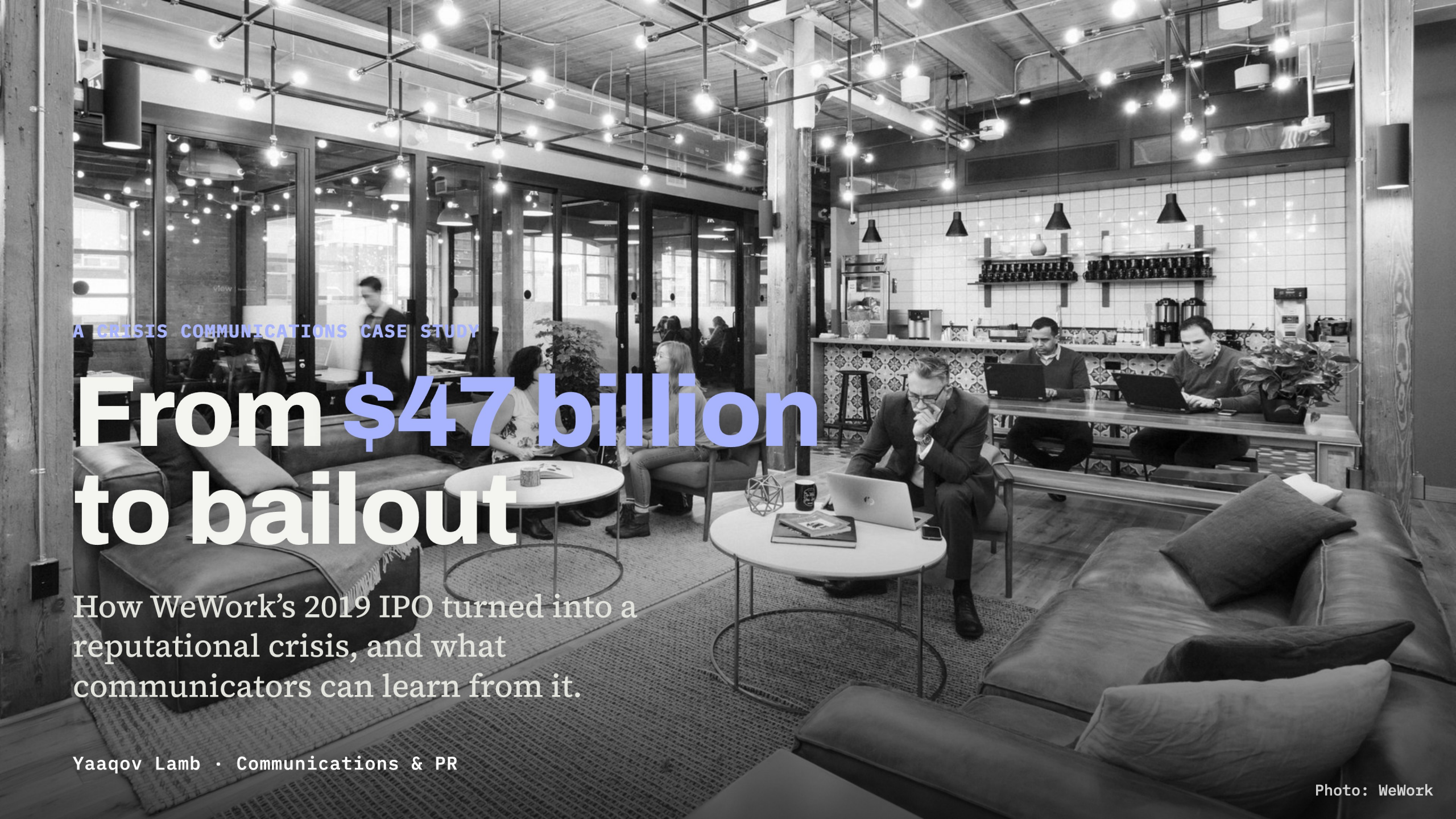


A CRISIS COMMUNICATIONS CASE STUDY

From $47 billion to bailout

How WeWork's 2019 IPO turned into a reputational crisis, and what communicators can learn from it.

Yaaqov Lamb · Communications & PR

Photo: WeWork

Three numbers frame the collapse.

$47B

JANUARY 2019

WeWork's private valuation after its SoftBank-led funding round

47

AUGUST 14 TO SEPTEMBER 30

days from the public IPO filing to its withdrawal

~$8B

OCTOBER 2019

the company's value in SoftBank's rescue deal, more than 80 percent below the peak

Sources: Crunchbase News; GMA/ABC News; Bloomberg

WeWork sold an idea, not an office.



A WeWork reception desk. Photo: WeWork

Founded in New York in 2010, WeWork leased office space, redesigned it and rented it out by the desk to freelancers, startups and corporations.

Its brand promised something bigger: community, culture and a mission to “elevate the world’s consciousness.” Revenue more than doubled to $1.8 billion in 2018.

WeWork
Shared offices

WeLive
Shared apartments

WeGrow
A private school

Sources: Fortune; CBS News

WeWork sold belonging, and it looked like a celebration.

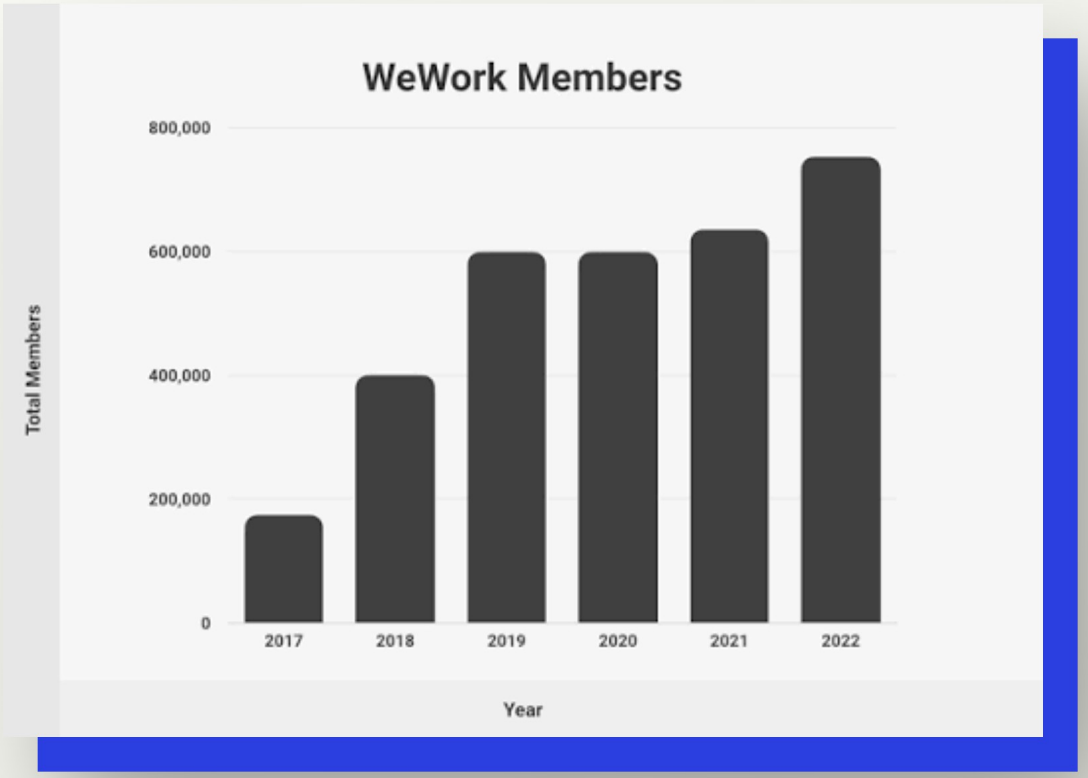
In January 2018 the company rang the Nasdaq opening bell for its Creator Awards, nineteen months before its IPO filing.



WeWork at the Nasdaq opening bell, January 16, 2018

Event: Nasdaq and GlobeNewswire advisory, January 15, 2018

Members stayed even as the story fell apart.



Third-party chart of WeWork members, 2017–2022. Not company-reported.

175K → 600K

members from 2017 to 2019, per the chart

~600K

members in 2020, the year after the failed IPO

> **The crisis was about trust, not demand.**

Chart: third-party compilation of WeWork member counts; figures vary by source

It took ten months to unravel.

Jan 8	SoftBank-led round values WeWork at $47 billion
Aug 14	The S-1 goes public, exposing losses and governance
Early Sep	Target valuation cut to $20–30 billion; Neumann returns the $5.9M “We” payment
Sep 24	Neumann steps down as CEO under pressure from the board
Sep 30	WeWork withdraws its IPO filing
Oct 22	SoftBank takes control in a rescue valuing WeWork at about $8 billion

47

days from the filing to the withdrawal, each with a new disclosure

Sources: Crunchbase News; Allwork.Space; NPR; Bloomberg; GMA/ABC News; Business Wire

The filing put four things on the record.

“Elevate the world’s consciousness.”

THE MISSION, AS THE PROSPECTUS STATED IT

01 Losses bigger than revenue

A $1.9 billion net loss on $1.8 billion of revenue in 2018, and about $900 million lost in the first half of 2019.

02 One man in control

Neumann held outsized voting control, and his wife would help choose his successor if he died.

03 Self-dealing

The company had paid Neumann about $5.9 million for the rights to the word “We.”

Sources: TechCrunch; Cheddar; Fortune; Crunchbase News; NPR

Investors already knew WeWork lost money. The filing showed them who was really in charge.



Adam Neumann, WeWork co-founder and then-CEO

Six audiences, six different fears.

INVESTORS

“Was the $47 billion ever real?”

IPO BANKS

“Can we still sell this offering?”

EMPLOYEES

“Are my stock options worth anything?”

MEMBERS

“Will my office still be here next year?”

LANDLORDS

“Will the rent keep coming?”

MEDIA AND PUBLIC

“Who is actually running this company?”

Underwriters included JPMorgan Chase and Goldman Sachs. After the rescue, most employee options were under water.

Source: Fortune

Right moves, wrong order.

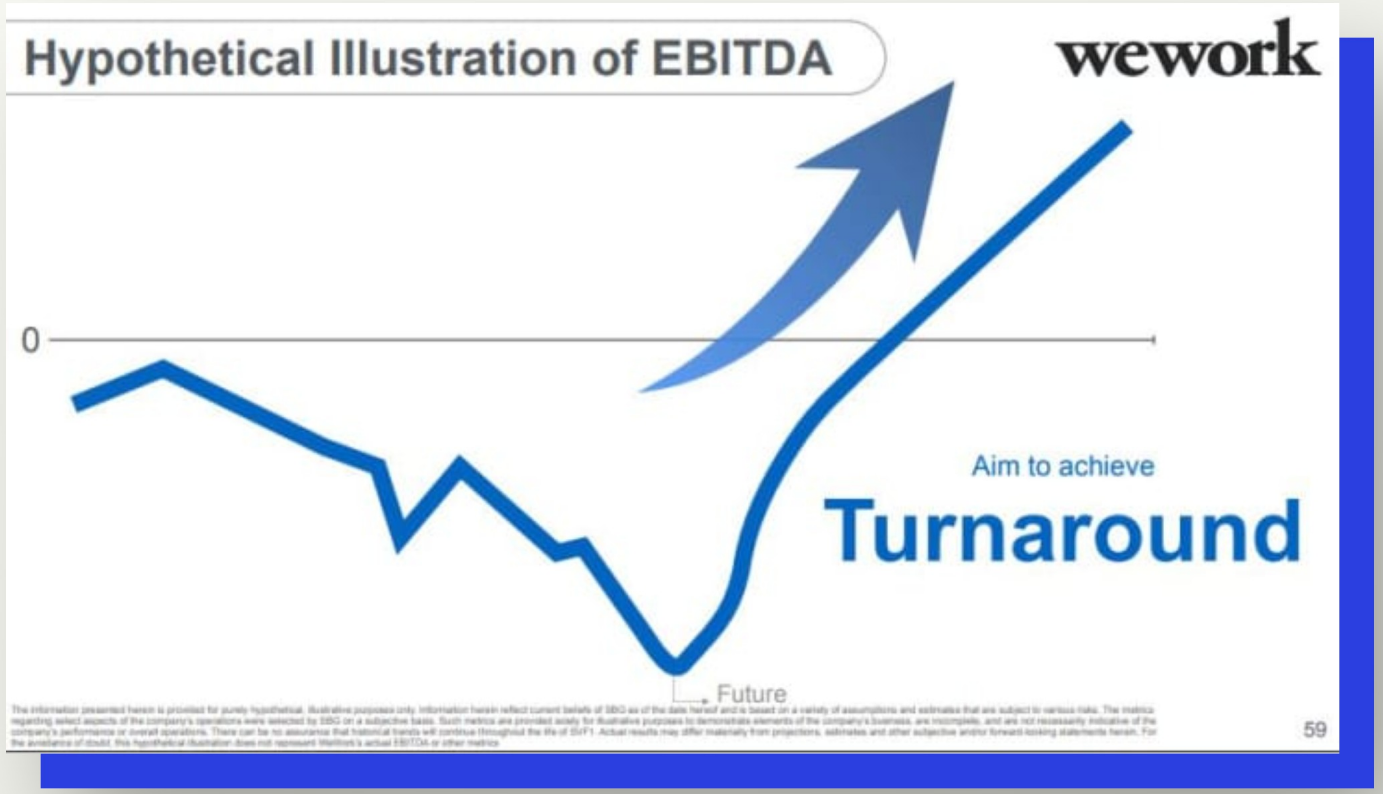
01	Returned the $5.9 million “We” trademark payment
02	Cut Neumann’s voting power and removed his wife’s role in choosing a successor
03	Appointed its first female board director
04	Replaced Neumann with two co-CEOs (September 24)
05	Postponed, then withdrew, the IPO (September 30)

> *“We have decided to postpone our IPO to focus on our core business.”*
>
> CO-CEOS ARTIE MINSON AND SEBASTIAN GUNNINGHAM, SEPTEMBER 2019

Each fix came after a headline, so each one looked forced.

Sources: Allwork.Space; Crunchbase News; CBS News

SoftBank answered with a promised turnaround.



OCTOBER 22, 2019

SoftBank takes control in a rescue valuing WeWork at about $8 billion.

NOVEMBER 6, 2019

Its earnings deck shows a hypothetical line that falls, then climbs.

> **A hypothetical line is not a recovery plan.**

SoftBank Group earnings presentation, November 2019

Sources: Fortune, “SoftBank Created the Earnings Deck to End All Earnings Decks,” November 7, 2019; Crunchbase News; Bloomberg

Three phases, three missed chances.

	WHAT WEWORK DID	WHAT IT SHOULD HAVE DONE
Pre-crisis	Filed publicly with governance problems and related-party deals still in place	**Fix governance before filing, and stress-test the S-1 with skeptical readers**
Crisis response	Made concessions one at a time over 47 days, with the founder at the center of the story	**Announce one complete reset early, through one credible spokesperson**
Post-crisis	SoftBank rescue, about 2,400 layoffs and new leadership	**Rebuild trust with employees and members first, then refocus the story on the core business**

Layoff figure: Reuters, November 2019. Model: W. T. Coombs, Ongoing Crisis Communication (2014).

WeWork missed stages one and two.

1	**Signal detection**	The warning signs were already inside the company: a founder with outsized control and related-party deals.
2	**Prevention and preparation**	Fix governance before filing, and have answers ready on losses, control and conflicts.
3	**Containment**	Announce every governance fix at once, backed by an independent chair.
4	**Recovery**	Lead with evidence: occupancy, unit economics and a credible path to profit.
5	**Learning**	Treat governance as a communications issue. The years after 2019 show the lesson arrived late.

Model: Ian Mitroff's five stages of crisis management (signal detection, prevention and preparedness, containment, recovery, learning).

Three messages for day one.

1	**The founder no longer controls this company's decisions.**	ACCOUNTABILITY
2	**Here is how we will make money, and how we will report it.**	TRANSPARENCY
3	**Members, employees and landlords hear it from us first.**	STABILITY

My recommendation, not messaging WeWork used.

The statement I would have issued.

WEWORK

DRAFT · FOR IMMEDIATE RELEASE

WeWork announces governance reset and postpones IPO

Today WeWork is making three changes, all at once. Adam Neumann will give up his super-voting control, and an independent chair will lead our board. We are ending related-party deals and returning every payment connected to them. And we are postponing our IPO until we can show investors, members and employees how this company makes money.

The public filing raised questions we had not answered, and we should have answered them first. We will publish our governance plan within 30 days.

WEWORK BOARD OF DIRECTORS

One announcement

Every fix at once, so there is no next headline to wait for.

Specific accountability

It names the control and the deals, not “governance” in general.

A deadline

It tells readers what comes next and when.

My draft, not a statement WeWork made.

Four lessons for communicators.

1 Governance is a communications issue

Fix how the company is run before you try to explain it.

2 Your filing is your most-read release

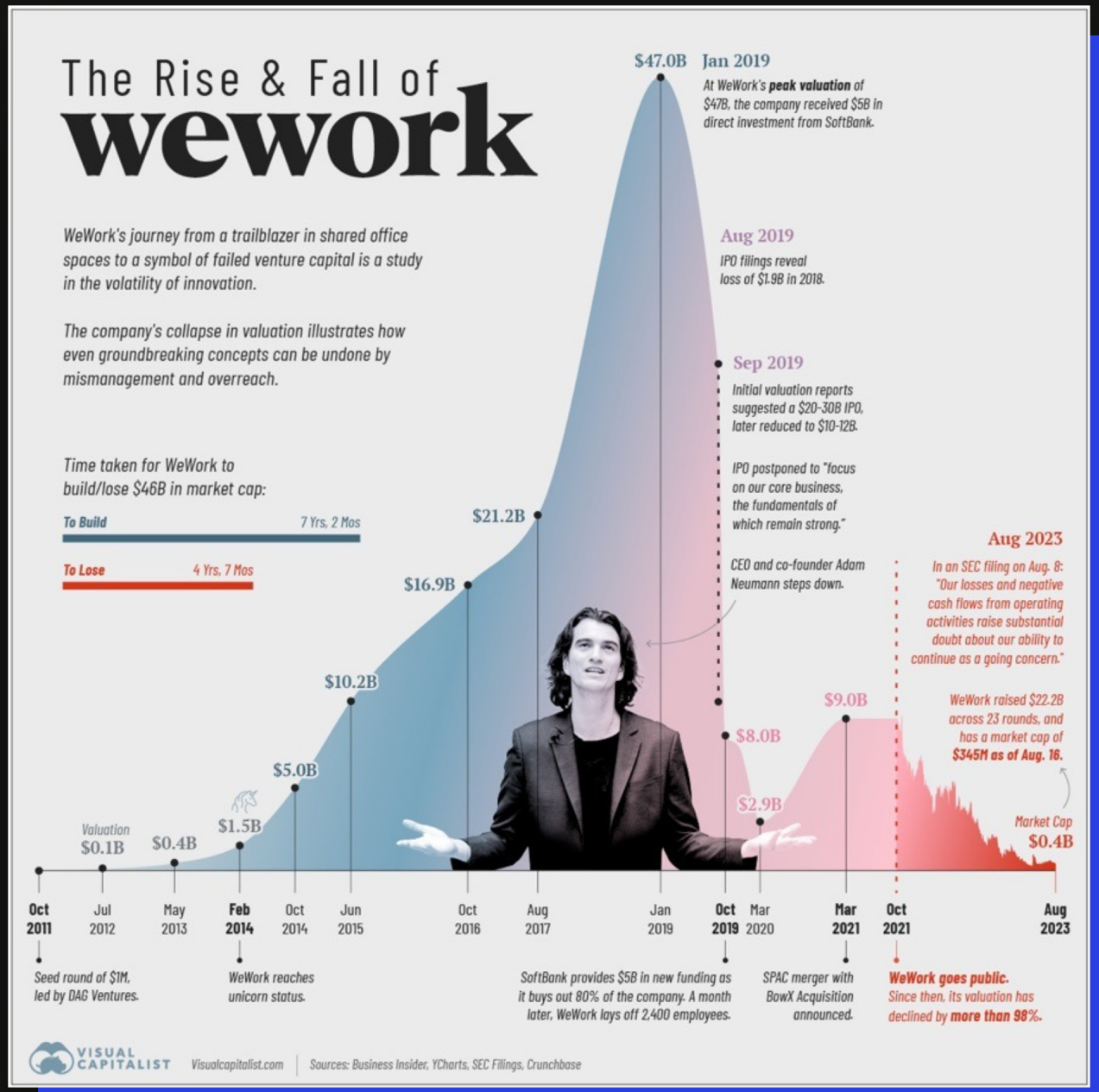
Every line will be quoted. Write it as if it will be a headline.

3 A founder-led brand needs a plan B

When the founder becomes the story, the brand needs a voice of its own.

4 Reset once, not five times

One complete, early response beats a string of forced concessions.



THE LONG VIEW

Built in seven years, lost in under five.

7 yrs 2 mos

to build about $46 billion in market value, from a $1 million seed round in 2011

4 yrs 7 mos

to lose it, ending at a market cap of about $0.4 billion in August 2023

Chart: Visual Capitalist, "The Rise & Fall of WeWork" (sources: Business Insider, YCharts, SEC filings, Crunchbase)

The failed IPO was not the end.

2021

Goes public in October through a merger with a blank-check company (SPAC), at about $9 billion

2023

Files for Chapter 11 bankruptcy protection in November

2024

Emerges from bankruptcy in June as a private company, with about 600 locations



A WeWork building at dusk

It still defines how the world talks about the company.

Sources: Reuters via Yahoo Finance; Fortune; AP via Inquirer/Barchart

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