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The Placement of a Nominee Director as Controlling Mechanism in Venture Capital Financing

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Abstract: The high level of investment risk combined with the absence of collateral have made many venture capitalists to perform thorough evaluation process, establishing full information disclosure and implementing strict monitoring activities during the post investment stage. However, the absence of representatives in the investee firms' boards gives great impact on all the venture capitalists' endeavours to protect their investment interests, exposing them to the possibility of having management conflict and agency problem with their investee firms. As a result, this study investigates the moderating effect of nominee director on the relationship between venture capitalists and their investee firms in venture cooperation. Due to this, a cross-sectional study of questionnaire survey research design was conducted. The questionnaires were distributed through mailing procedure and data was generated from 35 Malaysian venture capital companies. Overall, the findings indicate that the nominee director insignificantly influence the relationship between venture capitalists and their investees in venture cooperation. Further results show that controlling mechanism through the placement of a nominee director failed to moderate the influence of Deal Origination and Screening (DOS), Evaluating Venture Proposal (EVP), Contracting and Deal Structuring (CDS), Monitoring and Post Investment Activities (MPI) and Risk Management (RM) on the management conflict. Based on the findings, it is inferred that venture relationship between venture capitalists and their investee firms are not influenced by the nominee director placed in the investee firms' board. Thus, the study recommends that Malaysian venture capitalists, which include policy makers, to give more consideration to the controlling factor in order to reduce the possibility of conflict to occur in venture cooperation.

Key words: Venture capital · Venture capitalists · Conflict · Nominee director · Entrepreneurs

INTRODUCTION

One of the ultimate goals in any venture cooperation is to create a fruitful venture business. The likelihood of a venture cooperation to success is also depends on the continuous monitoring and good relationships established between the venture capitalists and the entrepreneurs. Therefore, it is not surprise when most venture capitalists tend to play active monitoring roles during the post investment stage to improve the opportunity for their venture cooperation to success.

Nevertheless, in the absence of perfect foresight, the venture capitalists face the prospect of incomplete compliance by the investee firms [1, 2, 3 and 4]. In other words, the venture capitalists can only judge the effectiveness within which the investee firms complete their assigned tasks in an indirect way. Typically, the investee firms are not fully supervised and they have a measure of independence which tempts them to exploit the trust, i.e. by avoiding the risk and to shirk on effort. In addition, where informational asymmetries are significant between them, the investee firms are tempted to defect from the financial contracts because it is quite easy to

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manipulate strategic information to the venture capitalists about their venture businesses to their short-term ends [1].

It is cited that the absence of representatives in the investee firms' board may give great impact to all the venture capitalists' efforts in protecting their investment interests in their investee firms [5]. Furthermore, the venture capitalists are assumed to deal with many other firms in their portfolio and have limited time to focus directly on one particular investee firm. Therefore, any attempt made by the venture capitalists to deal directly with a problematic investee firm requires them to commit their precious time, efforts and other priceless resources and may also have the possibility to end with unfavourable result [2]. It is also cited that in any venture cooperation, conflict between cooperative parties seems to be inevitable and it is very difficult to avoid throughout the venture cooperation life. It is the same for the venture relationship between the venture capitalists and their investee firms.

Therefore, one of the mechanisms utilized by many venture capitalists to overcome these issuesis by placing a nominee director in their investee firms' board of directors. Besides becoming the venture capitalists' representative, the nominee director placed is also expected to become the controlling factor which isresponsible to closely monitor and supervise the investee firms in various business aspects in ensuring that the venture businesses are managed accordingly and comply with the venture capitalists investment requirement. Within this context, the nominee director placed also is expected to facilitate the venture relationship between the venture capitalists and their investee firms.

In this view, the placement of a nominee director in the investee firms' board has raised the major question for this study; can the controlling factor through the placement of a nominee director moderate the relationship between the venture capitalists and their investee firms?

In the light of above, this paper examines the moderating effect of a nominee director on the venture relationshipbetween the venture capitalists and their investee firms in venture capital financing in Malaysia.

Literature Review: In the last few decades, recommendations on how to increase board effectiveness, including reducing the conflict between the principal companies and their investee firms and corporate governance centred on the role of nominee directors, which are considered as one of the most important mechanisms to ensure corporate accountability (Boxer *et al*., 2012; Aggarwal, 2010; Bose, 2009).

Basically, the term nominee director refers to directors who are not employees of the company they were assigned and do not participate in the day-to-day business operations (Fahlenbrach, 2010). Aggarwal (2010) further defined a nominee director as someone whose position is a mix of agents and trustees. Therefore, they have fiduciary duty to act in the best interests of the company or their nominator. These directors would be whistle-blowers ensuring the shareholders' interests in the companies they were assigned are well protected. Their role was to provide independent views on corporate strategy, performance, resources, appointments and standards of conduct, though there were continuing concerns about whether there were sufficient suitably qualified individuals available to play what was deemed to be an important though still under-specified role (Froud*et al*., 2008).

Within the venture capital investment context, a nominee director will normally be placed by the venture capitalists in their investee firms' board of directors for monitoring, supervising and reporting purposes once the venture capital investment has taken its place. This is part of their endeavours in minimizing the potential of agency problem and other unfavourable scenarios such as facing disastrous conflict with the investee firms which may affect the success of their venture businesses. Besides, it is one of the mechanisms that many people believe to have the ability in moderating the venture relationship between the venture capitalists and their investee firms.

Venture capitalists are known as one of the main risk capital providers that offer financing to the potential firms that have sound business ideas but lack of capital to materialize them. Generally, their financing involves six sequential processes, at pre investment stage: i) deal origination and screening, ii) evaluating venture proposal, iii) contracting and deal structuring and at post investment stage, iv) monitoring and post investment activities, v) acquiring liquidity and vi) risk management [6, 4]. These six sequential processes, which are also recognized as the managerial factors in the venture capital literatures,suggest that due to the riskiness of the venture businesses, a strategic approach is usually used by the venture capitalists and potential firms in managing the venture businesses across the fullventure capital financing process. In other words, the recognition of these various managerial factors by the venture capitalists and the investee firms are believed to be strategic and at the same time affect the performance of their venture businesses.Therefore, it is important to understand the managerial factors, whereby the nature of management conflict between venture capitalists and entrepreneurs is a consequence of their characteristics.

In any venture cooperation, management conflict between cooperative parties seems to be inevitable and it is very difficult to avoid throughout the venture cooperation life. It is the same for the venture relationship between the venture capitalists and their investee firms. Within the context of venture capital cooperation, management conflict can be defined as the disagreement experienced by the venture capitalists with their investee firms in managing together their venture business. This term also covers agency conflicts or problems that are impossible to fully contract away by both parties. It is also cited that conflict between the venture capitalists and entrepreneurs negatively affect the venture outcomes [7, 4, 8].

The importance of developing cordial relationship between the venture capitalists and their investees were highlighted by many researchers in various academic studies.These studies include management conflict in venture capital financing in Malaysia [1], the inherent and actual conflicts between venture capitalists and venture backed firms [7], management conflict in venture capital financing in the Malaysian Information, Communication and Technology (ICT) sector [4], the cognitive conflict [8], the incentives to exit [9, 10], the exchanging of information and strategic information [11, 12], active monitoring [13, 14], the proper syndicating of financing [15], the staging of actual financing [16] and the screening mechanisms employed [17].

While such an emphasis is important, the studies does modestly to shed light on the controllingfactor rolesplayed by the nominee directorin venture cooperation in moderating the venture relationship between the venture capitalists and their investee firms.

For instance, Mohammad *et al*., (2014) [1] in his study on the management conflict between Malaysian venture capitalists and their investee firms found that venture evaluation process, venture contracting and deal structuring and venture monitoring and post investment activities were among the factors that contribute directly to the formation of management conflict between venture capitalists and their investeesin venture capital cooperation.However, the findings might not give aclear picture on the management conflict faced bythe Malaysian venture capitalists and their investees. This is because the study only focused on their venture relationshipwithout considering other factors that have the potential to facilitate the relationship towards reducing the management conflict in their venture cooperation.

Therefore, to overcome this limitation, this study's scope has been broadened by investigating the placement of a nominee director as controlling mechanism in venture capital cooperation between the Malaysian venture capitalists and the Malaysian entrepreneurs in various Malaysia economic sectors. Thus, this study shall enrich the information and literature in this area. In line with the above arguments, the following research framework has been formed to investigate the main research question.

Hypotheses Development: According to Mohammad *et al*., (2014) [1] and Sohaimi (2004) [8], venture capital financing involves six sequential processes known as the managerial factors, namely (i) deal origination and screening, (ii) evaluating venture proposal, (iii) contracting and deal structuring, (iv) monitoring and post investment activities, (v) acquiring liquidity and (vi) risk management. These are the factors that should be addressed by the venture capitalists in their investment since they are significantly related to the occurrence of management conflict in their venture cooperation. For instance, poor deal and screening coupled with the weak venture evaluation may result in the venture capitalists to fund incompetent firms which may have high potential to fail or defect in their venture cooperation. Also, incomprehensive deal structuring and weak venture financial contract may also create potentials for the investee firms to defect from the contract. Poor monitoring and weak risk management activities may result in the investee firms to be not fully supervised and finally may cause the venture capitalists to face the prospect of incomplete compliance by their investee firms in their venture cooperation. These are the factors that have high potentials to create management conflict in venture cooperation and hence are felt justified to be studied in the research framework as the independent variables. Additionally, the placement of a nominee director in any venture cooperation is cited in the literatures to be necessary in helping to facilitate the venture relationship established between the venture capitalists and their investees. This is the factor that has high potentials to moderate the venture relationship and hence is felt justified to be studied in the research framework as the moderator variable. Therefore, from the above discussions, the research framework for the study as presented in figure 1 should be acceptable.

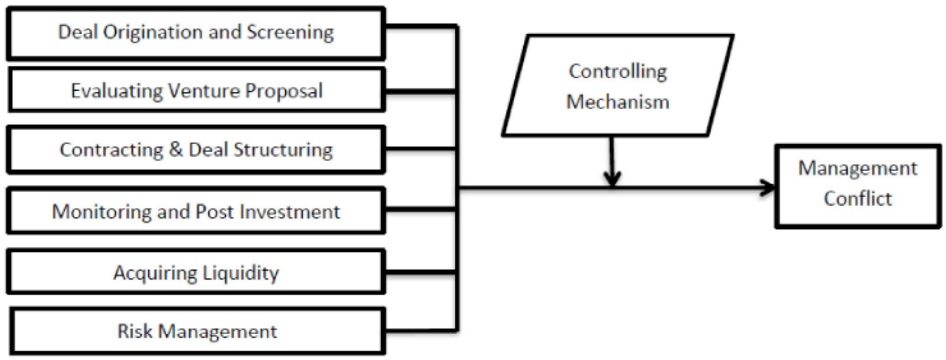

Fig. 1: Research Model

Based on these descriptions and also coupled with the above research framework, the following hypotheses are hereby formulated:

H_1: There is a significant difference between the managerial factors and management conflict.

H_2: Nominee director will moderate the relationship between the managerial factors and management conflict.

Methodology

Study Design: The study is a cross sectional study of the questionnaire survey approach with a judgment sampling method where the Malaysian venture capital companies operating in Kuala Lumpur and Selangor were selected as the targeted population of this study. The sample respondents in this study comprise of venture capital investment personnel from executive level or higher in the selected venture capital companies. The venture capital companies were identified through the Malaysian Venture Capital Development Council (MVCDC) and Malaysia Venture Capital Association (MVCA) directories obtained through their website. A list of 102 venture capital companies was sorted out from the main list. However, only 49 respondents were qualified to participate in the study as the study samples. The remaining 64 respondents were found to be either inactive or inaccessible. Of these 49 potential respondents, only 44 respondents were willing to participate in the study. A total of 44 survey questionnaires were distributed through the email and post procedures. A total of 35 completed questionnaires were returned filled, thus giving 79.55% response rate from the total sample size.

Measurement of Variables: To measure the variables, the study adopted the primary data collection questionnaire survey technique to achieve its objective. The survey questionnaire consists of twenty nine (25) closed ended and eleven (12) open-ended questions which were grouped into five parts. All variables in the study were measured using a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree was used to measure the extent to which respondents agree or disagree to each of the statements in the questionnaire [18-20].

Questionnaire Description: The independent variables (managerial factors) were measured using 93items while the dependent variable (management conflict) was measured using 9 items. The items used in this study were adapted from the various works of authors such as Yitshaki (2008) [7] and Sohaimi (2004) [4]. Deal Origination and Screening (DOS) was measured using 4 items while the Evaluating Venture Proposal (EVP) was measured using 36 items. 5 items were used to measure Contracting and Deal Structuring (CDS), 21 items were used to measure Monitoring and Post Investment Activities (MPI), 6 items were used to measure Acquiring Liquidity (AL) and another 21 items were used to measure Risk Management (RM). The moderator variable (controlling mechanism) was measured using 18 items. In total, there were 121 items used to measure the independent variables, the dependent variable and the moderator variable in this study. The data for the descriptive analysis were gathered from 12 open ended questions provided in the questionnaire.

RESULTS AND DISCUSSION

Descriptive Analysis Result: To summarize the profile of the respondents, a descriptive analysis was conducted using the SPSS version 19. The result indicates that out of the 35 respondents that participated in the study, the majority of them or 71.4%% of the respondents agreed that the placement of a nominee director in their investees' board of directors is compulsory while another 17.1% of them said that the placement is not compulsory. Another 11.4% of the respondents said that the placement of a nominee director in their investees' board depends on the venture capital funding amount. The result also indicates that all the respondents, or 100% of them require their investee to prepare the periodic reports. The result also indicates that the majority of the respondents or 68.6% of them often face problems and conflict with their investee firms. Another 17.1% respondents reported that they sometimes face problems with their investee firms while the other 14.3% reported that they rarely face problems with their investee firms.

PLS Estimation Results with Smart PLS: Due to the conditions of insufficient, small sample size, explanation on endogenous construct, variance based methods and the violation of the basic assumptions, the use of Partial Least Square (PLS) becomes necessary in this study in analyzing the data [21]. Sharma and Kim (2012) [22] noted that the use of PLS becomes necessary under conditions of insufficient sample size while Chin (1998) [23] concurred that PLS is required for data analysis in a situation where there are many indicators and factors are involved. In this vain, Zhang (2009) [21] noted that PLS can deal with both formative and reflective construct, which is the exact situation in this study. Thus, these situations reflect the present study and therefore, the study opted for the use of PLS for the data analysis.

Measurement Model: For the model measurement, construct validity was conducted using the smart PLS with a two-step structural equation modeling (SEM) approach by Anderson and Gerbing (1988) [24]. Based on this, the internal reliability and convergent validity for constructs were first conducted and then followed by the assessment of the discriminant validity of constructs as indicated in Table 1 and 2 respectively. For this, a minimum loading of 0.7 and above value was required for an item to be accepted for cross loadings and composite reliability as suggested by Hair *et al*., (2011) [25].

Table 1: Measurement Model Result

Latent variables	Items	Loadings	AVE	Composite Reliability
CDS	CDSc	0.873491		
	CDSd	0.916080	0.801094	0.889508
CM	CM1c	0.902932		
	CM1i	0.958777		
	CM2c	0.804822		
	CM3d	-0.761679	0.740608	0.777634
DOS	DOSc	0.795995		
	DOSf	0.740621	0.591064	0.742732
EVP	EVP2a	-0.870927		
	EVP3ETb	0.807604		
	EVP3MAa	-0.704151		
	EVP3PDa	0.871007		
	EVP3PDc	0.842331	0.674948	0.355035
MC	IAR2b	0.706685		
	IAR2c	0.773541		
	IAR2d	0.704601		
	IAR2e	0.777776		
	IAR2f	0.796354		
	IAR2g	0.825051	0.585676	0.894211
MPI	MPI1a			
	MPI1e	0.8167	0.915915	0.752971 0.858683
RM	RM1b	0.813775		
	RM2Arc	0.865786		
	RM2ARd	0.879343		
	RM2MRd	0.857290		
	RM2MRg	0.766160	0.701401	0.242900

Table 2: Discriminant Validity of Constructs

Latent Variables	1	2	3	4	5	6	7
CDS	0.895039						
CM	0.498594	0.860586					
DOS	0.076353	0.568163	0.768807				
EVP	0.447095	0.859494	0.409669	0.821552			
MC	0.510645	0.856755	0.634348	0.674287	0.76529		
MPI	0.393784	0.842862	0.615725	0.782508	0.565454	0.86774	
RM	0.139383	0.437594	0.516538	0.338696	0.477198	0.311371	0.837497

Table 3: Path Coefficients and Hypotheses Testing

Hypotheses	Relationship	Beta	Standard Error	t -Statistics	Decision
H_{1a}	DOS -> MC	0.090018	0.106349	0.846437	Not supported
H_{1b}	EVP -> MC	-0.283300	0.178968	1.582961	Supported
H_{1c}	CDS -> MC	0.193005	0.113923	1.694172	Supported
H_{1d}	MPI -> MC	0.552515	0.174811	3.160644	Supported
H_{1f}	RM -> MC	0.153538	0.129734	1.183482	Not Supported

$P<0.10$

The result in Table 1 indicates that only 2 items coded as DOSc and DOSf were retained for Deal Origination and Screening. 5 items coded EVP2a, EVP3ETb, EVP3MAa, EVP3PDa and EVP3PDc were also retained for Evaluating Venture Proposal. 2 items coded as CDSc and CDSd were retained for Contracting and Deal Structuring, while 2 items coded as MPI1a and MPI1e were retained for Monitoring and Post Investment activities. 5 items coded as RM1b, RM2ARc, RM2ARd, RM2MRd and RM2MRg were retained for Risk Management. 4 items coded as CM1c, CM1i, CM2c and CM3d were retained for Controlling Mechanism. 6 items coded as IAR2b, IAR2c, IAR2d, IAR2e, IAR2f and IAR2g were also retained for Management Conflict. One of the independent variables, Acquiring Liquidity and other items were removed due to the low loadings of less than 0.70.; A Composite Reliability (CR) = (square of the summation of the factor loadings)/ [(square of the summation of the factor loadings) + (square of the summation of the error variances)]; b Average Variance Extracted (AVE) = (summation of the square of the factor loadings)/ [(summation of the square of the factor loadings) + (summation of the error variances)].

For the average variance extracted (AVE), a minimum value of 0.5 is considered accepted [26, 23, 27, 28] while the discriminate validity of constructs is determined by the average variance shared between each construct and its measures should exceed the variance shared between the construct and other constructs [27]. Table 1 further indicates that all construct utilized in the study produced AVE values more than the suggested value of 0.5 by Bagozzi *et al*., (1991) [26] and Chin (1998) [23].

Accordingly, the result also indicates that all construct yielded factor loading more than 0.7 as suggested by [25] while the values for composite reliability also indicated 0.7 and above as suggested [26, 28], suggesting that the measurement model has achieved satisfactory internal reliability and convergent validity.

Table 2 shows the result of the discriminant validity for all the theoretical constructs. It indicates that the correlation for each construct is less than the square root of the average variance extracted suggesting that the measurement model has achieved adequate discriminant validity [27, 25].

The result of the SmartPLS structural model presented in Table 3 depicts the relationship between the exogenous and the endogenous constructs. It shows that there is a significant relationship between Contracting and Deal Structuring (CDS) and the management conflict (ß = 0.193005; t-Statistics = 1.694172). Further analysis also found that there is a significant relationship between Evaluating Venture Proposal (EVP) and management conflict (ß = -0.2833; t-Statistics = 1.60). The Monitoring and Post Investment (MPI) activities is also found to have a significant relationship with the management conflict (ß = 0.552515; t-Statistics = 3.160644).

However, the result indicates that there is no significant relationship between Deal Origination and Screening (DOS) with the management conflict (ß = 0.090018; t-Statistics = 0.846437). Further analysis also found that there is no significant relationship between Risk Management (RM) and management conflict (ß = 0.153538; t-Statistics = 1.183482). The overall R^2 is found to be 0.857095, which implies that the exogenous

Table 4: The Overall Effects (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)
CDS -> MC	0.175400	0.202381	0.161922	0.161922	1.083240
CDS * CM -> MC	-0.174346	-0.148130	0.222490	0.222490	0.783616
CM -> MC	0.516424	0.475952	0.411818	0.411818	1.254011
DOS -> MC	0.013484	0.026310	0.176935	0.176935	0.076211
DOS * CM -> MC	0.051124	0.031229	0.184505	0.184505	0.277085
EVP -> MC	-0.305329	-0.243761	0.294560	0.294560	1.036559
EVP * CM -> MC	-0.091752	0.043728	0.313468	0.313468	0.292701
MPI -> MC	0.470089	0.396749	0.349639	0.349639	1.344499
MPI * CM -> MC	-0.056407	-0.009936	0.359630	0.359630	0.156848
RM -> MC	-0.055308	0.014785	0.220788	0.220788	0.250503
RM * CM -> MC	-0.235116	-0.017596	0.309017	0.309017	0.760851

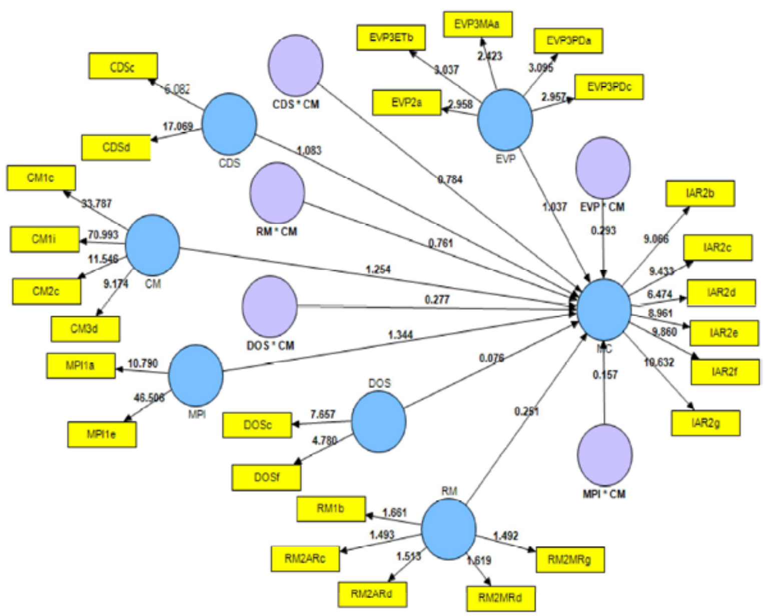

Fig. 2: The Moderating Effects of Controlling Mechanism (CM) on the Relationship Between the Independent Variables (deal origination and screening, evaluating venture proposal, contracting and deal structuring, monitoring and post investment activities and risk management) and the Dependent Variable (management conflict)

variables; deal origination and screening, evaluating venture proposal, contracting and deal structuring, monitoring and post investment activities, risk management and controlling mechanism explain 85.7% variance of the endogenous construct – management conflict.

The Moderating Effects: To test the second hypothesis (H_2) on the moderating effects of controlling mechanism (CM) on the relationship between the independent variables (deal origination and screening, evaluating venture proposal, contracting and deal structuring, monitoring and post investmentactivities and risk management) and the dependent variable (management conflict), the Smart PLS analysis was also conducted. The overall result indicates that controlling mechanism did not moderate the relationship between all the independent variables (deal origination and screening, evaluating venture proposal, contracting and deal structuring, monitoring and post investment activities and risk management) and the dependent variable (management conflict). Further details on these testing results are shown in Table 4.

Besides, Figure 2 also gives additional information on the moderating effects of controlling mechanism (CM) on the relationship between the independent variables (deal origination and screening, evaluating venture proposal, contracting and deal structuring, monitoring and post investment activities and risk management) and the dependent variable (management conflict).

DISCUSSIONS

The major objective of this study is to investigate the moderating effect of a controlling mechanism through the placement of a nominee director on the venture relationship between the venture capitalists and their investees in their venture cooperation. In other words, the study examined on how the placement of a nominee director in venture backed firms moderates the relationship between the venture capitalists and their investee firms in their venture cooperation. At the same time, the study also attempt to address the factors contributing to theoccurrence of management conflict between the Malaysian venture capitalists and their investee firms operating in various Malaysian economic sectors.

In realising this objective, the study utilised the Smart PLS to analyse the data generated from 35 venture capital companies operating in Malaysia.Overall, the result demonstrates that managerial factors namely evaluating venture proposal, contracting and deal structuring and monitoring and post investment activities significantly influence management conflict, while on the contrary, managerial factors namely deal origination and screening and risk management do not significantly influence management conflict. This result is consistent with previous studies by Sohaimi (2004) [4] and Yitshaki (2008) [7] who affirmed that there was a significant relationship between these managerial factors and the management conflict in venture cooperation.

Further result shows that the placement of a nominee director in the investee firms as the control mechanism failedto moderate the venture relationship between the venture capitalists and their investees. Therefore, it can be inferred that the placement of a nominee director in the investee firms by the venture capitalists for monitoring and supervising purposes is insufficientto facilitate the venture relationship between both contracted parties.

The hypothesis testing result for the moderator effect on the relationship between venture capitalists and their investee firms further indicates that the placement of a nominee director in the investee firms' board of directors gives little or no impact on the relationship between the venture capitalists and their investee firms. Consequently, this shall affect the venture capitalists' overall efforts to reduce the management conflict in their venture cooperation when the nominee director placed is unable to facilitate and moderate the relationship between the contracted parties.

The inability of the nominee director placed to moderate the relationship between the venture capitalists and their investee firms couldbe further explained by analysing this issue from directorship perspective. According to this, the investee firms' board of directors are consist of several differentindividual directors, in which some of them may also representing other share holders or principals. Hence, the decisions made by the board members are normally based on collectively basis, where every single decision proposed by the individual directors is thoroughly evaluated and assessed by the board members before the board could come out with theirultimate business decision.Therefore, the placement of a single nominee director in the investee firms' board of directors might not be capable of totally influence the decisions made by the overall board members, as each decision proposed by a single director is seen as a unique and not comprehensive.

We therefore argued based on our findings that evaluating venture proposal, contracting and deal structuring and monitoring and post investment activities are crucial in determining the occurrence of management conflict in venture cooperation. Therefore, Malaysian venture capitalists involve in the venture capital investment should address these factors if they want to minimize the conflict potentials between them and their investees in their venture cooperation. This is very critical since the cordial relationship between them and their investee firms is necessary in helping both parties to increase the opportunity for the venture cooperation to success [29, 30].

We also argued that the placement of a nominee director in the investee firms' board of directors is unable to moderate the venture relationship established between the venture capitalists and their investees. Hence, the Malaysian venture capitalists need another superior mechanism or other additional mechanisms to complement the nominee director roles in helping them to successfully moderate and facilitate their venture relationship and at the same time reduce the potential for the management conflict to occur between them and their investees in their venture cooperation.

CONCLUSION

Without doubt, the findings obtained in this study have several implications. It has shed more insight on the need to understand the factors that contribute to the formation of management conflict in venture cooperation as well as the importance in addressing these factors towards mitigating the management conflict which can negatively affect the venture outcome. It has informed the Malaysian venture capitalists to be more focused on their investment practice with particular attention to venture evaluation process, contractual and deal structuring and venture monitoring activities. Besides, the findings also have shed more insight on the need to understand the responsibilities and jurisdiction of a nominee director in venture cooperation. Through this understanding, efforts can be taken to allow the duties and responsibilities of the nominee director to suit their jurisdiction to enable their roles to be effectively played.The major limitation for this study is data. The data for this study is limited due to the small population size of the Malaysian venture capital companies. Therefore, we recommend that this study should be replicated with a qualitative approach in other environments and research setting.

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