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# The WeWork Manifesto: First, office space. Next, the world.

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COLE WILSON

NEW YORK — On a cold February morning at the Brooklyn Navy Yard, the skeleton of a modern 15-story building was rising from a muddy construction site along the East River. As long and as tall as a cruise ship, the sleek glass structure loomed above rusty, century-old dry docks, serving notice to the industrial neighborhood that the new economy was coming.

The project, known as Dock 72, is the brainchild of WeWork, the fast-growing New York startup valued at a whopping \$20 billion. In just eight years, WeWork has built a network of 212 shared working spaces around the globe. But WeWork's chief executive and co-founder, Adam Neumann, isn't content to just lease out communal offices. Neumann — a lanky, longhaired 38-year-old Israeli — wants nothing less than to radically transform the way we work, live and play.

When Dock 72 is completed this year, if the aggressive timeline holds, it will represent the fullest expression of Neumann's expansive vision to date. There will be an enormous co-working space, a luxury spa and large offices, for other companies like IBM and Verizon, that are designed and run by WeWork. There will be a juice bar, a real bar, a gym with a boxing studio, an outdoor basketball court and panoramic vistas of Manhattan. There will be restaurants and maybe even dry cleaning services and a barbershop.

It will be the kind of place you never have to leave until you need to go to sleep — and if Neumann has his way, you'll sleep at one of the apartments he is renting nearby.

It's an all-encompassing sort of ambition, and Neumann is the brash and idealistic pitchman. Simply by encouraging strangers to share a beer at the office, he argues, WeWork can heal our fractured society.

"How do you change the world?" Neumann asked in a recent interview. "Bring people together. Where is the easiest big place to bring people together? In the work environment."

It may sound simplistic, but around the globe, companies are buying whatever it is that Neumann and his co-founder, Miguel McKelvey, are selling. WeWork has rapidly expanded to 20 countries, assembled a formidable executive team and attracted some 200,000 members. Big companies like JPMorgan Chase and Siemens are signing on as tenants, and revenues are growing fast, expected to top \$2.3 billion this year.

WeWork last year bought the iconic Lord & Taylor building on Fifth Avenue in Manhattan, which is being transformed into the company's new headquarters. That deal was made possible in part by a recent \$4.4 billion investment from SoftBank, the Japanese technology group led by the enigmatic billionaire Masayoshi Son.

Already the company has started WeLive, its residential offering, and Rise, its gym. It acquired Meetup, a social network that facilitates in-person gatherings, and the Flatiron School, a coding academy. Still to come: WeGrow, the company's for-profit elementary school, set to open in September. WeWork has even invested in plans to create giant wave pools for inland surfing.

A company ostensibly about co-working now employs yoga instructors, architects, teachers, environmental scientists, software engineers, molecular biologists and social psychologists.

Is it all a bit much for a young company still trying to build out its core business? “I’ve made that argument,” said Bruce Dunlevie, a WeWork board member and partner at the venture capital firm Benchmark. But, he said, “great entrepreneurs like Adam don’t listen to guys like me.”

As WeWork expands in all directions, it faces persistent questions about its rich valuation and the durability of its business model. Critics argue that the company does little more than corporate real estate arbitrage — leasing a space, spiffing it up, then subleasing it to other tenants. The company owns hardly any properties, giving it precious few hard assets. Its growth projections strike many as unattainable, and it has missed expectations before. A number of upstarts loom as potential competitors, seeking to replicate WeWork’s success. And many WeWork tenants are unproven startups that could quickly fold.

IWG, a publicly traded co-working company that has more members and more real estate than WeWork, is valued at \$2 billion. Yet Neumann has convinced investors that WeWork is worth 10 times that figure.

“Adam’s explanation for the valuation of WeWork speaks for itself,” said Chris Kelly, co-founder and president of Convene, a company that offers flexible event spaces and is backed by major real estate firms. “This is not an Excel spreadsheet calculation. He believes there’s an energy behind the brand, and he’s gotten people to invest at that valuation. He has not tried to explain it in traditional financial terms.”

Indeed, to assess WeWork by conventional metrics is to miss the point, according to Neumann. WeWork isn’t really a real estate company. It’s a state of consciousness, he argues, a generation of interconnected emotionally intelligent entrepreneurs. And Neumann, with his combination of inspiration and chutzpah, wants to transform not just the way we work and live but the very world we live in.

It’s an audacious, perhaps delusional plan for a company that made its mark by building communal desks and providing refreshments. So far, it seems to be working.

Son, WeWork's largest investor, is betting that the company will grow exponentially in the years to come, making his multibillion-dollar investment a veritable bargain.

"Make it 10 times bigger than your original plan," Son told Forbes late last year. "If you think in that manner, the valuation is cheap. It can be worth a few hundred billion dollars."

## **Close Communities**

The notion that white-collar workers might actually like their offices is a relatively new one. From the countinghouses of industrial England to the skyscrapers of 1980s Manhattan, offices were mostly uninspiring places designed to maximize space, often with row upon row of unglamorous desks.

"The only kind of model that anyone had for laying out a large workplace was a factory," said Nikil Saval, author of "Cubed: A Secret History of the Workplace." "So the office was made to resemble an assembly line."

This dreary state of affairs began to change in earnest, at least for some, during the dot-com bubble. Tech companies built playful offices with beanbags and Ping-Pong tables, making work spaces less formal. Free food became commonplace.

Raised expectations for amenities and interior design gradually seeped into the mainstream, and today, more and more employees — especially millennials — expect enlightened, unconventional offices.

Enter WeWork. With people bouncing between employers, jobs concentrated in cities and technology making it easier to work remotely, the demand for co-working was suddenly real and ready to be monetized. Neumann, who grew up on a kibbutz in Israel, had an epiphany: Bring the communal vibe to the office.

Soon he and a friend — McKelvey, an equally tall Oregonian who grew up on a collective and was working as an architect — founded an eco-friendly co-working space in Brooklyn. They sold it, but they quickly turned around and started WeWork in 2010.

"Me and Miguel have this common ground," Neumann said. "We both grew up in very close communities."

WeWork didn't invent co-working spaces, of course. IWG, better known as Regus, has been around for decades. But Neumann and McKelvey quickly hit upon a recipe that drew throngs of startups: an industrial chic aesthetic, some big common areas with comfy couches, free beer and piped-in pop music.

Individuals pay as little as \$45 a month for occasional access to a desk in a common area. Startups can pay a few thousand dollars for a private room on a month-to-month basis, and some big companies pay millions of dollars a year for spaces that hold thousands of employees over multiple locations.

It's a formula that has caught on from New York to Tel Aviv to Shanghai. In New York alone, WeWork has 49 spaces, most of them nearly full. At the WeWork in Harlem, dance companies share space with hair care startups in a common area adorned with murals of jazz musicians. At a WeWork in Tribeca, fashion designers and alcohol distributors work shoulder to shoulder in a spartan space decorated with neon lighting.

For WeWork to really succeed in changing the way we all work, it is going to have to win over big corporations seeking space for thousands of employees. The strategy is an odd reversal for WeWork, which made its name catering to freelancers and startups.

The Weather Channel recently moved its ad sales team into an enormous WeWork in midtown Manhattan. Barbara Bekkedahl, who runs the group, said the transition was easy and the space comfortable and stylish.

But Bekkedahl had a complaint, too, one that highlights one of the downsides of communal work space. She suggested that the hygienic and sartorial habits of some of her new office mates were lacking.

"As a TV sales team, we groom and dress for outside sales," she said. "Some of the techie and startup types housed at WeWork aren't facing customers all day so don't always have the same standards."

Gripes about grooming are unlikely to slow down WeWork's business with corporate clients, especially if Neumann makes good on his promise to save them money. Because WeWork is building out so much space and buying so much

furniture, Neumann says, he can renovate and operate an office for a fraction of the cost that companies would normally spend.

“We have economies of scale,” he said. “I’ll cut your operational costs between 20 to 50 percent.”

It might seem like another instance of Neumann’s talking a big game but for the fact that more and more companies — GE, HSBC, Salesforce and Microsoft among them — are signing on.

For years now, big companies have outsourced payroll processing, janitorial services and security. It’s not a stretch to imagine more of them outsourcing the design and maintenance of their offices to a company like WeWork.

“We only have 200,000 members,” McKelvey, 43, said. “That’s ridiculous. We need to have 2 million and then 20 million.”

### **More ‘We’ Than ‘Me’**

Bankers and lawyers poured out of skyscrapers and made for the suburbs on a recent Monday night in Manhattan’s financial district. But at 110 Wall St., a building controlled entirely by WeWork, the party was just getting started.

Last year, this 1960s-era office tower was converted into a mixed-use development of Neumann’s design. There is a co-working space. On the ground floor are trendy restaurants including Westville, Fuku, Momofuku Milk Bar and a bar, the Mail Room.

And then there is a WeLive: a complex of about 200 fully furnished apartments rented out on a short-term basis. Tenants get the signature WeWork aesthetic of unpolished wood and wrought iron, as well as various perks. There are hot tubs on the terrace. There are arcade games and a pool table in the laundry room. There are a chef’s kitchen and a communal dining room. At a bar on a residential floor, a happy hour was brewing and free tempranillo was flowing.

In the communal dining area, three brothers — Jordan, Jake and Jimmy DeCicco — were cooking for a half-dozen social media influencers, hoping to stir up enthusiasm for their protein-infused iced coffee company. Over rib-eye steaks and Brussels sprouts, they talked about promoting the brand and breaking into new markets, passing out beers to anyone who walked by.

The brothers are all in: They live in WeLive, work in the adjacent WeWork space and exercise at WeWork's nearby gym, Rise.

"It's awesome," Jake DeCicco said. "You just roll out of bed, go down the elevator and get to work."

Had Neumann been there to share a beer, those words would have been music to his ears. He believes that creating a work and living environment where people mingle is in fact a world-changing innovation. Each WeWork has a "community manager" who keeps tabs on members, makes introductions and organizes social activities.

If more strangers are colliding by the grapefruit water, the thinking goes, they are more likely to meet up and invest in one another's socially responsible startups, and then the world will be a better place.

"Once you choose to enter a WeWork, you choose to be part of something more 'we' than 'me,'" Neumann said. "People start coming together. They'll see each other in the elevator, they talk in the stairways. There's a thousand other things they do."

Elevators. Stairways. Hardly world-changing innovations. But WeWork takes extra steps to encourage fraternization. Like beer kegs that never run dry.

More than most companies, WeWork promotes the consumption of alcohol as an inherent virtue. Posters on the wall encourage people to have a drink. There are wine tastings at WeLive. Company parties feature top-shelf liquor. Neumann has a well-known penchant for tequila, and a well-stocked bar is prominent in his office.

On a recent Tuesday at 4:07 p.m., the community manager of a WeWork in midtown Manhattan sent an email reading: "It's time to get your creative juices flowing! Join us on the 5th floor to drink some wine & paint a beautiful picture." Just after noon on Valentine's Day, there was an invitation to share wine and cake in the common area.

Although alcohol is a social lubricant for some, it can be off-putting to many others. Many women have shared stories of feeling uncomfortable with what they described as a frat house culture at some WeWorks, prompting some to leave.

As WeWork has grown, minor scandals have rattled it. In 2015, the company grew ensnared in a complicated legal dispute with a group of former janitors who tried to unionize at a subcontractor that WeWork used. The next year, WeWork drew scrutiny for its use of arbitration to settle workplace disputes and for its firing of an employee who refused to adhere to a related policy.

But so far nothing — not alcohol, labor disputes, questions about the business fundamentals or bad publicity — has managed to alter the company's trajectory.

"We're a disrupter of the way people view the spaces they work in on a day-to-day basis," said Dunlevie of Benchmark. "And we're in the early days of taking advantage of that phenomenon."

## **Teaching Tykes**

In September, WeWork will open its most ambitious project to date: a kindergarten. It may also be the effort that tests whether WeWork is flying too close to the sun.

The creation of Neumann's wife, Rebekah, 39, the school is known as WeGrow. It promises a well-designed space with a curriculum that emphasizes socializing and entrepreneurship for 3-year-olds on up.

WeGrow fits neatly into Adam Neumann's expansive vision for creating a generation of empathetic social impact entrepreneurs. But the risk-reward calculus is different when starting a school.

WeGrow won't scale as rapidly as WeWork has, so the financial upside is limited. Yet should something go wrong, the fallout could be devastating: It's one thing to be responsible for the internet going out or paper running low at the communal printer. It's another thing to take responsibility for the health and development of someone's child.

Although Rebekah Neumann has no background in education (on the website, she describes herself as "an avid student of life" and says her "superpower" is "intuition"), she has applied for accreditation from the state, has hired a team of career educators and is accepting applications for the coming school year. Tuition for toddlers: \$36,000 a year.

“We all understand how complicated and regulated school is compared to the simpler business that we are already in,” Adam Neumann said. “But we decided we’re going to go into education. If you really want to change the world, change kids when they’re 2.”

As he proselytized, Neumann was sitting on an enormous leather couch in his Chelsea office, which is bigger than many New York City apartments. It included a conference table, a video conferencing setup, several desks, a bar, spreads of food, a Peloton exercise bike, a climbing machine, a boxing bag hanging from the ceiling, a gong, an antechamber where assistants work and a private bathroom.

“It’s going to work,” Neumann continued. “Is it going to be perfect? Definitely not. Are we going to make mistakes? A hundred percent. Are we going to be comfortable admitting those mistakes? Definitely. It’s what we do here.”

Although such unbridled zeal can be abrasive to some, it could also be viewed as the mark of a peripatetic savant. Walter Isaacson, the biographer of Steve Jobs, Albert Einstein, Benjamin Franklin and Leonardo da Vinci, counts Neumann as a friend and said he shared some of the attributes that had allowed those other titans to succeed.

“He has an instinctive feel for how millennials are going to want to have community work experiences without joining large corporations,” Isaacson said. “And like Steve Jobs and other great entrepreneurs, he knows how to connect the humanities with business and technology.”

## **‘Make a Life’**

It can be tempting to dismiss WeWork as just another overvalued startup that is high on its own rhetoric and flush with easy money from naïve investors. With little more than faddish interior design, free beer and an invitation to socialize with strangers, Neumann claims to have conjured up a whole new paradigm for white-collar workers — and for education — and vows that it can change the world.

It’s the kind of utopian outlook that can come off as dangerously out of touch at a moment when a backlash against big tech is brewing. But if any of these potential pitfalls concern Neumann, he doesn’t show it.

On a Wednesday night in January, Neumann strode onstage before a packed house at the Theater at Madison Square Garden, basked in spotlights. Wearing a black leather biker jacket and a T-shirt that read “High on We,” Neumann was playing host at his own extravagant party, a multiday celebration of WeWork and its extended community.

On this, the first night of festivities, Neumann would oversee a “Shark Tank”-like competition for socially responsible small businesses — ranging from a startup that made customized prosthetics to a food-delivery service staffed by refugees — each vying for a \$1 million prize.

Earlier, Neumann had rattled off the company’s achievements and outlined some of its more outsize ambitions. As the evening’s performer, the Grammy-winning rapper Macklemore, waited backstage, Neumann went on an impromptu riff about how people should “make a life, not just a living,” the company’s aspirational motto.

Neumann also stated that it was important to support social entrepreneurs. “Of course that makes a lot of sense, but who’s going to pay for that?” he said. “And we said, ‘Well, Masa might!’”

The line generated a laugh among the hundreds of knowing employees in the room — Son, whose nickname is Masa, was conveniently absent — but it was a tell from Neumann, a sly admission that at this point he is playing with house money.

Then, when the time came to choose a winner, Neumann made a surprise announcement: Instead of choosing one recipient, WeWork would give away \$1 million each to two of the companies — re: 3D, a 3-D printing company, and Global Vision 2020, a nonprofit that provides prescription glasses to people in the developing world. And it would give another couple of million to the other half-dozen finalists.

Confetti fell from the rafters. The winners cried on stage. Neumann took it all in, beaming.

Even Macklemore was taken aback by all the money flying around. “I was just watching it, chugging a Red Bull,” he said shortly into his set, “and I immediately thought, ‘Damn, I should have got into technology.’”

