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Management Control Systems and Startup Legitimacy on Funding Success

Heni Indah Pratiwi[1*], Galih Fajar Muttaqin[2]
[1,2]Jurusan Akuntansi Fakultas Ekonomi dan Bisnis Universitas Sultan Ageng Tirtayasa, Banten Indonesia
[*)]Corresponding E-mail: heni.indah@untirta.ac.id

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Abstract
This study aims to explore the dual role of Management Control Systems (MCS) as a mechanism for building startup legitimacy and its impact on funding success. Grounded in institutional theory and signaling theory, this research develops a conceptual framework that views MCS not only as an internal control tool but also as a strategic instrument for gaining legitimacy in the eyes of investors. The study employs an explanatory sequential mixed-methods design. Data were collected through a survey of 100 startups in Indonesia in 2025, as well as in-depth interviews with 15 founders and 10 investors. Quantitative analysis using Structural Equation Modeling (SEM) with SmartPLS 4.0 reveals that MCS formalization and its use as a signal have a positive and significant effect on legitimacy, which in turn increases the probability of funding success. Furthermore, legitimacy is found to be a significant mediating variable in this relationship. Internally, the implementation of MCS also yields substantive benefits, including improved financial discipline and strategic clarity. These findings provide theoretical contributions to the MCS literature within the entrepreneurial context and offer practical guidance for startup founders in leveraging MCS as a tool to build credibility and attract investment.

1. INTRODUCTION

The digital era has given rise to a new economic force founded on innovation and technology: startups (Zhang et al., 2025). In Indonesia, this phenomenon has experienced significant growth, marked by the emergence of several unicorns and decacorns that not only dominate the domestic market but are also establishing a regional presence (Supriyanto et al., 2025). These startups emerge from breakthrough ideas, the strategic use of digital technology, and a strong entrepreneurial spirit aimed at addressing various societal challenges (Wei et al., 2025). However, beneath these success stories lies a fundamental challenge that determines startup survival: the ability to secure sustainable funding (Azeem & Khanna, 2025). In their early growth stages, startups often experience negative cash flow, lack profitability, and possess limited tangible assets, rendering them highly reliant on external funding from venture capital (VC) firms and angel investors (Chakraborty et al., 2025).

In this highly competitive environment, securing funding extends beyond merely presenting an innovative vision or product (Tiagarassa Pillay & Kasseeah, 2025). Investors conduct rigorous due diligence processes to assess investment viability, examining factors beyond the product or technology alone. They scrutinize business fundamentals, operational

models, and—most critically—the founding team's capacity to manage and control the enterprise (Luiz et al., 2025). Unfortunately, many startup founders neglect this aspect of management governance, perceiving Management Control Systems (MCS)—including budgeting processes, Key Performance Indicator (KPI) frameworks, and financial reporting systems—as rigid bureaucracies that impede agility and creativity (Xavier et al., 2026). This perception creates a critical gap, wherein startups operate without adequate control systems, resulting in opacity regarding internal conditions and increased vulnerability in strategic decision-making (Xavier et al., 2026).

This gap constitutes the central focus of the present study: while startups tend to view MCS as a bureaucratic burden, investors—as capital providers—regard it as a prerequisite for legitimacy (Umbreen et al., 2026). From an institutional theory perspective, legitimacy is defined as the generalized perception that an entity's actions are desirable, proper, or appropriate within a socially constructed system of norms, values, and beliefs (Gang et al., 2025). For startups, legitimacy in the eyes of investors is essential for gaining access to capital resources (Hoffmann et al., 2025). Therefore, startups must convince investors that they are professionally managed entities with sound governance. This is the context in which MCS assumes a role extending beyond that of a mere internal control tool. It functions as a strategic instrument for achieving legitimacy. A startup that can demonstrate well-structured financial reports, robust budgeting systems, and measurable KPIs sends a strong signal to investors regarding professionalism, discipline, and risk management capability (Hoffmann et al., 2025).

However, MCS research has long been dominated by studies conducted in large, established organizations, thereby failing to adequately reflect the dynamic and uncertain context confronted by startups (Iglesias da Silva et al., 2025). Meanwhile, research in the field of entrepreneurship has focused predominantly on success factors such as founder characteristics or business models, and has paid less attention to the technical aspects of management control systems (Doghan et al., 2025). Several recent studies have begun to highlight the role of MCS in startups; however, their focus has typically been on system evolution or its function in driving innovation, rather than on its potential as a legitimacy-enhancing mechanism (Barile et al., 2025). Moreover, research specifically examining the role of MCS as a mechanism for building legitimacy in the eyes of investors remains extremely limited, particularly within the Indonesian context, which possesses unique characteristics in its investment ecosystem and business governance practices (Batra et al., 2022).

Therefore, this study argues that MCS should no longer be viewed as a bureaucratic burden, but rather as a strategic tool that can build legitimacy in the eyes of investors. This research aims to investigate how startups utilize MCS to cultivate an image of professionalism and trustworthiness, thereby overcoming the funding challenges that impede their growth. The central research question guiding this investigation is as follows: How do Management Control Systems function as strategic instruments for building legitimacy and securing funding success for startups within the Indonesian investment ecosystem? To provide a comprehensive examination of this phenomenon, the overarching question is disaggregated into three specific sub-questions: (1) How do MCS formalization and its strategic use as a signal influence the level of legitimacy that investors grant to startups? (2) To what extent does this investor-perceived legitimacy mediate the relationship between MCS practices and successful funding outcomes? (3) What substantive internal organizational benefits—beyond external legitimacy—do startups derive from implementing these control systems?

Through an in-depth qualitative approach, this study will analyze investor perceptions of MCS components, startup strategies for presenting MCS, and the subsequent impact on

investment decision-making processes. The findings of this study are expected to contribute theoretically by enriching the MCS literature and extending institutional theory to the startup context, while also providing practical guidance for startup founders in designing and implementing effective MCS to attract investor interest. Thus, this research is not only academically relevant but also constitutes an important reference for stakeholders within the Indonesian startup ecosystem who seek to survive and thrive in an increasingly competitive market. Ultimately, building a robust MCS is no longer an option, but a strategic necessity for achieving legitimacy and sustainability.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The Management Control System (MCS) has long been a focal point in accounting and management studies; however, the majority of previous research has concentrated on the context of large and established organizations with relatively stable operating environments (King & Clarkson, 2015). In traditional literature, MCS is often understood as a set of formal mechanisms designed to ensure the achievement of organizational goals through internal control and the optimization of operational efficiency (J. J. Yang et al., 2025). In his renowned conceptual framework, "Levers of Control," Simons, 1995 identifies four types of control systems: belief systems, boundary systems, diagnostic control systems, and interactive control systems, which are widely applied in traditional companies to manage organizational strategy and behavior. However, in the context of startups, characterized by high uncertainty, rapid market dynamics, and limited resources, MCS undergoes a significant paradigm shift (Gonçalves et al., 2025).

Research by (Davila et al., 2015) indicates that in startups, MCS does not necessarily emerge as a natural part of organizational growth but is instead adopted in response to specific managerial challenges, such as the need for more structured coordination, managing increased complexity, or responding to external pressures from stakeholders like investors. Furthermore, (Cardinal et al., 2017) found that in dynamic environments such as startups, MCS does not only function as a conventional control tool but also serves as a means for organizational capability building and collective learning. In other words, MCS in startups is not only intended to control but also to empower and facilitate innovation (Davila et al., 2009).

On the other hand, Legitimacy Theory, rooted in Institutional Theory (Suchman, 1995), emphasizes the importance of legitimacy as a strategic resource that new organizations must possess to survive and thrive. Legitimacy, defined as the perception that an organization is considered desirable, proper, or appropriate within a shared system of norms and values, becomes a critical foundation for startups, which often lack a solid financial track record (Liu et al., 2025). Startups heavily rely on legitimacy to attract crucial resources, including funding, talent, and support from strategic partners (Knight et al., 2020). In the Indonesian context, (Prasetyo, 2022) identifies that startup founders proactively manage legitimacy through a series of distinctive strategies. These strategies not only include conformity to industry norms but also more adaptive initiatives such as building strategic alliances with incumbent players, engaging in policy advocacy, and reframing their business models to align with local socio-cultural values. These findings highlight that legitimacy efforts within the Indonesian ecosystem are a dynamic process requiring a more complex approach than merely following existing norms.

In this context, MCS not only serves as an internal tool for operational management but also functions as a symbolic tool to build and communicate legitimacy in the eyes of external investors (Becker-Blease & Sohl, 2015) note that formal MCS practices such as audited

financial statements, comprehensive budgeting systems, and measurable key performance indicators (KPIs) act as signals of professionalism, transparency, and good governance. These signals, in turn, help reduce information asymmetry and the uncertainty faced by investors when assessing a startup's potential. However, although the relationship between MCS and legitimacy has begun to receive attention in international literature, research that specifically highlights the role of MCS as a legitimacy tool in the Indonesian context remains very limited (Teittinen et al., 2023). The unique characteristics of the Indonesian startup ecosystem, such as the dominance of venture capital funding, the role of regulators, and local cultural norms, make this context an intriguing academic gap that needs to be promptly addressed to provide a more holistic and contextual understanding (Kharisma, 2021).

This study argues comprehensively that the Management Control System (MCS) functions as a legitimacy tool for startups in securing funding. This conceptual framework is designed using a systemic approach consisting of three interrelated main components: input, process, and output (Davila et al., 2015). The input component represents the initial conditions that drive startups to adopt MCS. As new entities, startups face what institutional theory terms the "liability of newness" a condition of vulnerability inherent in new organizations due to their lack of a track record, established networks, and trust from external stakeholders (T. Yang & Aldrich, 2017). This legitimacy pressure is compounded by the urgent need for resources, particularly funding, which is vital for the survival and growth of the startup (Schäffer et al., 2015). The combination of legitimacy pressure and resource needs creates a situation that triggers startups to actively adopt various legitimacy strategies, with MCS positioned as one of the most effective strategic instruments (Becker & Endenich, 2023). However, although there are indications that MCS can function as a legitimacy signal, there has been little research that empirically tests the input-process-output concept of MCS adoption as a legitimacy tool in the context of Indonesian startups.

The process component, this framework identifies two strategic mechanisms by which startups utilize MCS to build legitimacy (Davila et al., 2015). The first mechanism is conformity to industry norms (Suchman, 1995), whereby startups adopt MCS practices considered best practice standards in the industry, such as implementing Objective and Key Results (OKR) software, preparing audited financial statements, developing comprehensive performance dashboards, and adopting governance frameworks (Zimmerman & Zeitz, 2002). This conformity functions to demonstrate that the startup operates in accordance with the expectations and norms prevalent in the business ecosystem (DiMaggio & Powell, 1983). The second mechanism is signaling to investors (Spence, 1973). whereby startups selectively highlight specific aspects of their MCS during the pitching and due diligence processes, such as key performance metrics indicating product-market fit, healthy unit economics, efficient customer acquisition costs, and business model scalability (Connelly et al., 2011). Through these two mechanisms, startups strive to build three dimensions of legitimacy simultaneously: pragmatic legitimacy by demonstrating concrete benefits for investors, moral legitimacy by demonstrating good governance practices, and cognitive legitimacy by adopting forms of MCS that are already taken for granted within the investor community (Suchman, 1995).

The output component within this framework includes the expected results of using MCS as a legitimacy tool (Davila et al., 2015). The primary output to be achieved is an increase in legitimacy in the eyes of investors, manifested in heightened levels of trust, positive perceptions of management professionalism, and improved assessments of the startup's investment viability (Zimmerman & Zeitz, 2002). The secondary output, which is the ultimate goal, is an increased probability of securing funding, measured by success in passing the due diligence stage, signing a term sheet, and ultimately disbursing the investment (Davila

et al., 2015). However, this conceptual framework also critically considers the internal consequences of using MCS for legitimacy purposes. On one hand, implementing MCS can bring substantive gains such as improved financial discipline, strategic clarity, operational transparency, and organizational capacity, which ultimately enhance the startup's overall performance (Schäffer et al., 2015). On the other hand, there is a risk of decoupling, where MCS is only symbolically applied as "window dressing" without deep integration with internal operations, thereby creating additional administrative burdens without providing substantial added value (Meyer & Rowan, 1977).

By considering both sides of these consequences, the conceptual framework of this study not only explains the instrumental relationship between MCS and legitimacy but also highlights its multidimensional impact on the startup organization as a whole, thereby offering a more holistic and balanced perspective in understanding this phenomenon. Based on the conceptual framework above, this study proposes the following five hypotheses:

Hypothesis 1: The degree of MCS formalization possessed by a startup is directly proportional to the level of legitimacy granted by investors. Startups with formal budget documents, audited financial statements, and measurable KPIs will be assessed as more legitimate than those with informal systems.

Hypothesis 2: The use of MCS as a signaling tool during the pitching and due diligence process positively influences investors' perceptions of management team professionalism. The founder's ability to explain budget assumptions and performance metrics will increase investor trust.

Hypothesis 3: The legitimacy built through adequate demonstration of MCS is directly proportional to the likelihood of the startup securing funding. High legitimacy will increase the probability of passing due diligence and signing a term sheet.

Hypothesis 4: The effect of MCS formalization on funding success is significantly mediated by an increase in legitimacy in the eyes of investors. Legitimacy acts as a mediating variable that explains why formal MCS leads to more successful funding.

Hypothesis 5: Startups that adopt MCS for legitimacy purposes will experience improvements in financial management discipline and internal strategic clarity as substantive impacts. The MCS implementation process will foster a culture of data-driven decision-making within the team, regardless of its initial motivation.

These hypotheses will be tested through qualitative and quantitative approaches to provide a comprehensive understanding of the role of MCS in building legitimacy and its impact on the success of startup funding.

3. RESEARCH METHOD

This study employed a mixed-methods explanatory sequential design to gain a comprehensive understanding of the role of Management Control Systems (MCS) as a legitimacy tool for startups in Indonesia. This approach was chosen because it combines the strengths of quantitative data in testing hypotheses and examining relationships between variables with the depth of qualitative data in understanding the mechanisms and context underlying these relationships. The study was conducted in two phases. The first phase employed a quantitative method using a survey of Indonesian startups to test the formulated hypotheses, while the second phase employed a qualitative method through in-depth

interviews with startup founders/CEOs and investors to explain, deepen, and enrich the findings from the quantitative phase.

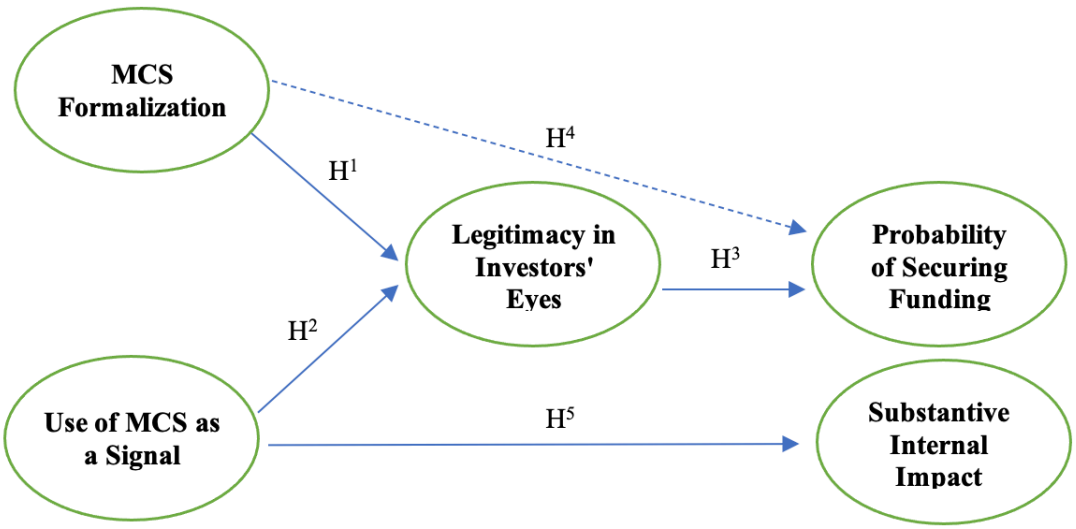
Based on data from the Ministry of Communication and Digital Affairs (KOMDIGI), there were 2,342 startups in Indonesia in 2022. Based on the data obtained and analyzed according to the research criteria, 161 startups met the inclusion criteria (aged between 2 and 7 years, had conducted a formal pitch to investors, and possessed a formal management structure and leadership hierarchy). Of the total questionnaires distributed, 100 were returned and could be processed as quantitative data. For the interview phase, the study successfully interviewed 25 informants, consisting of 15 startup founders/CEOs and 10 investors, who were able to provide in-depth information relevant to the research theme.

Research variables were measured using instruments with established validity and reliability. MCS formalization was measured using 15 items covering the dimensions of budgeting formality, completeness of financial reports, and performance measurement systems. The use of MCS as a signal was measured using 10 items concerning MCS presentation strategies during pitching. Legitimacy in the eyes of investors was measured using 12 items encompassing the dimensions of startup legitimacy, while funding success was measured using a dummy variable and the amount of funding secured. Organizational impact was measured using 8 items covering the dimensions of financial discipline and strategic clarity.

Data were collected using three main techniques. First, structured questionnaires were distributed through online platforms with the assistance of Indonesian startup associations to collect quantitative data. Second, in-depth interviews using a semi-structured guide were conducted to gather qualitative data from founders and investors. Third, document studies were carried out on pitching materials and financial reports for the purposes of data triangulation and validation of findings.

Data analysis was conducted in an integrated manner. Quantitative data were analyzed using Structural Equation Modeling (SEM) with SmartPLS 4.0 software to test the hypotheses and mediation model, supplemented by descriptive statistical analysis and validity and reliability tests of the instruments. Qualitative data were analyzed using thematic analysis with NVivo 12 software to examine interview data, supported by content analysis for supplementary documents and method triangulation to enhance the validity of findings.

Picture 4.1 Research Model



(Davila et al., 2015); (Suchman, 1995); and (Spence, 1973)

Variable Descriptions:

* Independent Variables (X): MCS Formalization (X_1) & Use of MCS as a Signal (X_2)
* Mediator Variable (M): Legitimacy in the Eyes of Investors
* Dependent Variables (Y): Probability of Securing Funding (Y_1) & Substantive Internal Impact (Y_2)
* Contingency Factor: Symbolic Consequences (Decoupling) which may weaken the relationship $X_1 \rightarrow Y_2$.

4. RESULT AND ANALYSIS

4.1 Quantitative Data Analysis Results Using SEM-PLS

The analysis using SEM-PLS indicates that the research model has an adequate level of fit and moderate explanatory power for the endogenous variables. All constructs meet the validity and reliability criteria, making the structural model suitable for interpretation.

4.1.1 Evaluation of the Measurement Model (Outer Model)

Evaluation of the measurement model was conducted by testing convergent validity, discriminant validity, and the reliability of each construct. The test results are presented in Table 4.1.

Table 4.1. Measurement Model Evaluation Results

Construct	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
MCS Formalization	0.876	0.910	0.634
Use of MCS as a Signal	0.812	0.872	0.578
Legitimacy in Investors' Eyes	0.901	0.923	0.656
Probability of Securing Funding	0.845	0.895	0.682
Substantive Internal Impact	0.829	0.882	0.603

Description:

* All values for Cronbach's Alpha and Composite Reliability (CR) are above 0.70, indicating good construct reliability.
* All Average Variance Extracted (AVE) values for each construct are above 0.50, indicating adequate convergent validity.
* Discriminant validity is also met, as the square root of the AVE for each construct is greater than the correlations with other constructs (results of cross-loadings and the Fornell-Larcker criterion meet the requirements).

4.1.2 Evaluation of the Structural Model (Inner Model)

Testing of the structural model was conducted by examining the R^2, Q^2 values, and the significance of the paths through a bootstrapping procedure with 1000 subsamples. The test results are presented in Table 4.2.

Table 4.2. Hypothesis Testing Results (Path Coefficients)

Hypothesis	Path Relationship	Path Coefficient (β)	t-statistics	p-values	Result
H1	$X_1 \rightarrow M$	0.431	4.982	0.000	Supported
H2	$X_2 \rightarrow M$	0.399	4.615	0.000	Supported
H3	$M \rightarrow Y_1$	0.531	6.339	0.000	Supported
H4	$X_1 \rightarrow M \rightarrow Y_1$	0.221	3.871	0.000	Supported
H5	$X_1 \rightarrow Y_2$	0.367	3.213	0.000	Supported

Description:

* All path coefficients are significant at the $p < 0.01$ level.
* R^2 values for endogenous constructs:
* Legitimacy in Investors' Eyes = 0.688
* Probability of Securing Funding = 0.565
* Substantive Internal Impact = 0.356
* Q^2 values (predictive relevance) for all endogenous constructs are > 0, indicating the model has good predictive relevance.

4.1.3 Mediation Test Results

The mediation test was conducted using the bootstrapping method to test the significance of the indirect path. The results show that:

Legitimacy (M) significantly mediates the relationship between MCS Formalization (X_1) and the Probability of Securing Funding (Y_1), with an indirect effect value of 0.221 ($p < 0.000$). This supports H4.

The direct relationship between X_1 and Y_1 without mediation is also significant, indicating the presence of partial mediation.

4.2 Discussion of Results

4.2.1 The Influence of MCS Formalization and the Use of MCS as a Signal on Legitimacy

The results confirm that both MCS formalization (X_1) and the use of MCS as a signal (X_2) significantly increase legitimacy in investors' eyes (M), with path coefficients of 0.431 and 0.399 respectively. These findings align with institutional legitimacy theory (Suchman, 1995) and signaling theory (Spence, 1973). Startups with formalized MCS (formal budgets, audited financial reports, measurable KPIs) are perceived as more legitimate because they reflect good governance and management professionalism. Using MCS as a signal during pitching (such as highlighting key performance metrics, healthy unit economics) effectively reduces information asymmetry and builds investor trust.

4.2.2 The Influence of Legitimacy on the Probability of Securing Funding

The legitimacy built through MCS is proven to have a strong influence on the probability of securing funding (Y_1), with a path coefficient of 0.531. This indicates that during the due diligence process, investors do not only assess business potential, but also organizational legitimacy as a primary consideration. Startups perceived as legitimate have a higher probability of passing the due diligence stage, obtaining a term sheet, and ultimately receiving funding.

4.2.3 The Mediating Role of Legitimacy

The results support H4, confirming that legitimacy acts as a significant mediating variable between MCS formalization and funding success. The indirect effect of 0.221 shows that MCS does not only have a direct impact but also builds legitimacy, which in turn increases funding opportunities. This strengthens the argument that MCS functions as a strategic legitimacy tool, not merely an internal control mechanism.

4.2.4 Substantive Internal Impact of MCS Adoption

H5 is also supported, with a path coefficient of 0.367. The implementation of MCS, although initially motivated by legitimacy goals brings substantive internal impacts, including

Improved financial management discipline, Clarity of organizational strategy, and A

culture of data-driven decision-making. This shows that MCS adoption can yield dual benefits: external (legitimacy) and internal (organizational capability).

4.3 Synthesis and Integration of Qualitative Findings

The qualitative phase of this study, conducted through in-depth interviews with 15 founders/CEOs and 10 investors, provided rich contextual insights that deepen and explain the quantitative results.

1. Mechanism of Signaling: Investors emphasized that the mere existence of MCS is insufficient. What matters is the founder's ability to articulate the logic behind the metrics and budgets during pitching. This resonates strongly with H2, showing that "using MCS as a signal" is an active, communicative process.
2. The Nuance of "Decoupling": Interview data revealed that a subset of startups did experience the symbolic adoption or "window dressing" of MCS, primarily to satisfy investor checklists. These startups reported minimal internal benefits (corroborating the contingent negative effect on the X_1 ? Y_2 path). Founders who integrated MCS into daily operations reported transformative effects on team alignment and decision-making speed, validating H5.
3. Indonesian Context Specificity: Investors noted a growing expectation for formal governance among later-stage startups seeking Series A funding and beyond. However, for very early-stage seed funding, a compelling vision and team chemistry still dominated, with MCS serving as a "positive differentiator" rather than a strict requirement. This contextualizes the moderate R^2 values, suggesting MCS's role is potent but not absolute, and its importance scales with startup maturity.

The following section concludes the study by synthesizing the key findings and discussing their theoretical and practical implications. The hypothesis testing results demonstrate that the formalization of Management Control Systems (MCS) has a positive and significant effect on legitimacy in the eyes of investors. This finding indicates that the presence of formal budgeting systems, well-organized financial reports, and clear performance indicators are perceived as signals of a startup's professionalism and managerial readiness. This result aligns with the perspective of institutional theory, which emphasizes the importance of conformity to recognized norms within the investment environment.

Furthermore, the use of MCS as a signaling tool during pitching and due diligence also proves to have a positive effect on investor legitimacy. Investors evaluate not only the symbolic presence of the system but also the founder's ability to explain budget assumptions, performance metrics, and decision-making logic. This finding reinforces signaling theory, where MCS functions as a signal of management quality capable of reducing information asymmetry between the startup and investors.

Moreover, the research results show that legitimacy in investors' eyes positively influences the probability of securing funding. Startups perceived as legitimate have a greater chance of passing investor evaluation stages and securing funding commitments. The mediation effect test further confirms that legitimacy significantly mediates the relationship between MCS formalization and funding success. This affirms that MCS does not have a direct impact on funding but works through the mechanism of investor perception and trust.

From an internal perspective, MCS formalization is proven to provide a substantive internal impact, particularly in improving financial discipline and strategic clarity. However, this finding is contingent. In startups that implement MCS symbolically or merely as "window dressing," this internal impact becomes weaker. This phenomenon indicates the presence of decoupling, where the formal system is not fully integrated into daily operational practices.

Overall, the results of this study demonstrate that MCS has a dual mechanism in the startup context: serving as an external legitimacy tool to secure funding and as an internal strengthening mechanism whose impact is highly dependent on the quality of the system's implementation.

5. CONCLUSION

This study aimed to analyze the role of Management Control Systems (MCS) as a dual mechanism in building startup legitimacy and its impact on funding success. The results show that MCS formalization and the use of MCS as a signaling tool play an important role in enhancing a startup's legitimacy in the eyes of investors. This legitimacy, in turn, increases the startup's probability of securing external funding.

In addition to the external impact, this study also finds that MCS implementation can provide internal benefits in the form of improved financial discipline and strategic clarity. However, these benefits are not automatic. When MCS is implemented symbolically without substantive integration, its internal impact becomes limited. Therefore, MCS functions not only as an administrative tool but as a strategic instrument whose success is largely determined by its implementation approach.

Theoretically, this study enriches the MCS literature and institutional theory by highlighting the role of MCS as a legitimacy tool in the startup context, particularly in Indonesia. Practically, these findings provide implications for startup founders to not view MCS merely as an investor demand, but as a means to strengthen governance and business sustainability.

This study has several limitations that need to be considered. First, the use of survey data may contain respondent perception bias, especially in measuring legitimacy and the use of MCS as a signal. Second, the cross-sectional research design is not fully capable of capturing the dynamics of MCS evolution and startup legitimacy over time. Third, the research context focusing on startups in Indonesia limits the generalization of findings to startup ecosystems in other countries with different institutional characteristics.

Future research is suggested to employ a longitudinal design to observe the development of MCS and startup legitimacy more deeply. Additionally, future studies can expand on other contingency variables, such as the startup's life cycle stage or investor characteristics, to gain a more comprehensive understanding of the effectiveness of MCS in supporting startup success.

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