A Case Study on WeWork: an American commercial real estate company

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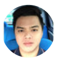

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0.0 TITLE : A Case Study of WeWork

1.0 TIME FRAME : 2010-2020

2.0 VIEWPOINT : Masayoshi Son, Softbank CEO

3.0 CENTRAL PROBLEM :

WeWork had a visionary CEO who had a habit of recklessly spending Softbank and Saudi Arabia Public Investment Fund's billions of dollars from Vision Fund investment too fast with no effective oversight on how to spend it while only focusing on aggressive expansions and changing the mindset of people on how they use space.

WeWork's private valuation of $47B was also doubted by a lot of investors as soon as they filed an IPO in 2019 revealing a lot of embarrassing disclosures such as the CEO's personal properties being rented by The We Company, CEO's personal loans from the company with less than 1% interest, rented million-dollar costs of private jet from JP Morgan & Chase and $17.9 billion worth of long term-debts for short terms leases, all that, making WeWork an unsustainable and unprofitable business especially now that a crisis has arrived.

4.0 OBJECTIVES:

Must Objectives

1. To transfer control of WeWork to its parent company Softbank.
2. To continue WeWork's business operations worldwide by any means necessary.
3. To transparently layout the company's financial position.

5.0 AREAS OF CONSIDERATION:

Strengths	Weaknesses
Stakeholders Softbank's $18.5B Investment from Vision Fund, which includes Saudi Arabia and Abu Dhabi's Public Investment Funds.	**CEO** Undisciplined character, leadership style, peculiar arrangements with the company, lack of clear strategy.
Reachability and Expansion Projects WeWork has 828 building occupancies in 120 cities worldwide.	**Forced Growth** Adam Neumann had committed WeWork to aggressive expansion projects despite the business's unsustainability.

IG worthy locations Creative office spaces catching the eyes of the millennials making it easier to attract clients working freelance who are mostly the young generation. **Diverse Products and Services** WeWork was able to give birth to different brands such as WeLive, WeWork Labs, WeGrow and Rise by We.	**Confused Financial Priority** The former CEO Adam Neumann reportedly laid-off 2,400 employees then treated the staffs to tequila shots and a private concert to "cut costs". **Human Resource Management** A former employee complained of groping at a corporate event that resulted to inaction from HR. She was later fired. **Risky investment** WeWork rents office spaces regardless if they already have a client who would sign up for it or not. **Newcomer struggle** Co-sharing office spaces is a relatively new idea compared to the usual permanent office setup. There is a market for it but it is not widely introduced yet. **High cost** Expensive to sustain the business while managing the company. It costs billions of dollars to rent entire office floors in long term only to wait for short term subleasing clients.
Opportunities	**Threats**
Merge Merge with their only competition, Regus, which is also the pioneer of the serviced office idea. **Acquisition** Acquisition by Softbank leading to possible reinvention of the business model.	**Competition** WeWork has only 1 competition in the market named Regus. Softbank acquiring the entire company and shutting it down Copycats with better transformation ideas.

6.0 ALTERNATIVE COURSES OF ACTION:

ACA #1 : **Softbank acquiring 100% of WeWork.**	
Advantages	Disadvantages
Total Control Total acquisition of the subsidiary will transfer total control of WeWork's operations to Masayoshi Son. **Dethroning Adam Neumann** Softbank acquiring 100% of WeWork will result to relinquishing any voting rights of its former CEO and major stakeholder Adam Neumann. **IPO not needed** WeWork will not even need to file an IPO as Softbank will give the company access to capital by being its sole stakeholder. **100% backing** In case of liquidity, WeWork has 100% backing from its parent company since the failure of the subsidiary is the failure of the parent.	**Closure of brands** Some brands created by WeWork deemed unprofitable and unsustainable. **Closure of majority of its locations** WeWork's current business model has proved to be unprofitable as revealed in their IPO. **More layoffs due to closure.**

ACA #2 : **WeWork merging with Regus, a Belgian born multinational provider of serviced offices.**	
Advantages	Disadvantages
Business Knowledge WeWork employees will be able to have a deeper grasp of the business operations as they will be collaborating with the pioneer in business.	**Conflicts in decision-making** WeWork staffs may have a different approach in trouble management from Regus staffs.

IPO Regus is already a public company making it easier for WeWork to get more investors if they decide to keep the name Regus and merge the operations. **Cost-cut** The new merged company will be able to save more from the amount of employees relieved from their jobs. **Possible Salvation of WeWork** As the merge happens, Regus will experience surge in revenues from WeWork clients.	**Job duplication and the possibility of having 2 CEOs** Unless they have different roles within the company, it is always problematic for companies to have 2 CEOs from different mergers. **Layoffs** Layoffs will be required due to job duplication. **Possible doom of Regus** As the merge happens, so does the billions of dollars of debts of WeWork.

ACA #3 : Allowing the current CEO Sandeep Mathrani to remodel the business	
Advantages	Disadvantages
Sandeep Mathrani's knowledge Mathrani is a real estate mogul who knows more about renting and subleasing than the former CEO Adam Neumann. **Mathrani v Neumann** Adam Neumann was a visionary but he did not pair it with strategic planning. Sandeep Mathrani was already working as a CEO even before WeWork was a company. **Optics** There is no chance that WeWork will survive but by remodeling and putting someone who actually knows how to manage a company will look good for future investors after the botched IPO.	**Time and Cost** WeWork is losing $219,000 dollars per hour. This, multiplied to the amount of hours Sandeep Mathrani requires to remodel the business adds up to liability. **Investor Trust** After the failed IPO, investors backed out from WeWork. Regardless if Mathrani was able to save the company, there is no saying why investors would still put their money on WeWork instead of Regus, their competition who has more stability in the market.

	More losses that WeWork cannot afford By allowing the current CEO to remodel the company, any resources he will use will be from WeWork, not Softbank. This includes paying layoffs and unused building floors. Although if WeWork is completely sold to Softbank, then Softbank's resources could be available to WeWork.

7.0 FINAL DECISION:

Softbank acquiring 100% of WeWork then introducing a co-CEO to Sandeep Mathrani from Softbank to remodel the business with Softbank CEO Masayoshi Son's approval. Then removing Sandeep Mathrani as the CEO as soon as the Softbank appointed CEO acquires the necessary knowledge to do the job and gains the trust of WeWork employees.

8.0 DETAILED ACTION PLAN:

Activity/Task	Office/Officer Responsible	Time-frame	Budget
Due diligence to inspect the real financial position of WeWork to come up with an actual documented public valuation	Softbank CEO & CFO	3 months	$0
From 80% to 100% acquisition of WeWork by Softbank	Masayoshi Son	3 months	$6 billion
Introduction of a co-CEO to Sandeep Mathrani in order for WeWork and Softbank to genuinely collaborate	Masa Son and newly appointed co-CEO	1 week	$1 million (includes settlement of the new CEO from Tokyo to

			San Franciso excludes sign-up bonus of the new CEO)
Re-evaluation of company policies (personal loans, office drinking, final decision maker)	Newly appointed co-CEO and Sandeep Mathrani	1 month	
Implementation of re-evaluated company policies	WeWork HR	1 day	
Remodeling the business, rethinking the strategy, creating and implementation of action plans	Newly appointed co-CEO and Sandeep Mathrani	6 months	$10 million (to hire real experts)
Minimization to avoid dead spaces resulting to efficiency. Complete purchase of office spaces in prominent locations with sure customers and closing the office spaces with less to no customers, saving from the expenses and diverting all this to purchase of building floors.	CFO, CEO	1 year (due to lease contracts)	$3 billion (from the acquisition)
Relieving of excess liabilities (manpower, unused WeWork	CEO, CFO, HR	1 month	$20 million (separation

office spaces due to layoffs, unused subleases due to non-existent customers)			pay to laid-off rank and file employees)
Firing Sandeep Mathrani because he would then be a redundant employee and having 2 CEO with same roles would only create tension and conflict within the company. It will also just add up to payroll debts of the company. Planting a homegrown employee to a subsidiary is important to secure loyalty to the parent company when it comes to decision making and approvals especially that the subsidiary is based in another country with a very different culture.	Masayoshi Son	1 month	$50 million (Sandeep Mathrani's exit package)

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