

# Looking for resilient and resourceful founders? Origins in volatile environments might be the answer

*If you're a founder and you grew up and built a business in a volatile environment, it means you've played the game in 'difficult mode', and didn't get extra points for jumping higher hurdles to arrive at the same place as 'easy mode' players. But the good news is you've earned resilience and resourcefulness along the way, and it is one of the most sought after traits in a founder.*

Temps de lecture : minute

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On the flip side, if you're an investor and you have origins in a volatile environment, it might mean you have a unique perspective when it comes to identifying and evaluating risk, as with greater knowledge of how volatile markets work comes the ability to spot opportunities from which others may shy away.

## The founders 'playing in difficult mode'

If a market provides you with additional challenges, there is consequently more work to be done to build a company. And it isn't simply a longer to-do list, but the necessity to become more agile and resourceful in the midst of higher uncertainty. These challenges could include retaining talent in a hyperinflationary environment, where your cost base more than doubles year over year. Imagine putting together an annual budget knowing you'll have to consider significant salary increases a few times a

year - but unsure by how much - to avoid losing talent to international companies where staff can work remotely and earn in a more stable currency. Or, imagine the level of sophistication your treasury practices as well as your pricing strategy need to have to ensure your hard earned funds are not losing value, merely by sitting in your bank account.

For instance, in the wake of the Silicon Valley Bank (SVB) collapse, a lot of companies learned the hard way that they need to have multiple bank accounts, and more robust governance around treasury management. In contrast, founders in volatile economics - regardless of how early stage their companies are - have long considered how they manage multiple currencies and their work across jurisdictions, where their money is open to more uncertainty. As a result they were better protected from the shockwaves of SVB.

## A 'come what may' attitude

Founders in volatile markets, maybe even without realising, develop a 'come what may' attitude. A couple of years ago - before the conflicts in both Ukraine and the latest in Gaza - I was speaking with a Turkish founder looking to raise a round in the UK. It's common for founders to model different scenarios following a raise, with base case and upside scenarios typically showing an ambitious and a highly ambitious growth trajectory respectively. However, this particular founder had included a contingency plan for if World War Three broke out. This is demonstrative of the vastly different perspective of the founder coming from a volatile market.

This ability to zoom out of their own near view standpoint has clear benefits to business. For one, it means that should they lose a client tomorrow: it's not the end of the world. Therefore the relatively smaller hurdles don't do the same damage they might to founders who have grown up in less volatile environments. This resilience is tempered by a

measured expectation of the world and what you can expect to achieve within it, bringing a clarity of vision which means they do not get too excited or too upset by minor occurrences.

The adage goes that the founder journey is like a rollercoaster: therefore resilient founders can better handle the highs and lows of that ride.

## Beyond the volatile market - striving for internationalism from day one

One key consideration of building a business in a volatile market is that you have to think about internationalisation from day one, as you know that your local market will never be enough to build the company to its full potential. It's not just the associated processes, governance, and risk management, but you're expected to have a more mature approach from the off, despite the nascence of your company.

As a scale-up stage European firm, when we speak with businesses we want to understand how they are approaching and executing their international expansion plans. And more often than one would expect, companies in certain countries will say that they plan to dominate their local markets and by doing so will reach a decent scale. Although this isn't the desired venture capital return, these businesses may still grow to be good businesses.

But since those other companies are thinking internationally from day one, they are also using their local market as their 'MVP', testing their ideal customer as a jumping off point to going global right away. As a result, I often see global leaders emerging from these regions, as opposed to local heroes.

# The investors who know adversity

As an investor who grew up in a volatile market myself, I believe I also benefit from the resourcefulness and resilience it creates. I am better able to spot the quietly confident introversion of a founder, who has this clarity of thinking forged in tough environments. I can see when a founder is unswayed by the hype, keeping two feet on the ground, anchored in reality. These are traits which we see less frequently in VC, where a more enthusiastic sales pitch might be the common route to an investor's attention and therefore capital.

My attitude towards making investments may also differ from my peers'. I'm looking for reasons to say 'yes', rather than to pass, because I have seen numerous people achieve. They have built unicorns or sat at the table with those having greater privilege - despite their difficult context. My attitude has therefore become to ask, 'what could this founder achieve, even with potential hurdles / competition / regulations, or timings?' Where one investor might see a difficult proposition, I benefit from understanding how the underdog can succeed.

As a result, my way of building conviction differs slightly. Some investors adopt theoretical exercises, I'm more looking for execution excellence. I want to see a founder with a clear head, and a deep understanding of what they are doing in a specific geographical area. They know both how and why they are growing by heart: the surefire route to success.

## Ownership of success

Ultimately, volatile environments create individuals who focus on what they can achieve within a certain set of parameters, come what may. They focus on executing in the best way possible, rather than strategising on particular policy or hypothetical market dynamics, and execution is the route to success.

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