |
|       Protect Theranos | | 1 | 24 |
|       Source money | | 1 | 13 |
|       Theranos = next Apple | | 1 | 55 |
|     Resources | | 1 | 1 |
|       (Political) Network | | 1 | 32 |
|       Money | | 1 | 4 |
|       Passion & expertise | | 1 | 34 |

| Name | Description | Files | References |
|---|---|---|---|
|       Position & Hierarchy | | 1 | 19 |
|       Reputation | | 1 | 29 |
|         Merit as woman | | 1 | 6 |
|       Support from peers and public | | 1 | 27 |
|   Investors | | 1 | 1 |
|     Actions | | 0 | 0 |
|       Impressed by Holmes | | 1 | 12 |
|     Failures | | 0 | 0 |
|       Failure to see deception | | 1 | 12 |
|     Interests | | 0 | 0 |
|       Exposing Theranos | | 1 | 2 |
|       Money | | 1 | 2 |
|       Ventures | | 1 | 2 |
|     Resources | | 0 | 0 |
|       (political) network | | 1 | 3 |
|       Money | | 1 | 4 |
|   Theranos employees | | 0 | 0 |
|     Actions | | 0 | 0 |
|       Emotions Pressure and confusion | | 1 | 19 |
|       Idealising Holmes | | 1 | 14 |
|       Intimidated by Holmes | | 1 | 22 |
|       Whistleblowing | | 1 | 18 |
|     Failures | | 0 | 0 |

| Name | Description | Files | References |
|------|-------------|-------|------------|
| Failure to complete Edison | | 1 | 19 |
| Failure to stand up | | 1 | 8 |
| Interests | | 0 | 0 |
| Doing good for the world | | 1 | 20 |
| Exposing Theranos | | 1 | 14 |
| Money | | 0 | 0 |
| Responsibility | | 1 | 29 |
| Resources | | 0 | 0 |
| Expertise | | 1 | 9 |
| Theranos management | | 0 | 0 |
| Actions | | 0 | 0 |
| Deception | | 1 | 18 |
| Lack of transparency | | 1 | 45 |
| Policing employees | | 1 | 14 |
| Failure | | 0 | 0 |
| Failure to care | | 1 | 19 |
| Failure to make Edison as promised | | 1 | 18 |
| Failure to take feedback | | 1 | 8 |
| Interests | | 0 | 0 |
| Expanding | | 1 | 6 |
| Helping Holmes & public | | 1 | 6 |
| Inspire employees | | 1 | 5 |
| Money | | 1 | 8 |

| Name | Description | Files | References |
|------|-------------|-------|------------|
| Protecting Theranos | | 1 | 23 |
| Resources | | 1 | 1 |
| Expertise | | 1 | 1 |
| Hierarchy | | 1 | 7 |
| Lawyers | | 1 | 19 |
| Money | | 1 | 15 |
| Network | | 1 | 9 |

# Appendix 2: Theranos interests, resources and failures

**Episode 1: Theranos' foundation is built (2004-2010)**

| Actors | Actions displaying interests | Actions displaying resources | Failures | Other actions of pertinence |
|--------|------------------------------|------------------------------|----------|------------------------------|
| Elizabeth Holmes | - Charming the public to build up Theranos' reputation and image<br><br>- Helping the | - Building Theranos using her passion and charisma as a resource<br><br>- Building Theranos', thereby her, reputation as a viable resource | - Denying Pentagon access to test Edison, implying lack of transparency | - Overall, in this stage, Holmes was focused on charming the public/investors and getting them to believe in |

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| | | | | |
|---|---|---|---|---|
| | public with by making medical care accessessable and cheaper<br><br>- Making Theranos the next disruptive technology<br><br>- Build a strong political and social network (who can later lobby and vouch for Theranos) | (especially as a young woman in medical technology)<br><br>- Ability to build Theranos up due to strong political network and money<br><br>- Garnering support from the public and her peers due to her passion and charisma | | Theranos |
| Theranos management | - In this phase, the management team was mainly interested in building Theranos up and hiring expertise to bring the Holmes' vision to reality<br><br>- This meant that money was of high interest to them<br><br>- It was also of high interest to motivate and inspire employees to get them on board with the Theranos mission | - Therefore, they built up expertise, money and a strong network as a resource to bring Holmes' vision to life | - Along with Holmes, the management team decided to deny Pentagon access to test Edison, implying lack of transparency | - To bring a strong company, they were still in the phase of inspiring and motivating employees. |
| Theranos employees | - In this phase, the employees' main interest was to help the American public by making medical care more accessible and cheaper - they were inspired by Holmes | - They brought in their abilities and expertise, becoming a valuable resource for Theranos | - As such, there are no failures at this phase because it was still too early to tell that Theranos was a sinking ship | - They idealised Holmes and the vision of greatness she brought. They also wanted to bring Theranos' nanotainer and bring it to a reality |

| Investors | - At this stage, investors seemed like they were looking for more ventures to invest in | - They could do this as they had money<br><br>- Some investors also claimed that they had an eye for start-ups that had potential | - They idealised Holmes so much that many invested in Theranos without ever looking at a financial sheet | - They all thought that Holmes was an excellent visionary and was going to change the future |
|---|---|---|---|---|
| Media and newspapers | - At this stage, most medias seemed interested in getting Holmes on their platform as she was a rising star in the biotech industry | - They used their reputation as a resource to gain access to Holmes and get her on their set<br><br>- They most likely also paid her to be on their set | - No failures at media at this stage | - At this stage, most medias were supportive of the upcoming visionary, Holmes |

**Episode 2: Theranos becomes stronger: going public, but turmoil begins internally (2011-2014)**

| Actors | Actions displaying interests | Actions displaying resources | Failures | Other actions of pertinence |
|---|---|---|---|---|
| Elizabeth Holmes | - Expanding Theranos externally<br><br>- Source money for Theranos, even if it meant deceiving partners & investors<br><br>- As Theranos' popularity grew, Holmes became more paranoid and wanted to protect Theranos' ideas and innovations<br><br>- Helping the public with by making medical care accessessable and cheaper | - Theranos had built a successful reputation by now, which helped bring in new investors and partners<br><br>- Theranos had built a strong network by now, which helped bring in new investors and partners<br><br>- Tried to deny WSJ claims by relying on reputation and passion as resources | - So blinded by Theranos' vision, she didn't care that she was deceiving investors/partners, mistreating her employees, etc.<br><br>- Over all, failure to build Edison and be honest about it<br><br>- Failures in deceiving public and investors<br><br>- Failure to care about customers, employees and general public<br><br>- Failure to protect Theranos from this | N/A |

| | | | | |
|---|---|---|---|---|
| | - Making Theranos the next disruptive technology | | scandal | |
| Theranos management | - Due to growing paranoia, there was a growing interest in increasing security and policing employees to protect Theranos<br><br>- There was an interest in making Theranos as promised, but that came at the cost of practicalities, feedback and care towards employees | - To implement the harsher security and surveillance of employees, they used their hierarchy and positionality as a resource<br><br>- They also used their hierarchy and positionality as a resource to refuse feedback from employees<br><br>- Tried to prevent whistleblowers by using expensive lawyers, using money and network as resources | - Evidently more clear that there has been a failure in actually making Edison what it was promised to be<br><br>- There was also a failure in telling the truth to the public, investors and partners<br><br>- There was failure in their lack of care towards their employees. They did not take feedback, nor care for their employees' wellbeings (eg. Ian Gibbons)<br><br>- This lack of care can also be seen externally, as they did not care that they had to elaborately deceive everyone, and test real patients with faulty technology<br><br>- Failure to care about customers, employees and general public<br><br>- Failure to protect Theranos from this scandal | NA |
| Theranos employees | - The employees main interest seemed to be to make Edison work they way it should, give constructive feedback to their management and have a responsible | - Their ability to try make Edison work and give feedback was based on their expertise<br><br>- They whistleblowed using their | - There was a failure to stand up to the Theranos management team. That being said, they did try but were dismissed by superior employers | - The employees often felt pressured by Holmes and the management team eg. Ian Gibbons |

| | | | | |
|---|---|---|---|---|
| | company to work for | experience at Theranos as proof and resource | | - Employees began to feel concerned when Theranos began using their incomplete Edison to conduct tests on real patients |
| Investors | - Their main interest at this stage still seems like to make money via investing in Theranos | - Their resources came in the shape of money, network and social reputation<br><br>- Presumably using powerful lawyers as a resource to have money returned | - There was a failure to see Theranos' deceptions<br><br>- A failure to ask Theranos for a transparent display of their products and the functionality of their products | - They still saw Holmes as a revolutionary genius |
| Media and newspapers | - Since light had not been shined upon Theranos' reality, they were still interested in promoting themselves via promoting Theranos | - They relied on their brand name (reputation) as a resource to get Holmes on their platform<br><br>- Using their network to get in touch with Cheung and Shultz | NA | NA |
| External companies | - Presumably wanted to make money and expand their own brand name by having Theranos as a partner | - Relied on their brand name and money to build a partnership with Theranos<br><br>- Walgreens: Using their money as a resource, as something to be taken away from Theranos now | - Walgreens: a failure to check whether the Edison actually worked or not | NA |

**Episode 3: Downfall of Theranos (2014-2018)**

| Actors | Actions displaying interests | Actions displaying resources | Failures | Other actions of pertinence |
|---|---|---|---|---|
| Elizabeth Holmes | - Interests were to protect Theranos<br><br>- Keep Theranos' image positive in the public eye | - Fighting back the newspaper articles using powerful lawyers as a resource | - Failure to find buyers for Theranos as they ruined its reputation<br><br>- Failure (and inability) to deny claims<br><br>- Over all, failure to build Edison and be honest about it<br><br>- Failures in deceiving public and investors<br><br>- Failure to care about customers, employees and general public<br><br>- Failure to protect Theranos from this scandal | NA |
| Theranos management | - Interests were to protect Theranos<br><br>- Keep Theranos' image positive in the public eye | - Fighting back the newspaper articles using powerful lawyers as a resource | - Failure to find buyers for Theranos as they ruined its reputation<br><br>- Failure (and inability) to deny claims<br><br>- Over all, failure to build Edison and be honest about it<br><br>- Failures in | NA |

| | | | deceiving public and investors  - Failure to care about customers, employees and general public  - Failure to protect Theranos from this scandal | |
|---|---|---|---|---|
| Theranos employees | - Interested in seeing Theranos' wrong doings exposed to the public  - Interested in knowing that the public/patients were informed that their test results might have been incorrect | - Using their knowledge from previously working at Theranos as a resource  - Using media outlets eg. WSJ as a resource to expose Theranos | - Mainly employees felt like they could not stand up to the Theranos management team and let the wrongdoings go on for too long | NA |
| Investors | - Interest in getting their money back from Theranos  - No longer interested in using their social and political relevance to promote Theranos | - Presumably using powerful lawyers as a resource to have money returned | - Failure to see Theranos' deception | NA |
| Media and newspapers | - Interested in exposing Theranos  - Forbes releasing another article showing that Holmes is no longer richest woman shows their interest in correcting themselves | - Using their network (whistleblowers) as a resource to legitimise their claims  - Their reputation, which can be seen as a resource, of being credible newspapers helped convince public about Theranos' truth | NA | NA |

| External companies | - Interested in no longer being associated with Theranos<br><br>- Interested in suing Theranos<br><br>- Medical regulators interested in doing more check ups of Theranos and exposing it's lack of functionality | - Walgreens using lawyers and money as resources to sue Theranos<br><br>- Walgreens revoking their money and partnership (a resource to Theranos)<br><br>- FDA and CMS using their knowledge and expertise as resources to release more articles about the Edison | - Partner companies had a failure in seeing through deceptions<br><br>- Medical regulators had a failure in not checking up on Theranos equipments' legibility | NA |
|---|---|---|---|---|

# Appendix 3: Wirecard Nvivo Codebook

| Name | Description | Files | References |
|---|---|---|---|
| Actors - Wirecard | | 0 | 0 |
|   Investors | | 0 | 0 |
|     Actions | | 0 | 0 |
|       Pressuring Wirecard to appoint auditor | | 1 | 1 |
|     Interests | | 0 | 0 |
|     Resources | | 0 | 0 |
|   Media | | 0 | 0 |
|     Actions | | 0 | 0 |
|       Financial Times - Investigating Wirecard | | 1 | 4 |
|       FT - Published scandal story on wirecard | | 1 | 1 |

| Name | Description | Files | References |
|---|---|---|---|
|       FT - Remove McCrum for a while and conduct internal investigation | | 1 | 1 |
|       German Media - Accusing FT of corruption | | 1 | 2 |
|       German media - Portraying Wirecard positively or staying passive to Wirecards fraud | | 1 | 4 |
|     Failures | | 0 | 0 |
|       FT - Failed to bring upon Scandal | | 1 | 3 |
|       FT - Failure to be seen as truth-tellers | | 1 | 1 |
|       FT - Unable to find sources | | 1 | 1 |
|     Interests | | 0 | 0 |
|       German Media - Protecting German Companies | | 1 | 1 |

| Name | Description | Files | References |
|------|-------------|-------|------------|
| Looking for stories and secrets | | 1 | 1 |
| Resources | | 0 | 0 |
| Short-Sellers | | 1 | 4 |
| Whistleblowers | | 1 | 1 |
| Regulators | | 0 | 0 |
| Actions | | 0 | 0 |
| BaFin - Banned short-selling | | 1 | 1 |
| Campaigning and Vouching for Wirecard | | 1 | 3 |
| Filed charges against FT | | 1 | 2 |
| Investigated Wirecard after the company themselves asked | | 1 | 2 |
| Failures | | 0 | 0 |
| Failed to protect corruption | | 1 | 2 |

| Name | Description | Files | References |
|------|-------------|-------|------------|
| Interests | | 0 | 0 |
| Politicians - Digital champion for Germany | | 1 | 2 |
| Resources | | 0 | 0 |
| Short-Sellers | | 0 | 0 |
| Actions | | 0 | 0 |
| Accused Wirecard | | 1 | 1 |
| Investigated Wirecard | | 1 | 1 |
| Short-Selling Wirecard | | 1 | 2 |
| Failures | | 0 | 0 |
| Failed to convince Wirecard fraud | | 1 | 1 |
| Interests | | 0 | 0 |
| Making money through betting against overvalued stocks | | 1 | 2 |

| Name | Description | Files | References |
|---|---|---|---|
| Wanted proof of Wirecard's money existing | | 1 | 1 |
| Resources | | 0 | 0 |
| Media | | 1 | 1 |
| The Public | | 0 | 0 |
| Actions | | 0 | 0 |
| Harassing and questioning FT | | 1 | 2 |
| Failures | | 0 | 0 |
| Interests | | 0 | 0 |
| Protect the well liked company | | 1 | 1 |
| Resources | | 0 | 0 |
| Wirecard Employees | | 0 | 0 |
| Actions | | 0 | 0 |
| Internal complains to Wirecard | | 1 | 1 |

| Name | Description | Files | References |
|---|---|---|---|
| Whistleblower - Exposing Wirecard | | 1 | 1 |
| Failures | | 0 | 0 |
| Interests | | 0 | 0 |
| Fighting the bad guys | | 1 | 2 |
| Part of a German Champion Company | | 1 | 2 |
| Whistleblower - Exposing wrongdoing | | 0 | 0 |
| Resources | | 0 | 0 |
| Data on internal processes | | 1 | 1 |
| Wirecard Management | | 0 | 0 |
| Actions | | 0 | 0 |
| Conducting internal investigation | | 1 | 1 |
| Fleeing | | 1 | 1 |

| Name | Description | Files | References |
|---|---|---|---|
| Resistment | | 0 | 0 |
| Avoiding tough questions | | 1 | 3 |
| Blaming others | | 1 | 6 |
| Bribery | | 1 | 1 |
| Denial and lies | | 1 | 10 |
| Finding dirt on accusers and making up lies about them | | 1 | 6 |
| Intimidation, threats and violence | | 1 | 7 |
| Trying to merge with Duetche Bank | | 1 | 1 |
| Failures | | 0 | 0 |
| Failure to hide unethical operations | | 1 | 14 |
| Interests | | 0 | 0 |

| Name | Description | Files | References |
|---|---|---|---|
| Destroy The Financial Times reputation | | 1 | 1 |
| Keeping unethical operations going | | 0 | 0 |
| Resources | | 0 | 0 |
| Confident and Charming COO - Marsalek | | 1 | 7 |
| Contacts and investments | | 1 | 8 |
| Part of a fast growing industry | | 1 | 3 |
| Reputation | | 0 | 0 |
| Digital champion for Germany | | 1 | 8 |
| Feared and Dangerous | | 1 | 4 |
| German companies make no mistakes | | 1 | 2 |
| Markus Braun - Heroic Leader | | 1 | 3 |

# Appendix 4: Wirecard interests, resources and failures

**Episode 1: Overview of Wirecard's Growth and the establishing of a subjectified and dominated Germany (1999 - 2013)**

| Actor | Actions that display interests | Actions that display resources | Failures |
|---|---|---|---|
| Wirecard Management | Conducting illegal and unethical operations while appearing to be a trustworthy and legitimate company *make money and gain fame*<br><br>Hired lawyers who physically threatened a short seller to stop investigating the company<br>- To intimidate them and silence him | Using Markus Braun to portray a competent leader imitating Steve Jobs to come off as trustworthy and like a professional company (Erskine, 2022).<br><br>Using money to hire lawyers who can carry out the intimidation | Failure to hide their scandalous behaviour |
| Wirecard Employees | Working and supporting the company to secure financial income, because they felt proud to work there and they see Markus Braun as a hero. | | |
| The media | The Financial Times: Published reports of accusations on Wirecard to make it public and show suspicious unethical conduct.<br><br>German media: Reporting positively on the success of Wirecard to portray the success of a German FinTech company | Having and using connections who provide tips about interesting things to investigate<br><br>Using their different media including tv and newspapers to provide information to the entire country | |
| Regulators | Politicians using the success of Wirecard to show proudness for German companies | Using media to spread their enthusiasm | |
| Investors | Investing in Wirecard due to the success of the company which can make them earn more money | | |

| Short-Sellers | Investigating Wirecard to find companies with shady dealings or with overvalued stocks to short sell them in order to make money | Analysing financial statements, the market situation nas well as using their contacts to gather information about Wirecard | |

**Episode 2: Financial Times' first report on Wirecard revenue fraud (2014-2015)**

| Actor | Actions that display interests | Actions that display resources | Failures |
|---|---|---|---|
| Wirecard Management | - Denying accusations to make the Financial Times report seem appear wrong<br>- Threatening with legal action to intimidate and prevent the Financial Times from investigating further | Using their positive reputation and position in Germany as well as their employees' trust convince them to turn against the accusers<br><br>Using their knowledge of Short Sellers bad reputation to attempt connecting them with the Financial Times. | |
| Wirecard Employees | Working and supporting the company to secure financial income and protect the company against the enemy, the Financial Times | | |
| The media | The Financial Times: Starting to investigate Wirecard to find interesting stories to publish<br><br>German media: Either ignored the accusations or questioned the Financial Times about the reason and lack of proof in the report to defend German companies. | Using different media like tv or newspapers to reach out to the public.<br><br>German media: Using their media to influence the public of Germany and thus shaping the discourse around the subject. | |

**Episode 3: The Zatarra report and Wirecards resistance (2016 - 2018)**

| Actor | Actions that display interests | Actions that display resources | Failures |
|---|---|---|---|
| Wirecard Management | Denying the Zatarra reports accusations and accusing the short sellers as well as the Financial Times for market manipulation.<br>- To smear both the Zatarra report and Financial Times as well as shift focus from their own wrongdoing | Using money to pursue legal threat and taking legal actions against The Financial Times<br><br>Using their reputation in Germany to mask their activities and instead try to smear the Financial Times | Failure to keep the trust of all their employees |
| | Attempted to bribe Financial Times employees<br>- To remove Wirecard reports and posts | Using money to get what they want | |
| | With the help of associates they created a fake whistleblower inside the Financial Times and hacked them to get access to internal pictures and documents<br>- To smear the Financial TImes and cast doubt on their intentions | Using connections in the form of Indian hacker groups to get access to useful information. | |
| | A meeting was set up by Jan Marsalek to speak one on one with a Financial Times reporter | Using their connections | |

| | | | |
|---|---|---|---|
| | - To intimidate and persuade the financial times to stop writing about them | and network to make contact and set up a meeting | |
| Wirecard Employees | Supporting their employers by accusing The Financial Times and The authors of the Zatarra report of market manipulation. | | |
| The media | The Financial Times: Wrote about the Zatarra report to provide updated news on the alleged scandalous behaviour of Wirecard<br><br>German media: Defending Wirecard by attacking the reputation of the short sellers who wrote the Zatarra report and linked them to the Financial Times. | Connected with the short sellers of the report of the report to get insight into its contents and when it was going to be published<br><br>Using their different media including tv and newspapers to provide information to the entire country and accuse the short sellers and Financial Times | Failed to come off as trustworthy by McCrum aligning himself with short sellers who have a bad reputation in Germany. |
| Regulators | BaFin conducted an investigation on the short sellers who wrote the Zatarra report to investigate fraud due to them accusing a German company of wrongdoing. | Using legal authority and measures as regulators | Failed to uphold their duty as regulators to investigate wrongdoing in company's |
| Short-Sellers | Published the Zatarra report to provide evidence of fraud occurring in Wirecard. | Used connections and media to get the report out and available to the public. | Failed to come off as trustworthy due to the bad reputation of short sellers in Germany. |

**Episode 4: Wirecards downfall and shattering of the Subjectification and Domination (2018-2019)**

| Actor | Actions that display interests | Actions that display resources | Failures |
|---|---|---|---|
| Wirecard Management | Denying the Financial Time's new accusations and once again accusing Financial Times for market manipulation along with aligning with short sellers<br>- To once again come off as trustworthy by smearing the Financial Times<br><br>Suing The Financial Times for the damaging Wirecard as a company<br>- To damage the Financial Times and come off as trustworthy<br><br>Later hiring KPMG to conduct internal investigation to satisfy investor demands<br><br>Going bankrupt due to 1.9 billion Euros missing | Using money to pursue legal threat and taking legal actions against The Financial Times<br><br><br><br>Using their reputation in Germany to mask their activities and instead try to smear the Financial Times | Failure to keep the trust of all their employees<br><br><br><br><br><br><br><br>Failure to hide unethical operations |
| Wirecard Employees | Whistleblower: Contacts the Financial Times to provide them with insider information about Wirecards operations<br>- To combat the company's unethical dealings and behaviour<br><br>The rest: Supporting their employers by accusing them of market manipulation. | Using the media as a way to get his story out and using his inside data as a way to come off as trustworthy for the Financial Times | |
| The media | The Financial Times: Published reports of accusations on Wirecard to make it public and show suspicious unethical conduct. | Using connections (whistleblower)<br><br>Using their different | |

| | | | |
|---|---|---|---|
| | German media: Defending Wirecard by attacking the reputation of the Financial Times, calling their accusations an attack on German companies and then linking them to short sellers once again | media including tv and newspapers to provide information to the entire country | |
| | German media: Started reporting negatively on Wirecard once the allegations of 1.9 billion euros missing being proven to be true | Using their different media including tv and newspapers to provide information to the entire country | |
| Regulators | Bafin: Filing criminal complaints against The Financial Times and banning short selling to protect Wirecard, a German successful company | Using legislative capabilities and reputations as public lawmakers to reduce The Financial Times' credibility. | Failed to uphold their duties as just lawmakers and combat real corruption |
| | Angela Merkel campaigning for Wirecard in China | Using Wirecard's popularity as a German company to campaign for the country itself | |
| | KPMG and later EY refusing to sign of Wirecard's financial statement as 1.9 billion Euros were missing | Using legislative capabilities to investigate Wirecard | |
| Investors | Soft bank Japan investing hugely in Wirecard despite allegations and controversy | Using money to invest | |
| | Pressuring Wirecard to conduct an internal investigation due to the pressing allegations. | Using their investments in the company as leverage to get what they want | |
| Short-Sellers | | | Can not short sell anymore due to ban |