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Navigating between Growth and Operational Efficiency in Startups

A qualitative case study on management control systems within startups

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Abstract: The purpose of this thesis is to examine how startups use management control systems (MCS) to navigate between operational efficiency and growth. This is conducted through a single-case study of CapitalCo, a Swedish fintech startup, using interviews with employees from the case firm as well as internal documents to examine how MCS are designed and used in practice to navigate tensions. Our theoretical framework guides our analysis and is based on Simons' (1995) Levers of Control and the Dynamic Equilibrium Model within Paradox Theory (Smith & Lewis, 2011). In contrast to existing literature on startups, we suggest that formal MCS can be established from the outset, driven by founder experience and by necessities related to coordination and business model. We further contribute to research, showing that KPIs can act as a navigating tool, serving both a connective and activating role in navigating tensions. Building on that we identify the technological infrastructure as a facilitator, and automation and AI as the primary means of adapting to tensions. Finally, we suggest how this configuration of MCS allows startups to unleash human potential in navigating tensions.

Keywords: Startups, Management Control Systems, Navigating Tensions, Growth, Operational Efficiency

Supervisor: Kalle Kraus

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1. Introduction

1.1 Background and Problematization

Smith and Lewis (2011) describe the process of creating an organization to require founders to make fundamental decisions about goals, activities, responsibilities, and timing. Each of these choices generates a tension, particularly between short-term demands and long-term opportunities, as prioritizing immediate success can limit flexibility for future growth. These tensions are further amplified in today's globalized, competitive, and ever-changing environment (Smith & Lewis, 2011). Startups are particularly exposed, facing high failure risks (Cantamessa et al., 2018), and operating under uncertainty due to the possible lack of scalable business models and technological change. They must simultaneously exploit existing resources while exploring new opportunities, all while operating with limited resources, lower recognition, and higher risks than established firms (Becker & Endenich, 2023; Freeman & Engel, 2007). Therefore, making it necessary for startups to be operationally efficient with the resources they have at hand. At the same time, they must balance these constraints with diverse external expectations, including those of investors, which typically surround growth (Smith & Lewis, 2011). Together, research shows that these demands are contradictory but also mutually necessary for startups to navigate. Despite this occurrence, literature has not examined how management control systems (MCS) support startups in navigating this tension.

Traditional research on management control systems shows that MCS provide organizations with tools that translate strategic priorities into operational actions, which then also combines stakeholders' perspectives with the organization's internal focus (Kaplan & Norton, 1992). This research on management control systems has, however, been grounded in large, mature organizations that depend on the interplay between formal control systems. Instead, startups are characterized by less formalized structures (Simons, 1995). The existing literature on management control systems in startups has primarily examined when MCS emerges, why they are introduced, and which conditions shape their design. Some studies have focused on the role of early MCS and described it as purpose-driven and act to support growth objectives (Sandino, 2007; Becker & Endenich, 2023). However, what has received less focus is investigating what the MCS' role becomes when startups begin facing competing demands. Moreover, research has focused on identifying both external and internal drivers behind the development of MCS. These studies show that while internal dynamics initiate the need for control, such as learning from failure, founders' imprint, inefficiency of informal routines (Davila & Foster 2005, 2007,

2009; Akroyd & Kober, 2020), developing more advanced systems can be constrained by whether foundational routines and organizational acceptance are in place (Granlund & Taipaleenmäki, 2005; Reinking & Reusch, 2023). Research also shows that external drivers, such as investor expectations and incubators, (Schachel et al., 2021; Flanschger et al., 2023) can shape emerging control routines through ongoing interaction and not only formal demands alone. Literature has examined less how the startups employ the MCS that they have developed due to internal and external demands, as they face more and more tensions in what the firm needs. Consequently, the use of MCS to navigate the competing demands of growth and operational efficiency that emerge as startups expand remains unexplored.

1.2 Research Question

The purpose of this study is to investigate the gap identified in existing literature. First, we explore how growth and operational efficiency manifest in a startup context, as well as how management control systems develop. Then we examine the interplay between the two to understand how MCS can be used to navigate between operational efficiency and growth. We aim to explore this by answering the following research question: ***How do Management Control Systems enable startups to navigate between operational efficiency and growth?***

To examine this question, we decided to conduct a qualitative single-case study with a startup (also referred to as "CapitalCo"). The firm is a Swedish fintech startup offering payment solutions for retail businesses. Given that the startup has experienced competing demands between growth ambitions and operational efficiency, this context makes the startup a productive setting for observing and investigating how MCS manage the tension between the two. The research draws on interviews with key personnel, analysis of internal documents, and benchmarking conversations to examine management control systems at the case firm. Guided by the Levers of Control (Simons, 1995) and the Dynamic Equilibrium Model within Paradox theory (Smith & Lewis, 2011), the study focuses on how MCS helps to navigate between operational efficiency and growth objectives in a technological startup environment.

In our study, the following terms will be defined as:

Growth*:* Expansion of market presence by increasing revenue and volume, acquiring and retaining customers, scaling lending volume, products and commercial innovation, technological scaling capacity, and new market entry.

Operational efficiency: Ability to deliver offerings reliably and cost-effectively by optimizing processes and systems, reducing complexity, managing credit risk, controlling costs, improving workflows, and using automation to support stable scaling.

1.3 Contributions

This study contributes to existing research on management control systems in three ways. First, it questions the dominant assumption of beginning with informal systems by showing that startups can develop formal management control systems from the outset, suggesting three main reasons for this. Second, it demonstrates how KPIs can act as a central navigating tool, both connecting and activating the four levers of control in managing the tension between growth and operational efficiency. Additionally, it shows how this navigation relies on technological infrastructure, automation and AI, to help KPIs spread across the startup and trigger organizational learning and adaptation. Third, it shows how this configuration of MCS can mobilize both employees and technology, enabling startups to better unleash human potential when navigating tensions.

2. Theory and Literature Review

This chapter explores the theoretical foundations that underpin this study. First, we introduce the main domain of management control systems in startups, clarifying their role and drivers shaping their development, and identify the research gap this study aims to address. We then present our theoretical framework, integrating Simons' Levers of Control with Smith and Lewis' Dynamic Equilibrium Model with Paradox Theory, which will guide our analysis throughout the study.

2.1 Domain Theory: Management Control Systems in Startups

2.1.1 The Role of Management Control Systems

At the beginning of a firm's development, startups operate without established MCS, giving them flexibility in how such systems are designed and introduced (Davila & Foster, 2005, 2007). Furthermore, MCS primarily develop in response to their intended purposes and the experimentation that characterizes early-stage activities (Sandino, 2007; Becker & Endenich, 2023). The first management control systems are usually planning tools, such as financial, HR

and strategic control system, whereas systems for management and performance evaluation appear in later stages of an organization's development (Davila & Foster, 2005, 2007).

The literature further indicates that early MCS in startups are shaped primarily by the purposes they are meant to fulfill, rather than by formal structures or predefined control tools. Sandino argues that: "Entrepreneurs characterize initial MCS in terms of the purposes they should fulfill, rather than in terms of individual control systems as budgets […] mostly because individual control systems can be used to achieve different purposes" (Sandino, 2007). Thus, describing how startups' choice of control systems depends more on what they are meant to achieve than on their formal structure or design. In turn, initial purposes could be classified into four categories of MCS: basic, cost, revenue, and risk (Sandino, 2007). Basic MCS have a general purpose of collecting data used for planning and setting up core activities, such as budget. Cost MCS, including cost and quality controls, are used to minimize costs and improve operational efficiency. Revenue MCS focus on achieving growth through increasing revenue and learning about the market, an example being measuring sales productivity. Finally, Risk MCS means to reduce the risk internally through policies and procedures (Sandino, 2007). While most firms adopt basic MCS, the implementation of more advanced systems varies and often depends on factors such as their structure and business models.

Moreover, the enabling character of MCS becomes essential, as flexibility, transparency, and adaptability allow startups to cope with frequent changes in direction while keeping processes under control. Thus, MCS' role becomes less about enforcing accountability as Becker and Endenich describe: "MCS play a crucial role in the rapid experimentation and learning process toward finding a scalable business model" (Becker & Endenich, 2023). Additionally, technological developments such as SaaS tools and integrated digital platforms, provide startups with low-cost, customizable infrastructures that accelerate learning, as well as cultivating accountability and collaboration. Furthermore, financial metrics offer limited value at this stage beyond monitoring and are neither intensively used by the startups nor demanded by investors. Instead, early MCS are built around customers-centric metrics, validated learning, and feedback loops. These enable startups to fail-fast, learn-fast. In this sense, MCS in early startups have an interactive role and help startups explore strategic uncertainties rather than focusing on performance and control (Becker & Endenich, 2023). While this literature outlines what types of MCS are introduced and the roles they play, these systems are largely presented as tools for planning, experimentation, and growth, often shaped by the business model. Less

attention is what role MCS gets in navigating several demands beyond that of early-stage activities and growth.

2.1.2 Internal Drivers

As startups grow, prior studies point out several internal dynamics that shape how MCS evolve, including founders (Akroyd & Kober, 2020), learning from failure (Davila & Foster, 2009), and the organizational and cultural conditions required for implementing more formal systems (Granlund & Taipaleenmäki, 2005; Reinking & Reusch, 2023). MCS in startups are less institutionalized, however, as firms grow, the lack of MCS becomes too costly and inefficient. At that stage, appropriate MCS must be developed to overcome the shortcomings of informal systems relying on constant personal engagement. The adoption of MCS thus becomes linked to how the company evolves and is positively associated with the size of the company, number of employees, leaders' experience and the interpretation of MCS (Davila & Foster, 2005, 2007).

Research highlights reactive internal reasons for adopting MCS that arise as outcomes of learning processes, or from challenges such as chaos, lack of skills, or repeated failures. In such cases, reliance on informal processes eventually becomes unsustainable, forcing the adoption of formal systems (Davila & Foster, 2009). One challenge is the tension between interdependent teams with differing purposes and different evaluative principles, which firms address by introducing formal controls. Proposed controls to help information sharing and coordination include communication-enabling workplace layouts, digital tools, and formal weekly meetings between team leaders. Furthermore, real-time performance displays and formal classification schemas are used to better handle interdependencies and ensure that multiple evaluative principles are considered. These formal controls support authority and accountability in contexts where structures otherwise create coordination challenges (Taylor et al., 2019).

Furthermore, leaders' background and experience can also play an important role in the adoption of MCS. Those with previous experience bring knowledge and often perceive MCS as part of the organizational infrastructure needed to facilitate growth. Their decision to implement such systems can also reflect leadership responsiveness as they recognize and act upon growing needs (Davila & Foster, 2009). Akroyd and Kober further highlights founders' impact and note: "Founders' commitment blueprint was reflected in the subsequent design and use of MCS" (Akroyd & Kober, 2020). These authors continue by stressing that when founders emphasize cultural commitment and shared vision, MCS often focuses on employee attachment

and information mechanisms rather than bureaucratic structures. At the same time, these softer controls are complemented with results and action-based measures to maintain accountability. Thus, demonstrating the central role of founders' imprint in shaping how MCS evolve in startups (Akroyd & Kober, 2020).

On another note, research has shown that in firms defined by rapid change and high technology, adoption and design of MCS are not determined solely by structural development but are also shaped by cultural factors (Granlund & Taipaleenmäki, 2005). Such firms often clash with the nature of formal financial controls, leading to limited attention to areas such as performance measurement and strategic planning. Instead, these firms tend to rely on informal belief systems that emphasize creativity, flexibility, and shared mission in early stages. Moreover, there is a reciprocal relationship between adoption of MCS and the firm's life cycle. As cultural acceptance for MCS increases, these systems help structure the firm, guiding it from flexible and sometimes ambiguous operations towards more systematic and controlled management practices (Granlund & Taipaleenmäki, 2005).

Except for cultural acceptance, more recent research discusses the transition from informal to formal controls depends on foundational controls. Reinking and Reusch argue this point: "Once they were able to correct their hiring process, provide job descriptions, conduct consistent evaluations […] they were able to implement more sophisticated MCS as a permanent feature in their firm" (Reinking & Reusch, 2023). Thus, describing how firms that lack these elements are often unable to progress toward more advanced systems. This may occur because firms face significant time constraints or because they choose not to prioritize the development of such systems. Systematic communication routines are pointed out as necessary to reinforce the HR controls, policies and procedures, as it helps employees understand expectations, provide feedback, and feel involved in the process. Thus, turning them into consistent behavior in the organization. Without this reinforcing activity, firms can struggle to develop more formalized control systems (Reinking & Reusch, 2023). Although these studies identify a range of internal dynamics that prompt startups to adopt MCS, they also imply limits on how far such systems can develop without supportive foundations. Apart from demonstrating how formal controls can address coordination tensions (Taylor et al., 2019), existing studies say little about how the internal dynamics translate into the use of MCS to navigate tensions.

2.1.3 External Drivers

Beyond internal drivers, existing literature shows that the development of MCS is shaped by external actors, including investors (Davila & Foster, 2009; Schachel et al., 2021), incubators (Flanschger et al., 2023), and entrepreneurial ecosystems (Becker & Endenich, 2023). Investors often expect startups to implement formal control structures to legitimize the company and make progress more transparent (Davila & Foster, 2009), and this is reflected in evidence that VC-backed startups have shown to adopt more financial planning and evaluation systems than non-VC-backed startups (Davila & Foster, 2007). Since startups often rely on external financing for growth, MCS can affect their ability to attract funding. Financial controls, for example cash-flow forecasts, profitability analyses, can reassure debt financiers about short-term survival, while strategic controls such as milestones and product plans can signal scalability to equity investors. Together these systems signal credibility, enabling startups to secure resources for growth. Thus, it becomes essential for startups to have ability to understand which forms of MCS to prioritize to achieve these investor expectations (Schachel at al., 2021). Alternatively, MCS can provide a framework for interaction with other external parties, helping them coordinate and align activities. This function becomes particularly important when informal interactions are insufficient to sustain collaboration. One example of this is inter-organizational agreements that require accountability and stability over time. In such contexts, MCS are often described as serving a contracting role, as they help implement and maintain the term of cooperation between organizational actors (Davila & Foster, 2009).

However, more recent research suggests external actors influence startups less through formal management control systems and more by shaping practices via ongoing interactions and expectations (Flanschger et al., 2023; Becker & Endenich, 2023). Incubators are one example, influencing entrepreneurs through both consultative and controlling forms of governance. They offer advice, dialogue, and exposure to issues entrepreneurs may not initially recognize, while also introducing more formal practices such as goal-setting, progress reporting, and performance follow-ups (Flanschger et al., 2023). Although entrepreneurs sometimes perceive such control as demanding, they also acknowledge it as necessary for growth and legitimacy. As Flanschger et al. notes: “Control exercised by incubators may substitute for a lack of internal management control systems in the new ventures, but it may, over time, also lead to a learning effect” (Flanschger et al., 2023). This learning effect often outlives the incubation process, whereas entrepreneurs learn certain processes or targets to focus on and continue to use them,

ultimately, helping startups design their MCS (Flanschger et al., 2023). Beyond incubators, broader entrepreneurial ecosystems further shape how startups develop their MCS. Ecosystems help shape practices by providing access to mentors, capital, skilled employees, and technological infrastructure. By acting as an intermediary, ecosystems help turn wider industry's rules and values into concrete practices inside startups, promoting values such as experimentation and customer focus (Becker & Endenich, 2023). Conjointly, these studies broaden our understanding by displaying that not only internal drivers, but external drivers can also shape management control systems in startups. Regardless, the question of how these are leveraged to navigate between growth and operational efficiency remains unexplored.

2.1.2 Research Gap

Research to date has primarily examined the adoption of MCS in startups, identifying what types of MCS appear early, the role they serve and why they are introduced, as well as which internal and external conditions drive their development. Thus, pointing to a variety of motivating forces such as legitimacy considerations, founders' influence, and other contextual pressures. The literature further describes MCS role as enabling and flexible, allowing startups to plan, experiment, and support growth. However, existing research provides limited insight into how MCS are used to manage competing organizational demands in startups. This gap is particularly relevant for startups, characterized by rapid change, high failure risk, and complex strategic challenges. Therefore, their ability to navigate between operational efficiency and growth becomes central to survival, making it crucial to understand how MCS are leveraged to help navigate this.

2.2 Theory

2.2.1 Simons' Levers of Control

In 1995, Robert Simons introduced his framework Levers of Control which offered a new perspective on understanding MCS and their relationship to innovation. Since introducing this theory, Levers of Control has been widely used in academia to understand the relationships between MCS and innovation (Mundy, 2010; Adler & Chen, 2011; Bisbe & Otley, 2004; Barros & Ferreira, 2022; Widener, 2007; Tessier & Otley, 2012). Simons defines MCS as "the formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities" (Simons p.5, 1995), and distinguishes between belief systems,

boundary systems, diagnostic systems and interactive systems. The theory proposes that organizational control is most effective when there is a dynamic balance between these four levers as they represent contrasting pressures (Simons, 1995). The belief and interactive systems act as enabling systems, developing intrinsic motivation within employees. Together, these levers help to create a positive information environment and inspirational force, in turn encouraging employees to think creatively and expand the organization's opportunity space (Simons, 1995). Conversely, boundary and diagnostic systems act as constraining levers that emphasize compliance, monitoring, and accountability through extrinsic motivators such as defined performance metrics or behavioral limits (Simons, 1995). Simons (1995) suggests that when these constraining levers operate in tandem, organizations can align employee behavior with strategic objectives, while also supporting innovation and adaptive problem solving. However, an excessive overemphasis on constraining mechanisms may hinder innovation by limiting risk-taking. Mundy (2010) expands on this concept of balance and shows that dynamic tensions emerge when the enabling levers interact with constraining levers, shaping organizational capabilities. The framework therefore draws attention to the tensions between freedom and constraint, empowerment and accountability, top-down direction and bottom-up creativity and experimentation and efficiency. Simons argues that "effective control of strategy requires both the freedom to innovate and the assurance that individuals are working productively toward predefined goals" (Simons p.26, 1995). Mundy (2010) further conceptualizes these as "dynamic tensions", arguing that their productive use depends on organizations' capacity to balance controlling and enabling levers. Tessier & Oatley (2012) similarly argue that tensions stem from the dual enabling and constraining nature of controls themselves. Each lever can thus simultaneously motivate and restrict behavior, and therefore inherently producing opposing forces that must be managed.

2.2.1.1 Belief Systems

Belief systems are formal statements communicating core values and purpose, typically through mission, vision, or value statements (Simons, 1995). These articulate what the organization is trying to achieve and how people should behave. Thus, it can be used to inspire and direct the search for new opportunities (Simons p.7, 1995). They align employees with strategic goals and enhance intrinsic motivation by helping them internalize organizational value (Adler & Chen, 2011;). Innovation emerges when employees embrace these values and pursue new ideas that fit them. This is achieved by articulating a vision reflecting shared values, clarifying individual

contributions, providing enthusiastic support, and recognizing success. In addition to motivating employees and supporting innovation, belief systems also contribute to organizational stability (Simons, 1995). The importance of belief systems for organizations is reinforced by Widener (2007), who finds that stronger belief systems enhance the effectiveness of other levers by anchoring employee understanding of strategic priorities. Simons also describes that "an environment of constant challenge and change creates a need for strong basic values to provide organizational stability" (Simons p.36, 1995). Strong belief systems thus provide clarity and resilience, embedding values into decisions and supporting strategy implementation.

2.2.1.2 Boundary Systems

Boundary systems specify what organizations will not do, defining the acceptable scope of employee activities (Simons, 1995). Limits are typically based on defined business risks to opportunity seeking (Simons p.39, 1995) and expressed through rules, codes of conduct, or strategic constraints. Simons (1995) identifies two main types: business conduct boundaries, which address risks to integrity or reputation, and strategic boundaries, which define focus areas. These systems manage risk and guide attention toward priorities. Although perceived as limited, boundary systems do not necessarily reduce motivation (Adler & Chen, 2011). They can also enable flexibility and creativity by clarifying the parameters within which employees can exercise discretion. In this sense, boundary systems may facilitate decision-making autonomy by providing clear guidance on acceptable experimentation (Simons p.41, 1995). Barros & Ferreira (2022) also observes that in innovative firms, boundary systems often work together with diagnostic controls to create "consistent reinforcement" that channels creativity into strategically valuable domains, preventing wasteful search without limiting experimentation. However, overly rigid boundaries can stifle innovation by preventing exploration of new growth areas (Simons, 1995). Effective boundary design therefore balances control with opportunity, managing downside risks while maintaining adaptability.

2.2.1.3 Diagnostic Systems

Diagnostic systems represent the more traditional side of management control, functioning as feedback mechanisms that measure actual outcomes against predetermine goals (Simons, 1995). Managers use tools such as budgets, performance scorecards, and variance analyses to monitor progress. By systematically tracking performance, diagnostic systems support

efficiency and early detection of issues. However, when applied rigidly, they may constrain innovation by focusing on short-term targets (Simons, 1995). Simons (1995) thus sees diagnostic controls as essential but potentially limiting mechanisms whose value depends on integration with more enabling forms of control. Mundy (2010) finds that diagnostic systems shape, and are shaped by, the other levers meaning that use of diagnostic systems can either strengthen or weaken the organization's overall balance of control.

2.2.1.4 Interactive Systems

Interactive systems are conceptualized as forward-looking, inspirational tools designed to foster two-way communication between managers and employees across organizational levels. They are used to stimulate organizational learning and the emergence of new ideas and strategies (Simons p.7, 1995). These systems are especially important in dynamic or innovative environments where adaptability and responsiveness to new ideas determine competitive success (Bisbe & Otley, 2004). Through continuous engagement, managers can identify emerging patterns, reassess assumptions, and redirect resources. Interactive systems thus integrate top-down direction with bottom-up feedback, promoting learning, strategic renewal, and shared understanding across organizational levels (Simons, 1995). Consistent with this view, Mundy (2010) shows that interactive controls often play a pivotal role in maintaining balance by helping managers surface strategic uncertainties and recalibrate the other levers, thereby sustaining productive dynamic tensions.

2.2.1.5 Use of Levers of Control during the Startup Phase

The use of the four levers of is different throughout the life cycle of an organization. Although mature organizations tend to rely on a balanced interplay of control systems, early-stage of startup organizations are characterized by less formalized control structures as there is little demand for formal control systems (Simons p. 127, 1995). Startups exercise control primarily through informal social processes rather than formal systems. Shared values, frequent communication, and interpersonal trust operate as substitutes for structured management controls, reflecting a reliance on social and cultural forms of coordination (Simons, 1995). As startups can have constant communication, the only formal control system needed is internal accounting controls to ensure that assets are secure, and that accounting information is reliable (Simons, 1995). As organizations evolve and complexity increases, the formalization of the four levers becomes more pronounced, supporting the simultaneous pursuit of innovation and

strategic alignment (Simons, 1995). The framework therefore highlights the dynamic nature of control systems and their adaptation across different stages of organizational development.

2.2.2 Paradox Theory

Paradox theory offers a useful theoretical lens for examining and interpreting organizational tensions that arise when opposing demands intensify. As tensions continue to persist over time, Paradox theory can be seen as a tool to help handle and respond to both sides simultaneously. According to the theory, navigating and balancing conflicting needs helps firms achieve long-term success (Smith & Lewis, 2011). The Dynamic Equilibrium: An integrative model was developed to provide conceptual clarity by examining both the natural and socially shaped characteristics of organizational tensions. The model takes an approach that balances acknowledgment of conflicts with strategies aimed at resolving them. It highlights the persistence of opposing forces and the value of intentional and recurring responses over time to sustain organizational effectiveness. In a dynamic organizational system, leaders must navigate and coordinate conflicting forces, leveraging the tension between them to sustain stability while also promoting ongoing growth and development (Smith & Lewis, 2011).

The model has three distinctive features. Firstly, paradox tensions are both latent and salient, as they always exist within the organization but emerge strongly under certain circumstances. Secondly, addressing these tensions requires exploring different management approaches and reflecting a cycle of navigating and responding to tensions. Furthermore, the effects of these approaches shape the organization's long-term success, as the way tensions are handled directly influences its capacity to sustain performance and adapt over time. Thirdly, the model highlights three triggers where tensions become salient: (1) change, as organizational systems constantly undergo change as they learn and adapt and generates opportunities for members to reconcile short-term pressures with long-term ambitions; (2) plurality of stakeholders and objectives increases uncertainty, exposing competing goals and inconsistent processes; and (3) scarcity, in the form of limited resources. These triggers intensify tensions, requiring careful allocation and prioritization (Smith & Lewis, 2011).

Navigating the tensions requires creative solutions to answer the question of how an organization can engage one need with another while facing the triggers that can increase tensions and reduce effectiveness of relying on a single strategy (Smith & Lewis, 2011). Thus, demand for cognitive, behavioral complexity, emotional stability, and dynamic organizational

capabilities. Dynamic capabilities are understood as the combination of processes and expertise that allow an organization to accept tensions, adapt to a changing environment, and integrate it into existing organizational systems. The model states three mechanisms necessary for this: (1) learning and creativity, allowing organizations to generate new ideas, adapt knowledge, and foster continuous innovation; (2) flexibility and resilience, ensuring effective responses to unexpected challenges and maintain stability in dynamic environments; and (3) unleashing human potential, creating conditions that empower individuals to contribute, engage with complex problems, and collaborate in ways that enhance overall organizational performance (Smith & Lewis, 2011).

2.2.3 Theoretical Framework

The theoretical framework, presented in Figure 1, combines Simons' Levers of Control (Simons, 1995) with the Dynamic Equilibrium Model within the Paradox Theory (Smith & Lewis, 2011). This integration allows for a more comprehensive understanding of how management control systems are used to navigate the tension between operational efficiency and growth. Alongside allowing for examination of how the case firm uses management control systems, the framework also incorporates the triggers and mechanisms highlighted in the Dynamic Equilibrium Model.

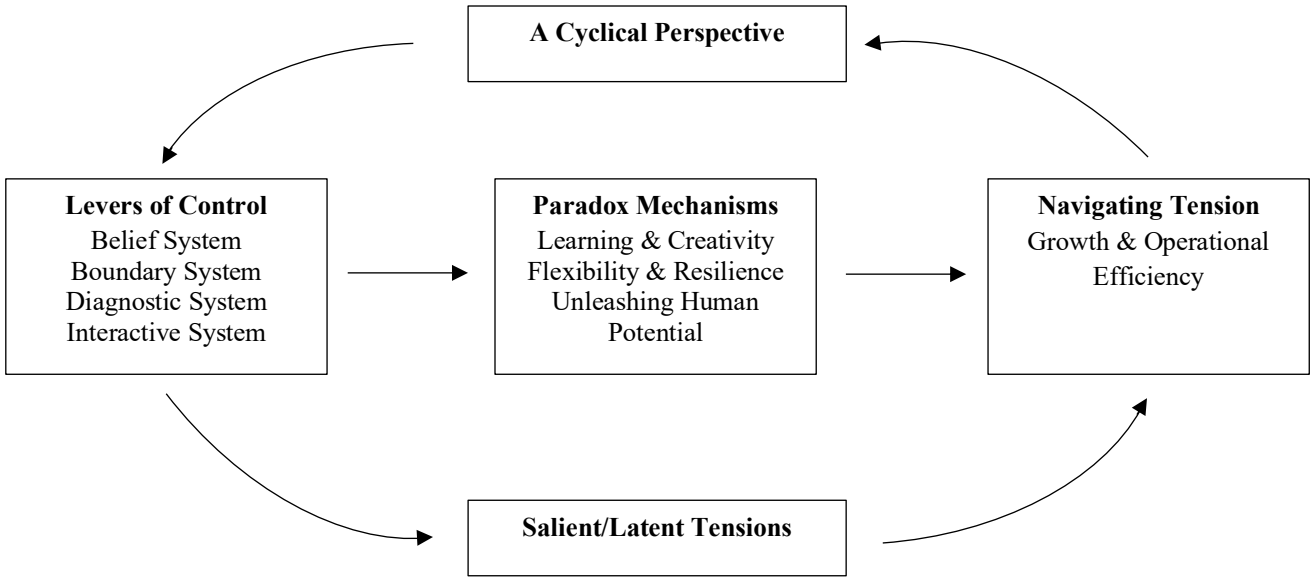

Figure 1: Theoretical Framework (Based on Simons 1995 and Smith & Lewis 2011)

2.2.3.1 Application of Levers of Control

Simon's Levers of Control provide the foundation for examining the case firm's MSC. The framework considers how each lever helps develop mechanism from the Dynamic Equilibrium Model (Smith & Lewis, 2011). Through this lens, each control lever is assessed whether it enables the mechanisms: learning & creativity, flexibility & resilience, and unleashing human potential.

2.2.3.2 Navigating Tensions in Case Firm

The Dynamic Equilibrium Model (Smith & Lewis, 2011) will be used to help explore the trade-offs between efficiency and growth and how the case firm engages with demands. From this perspective, startups are understood as continuously adjusting their focus and priorities in an ongoing cycle, responding to changing circumstances, challenges, and new opportunities. Our theoretical framework enables an exploration of when and how tensions become salient, and how the case firm responds to them. Linking these to the use of MCS and their role in enabling the mechanisms, the analysis can explore how the startup navigates between tensions.

3. Methodology

3.1 Research Approach

Through using a qualitative method in this study, we are able to analyze how a startup navigates operational efficiency and growth. This approach was chosen because we believe a qualitative research design is better suited in exploring the dynamics and nature in which management accounting practices are applied, compared to a purely quantitative approach. Organizations have their own ways in using management tools which in a way is complex and constantly changing (Vaivio, 2008). Therefore, through exploring our research question using a qualitative approach, we can develop a more in-depth understanding of complex organizational phenom from the perspectives of those who experience and enact them (Barr, 2004).

To explore our research question, we interviewed employees involved in both growth-oriented activities and efficiency-focused operations to gain insights into how different parts of the organization experience and manage this tension. The single-case approach allows for a comprehensive intra-organizational comparison, capturing the interplay between growth and operational efficiency within the same contextual setting. While a multiple-case study could

increase the sample size, it would not offer the same depth of understanding as our chosen approach, especially given the time and resource constraints of this study. The qualitative insights generated through an intensive single-case analysis provide a deeper understanding of the mechanisms and dynamics underlying startups' use of management control systems in balancing growth and efficiency.

3.2 Data Collection

For this study, we conducted both preparatory and primary data collection. The aim of having both preparatory and primary data collection was to have relevant background information regarding potential influences of external stakeholders on a startup's MCS design but also gaining general knowledge on a startup's growth and efficiency path.

3.2.1 Selection of the Case Firm

In order to examine our research question, it was highly important that we selected a suitable case firm that would provide us with the relevant information. Firstly, we selected a startup that had already had at least one funding round, thereby allowing us to examine both internal and external influences towards control systems. Given that our research focuses on startups, we developed further criteria that were intentionally less rigid, allowing us to remain flexible and adapt to the availability of those able to participate in the study. Our main criterion was that the case firm had to be able to provide us access to relevant information as well as personnel for interviews. We determined that selecting a startup that had been founded for at least over a year would be most relevant for the academic contribution of our research. This could provide us with insights on how growth and operational efficiency are navigated, enabling these to be applied more rapidly and helping other startups address such tensions earlier in their development. After creating a shortlist of Stockholm-based startups matching these criteria, we contacted them via email and LinkedIn. The final case firm was selected based on both alignment with our criteria as well as their willingness to participate in this study.

3.2.2 Preparatory Data Collection

In our preparatory phase, we conducted two semi-structured interviews: one with a startup founder and angel investor, and one with an early-stage investor. Through these interviews, we were able to develop a deeper understanding of how startups develop in the early stages in terms

of prioritization of growth and efficiency. We were able to further understand from these interviews that startups often operate without formalized MCS, which reinforced the importance of our thesis: how MCS should be introduced to navigate between operational efficiency and growth. While the preparatory interviews and desktop research did not quantify as primary data, they played a crucial role in informing the design of our interview guide and establishing the context for interpreting the case firm.

3.2.3 Primary Data Collection

Similarly to the way we chose the case firm, interviewees were chosen based on availability and willingness to participate in our study. As our research question focuses on navigating between growth and operational efficiency, the chosen interviewees are either involved in developing the MCS or impacted by these systems. Based on these requirements, we were able to conduct six interviews with four individuals from the case firm. In order to get a better understanding of the organization and to better tailor our questions to the case firm, we conducted two interviews with our main point of contact at the firm. The first interview aimed to gain a general understanding of the organization's context and their organizational structure, whereas the second focused specifically on addressing our research question. Furthermore, we conducted a follow-up interview with an employee at the case firm as the employee demonstrated extensive knowledge in an area we wanted to explore further. The interview guide for the initial interview was developed by some insights from the preparatory interviews but mainly through our theoretical framework. After gaining a deeper understanding of the case firm from the first interview, we refined and adjusted the interview guide by integrating insights from the theoretical framework and the initial findings. This allowed us to design a set of questions aimed at extracting information on management controls systems, ultimately linking them to operational efficiency and growth.

When collecting empirical data, we conducted six structured interviews lasting between 45 and 60 minutes, as previously mentioned. Access to interviewees was primarily facilitated through our main contact person within the organization, who recommended relevant individuals to speak with. Moreover, we applied a snowball sampling approach by asking each interviewee to suggest other potential participants within the case firm who could provide valuable insights. In line with our research approach, the interview guide was adapted to the interviewee's role within the organization, allowing us to adjust the perspective and emphasis depending on their

responsibilities. In addition to adjusting the interview guide, we also tailored the interview language depending on which language the interviewee was most comfortable with. Most interviews were conducted in Swedish as this was the language which most participants felt comfortable with. Additionally, this facilitated a more natural conversational flow and minimized the risk of losing information that participants might have found difficult to express in English. While translating the material into English introduces some risk of translation bias, we believe this was minimized since industry-specific terminology was consistently discussed in English. These interviews were recorded and transcribed using Mistral, a transcription tool that comply with European GDPR laws. To further protect data sensitivity and interviewees, all interview data was anonymized to protect the confidentiality of all participants and the case firm. We also ensured that interviewees signed a consent form before conducting the interviews. The pseudonym *"*CapitalCo*"* will be used for the firm, and individual roles are described in general terms to reduce the risk of identification.

3.3 Data Analysis

Our analytical process followed an abductive approach characterized by continuous iteration between the empirical material and the theoretical framework (Dubois & Gadde, 2002). This approach enabled us to refine both our interview guide and our analytical focus as new insights emerged throughout the data collection process. The qualitative research process was therefore highly iterative, allowing us to progressively deepen our understanding of how startups use MCS to navigate between operational efficiency and growth.

To guide the analysis, we drew on Simons' (1995) Levers of Control and the Dynamic Equilibrium Model (Smith & Lewis, 2011), which provided a theoretical lens through which we could categorize and interpret the empirical findings. After each interview, we held internal discussions to identify emerging patterns, tensions, and notable differences from theoretical expectations. These post-interview reflections were highly important as they allowed us to highlight interesting directions and adapt our questions for following interviews accordingly. Our initial interviews indicated that the company's growth in its early stages created operational complexities that made certain efficiencies visible, requiring the firm to reassess and adapt its processes and control system. This prompted us to delve deeper into how managers perceived and managed this occurrence, particularly how control systems were adapted and introduced to manage the two objectives.

In organizing and interpreting our empirical material, we coded the interview transcripts according to the four levers of control. This categorization allowed us to analyze how different control levers contributed towards developing the mechanisms necessary for managing the tensions between growth and operational efficiency. Throughout the process, we continuously moved between the theoretical framework and the empirical evidence, refining our interpretations and ensuring that emerging insights were grounded in both literature and data.

4. Empirical Findings

4.1 The Case Firm

The case firm, CapitalCo, is a Swedish fintech startup founded in early 2020, headquartered in Stockholm with offices in Cairo and London. Before founding this company, one founder earned a PhD in Management Strategy from St Gallen and spent many years working as a strategy consultant within the tech industry. As a B2B startup, CapitalCo offers buy-now-pay-later solutions and working capital services specifically designed for consumer goods and product-based businesses, enabling them to accelerate growth while avoiding the burden of paying suppliers upfront. Since its founding, CapitalCo has experienced rapid expansion, increasing its customer base sixfold to over 600 clients and extending its services to multiple European countries. CapitalCo has completed six funding rounds, raising a total of €28 million, with the most recent round in May 2025 contributing €5 million from both angel investors and global VC firms.

Founded during the onset of the COVID-19 pandemic, CapitalCo quickly became a remote organization operating from the home country of both founders, Sweden and Egypt. By mid-2020, CapitalCo had secured its first customers and demonstrated early indications of product-market fit. Following the completion of its seed funding round in March 2021, the firm entered a phase of rapid expansion, recording monthly growth rates of approximately 50-60%. During 2022, CapitalCo scaled its operations across multiple markets, obtained a payment institution license, and grew to nearly 90 employees. However, in early 2023 the company experienced a period of financial strain which led to an increase in credit losses and thus had to let go of employees to survive this setback. By early 2024, the firm had stabilized its operations and resumed growth under a more controlled framework, continuing to expand towards

profitability. CapitalCo currently has around 20-30 employees working from their Stockholm office who are working towards improving internal processes and expanding the business.

4.2 Growth and Operational Efficiency within CapitalCo

CapitalCo's current goals reflect both short- and long-term operational efficiency and growth, as their focus has shifted several times depending on market conditions and organizational needs. Short-term priorities, referred to as KPI-driven goals, are currently centered around becoming profitable. Shifting towards long-term sustainable growth, CapitalCo identified customer retention as a priority for achieving this. Moreover, CapitalCo has qualitative goals and planned a launch in the U.S. market within the next one-to-two years as the startup's long-term aim is to become a category-leading company and expand globally.

Within the organization, there is a clear distinction between teams focused on driving growth and those responsible for operational efficiency. The commercial, retention, and product development teams serve as the main engine for growth. These growth responsibilities are not only divided by functionality but also through different geographies. While both new customer acquisition and retention teams are stationed in Stockholm, continuous product innovation and development are carried out by the tech team based in Egypt. In contrast, the finance and credit teams manage credit risk, compliance requirements, and financial processes. One employee expressed: "We need people in operational roles who make sure we allow growth within certain parameters […] and that practical admin things like payments are handled fast enough" (Interview F, Manager). Thus, these teams enable the organization to scale efficiently, but they are not directly responsible for generating growth themselves.

However, while this structure allows the functions to specialize and focus on their tasks, operational inefficiency has arisen when coordination has not kept up with complexity and development of the startup. When CapitalCo expanded its credit offering to include multiple forms of collateral, the sales and credit teams suddenly had to manage a more complex workflow and constant back-and-forth between different teams and the customer, creating a bottleneck. This was resolved through a cross-functional effort to redesign the workflow, which in the process helped iterate CapitalCo's offering. One employee described it as:

> "What we did then, together with commercial and credit, was to break down the process manually: how do we do it today? […] When we broke it down, we ended up making

> changes both to the product, we created a new feature with offer selection, and at the same time we expanded the sales funnel, the steps a customer goes through to become a customer." (Interview F, Manager)

During the growth journey, the firm faced several other challenges with operational efficiency. Their business model includes a combination of software and financing that has created an organizational complexity and dependency on capital. Following their funding in 2022, the firm entered a phase of rapid expansion which helped them enter the market. However, the speed of hiring and scaling created credit issues that became more visible when macroeconomic conditions deteriorated. CapitalCo then reassessed their operations and reduced their costs by laying off more than half of their workforce to restore operational efficiency, which the CEO described as: "We had to slow things down a bit to go out and raise capital before we could accelerate again" (Interview A, Founder/CEO). This illustrates an example of how CapitalCo needed to prioritize operational efficiency over growth. After this period, the firm also updated their data-driven models which indicated how other strategic priorities needed to shift. They then chose to remove high-risk customers to strengthen their credit model, thus prioritizing a credit-healthy and profitable customer base over volume-drive expansion, thus allowing CapitalCo to pursue more controlled growth expansion in 2024.

> "Our updated models then indicated that we needed to remove half of our portfolio, effectively halving our revenue. […] We essentially cleaned up, reduced costs, and then started operating again, at full speed, but in a more controlled manner, applying all the lessons we had learned. By January 2024, we had completed that process, and since then, we've been growing rapidly again." (Interview A, Founder/CEO)

In CapitalCo, operational efficiency is driven by technology as several areas of their business continuously shifts towards becoming automated. The startup has therefore set focus on leveraging AI and automation to scale more intelligently, without losing focus on the human role. One employee argued: "There will always be some element of human involvement, particularly for corner cases or more complex situations" (Interview F, Manager). Learning from previous challenges and therefore being responsible toward investors, CapitalCo takes a careful approach to recruitment. Despite being cautious of the number of employees being hired, there is an expressed need for recruitment within the revenue operations team. This decision is in line with CapitalCo's priorities to develop systems, automation, and human

capabilities. The newly introduced team is now positioned at the intersection of commercial processes, data analytics, and collaboration with credit, product, and commercial teams. The revenue operations team has a dual focus of scaling intelligently and identifying what needs to be built today to secure long-term strategic objectives. As of recently, they built an AI agent that can analyze thousands of companies at once, identify their industry, run quick credit checks, and draft the first outreach email, making their outbound work far more efficient.

> "AI as a core part of the conversation […]. That enables us to build scalability through systems and automation rather than relying on manual effort. […] RevOps essentially is about being very hands-on, implementing things, staying at the forefront of AI so that we remain efficient and can scale effectively. At the same time, we need a strategic perspective to understand where we are headed." (Interview F, Manager)

Viewed from our theoretical framework, the interviews reveal a recurring cycle of shifting priorities within CapitalCo. The tension between operational efficiency and growth is a constant feature of the firm which has become salient during rapid expansion, shifts in macroeconomic conditions, capital pressure, and by improving their models. These tensions have caused CapitalCo to adjust their priorities and processes, causing them to now put a lot of focus on AI and stronger technological capabilities. Thus, this has ultimately shaped the startup's capacity to adapt and maintain a sustainable path forward.

4.3 Levers of Control within CapitalCo

4.3.1 Belief Systems

CapitalCo has a clear formal mission statement on its website: wanting to be a growth partner and help companies overcome cash flow challenges, such as money being tied up in inventory purchases that would otherwise prevent them from growing. However, while the startup's vision to become the platform that enables financial planning for all companies through AI, forecasting, and real-time recommendations, is not communicated externally, it is widely recognized among employees. CapitalCo highlights the importance of having a clear vision, as one founder mentioned: "You have to have a very clear vision of what the company does […]. And that what you do is both on-brand and effective, and that things stay in sync" (Interview A, Founder/CEO). CapitalCo communicates its mission, vision, and strategic priorities on a daily basis through meetings, their technological platform, and Slack. Together with this,

organizational objectives are broken down into tangible targets for each team, making employees accountable for reaching specific goals, as well as promoting experimentation and a fail-fast, learn-fast approach.

In addition to formal structures, culture plays a central role in how employees at CapitalCo understand and engage with the organization's purpose. One employee discussed internal motivation and motivating founders as drivers of the culture and said: "it's exciting as a whole to be part of a company that has such ambitious future plans and visions […]. Having two founders […] share that [future plans and visions] with everyone and present it in a way that encourages and motivates people" (Interview F, Manager). The culture is further described as supportive and motivates employees to raise issues, engage in challenges, and take part in making improvements across functions. CapitalCo lays great efforts in fostering an environment where employees push and motivate each other to achieve team and firm-specific goals through friendly competitions such as competing for generating the most potential customers through cold calling.

> "If you think the product needs improvement in some area […] then you ask the product team to fix it. So you own your goal and work together with the rest of the organization to make it happen […]. For us, it has been important to try to build a culture around it." (Interview A, Founder/CEO)

Furthermore, CapitalCo considers hiring as a strategically critical process. The firm recruits based on cultural fit, prioritizing individuals who share this drive to help others and possess entrepreneurial traits and skills. Hiring therefore becomes a fundamental process through which the organization develops and adapts. As one founder describes: "People are the most important thing in any company, and in a startup, it becomes even more extreme because all change and improvement is ultimately driven by people" (Interview A, Founder/CEO). This shows how CapitalCo views hiring as a strategic instrument through which the organization safeguards its culture and reinforces shared values.

On another note, their belief system is described as manifesting differently between teams. In the commercial team, there is a more customer-facing, "help everyone" mindset, whereas teams such as finance and credit must adopt a more risk-aware approach and consider whether goals are realistically achievable. Additionally, the belief system appears to be more shared within the Stockholm office and more challenging for the Egypt office, as they primarily interact with

names on a digital platform. However, these cultural differences do not necessarily suggest a negative aspect within the firm, it rather shows how CapitalCo's vision guides teams within their operational scope.

> "The vision is part of everything we do […]. I can't speak for the Egypt office, it's a bit more difficult for them. But for us here in Stockholm, we meet our customers quite frequently […]. I wouldn't call it conflict but kind of a cultural difference between the teams in that regard [...]. In some teams, you have to say no to people, while in others it's more about trying to help everyone […]. So, it [the vision] guides some teams more than others. However, everyone has it [the vision] in the back of their mind." (Interview E, Senior Associate)

Recruitment is a central way in which CapitalCo's belief system supports the mechanisms in our theoretical framework. By hiring individuals with a strong cultural fit, the firm primarily strengthens unleashing human potential. The system also supports flexibility and resilience through ensuring the "right" employees, who understand underlying processes and can adapt quickly to shifting priorities. Other elements such as the open culture, employee ownership, and encouragement of experimentation and learning create conditions for the mechanism of learning and creativity. Although the belief system manifests differently across teams and geographies, CapitalCo's overall environment allows some teams to push for growth while enabling others to focus on operational efficiency.

4.3.2 Boundary Systems

CapitalCo's boundary system has developed into a combination of formal regulatory constraints and informal, value-based guidelines that highlight acceptable behaviors and decision-making authority within the organization. Aside from standard employee codes of conduct, internal formal boundaries primarily revolve around financial authorization and approval structures. Employees describe multi-layered control flows where expenses or supplier payments require approval by supervisors and the finance team before disbursement. As one employee explained: "We have cost approvals […]. We have an entire process with rules set up for that. The credit team has rules for how much can be issued to a single person, or whether two or three people need to approve something" (Interview E, Senior Associate). This illustrates CapitalCo's business conduct boundaries through the deliberate segregation of duties that limits business

risks from occurring as processes need to be checked. Such internal boundaries have become more formalized as the startup developed its offerings.

Simultaneously, CapitalCo's founders have deliberately maintained open cognitive boundaries by emphasizing strategy, vision, and culture rather than prescriptive rules. The absence of extensive formal internal regulations is reflected in one founder's explanation: "It's more that you have a strategy and a vision that guides things. […] You cannot really make rules for what people are allowed to test, that would defeat the purpose of hiring smart people" (Interview A, Founder/CEO). This reflects a philosophy of empowering employees to experiment and contribute to shaping the startup within clear strategic limits. Thus, intentionally delegating responsibility to employees and relying on their judgement and initiative, rather than formalized processes. However, despite CapitalCo's preference for minimal internal rule-setting, the company must adhere to substantial external requirements, both from investors and legal frameworks.

Investor expectations introduce external boundaries through reporting requirements, board-approved budgets, and KPI tracking, reinforcing accountability and transparency. Unlike the Financial Regulations, investor expectations do not put a heavy layer of pressure on CapitalCo as the KPIs investors expect are in line with what CapitalCo already measures internally. One founder expressed: "There's an ongoing dialogue with our investors […]. We report continuously, and that's part of the agreement with the investors […]. Two months later things may have changed, then you say: now this has changed, and now the plan looks like this" (Interview A, Founder/CEO). Thus, despite having to discuss certain actions with investors, they act more as a discussion and guidance tool instead of a strict boundary setter.

Apart from investors, CapitalCo's business model and offering requires them to follow strict regulatory boundaries that shape its decision-making and speed at which they operate. Operating within the fintech environment requires CapitalCo to comply with regulations set up by the Swedish Financial Supervisory Authority. The firm is required to comply with extensive legal frameworks, including anti-money laundering (AML) regulations, credit risk policies, and IT security standards. These regulations create structural boundaries that influence the firm's capacity to iterate on its product, introduce new processes, and expand into additional markets. Thus, more time needs to be allocated towards ensuring their business is following the

regulations, however these processes are considered necessary to ensure legitimacy and customer protection.

> "It is a regulated business under the supervision of the Financial Supervisory Authority. So, we have quite a lot of rules and policies to adhere to […]. Everything constantly must be checked against the rules […] this has a direct impact on how quickly you can improve your product and your company, which of course affects growth. It also affects things like expansion, which in turn impacts growth […]. The rules are there to protect our customers." (Interview A, Founder/CEO)

Beyond slowing strategic decision-making, regulatory boundaries also create operational inefficiencies by diverting internal resources toward compliance-related tasks. While CapitalCo has introduced automation into some compliance routines, these systems cannot be fully automated. One employee described: "The automation of a model that automates compliance decisions: it's not like we can just roll it out and let the machine do its thing. We need to have auditable traces, we need to be able to report incidents" (Interview A, Founder/CEO). Boundary controls therefore place natural limits on how far automation can be taken and illustrate how regulatory demands intensify workload pressures, reduce operational efficiency, and shift attention away from core business activities.

CapitalCo also has systems in place to ensure that they are focusing organizational attention and resources on areas that align with their core strategy. After experiencing major credit losses in 2023, CapitalCo introduced an automated boundary system to determine which customers to engage with and which to decline. These AI-driven credit risk models now serve as a first line of boundary-setting, requiring employees to validate potential clients through the system before proceeding. This system operationalizes the firm's strategic boundaries by defining the types of clients and markets that fit its growth strategy and acceptable risk profile. In doing so, CapitalCo ensures that expansion efforts remain aligned with its strategic focus while avoiding customers that could jeopardize financial stability.

> "We got data that made our models much better, particularly in understanding which customers we should take on and which we should say no to. What we did then was that our new models indicated we needed to remove half of our portfolio." (Interview A, Founder/CEO)

CapitalCo's boundary system supports resilience, part of the flexibility and resilience mechanism within our theoretical framework. Formal regulatory, financial, and credit-approval boundaries provide resilience by containing risk, ensuring compliance, and stabilizing operations in a highly regulated fintech environment. However, their external boundary systems slow down growth and limit the flexibility mechanism as each new idea must pass through compliance requirements before it can be pursued, which cannot be fully automated. On the other hand, CapitalCo's more open cognitive boundaries which are centered on vision, culture, and strategic focus enable the learning and creativity mechanism.

4.3.3 Diagnostic Systems

From the company's start, KPIs have been central to how performance is monitored, evaluated, and improved, and these metrics are closely aligned with CapitalCo's goals. Long-term objectives such as growth, retention, and credit performance are deliberately broken down into smaller, more granular targets that guide short-term action ensuring that daily activities contribute directly to broader strategic outcomes. One founder describes it as: "There is no limit to the number of KPIs. […] It's a model you build for your business, a forward-looking financial model with goals and KPIs that are interconnected" (Interview G, Founder/CEO). This approach produces a layered KPI system in which high-level measures of growth, retention, credit performance, and profitability are broken down into concrete team-level metrics that reflect each function's role.

When the high-level goals are broken down into actionable targets, the resulting KPIs vary across teams, allowing each function to focus on the indicators most relevant to its role. For example, the sales team works with KPIs related to customer acquisition, monthly intake targets, lead generation, and conversion speed, whereas the credit team focuses on expected credit loss rates, overdue accounts, and risk-related margins. Product and operational teams, in turn, monitor efficiency measures including onboarding times and the number of steps in key user flows. CapitalCo continuously refines these KPIs, introducing new ones when inefficiencies reveal measurement gaps and adjusting existing ones when they no longer capture relevant dynamics. This results in an extensive measurement system that spans across all functional areas and supports a culture of continuous learning and adjustment rather than only ensuring that performance is satisfied. Furthermore, this division allows the company to pursue both expansion and operational discipline.

> "If there's a process where we've been doing something for two years and no one has noticed that it doesn't work […] it means there's something we're not tracking. I constantly need to structure things and ask: what sanity checks or reports in our data warehouse or Power BI [Business Intelligence] are we not looking at, in other words, which KPIs aren't measuring this? […] And of course, once we do, we have to fix it." (Interview H, Senior Associate)

Many of CapitalCo's KPIs are updated in real time, enabling proactive decision-making and efficient resource allocation. The strong emphasis on measurement is not a recent development but has been integral to the company since its earliest stages, as previously mentioned. CapitalCo designed and built its own Business Intelligence infrastructure before external investors became involved, highlighting its existence since the startup's early days. One founder explained: "As a company, we are extremely data-driven. That's why most investors who look at us react the way they do. […] They say they haven't seen anyone else measure as well or as much" (Interview G, Founder/CEO). The external recognition that CapitalCo's diagnostic system is more developed than in comparable startups highlights that the controls are not compliance-driven, but part of the startup's identity and data-driven culture in navigating its development.

In addition to quantitative KPIs, CapitalCo has qualitative objectives to complement the numerical indicators by capturing strategic priorities that are not easily measured but remain essential for long-term progress. At the same time, CapitalCo does not treat KPIs merely as targets to be achieved, but to help identify underlying issues and inform managerial responses. This allows a deeper analysis of what the metric reflects operationally and why performance may be diverging from expectations. One employee stressed this and said: "It's about connecting what you see: you see a number, but it's just a number. How do you tie it to reality and figure out if there's a problem and what we as a company or team can do to improve it?" (Interview F, Manager). Thus, CapitalCo emphasizes linking trends in KPIs to concrete processes, assessing whether observed changes indicate emerging problems and determining what actions teams or the organization should take.

Beyond guiding operational analysis, KPIs are also used for performance evaluation and feedback. In teams with clearly measurable outputs, including certain operational or credit functions, productivity is monitored. On the other hand, in the commercial teams, KPI outcomes

are linked to financial incentives, including bonuses and commissions. For those leading specific departments, CapitalCo complements KPIs with structured, qualitative performance reviews, where managers provide feedback and discuss development needs. The evaluation system acknowledges that not all roles can be assessed through the same KPIs. By complementing quantitative measures, employees' contributions are captured beyond what can be numerically measured. This approach supports the firm's ambition that employees should be able to contribute meaningfully within and across teams, and that such contributions are recognized in line with CapitalCo's pursuit of growth and operational efficiency.

> "We now have a system where managers provide ratings or feedback in a structured format, allowing us to track it. It is much more qualitative. The purpose is twofold: first, to give people feedback so that everyone here feels they can grow and improve; and second, for us as a company to ensure that we maintain the strongest organization possible." (Interview G, Founder/CEO)

Aside from current KPIs, CapitalCo identifies a set of forward-looking metrics that will become increasingly central to its diagnostic controls. Retention, which is measured both through customer continuity and net revenue retention, is expected to serve as a primary indicator of long-term growth potential. CapitalCo has therefore chosen to allocate more resources per customer and intentionally reduce operational efficiency to strengthen long-term relationships and customer satisfaction. To highlight its importance, one founder explained: "I believe this [appreciation from customers] creates long-term value. And if it creates more value per customer, then it may still be the economically right choice. That is essentially our belief" (Interview G, Founder/CEO). This example is critical to understanding how CapitalCo do not only use KPIs solely for growth-related purposes, but rather, their KPIs capture both long-term growth aspects and operational efficiency.

Overall, CapitalCo's diagnostic control system combines long-term strategic indicators with team-level metrics and treats KPIs as a tool for inquiry and improvement. This allows the firm to make fast adjustments as new challenges or opportunities emerge, strengthening CapitalCo's flexibility and resilience mechanism. The diagnostic lever does not only act as a tool for monitoring, but as an enabler of organizational learning and improved decision-making, thus reinforcing the learning and creativity mechanism. At the same time, the open engagement with

metrics across teams encourages employees to contribute insights and identify solutions and helps CapitalCo unleash the human potential mechanism.

4.3.4 Interactive Systems

From the interviews, it becomes clear that employees across all levels and teams are encouraged to take part in or take actions in improvement or innovation within the startup. This collaborative approach is also the basis for improving processes and tackling challenges. Process development and problem-solving are treated as collective rather than purely top-down activities, and employees are expected to contribute beyond their formal roles wherever they can add value. Cross-functional collaboration thus ensures that specialized knowledge and information circulate across teams, making the firm responsive to emerging needs, whether in defining new KPIs, designing new products, or refining operational processes.

> "It's a very dynamic process, and everyone is involved in it […]. If someone notices something that can be measured, they suggest it, and then our data science team in Egypt or another relevant unit quickly sets it up […]. There are designated people who are mainly responsible for it, but anyone can propose a KPI. […] I've been involved in designing some products, so I make use of my expertise in finance." (Interview H, Senior Associate)

Amongst other things, these interactions take place in several types of meetings at different levels of formality and frequency. CapitalCo has company-wide meetings held quarterly, as well as office- or team-specific meetings occurring on a more regular basis. While the finance team meets once a week, other teams such as the commercial team meet several times a week. Nonetheless, all teams follow a structured agenda focusing on their performance, processes, and possible improvements. However, one lower-level employee expressed: "I also rarely join them since my work is very straightforward" (Interview D, Junior Associate), instead relevant information is communicated directly from his immediate superior. Another employee further described this as a dynamic, day-to-day process: "Everything is very dynamic […]. It is not a static process where you half-heartedly report the numbers once a month and no one reflects on them. Instead, it is something continuously active" (Interview H, Senior Associate). This manifests through informal and ad hoc interactions, both within and across teams, and thereby supports CapitalCo's collaborative and improvement-oriented culture.

Additionally, the use of collaborative tools such as Slack, KPI dashboards, and a monthly KPI newsletter, reinforces their culture by promoting open communication and shared responsibility. The tools provide employees with access to real-time information and KPIs, opening opportunities for discussion and reflection across hierarchical levels and offices. In this way, employees can share their innovative work and test new ideas across offices, not only within teams and functions. Moreover, the system also supports feedback and recognition processes as part of CapitalCo's performance reviews, allowing employees at all levels to interact more directly.

> "The higher up in the hierarchy, the more involved you are […] but we actively try to involve everyone as much as possible. […] Everyone having access to all the KPI data […] We are very data-driven in that sense. […] Part of every manager's role is also to highlight someone who has done something good or learned something valuable. […] Being innovative, trying new things, and experimenting is something everyone is expected to do, it is a major focus here." (Interview G, Founder/CEO)

CapitalCo's interactive system is strongly supported by its technological infrastructure as most processes, communication, and customer interactions are integrated on a single digital platform. This setup enables transparency across functions and teams, real-time informational sharing, and allows the firm to continuously adapt its systems and workflows. As one employee explained: "You need to have a system where you do everything. Everything that happens in a company like this happens on one platform, which means you can also build processes. […] In a way, you build the system and the organization together" (Interview H, Senior Associate). This close connection between the platform, product, and the team structure reflects an environment where technology is more than an operational tool and drives CapitalCo's learning, coordination, and development.

CapitalCo's shared access to all KPI data and meetings allow both collaboration within and across teams, creating constant opportunities for the learning and creativity mechanism. The openness of communication channels, together with a culture that encourages proposing new KPIs, enables employees to move beyond formal roles and help CapitalCo unleash the human potential mechanism. However, the effectiveness of this system varies across CapitalCo as employees in more routine or lower-level roles appear to engage less than intended in meetings. Hence, this could limit the extent to which the mechanisms are activated across CapitalCo. To

tackle this, CapitalCo's technological infrastructure helps to sustain openness and information sharing. This allows for rapid responses, such as adjusting workflows to real-time data, and constitute important dynamic capabilities for the flexibility and resilience mechanism.

5. Discussion

In this section, we discuss our empirical findings through the lens of the theoretical framework. First, we demonstrate how management control systems can appear early in startups and how they contribute to current research. Thereafter, we present our main contribution, showing how KPIs can act as a central tool in navigating the tension between growth and operational efficiency. Finally, we suggest how human potential can be activated and mobilized within startups and the role this plays in navigating tensions.

5.1 Rethinking MCS in Startups

The case of CapitalCo challenges several assumptions in existing literature on management control system in startups. Previous research has discussed that startups begin operating with informal controls, but later adopt formal MCS as they grow (Simons, 1995; Davila & Foster, 2005, 2007) due to internal driving forces, such as learnings from failure, founders' planning and decision-making (Davila & Foster, 2009; Akroyd & Kober, 2020), and can depend on previous cultural acceptance and integration of foundational systems (Reinking & Reusch, 2023; Granlund & Taipaleenmäki, 2005). Furthermore, external reasons include, for example, signaling credibility to investors or incubators shaping practices through dialogue (Schachel et al., 2021; Flanschger et al., 2023). Contrary to what literature describes, CapitalCo's founders implemented formal control systems in all four control levers from the very start.

One reason for this adoption resembles existing research on founders playing a central role in shaping the control systems (Akroyd & Kober, 2020). The founders' clear vision of building a fail-fast, learn-fast culture, laid the foundation for the formalization of the belief system, where emphasis on accountability is reflected in how data-driven CapitalCo is, having measured KPIs from the very beginning. This is consistent with Akroyd and Kober's (2020) observation that founders-shaped MCS tend to use a strong cultural commitment with accountability controls. Furthermore, CapitalCo's structured measurement of KPIs was viewed as necessary from the start, partially due to their founder's PhD and experience as a strategy consultant influencing

this view. This reaffirms Davila and Foster's (2009) research that leaders' background can shape their perception of MCS as essential organizational infrastructure for growth. On another note, this KPI-driven focus contrasts with what is generally expected in technology-intensive, fast-changing firms (Granlund & Taipaleenmäki, 2005), where financial metrics are described to have limited value (Becker & Endenich, 2023).

Findings from CapitalCo further shows that the interactive control system was formalized largely to enable effective coordination with the team in Egypt. This need was amplified by the company being founded during the Covid-19 pandemic. Hence, they built a technological platform to connect the development team with the Stockholm teams' innovative ideas and process improvement suggestions. This not only reinforces literature that MCS in startups are purpose driven and depends on business needs (Sandino, 2007), but also that startups introduce formal controls and digital tools to foster collaboration and address coordination challenges (Taylor et al., 2019; Becker & Endenich, 2023). On another note, CapitalCo's business model and operating context themselves also necessitated early boundary formalization. Compliance requirements and credit-related restrictions led to formal boundary systems and shaped how limits were set and decision-making processes structured (Sandino, 2007).

Moreover, whilst CapitalCo reports to investors, their main purpose appears to be a sounding board, similar to research showing that external actors can shape control practices through both advisory interactions and formal governance routines (Flanschger et al., 2023). Nevertheless, our findings refine this research by showing that external actors have limited influence. Not because they are unimportant, but because they encounter an already advanced set of MCS established from the very start. This indicates that internal drivers, such as extensive founder experience, can substitute for external actors in driving early formalization.

On a similar note, CapitalCo developed KPI-based controls and other formal systems before any formal HR routines were introduced, such as structured hiring and consistent evaluations. This contrasts with Reinking and Reusch's (2023) claim that advanced systems require foundational HR controls, as hiring in our case is guided primarily by cultural fit rather than formal structures. Even though job descriptions and onboarding processes have become more structured, shared values continue to shape expectations and employees are expected to contribute beyond their formal roles. However, despite the absence of traditional HR controls,

CapitalCo has strong systematic communication routines, supporting Reinking and Reusch's (2023) argument that such practices are necessary to support formalized systems.

As CapitalCo has grown, more MCS have been implemented through continuous refinement in response to both growth and operational needs. In relation to growth, CapitalCo decided to focus on long-term value creation, improving customer relationships and satisfaction at the expense of being less operationally efficient in that area. On the other hand, they introduced an AI-driven credit risk model to better suit their operational needs and reduce business risk and inefficiencies. Our findings are consistent with previous research in that early management control systems' role is to help startups with their intended purposes and business model requirements (Sandino, 2007), and they support Becker and Endenich's (2023) view of MCS as enablers of flexibility, experimentation, and learning. However, our study contributes a new perspective by having MCS play distinct roles in enabling the mechanisms in our theoretical framework to navigate the tension between growth and operational efficiency. Each lever contributes to paradox navigation in distinct ways as described in our empirical findings, as well as amplifying one another in developing and reinforcing the mechanisms of learning and creativity, flexibility and resilience, and unleashing human potential. While Simons (1995) conceptualizes belief and interactive systems as enabling and diagnostic and boundary systems as constraining, our findings show that CapitalCo's systems operate predominantly on the enabling side. However, it is important to note that CapitalCo's boundary system does not always act as an enabler. On one hand, boundary systems support enable experimentation by maintaining open cognitive boundaries. This supports Adler and Chen's (2011) research that boundary systems do not necessarily reduce motivation, as they can provide parameters within which employees can still act creatively. On the other hand, the boundary system slows growth due to extensive compliance measures to be followed and inability to automate certain processes. Despite this, all levers collectively expand CapitalCo's capacity to navigate the growth and efficiency tension, in which boundary controls create limits which such navigation can occur. At the core of this connection between the levers and CapitalCo's navigation are the KPIs, which will be further explored in the next section.

5.2 KPIs as a Navigating Tool

Drawing on our theoretical framework, we have identified KPIs as the primary tool through which CapitalCo navigates the tension between operational efficiency and growth, thereby

shaping how its MCS functions in practice. In CapitalCo, KPIs are not an isolated diagnostic activity but instead interlinks all four levers of control, guiding the startup through cycles of recognizing tensions and generating action responses.

In analyzing how CapitalCo's management control systems generate the mechanisms needed to manage the tension, we first identified the connective role that KPIs play in leading this navigation. In contrast to Simons' (1995) view of the diagnostic system as a monitoring tool, our findings suggest that KPIs can be centrally positioned to connect and influence the other control levers. A clearer understanding of how KPIs are interconnected across the different levers can be achieved by examining them as follows. For diagnostic systems, they monitor performance and surface deviations that signal emerging inefficiencies as well as transform tensions into visible and analyzable patterns. Interactive systems translate these signals generated by KPIs as shared discussion points for meetings, providing cross-functional suggestions, and continuous refinement of processes. Belief systems further provide the shared purpose, right hiring, and cultural expectations that encourage employees to engage with KPI signals. Lastly, for boundary systems, KPI-derived thresholds underpin the automated credit-risk models that determine which customers the commercial team may pursue. This shows that KPIs form a practical link between the control systems and play a direct role in how the organization handles the tension.

Through its connective role in CapitalCo's control infrastructure, we have identified that KPIs not only serve as a monitoring function but also take on an activating role. This activating function aligns with Mundy's (2010) finding that diagnostic controls can influence other levers and shape the organization's overall balance of control. However, in our case, this activation is technologically mediated. Ever since its founding, the firm has relied on real-time data visibility, such as KPI measurements, to recognize salient tensions between growth and efficiency and turn into observable patterns. This measurement system means that deviations in KPIs quickly expose where inefficiencies emerge, for instance, rising credit losses in the credit function or bottlenecks in operational workflows. KPI fluctuations directly draw organizational focus towards emerging issues. Thus, setting in motion organizational learning and coordinated responses. Therefore, the activating role of KPIs has two key parts. Firstly, it creates a form of technological salience and reshapes the salient/latent stage of the navigation cycle. Secondly, it activates the three mechanisms that help CapitalCo manage tensions at hand.

Moreover, the KPI navigation is facilitated by CapitalCo's interactive and belief systems, in which the technological infrastructure becomes essential. In CapitalCo, these systems help activate KPIs across the firm, leading to the detection of tensions not being dependent on any specific individual or localized experience. The startup's culture and interactive meetings are intended to gather input from across the organization, but our findings show that participation in these interactions varies between employees. However, its comprehensive technological infrastructure helps mitigate this through shared real-time KPI dashboards, KPI newsletters, and integrated communication channels. Consequently, technological infrastructure becomes central in enabling the three mechanisms in our theoretical framework to operate, as KPI insights are translated into shared awareness and coordinated responses. This reinforces Bisbe and Otley's (2004) argument that interactive systems are particularly important in contexts where responsiveness to new ideas is essential. CapitalCo's technological infrastructure is thus not only operationally important but effectively facilitates KPI-driven navigation.

Additionally, CapitalCo continually improves its technological infrastructure and models as a direct response to KPI-detected issues. Our findings have shown that automation and the use of AI are CapitalCo's principal ways of adapting to tensions. AI and automation are implemented to refine processes without destabilizing core operations. The firm's improved automated credit-risk models are one example as the updated models set clear limits while still allowing CapitalCo to adjust as conditions change. Similarly, the startup integrates AI to support both growth and efficiency and has recently developed an AI agent that enhances each stage of the outbound process, including everything from analyzing companies to drafting the initial outreach email. However, some of CapitalCo's processes cannot be automized due to compliance measures and the need for human assistance, thus limiting them to having fully automated processes. Furthermore, following CapitalCo's logic to measure every aspect of its operations, new integrations of automation or AI should trigger new or updated KPIs to capture new dynamics. This constitutes the final phase through which CapitalCo accepts, adapts to, and integrates tensions into its systems. Through this, KPIs remain as the core navigational tool that links technological improvements to the firm's management of growth and operational efficiency.

Beyond this, our findings point towards limits to what a highly KPI-driven approach can sustain. While there is no evidence of negative effects in CapitalCo, Mundy (2010) argues that diagnostic controls, depending on how they are applied, may disrupt the organizations' ability

to maintain balance. Placing no upper boundary on the number of KPIs CapitalCo can measure, introduces a potential risk of generating excess salience. Simultaneously triggering multiple signals of potential issues can potentially overwhelm employees or dilute focus. This highlights the importance of the relational and human capacities to counterbalance such risks, and in navigating paradoxes. Thus, it will be further explored in the next section.

Based on our findings, we provide new insights into the domain of management control systems within startups, illustrating how KPIs can work as navigating tools for the tension between operational efficiency and growth. Our analysis also clarifies how diagnostic systems, more specifically KPIs within the levers of control framework, can take on both connective and activating roles. Additionally, the reliance of KPIs on technological infrastructure, automation, and AI in detecting, coordinating, and adapting to tensions has not previously been examined.

5.3 Unleashing Human Potential

Besides demonstrating how KPIs function as navigating tools, our findings clarify the importance and central role of employees in responding to competing demands. The design of CapitalCo's technological infrastructure, including real-time data on KPIs and integrated communication system, provides the means to unleash employees' potential to identify issues and initiate new ideas. In between KPIs making paradoxical tensions visible and automation operationalizing the responses, employees are vital in interpreting KPIs, proposing solutions, and deciding between trade-offs. Our theoretical framework already recognizes unleashing human potential as a mechanism for sustaining tensions, but our findings further demonstrate how human potential is activated and mobilized within a technological startup context.

Moreover, salience is technologically generated through its KPIs and diagnostic and then spread through CapitalCo's interactive system, especially through digital platforms and meetings. At this point, employees discuss and analyze data and are forced to consider competing organizational needs, for instance, whether operational efficiency should be temporarily deprioritized to protect long-term sustainable growth. Such a decision, deliberately reducing efficiency in customer support, portrays how human judgement becomes crucial for CapitalCo. Both in deciding which KPIs to act on and in navigating trade-offs between operational efficiency and growth Additionally, CapitalCo's belief systems reinforce unleashing human potential by focusing its recruitment on entrepreneurial behavior, cultural practices such as open

problem-solving, and the expectation to propose improvements. Consequently, the firm cultivates individuals who feel responsible for acting on KPI signals and not only observe them.

Human potential in CapitalCo is further supported through the firm's automation and AI that is continuously implemented, which builds directly on the tensions surfaced by the KPIs. As KPIs draw employees' attention to competing demands, automation enables them to focus their capacity on interpreting and acting on these signals rather than performing routine analytical work. In this sense, automation and AI do not replace human judgement but amplify the mobilization that KPIs initiate. A direct outcome of this orientation in CapitalCo is the establishment of the Revenue Operations team, which has a dual focus on growth and operational efficiency unlike any other team. Recent initiatives, such as the development of an AI agent illustrate how automation absorbs scale-intensive tasks. This, in turn, frees employees to engage in judgment-intensive work where paradoxical tensions are most salient. In this configuration, automation and AI support growing scale and complexity, while interpretive and long-term strategic responsibilities remain with employees. This reinforces how technological and human capabilities together enable the navigation of competing demands.

Through our findings, we add another layer to the previous section and suggest that human potential can be mobilized through MCS to help navigate tensions. We also propose that human and technological responsibilities can be split to support the navigation of competing demands, where automation manages scale and routine analysis while employees handle interpretive and strategic decisions.

6. Conclusion

6.1 Contributions

The purpose of this study has been to investigate how startups can use management control systems to navigate between operational efficiency and growth. Guided by Simons' (1995) Levers of Control framework and Dynamic Equilibrium Model developed within Paradox theory (Smith & Lewis, 2011), our theoretical framework combines Simons' levers with Smith and Lewis' triggers making tensions salient, and mechanisms necessary for addressing tensions.

We first add to the existing research by demonstrating an alternative development logic of MCS in startups to the dominant assumption that startups from the beginning operate without

formalized systems. Research currently states that there are several internal drivers for adopting MCS, however our findings suggest three of conditions which places an organization in a situation in which they are required to develop formalized systems from the start. These conditions are founder experience, team coordination requirements, and the business model. Our findings suggest that the latter two necessitated formal systems from the beginning in CapitalCo, and thus triggered two of the control levers. The remaining control levers were formalized by founders, thus suggesting that this condition is more flexible in relation to what founders have as a background. Moreover, we add to the literature by proposing that this development logic of formalized systems can substitute for external drivers. In addition to that, a strong culture and technological infrastructure can allow advanced systems to precede foundational HR systems.

Our main contribution to literature is that KPIs can function as the central tool to which startups navigate the tension between growth and operational efficiency. We also suggest that within the four control levers, KPIs can take two roles: (1) a connective role by linking diagnostic, interactive, belief, and boundary systems, and (2) an activating role through transforming emerging tensions into coordinated organizational responses. Furthermore, we demonstrate that this navigating function depends on being facilitated by technological infrastructure that provides real-time visibility, shared interpretation, and quick adaptation. Beyond that, automation and AI serve as the means through which KPI-identified issues are operationalized and the startup adapts to tensions. The implications of our findings are that startups can leverage KPIs not only to monitor performance but also to navigate competing demands between operational efficiency and growth. This provided that other formalized systems give rise to technological and organizational conditions which allow KPIs to spread, trigger learning, and guide decision-making across the firm.

Building on this, we add another layer to navigating tensions by showing that startups can use KPIs and their connections across MCS to mobilize and activate their employees to respond to competing demands. We therefore suggest that the same technological infrastructure supporting KPI visibility generates the need for human interpretation, while automation and AI amplify this process by absorbing routine analytical tasks and enabling employees to focus on judgment intensive decisions. Startups can leverage this division of responsibilities to support tension navigation by introducing a dedicated function that is designed to manage dual demands, thereby allowing startups to unleash employees' potential to manage tensions.

6.2 Limitations

Our study focuses on one company which operates in a specific subsector of the startups ecosystem: the fintech industry. Given that our findings are specified to this subsector, it is not certain that the conclusion from our research could be applied across other types of startups. Fintech firms, including CapitalCo, are required to follow more external regulations, which is one of the reasons for early introduction of measurement tools in this case. However, this does not hinder the applicable nature of our findings towards other startups. Rather, it is more appropriate to state that the conclusions from our study are likely be more applicable towards startups with similar conditions to CapitalCo in that they are highly technologically driven. Furthermore, we acknowledge that it is difficult to observe and accurately depict dynamic tensions within firms and thus it should also be addressed that the findings are subject to a degree of bias from us authors. In terms of methodology, the use of snowball sampling to identify interview participants introduced further limitations. Despite this method facilitating access to relevant individuals, it may have created a bias by disproportionately reflecting the views of individuals aligned with certain institutional logic within the firm. To mitigate this risk, we made sure to interview employees from different parts of the startup and from different organizational levels.

6.3 Future Research

Based on our findings, we challenge the dominant assumption that startups rely on informal control systems. Future research could include comparative studies to explore whether early formalization, potentially driven by technological change or digital infrastructures, is becoming more common across startups, or whether this pattern is specific to highly technologically oriented startups. Furthermore, to develop a more thorough understanding of how management control systems can help navigate the tensions between growth and operational efficiency, we propose that longitudinal research could be conducted. This could deepen our findings on how KPIs together with the other formal control systems work together and shift as the tensions between growth and operational efficiency continuously moves between latent and salient.

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8. Appendix

8.1 Interview List

Interviewee	No of Interviews	Professional Role	Function in Company	Date	Length
A & G	2	CEO, Founder	Founder	22-10-2026	63 min
				31-10-2025	42 min
B	1	Angel Investor	External investor	01-10-2025	57 min
C	1	Investor	External investor	06-10-2025	49 min
D	1	Junior Associate	Finance Team	22-10-2025	43 min
E + H	2	Senior Associate	Finance Team	27-10-2025	61 min
				14-11-2025	41 min
F	1	Manager	Strategy & Operations	13-11-2025	53 min
Total No of Interviews	8				

8.2 Interview Guide Template

Background

- Can you tell us about your background and your role and responsibilities at CapitalCo?
- Who do you report to and how does your role interact with other parts of the organization?
- Can you tell us about CapitalCo's journey?

Growth and Operational Efficiency

- How does CapitalCo define growth and what areas do you focus on in terms of growth? Could you explain what operational efficiency looks like in practice at CapitalCo?
- How does CapitalCo work with growth and operational efficiency in practice? How have you worked with it since CapitalCo's founding? Are there any areas/processes that are prioritized?
- How do these processes evolve over time and who decides on changes?

Goals and Objectives

- Who sets organizational goals at CapitalCo? How are goals set for the team?
- What are CapitalCo's short-term and long-term goals? How do you work on both goals at the same time?

Belief Systems

- What is CapitalCo's mission and vision?
- How are the company's mission, vision, and strategic priorities communicated to employees?
- How are values and vision used to guide decision-making and encourage employees' work?
- How do goals influence your day-to-day work/decision-making processes?

Boundary Systems

- What rules, policies, or constraints employees must follow when making decision? Are there external regulations that employees are required to follow?
- How have these influenced planning, priorities, and operations?
- How do investor/strategic partners requirements guide decision-making?
- Have investors set specific KPIs or reporting requirements?

Diagnostic Systems

- Which KPIs or performance indicators are used to evaluate Treyd's teams and how are they measured, reported, and reviewed?
- How often are KPIs and goals re-evaluated?
- Are there reward or incentive systems linked to KPIs or performance outcomes?
- How are diagnostic measures used to monitor performance and identify issues early?

Interactive Systems

- How are you involved in goal setting and strategic planning?
- In what ways are employees encouraged to suggest improvements or alternative approaches?
- How are KPIs discussed with employees, are they integrated into regular meetings? How often are they communicated?
- How are operational efficiency and growth goals incorporated into regular meetings and discussions?

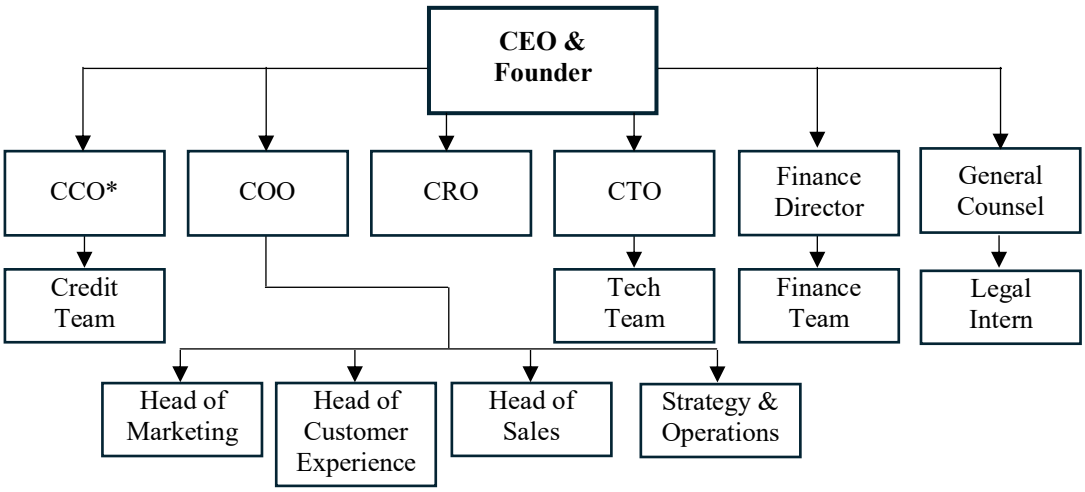
Future Outlook

- Which indicators/processes do you expect to become more important in the coming years?
- Are there plans to adapt or implement more measures to help navigate short-term operational efficiency with long-term objectives?
- Are there areas we have not yet discussed that you consider crucial for understanding management control systems and growth at CapitalCo?
- Is there anything you would like to add?

8.3 Internal Documents Used for Research

Type of Internal Document	Research Usage
Internal KPI measurements (from CapitalCo)	To understand what KPIs measure, how they are defined, and what level of depth they are tracked
KPI list required by investors (from investor)	To compare the similarities and differences between internal KPIs and those required by investors
Monthly investor email send out (from investor)	To understand what information is communicated to investors and what reporting is expected

8.4 Organizational Structure



*Chief Credit Officer

8.5 Use of Generative AI

In accordance with the AI usage guidelines set by the Stockholm School of Economics, we made limited and responsible use of generative AI tools. Throughout the course of writing our thesis, we used the large language model ChatGPT 5.1, developed by OpenAI. This AI tool was mainly used to restructure sentences, improve clarity, as well as for grammar revision towards the end of our thesis. Occasionally, we also used AI to formulate our ideas and thoughts into a more understandable formulation. With this said, it is important to note that no AI-generated content was directly pasted into our thesis without careful consideration and editing. Additionally, no AI was used to analyze our empirical findings. The contents of this thesis fully reflect our own ideas, thinking and academic judgement. The AI tool is accessible via this link: http://chatgpt.com/