



Factors Affecting Business Angels Investment in Vietnam

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Abstract

The paper aims at investigating and comparing the factors determining investment decisions by business angels (BAs) from the viewpoints of BAs and startups in Vietnam based on a framework synthesized from a literature review and primary data from in-depth interviews conducted with 8 startups and 15 angel investors. The results show that the startups' founder, working team, financial issues, product and market, and strategy related to exit and the roles of BAs are startup-related factors determining BAs' investment in Vietnam. For BA-related factors, the BAs' experience, investment objectives and preferences, and culture are key determinants. The novelty of the paper is to find out the gaps between the perspectives of BAs and startups, and the difference between Vietnamese and foreign BAs' viewpoints. The finding is that BAs, more strictly than startups, assess their business plan, financial state, product, market, and targeted consumers. Startups neglect the exit strategy and role of BAs in invested startups. In addition, foreign and domestic BAs have different opinions on startups' market scale, and expectation of profits and BAs' roles in startups. The paper ends by providing some implications for Vietnamese startups to attract more angel investment, focusing on improving the quality of human resources, developing a profitable, honest, and realistic business plan, and setting up a long-run vision towards the global market.

Keywords:

Startups;
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1- Introduction

Business Angels are considered some of the most important (though least understood) players in our entrepreneurial landscape today [1]. They can provide both positive financial and non-financial impacts on startups. Many studies have shown that angel capital is an increasingly important financial source for early-stage startups (apart from financial support by family and friends [2–4]), which are often perceived by venture capitalists as being too risky and small for investment [5]. Besides, angel investment helps improve the performance of firms [5, 6], enables enterprises to have a greater chance to attract further funds in future capital calls, and contributes to strengthening the startup ecosystem. In 2015 alone, Angel Investors in the US were estimated to have channelled US\$ 25 billion into over 71,000 enterprises nationwide and contributed to 45% of all early-stage investments; and Angel Investors were the main capital segment supplying early-stage financing. Of the EUR 7.5 billion that was invested per year in Europe, EUR 5.5 billion came from Angel Investors [7].

Being located in Southeast Asia, an emerging and rapidly growing region, Vietnam is said to have been a development success story. The economic reforms (Doi Moi) since 1986, coupled with broad and deep international economic integration, have helped propel Vietnam from being one of the world's poorest nations to a middle-income economy in one generation [8]. Vietnam has some favourable conditions for startup development, such as: a large population of over

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100 million people and had enjoyed a fast economic growth, with an average growth rate of 7% in the decade prior to the COVID-19 pandemic. In addition, the government has launched some projects and programs to facilitate startup ecosystem development and, at the same time, has established several funds to support startups. *"Commensurate with increasing economic vitality, there has been an increase in optimism about Vietnam's formal and informal venture capital potential because of its strengthening entrepreneurial ecosystem"* [9]. As a matter of fact, the number of startups has increased quickly over the past few years; by the end of 2021, there were more than 3800 startups, making the country to be considered as a startup hub in Southeast Asia. Business angels (BAs) have been a very recent form of providing alternative financing for SMEs in Vietnam [10]. Vietnam witnessed a record in capital invested into startups in 2021, with a total of more than \$1.3 billion [11]. However, the number of projects being funded is still low; only about 100 deals are funded each year, and most are funded by foreign investors. It is necessary to do research to find the reasons for the moderate angel investment and how to further attract foreign BAs.

To date, there are few papers thoroughly examining angel investment in Vietnam. Scheela et al. are perhaps rare authors working in this field, apart from some others briefly mentioning Vietnam's private investment and institutions [9, 12]. As Vietnam is considered an "institutional void" emerging economy, all studies by Scheela et al. are based on institution theory and examine how Vietnamese BAs operate and help startups in Vietnam's poorly developed institutional economy [5, 13, 14], their investment strategies [9, 10], and their challenges when operating in the country. In addition to secondary data, Scheela et al. also used primary data collected from semi-structured interviews with some Vietnamese BAs, i.e., a sample of 6 BAs [14] and 12 BAs [5]. The studies found significant challenges for Vietnamese BAs, including difficulties in doing deals and a lack of "government leadership" in providing institutional support for private investment. The studies provided some recommendations for Vietnamese BAs to closely monitor their portfolio companies, to establish and maintain networking with governmental officials, as well as some policy implications for the government to improve "government leadership" to further support Vietnamese BAs, including forming BA clubs and promoting education about private equity at high school and university levels, together with training BAs about the investing process [13, 14]. Their papers contributed to institution theory and how to apply it in doing research on BAs operating in "institution void" developing economies [5, 9] and proposed an investment strategy as a model for venture investing in emerging economies, including Vietnam [10].

In short, the previous studies focused on examining Vietnamese BAs' investment strategies, operations, and their roles in Vietnamese startups, as well as the challenges faced by the BAs. They do not provide in more details the determinants of BAs in Vietnam especially from the viewpoints of startups and BAs in Vietnam. Yet, there are not any papers approaching factors determining BAs in Vietnam, and examining how BAs (including Vietnamese and foreign BAs) and startups actually view those factors in order to find the gaps between perspectives of the two groups; and whether there are differences between Vietnamese and foreign BAs viewpoints. Hopefully, finding the gaps will partly explain why Vietnamese startups fail to attract BAs, provide some suggestions for startups to bridge the gaps, and give policy recommendations for the government so as to promote angel investment in Vietnam. In addition, the paper is expected to contribute a theoretical framework to research on BA determinants in a not-yet-developed institution's developing economy. Thus, the research question addressed in this paper is: what factors influence angel investment in Vietnam from the perspectives of startups and business angels in Vietnam?

This paper will establish a theoretical framework by reviewing previous literature (Section 2), collecting secondary and primary data (Section 3), and analyzing the perspectives of BAs and startups on the BAs' determinants in Vietnam (Section 4). In order to reach this objective, the authors applied a semi-structured interview method to 15 BAs, including 12 from Vietnam, 3 from abroad, and 8 Vietnamese startups.

2- Literature Review

The concept of Business Angels (BAs) or "angel investors" was first introduced by Wetzel in 1981 to describe individuals who are wealthy and entrepreneurially experienced and who invest their money and managerial experience in startup firms. Three decades later, a lot of other concepts and characteristics, as well as awareness of BAs, have changed and developed over time. Apart from being characterized by all economists, researchers, and institutions as rich or high-net-worth individuals, BAs are defined as persons investing their money, time, and knowledge into unquoted companies, in which there is no family connection, to seek financial benefits [15]. They are typically fellow entrepreneurs willing to provide funds for early-stage ventures [16], investing their money and time in a business to earn back profits from the long-term development of enterprises. They act alone or in formal or informal organizations and invest their money in unlisted companies to earn profits [17]. Despite the growing number of concepts of BAs, they all point out that BAs are wealthy individuals who invest their money, expertise, and knowledge in startup companies with no family connection, mainly aiming at profit gains. In startup companies, BAs play an important role in contributing capital, business experience, management skills, and connections with investors, or BA network/venture capitalists, etc. Additionally, BAs are quick financial source providers and high-risk sufferers. Therefore, startup companies try to attract angel investment.

The past literature has pointed out an impressive list of factors affecting BAs' decisions to invest in startup companies. In this section, we provide a brief literature review of which factors determine angel investment and we contribute to the existing literature by classifying these factors in the perspectives of Startup companies and Bas.

2-1- Startup-Related Factors Affecting BAs' Investment Decisions

Founders of Startups: There are some studies pointing out that the lead entrepreneur or the startup founder is the most important factor for BAs when evaluating a startup [1, 18-23]. The qualities and profile of founders, including enthusiasm or passion, trustworthiness, commitment, capacity, knowledge, skills, and experience, are the main criteria attractive to BAs in determining funding decisions. A founder who can show his or her passion can attract BAs better than if he/she has a good idea or potential product. With passion, the founder can have a clearer and more robust vision and therefore find it easier to be successful. Trustworthiness and commitment are two qualities of the founder substantially affecting BAs' investment decision-making [1, 2, 21-23]. Besides qualities and characteristics, the knowledge, skills, capacity, and experience of the founder are also important. More specifically, the founder's educational background [24], professional capacity and expertise [1, 25-27], management capacity [28], industry and business experience and competence [2, 24], social skills [29], leadership skills [30], opportunity recognition capacity [31], and risk management skills are often assessed by BAs based on their observations during the process of interacting with the founder.

Management team of startups: Several studies argue that the management team is the most important factor determining investors' decisions to invest in startups [19, 24]. In the assessment of early-stage companies, investors place importance on the ability of a management team that can choose and establish a viable position in the market. A management team that has prior experience and is able to cope with unexpected changes in the market and competitive environment is also more attractive to investors [24]. Sudek [21], Dat [22], and Czuchry et al. [23] pointed out that the angel investors, in making an investment decision, look for the management team's appropriateness to the startup project, their passion, commitment, unity, and understanding of their individual roles.

Financial issues of startups: returns on investment and associated risks are two financial factors affecting BAs' investment decisions in startups [1, 2, 5, 32, 33]. In the same vein, Jeffrey et al. [34] showed that if returns and risks cannot meet a targeted level or the startups are too risky, the investment will be more likely to be rejected. According to Mason & Stark [20] and Collewaert [35], if financial forecasts show that startups will run out of money, the rejection rate will be very high. BAs are also concerned about the financial management model run by enterprises, as it is not only related to expected profit but also exhibits the realization of expected cash flows and growth [20]. The financial management model also shows whether enterprises assess market signals accurately and have good cash flow management.

Product and market: A wide consensus exists in the literature that BAs' investment decisions are guided by some factors related to the product and market of startup companies. Easiness to modify their product, the sales potentials of the product [1, 21], the state of the product in the market [20, 34], barriers to entry or formal competitive protection of the product [21, 34, 36], the existence of a schedule for products to approach the market [20, 34], and engagement of customers are among the criteria angels use to consider investment opportunities [20, 32, 37]. Regarding market-related factors, according to Harrison et al. [38], the presence of an existing big market or a new market with high growth potential is viewed as a key criteria in the decision-making process of angel investors.

Exit strategy and role of BAs after investing in startups: The exit strategy plays a role in BAs' investment decisions [39-42]. BAs primarily make an investment for a period of 4-8 years to get a return, which is realized through exit or liquidity. Therefore, BAs seek for startup companies that have a high growth potential to be attractive to an acquirer or have the possibility of an Initial Public Offering (IPO). Under these premises, preparing and negotiating a clear exit route and the willingness to conduct an exit plan even when the exit is negative are another core element that might significantly affect BAs' investment decisions [21, 27, 43].

BAs tend to invest in startup companies where they can contribute not only their money but also their expertise, experience, and network [41, 42, 44]. As a result, the role and contribution of BAs in startup companies are considered by BAs in their decision-making. If companies are not prepared to share controlling stock with BAs and BAs do not see their roles in companies invested, the investment would be more likely to be rejected [1, 38, 39].

2-2- BAs-Related Factors Affecting BAs' Investment Decisions

BAs are different individuals with diversified thoughts and personalities. Therefore, the decisions of BAs to invest in startups also depend on characteristics of the BAs such as experience, investment objectives and preferences, amount of due diligence checks, and culture [21, 39, 42, 45].

A lot of empirical studies showed that BAs principally seek for startups operating in industries in which they can share their experience, support to develop and scale up, and create added value for these companies [21, 39].

The decisions of BAs to select a certain startup for investment are also influenced by their investment objectives and preferences. BAs' main financial objective is return on investment, but BAs also select startups based on non-financial objectives. As pointed out by Morrissette [16], BAs decide to make investments just because they like the industry, feel satisfied with the personality and quality of startup founders, or simply feel excited to participate in startup projects, while Harrison et al. [38] found that BAs consider how well startup proposals fit their knowledge domain and personal investment criteria.

According to Mason et al. [46], BAs' investment decisions are influenced by the context of the negotiation and the BA's investment interactive method, such as the location of the negotiation and the number of BAs joining the negotiation. Traditionally, BAs make investment decision in a private environment but more recently in BA groups [41, 42, 45].

As stated previously, most of the past studies have focused on analyzing Vietnamese BAs' investment strategies, operations, and roles in Vietnamese startups. The determinants of BAs' investment in Vietnam, particularly from the perspectives of startups and BAs, have received less attention in the previous literature. In addition, most existing studies only include business angels as informal investors in their analysis, based on institutional theory to prove that BA investment was a success in Vietnam, and provide institutional recommendations for BA-related policies with the aim to close the gap between government support and BAs [5]. However, an institutional approach does not cover the interaction between BA investors and startups, where factors crucial to the whole startup ecosystem are also influenced by policies on meso and micro levels. Therefore, this paper contributes to the existing literature in three ways. Firstly, based on the literature review, the paper develops a framework to analyze BA's investment in startups from two aspects: BA-related factors and startup-related factors, and then applies this framework to Vietnam's case. Secondly, the paper identifies the viewpoint gaps and interactions between BAs and startups, as well as Vietnamese and foreign BAs, through an in-depth interview, and explores possible new determinants that have not been mentioned in previous literature. Finally, the paper proposes some implications for Vietnamese startups to narrow the gap and enhance BAs' investment in Vietnam.

3- Research Method

3-1- Research Process

The process of the research is briefly shown in the following flowchart (Figure 1).

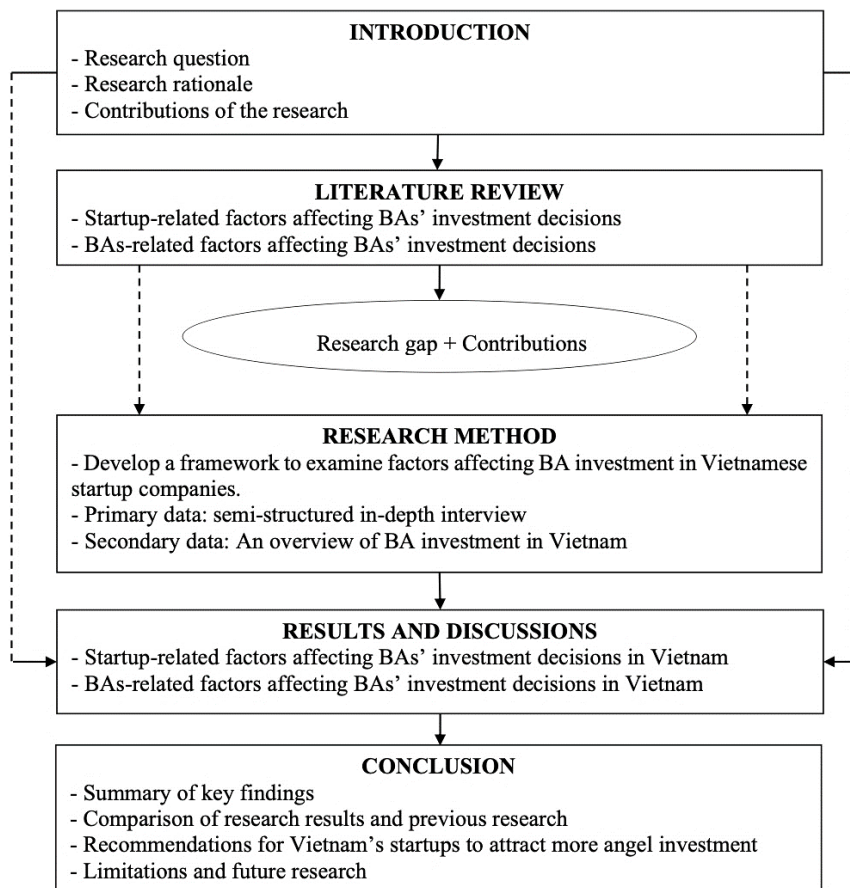


Figure 1. Flow chart of the research methodology

3-2- Methodology

The previous section reviewed the past literature and classified the factors affecting angel investment into two groups including startup-related factors and BAs-related factors. Based on this review, the paper develops a framework to examine factors affecting BA investment in Vietnamese startup companies, focusing on the groups of factors shown in Table 1.

Table 1. Factors affecting angel investment

Group	Factors
Startup-related factors	Founder of startups
	Management team of startups
	Financial issues of startups
	Product and market
	Exit strategy and role of BAs in startup
BAs-related factors	Experience
	Investment objectives and preferences/fit
	Culture
	Context of negotiation and BA's interactive method

The research used both secondary and primary data to analyze each set of factors. The secondary data were gathered from publications officially released by Vietnam's Ministry of Technology and Science and Vietnamese and international journals to provide an overall picture of Vietnamese startups and angel investment. The primary data was collected through in-depth interviews with the aim of discussing each set of factors affecting angel investment from the perspectives of startups and BAs.

The research used an in-depth interview with semi-structured questions. The interview questions were organized and conducted to provide the following information: (1) the interviewee profile; (2) determinants of BAs investment in Vietnam; and (3) recommendations to promote BAs investment in Vietnam.

We selected startups that succeeded or failed at attracting domestic and/or foreign angel capital, and they are famous or unknown startups. However, it was not easy to make contact with BAs because BAs are invisible and are particularly difficult to find in "institutional void" economies like Vietnam [5, 6]. Therefore, we selected BAs with convenience samples that were the case discussed by Harrison et al. [38]. We selected not only domestic but also foreign BAs to interview with the hope to reveal any tiny differences in investment determinants between the two groups. Based on our university's network with Vietnamese BAs and startups and our alumni network, we were introduced to 8 Vietnamese startups, 19 Vietnamese, and 03 foreign investors. However, 07 of the 19 Vietnamese investors were removed from the sample because of various reasons. As for Vietnamese investors, the concept of BAs is still new, and some of the introduced investors were confused between a Business Angel and a Venture Capitalist. Therefore, we had to define the right ones and finally were able to select 12 Vietnamese BAs for the interview. As for foreign BAs, it seems that they prefer anonymity [29]; some BAs refused to participate in the interviews without giving a reason [1]. That was the case our group met when one BA even refused to be interviewed at the latest time with reason to be engaged in other urgent meeting. In the end, we could conduct the interview with three foreign BAs.

The in-depth interviews with 8 startups and 15 BAs were carried out face-to-face or via Skype in Hanoi, the capital of Vietnam, from June to September 2018. The face-to-face interviews were run with 5 Vietnamese BAs and 05 startups living and working in the north of Vietnam. The interviews via Skype were done with 03 foreign BAs not staying in Vietnam at the time of the interview and with 7 Vietnamese BAs and 03 startups living and working in the south of Vietnam.

The BAs are from 28 to 61 years old, and all have educational levels from bachelor to master, except for one young BA who has a college degree (Table 2). There are only two females working actively in the IT sector and very young of 28 and 36 years old. All foreign BAs have stayed and worked in Vietnam for at least five years. As for the business field, most of the BAs are experienced in IT, finance, e-commerce, and business administration, and two of them are engaged in agribusiness, particularly organic products.

Table 2. Interviewed Business Angel profile

No.	Nationality	Age	Educational level	Educated in Vietnam/ foreign country	Field of Education	Duration to stay in VN
1	Vietnamese	36	College	VN	IT	Vietnamese
2	Vietnamese	45	Bachelor	VN	Finance	Vietnamese
3	Vietnamese	28	Bachelor	VN	IT	Vietnamese
4	Vietnamese	38	Master	VN	Agriculture	Vietnamese
5	Vietnamese	46	Bachelor	VN	MBA	Vietnamese
6	Vietnamese	50	Master	F	MBA	Vietnamese
7	Vietnamese	52	Master	F	MBA	Vietnamese
8	Vietnamese	50	Master	F	Agriculture	Vietnamese
9	Vietnamese	44	Bachelor	F	Finance	Vietnamese
10	Vietnamese	45	Master	F	Finance	Vietnamese
11	Vietnamese	50	Master	F	MBA	Vietnamese
12	Vietnamese	53	Bachelor	F	MBA	Vietnamese
13	Foreigner	54	Master	F	MBA	7 years
14	Foreigner	55	Master	F	Finance	5 years
15	Foreigner	61	Master	F	Finance	9 years

The founders of all eight startups interviewed have degrees ranging from bachelor to master, and four of them studied abroad and received bachelor or master degrees from universities in developed countries such as the United Kingdom, the United States, Japan, and Korea (Table 3). Among those startups, there are three that succeeded in attracting both foreign and domestic angel capital, and they all had at least one failure in pitching for angel capital. In the field of business, all startup companies are using technology to develop business activities such as fitness services, logistics, e-commerce, and providing domestic help services. The companies are young, mostly established in 2016 and 2017.

Table 3. Interviewed startup profile

No.	Age	level Educational	Educated in Vietnam/foreign country	Field of Education
1	25	Bachelor	VN	IT
2	24	Bachelor	VN	Finance
3	26	Bachelor	VN	Finance
4	24	Master	VN	IT
5	27	Bachelor	F	MBA
6	28	Master	F	IT
7	29	Master	F	IT
8	25	Master	F	IT

4- Results and Discussions

4-1- A Sketch of Startup Development and Angel Investment in Vietnam

The trend of innovative entrepreneurship has developed quickly in Vietnam. Since 2017, Vietnam has emerged as a startup hub in Southeast Asia, competing with Singapore and Indonesia [47]. By the end of 2021, the country had over 3800 startups, including three unicorns with a value of over \$1 billion (VNG, VnPay, and MoMo) and 11 startups with a value of more than \$100 million each [11].

Along with the development of startups, investment in startups in Vietnam has also increased rapidly (Figure 2). The total investment capital attracted by Vietnamese startups was only \$8 million in 2013, but significantly jumped in the next years, reaching nearly \$900 million in 2018 and 2019. This number suddenly dropped to only \$317 million in 2020 due to the impact of the COVID-19 pandemic, but then recovered and reached a record of more than \$1.3 billion in 2021.

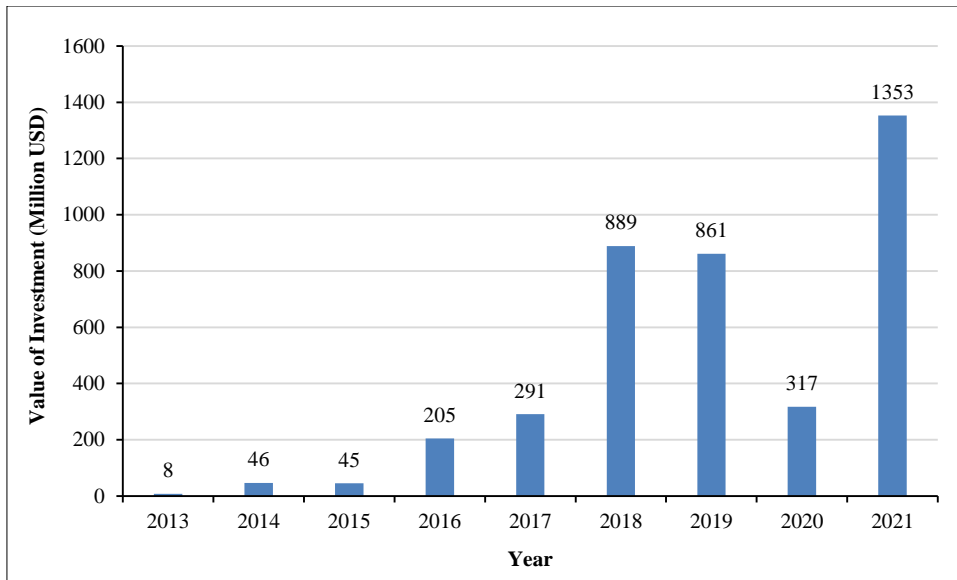


Figure 2. Investment in Vietnamese startups, 2013-2021 (Nextrans 2022)

The areas that investors are most interested in include Fintech (financial technology), E-Commerce, Edtech (education technology), Medtech (medical technology), Saas (software as a service), Proptech (property technology), Foodtech (food technology) and ESG (environment, social, and governance) (Figure 3). All of these fields emphasize the use of technology, particularly new ones such as artificial intelligence (AI) and machine learning, blockchain, internet of things (IoT), virtual reality and augmented reality, etc.

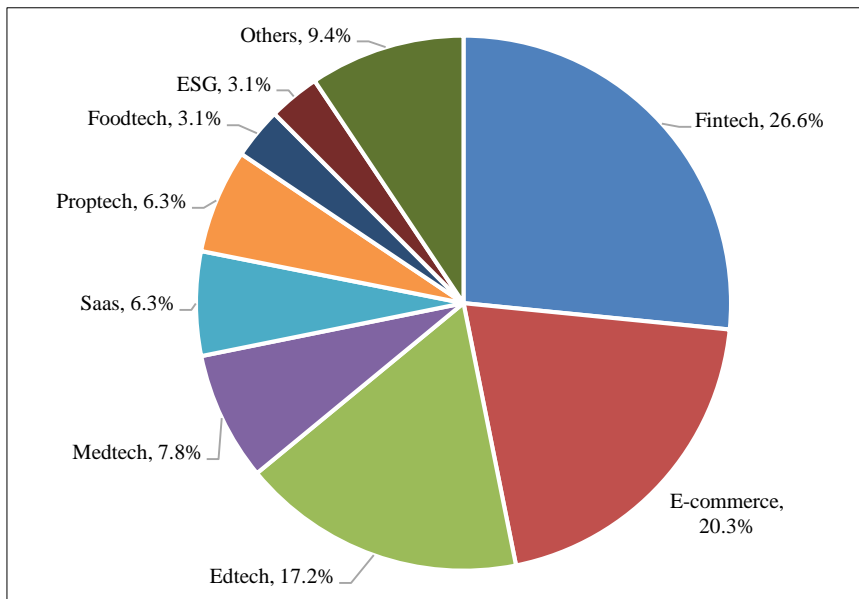


Figure 3. Investment for Vietnamese startups by sector in 2021 (Nextrans 2022)

There are now more than 200 funds investing in Vietnamese startups, among which foreign investors play a major role. Besides, the number of angel investors has also started to increase, although it is still limited. Most angel investors are successful businesspeople who want to support the next generation of startups. Some Vietnamese people living and studying overseas want to come back to Vietnam and invest in startups. Through several clubs and networks of angel investors, the activities of angel investors in Vietnam have become more visible. There are two prominent angel investment networks (AINs) include HATCH! established in 2012 and Vietnam Angel Network (VAN) in 2018 [7]. HATCH! and VAN are members of the ASEAN Angel Alliance (AAA). HATCH! became the first organization in Vietnam to connect angel investors with start-ups. The team adopted incubation models from the US and had nurtured more than 500 start-ups by 2020. VAN was established in 2018 by four members, namely Vietnam’s Ministry of Science and Technology (MOST), Malaysian Business Angels Network (MBAN), Business Angel Network of Southeast Asia (BANSEA), and Vietnam Leading Business Club. VAN connects, educates, and mentors quality startups to attract investment from both local and foreign angel investors. The network is partly funded by the government and endorsed by MOST as part of Project 844.

The government's policy plays an important role in the development of startup ecosystems in Vietnam. In 2016, the "Supporting the national innovative startup ecosystem to 2025" project, also known as "Project 844," was launched by the Ministry of Science and Technology (MOST) [48]. This project aims to grow the ecosystem by enhancing legal frameworks for startups, providing a support e-portal platform, and funding 2,000 projects through 2025. The government has established several funds at the central and local levels to support startups and has collaborated with other countries and banks to develop funding and innovation programs as well as provide loans, technical training, and business mentoring. That action made the Vietnam startup ecosystem exhibit impressive development while keeping the pandemic under control. In line with the recent rapid growth of tech startups in Southeast Asia, Vietnam launched a program in October 2020 to accelerate the founding of startups and expedite recovery from the investment drop-off during the first half of 2020 due to COVID-19. The aim is to promote innovation, exploit new opportunities, drive productivity, and boost employment. A big lure for foreign investors or companies looking to set up operations in Vietnam is the lucrative tax incentives. The Vietnamese government prioritizes investment in IT and incentives for investment in this space. Technology companies are eligible for corporate income tax (CIT) incentives that include 15 years of CIT at 10%, four years of CIT exemption, and a 50% tax reduction for the next nine years, which are very attractive propositions for international companies. Foreign technology companies setting up an office in Vietnam can also receive additional incentives, such as land rent exemptions for IT businesses inside tech parks built by the government, further reducing their expenses. Additionally, unlike some Asian countries where foreign companies can only have a maximum of 50% ownership with the other half needing to go to a local partner or company, Vietnam offers international companies setting up operations in the country 100% foreign ownership, making setting up shop in Vietnam a very attractive proposition.

4-2- Startup-Related Factors Affecting Angel Investment in Vietnam

The in-depth interview results show that all five factors reviewed previously affect angel investment in Vietnam.

Founder of the startups

All surveyed startups and BAs shared the idea that the founder of a startup is a key determinant in attracting a BA to invest in a Vietnamese startup. BAs investing in Vietnam put a high emphasis on the qualities of founders, namely passion, ambition, enthusiasm, and knowledgeability. According to interview results, founders must also have a lot of skills, including teamwork, negotiation, sales, pitching, and convincing skills, to be successful at attracting angel investment. 100% of BAs asserted that the founder is the core factor to convince BAs, and highlighted that founders should be passionate and enthusiastic in pursuing their business ideas. The founder needs to show his/her ambition and ability to convince investors. 5/15 BAs affirm that the startup team may not be 100% perfect, but it at least needs to have an excellent founder with sales skills, and 10/15 BAs say that the key skill the founder needs is pitching skills.

Eight BAs even confirmed that humanity is the most important factor attracting them to invest in Vietnam's startups and appreciated a founder who is proven to be a knowledgeable person, having good skills and attributes in negotiating and running the business, and that the founder has not only a high level of IQ but also EQ. The founder should prove to be a good partner for the BA at the earliest stage of finding and searching for startups and showing his/her skills in pitching the project.

Two BAs said that sometimes they did not care so much for the business idea but more for the characteristics of the founder and the management team. Some of the founders interviewed have received master or bachelor degrees from universities in developed countries such as the USA, UK, Japan, and Korea. They have good teamwork skills, negotiation skills, and skills to work in a multicultural workplace; therefore, proving to be self-confident in expressing their business ideas and are more likely to receive BA investment.

In short, both startups and BAs share the viewpoint that the founder of a startup is a key factor affecting BA's investment decision in Vietnam. In comparison with factors reviewed in the previous literature, BAs investing in Vietnam's startups pay more attention to some founders' skills, including teamwork, negotiation, and convincing and pitching skills. On the contrary, it seems that they place less weight on industry and business experience and competence, opportunity recognition capacity, and risk management skills.

Management team of Startups

8/8 interviewed startups responded that the management team is another key factor besides founders, based on which BAs decide to invest, while 12/15 BAs agree with that. The other two BAs just focused on founders.

Even though in each stage of BA's investment decision-making process, the founders and management team must prove to BAs their qualities, knowledge, and skills in different ways. The key criteria that BAs look for throughout the whole process is the passion and creativity of the whole management team. Most of the BAs confirmed that it is necessary to have a good and stable team to help startups not fail easily and develop in the long run. 8/12 BAs asserted that founders and the management team are the most important and that they can accept to invest in startups if the management team and founders show their appropriate ability, creativity, passion, and good skills, even if the business plans or ideas are not so good.

The analysis of interview results shows that Vietnam's startups and BAs investing in Vietnam share the viewpoint of the important role of the management team in attracting angel investment. However, the interview results and literature review point out that while BAs around the world focus more on business skills and experience, the surveyed BAs investing in Vietnam seem to pay more attention to personal qualities. This may come from two key reasons. The first reason might be due to the relatively low quality of labor in Vietnam, even though Vietnamese workers are considered hard-working and ambitious. According to most surveyed BAs and startups, Vietnamese labor has low productivity with an unprofessional working style and a lack of critical thinking skills, presentation skills, foreign language skills, and management skills in a multicultural environment. Labor in startups, including founders and the management team, is often young, so their work is often dominated by emotion. The second reason is that the surveyed BAs in Vietnam are highly experienced and therefore desire to share their business experience, expertise, and network with Vietnam's startups, and accordingly put a higher priority on looking for those who have appropriate skills to cooperate with.

Financial issues of startups

10/15 BAs agreed that a sound financial plan is another important factor for BAs to make investment decision, especially for Vietnamese Bas.

The surveyed BAs suggested that when startups start to call for capital, the call should be not too much as compared with the total project value. 12 Vietnamese BAs complained that many Vietnamese startups do not have a sound business plan and even are so "pink" (optimistic) about their business ideas that they overvalue their projects, resulting in being rejected by BAs. They also criticized Vietnamese startups in that they even do not understand how to evaluate and make a transparent and clear financial report and business plans. In case startups call for capital for ongoing projects with a sample product, BAs appreciate a transparent financial report, and more closely examine financial-related issues and check market potential to make sure the project is profitable.

An important factor both startups and BAs emphasized on is that at the due diligence stage, startups need to be honest, not lying, about their financial plan. Some BAs can even hire an auditor to check the financial plan in order to reduce risks and help Startup come up with a clearer plan. At the final stage when BAs and startups negotiate and conclude the deal, 6/15 BAs require startups to have a clear commitment to ensure the interests of investors. Contractual commitments may provide specific Key Performance Indicators (KPIs) and must have a specific plan when the Startup intends to divest.

BAs investing in Vietnam's startups take into careful consideration of a sound, realistic, profitable and transparent financial plan, and clear contractual agreements, but Startups seems to focus on a specific and honest financial plan.

All of these considerations are similar to those mentioned in the literature review. However, one-point worthy mentioning is that both startups and BAs investing in Vietnam put a high priority on the honesty of Startups in their financial plan.

Product and market

14/15 BAs required that startups need to present in their profile a clear and easy-to-implement business model in which potential markets are clearly defined. They also care about the ability of startups to protect the business model or the brand, and to ensure that ideas are not duplicated. 8/12 BAs agreed that startups must offer a clear business model and plan, which shows the creativity of products/services, the potential to increase the market, and targeted customers. In the same vein, most of the surveyed startups argue that BAs investing in Vietnam consider considerably on innovative products with big market potentials.

The requirements of products and markets are a bit different between Vietnamese and foreign BAs. 12/12 Vietnamese BAs accepted that the products can be supplied to the domestic or foreign market, and the business model may be new or learned from the foreign market and then developed to fit the Vietnamese market; and 2/12 Vietnamese BAs said that they do not require startups to have innovative business ideas but just adjust a foreign business model to fit the Vietnamese market. Similarly, Vietnamese startups focused more on the domestic market rather than the global market. However, foreign BAs took into account the innovative products and potential markets very carefully, and 2/3 foreign BAs required that the market would be expanded regionally or globally.

For this criterion, both BAs investing in Vietnam and Vietnam's startups share the requirements for innovative products that are not easy to be copied and have potential markets. These requirements are similar to those reviewed in the previous literature. Besides, BAs also have consideration related to protection of the product and targeted consumers while startups ignore these points. There is one-point worthy of comment and that is foreign BAs have higher expectation of startup's products to approach the global market, while domestic BAs and startups themselves seem to narrow their market at a domestic scale.

Exit strategy and role of BAs

According to the survey results, most of the surveyed BAs said that they require startups to have clear commitments to ensure the roles and benefits of BAs in Startups. For example, BAs requested that if startups fail, startups must work

free of charge for BAs or participate in another project of BAs; or BAs provided some constraints on the exit strategy of startups. Surveyed startups have no opinion about this point, showing startups ignorance about benefits of BAs. This is one point of consideration for Vietnam's startups to attract more angel investment in the future.

4-3- BAs-Related Factors Affecting Angel Investment in Vietnam

Investor's experience

Results from interviews with both BAs and startups show that the investor's experience is the key factor in angel investment. Although some BAs say that they are willing to look for investment opportunities in current popular sectors, all BAs still prioritize investing in industries in which they have experience because that makes it easier for them to achieve financial and non-financial objectives when investing in startups. All of the BAs interviewed invested in areas where they were trained or knowledgeable, with a focus on business, finance, agriculture, and technology. Besides industry knowledge, experience in overseas investment is also important for foreign BAs. 100% of non-resident interviewed BAs investing in Vietnamese startups have had investment experience in other ASEAN countries such as Singapore, Thailand, Malaysia, and Indonesia. In contrast, all interviewed Vietnamese BAs have no experience investing abroad and only focus on investing in domestic startups. While previous studies have often emphasized the angel investors' experience in business and management, this study shows that not only business experience but also professional experience in the industry also has a significant impact on angel investors' decisions on investment fields.

From startups' perspective, they tend to choose BAs with experience or even have a business operating in the field in which they start up. Because a big advantage of BAs over VCs is that BAs often have experience, expertise, and knowledge in the industry, which helps them not only with capital but also in business activities, networking, introducing customers and investors for the next round of funding, etc. These are important values for startups in their early development stages. This study also shows a new finding that Vietnamese startups also prefer foreign BAs over domestic ones because the former are usually more experienced and can better support startups to reach the world market. According to interviewed startups' founders, foreign BAs often have a better understanding of foreign markets, and have better networks, vision, and market access (for example through TV channels, production, and retail networks, etc.) to support startups to scale up and expand into the regional and global markets. In addition, startups also expect to learn a professional working style, innovative business models, and technologies from experienced foreign BAs. This explains the current trend of more and more Vietnamese startups seeking funds from foreign investors.

Objectives and preferences/fit between BAs and startups

Angel investment decisions also depend a lot on the match between the objectives and preferences of BAs and startups. All the BAs interviewed stated that they include both financial and non-financial objectives when they invest in Vietnamese startups. Due to the extremely high rate of startup failure (approximately 90%), BAs tend to invest in many deals with a low average capital amount per deal. At the same time, BAs' expected rate of return is set at a remarkably high level if the startup is successful. Specifically, the average value of each deal is only a few thousand dollars, depending on the field and project. One BA gave a specific expected return of 300% and would divest when this objective is achieved. The remaining BAs, though not giving specific numbers, emphasized that if the startup is a success, the expected returns must be much higher than in a conventional investment. In addition to financial objectives, all BAs have the same desire to contribute to the development of the economy and society, to support startups to develop, and to increase their own value. From startups' point of view, when attracting angel investment, they want to get not only a certain amount of capital for development and scaling up but also other support through BA's participation in the startups' operation process. The match between BAs' and startups' objectives is therefore essential. The two sides need to determine the goals, the amount of money, and the support that they can give/wish to receive and then find suitable partners through several channels, such as personal relationships, referrers, or networks of BAs/startups.

The strategies and roles of BAs and startups should also be aligned. The views on the roles of BAs in startups are diverse. The majority of BAs, particularly foreign ones, understand that they only play a supporting role and avoid too much interference in startups' operations and decision-making processes. They therefore often act as an ordinary shareholder, holding about 10-15% of the total capital. However, there are still 02 BAs – domestic ones – who want to take control of the startup with the belief that this can ensure the project's success. These BAs require holding up to 65–70% of the startup's capital. This causes conflicts of interest and difficulties in business management between domestic BAs and startups, especially when the two parties often do not make clear commitments on the rights, interests, and obligations from the beginning. Another 02 BAs pursue more flexible strategies in which they determine their level of participation in startups based on the investment field. If it is the field in which they have experience, they will choose investment projects of large scale and hold a high proportion of ownership in the startups. Otherwise, BAs only invest in small and medium-sized deals and do not interfere deeply in startup activities. In this case, BAs usually require clear commitments to ensure the interests of investors, for example the minimum time before startup can be sold; BAs are given priority to buy first at lower prices or for startups paying back for BAs, etc. From the startups perspective, they also have business strategies for each stage of development, long-term orientation, and exit plans. Therefore, during the negotiation phase, it is necessary for the two parties to discuss in detail and clearly stipulate in the contract about the terms, or even hire a lawyer, to ensure legal solidity. The result from this study supports previous studies that there should be concordance in the views of angel investors and startups about the goals, strategies, and roles of each party in

the investment deal. This study, however, clarifies the expectations of BAs when investing in an emerging market like Vietnam and also shows the difference in opinion of domestic and foreign BAs in Vietnam about their role in startups.

Culture

Cultural differences have a big impact on angel investment, especially foreign angel investment. In comparison with domestic BAs, foreign BAs have less understanding about the market, investment regulations, and laws, as well as the culture in Vietnam, and this is the biggest barrier when foreign BAs decide to invest in Vietnamese startups. This explains why foreign angel investment in Vietnam is currently limited. All foreign BAs interviewed in this study are those who have lived in Vietnam for a period of 4–9 years, have cultural knowledge, and/or have relatives in Vietnam. In the opinion of foreign BAs, the skills of debate and critical thinking in Vietnamese startups are weak, and startups' human resources need to be cultivated in foreign languages and how to work in a multicultural environment. The cultural similarity factor is also the reason why most Vietnamese startups now receive investment from domestic BAs, even though they are aware of the advantages of foreign BAs as mentioned above. Using the same language and sharing the same cultural values makes it easier for BAs and startups to exchange, understand each other, and find a common voice.

Negotiation context and interactive method

According to the literature review, the negotiation context and BA's interactive methods, such as negotiation venues and the number of BAs involved in negotiations, are important factors influencing angel investment. However, the results from interviewing both BAs (foreign and domestic BAs) and startups in this study show that these factors do not have too much influence. This can be explained by several reasons: (i) BAs and startups in Vietnam are often introduced to each other through personal relationships or acquaintances, so the negotiation context is usually simple and the two parties have more trust in each other; (ii) the deals are often small or medium scale, leading to a relatively quick process of BAs' decision making; (iii) official groups of BAs have not really developed in Vietnam, and in many cases, only 01 BA participates in negotiation in a deal.

5- Conclusions

Through in-depth interviews with 8 startups and 15 BAs, the paper identifies and compares factors affecting BAs' investment decisions in Vietnam from the perspectives of startups and BAs, as well as from the viewpoints of Vietnamese and foreign BAs. The results suggest that there is a relatively large gap between what startups and BAs in Vietnam think about determinants of BAs investment in the country, raising a need for Vietnamese startups and governments to take action to narrow this gap.

For startup-related factors, both Vietnam's startups and BAs share the viewpoint that the most important role of startups' founders and working teams is in determining BAs' investment in Vietnam. They also have common perspective that startups' products must be innovative, not easily copied, and have potential markets to attract BAs investment. These considerations are similar to those mentioned in the literature review. Besides these similarities, there are some differences in their viewpoints. In fact, BAs investing in Vietnam consider more seriously other factors besides the founders and team of startups, including the business plan, financial state, product, and market of the startups. Startups acknowledge the importance of these factors, but their perception of their role is not adequate. Startups have no opinion about the exit strategy and role of BAs in startups, showing their ignorance about the benefits of BAs in transactions. Besides, BAs have considerations related to the protection of the product and targeted consumers, while startups ignore these points. These findings show Vietnamese startups need to improve their business insights to better understand what BAs really expect in an investment. The viewpoints of foreign and domestic BAs are similar, except for one related to market scale. While foreign BAs expect Startup's products to be sold in international markets, domestic BAs generally accept Startup's domestic market orientation. In comparison with factors reviewed in the previous literature, BAs investing in Vietnam's startups pay more attention to the personal skills of the founders and place less weight on industry and business skills and experience.

For BAs' related factors, results from interviews with BAs and startups support the arguments from the literature review that BAs' experience, the fit of objectives and preferences between BAs and startups, and culture are key factors in angel investment decisions. Foreign BAs with more experience, a better understanding of foreign markets, better networking, vision, and market access are therefore the preference for Vietnamese startups, especially those who have the ambition to scale up and expand into regional and global markets. Although both BAs and startups consider financial and non-financial benefits from angel investment, the specific expectations of profits and BAs' roles in startups are not the same among interviewees. The majority of BAs, particularly foreign ones, understand that they only play a supporting role and avoid too much interference in a startup's operation and decision-making. In contrast, some domestic BAs want to take control of the startup. Others, on the other hand, choose a more flexible strategy based on the investment field. These facts imply that both BAs and startups should be aware of what they really want, find suitable partners, and make clear commitments in the contract right from the beginning. Another factor affecting angel investment is cultural differences or similarities. This explains why foreign angel investment in Vietnam is currently limited, and Vietnamese startups have received most investment from domestic BAs, although they are well aware of the advantages of foreign BAs. Contrary to the literature review, the negotiation context and the BA's interactive method are not important factors determining angel investment in Vietnam.

Based on the above findings, the paper proposes some recommendations for Vietnam's startups to attract more angel investment for their development. Firstly, startups should improve the quality of their human resources, ranging from founders to management teams, to employees. The starting point is to equip them with the necessary skills that BAs investing in Vietnam are looking for, such as presentation, pitching, and negotiation skills. As startups should have global thinking and operations, skills to work in a multicultural environment are also needed. It is also of great importance for founders and management teams to improve their business and industry knowledge related to how to evaluate projects, business ideas, and potential markets. Secondly, startups need to carefully and consistently develop a business plan that is financially transparent, profitable, and honest. The business plan must be able to combine with BAs' experience and expertise to take full advantage of BAs and bring about mutual benefits by taking the exit strategy into careful consideration and offering BAs an appropriate role in startups. Thirdly, startups must be more realistic in evaluating their products and services and setting up their business objectives. It is not necessary for ideas of products and services to be big, but products and potential markets must be clearly defended. Fourthly, startups need to set up a long-term vision towards providing goods and services to the global market to better meet BAs' requirements of global thinking and operating. Startups can also cooperate with universities to be eligible to use their research or order them to do research for startup development. Actively and proactively looking for channels to connect with foreign BAs also helps increase opportunities for startups to attract angel investment. Fifthly, startups should be well aware of what they really want, thereby finding suitable BAs who share a similar viewpoint, strategy, and vision and making clear commitments in the contract right from the beginning. Finally, for the Vietnamese government, it should focus on improving human resources and the startup ecosystem to support them to raise their capacity to attract more angel investment. Providing more training to educate startups, promoting entrepreneurship, and encouraging innovation are necessary to improve human resources for startup development. Policies to encourage and support foreign BAs to invest in startups are available, but administrative procedures must be simplified, and policy must go hand in hand with implementation. After having issued policies and guidelines, the state needs to "stand aside for startups to operate" but not create barriers.

This paper contributed to the existing literature by identifying and comparing the determinants of BAs in Vietnam from the viewpoints of startups and BAs and exploring differences between Vietnamese and foreign BAs' perspectives. The paper generated invaluable insights into the viewpoint gaps between these groups. However, the following limitations of the study should be noted. First, the interview sample is limited, as it is hard to approach BAs in Vietnam, especially foreign ones. Second, the paper does not analyze the determinants of BAs investment from government perspectives and compare perspectives of BAs by investment sector. The prospective studies can concentrate on addressing these limitations to provide better recommendations to narrow the viewpoint gaps between stakeholders involved in BAs' investment and promote this increasingly important financial source for startup development in Vietnam.

6- Declarations

6-1- Author Contributions

Conceptualization, N.T.K.A. and V.T.H.; methodology, N.T.K.A.; software, N.T.M.P. and D.T.D.; validation, N.T.K.A. and V.T.H.; formal analysis, V.T.H. and N.T.M.P.; investigation, N.T.K.A., V.T.H., N.T.M.P. and D.T.D.; resources, D.T.D.; data curation, N.T.M.P.; writing—original draft preparation, V.T.H. and N.T.M.P.; writing—review and editing, V.T.H.; visualization, N.T.M.P.; supervision, N.T.K.A.; project administration, V.T.H.; funding acquisition, N.T.K.A. All authors have read and agreed to the published version of the manuscript.

6-2- Data Availability Statement

The data presented in this study are available in the article.

6-3- Funding

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6-4- Institutional Review Board Statement

Not applicable.

6-5- Informed Consent Statement

Not applicable.

6-6- Conflicts of Interest

The authors declare that there is no conflict of interest regarding the publication of this manuscript. In addition, the ethical issues, including plagiarism, informed consent, misconduct, data fabrication and/or falsification, double publication and/or submission, and redundancies have been completely observed by the authors.

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