



# Class of 2012: Young Spaniards launch startups

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MADRID (AP) — In a cramped office in downtown Madrid, five young architects who found themselves jobless in Spain's wrenching economic crisis sit almost elbow to elbow — glued to computer screens as they create 3-D videos of construction proposals for far-flung clients in Britain, Panama, Malaysia and Zambia.



The founders of the Factoria 5 digital design company last month took home €20,000 each for the projects they are delivering. That's good money for professionals in a job market blighted by Spain's building bust that many of Factoria 5's fellow architects have given up on architecture or moved abroad. One, who considers himself lucky, became a train conductor.

Juan Francisco Lopez, one of the founders of the firm, took another path in the crisis, one that goes deeply against the grain of Spain's traditional career path. With no work coming to them, Lopez and his partners decided to go after the work, taking control of their destiny with a risky startup.

"Architecture will never come back to Spain as a business again like it was," said Lopez. "But our business has been growing little by little as Spain's economy has been falling."

By spawning astonishing 50 percent youth unemployment, Spain's crushing crisis may be starting to force ingenuity, innovation and creativity among young professionals, who are taking risks and bucking the pattern of seeking security under the umbrella of a family business. That means embracing a more American-style entrepreneurial spirit — injecting a new spirit into the workforce of a country where "making it" typically meant a good job with a blue chip company or in the family business.



EDITOR'S NOTE: This is the latest installment in Class of 2012, an exploration of Europe's financial crisis through the eyes of young people emerging from the depths of the worst downturn the continent has seen since the end of World War II. Follow the class on its Google plus page: <http://apne.ws/ClassOf2012>

Two members of Factoria 5 are friends of Class of 2012 participant Rafael Gonzalez del Castillo, who admires them for taking a big risk by sticking with Spain in tough times instead of leaving to hawk their skills in booming economies elsewhere, amid a corrosive brain drain that threatens Spain's longterm future.

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"We are young," said Gonzalez del Castillo, who expects to become a full-fledged soon with approval for his graduation project. "We are the best at creating new we are open-minded and that is what the world needs now: creation, change."



Spain has long been viewed as a laggard in startup entrepreneurship compared to other European countries. Startup proponents say there are encouraging signs that may be changing, though they acknowledge there are no hard numbers yet to provide strong evidence of a trend. In one positive sign, there was a big jump last year in Spanish startups seeking early stage capital funding, according to New York-based investment platform Gust LLC, which matches investors with entrepreneurs. And the number of self-employed Spaniards also rose after successive years of declines.

"It's the mentality of the people," said Alex Barrera, a co-founder and former chief executive of the Tetuan Valley startup school in Madrid that gives 6-week crash courses to would-be young entrepreneurs. "I go to universities and this is an option students are now considering whereas before they weren't even thinking about it. They were just thinking of v company or for government. Now people realize you can build a company around app."



No one disputes that the Spanish economy is in the midst of a Darwinian phase of survival of the fittest — and those willing and able to carve out something new in the crisis may be the ones best placed to come out on top once good times return.

"There are a lot of young people and even those up to 40 or so years old who are doing new business experiments," said Jose Ramon Pin, a business school professor at the IESE Business School in Madrid. "And there's a natural selection of companies underway. Those that survive the crisis or start during it have the advantage. The market will be theirs when the economy bounces back."

When the architects of Factoria 5 started their company as Spain's economy lurched into a deep double-dip recession, some of their parents told them they were crazy. The would-be entrepreneurs, however, had all just finished their architecture degrees plus digital media masters degrees and sensed they could fill a niche by becoming high-tech content suppliers to Spanish architects who no longer had work at home but were increasingly designing projects for foreign clients. The only other option was seeking work abroad.

After 18 months of 70-hour work weeks, few weekends off and skimping on costs by walking or taking public transport to visit clients, the hard work has paid off: Factoria 5 has completed 65 projects and makes money — if not always a profit.

During down months, they take home almost nothing but have always managed to pay their monthly costs of about \$7,82,000 for rent and other office expenses, plus national health care and social security. Right now they're working on videos to showcase an office building in El Salvador, corporate headquarters in Puerto Rico, furniture in Madrid and advertising space for fragrances in Barcelona; about 90 percent of their work is for projects abroad.

The architects consider the result a victory given the terrible state of Spain's economy. But the success is bittersweet: They don't think they'll ever build the real buildings they dreamed about during their studies: Museums, apartment buildings, and a government offices like those that country built with no end in sight until the construction boom crashed in 2008.

Gonzalez del Castillo, who plans to seek architecture work abroad once he gets his degree, respects his friends' resolve: "Sometimes it seems that the hardest part ... is to go abroad, but maybe it is harder to stay here and try to face it, changing the way you work."

Across the country, other young entrepreneurs working on separate ventures are increasingly banding together in groups of 10 or so to jointly rent office space, splitting the bill and sometimes the cost of a secretary to serve all of their different businesses.

"Many of these people don't hold out much hope of going to work for a company for the next 15 years or so but they are creating new businesses," said Ricardo Ibarra Roca, the 28-year-old president of the Council, which represents 76 Spanish associations representing small and medium-sized businesses.

Far from Madrid's center, in an industrial park that's less than two dozen mostly 20-something application developers, managers and content editors work in an open loft of a building (Mycloud in Spanish), which provides travel experiences in multiple languages on its Internet site and smartphone app. The company's revenue of €7,781 million last year, and is forecasting 2013 revenue of €8,500 million.

"If we weren't in crisis, it's possible this company would have grown to 35." "The great opportunity is innovation, and the crisis is forcing us out of their comfort zone."

Spanish companies that are successful traditionally when successful, but Jimenez decided to move just a few kilometers when Minube's space got too small.

The company also breaks traditional business norms by starting work at 6:30 p.m. instead of later or when the boss leaves the office. There are no separate offices for higher-ups. The formal attire of employees is unknown here. In a country where directors of companies sit in their offices, the Minube interns sit next to Jimenez.

Minube's growth has coincided precisely with Spain's economic recovery. Spain's €7,8400,000 loan in 2007 before the crisis hit, but has expanded since then, so all income has been plowed back into the economy. Jimenez ruthlessly keeps costs down. Surviving in an era of austerity, he says, and he senses a mindset change among Spaniards. "In economic times with no end in sight."

During Spain's boom times, Jimenez recalled, it was common for workers to quit jobs, and go on unemployment with no money. They were ready to take on another easy-to-find job. In other countries, Jimenez said the attitude change in Spain is a result of economic pressure.

"Five years ago, people would go to the beach for six weeks. Now everyone wants to work," he said. "When the comfort zone is gone, I've never before seen the spirit of change that there are companies so they can experiment."

Online:

Factoria 5: <http://www.factoria5.com>

Minube: <http://www.minube.net>

Follow Alan Clendenning on Twitter at [www.twitter.com/alanclendenning](http://www.twitter.com/alanclendenning)

The screenshot shows the Kayak logo at the top. Below it, a search result is displayed on a dark grid background. The text reads: "PUEDES AHORRARTE HASTA UN 35% EN TU PRÓXIMO HOTEL." Below this, there is a small text box that says: "Ahorro basado en la comparación de los precios más altos ofrecidos por otras webs de viajes. El ahorro depende de los resultados de la búsqueda." At the bottom right of the grid is an orange button labeled "Buscar".







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