The Cult of We

What’s in it for me? Uncover the rise and collapse of a billion-dollar startup.

In 2019, the curtains were pulled back on the most valuable startup in the United States: WeWork. And the truth rocked the investment world. Once valued at $47 billion, WeWork was in fact nothing but a glorified real estate company – one that was losing more than $1.6 billion a year. The question is, how did some of the world’s biggest investors get blindsided by the startup? Why did it take so long for the company to go public? And how did WeWork’s hard-partying CEO, Adam Neumann, get away with it all? In these blinks, we’ll look at the medley of factors that led to the company's astounding rise and fall. In these blinks, you’ll learn

how a baby-clothes salesman lured the world’s top investors into giving him millions; why a real estate company was hailed as the world’s most valuable tech startup; and how startup culture in the 2010s contributed to reckless investment into WeWork.

With nothing more than a pitch, Adam Neumann and Miguel McKelvey created a company worth $45 million.

Architect Miguel McKelvey met Adam Neumann at a rooftop party in New York City in 2006. Shirtless, loud, and speaking in an Israeli accent, Neumann stood out from the crowd, to say the least. The two men struck up a friendship – and a few months later, Neumann sought McKelvey’s advice on finding an affordable space for his baby-clothes business. McKelvey suggested the building he worked in, 68 Jay Street. Once Neumann had moved in, it became clear that he wasn’t really interested in children’s clothing. His real mission, above all, was to get rich. Before long, he’d roped McKelvey into his quest. The key message here is: With nothing more than a pitch, Adam Neumann and Miguel McKelvey created a company worth $45 million. McKelvey was often a sounding board for Neumann’s business ideas. One of these, while not totally original, had the potential to be very profitable: Neumann wanted to rent ready-to-use office space to technology companies. The kicker was that tenants would pay more for fully equipped, flexible offices than they would for standard office space, and Neumann would pack the offices tightly together to maximize profit. McKelvey was sold – and together, the two men pitched the idea to their landlords at 68 Jay Street. It wasn’t difficult to convince them. Brooklyn was full of entrepreneurs and small companies looking for flexible office solutions, and the Great Recession of 2008 meant that even big companies like banks were looking to downsize when it came to office space. The landlords joined the scheme as partners, offering Neumann and McKelvey a floor in one of their buildings, a former pipe factory. McKelvey worked on the floor plan, business plan, and website – and in 2008, GreenDesk was born. Yet Neumann was already looking to the future. In 2009, he and McKelvey sold their stakes in GreenDesk to the landlords for $500,000 each. They then got to work expanding their concept, searching for space they could rent and slice up to create small offices. Before they’d even finished securing the funds for their first building, they were already on the hunt for new investors for further spaces. This led them to real estate developer Joel Schreiber. Although they didn’t yet have a single customer, Neumann and McKelvey told Schreiber that WeWork was worth $45 million.

Incredibly, Schreiber not only decided to invest in the company – he didn't even bother to negotiate! He agreed to invest $15 million in exchange for a one-third stake in the company. It was more money than the two entrepreneurs had ever seen.

To achieve higher company valuations, Neumann presented WeWork as a tech startup.

From its early days, WeWork hosted happy hours for its clients – most of whom were tech startups. Even as the world reeled from the 2008 financial crisis, the chatter around WeWork's offices centered around which industry would be disrupted by a tech startup next. Many of these startups were financed by venture capitalists – investors who provided critical early funding, often well before companies showed they could make a profit. Their private money helped launch transformative companies such as Amazon, Apple, Facebook, Google, and Microsoft. By 2010, most venture capitalists had given up on finding groundbreaking ideas; they wanted to invest in groundbreaking leaders – people like Amazon's Jeff Bezos or Apple's Steve Jobs, who weren't just great salesmen, but also founders. Neumann saw himself among them. The key message here is: To achieve higher company valuations, Neumann presented WeWork as a tech startup. While Neumann could barely operate his own laptop, the fact that he was a founder meant venture capitalists were willing to listen to him. In his presentations, he reframed his real estate company as a tech startup by using the slogan "space as a service" – a play on the emerging "software as a service" business model. When pitching the concept for WeWork, Neumann and McKelvey also highlighted how the lines between work and play were being blurred; they pointed to tech companies like Google, which offered employees free food and in-house gyms. WeWork would make the same Silicon Valley office experience available to urban millennials everywhere: sleek designer furniture, glass walls, common areas equipped with food, and free beer on tap. As a result of this work-play dynamic, Neumann and McKelvey promised, WeWork offices would breed close-knit communities; they dubbed the concept a "physical Facebook." And just as Facebook's mission statement was to "make the world more open and connected," WeWork strove "to create a world where people work to make a life, not just a living." At the same time, Neumann's presentations contained slides projecting an increase in revenue from $73 million in 2014 to $2.8 billion in 2018. The investors were convinced – and in 2015, the renowned venture capitalist firm Benchmark valued WeWork at $100 million. It was an extraordinary valuation for a startup, especially a real estate company. After all, unlike software, the amount of revenue that physical office spaces could bring in was limited. But the buzz around WeWork was intense. By the middle of 2015, the company had attracted $400 million in investment.

After attracting enormous investment from Softbank, Neumann became increasingly reckless.

Within just a couple of years, WeWork swelled beyond the United States. The company opened spaces in Europe and Israel, and it began to look toward Asian markets. This was a dizzying pace of growth – much faster than the software companies whose success Neumann once aspired to. As the company expanded, McKelvey retreated into a more supportive role; he was already richer than he'd ever dreamed of being. As he stepped back, he agreed to hand over most of his stake in the company profits to Neumann. But Neumann was nowhere near done. He was still on a clear mission to double WeWork's revenue every single year. The key message here is: After attracting enormous investment from Softbank, Neumann became increasingly reckless. After seven years, startups are usually supposed to show a reduction in losses – but with 65 locations by 2016, WeWork was losing a million dollars a day. So when Neumann announced plans to fundraise in the world's biggest market, China, investors weren't happy. But Neumann didn't have to listen to them – he was in firm control of the company. Even when they were concerned, partners tended to bow to his wishes. According to reports, "No" votes simply never happened. Meanwhile, Neumann continued to ignore profit margins and remained obsessed with speeding up growth. He reasoned that rapid growth would impress future investors, helping him to attract the huge amounts of revenue he was after. In 2019, Neumann flew to Tokyo to meet Masayoshi Son, founder and CEO of the tech conglomerate Softbank Group. Son was interested in discussing investments in WeWork. But at the meeting, Neumann put the usual business aside and instead laid out what he called his "triangle plan": WeWork would quickly take over every part of the commercial real estate market, including the global construction industry and brokerage market. He said it would be worth trillions – the largest, greatest company in the world. Son was sold. After all, at this point, WeWork was not just massively hyped, it was also one of the most valuable startups in the world – if only on paper. The company had a headcount of six thousand, equal to one and a half times the staff at Twitter. Softbank valued it at an astounding $47 billion. Son announced his intention to invest $10 billion and eventually buy out WeWork's existing investors for another $10 billion. He also invested $4.4 billion immediately – but WeWork was still far from turning a profit.

As WeWork expanded at lightning speed, it lost track of its core business.

In 2015, WeWork employees were told to leave their desks and go to 110 Wall Street. Neumann was going to walk into the building with an investor – and when he did, he wanted everyone to act like they were having fun, with the Notorious B.I.G. song "Juicy" blasting in the background. This wasn't the only time employees were asked to do this. As they waited for Neumann to show up, they'd often have to play the song on repeat for up to an hour. It was all to model Neumann's next big idea: a college dorm-style living experiment called WeLive. Just as WeWork had transformed office space, it would now redefine the residential sector. Here's the key message: As WeWork expanded at lightning speed, it lost track of its core business. WeLive didn't quite live up to its office space predecessor. By 2016 it had only expanded to two locations, and it never went any further. But, true to form, Adam Neumann remained restless; he dreamed of taking over newer and bigger markets. And with the money flowing in from Softbank, he had no reason to tone it down. Soon after Son's investment, Neumann rebranded WeWork as "The We Company." The shift was meant to encompass WeWork as well as new ventures like WeLive and WeGrow – an elementary school that claimed to raise "conscious global citizens." WeGrow was led by Adam's wife Rebekah, who'd named herself a cofounder of The We Company and infused its branding with a New Age tone. Neumann also directed WeWork to buy a range of companies, including the event-sharing app Meetup and a "coding bootcamp" known as the Flatiron School. He also used Softbank's money to make unrelated investments, like committing $38 million to his friend Ashton Kutcher's venture capital fund. Staff were confused – why wasn't anyone stopping him? But if the board had been malleable to Neumann's wishes in WeWork's early years, Softbank's investment only underpinned this dynamic. At the same time, company spending got even wilder. Neumann announced to the board that he was going to buy a Gulfstream private jet for $63.4 million so that he wouldn't have to take commercial flights. Parties were frequent at the office, and the company's mandatory Summer Camp retreats for employees became a gigantic affair. In less than two years, WeWork had depleted $3 billion of Softbank's money – yet it was no closer to becoming a profitable, sustainable business.

After Softbank withdrew its deal, WeWork was forced to go public.

In 2019, Adam Neumann burst onto a stage, pumping his fist in front of a crowd of thousands. The crowd was made up of WeWork staff, and the event was a three-day internal conference in Los Angeles dubbed the "Global Summit." Most had traveled from New York to the Universal Studios theme park, which WeWork rented out for the corporate retreat. Tequila flowed, bands played, and staff piled into the Harry Potter rides, all to the tune of $10 million. When Neumann addressed his employees at the event, he announced that at the same time next year, the company would be worth $100 billion – or so he thought. Here's the key message: After Softbank withdrew its deal, WeWork was forced to go public. Back when Neumann presented his triangle plan to Son, the investor said that Neumann would have unlimited access to Softbank's money to fund his vision. This meant that WeWork could stay private for much longer, sparing the company exposure to public scrutiny. But Neumann's vision grew more scattered. It had been eight years of high-speed growth and billions of dollars of losses. And yet, in addition to the WeLive fiasco and his erratic investments, he also wanted WeWork to sell software and food. He envisioned providing WeWork staff with housing and educating their children. While Son only encouraged the founder to dream bigger, the trouble was that it wasn't entirely up to him. Softbank's $100 billion Vision Fund was partly provided by the Saudi government – who had to approve large investments. Son had dazzled the Saudis to secure the initial investment in WeWork, but over time they grew wary of Neumann. So did Softbank shareholders in Tokyo. At the end of 2018, Son called Neumann to share the bad news. The WeWork buyout was simply not possible, he told him. The deal had to be called off. Just four months after the Global Summit, Neumann had no choice but to announce that WeWork was ready to go public. Although it was the last thing he wanted, once Softbank had withdrawn its offer, there was simply no one left to throw billions of dollars at the company. For employees, this was welcome news. WeWork paid lower salaries than many other startups – instead luring would-be employees with the prospect of eventually receiving stock in the company. Some were waiting on millions, depending on the company's valuation. If WeWork went public, they thought, everyone could finally get rich.

Adam Neumann's hard-partying lifestyle and personal greed

overshadowed his leadership at WeWork.

Over time, employees and investors worried about more than WeWork's huge losses. They also worried about the founder. Thanks to the lucrative deals he forged for himself, by 2019 Neumann boasted a personal net worth of $10 billion. Meanwhile, he grew more disconnected from his employees. He developed a reputation for partying hard on his private jets – and traveling everywhere with a trail of aides, including a hairdresser and a surf instructor. All the while, Neumann remained in control of WeWork, with a voting power of ten-to-one over other shareholders. But, just as the company prepared to go public, the founder suddenly decided he wanted even more control. Surely, he insisted to his frustrated aides, he deserved twenty-to-one voting power? The key message here is: Adam Neumann’s hard-partying lifestyle and personal greed overshadowed his leadership at WeWork. In the summer of 2019, WeWork’s lawyers, accountants, and executives set to work on an important document known as an IPO prospectus, which outlines a company’s financial information in the run-up to being listed in the public stock market. Before publishing it, the communication department put together a list of all the potentially damaging details about the company that the press could pick up on. At 20 pages long, the list highlighted examples of Neumann’s profiteering, including the restructuring of WeWork for his tax benefit and the disclosure that he had sold the trademark “We” to WeWork – his own company – for $5.9 million. The reckoning came when the financial documents were published on the morning of August 19, 2019. At first, news headlines focused on the company’s staggering $11 billion in losses. Then, Twitter started mocking the New Age tone of the prospectus, which had been dedicated to “the energy of We.” By the end of the day, the focus had shifted to Neumann’s twenty-to-one voting power. Meanwhile, in his Tokyo office, Son was beginning to feel humiliated. It was clear that the market investors didn’t value WeWork at $47 billion as he had. In fact they didn’t seem to think that WeWork was even a $15–20 billion company. For nearly a decade, Neumann had managed to convince the world’s top investors to boost WeWork’s valuation and provide a seemingly endless stream of money. But now the show was over. Two days after the IPO documents were published, he finally stepped down – but not without the promise of a $1 billion severance package on his way out.

Final summary

The key message in these blinks is that: When Adam Neumann and Miguel McKelvey launched their real estate business in Brooklyn, the world was still lurching into the Great Recession – a time when large firms were emptying out their massive offices, while tech startups flourished. As WeWork rented spaces to these startups, Neumann used salesmanship and tech-inspired branding to attract the same bold investors that were funding his tenants. By 2019, Neumann’s obsession with growth had led WeWork to become the most valuable startup in the US – but as he continued to ignore the importance of profits, he saw his empire crumble within the very same year.