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Ambidexterity in Startups

“How do founders of resource-constrained startups navigate the tension between demand generation and operational capacity during scaling?”

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Abstract

This thesis examines how founders of resource-constrained startups navigate the tension between demand generation and operational capacity during scaling. Based on ten semi-structured interviews with founders of Swedish digital-first retail brands, the study explores how this tension is managed in practice through the lens of organizational ambidexterity, where demand generation represents exploration and operational capacity represents exploitation.

The findings show that the tension is phase-dependent: manageable in early stages, most acute during scaling, and increasingly governed by formal systems as firms mature. The findings further suggest a layered model of navigation. At the foundational level, cash flow and the cash conversion cycle act as the governing constraint shaping which strategic options are available. At the structural level, business model design serves as a mechanism that can reduce, externalize, or eliminate the tension. At the behavioural level, founders rely on mechanisms such as reactive attention switching, sequencing investments, deliberate simplification, and controlled growth to navigate the tension.

The study's main theoretical contribution is the identification of business model design as a third mechanism for managing ambidexterity, complementing the structural differentiation and temporal separation emphasized in prior research.

Keywords: Startups; Resource-constraints; Demand-Generation; Operational Capacity; Business model design; Ambidexterity; Exploration; Exploitation; Founder Navigation

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Thank you,

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1. Introduction

1.1 Background

Entrepreneurship is a key force shaping modern economies, powering economic growth, job creation, and innovation. As a result, understanding the conditions under which startups succeed or fail has become an important question from both practical and academic perspectives. At the same time, while many firms are founded, relatively few successfully scale. Moving from a tested concept to a functioning and growing organisation introduces different sets of pressures, which are often more subtle in the early stages of a firm compared to later stages of firm growth.

At the centre of this challenge is a tension between two activities that must occur simultaneously but pull the firm in different directions. On one side, firms need to generate demand by acquiring customers and establishing market presence. On the other hand, they must develop and improve the operational capacity required to fulfil that demand, including resources, people, processes, and infrastructure. While these two activities are well-connected, they do not evolve at the same pace. The different pace at which demand generation and operational capacity develop produces an imbalance within startups. In the early stage, this imbalance is usually manageable, as volumes are small and demand is uncertain, and both can be handled by the founders. As the business grows, however, the harder it is to maintain that balance. Demand can grow rapidly, particularly through digital channels, while operational capacity often lags due to delayed investments, resource constraints and increasing complexity. The consequence is a structural asymmetry in which momentum on one pole puts pressure on the other.

For many founders, this process unfolds under severe resource constraints. Scaling startups are usually depicted as well-funded ventures with growing teams and formal systems, however, most firms grow without external capital, instead relying on internally generated cash flows. In these cases, the founders both generate the demand and handle the operations themselves. Consequently, this tension cannot be delegated or organised among teams. Resource constraints amplify the dynamics, leaving little room for errors or absorbing mistakes. Scaling, therefore, is less about growing fast and more about constantly managing the imbalance between demand, operations, and resource constraints, which, in turn, changes as the company grows.

1.2 Problem Formulation

The combination of high growth, limited resources, and strong founder involvement, in which the same person is responsible for generating demand and managing operations, creates a more immediate and harder-to-manage tension. This is a problem and context not typically described in existing research.

Aggressively driving demand without the ability to fulfil it, can lead to service failures and poor customer experiences. This not only causes operational problems but also diminishes the value of the demand already created. Alternatively, investing too early in operations can tie up capital in resources or infrastructure that is not needed if expected demand does not materialise. These two situations are both common and, if the firm has no financial buffers, can be critical. While both sides are needed for achieving growth, favouring one side creates a risk for the other. The challenge, therefore, is to constantly navigate the thin line between the two.

This challenge is made more difficult by the fact that the solutions discussed in the literature are generally unavailable in this setting. Larger organizations tend to handle such tensions through structural separation, assigning teams to different activities, and by relying on financial slack to absorb imbalances. However, resource-constrained startups rarely have access to either.

Founders must manage both sides simultaneously, constantly switching between activities, and making decisions in real time. The same person who oversees suppliers and logistics may also be responsible for marketing and customer acquisition. This creates a context in which decisions regarding demand and operations are closely linked, and timing is essential. From a theoretical standpoint, this is the challenge of ambidexterity, managing exploration and exploitation. Demand generation by nature is exploratory, focused on creating new opportunities and driving growth. Operational capacity, on the other hand, is exploitative, focused on execution and efficiency. Nevertheless, there is little understanding of how founders deal with this tension in practice, how they balance demand and operations, and what mechanisms they rely on in the absence of resources, an area which this study aims to explore.

1.3 Research Objective

This study aims to deepen understanding of how founders of resource-constrained startups navigate the tension between demand generation and operational capacity as they scale. The study does not test a specific hypothesis but rather tries to develop a better understanding of how this tension is managed in practice. It focuses on the founder as the key decision-maker and their actions when both sides of the business need attention simultaneously. Specifically, the study seeks to understand how founders make decisions in situations of uncertainty and how different approaches to managing this tension evolve over time.

1.4 Research Question

How do founders of resource-constrained startups navigate the tension between demand generation and operational capacity during scaling?

1.5 Scope and Delimitation

The study focuses on founders of digital-first retail brands in Sweden with a revenue threshold of 50 million SEK, to ensure that the companies are at a significant scale and have experienced different growth phases. The context of retail brands is particularly relevant, as they are sensitive to fluctuations in consumer demand, but also require rigid operations such as inventory, logistics and fulfilment. This makes the tension between demand generation and operational capacity particularly visible.

The digital-first context is relevant since digital channels have increased the speed at which demand can be generated, making the gap between demand and operational capacity more distinct. Most firms in the sample operate with limited external funding, though several have also experienced different financing stages, including raising capital or exiting their companies. This provides founders a view from both resource-constrained and more well-funded environments. While the study focuses mainly on the resource-constrained phase, where the tension between demand generation and operational capacity is most acute, it is important to capture this variation to understand how different financial conditions affect founders' navigation of the tension over time.

1.6 Research Gap

The current ambidexterity literature mainly researches large and mature organisations that have access to resources and structures to separate conflicting demands. Less attention has been paid to resource-constrained startups in which founders must simultaneously address demand generation and operational capacity.

In particular, there is limited understanding of how founders navigate this tension in practice, how decisions are made under uncertainty, and how different approaches evolve over time. This study addresses that gap by focusing on founder-level decision-making in resource-constrained startups and examining how the demand–operations tension is navigated during scaling.

2. Literature Review

This chapter presents the theoretical framework of the study. The literature review covers resource-constrained startups, organisational ambidexterity and the tension between demand generation and operational capacity during scaling. It identifies and motivates both the research gap and the research question.

2.1 Resource-Constrained Startup Growth and the Ambidexterity Tension

Startups are inherently resource-constrained, which shapes how founders must prioritise and balance competing demands as firms grow. Section 2.1.1 examines the nature of resource constraints and their implications for scaling, while Section 2.1.2 explores how these conditions intensify the tension between exploration and exploitation.

2.1.1 Resource-Constrained Startups and the Challenge of Scaling

In early-stage ventures, resource scarcity is a defining structural condition that determines decision-making and amplifies the consequences of actions. To understand how founders of resource-constrained startups navigate the challenges of scaling, we must first understand the essential structural conditions that govern them. The three areas of literature used to explore this are bootstrapping literature, which examines the financial effects of constraints; bricolage literature, which examines how constrained founders navigate solutions under scarcity; organisational literature, which highlights that constraints are not only financial but also organisational. Together, they establish that resource-constraints in startups are multi-dimensional and are inherently related to the challenges of scaling.

A common strategy adopted by new firms is bootstrapping, in which they avoid or limit external investment. Common practices of bootstrapping in SMEs include using supplier credit, deferring payments, and reducing inventory levels, according to Winborg and Landström (2001).

Bootstrapping is not static either, firms adjust their intensity depending on their growth profile and performance (Ebben & Johnson, 2006). As revenues increase, working capital needs also increase, and combined with the lack of financial buffers, growth can paradoxically increase liquidity pressure. This suggests that bootstrapping can be enabling and constraining, facilitating survival but also potentially constraining longer-term growth. The literature on bootstrapping shows that the financial tactics employed in the early stages of firms, struggle to address the structural and more fundamental imbalances that emerge as firms begin to grow.

Scarcity also governs the use of resources outside of financial tactics. Baker and Nelson (2005, p.6) introduce the concept of entrepreneurial bricolage as “making do by applying combinations of the resources at hand to new problems and opportunities”, and Senyard et al., (2014) empirically link this behaviour to higher innovativeness among resource-constrained firms. But bricolage and increased innovativeness do not automatically translate into lasting growth. While it can improve problem-solving under constraints, it does not address the strategic tensions that arise as firms grow. Bricolage also addresses individual problems in isolation instead of the simultaneous balancing of competing priorities that is central to the tensions examined in this study.

Brush et al., (2001) further emphasize the challenges of building an initial resource base in entrepreneurial firms, arguing that new ventures often lack not only financial capital but also routines and organizational structures, thereby increasing vulnerability and making resource acquisition more difficult. Zimmerman and Zeitz (2002) show that a lack of legitimacy also directly constrains new ventures' ability to access the resources needed for growth, for example, making it harder to agree favourable supplier terms, attract talent, or secure financing for inventory and infrastructure. Overcoming this constraint requires building legitimacy over time, which means expanding capacity is not simply a financial problem.

Together, the different literature streams show that resource-constraints are financial, structural, and relational, and that navigating them is a gradual process. Recent research in the field further shows that successful scaling requires ventures to change its internal structures and capabilities in a way that they can grow efficiently as resource needs increase (Coviello et al., 2024). In resource-constrained startups, this process forces founders to balance competing priorities while pursuing growth.

2.1.2 Ambidexterity in Resource-Constrained Firms

The established structural conditions of resource-constrained startups make the challenge of organizational ambidexterity, the tension between exploration and exploitation, particularly acute. March (1991) argues that exploration, oriented toward experimentation and long-term adaptation, and exploitation, oriented toward efficiency and short-term performance, have opposing effects on the firms' operations, and that an overemphasis on either pole increases the risk of failure. The concept of ambidexterity serves as the main theoretical lens in our study and provides a framework for understanding the challenges faced by resource-constrained founders. By examining ambidexterity literature across different firm contexts and navigation strategies, we also identify gaps where theory can be further developed.

Raisch and Birkinshaw (2008) extend the concept of organisational ambidexterity by defining it as the ability to align and adapt at the same time. Similarly, O'Reilly and Tushman (2013) view ambidexterity as a dynamic capability that enables firms to reallocate resources between exploration and exploitation. The benefits of ambidexterity generally depend on firm size and available resources, meaning smaller firms may struggle to achieve these benefits because they have fewer structural options for pursuing exploration and exploitation simultaneously. According to Smith and Lewis (2011), limited resources, dynamic environments, and multiple goals generate this tension, which is especially common in early-stage ventures. Effective management is not about choosing between one pole or the other but holding both poles at the same time.

Empirical research has begun to explore ambidexterity in smaller firms. Lubatkin et al., (2006) find that ambidexterity improves performance in SMEs and that the relationship is mediated by behavioural integration of the top management team. In founder-led startups, where strategic and operational decision-making is often concentrated in one person, this integrative role is largely carried out by the founder. While large firms can assign exploration

and exploitation to different units, small firms must manage through the manager's ability to think and act in different ways.

In addition, ambidexterity also depends on the results and strategies shaped by a firm's available resources at any given time. Balanced ambidexterity occurs when exploration and exploitation are at comparable levels, whereas combined ambidexterity entails the simultaneous pursuit of high levels of both. Cao et al. (2009) empirically distinguish between these dimensions and find that combined ambidexterity is more beneficial under resource-abundant conditions, whereas the balanced approach is more beneficial for resource-constrained firms. This is especially important for scaling startups, where founders cannot invest heavily in both exploration and exploitation in parallel, but must choose where to focus their efforts sequentially.

The literature on ambidexterity has largely emphasised the importance of structural differentiation, assigning exploration and exploitation to different teams or units, and temporal separation, where firms switch between exploration and exploitation over time, as key mechanisms to manage the tension (Raisch & Birkinshaw, 2008). These solutions assume a scale and organizational capacity that many early-stage ventures do not possess. Simsek et al. (2009) conceptualize harmonic ambidexterity as the simultaneous pursuit of exploration and exploitation within a single, structurally independent organizational unit, common in SMEs. In such environments, the burden of reconciling these conflicting demands largely falls on the individual judgement and decision-making skills of the manager, or the founder in the case of startups.

Through the broader ambidexterity literature, as well as research on ambidexterity in SMEs, this section explores why this tension is particularly acute for resource-constrained firms and why commonly identified solutions do not always apply.

2.2 The Demand Generation versus Operational Capacity Tension

The tension between generating demand and sustaining operational capacity represents one of the most persistent manifestations of ambidexterity that scaling ventures must navigate. At its core, demand generation is exploratory: investing in customer acquisition, channel development, and revenue growth, activities designed to create future opportunity. Operational capacity is by definition exploitative: The systems, processes, and infrastructure

necessary to reliably deliver on current commitments and present execution. The structural logic of ambidexterity applies directly: prioritizing one pole intensifies pressure on the other, and neither can be neglected without consequence. By reviewing literature on both sides of the tension, as well as studies that address it, this section aims to provide an understanding of how each side operates, the challenges they face, and how these dynamics interact when considered together. It also highlights which conditions and areas remain underexplored.

2.2.1 Demand Generation

Demand generation represents a key strategic challenge, especially for resource-constrained startups, where acquiring customers requires upfront marketing and brand-building spend with returns that are delayed and difficult to predict. A common way of evaluating marketing investments is the relationship between customer acquisition cost and customer lifetime value (Gupta et al., 2004). But the problem is that this relationship is more exploitative and relies on stable, predictable demand patterns, which early-stage ventures cannot always predict. Startups should instead embrace explorative demand generation through experimentation and iteration.

This type of exploratory demand generation also involves expanding geographically into new markets. New markets give access to new customers and reduce dependence on a single market, creating extra demand with little change to the product or business model. However, such expansion also increases operational complexity, as firms must reconfigure and coordinate more resources to support cross-border activities (Sapienza et al., 2006).

It becomes even more complicated with the rise of digital marketing tools such as performance marketing and influencer partnerships on social platforms. These innovations change the customer journey and can accelerate demand generation. The effects in paid, owned and earned media are often driven by activity on these digital channels, with spillover effects on firm performance (Srinivasan et al., 2016). Social networks create demand through peer recommendations and network effects, while algorithmic targeting allows information to spread broadly, accelerating the momentum of demand (Aral et al., 2013). The impact on operations is significant, with demand rising faster than operational infrastructure can support. This creates a structural lag between what is promised to customers and what can be delivered. Digital tools have been accelerators of exploratory capability in demand generation, but the exploitative capability to meet that demand has not kept pace.

2.2.2 Operational Capacity

Operational capacity is the combination of resources, people, processes, and infrastructure that enable an organization to meet its customer commitments. It grows slowly, in small increments, and unlike demand generation, often requires capital commitment before revenue is generated. Investments have to be made in anticipation of demand, not in response to it. It is inherently exploitative in nature, but its construction involves an exploratory judgment about future demand, which, by definition, is uncertain.

This is especially true of product-based businesses where inventory must be purchased and paid for before it can be sold, and customers may delay payment. This creates a cash conversion cycle in which the timing mismatch between cash outflows and inflows worsens as growth accelerates. For founders without access to external funding, rapid demand growth can lead to cash shortages because funds are tied up in inventory before sales are made (Peel et al., 2000).

Agatz et al., (2008) show that trade-offs between delivery speed, warehouse configuration, and inventory pooling create ongoing cost–service trade-offs that require continuous balancing rather than a one-time optimization. The decision of which constraints to live with and which to invest in is fundamentally ambidextrous.

2.2.3 The Structural Asymmetry and Its Consequences

The mismatch between the rate at which demand can grow and the rate at which operational capacity can adjust leads to two opposite failure modes. The first is operational overinvestment, where companies invest in capacity for demand that never materialises, tying up working capital in inventory or infrastructure that is hard to redeploy or recover. The second is operational overload, demand is created, but operational systems cannot support it. This leads to stock-outs, service failures, and damage to reputation. In the end, the investment in demand generation is wasted.

To move successfully between the two failure modes, careful judgement is required about the timing and sequencing of investments on both sides. Early growth-stage ventures often get the sequencing wrong (Lee & Kim, 2024). Organizational slack, or the availability of resource cushions to adapt, is important in order to absorb such misjudgements. However, for

resource-constrained firms, the consequences can be amplified in the absence of financial slack (Vanacker & Manigart, 2010).

If not navigated carefully, the tension can lead to underperformance in organizations. Interfunctional harmony, the ability of marketing and operations functions to work together effectively, has a significant impact on firm performance as shown by Hausman et al., (2002). In resource-constrained firms, this is especially consequential given the limited capacity to absorb the costs of misalignment.

2.3 Founder-Level Navigation of Ambidexterity

In resource-constrained startups lacking differentiated teams, financial buffers, and formal processes, the founder is left to manage the demand-operations tension. This suggests that ambidexterity management in these firms is more a matter of the founder's thinking and actions, than organisational structure. The tension between demand and operations is a trade-off between attention and time, where time spent on one pole is time not spent on the other. Allocation is mainly driven by situational pressures such as a demand surge or a cash flow crisis. Similarly, Simsek et al., (2009) show how smaller firms engage in harmonic ambidexterity, in which exploration and exploitation are pursued simultaneously within the same organizational context. In such settings, founders must continually adjust the emphasis placed on each activity as circumstances change, all within that single organizational unit. Understanding the theoretical mechanisms founders use to navigate this uncertainty is therefore important for interpreting how the unique conditions observed in this study are managed.

Wiklund and Shepherd (2003) empirically show that firms often struggle to convert growth aspirations into performance outcomes when they lack sufficient internal capabilities. This highlights the importance of the managers, or in this case, the founder's ability to balance ambidexterity within the same organizational context, as described by Simsek et al., (2009), in order to address resource scarcity and continuing driving growth aspirations. Wang et al., (2019) apply ambidexterity theory to the startup context, arguing that structurally separating tensions is not feasible for young, resource-constrained firms and that the founder is responsible for handling competing demands. This suggests that the capabilities of the founder matter more in younger ventures, consistent with the view that in early-stage firms, ambidexterity is fundamentally a founder-level concern.

One of the main challenges of scaling with constraints is sequencing resource commitments in the face of demand uncertainty. Empirically, Lee and Kim (2024) found that founders tend to underestimate the time required to validate demand and scale operations before achieving product-market fit. On the other hand, deferring operational investment is equally problematic in the form of service failures when demand exceeds capacity. Without a formal system for making these sequencing decisions, the judgement remains with the founder. According to Davila et al., (2003), venture capital-backed firms grow faster than bootstrapped firms. This difference is driven not only by access to capital but also by the earlier adoption of formal management control systems.

One way founders respond is through simplification, shrinking the product assortment, geographic markets, or channels to reduce operational scope and make the tension more manageable. Cao et al. (2009) find that balanced ambidexterity is more beneficial for resource-constrained firms than simultaneously seeking high levels of exploration and exploitation. This suggests it may be a deliberate strategy to limit the scope of exploration and simplify operations.

In a more structural sense, business model design can also serve as a substitute for the organizational differentiation that resource-constrained founders lack. Founders must rely on models that minimize the number of tasks managed simultaneously. Teece (2010) defines the business model as the architecture of value creation, delivery, and capture, and relates it to a firm's ability to adapt and reconfigure over time. This indicates that for resource-constrained founders, the business model is not only a commercial structure, but perhaps also a mechanism for managing the tension between exploration and exploitation.

The literature identifies the founder as the main driver of ambidexterity in small firms and suggests possible solutions, but does not describe how these mechanisms work in practice, or what effect constraints have on the founder's ability.

2.4 Synthesis and Research Gap

Sections 2.1–2.3 present the theoretical basis for this study. Startups are inherently resource-constrained, limiting the range of strategic options they can pursue. The challenge of ambidexterity, balancing exploration and exploitation, is especially acute for startups. The demand–operations tension is a specific example of this challenge: demand generation is

inherently exploratory, operational capacity is inherently exploitative, and prioritising one pole creates more pressure on the other.

By reviewing the existing literature, it is clear that, despite this tension being well explored, it often assumes conditions that are not applicable to resource-constrained startups. The ambidexterity literature's main solutions, structural differentiation and temporal separation, require organizational scale and slack that early-stage ventures lack. Similarly, the marketing-operations literature assumes that marketing and operations exist as separate functions that need to be coordinated, rather than as competing demands concentrated in a single decision-maker. There is no body of literature that addresses the situation in which the founder must simultaneously generate demand, build operational capacity, and make sequencing decisions, with no formal systems, financial buffers, or organizational structure to fall back on.

In the theoretical background, we have discussed different streams of literature, each providing a piece of the puzzle, yet none offering a complete picture. The bootstrapping and bricolage literature shows that resource-constrained founders work under continuous financial and structural constraints (Winborg & Landström, 2001; Ebben & Johnson, 2006; Baker & Nelson, 2005). But it is primarily concerned with how firms cope with constraints, not with how they cope with growth under constraints. The ambidexterity literature indicates that the exploration–exploitation tension is especially acute in small firms and must be managed through individual judgment rather than organizational structure, but does not address what this looks like when the specific tension is between demand generation and operational capacity (March, 1991; Raisch & Birkinshaw, 2008; Lubatkin et al., 2006; Simsek et al., 2009; Cao et al., 2009). The marketing–operations literature (Davila et al., 2003; Hausman et al., 2002; Lee & Kim, 2024) has shown that sequencing and coordination between the two functions are important for firm performance, but assumes the functions are organisationally distinct, which is not the case for resource-constrained startups.

None of these streams addresses the practical question of how founders navigate the demand–operations tension in real time. Even within the broader ambidexterity literature, O'Reilly and Tushman (2013) note that existing research has yet to clarify how leaders manage the exploration-exploitation tension in practice, a gap that becomes particularly acute in the founder-led, resource-constrained context examined here. Specifically, it remains unclear: how sequencing decisions are made in conditions of uncertainty, how cash flow constraints

shape those decisions during scaling, whether and how founders consciously design their businesses to manage this tension structurally, and how the burden of managing both poles simultaneously is experienced and handled at the individual level. This study addresses that gap by asking: *How do founders of resource-constrained startups navigate the tension between demand generation and operational capacity during scaling?*

3. Method

This chapter describes the methodological approach taken to investigate how founders of resource-constrained startups navigate the tension between demand generation and operational capacity during the scaling process. Given the exploratory focus of the research question, a qualitative multiple-case study design was employed. This chapter discusses the research design, data collection and analysis, and issues of research quality, ethics and limitations.

3.1 Research Approach

This paper adopts a qualitative approach to investigate the research question. Qualitative research is a suitable method for exploring “how” and “why” questions, which is the aim of this study (Yin, 2018). Saunders et al., (2023) state that it is especially appropriate if the purpose is to comprehend underlying processes and explanations rather than to quantify patterns or test hypotheses. This study, therefore, seeks to explore the mechanisms, perceptions, and behaviours involved in navigating this tension, rather than measuring relationships between pre-defined variables. Quantitative research is not well suited to capture tensions, such as that between demand generation and operational capacity, where two interdependent elements need to be managed simultaneously over time.

The study adopts an abductive approach that blends inductive and deductive approaches. The theoretical approach draws on existing literature but leaves room for new themes that may emerge from the empirical data, creating an interplay between the theoretical and the empirical. This is a particularly well-suited method for the study of growth, because these processes are inherently unpredictable and context-dependent, requiring the continuous reworking of ideas and interpretations as more evidence emerges.

3.2 Research Design

In our research design we used an exploratory multiple case design. The exploratory nature reflects the need to investigate phenomena that are still insufficiently understood and that lack well-developed theoretical explanations (Yin, 2018). As noted in the literature review, previous work has examined startup growth, ambidexterity, and operational management but has provided limited insights into how founders manage the tensions among these areas simultaneously, especially in a resource-constrained environment.

The use of a multiple-case study design facilitates an analysis of the complexity and interdependencies inherent in decision-making in early-stage firms. This is especially true when the boundary between the phenomenon and its context is ambiguous, in which strategic decisions are shaped by internal capabilities and external forces. The adoption of multiple cases makes the findings more reliable and less susceptible to outliers.

In addition, the use of a multiple-case design enables the identification of similarities and differences among companies and leads to a more nuanced understanding of how tensions are managed. This is especially useful for early-stage firms where heterogeneity in development is typical. Variation across firms can provide a better understanding of how such tensions are managed. The validity of the findings is strengthened by the robustness of these patterns across cases, where comparing firms with different growth patterns can reveal the underlying dynamics.

3.3 Research Context and Scope

The scope of the study is limited to Swedish digital-first retail brands. The limitation is grounded in theoretical and contextual considerations, aiming to align the empirical setting with the research question.

In theory, the emergence of digitalisation has altered the relationship between demand generation and operational capacity. Digital channels such as social media and online platforms can be used by firms to generate demand at scale quickly and often with a small initial investment. Operational capacity, such as inventory and logistics, is much harder to change and requires larger resource commitments. This structural asymmetry intensifies the tension between the two, making digital-first retail brands a particularly suitable context in which this imbalance is both present and observable. The relevance of this setting is further

reinforced by the retail industry's sensitivity to shifts in consumer behaviour compared to other industries.

Furthermore, the startup context amplifies the challenge of balancing demand generation with operational capacity, as these firms have limited resources, making strategic decisions even more consequential. The focus on Sweden adds strength to the research design as the country offers a relatively homogeneous business and market environment. Sweden is characterised by high levels of digital adoption and a strong presence of digitally native retail brands. This allows for clearer comparison across cases, while still accommodating meaningful variation in firm behaviour.

3.4 Data Collection

3.4.1 Primary Data Collection

Primary data was collected through semi-structured interviews with founders of digital-first retail firms. This method was chosen as it enables the collection of rich, in-depth insights into individual and firm-specific experiences, decision-making processes, and perceived challenges (Bryman, 2016). Given the study's focus on decision-making and tensions, semi-structured interviews allow respondents to articulate their experiences in detail rather than reducing them to quantifiable measures.

The theoretical framework from the literature review was used to develop the interview guide. It looked at key themes such as demand generation, operational capacity, resource constraints and how founders balance the tension. The guide offered some structure but also gave respondents the freedom to describe their experiences.

Sampling was done purposefully to identify information-rich cases relevant to the research objective. This approach is not statistically representative, however, it is adapted to better understand the phenomenon researched.

Companies were identified through professional networks, public company information, and industry knowledge. To provide more variation we decided to choose companies with different resource constraints, strategies, and financing. This allowed the study to avoid convenience sampling and to achieve a sample that reflected the range of strategic responses across a comparable context.

The sample includes founders of digital-first retail brands in Sweden, across sectors such as fashion, CPG, and design. All companies exceed the minimum revenue threshold of 50 million SEK. The threshold allows us to focus on firms that have experienced different phases and challenges of growth, specifically the tension between demand generation and operational capacity.

Table 1. Inclusion and Exclusion Criteria in Primary Data Collection

<i>Inclusion Criteria</i>	50 million SEK in Revenue
	Founded 2004 and forward
	Operating within the retail industry
	Founders with direct involvement in strategic decisions
<i>Exclusion Criteria</i>	Not yet met meaningful scaling phase
	Outside digital-first business model
	Founders with no direct involvement in strategic decisions

In total, ten semi-structured interviews were conducted. This number strengthens the empirical foundation of the study and enhances the robustness of the findings by enabling cross-case comparisons. Simultaneously, the sample size is a conscious trade-off: larger samples may lead to greater variation but also less depth in each case. This indicates a preference for depth over breadth in examining the founders' experiences and management of these tensions. Using several cases also reduces the risk that conclusions are driven by edge cases, as patterns emerge across firms. A limitation of this sampling is its bias towards firms that were accessible or willing to participate, but given the exploratory nature of the study, this is considered acceptable.

In cases involving co-founders, participants were either the founder holding primary responsibility for operational decision-making, typically the CEO, or, where multiple founders were involved, the individual available for interview. This ensured consistency across cases while acknowledging that team dynamics may also influence navigation strategies.

The semi-structured interviews were conducted through a combination of Microsoft Teams meetings, phone calls, and in-person meetings, and lasted approximately 30–60 minutes each. Interviews were documented using AI transcription and complemented by written notes by the authors, both of which were translated from Swedish to English. To enhance the accuracy of the interview records, two researchers were present during each interview, allowing notes and observations to be discussed and cross-checked against the transcripts. Respondents were not asked to review transcripts or verify factual claims following the interviews.

3.4.2 Data Analysis

The empirical material was analysed using a thematic analysis approach, which is well-suited for recognising patterns in qualitative data (Braun & Clarke, 2006). Following the iterative and deductive process of moving between the empirical material and the theoretical framework the analysis was performed in different steps. First, the AI transcription was reviewed and corrected against the author's notes from the interviews, Claude was used to structure the combined material around the predefined themes in the interview guide, such as “scaling phases” and “demand generation”, making patterns consistent and comparable across cases. All AI outputs were then reviewed and revised by the authors.

The coding process was then structured in two stages. In the first stage, codes were derived directly from the interview guide themes, mapping closely onto the results sections 4.1–4.3. For example, founder descriptions of inventory pressure and cash flow constraints were coded under “Operational Capacity and Its Constraints” (4.3 in Results Section), with subthemes such as “Inventory and the Cash Conversion Cycle” (4.3.1 in Results Section), emerging from recurring patterns across cases.

In the second stage, the material was re-read deductively through the ambidexterity lens to identify how founders navigated the tension between demand generation and operational capacity, producing the themes found in 4.4 and 4.5 in the results section. For instance, when one founder described deliberately choosing to slow down growth to build a stable structure, or restricting discounting, this was coded and interpreted as “Controlled Growth”, reflecting a deliberate sequencing mechanism. Similarly, a founder describing their early business as having *“one product, one factory, and one distributor”* or reducing the number of SKUs, was coded as “Deliberate Simplification”. Certain themes emerged more unexpectedly, particularly the relationship between business model design and ambidexterity. Founders

repeatedly linked their choice of business model to how tensions were experienced and managed in practice. For example, one founder stated that “*the distributor model is perfect for scaling fast; they pay, you need no staff, we were three to four people up to 100 million in revenue.*” This was initially coded as “Business Model as a Tension Management Mechanism” and was subsequently grouped into subthemes such as “Tension Externalisation” and “Distributor-Led Model”, ultimately forming the results section 4.5.

With the overarching themes and subthemes forming the basis of the results structure, the findings were recognised to operate across three interconnected levels: structural conditions, the core tension itself, and the navigation strategies founders employed in response. To illustrate this, two models were constructed, a layered model capturing how these levels interact (Model 1), and a business model spectrum mapping how different business model choices shaped the intensity of the tension (Model 2), both presented in the analysis section to guide the reader through the findings.

3.5 Research Quality

In conducting the research, issues of credibility, dependability, and transparency were taken into consideration to ensure the quality of the study. Credibility is the degree to which the findings reflect the empirical reality. The study reinforces this by using multiple cases and cross-case comparisons. The analysis is less likely to be based on isolated observations because it seeks common patterns across 10 interviews. Furthermore, the use of direct quotes grounds the analysis in the empirical material.

Dependability concerns the consistency of the research process. This was achieved through a structured and transparent process for data collection and analysis. Semi-structured interviews yielded comparable data across respondents while allowing flexibility. The coding and analysis were done systematically, which allows for a clear tracing of how the findings were derived.

The research design, sampling strategy, and analysis approach were documented to ensure the methodological choices are transparent. Through this, the reader can assess the study's validity and make sense of the conclusions. Finally, the abductive research approach adds to the study by combining theoretical grounding with openness to new insights, enabling the refinement of existing concepts and the development of new ones.

3.6 Research Ethics

Ethical considerations were taken into account throughout the research process. All respondents participated voluntarily and were informed of the study's purpose before the interviews. They provided informed consent and were made aware of how their data would be used. Anonymity was maintained throughout the study to protect the respondents and their firms. The respondents are therefore referred to as "Respondent 1–10," and no identifying data is disclosed. This is especially important as the interviews contain strategic and potentially sensitive information about firm operations and decision-making.

Furthermore, respondents could decline to answer any question or exit the interview at any time. This ensured complete voluntary participation and control over the information provided.

3.7 Limitations

Despite its strengths, the study has several limitations. The qualitative design limits generalizability, as the findings are context-specific and must be interpreted within the scope of digital-first retail firms.

Second, the founders' data are self-reported and retrospective, which introduces two threats to the validity: recall bias and retrospective rationalization. Recall bias refers to the tendency to remember events selectively, highlighting decisions that seem important in retrospect while leaving out choices that were uncertain or harder to explain. Retrospective rationalization refers to the tendency to view past decisions as more logical and deliberate than they actually were at the time. This is particularly relevant in this study, as founders were asked to reflect on how they navigated uncertainty. As a result, there is a risk that their accounts portray decisions as more deliberate and coherent than they were in reality. These limitations are partly mitigated by the use of multiple cases, which enables cross-case comparison and reduces reliance on any single founder's account, and by interview questions that encouraged respondents to describe specific events and decisions rather than provide general reflections.

Third, the Swedish context may limit the extent to which the findings can be generalised to other geographical contexts. Finally, this study reflects founders' perspectives only, excluding those of employees and external partners. In cases involving co-founders, interviews were

conducted with either the CEO or the most available founder, which may not fully capture how decisions are shared within founding teams.

Table 2. Brand-Industry Overview

<i>Respondent</i>	<i>Industry</i>	<i>Revenue</i>	<i>Founding Year</i>	<i>Interview Date, Duration & Language</i>
1	Fashion	~ 162 mSEK (2024)	2011	24/3-26 28 min (In-person meeting in Swedish)
2	Jewellery	~ 91 mSEK (2024)	2016	24/3-26 45 min (Phone call in Swedish)
3	Jewellery	~ 180 mSEK (2024)	2013	19/3-26 27 min (Phone call in Swedish)
4	Product/Design	1. ~ 612 mSEK (2024) 2. ~ 100 mSEK (2022) (Bankrupt 2024)	1: 2004 2: 2016	26/3-26 58 min (In-person meeting in Swedish)
5	Fashion	~ 444 mSEK (2025)	2008	20/3-26 31 min (Phone call in Swedish)
6	CPG	~ 75 mSEK (2024)	2013	25/3-26 29 min

				(Online via Teams in Swedish)
7	Fashion	~ 929 mSEK (2024)	2013	2/4-26 38 min (Online via Teams in Swedish)
8	Product/Design	~ 362 mSEK (2024)	2011	18/3-26 42 min (Online via Teams in Swedish)
9	Fashion	~ 151 mSEK (2025)	2015	24/3-26 33 min (Online via Teams in Swedish)
10	Fashion	~ 51 mSEK (2025)	2015	2/4-26 31 min (Online via Teams in Swedish)

4. Results

In this chapter the empirical results of the ten interviews with the founders are presented. Results are structured around recurrent patterns found in the data such as growth phases, demand generation, operational constraints, founder-level navigation mechanisms and business model design. These findings describe how resource-constrained founders managed the tension between demand generation and operational capacity in the scaling process.

4.1 Growth Phases and the Emergence of Tension

The 10 interviews revealed a pattern of gradual evolution of the firms. What emerges across the interviews is not only the nature of firm growth but also the tension between demand generation and operational capacity across phases. The exact contexts varied across companies, but the development patterns were similar, suggesting that growth was not random but driven by underlying structural dynamics. 8 out of 10 firms exhibited a similar overall pattern, indicating that these patterns are not isolated cases.

These trajectories can be understood as a shift from experimentation to scaling, and finally to maturity. However, the results suggested that these phases did not progress linearly, instead, companies cycled through them repeatedly, particularly when expanding into new markets or launching new initiatives. This is relevant to the research question since each phase represents a different approach to the trade-off between demand generation and operational capacity.

During the early development stages, the firms operated under extreme uncertainty and had few formal strategies. The tension was present, but manageable because operational complexity was still low. This meant founders could focus on demand generation without paying the cost of operational complexity. 9 out of 10 respondents characterized the early stage as flexible and demand-driven, with founders focused on gaining traction rather than structure. Respondent 1 described the early stages as: *“Much of the decision-making was driven by intuition. I valued freedom and often made choices based on what felt right rather than strictly optimizing for ROI. Being somewhat naive was also a strength, as it allowed me to test and move forward.”* Respondent 3 described this as a “low hanging fruit” stage, where focus was on capturing easily accessible opportunities rather than building long-term structures.

As firms entered the scaling phase, the tension shifted from situational to structural. Founders moved beyond a single-minded focus on demand generation towards actively trying to balance both sides. Most respondents agreed that, despite growth, there was a lack of organisational capacity, which made the firms adopt a hybrid state with informal practices alongside emerging formal systems. Employees often held multiple roles within departments, and decision-making remained somewhat reactive, creating an imbalance between agility and coordination. The more structure, the less flexibility, and the longer decisions took. 7 out of

the 10 respondents described the demand-operations tension as most visible during the scaling phase.

As companies grew, they became more structured organisations with roles, processes, and strategic planning. The change made the process more efficient and scalable, but introduced new challenges in terms of flexibility. Several respondents emphasised the importance of protecting aspects of the early entrepreneurial mindset at this stage, especially to maintain innovation and responsiveness.

Table 3 Overview of Firm Evolution Across Respondents

<i>Respondent</i>	<i>Early Stage</i>	<i>Scaling Stage</i>	<i>Mature Stage</i>
Respondent 1	Experimentation, no salary, learning by doing	Hiring when needed, reactive scaling	More structured growth, product & campaign development
Respondent 2	High uncertainty, DTC focus, performance testing	Build structure, scaling ads, customer systems	Brand-building + structured processes
Respondent 3	"Low hanging fruit", opportunistic growth	All hands on deck, no clear roles	Structured org, OKRs, planning
Respondent 4	Creative phase, few constraints	Market validation, strong launch traction	Operational refinement, execution focus
Respondent 5	Lean, step-by-step, no salary	Distributor expansion, organic growth	Still lean but more structured
Respondent 6	Selling locally, reinvesting profits, no salary	Distributor-driven expansion, fast growth	More formalized organization and systems

Respondent 7	Startup phase, uncertainty, small team	Build core structure, test channels	Structured organization, operational focus
Respondent 8	Product focus, chaotic growth, constant problem- solving	Distributor expansion, multi- channel growth	Increased complexity, need for planning
Respondent 9	Product validation, PR, low marketing spend	Scaling with constraints (inventory & cash flow)	Controlled growth, focus on profitability
Respondent 10	Startup hustle, limited capital	Rapid growth driven by hype	Process optimization, structured company

Another pattern that emerged when comparing respondents, is that the trigger to move between phases was rarely planned. Transitions tended to be reactive and based on needs. Several respondents mentioned hiring not because they wanted to grow the organisation, but because they were forced to, due to increasing demand. This suggests that growth was rarely strategically planned but rather driven by pressure on the organization. Thus, two different logics of growth emerge: one more proactive and risk-taking, the other more reactive and efficiency-seeking.

Interpreting these findings through the lens of ambidexterity, the tension between demand generation and operational capacity is phase dependent. In the early stages, exploration, characterized by experimentation and demand generation, was clearly dominant. In the scaling phase, the need for exploitation increased as firms built the structures to manage the increased complexity. What becomes particularly clear is that ambidexterity in these firms was not formally designed or structured and instead relied heavily on the founders to manage the balance through continuous, reactive adjustments.

4.2 Demand Generation Strategies

Demand generation was seen as the main growth driver for all 10 respondents, our findings reveal that firms did not follow a single common model but instead employed different logics of demand generation depending on their business model and resource constraints.

Demand generation strategies also evolved over time, initial phases were characterised by opportunistic low-cost channels, and later phases by structured data-driven demand generation. This points to a broader shift in firm growth, whereby informal structures slowly get replaced or supplemented by more formal processes.

4.2.1 Performance-Driven Demand Generation

Performance marketing was the most common strategy among respondents, especially among companies that operated in a direct-to-consumer (DTC) model. 6 out of 10 respondents reported relying heavily on performance marketing with targeted customer acquisition through channels such as Google, Meta, and TikTok. Respondent 3 noted an early focus on “*winning the search*”, getting high-intent customers on Google rather than investing in broader brand awareness. While this enabled quicker and more measurable scaling, it also created a dependence on external platforms. As customer acquisition costs rose and competition intensified, firms needed to improve retention or turn to alternative demand-generation strategies.

4.2.2 Brand-Driven Demand Generation

In contrast, 4 out of 10 firms emphasized brand-driven demand, meaning they relied more on long-term demand generation through brand identity, which usually resulted in slower growth. Some respondents explicitly mentioned a choice to limit growth to maintain brand integrity. This points to an explicit trade-off between the pace of growth and a brand's positioning. Respondent 1 explained “*I have always been long-term in my thinking. I have chosen my battles with budgets over time to build the brand, even when it meant losing money on certain initiatives*”. This philosophy was a common theme among respondents, who viewed demand as something to be built over time and not bought directly.

4.2.3 Product-Led Demand Generation

The third pattern was product-led demand, where the product itself played a significant role in customer acquisition. 3 out of 10 respondents relied on product-led demand, in which

demand was driven once the product was in the presence of the right audience. This reduced the need for marketing spend but put pressure on operations, especially in ensuring consistent product availability and quality.

4.2.4 Evolution and Combination of Strategies

A key finding from the interviews was that few companies relied on a single demand generation strategy. Instead, a combination of approaches was used, which also evolved over time. Many companies started with performance marketing to gain early traction, then invested more in brand building to reduce reliance on paid channels. This implies that demand generation was not a static choice, but a dynamic capability that developed as the firms matured.

Table 4 Demand Generation Strategies Across Respondents

<i>Respondent</i>	<i>Primary Demand Strategy</i>	<i>Secondary Strategy</i>	<i>Key Insight</i>
Respondent 1	Brand-driven + organic	Wholesale support	Long-term brand building over short-term ROI
Respondent 2	Performance marketing (Meta, Google)	Brand	Data-driven scaling and constant optimization
Respondent 3	Opportunistic/low cost	Performance later	"Low hanging fruit" approach early
Respondent 4	Brand driven	PR/media	Strong launch visibility drives demand
Respondent 5	Distributor driven demand	Influencer/blogs	Demand comes through partners
Respondent 6	Distributor led	Wholesale & marketplaces	External actors drive demand

Respondent 7	Performance marketing	Wholesale	Scale what shows traction
Respondent 8	Product-led	Distributor	Product + design creates demand organically
Respondent 9	PR + product-led	Performance later	Validate before scaling marketing
Respondent 10	Influencer/social media	Performance	Early hype → later ads

4.3 Operational Capacity and Its Constraints

While demand generation explains how firms acquire customers, operational capacity determines whether they can consistently and reliably fulfil that demand. Operational constraints was a recurring challenge, often underestimated, especially in the early stages of firm development, according to all respondents. While the initial focus was on generating traction, 7 out of 10 respondents reported situations where they had to deal with demand exceeding their operational capacity, leading to stockouts, delays and pressure on internal processes. Meanwhile, 5 out of 10 founders had at some stage faced the opposite challenge: investing in inventory or infrastructure too early, which tied up capital before demand fully materialised.

This highlights the mismatch between operational capacity and demand generation. Demand could often be scaled faster, particularly through digital channels, whereas operational capacity took longer time and required upfront commitments. This left firms in a situation where decisions had to be made under uncertainty with both over- and underinvestment posing major risks.

4.3.1 Inventory and the Cash Conversion Cycle

Inventory was the most frequently mentioned operational constraint by respondents. It was discussed in interviews both as a logistical problem and a direct determinant of how firms could grow. The cash conversion cycle was highlighted by all respondents, especially the need to buy and pay for stock before selling it, which intensified the cycle as growth

accelerated. As volumes grew, this dynamic got harder to manage. Even small mistakes in demand forecasting could result in serious financial losses.

Moreover, for founders without access to external financing, rapid demand growth created a cash crunch, as working capital was locked up in inventory before revenues were collected. As respondent 10 explained: *“In the high growth stage I would not have inventory for periods of 2 to 3 months due to cash flow issues”*. This is the direct result of the timing mismatch between cash outflows and inflows, and shows that operational constraints is not just about physical capacity but also about timing, sequencing, and cash flow pressures. Interviews described different approaches to managing the cash flow issues. Respondent 6 relied on factoring, selling invoices to free up working capital, while Respondent 5 solved the issue by using distributor pre-orders. Similarly, Respondent 9 emphasized a deliberate focus on liquidity management, explaining that *“we decided early on not to take in more capital and instead focus on profitability and cash flow; we actively worked with payment terms and credits to navigate liquidity.”* Although the specific mechanisms differed, all approaches aimed to improve liquidity and reduce pressure created by the cash conversion cycle.

4.3.2 Supply Chain and Resource-Constraints

Another common difficulty was the reliability of the supply chain, especially in the early stages when companies lacked the history or scale to negotiate decent terms or obtain priority with manufacturers. For respondents, this challenge often became more visible as firms scaled, when higher volumes placed greater demands on consistency and coordination across the supply chain. Some respondents noted that with higher volumes, it was harder to maintain quality control, while simultaneously trying to build relationships with production partners willing to work with small, growing brands. In the early stages of development, companies often worked with smaller, less established suppliers that were more flexible, but who also had more inconsistency in quality and delivery times. The larger the firms grew, the more costly the variability became.

One of the biggest operational challenges during the growth stage, noted by Respondent 7, occurred during COVID, when production shifted and capacity became more constrained, making it harder to find factories that could guarantee quality at scale. This reflected the broader lack of a resource base and legitimacy. New firms must build operational relationships from scratch, without the legitimacy that established firms depend on. More

broadly, these challenges demonstrate that operational capacity is not only an internal matter but also dependent on relationships and networks outside the organisation. This suggests a gradual process of building a reliable supply chain, where trust and experience become increasingly important over time. As Respondent 8 reflected, the company initially assumed that quality control was the responsibility of the factory but quickly realised that “*the responsibility was ours*”, leading the founders to spend time on the factory floor conducting quality checks themselves.

The development of supply chains can be understood as an exploitative activity, focusing on creating stability and efficiency in existing operations. At the same time, firms continued to engage in exploratory activities, for instance, entering new markets or expanding product lines, which added further pressure to the supply chain.

4.3.3 Failure Modes: Overinvestment and Overload

When the tension was not managed, two common failure modes emerged. The first was operational overload, where demand outgrew operational capacity, leading to stockouts and reputational damage. This was best illustrated by Respondent 10, where the demand driven by hype repeatedly outstripped inventory capacity, creating cycles of boom and shortages. The second was operational over-investment, where capacity was built in anticipation of demand that did not materialise as expected, tying up working capital in inventory or infrastructure. This was also illustrated by Respondent 10, who described a collection released on the same day as the outbreak of the war in Ukraine, combined with sizing errors, left 600-700 units unsold in inventory, significantly impacting that year's financial results. Both failure modes relate to the same underlying challenge of making investment decisions about operations under demand uncertainty, without the financial slack to absorb the consequences of misjudgement.

4.4 Navigating the Tension: Behavioural Mechanisms

The core question of this study is how founders navigate the tension between demand generation and operational capacity as they scale. The results indicated that navigation took various forms, including reactive attention switching, investment sequencing, deliberate simplification, and controlled growth. These mechanisms embody different logics to address the same underlying problem but were often used in combination.

4.4.1 Reactive Attention Switching

The most common way of navigating, amongst the respondents, was through reactive attention switching, switching attention between demand generation and operations, depending on which pole was most constraining at that point in time. Situational crisis dictated where the founder's attention was placed, for example a stockout pulled focus to operations, while a stagnating channel would pull focus to demand. In this sense, prioritisation was not about optimising for the long term, but about fixing the most pressing constraint at any given moment. Respondent 1 described that decisions were made based on feeling rather than optimising in advance, which was a reactive, rather than planned form of ambidexterity management. Even in companies where more formal systems had begun to emerge, respondents described how these systems were often inadequate to fully coordinate the demands of growth, leaving founders still having to actively shift attention across different areas of the business. Respondent 4, for example, noted that when demand outpaced operational capacity, “*almost all our focus shifted to scaling production and ensuring quality*”, illustrating how immediate pressures dictated where managerial attention was directed.

This reactive behaviour demonstrated a form of balancing, in which exploration and exploitation were sequentially governed by shifts in attention over time. This further supports the view that ambidexterity in resource-constrained firms is less about designing optimal systems and more about continuous adaptation to changing circumstances where responsiveness is more important than efficiency in the short term.

4.4.2 Sequencing Judgments Under Uncertainty and Financial Discipline

The second mechanism was sequencing investments between demand generation and operational capacity. One of the hardest, most pivotal decisions founders made, was the sequencing of investments. Reactive attention shifting was driven by immediate issues, while sequencing instead involved forward-looking decisions under uncertainty, in which founders needed to commit resources before the outcome was known.

A few respondents indicated that they scaled operations too early in the demand validation process and made investments that were hard to undo. This led to cash strains and reduced flexibility, as companies were at that point locked into cost structures that did not match

actual demand. Other respondents mentioned delaying operational investment until demand signals were clear, which, on the other hand, resulted in fulfilment failures as demand outstripped capacity. This in turn, often resulted in lost sales and operational pressure, underscoring the danger of waiting too long to exploit. Respondent 3 explained, “*We just hired because we would have had to turn down orders otherwise*”.

Related to this was the use of financial discipline as a practical substitute for formal management systems that these firms largely lacked. Instead of formal planning processes and organisational structures, founders used an understanding of gross margins and cash flow positions to decide where to focus attention and capital at any given moment. Several respondents described how financial metrics guided decision-making as firms grew in size and complexity. Respondent 10 described how the ability to track GM1, GM2 and GM3 margins fundamentally changed their ability to manage growth. Transparent financial metrics revealed when to invest on the demand side and when operational discipline was necessary. Financial metrics was therefore navigational tools that provided a structured basis for founders' sequencing and allocation decisions. What emerged across the respondents was that the right sequencing was seldom clear in advance, and that consequences of poor judgement was amplified by the absence of financial slack.

4.4.3 Deliberate Simplification as a Navigation Strategy

The third navigational mechanism was deliberate simplification, a conscious reduction of the business to keep the tension at manageable levels. This was reflected across respondents in several ways. Respondent 5 described keeping only two sizes per pattern, reducing the SKU count to a level that enabled easier production and inventory management despite a wide product range. Respondent 10 was able to simplify operations and devote more attention to demand generation by deliberately choosing to expand only to Sweden and Finland, rather than multiple markets. Respondent 8 also provided a clear illustration of this strategy, explaining that the company deliberately maintained a narrow operational focus: “In the beginning we had one product, one factory, and one distributor. We were two people until almost 60 million in revenue.” All cases suggest that simplification was a deliberate choice that limited the range of exploration and thereby making exploitation more manageable.

4.4.4 Controlled Growth

Another pattern shown by respondents was choosing a more controlled growth path, which helped to moderate the tension between demand and operations. Founders intentionally reduced demand generation activity even as they saw strong market traction. Respondent 1 explained that when stretched operationally, they intentionally slowed down growth to stabilise, rather than push for short-term revenue growth. Respondent 9 even incorporated this logic into the business model itself, with constraints such as no discounts, no wholesale partnerships, and no high-volume sales events such as Black Friday, effectively limiting the rate at which demand could be accelerated. In both cases, the decision to grow at a slower pace was a conscious decision to ensure operational capacity could keep up with demand, without creating the type of imbalance that leads to service failures or damage to the brand's reputation.

4.5 Business Model as a Tension Management Mechanism

A key finding across the interviews was that the choice of business model was not only a commercial decision but also a mechanism for managing the demand-operations tension. While the prior section looked at how founders dealt with the tension through behavioural and cognitive mechanisms, this section considers how business model design structurally reduced or externalised the tension, solving for the lack of organisational differentiation faced by the resource-constrained founders.

4.5.1 Distributor-Model as Tension Externalization

A clear example of business model design as a tool for managing the tension was the distributor-led model, used by 3 out of 10 firms and serving as a secondary mechanism in several others. The critical insight was that distributors were not just a sales channel but essentially externalised both sides of the demand-operations tension simultaneously. On the demand side, distributors were responsible for market activation and customer acquisition in their territories. On the operational side, they purchased inventory up front, solving the cash conversion cycle problem for the founder. Respondent 6 described how the distributor model fundamentally changed the challenge of growth by shifting both inventory financing and demand risk to external partners. As explained, "*The distributor model is perfect for scaling fast; they pay, you need no staff. We were three to four people up to 100 million in revenue.*" Similarly, Respondent 5 had distributor agreements with minimum order commitments of 75%, which could be increased to 125%, thereby creating a demand signal that also covered

production costs. In both cases, the choice of business model externalised the core tension to a partner, allowing the founder, together with a lean internal team, to achieve significant revenue growth.

Another advantage of the distributor model that emerged from the interviews was what Respondent 6 described as a “*domino effect*”, where an entry into a market through a distributor, built credibility for entering the next market, as each market entry served as a reference.

4.5.2 DTC as Tension Internalisation

Unlike the distributor model, the DTC model internalised the tension. For companies that sold direct to consumers through their own channels, they had to handle all aspects of demand generation and operational capacity in-house, with no outside partner on either side. Respondent 2 emphasised, “*In a pure DTC setup, everything shows immediately, inefficiencies cannot be hidden or outsourced.*” This led to higher internal pressures during scaling, as founders needed to build capabilities in both demand generation and operations simultaneously. However, this model also provided more control of the customer relationship and brand.

4.5.3 The Made-To-Order Model as Tension Elimination

A unique case is the made-to-order model used by Respondent 3, which not only resolved the tension between demand and operations but also removed its main constraint. By producing only what had been sold, the firm eliminated the inventory risk and cash conversion cycle problem at the structural level. This was the most comprehensive form of tension management through business model design, as the tension was addressed within the business model itself rather than being managed through founder judgment or externalized to partners.

More generally, this case was unique among the respondents in that it avoids many of the problems outlined above, especially those related to over- or underinvestment in inventory and the time lag between demand and operational response. The trade-off was a restriction on volume and speed but for a brand built on quality and scarcity, this restriction could be viewed as a strategic advantage.

4.5.4 Hybrid Models as Partial Externalization

In reality, few companies were either purely DTC or purely distributor-based, the majority took a mixed approach which varied based on market and stage of development. Several interviewees described relying on DTC channels in their primary markets, where they had established brand presence and could directly manage operations. On the other hand, when entering foreign or unfamiliar markets they usually relied on distributors, using local knowledge and minimising initial investment. The hybrid model allowed founders to maintain direct control via DTC in certain markets, while also reducing operational burden and risk by working with distributors where it made sense. The mixed approach did come at the expense of increased complexity, however, it also gave greater flexibility in managing risk across regions and business cycles.

4.6 Summary

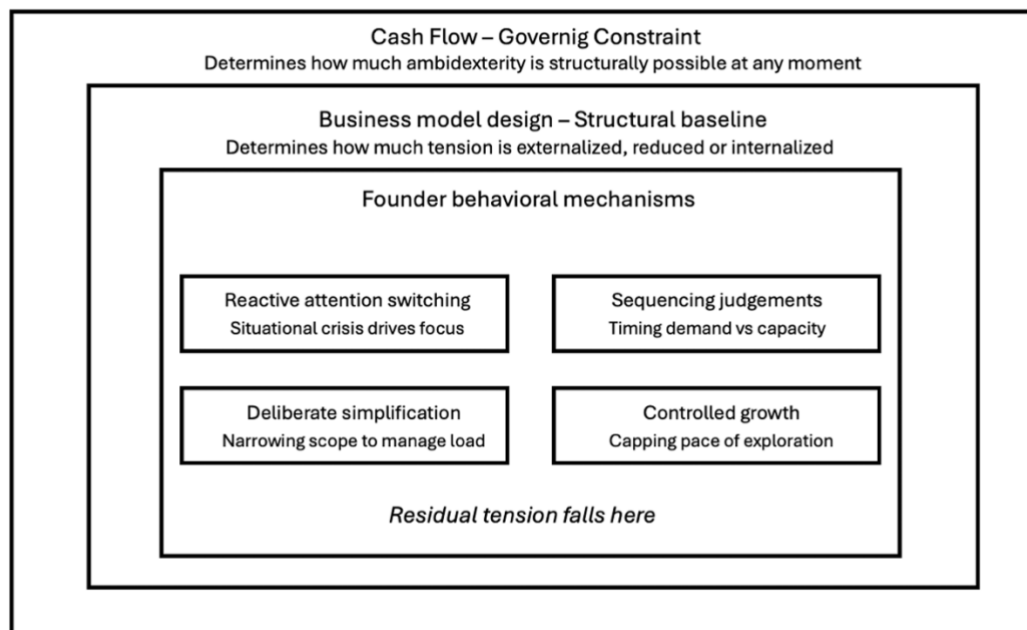
In sections 4.1-4.5 we illustrate some of the patterns that resource-constrained founders repeatedly used in managing the tension between demand generation and operational capacity during scaling. The tension was not constant, but phase-dependent. It was manageable in the early phases, structural and acute in the scaling phase, and increasingly managed by formal systems in the maturity phases. Second, firms pursued very different demand-generation strategies depending on their constraints and business model, but no company used only one approach, instead deploying a combination of strategies as they developed over time. Third, all respondents had similar operating constraints in inventory, cash flow, and supply chain reliability. Fourth, founders addressed this tension through mechanisms such as reactive attention switching, investment sequencing, deliberate simplification, and controlled growth. Fifth, and most distinctively, business model design emerged as a mechanism for managing structural tensions, where the choice of business model was not just a commercial decision but a primary ambidexterity management choice. The results provide a nuanced insight into the research question of how founders of resource-constrained startups navigate the demand-operations tension.

5. Analysis

Our findings suggest a layered model (Model 1) of how resource-constrained founders navigate the demand–operations tension. Cash flow is the model's governing constraint. The structural limits of ambidexterity are determined by cash flow at any given moment. The next

layer, business model design, sets the structural baseline: how much of the tension is externalised, eliminated, or internalised, before any behavioural navigation takes place. Any remaining residual tension is navigated through the founder’s behavioural mechanisms, of which four emerged: sequencing judgements, reactive attention switching, deliberate simplification, and controlled growth. The following sections consider each layer in turn.

Model 1: Layered Model for Navigating Demand–Operations Tensions



5.1 The Demand-Operations Tension as an Ambidexterity Challenge

The first layer of the model concerns the nature of the challenge posed by the demand–operations tension. Framing it as an ambidexterity problem, rather than an operations or marketing problem, is what connects the findings to the theoretical background and explains why the standard solutions available to larger firms do not apply.

When analysing the findings, the tension between demand generation and operational capacity is clearly experienced by resource-constrained founders as an ambidextrous challenge, having to balance exploration and exploitation as described by March (1991) and Raisch and Birkinshaw (2008). This also aligns with O’Reilly and Tushman’s (2013) view of ambidexterity as a dynamic capability that enables firms to continually reallocate resources between exploratory and exploitative activities. Both demand generation and operational capacity have elements of exploration and exploitation. To simplify and generalize, demand generation can be categorized as exploratory, while operational capacity as more exploitative.

The structural logic that March (1991) identifies applies throughout the 10 cases, with each case illustrating that prioritizing one pole increases pressure on the other, and that neither pole can be neglected without consequence.

A core finding extending the theoretical framing is that the exploration–exploitation tension is experienced in a phase-dependent manner. In contrast, ambidexterity literature usually frames this tension as a permanent organizational condition. Smith and Lewis (2011) identify resource scarcity, dynamic environments, and the plurality of goals as the three conditions that lead to ambidexterity tensions, but do not explore how these conditions change as firms develop. The interviews conducted reveal patterns at various stages of growth. The early stages are exploratory, and the tension is manageable given the low operational complexity. The tension becomes structural during the scaling stage as demand builds and a gap emerges between what is sold and what can be delivered. This reflects Coviello et al., (2024) argument that scaling requires firms to transform internal structures and capabilities in order to expand efficiently. This was an issue affecting execution for 7 out of 10 respondents, consistent with the findings of Hausman et al., (2002) who demonstrate that misalignment between marketing and operations can be a driver of firm underperformance. As firms move into a more mature phase, the tension again moves towards exploitation, with greater reliance on formal systems and processes. This phase-dependent dynamic is not discussed in current ambidexterity theory.

Furthermore, the findings confirm the difficulty founders of new ventures face in managing this tension through the standard ambidexterity mechanism of structural differentiation, in which exploration and exploitation are assigned to separate units. This is in line with the notion of harmonic ambidexterity suggested by Simsek et al., (2009), in which small firms tend to manage exploration and exploitation in one organisational context, with the responsibility of balancing the competing demands falling mainly on the judgement of the founder. Lubatkin et al., (2006) show that, in SMEs, ambidexterity performance depends on the behavioural integration of the top management team or, in this case where decision-making is concentrated, the founder alone. This finding also supports Wang et al., (2019), who argue that in resource-constrained startups the responsibility for managing exploration and exploitation rests primarily with the founder. Across our findings in all 10 cases, the same decision-maker was responsible for both demand generation and operational capacity, making the founder central to successfully managing the tension. Respondent 3 illustrated

this dual responsibility, explaining that *“in the early phases I handled everything myself, I was in the store, meeting retailers, and packing orders in the warehouse at the same time”*. However, as the business grew, this became increasingly difficult, and as the respondent noted, *“at some point you realise you simply cannot give enough attention to both sides.”*

5.2 Cash Flow as the Mechanism

Unlike other operational constraints, cash flow is the governing condition that sets the boundaries for manoeuvring between exploration and exploitation at any given time. It is the base layer of the model, which is why the same underlying tension can lead to such different outcomes in different cases.

The key finding, consistent across all 10 cases, is that cash flow drives the demand-operations tension, particularly through the cash conversion cycle. Cash flow management is identified as the main operational constraint for growing small firms by Peel et al., (2000), with bootstrapped firms continuously adjusting their resource strategies in response to their cash flow position (Ebben & Johnson, 2006). For firms, the cash conversion cycle is the structural basis of how this dynamic plays out in practice. Most suppliers require upfront payment before inventory is received, leading to a cash inflow and outflow mismatch that becomes even more visible during high growth. The management of this cycle is therefore critical to the survival of firms, which in turn affects how they operate. Respondent 8 described navigating the entire growth path with cash flow and bank balances driving decision-making. Respondent 5 structured legal contracts with distributors to ensure the demand to finance production, and Respondent 6 bridged the gap through factoring, selling invoices to release working capital. These responses are consistent with entrepreneurial bricolage (Baker & Nelson, 2005), which involves the recombination of existing resources into new solutions, in this case to compress the cash conversion cycle.

This also links directly to the concept of organizational slack discussed in the literature, where Vanacker and Manigart (2010) show that the absence of financial slack amplifies the consequences of strategic misjudgements in resource-constrained firms. The findings provide a clear illustration: when cash is short, founders lose the ability to invest in both exploration and exploitation simultaneously and are instead forced into a constrained, either/or mode of operation. 8 out of 10 founders explained how capital tied up in inventory constrained their ability to invest in demand generation, and conversely when demand spiked suddenly, firms

lacked the financial slack to fund the operational response needed. For example, respondent 10 reported periods of 2 to 3 months without inventory, resulting in revenue loss as a direct consequence. Hence, cash flow is the binding constraint of the founder's ability to hold both poles, confirming the argument made by Vanacker and Manigart (2010), while extending the ambidexterity context missing in the slack literature.

The underlying margin structure of the business is also a critical dimension of the cash flow constraint and determines how this tension can be managed. High margins create a tailwind, allowing firms to share margins with distribution partners and still be profitable, as highlighted by respondents 5, 6, and 8. This helps keep firms lean on operating overhead, using distribution models to manage cash flow. Respondent 9's margins, by contrast, were deliberately compressed and chosen to reflect fair pricing principles, which limited the firm's ability to reinvest in growth and constrained the range of responses available. This suggests that margin structure is a prerequisite for cash flow and ultimately determines which ambidexterity strategies a founder can pursue. As Respondent 10 reflected, "*The most important lesson is how important it is to be financially driven. The earlier you understand your margins and cash flow, the faster you build a healthy company.*"

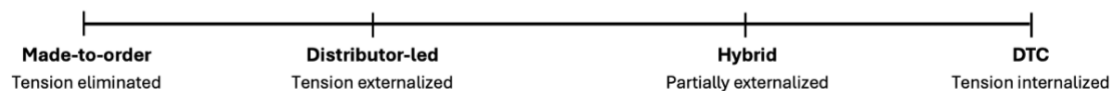
5.3 Business Model as a Structural Substitute

Business model design is the first structural response to the governing constraint of cash flow. The existing literature on ambidexterity mainly emphasizes two mechanisms to address the tension between exploration and exploitation: structural separation, which refers to the separation of competing demands across units, and temporal separation, in which organisations alternate between the two activities (Raisch & Birkinshaw, 2008). Our results show that it is difficult for founders with limited resources to apply these approaches. Instead, they point to an underexplored mechanism to navigate the tension: business model design. Teece (2010) argues that designing business models is itself a dynamic capability, the ability to reconfigure how value is created, delivered, and captured in response to emerging conditions. Applied to ambidexterity, this suggests that founders can design business models that externalize or eliminate the tension altogether, serving a similar function as structural differentiation. The findings support this view: in the cases considered, business model choice not only affected financial outcomes but also the specific ambidexterity tensions founders experienced.

The cases suggest a spectrum of business model responses (Model 2) to the ambidexterity challenge, ranging from full internalization to structural elimination. The distributor-led model used by Respondents 4, 5, 6, and 8 provides the clearest example of this mechanism. Both sides of the demand–operations tensions can be externalized simultaneously through distributors. On the demand side, they are responsible for market activation and customer acquisition. On the operational side, they purchase inventory upfront, effectively removing the cash conversion cycle constraint for the founder. Respondent 5 used legal contracts to predict demand and secure the financing needed to run production. Similarly, Respondent 6 scaled from 1 million to 120 million SEK in revenue with only 4 internal employees. A result made possible only as distributors absorbed demand generation and operational responsibilities that would otherwise have been internal. This is a form of ambidexterity management not covered in existing theory, externalization through business model design.

Model 2: Business Model Specturum of Demand-Operations Tension

Business model spectrum – tension internalized vs externalized



Moreover, the distributor model has a compounding effect in creating demand. Respondent 6 described this as a “*domino effect*” in which entering one market through a distributor lent credibility to entering the next. Every successful market entry becomes a reference point for future negotiations and makes the expansion process easier. This reflects the legitimacy-building dynamic described by Zimmerman and Zeitz (2002), who argue that new ventures must actively build the legitimacy that established firms already have. The distributor model reduces the exploratory burden of demand generation over time as brand credibility increasingly substitutes for direct investment in new market entry.

The most illustrative example of the effect of business model choice is given by Respondent 4’s two ventures, both founded by the same entrepreneur. The first venture was based on a distributor-led wholesale model and scaled internationally with high efficiency. The second was a DTC model with vertical integration and in-house production, which meant a capital-intensive structure ultimately ending in bankruptcy. The founder directly attributed the different results to the choice of business model, not differences in competence or product

quality, explaining that “the problem with my second venture was that we went purely DTC, which we underestimated, how expensive it was. Opening showrooms in major cities around the world became incredibly expensive and drained capital”. This illustrates how the DTC model internalizes the whole demand-operations tension, suggesting that the business model is an important determinant of ambidexterity, in line with Teece (2010), who argue that business model design affects a firm's ability to adapt. As demonstrated by Respondents 2, 7, and 10, this model demands a much higher degree of navigation at the founder level, as the founder is solely responsible for managing both exploration and exploitation simultaneously.

There is one case that takes the argument even further. Respondent 3 chose a made-to-order model, which effectively externalised the tension and took out its most acute dimension. If a firm only produces when it receives an order, it solves the cash conversion cycle problem and eliminates inventory risk entirely, reducing the tension between demand generation and operational capacity. This implies that business models differ not only in form but also in how they drive the intensity of the ambidexterity challenge.

5.4 Founder-Level Navigation: Behavioural Mechanisms

Business model design is central to reducing the tension, but it never eliminates it completely, founders still face a residual burden that requires judgment. We identify four core behavioural mechanisms that founders use to resolve this residual tension, each operating within the constraints set by the choice of business model and cash flow: sequencing decisions under uncertainty, reactive attention switching, deliberate simplification, and controlled growth. These mechanisms align with the concept of managing ambidexterity within a single organizational unit, as described by Simsek et al., (2009) as an alternative to structural separation in smaller firms. At the same time, they add specificity to the demand-operations navigation context within the ambidexterity literature.

One of the most important decisions for founders is the sequencing of investments between demand generation and operational capacity. Lee and Kim (2024) observe that resource-constrained founders tend to underestimate the time required to validate demand and thus scale operational commitments too early, our findings both confirm and extend this pattern. For example, Respondent 10 described scaling inventory prematurely, while Respondent 7 reflected on a broader tendency to prioritise growth before operations was mature, explaining that “*our basic assumption for a long time was: grow first, solve operations later*”. However,

the respondent also noted the risks of overcorrecting, stating that the company at times “*went too far in the other direction, building structure and organisation too early, and we lost the culture.*” This was a common pattern for brand-driven firms as well, where building too much structure too early diluted the creative identity that had been the engine of initial success, highlighting the long-term consequences of sequencing decisions. On the other hand, the more conservative founders who sequenced had more stable results. Respondent 8 gradually increased production from 500 to 1,000 to 2,000 units, whereas Respondent 1 deliberately slowed growth to allow the operational structure to catch up. This relates closely to the use of financial discipline, such as tracking gross margin, monitoring cash flow, and being aware of inventory turnover, as a substitute for the formal management control systems that Davila et al., (2003) identify as absent in bootstrapped firms. Metrics are a way for founders to determine when to execute and where to allocate their resources without formal structures. These examples illustrate the importance of careful sequencing in managing the risks of the exploration–exploitation tension.

In founder-led firms, the primary mode of navigation is reactive attention switching, in which the focus alternates between demand generation and operations in response to situational pressures. In the absence of formal systems, as characterised by Davila et al., (2003), situational pressure becomes the primary driver of decision-making. Our findings showed that a stockout would shift the focus to operations, while a struggling channel would shift it back to demand generation. Firms without sufficient internal capabilities often struggle to turn growth ambitions into actual results (Wiklund & Shepherd, 2003). The study shows that the founder’s ability to quickly shift focus and make decisions under uncertainty and financial constraints is critical in bridging this gap. This in turn, is consistent with Lubatkin et al., (2006), who show that smaller firms rely on managerial judgement and behavioural integration rather than structural separation to balance competing demands. Taken together, these arguments are extended by suggesting that such shifts in attention are not only a matter of managerial flexibility but are structurally necessitated by the lack of specialised roles and organisational slack.

Another navigation strategy identified is deliberate simplification, the intentional narrowing of business scope to make the tension more manageable. Cao et al., (2009) suggest that balanced ambidexterity is more advantageous for resource-constrained firms. The results suggest that founders achieve this balance through simplification, reducing the operational

scope and making the exploitative side easier to manage, leaving capacity for exploratory demand generation. For example, Respondent 5 reduced the number of SKUs, Respondent 10 focused on only 2 markets, and Respondent 7 exited China, killed initiatives, and discontinued several product categories. In each case the simplification was a deliberate narrowing of scope that made the ambidexterity challenge manageable within the limits of a single founder or small team.

Controlled growth, the fourth navigational mechanism, slows the rate of exploration even when demand could justify faster growth, which is done in order to avoid overextending operations, and protecting the brand. Respondent 1 achieved this through reactive deceleration during operational strain, while Respondent 9 embedded this logic into the business model through self-imposed constraints, which effectively capped the rate of exploratory demand generation. Simplification limits the range of things managed, while controlled growth limits the rate at which the range expands. It has a similar balancing effect, but through a different mechanism. Taken together, these approaches represent two different types of scope reduction, consistent with the notion of balanced ambidexterity by Cao et al., (2009).

6. Discussion

This section moves from case analysis to discuss the theoretical implications of the findings, how they compare with what the existing literature would have predicted, and what this means for founders and future research.

6.1 Theoretical Contribution

This study's main theoretical contribution is identifying business model design as a mechanism for managing the exploration–exploitation tension in resource-constrained startups, complementing, and in some contexts substituting for, the structural differentiation and temporal separation identified for established organizations (Raisch & Birkinshaw, 2008). This contribution is specific to the context of digital-first retail, where relatively asset-light models, short cash conversion cycles, and founder-led operations create conditions in which business model choices directly shape the ambidexterity burden. Whether the same mechanism is equally important in more capital-intensive industries, where fixed costs and longer investment cycles play a larger role, remains an open question for future research.

Despite the limits, the contribution is important because both existing mechanisms presuppose a certain degree of organizational size and financial slack, which startups do not possess. The findings suggest that founders are not using bad or informal versions of these solutions but rather making organizational choices that differ but serve a similar purpose. For instance, the distributor-model works well to separate the poles of exploration and exploitation by allocating them to different actors: the distributor generates demand locally and absorbs inventory risk, thereby replicating the logic of structural differentiation without requiring a large internal organization.

A second contribution is the identification of cash flow as the constraint that governs the structural limits of ambidexterity at any point in time. Vanacker and Manigart (2010) and Peel et al., (2000) show the importance of cash flow in resource-constrained firms, but neither link it to the ambidexterity literature. The current study demonstrates that cash flow is not only a source of operational difficulty but also a determinant of the strategic responses available to a founder. When working capital is tied up in inventory, it becomes difficult to invest in demand generation. Thus, cash flow is a prerequisite for ambidexterity, rather than a consequence of operational decisions.

A third contribution is the finding that the exploration–exploitation tension is phase-dependent in ways that existing ambidexterity theory does not capture. Smith and Lewis (2011) identify the structural conditions that give rise to ambidexterity tensions but treat them as relatively stable. The findings show that the intensity and character of the tension changes significantly as firms move from early stage through scaling to maturity, and that the appropriate navigation mechanisms shift accordingly. This suggests that ambidexterity in startups is better understood as a dynamic, evolving challenge rather than a fixed organizational condition.

A fourth and related contribution concerns the ongoing nature of ambidexterity in resource-constrained startups. Unlike large organizations where structural solutions can create relatively stable conditions for managing the exploration–exploitation tension, the firms in this study operate in a constant state of rebalancing. Founders are constantly making sequencing decisions, shifting attention reactively, simplifying scope, controlling growth, and reconfiguring their business models as they move through different phases. This is consistent with Lubatkin et al., (2006), who show that the successful pursuit of ambidexterity depends

on managers' ability to integrate competing demands and shift their attention between exploration and exploitation as circumstances change. However, the study further develops this argument by demonstrating that this flexibility depends not only on the founder's qualities but also on the structural conditions created by the business model and cash flow. The founders do not see ambidexterity as a state to achieve, but as a process to continually manage, consistent with O'Reilly and Tushman's (2013) characterization of ambidexterity as a dynamic capability.

6.2 Findings in Relation to Prior Literature

The layered model reveals a dimension of founder-level ambidexterity that is missed when studying only founder behaviour. The tension produces different outcomes across cases, not due to differences in founders' capacity, but rather, differences in the structural conditions in which they operate. The ambidexterity challenge for a founder running a made-to-order model is fundamentally different from that of a DTC brand founder with high inventory exposure. A founder with strong margins and a short cash conversion cycle has a lot more room to operate than someone with working capital always stuck in inventory. The behavioural mechanisms analysed in section 5.4 do not exist outside these structural conditions, rather, they are embedded within them.

In other respects, results are consistent with previous literature. The importance of managerial judgement in managing the tension is in line with the findings of Lubatkin et al., (2006) and Simsek et al., (2009) who argue that in smaller firms, exploration and exploitation should be balanced within a single organisational context rather than relying on structurally differentiated units. It is also consistent with Wang et al., (2019), who explicitly position ambidexterity in young ventures as a founder-level rather than an organizational-level concern. Lee and Kim (2024) also highlight the tendency to underestimate the time to validate demand and thus scale operations too soon. Simplification as a tool to achieve balanced rather than combined ambidexterity is consistent with Cao et al., (2009). The difficulties that bootstrapped firms face in maintaining their growth without formal management control systems also align with Davila et al., (2003).

The most important deviation from existing literature is the relation between business model design and ambidexterity. The existing literature considers these as separate concerns: business model as a commercial decision and ambidexterity as an organizational capability.

The findings contradict this distinction: for resource-constrained founders, the business model is the primary tool for ambidexterity management. Similarly, the marketing–operations literature, particularly Hausman et al., (2002), assumes that the two functions are organizationally distinct and that harmony between them must be actively coordinated. The findings show that when both functions reside in a single person, the coordination problem changes entirely, becoming a question of attention allocation and personal judgment rather than organisational alignment.

6.3 Practical Implications

For founders of resource-constrained startups, selecting a business model is a critical tension-management decision that will shape the firm's development. The two ventures of Respondent 4 give a clear example of how the same founder with the same capability had fundamentally different outcomes depending on whether the business model internalized or externalized the demand–operations tension. Founders should thus consider their business model not only in terms of margins and market fit, but also in terms of the ambidexterity burden it entails. Moreover, financial discipline, tracking gross margins, cash conversion cycles and inventory turnover, might be a useful alternative to formal management systems in early stages, offering a base for navigating sequencing decisions without the need for infrastructure that most early-stage firms cannot afford.

6.4 Future Research

The results and analysis of this study provide directions for future research. First, the proposed layered model needs to be empirically tested on a larger sample and across different industry contexts. The study is limited to digital-first retail in Sweden, and it is unclear how well the model applies to service businesses or markets with different operating conditions. More capital-intensive industries, for example, may depend more on financial resources and formal organizational structures than on business model design to manage the exploration–exploitation tension, making them another important context for future research.

Second, the discovery of phase-dependency of the ambidexterity tension suggests that longitudinal research designs might be better suited to capture the development of navigation mechanisms over time, rather than the retrospective interview approach used in this study. Third, future research could investigate the role of the founding team, instead of the

individual founder, in cases where co-founders and early employees divide responsibility for demand generation and operations. Such an arrangement may resemble structural differentiation, which the current study was not designed to capture.

7. Limitations

This study has several limitations that must be acknowledged despite its contributions.

Firstly, the qualitative and exploratory nature of the study limits the generalisability of the findings. The results are to be seen as context-specific, with key conditions shaping the findings. The study is limited to digital-first retail firms, with specific inventory dynamics dictating much of the tension. Furthermore, all firms in the sample operate within the Swedish market, which has specific characteristics in terms of consumer behaviour, infrastructure, and networks that may not transfer to other geographic contexts.

Secondly, the study is based on retrospective reports from founders, which may introduce recall bias. Respondents look back on their decisions and experiences, often during periods of rapid growth or uncertainty, which can lead to post-rationalization. A decision under uncertainty might later be characterised as more methodical or considered. This limitation is mitigated to some extent by comparing responses across several cases. It nevertheless limits the interpretation of the findings as fully objective representations of decision-making processes.

Third, the study is limited to the founder perspective. This fits the purpose of understanding navigation at the founder level but does not capture other organisational perspectives. Employees, operational managers, and external partners may experience the tension between demand generation and operational capacity in different ways. As firms grow and become more structured, decision-making is likely to become more distributed, which this study does not fully capture.

Fourth, the study does not attempt to establish causal links between founder actions and firm performance, instead it identifies styles of managing tensions. Although several mechanisms are observed, their effectiveness is not evaluated in terms of performance outcomes.

Fifth, the sample is to some extent subject to survivorship bias, as it consists of firms that have reached a scaling phase. This influences both the reflections founders could provide and

the navigation strategies captured in the data. As the study does not compare successful and unsuccessful firms, the identified strategies should not be interpreted as determinants of success. However, Respondent 4's failed venture provides some insight into how these dynamics may differ when founders are unable to manage the tension successfully. In this case, growing inventory tied up cash while demand generation required additional investment, leaving too few resources to support either effectively. This suggests that the mechanisms identified in the study, such as sequencing, simplification, and business model design, may represent strategies associated with successful navigation of resource constraints, rather than responses actually available to all founders

Finally, the study uses ambidexterity as a conceptual lens but does not attempt to measure ambidexterity. The framework is used interpretatively, not empirically validated using standard scales.

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Appendix

Interview Guide – General

1. Introduction & Growth Phases

- How would you describe the different phases of development so far (e.g., early stage, first hires, later growth)?
- How would you describe the growth rate across these different phases?

2. Demand Generation

- What has been your primary growth driver?
- Which channels and strategies have been most important for driving demand?
- How have you prioritized between different channels and investments over time?

3. Operational Capacity

- What have been the biggest challenges related to the operational side during your growth (e.g., inventory, product development, team, logistics)?
- How have you approached decisions around scaling these parts of the business?

4. Trade-offs & Tension

- Have you experienced clear trade-offs between demand and operational capacity?
For example: having to limit growth due to operational constraints, or investing in operations before demand was fully validated
- How have you managed these situations?
- Have you needed to simplify the business or business model to manage growth?
(e.g., fewer products, shorter lead times, fewer markets)

5. Resource Constraints & Financing

- How has your financing evolved over time?
- In what ways have financial constraints affected your ability to grow?
- How have you prioritized what to invest in at different points in time?

6. Reflection & Learnings

- Is there a specific situation or strategy that, in hindsight, you would have handled differently, particularly regarding the balance between demand and operational capacity?

AI Disclosure

Throughout the thesis process, we used AI tools such as ChatGPT, Claude, and primarily Grammarly to support our work. These tools were mainly used to improve the structure and clarity of the text, including sentence formulation, grammar, and overall coherence.

AI was also used in two stages of the data analysis process. First, AI transcription through Microsoft Teams was used to convert recorded interviews into text, which was subsequently reviewed and corrected against handwritten notes taken by the authors during the interviews, this was done to ensure transcription accuracy. Second, Claude was used to synthesize and structure the transcribed interview data around the predefined themes established in the interview guide, such as “scaling phases”. Specifically, the authors prompted the model to organize interview material according to these themes, making the data more consistent and easier to navigate across cases. All AI outputs were then reviewed, assessed, and revised by the authors before being incorporated into the analysis.

We believe that AI contributed positively to the final thesis by enhancing clarity and structure, helping to ensure that the main points were communicated clearly to the reader. In a comprehensive thesis, AI was also useful in reducing repetition and improving consistency throughout the text.

The primary risk we identified was the possibility of hallucinations. To mitigate this risk, we did not use AI to generate content; instead, it was used solely to refine clarity and structure. Similarly, when AI was used to identify patterns and themes in the qualitative data, we manually reviewed all outputs to verify their accuracy and ensure that the interpretations were grounded in the original material. Another potential risk concerned the privacy of interview data. To address this, we ensured that appropriate privacy settings were applied when using these tools, so that no sensitive or identifiable information was shared with or retained by the AI models.

Our main insight from using AI is that, while it is highly effective at improving clarity, structure, and grammar, it remains limited in its ability to produce nuanced analysis, particularly when connecting findings to academic literature and theoretical frameworks. We therefore view AI as a supportive tool that helps authors communicate their ideas and findings more clearly, rather than as a substitute for critical thinking and analysis.