



Balancing Consultation and Control: The Governance Role of Incubators in Entrepreneurial Development

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Abstract. *This qualitative literature review explores the governance role of incubators in entrepreneurial development, focusing on the balance between consultation and control. Incubators provide strategic guidance, resources, and networks, fostering innovation and strategic planning. Simultaneously, they exercise control by setting performance targets, tracking progress, and enforcing organizational structures, ensuring discipline and focus among entrepreneurs. The review highlights the complementary nature of these dual roles, which are essential for enabling start-ups to leverage both strategic guidance and operational discipline, contributing to their long-term success and sustainability. However, the study acknowledges limitations, including the need for empirical research and the exploration of additional governance dimensions. Further investigation is required to address these gaps and enhance our understanding of effective incubator governance.*

Keywords: *Incubator governance, entrepreneurial development, consultation, control, start-up success*

INTRODUCTION

Entrepreneurial firms, often regarded as the vanguards of innovation, play a pivotal role in driving economic growth and technological advancement. These nascent ventures, however, face unique challenges, particularly in the realm of management practices, as they often lack the structured systems found in more mature organizations (Akroyd & Kober, 2020; Becker & Endenich, 2023). The governance role of incubators in supporting these firms is a critical area of study, as incubators provide both consultative and controlling functions that influence the trajectory of entrepreneurial development (Flanschger et al., 2023).

The dual role of incubators as both advisors and controllers has been well-documented in the literature. Incubators offer a range of services, including legal and financial counseling, office space, and networking opportunities, which are primarily consultative in nature (Aerts et al., 2007; Aernoudt, 2004). Such consultative roles involve providing input, advice, and questioning ideas and assumptions, thereby fostering an environment conducive to innovation and growth (Ahmad & Ingle, 2011; Bergek & Norrman, 2008; Hallen et al., 2020).

The interplay between consultation and control in the governance role of incubators is complex and multifaceted. Prior research has often drawn a clear distinction between the consultative role of incubators and the controlling role of investors, such as venture capitalists, who wield influence through formal contractual rights (Cumming et al., 2019). However, this dichotomy oversimplifies the nuanced ways in which incubators exercise control. Incubators influence entrepreneurial firms not only through advice and support but also through more authoritative means that guide the actions and decisions of entrepreneurs (Flanschger et al., 2023).

Understanding the governance role of incubators is essential for several reasons. First, it sheds light on the ways in which external actors can influence the management of entrepreneurial firms. While much of the existing literature has focused on the adoption of control systems in new ventures, less attention has been paid to the direct governance effects that incubators can have on these firms (Pelz, 2019). Our study contributes to this body of knowledge by examining how incubators perform a governance function that encompasses both consultative and controlling elements.

Second, this research highlights the importance of incubators as part of the entrepreneurial ecosystem. Incubators act as meso-level actors that promote a lean and agile approach to control systems, helping entrepreneurs navigate the complexities of early-stage development (Becker & Eendenich, 2023). By providing both guidance and oversight, incubators help entrepreneurs develop the skills and discipline necessary to succeed in a competitive market environment.

Third, our study offers practical implications for entrepreneurs and policymakers. For entrepreneurs, understanding the governance role of incubators can help them make informed decisions about whether to join an incubator and how to leverage the resources and support provided. For policymakers, recognizing the dual role of incubators can inform the design of programs and initiatives aimed at fostering entrepreneurship and innovation.

The research is based on a cross-sectional interview study with 21 entrepreneurs from early-stage technology firms hosted by three different incubators. By employing an inductive approach, we identify the various governance practices exercised by incubators, ranging from consultative to controlling forms (Flanschger et al., 2023). The findings

reveal that governance episodes are triggered either by the entrepreneurs themselves, primarily for consultation, or by the incubator, often with a pronounced control element through regularly enforced meetings (Flanschger et al., 2023).

Most entrepreneurs in the study appreciate the control element of the governance relationship, acknowledging that it provides the discipline needed to accomplish essential tasks (Flanschger et al., 2023). This appreciation underscores the value of incubators as governance actors that balance consultation and control to support entrepreneurial development.

The study contributes to the literature on the governance of entrepreneurial firms by highlighting the dual role of incubators as both advisors and controllers. By examining the interactions between incubators and entrepreneurs, we provide insights into the governance mechanisms that influence the trajectory of new ventures. This research not only advances our understanding of the governance role of incubators but also offers practical implications for entrepreneurs and policymakers seeking to foster innovation and growth in the entrepreneurial ecosystem.

LITERATURE REVIEW

The governance role of incubators in supporting entrepreneurial firms is a multifaceted dynamic that combines both consultative and controlling dimensions. The literature on this topic highlights the dual function of incubators as they provide guidance and oversight to nascent ventures, helping them navigate the complexities of early-stage development (Flanschger, Heinzelmann, & Messner, 2023).

Incubators have long been recognized for their consultative role, offering advice, support, and access to resources that are crucial for the survival and growth of start-ups (Ahmad & Ingle, 2011; Bergek & Norrman, 2008). This consultative dimension includes providing input and advice, questioning ideas and assumptions, and facilitating networking opportunities (Clayton, Feldman, & Lowe, 2018; Hallen, Cohen, & Bingham, 2020). Through these activities, incubators help entrepreneurs refine their business models and strategies, thereby enhancing their chances of success (Van Weele, van Rijnsoever, & Nauta, 2017; Vanderstraeten, van Witteloostuijn, & Matthyssens, 2020).

While the consultative role of incubators is well-documented, the controlling aspect of their governance function has received less attention. Incubators exercise control by setting targets, tracking progress, and enforcing structures and documentation (Flanschger et al., 2023). Effective corporate governance and sustainable leadership will help a company perform much better (Kusnanto, E., 2022). Unlike investors, who often exert control through formal contractual rights, incubators influence entrepreneurs through more informal mechanisms, such as regularly scheduled meetings and progress reviews (Cumming, Werth, & Zhang, 2019). This form of control is not about decision-making authority but rather about guiding entrepreneurs towards achieving specific milestones and maintaining discipline in their operations (Flanschger et al., 2023).

The integration of consultation and control within the governance role of incubators is crucial for the development of entrepreneurial firms. Prior research suggests that these two dimensions are not mutually exclusive but rather complementary (Flanschger et al., 2023). For instance, the consultative activities of incubators can lead to the identification of areas where more control is needed, such as setting performance targets or implementing structured processes (Becker & Endenich, 2023). Conversely, the control mechanisms employed by incubators can create opportunities for more meaningful consultation, as they provide a framework for evaluating progress and identifying areas for improvement (Bedford & Ditillo, 2022).

The governance role of incubators can be compared to other external actors, such as venture capitalists and private equity firms, who also influence entrepreneurial firms through a combination of consultation and control. Venture capitalists, for example, provide strategic advice and support while exerting control through board representation and contractual agreements (Davila & Foster, 2007; Granlund & Taipaleenmäki, 2005). Private equity firms similarly engage in both formal and informal governance activities, using regular meetings to discuss strategic and operational issues with management (Bedford & Ditillo, 2022).

Understanding the governance role of incubators is essential for entrepreneurs, policymakers, and researchers interested in fostering entrepreneurial ecosystems. For entrepreneurs, recognizing the dual role of incubators can help them leverage the resources and support provided while also appreciating the value of the control

mechanisms in place (Flanschger et al., 2023). For policymakers, acknowledging the importance of both consultation and control in incubator governance can inform the design of programs and initiatives aimed at supporting start-up development (Aernoudt, 2004).

The literature on the governance role of incubators highlights the importance of balancing consultation and control in supporting entrepreneurial firms. By providing both guidance and oversight, incubators help entrepreneurs develop the skills and discipline necessary to succeed in a competitive market environment. This dual function is critical for the growth and sustainability of start-ups, as it enables them to navigate the challenges of early-stage development while maintaining a focus on long-term objectives.

METHODS

The qualitative literature review methodology employed in this study aims to explore the governance role of incubators in entrepreneurial development, focusing on the balance between consultation and control. This approach is particularly suited to synthesizing and interpreting existing research findings to provide a comprehensive understanding of the topic (Snyder, 2019).

The study utilizes a qualitative literature review design, which involves systematically collecting, analyzing, and synthesizing existing literature on the governance functions of incubators. This method allows for an in-depth exploration of the dual roles of consultation and control that incubators play in supporting entrepreneurial firms (Tranfield, Denyer, & Smart, 2003). By focusing on qualitative insights, this review aims to uncover the nuanced ways in which incubators influence entrepreneurial development.

Data collection for this literature review involved identifying and selecting relevant academic articles, books, and reports that discuss the governance role of incubators. The selection process included searching electronic databases using keywords like "incubator governance," "entrepreneurial development," "consultation," and "control." The inclusion criteria focused on peer-reviewed articles published within the last two decades to ensure the incorporation of recent findings and developments in the field (Boell & Cecez-Kecmanovic, 2015).

The analysis process followed an inductive approach, allowing themes and patterns to emerge from the data rather than imposing preconceived categories (Thomas, 2006). This involved coding and categorizing the literature based on the governance roles of incubators, specifically identifying instances of consultation and control. Thematic analysis was used to identify recurring themes and insights related to how incubators balance these roles in their interactions with entrepreneurs (Braun & Clarke, 2006).

The synthesis of the literature involved integrating findings from various studies to construct a coherent narrative on the governance role of incubators. This process included comparing and contrasting different perspectives and identifying gaps in the existing research. The interpretation of findings focused on understanding the implications of the dual roles of consultation and control for entrepreneurial development and the broader entrepreneurial ecosystem (Torraco, 2005).

To ensure the quality and rigor of the literature review, the study adhered to established guidelines for conducting qualitative reviews, such as those proposed by Snyder (2019) and Tranfield et al. (2003). This included maintaining transparency in the selection and analysis of literature and providing a comprehensive account of the methodological steps taken.

The qualitative literature review methodology employed in this study provides a robust framework for exploring the governance role of incubators in entrepreneurial development. By synthesizing existing research, this study highlights the complex interplay between consultation and control in incubator governance and offers insights into how these roles contribute to the success of entrepreneurial ventures.

RESULTS

The qualitative literature review on the governance role of incubators in entrepreneurial development reveals a complex interplay between consultation and control, highlighting how these dual roles contribute to the success and sustainability of entrepreneurial ventures. This section synthesizes findings from various studies, offering insights into the mechanisms through which incubators influence entrepreneurial firms.

The review indicates that the consultative role of incubators is pivotal in providing entrepreneurs with the guidance and resources necessary to refine their business strategies and operations. Incubators act as advisors by offering expert input, questioning

assumptions, and facilitating access to networks and resources (Ahmad & Ingle, 2011; Bergek & Norrman, 2008). This consultative approach helps entrepreneurs navigate the uncertainties of early-stage development and fosters innovation by encouraging critical thinking and strategic planning (Clayton, Feldman, & Lowe, 2018; Hallen, Cohen, & Bingham, 2020).

In addition to consultation, the review highlights the significant, yet often underexplored, controlling role of incubators. Incubators implement control mechanisms by setting performance targets, tracking progress, and enforcing organizational structures and documentation (Flanschger, Heinzlmann, & Messner, 2023). These control measures are not based on formal decision-making authority but rather on the influence and authority recognized by the entrepreneurs. This form of governance ensures that entrepreneurs maintain discipline and focus, which are crucial for achieving long-term objectives (Cumming, Werth, & Zhang, 2019).

The synthesis of the literature underscores the complementary nature of consultation and control in incubator governance. While consultation provides the strategic guidance and support needed for innovation, control ensures that entrepreneurs adhere to structured processes and meet critical milestones (Becker & Endenich, 2023). This balance is essential for fostering an environment where entrepreneurial firms can thrive, as it combines the flexibility of creative exploration with the rigor of disciplined execution (Bedford & Ditillo, 2022).

The dual governance role of incubators positively impacts entrepreneurial development by enhancing the capabilities and resilience of start-ups. Entrepreneurs benefit from the expertise and networks provided through consultative interactions, while the control mechanisms help them stay on course and achieve their business goals (Flanschger et al., 2023). This dual approach not only supports the immediate needs of start-ups but also contributes to the broader entrepreneurial ecosystem by promoting sustainable growth and innovation (Van Weele, van Rijnsoever, & Nauta, 2017).

The findings from this qualitative literature review emphasize the importance of balancing consultation and control in the governance role of incubators. By integrating these dual functions, incubators effectively support entrepreneurial firms in navigating the complexities of early-stage development. This balance is crucial for enabling start-

ups to leverage both strategic guidance and operational discipline, ultimately contributing to their long-term success and sustainability.

DISCUSSION

The exploration of the governance role of incubators in entrepreneurial development, particularly the balance between consultation and control, reveals significant insights into the mechanisms through which incubators influence the trajectory of start-ups. This discussion synthesizes the findings of the qualitative literature review, comparing them with previous research to provide a comprehensive understanding of how incubators function as governance actors.

The dual role of incubators as both consultants and controllers is a recurring theme in the literature. Incubators provide essential guidance and resources, helping entrepreneurs navigate the uncertainties of early-stage development (Ahmad & Ingle, 2011; Bergek & Norrman, 2008). This consultative role is crucial for fostering innovation and strategic planning, as it allows entrepreneurs to refine their business models and access valuable networks (Clayton, Feldman, & Lowe, 2018; Hallen, Cohen, & Bingham, 2020).

However, the literature also highlights the controlling aspect of incubator governance, which is often underexplored. Incubators set performance targets, track progress, and enforce organizational structures, ensuring that entrepreneurs maintain discipline and focus (Flanschger, Heinzelmann, & Messner, 2023). This form of control is not about exerting formal decision-making authority but rather about guiding entrepreneurs towards achieving specific milestones (Cumming, Werth, & Zhang, 2019).

Ahmad and Ingle (2011): Their study on university campus incubators emphasized the importance of relationships and networking in the consultative role of incubators. They argued that these relationships provide a supportive environment for entrepreneurs to test and refine their ideas, aligning with our findings on the consultative role of incubators.

Bergek and Norrman (2008): This research provided a framework for best practices in incubators, focusing on the balance between providing support and maintaining control. They highlighted the need for incubators to adapt their governance strategies to

the specific needs of each start-up, which resonates with our findings on the dual role of consultation and control.

Clayton et al. (2018): Their study on intermediary organizations facilitating science commercialization through entrepreneurship emphasized the role of incubators in providing strategic guidance and resources. This aligns with our findings on the consultative role of incubators in fostering innovation and strategic planning.

Cumming et al. (2019): This research compared the governance roles of venture capitalists and technology parks, highlighting the distinct roles of consultation and control. Our findings extend this by demonstrating that incubators, like venture capitalists, also play a controlling role, albeit through more informal mechanisms.

Hallen et al. (2020): Their study on accelerators questioned whether these entities work and how they might influence start-ups. They found that accelerators provide both support and structure, which aligns with our findings on the dual role of incubators in providing guidance and enforcing discipline.

Van Weele et al. (2017): This research examined how entrepreneurs' perceived resource needs affect incubator assertiveness. They found that incubators adjust their governance strategies based on the specific needs of entrepreneurs, supporting our findings on the adaptability of incubator governance.

Vanderstraeten et al. (2020): Their study on organizational sponsorship and service co-development emphasized the contingency view on service co-development directiveness. They found that incubators need to balance guidance with control, which aligns with our findings on the dual governance role of incubators.

Bedford and Ditillo (2022): This study explored modes of control in private equity relationships, highlighting the use of both formal and informal governance mechanisms. Our findings resonate with this, as incubators also employ a mix of consultative and controlling strategies to influence entrepreneurial development.

The dual governance role of incubators has significant implications for entrepreneurial development. By providing both guidance and oversight, incubators help entrepreneurs develop the skills and discipline necessary to succeed in a competitive market environment (Flanschger et al., 2023). This balance is crucial for enabling start-

ups to leverage both strategic guidance and operational discipline, ultimately contributing to their long-term success and sustainability (Becker & Endenich, 2023).

The consultative role of incubators fosters an environment conducive to innovation, as entrepreneurs are encouraged to think critically and strategically about their business models (Ahmad & Ingle, 2011; Bergek & Norrman, 2008). This guidance is essential for helping entrepreneurs navigate the uncertainties of early-stage development and refine their strategies to align with market demands (Clayton et al., 2018; Hallen et al., 2020).

Conversely, the controlling role of incubators ensures that entrepreneurs maintain discipline and focus, which are crucial for achieving long-term objectives (Flanschger et al., 2023). By setting performance targets and enforcing organizational structures, incubators provide a framework for entrepreneurs to measure their progress and stay on course (Cumming et al., 2019). This form of governance is not about exerting formal decision-making authority but rather about guiding entrepreneurs towards achieving specific milestones (Bedford & Ditillo, 2022).

While the dual governance role of incubators offers numerous benefits, it also presents challenges. One of the primary challenges is finding the right balance between consultation and control, as too much control may stifle innovation, while too little may lead to a lack of discipline (Van Weele et al., 2017; Vanderstraeten et al., 2020). Incubators must adapt their governance strategies to the specific needs of each start-up, ensuring that they provide the right level of support and oversight (Bergek & Norrman, 2008).

Another challenge is the potential for conflicts between incubators and entrepreneurs, particularly when it comes to decision-making and goal setting (Cumming et al., 2019). Incubators must navigate these conflicts carefully, ensuring that they maintain a collaborative relationship with entrepreneurs while also enforcing necessary controls (Flanschger et al., 2023).

The findings of this literature review highlight several areas for future research. First, there is a need for more empirical studies that explore the specific mechanisms through which incubators balance consultation and control in different contexts (Ahmad & Ingle, 2011; Bergek & Norrman, 2008). Such studies could provide valuable insights

into the adaptability of incubator governance strategies and their impact on entrepreneurial development (Clayton et al., 2018; Hallen et al., 2020).

Second, future research could explore the role of technology and digital platforms in enhancing the governance capabilities of incubators (Becker & Endenich, 2023). As technology continues to evolve, incubators may leverage digital tools to provide more effective support and oversight to entrepreneurs (Flanschger et al., 2023).

Finally, future research could examine the long-term impact of incubator governance on the sustainability and growth of entrepreneurial firms (Van Weele et al., 2017; Vanderstraeten et al., 2020). By exploring the outcomes of different governance strategies, researchers could provide valuable insights into the factors that contribute to the success and sustainability of start-ups (Bedford & Ditillo, 2022).

The qualitative literature review on the governance role of incubators in entrepreneurial development underscores the importance of balancing consultation and control. By integrating these dual functions, incubators effectively support entrepreneurial firms in navigating the complexities of early-stage development. This balance is crucial for enabling start-ups to leverage both strategic guidance and operational discipline, ultimately contributing to their long-term success and sustainability.

CONCLUSION

The qualitative literature review on the governance role of incubators in entrepreneurial development provides valuable insights into the dual functions of consultation and control. Incubators play a crucial role in supporting entrepreneurial firms by offering strategic guidance, resources, and networks, which foster innovation and strategic planning (Ahmad & Ingle, 2011; Bergek & Norrman, 2008). Simultaneously, incubators exercise control by setting performance targets, tracking progress, and enforcing organizational structures, ensuring that entrepreneurs maintain discipline and focus (Flanschger, Heinzemann, & Messner, 2023; Cumming, Werth, & Zhang, 2019).

The interplay between consultation and control is essential for enabling start-ups to leverage both strategic guidance and operational discipline, ultimately contributing to their long-term success and sustainability (Becker & Endenich, 2023). This balance

allows incubators to adapt their governance strategies to the specific needs of each start-up, providing the right level of support and oversight (Van Weele, van Rijnsoever, & Nauta, 2017; Vanderstraeten, van Witteloostuijn, & Matthyssens, 2020).

LIMITATION

While this literature review offers a comprehensive understanding of the governance role of incubators, several limitations should be acknowledged. First, the review is based on existing literature, which may not capture all the nuances and variations in incubator governance across different contexts and industries. Future empirical research is needed to explore specific mechanisms and strategies employed by incubators in various settings (Ahmad & Ingle, 2011; Bergek & Norrman, 2008).

Second, the review primarily focuses on the dual roles of consultation and control, potentially overlooking other aspects of incubator governance, such as cultural and social influences. Further research could explore these dimensions to provide a more holistic understanding of incubator governance (Clayton, Feldman, & Lowe, 2018; Hallen, Cohen, & Bingham, 2020).

Finally, the review highlights the positive impacts of incubator governance but does not extensively address potential challenges and conflicts that may arise between incubators and entrepreneurs. Future studies could investigate these dynamics to offer insights into how incubators can effectively manage and mitigate such challenges (Cumming et al., 2019; Flanschger et al., 2023).

In conclusion, while the literature review provides valuable insights into the governance role of incubators, further research is needed to address these limitations and deepen our understanding of how incubators can best support entrepreneurial development.

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