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Vietnamese Early-Stage Companies' Difficulties and Their Overcome Solutions

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Abstract

Start-ups is a hot topic around the world in general and Vietnam in particular. People in Vietnam and from all over the world are focusing and investing a lot on start-ups. There are many start up crowding programs in all over the world. However, the achievements from start-ups are not as high as expected, and those in Vietnam are not exceptions. The performance of Vietnamese startup companies is becoming a matter of great concerns, especially with high economical contribution, and even so, startups in Vietnam market have not achieved much success. Therefore, by using qualitative research method with conducting in-depth interviews with startup companies, this article is to find out current factors that Vietnamese startup companies faced and propose solutions to support the growth of their businesses. In addition, after investigating the factors and answers to those factors, there are opens up to further research from this paper which can help to facilitate this content in larger scale.

Keywords: Startups, failures, solutions, startup, early-stage companies

1. Introduction

Recently, the Vietnamese economy has attracted much attention to global research due to the high development process. A positive sign in the economic ecosystem of Vietnam motivates business activity a lot. Dezan Shira & Associates (2019) confidently showed that reasons were leading to economic advantages such as single-party leadership of the Communist party, open economy, and government support. Moreover, the young population and the high rate of internet users which make Vietnam has become a great destination for start-up in recent years. According to Austrade (2019), Vietnam ranked the third position in a start-up within Southeast Asia attracting about US$ 129 million for the investments.

Unfortunately, those ideal data could not hide the obstacle that the Vietnamese start-up ecosystem has to cope with, especially each start-up. Austrade (2019) also listed challenges of the start-up ecosystem leading to start-up difficulties. As an avoidable result, 80% start-up failed after the first two years (Viettonkin consulting, 2019) and Vietnam was classified as a country that had the lowest capacity of applying actual business plans. Due to the practical challenge, the mentioned advantages become less meaningful for each start-up. Therefore, learning those general difficulties deeply to understand actual obstacles that each start-up faces, and their solution are necessary for a better start-up ecosystem.

The main purpose of this research is figuring the main failure factors that startups have to cope with affecting mainly on their business. From that identification, their solving methods will be discussed respectively.

2. Literature Review

There are several definitions about start-up due to differences in authors' mindset, experiences, and characteristics of the business. However, the Vietnamese government provided a fixed explanation of start-up by Decree 04/2017/QH14 as "Startup is a small- or medium-sized enterprise that is established to realize an idea by exploiting intellectual property, technology and/or new business model and capable of growing fast."

According to Drucker (1985) and Miles (2005), entrepreneurs create value by leveraging innovation to exploit new opportunities, create new product market domains and commercialize new technologies. Ries, 2011; Trimi and Berbegal - Mirabent, 2012 argue that in fact, starting a new business means creating an innovative product or service – and maybe seeking to create a new market – in a context of extreme uncertainty and high-competitive pressure. Since start-ups introduce new products or services that put the position of incumbent firms in doubt, they are often considered as sources of "creative destruction" (Criscuolo et al., 2012) and often as more innovative than established firms (Shane, 2001).

On the other hand, the small size of start-ups (Gruber and Henkel, 2006) implies both limited resources and numerous investment needs, including R&D, organisation building and market development. Normally, they lack market visibility as well as "connectedness" to resource networks due to their "newness" and need support in promoting innovation and entrepreneurship (Wong et al., 2005). Entrepreneurs' decision making is indeed challenged by a lack of knowledge of how to identify and exploit market opportunities (Alvarez and Barney, 2010) and ability to exploit opportunities for innovation offered by the mechanisms

of external knowledge sourcing (Cohen and Levinthal, 1990) and external learning (Almeida et al., 2003).

Start-ups are defined as organisations created to search for a business model that is scalable, as the customer base should be easy to increase, resulting in a gain greater than the expenditure for customer acquisition, repeatable in time and profitable in terms of return on invested money (Blank, 2010; Blank and Dorf, 2012). A business model describes how strategy is concretely implemented (Casadesus-Masanell and Ricart, 2010), and then how a company creates, delivers, and captures value (Osterwalder and Pigneur, 2010). Many start-ups often fail before they fulfil their entire business potential (Crowne, 2002; Feinleib, 2011; Ries, 2011; Giardino et al., 2014; CB Insights, 2015). Statistics suggest that the business mortality of start-ups can be around 70 per cent in the first five years, depending on the specific industry in question (Gruber and Enkel, 2006). Failure for a start-up means closing (Bruno et al., 1992), divesting through sell-off to another corporation or to individuals (Bruno et al., 1992), or not achieving a worthwhile return on the investments (Crowne, 2002).

Variables affecting start-up failure have been studied in literature with reference to different founder profiles and to different industries (e.g. Cooper et al., 1994) or to a single industry (e.g. Crowne (2002) and Giardino et al. (2014) in the software development, and Shah et al. (2008) in the micro- and nanotechnology one). Table I displays the main factors driving start-up failure in scientific literature. It highlights the most studied factors and provides a classification based on their underlying similarity in scope.

The classification of determinants of failure in Table I reflects the main start-up features that reveal company's potential and that are assessed during selections for funding. These features are product or service characteristics, mechanisms of business development, personality characteristics and experience of individuals (entrepreneur/founder team), effects of environmental factors (such as market and financial characteristics) (Wong et al., 2005; Afful-Dadzie et al., 2015).

In general, scholars observed a combination of factors affecting a start-up failure or success – though there is no pre-dominant one – with different interviewed founders attaching varying weights and importance to different factors. Zacharakis et al. (1999) claim that new venture failure is attributable mostly to internal and firm specific factors. Teal and Hofer (2003) also consider industry structure and dynamics as key determinants.

An innovative product or service attempting to acquire market acceptance (Bruno and Leidecker, 1988) is one of the most important factors to consider when founding a new business. This is strictly linked to an absent or low-level marketing strategy and

absence of an awareness of understanding customers' real needs and subsequently constant customer feedback.

Another requirement investigated by many authors is the attention to financial detail, such as the risk of running out of cash (CB Insights, 2015) or having too many expenses (Shah et al., 2008), even when the new venture succeeds in attracting investors.

Figure 1. Determinant factors of start-up failure in literature

Main failure factors	Bruno and Leidecker (1988)	Bruno *et al.* (1992)	CB Insights (2015)	Cooper *et al.* (1994)	Crowne (2002)	Duchesneau and Gartner (1990)	Feinleib (2011)	Giardino *et al.* (2014)	Rea (1989)	Ries (2011)	Shah *et al.* (2008)	Song *et al.* (2008)	Stuart and Abetti (1987)	Teal and Hofer (2003)	Zacharakis *et al.* (1999)	Total
Product/service																
Wrong time-to-market	X	X	X		X						X					5
Low level/lack of innovation/technology					X						X	X	X			4
Low or no product/market fit (marketable product)	X	X	X		X		X	X	X		X		X	X		10
Need for patent protection and licensing/legal issue			X								X	X				3
Industry																
Unattractive market									X				X			2
High-dynamics market/high likelihood of potential entrance of competitors	X		X					X				X	X	X		6
Market																
Little (or none) customer feedback/needs/involvement awareness	X		X				X	X		X	X			X		7
Inappropriate marketing/distribution/selling strategy	X	X										X			X	4
Low-marketing intensity/market research			X			X	X					X	X		X	6

(*continued*)

Source: Cinzia Battistella, Alberto F. De Toni and Elena Pessot, Open accelerators for start-ups success: a case study, European Journal of Innovation Management, Vol. 20 No. 1, 2017, pp. 80-111

Figure 2. Determinant factors of start-up failure in literature (Cont.)

Main failure factors	Bruno and Leidecker (1988)	Bruno *et al.* (1992)	CB Insights (2015)	Cooper *et al.* (1994)	Crowne (2002)	Duchesneau and Gartner (1990)	Feinleib (2011)	Giardino *et al.* (2014)	Rea (1989)	Ries (2011)	Shah *et al.* (2008)	Song *et al.* (2008)	Stuart and Abetti (1987)	Teal and Hofer (2003)	Zacharakis *et al.* (1999)	Total
Financial																
High overheads/too late return on investment/run out of cash	X	X	X				X		X				X			6
Initial undercapitalization/low-capital investment	X	X		X	X	X			X						X	7
Little (or none) availability of funding/financial support/interested investors	X	X	X								X	X		X	X	7
Strategy																
Wrong (or absent) strategy direction/positioning/scope						X				X		X	X	X		5
Little (or no) focus on business partners/partnerships/potential alliances/networking				X		X					X	X	X			5
Unclear (or no) business plan or business model/narrow Planning breadth/little focus on long-term	X	X	X		X			X	X	X	X					8
Lack (or little) use of professional advice				X							X	X	X			4

(*continued*)

Source: Cinzia Battistella, Alberto F. De Toni and Elena Pessot, Open accelerators for start-ups success: a case study, European Journal of Innovation Management, Vol. 20 No. 1, 2017, pp. 80-111

Figure 3. Determinant factors of start-up failure in literature (Cont.)

Main failure factors	Bruno and Leidecker (1988)	Bruno *et al.* (1992)	CB Insights (2015)	Cooper *et al.* (1994)	Crowne (2002)	Duchesneau and Gartner (1990)	Feinleib (2011)	Giardino *et al.* (2014)	Rea (1989)	Ries (2011)	Shah *et al.* (2008)	Song *et al.* (2008)	Stuart and Abetti (1987)	Teal and Hofer (2003)	Zacharakis *et al.* (1999)	Total
Founders team/entrepreneurs																
Loss of focus due to personal or communication and coordination problems/absence of leadership	X		X					X			X		X			5
Little or no entrepreneurial experience				X		X							X	X		4
Little or no management-specific know-how (e.g. marketing, prior management experience)		X		X	X	X					X	X				6
Little or no industry-specific know-how			X	X							X			X		4
Members' background (education, family, cultural/social diversity, ethics and integrity)		X	X	X	X							X		X	X	7
Narrow breadth of vision/low flexibility to changes or risk reduction			X			X						X				3
Ineffective team/low qualification/ expertise/skills diversity	X	X	X		X	X		X	X		X		X	X		10

Source: Cinzia Battistella, Alberto F. De Toni and Elena Pessot, Open accelerators for start-ups success: a case study, European Journal of Innovation Management, Vol. 20 No. 1, 2017, pp. 80-111

Also, the amount of initial capital is a key issue, since it is related to the initial strategy that is pursued (Cooper et al., 1994). Finally, as regards the choice of the founders' team members and emergent dynamics, individual skills specialization (Crowne, 2002) and backgrounds in terms of education – relating to knowledge, skills, problem-solving ability, discipline, motivation, self-confidence – are among the most studied entrepreneurial variables (Cooper et al., 1994).

Start-up wave has come to Vietnam for 16 years from 2004 with three periods of time such as (2004-2007), (2006-2010) and (2010- present) (Vietnam's innovation ecosystem, 2019). However, the start-up was a familiar term in the globe. Therefore, people start-up from different perspectives. According to Ries (2011), startups were companies operating under lacking resources and suffering many uncertainties. Sutton (2000) believed that startups were companies that did not have a historical operation due to short of running time. In terms of business's purpose, Eisennmann (2011) said that startups were companies creating creative outcomes for the market.

This part concentrates on difficulties that the start-up has to cope with during their development process. Viettonkin Consulting (2019) listed common difficulties that start-up had to face during running their business such as market problems, finance, human resource, pricing, unavailable product, and business model.

2.1. Market problem:

Market problem is defined many problems of the market affecting the company's sales which include market research, market need, market change, and marketing activities. Viettonkin Consulting (2019) indicated that 42% of startups failed due to market problems which emphasized the importance of market concern in doing business. The report demonstrated that startups concentrated on creating and designing new products during a short time instead of taking care of market issues with three reasons for the necessity of market research. Firstly, clear market research will eliminate risks and provide valuable information of the stability of the market and elasticity of this market. Therefore, the start-up can provide the needed products with suitable design to market. Secondly, potential customers will be declared clearer in the market research which saves their time to find target customers. Lastly, understanding competitiveness is also an important outcome of market research. The author claimed that market research would show the same products in the same market industry which catch customer's attention. So, the user can compare those products to understand customer interest. However, even recognizing the importance of the market issue under market research, it is hard for a start-up to reach an accurate market due to some reasons. First, this paper showed that most startups were young so that they did not have expertise in this field, or they had to pay for an extremely high budget for this research. Second, unfortunately, those startups also did not have enough skill for sorting available information for their business. Thirdly, they could not do marketing activities for their products due to lacking marketing knowledge. This paper indicated that 80% of startups could not survive for two years due to lacking brand awareness.

2.2. Finance:

Regardless of the different stages of business development, finance is always the source of operation. However, Viettonkin Consulting (2019) demonstrated that 26% of startups could not reach the expansion stage. In detail, angel investors only contribute their fund when that business can indicate their possible profit. However, most newly startups in Vietnam still wait for those early-stage investments (Austrade,2019). Therefore, that is the reason for their failure in the expansion phase.

2.3. Human resource:

Austrade (2019) demonstrated that most of the Vietnamese startups were not provided business knowledge. The author emphasized that those business owners had great major knowledge in their field, especially technology. However, Viettonkin Consulting (2019) claimed that those startups mainly focused on making great products instead of considering how to manage their staff in a strategic approach. Moreover, this paper also stated that there was not a clear mission, vision, and objectives for their businesses. Therefore, the manager of those startups did not have a clear management method. Dragomir (2017) stated that conflict of interests would be an unavoidable outcome when lacking organizational objectives, despite the business owner's ambition, he had to satisfy stakeholders' benefit before focusing on his big vision. In detail, employees of an organization might disclose confidential information to the competitor of the company to get the personal benefit because that organization did not satisfy them. Dragomir (2017) also illustrated several methods to prevent conflict of interest conflict within the organization such as creating strict information control, creating an ethical training course for their staff, and creating a working standard to clarify the duty of each person.

2.4. Business model:

A business model is a map for any business organization to help everyone in that organization have the same direction and the relationship of each department and chain within a company (Sla'vik, 2019). The author also indicated a clear business model could eliminate several issues of human resource and quality control and customers relationship. In detail, the business model could be considered as a value chain that it starts at the raw material point to end-user point as a continuous process. Moreover, Sla'vik (2019) said that the startups could make their ambition come true by combining a great business model with a strong team and effective business strategy. Business model will clarify the possibility of the idea while the team provides a group of people who have the same vision and mission. Then, business strategy will direct the whole system to the logical road. However, they still fail when they underestimate the business model. Johnson et al. (2008) showed a new relationship consideration among business, main resources and main process and profit structure. The author emphasized that startups did not know how to take advantage of resources to implement a suitable business model for maximizing their profit. The relationship among those three elements showed the reason for startups' failure which were lacking strategic management knowledge.

3. Methodology

There are two main research methodologies as quantitative research method and qualitative research method. Qualitative research method focuses on describing individual experiences and beliefs. Its type of questions asked are open – ended questions. Data collection instrument is using semi-structured methods such as in-depth interviews, focus groups, and participant observation. Form of data produced is descriptive data. Degree of flexibility are participant responses affect how and which questions researchers ask next. Quantitative research method focuses on describing the characteristics of a population. Its type of questions are closed-end questions. Data collection instrument is using highly structured methods such as structured observation using questionaries and surveys. Form of data produced is numerical data. Degree of flexibility are that participant responses do not influence or determine how, and which questions researchers ask next. Based on the descriptions of two methods, since the nature of this research on failures of start-ups which needs open-ended discussions, in-depth information, it will be more suitable to apply qualitative research method due to the type of questions (open-ended ones), semi-structured methods such as in-depth interview, focus group; descriptive data and the degree of flexibility. The in-depth interview is the major approach to target interviewees who are CEOs/founders of startups. This paper will be applied phenomenological study to direct the research from the beginning to the end. Especially, this paper concentrates on the failure factors of startups in Vietnam at the first stage and how they deal with those obstacles. This research must focus on the insight of the business of each case to get to know about the difficulty of each start-up. Thus, the answers were gotten from CEOs/founders of those startups from the north to the south of Vietnam. The researcher of this research had contacted 15 CEOs/founders start-up to get 11 responses from them to clarify their experience. There are five startups' offices located in the Ho Chi Minh city while four startups in Ha Noi and two left companies in England.

All interviewees were conducted and recorded under respondents' allowances. The researcher had asked to follow questions to discover as many as possible their difficulties and their own stories. This paper tends to focus mainly on the failure factors of start-up companies before listening to their overcoming obstacles at the first stage of their business. However, it was not easy to approach those people because of some typical reasons. Firstly, they do not want to tell their failure or their difficulties which may reveal their weakness. Secondly, data of failed start-up is hard to analyze because they avoid our main question and are not willing to share. Thirdly, some startups grow and become SMEs so that it is hard to connect them for interviewing. Besides, interviewees were found by the researcher's university network which contributed data of technology startups.

4. Results and Findings

This paper gathered 11 startups from the north to the south of Vietnam. 63,6% of participants are manufacturing startups, 36,36% left are technical startups.

Table 1: Interviewees' profiles

No.	Type of Start-up	Industry	Staffs	Operating years	Location
1	Manufacture	Construction	20	3,5	HCMC
2		Paper	5	2	Dong Nai
3		Construction	8	3	Ha Noi
4		Transportation	5	2	Dong Nai
5		Food	12	3	HCMC
6		Health	14	3	Ha Noi
7	Technology	Construction	15	3	Ha Noi
8		Education/Business	5	4	HCMC
9		Food	12	3	England
10		Entertainment	8	3	England
11		Education	5	2 (failed)	HCMC

4.1. Research question 1 – What are the difficulties at the first stage that startups have to face?

According to Ries (2011), startups are companies operating under short of resources and many uncertainties to provide novel products while Sutton (2000) claimed that those startups may not have the historical operation, lack of time and resources. Moreover, those businesses are also easily affected by the external environment.

During the collection process, all the startups said that finance is an unavoidable obstacle that they have to face at the beginning of the business. The table below will demonstrate generally obstacles that they have shared:

Table 2: Number of difficulties of startups face

No.	Difficulties of startups	No. of responses from participants
1	Finance	10
2	Human resource	10
3	Lack of professional process/standard	4
4	Lack of quality control	4
5	Lack of marketing activities	2
5	Lack of knowledge and standard of paper works	6
6	Lack of knowledge about market demand	4
7	Ability of keeping up with market change	1
8	Different culture	2

There were some difficulties that CEOs could reduce without elimination such as finance, talent, and market change. It means that the below answers are their short-term solution for smooth operation. All startups' founders said that they started their business due to recognizing potential opportunities and great market demand. Therefore, those following responses will indicate that those startups have many internal problems. Due to the different operating systems, the problems would be different between manufacturing and technology startups. Moreover, some of the CEOs said that some of the difficulties were not considered as their obstacles. Therefore, there is a classification between those type of startups in term of difficulties and their problem-solving

4.1.1. For manufacture startups:

All of the manufacturing startups claimed that they did business based on family capital or personal capital instead of finding external funds. Most of those businesses have legally operated for at least 3 years which covers their initial investment and small percentage of net profit. Moreover, their products are produced by orders due to low financial capacity which limited their quantity. Therefore, it seems to be impossible for them to approach angel investors.

In terms of human resources, producing tangible products is a continuous process where it requires smooth and tight team-working. Four respondents stated that it was hard to find suitable people before hunting excellent employees. During the early moment, startups owners had to do all the jobs. Firstly, they shared that they could not find a person who believes in the company's future. Secondly, due to limited personal capital at the beginning, four respondents said that they did not trust their partners and staff enough to empower or share much about the company plan. Thirdly, all manufacturing startups owners claimed that their strategy utilized human resources for complex jobs related to their business. Therefore, their engineers had to go to a practical station which was far from their office to monitor the working process in case of lacking the project manager. However, due to sensitive financial issues, the low offered salary could not keep those employees for a long time. Besides those typical reasons, those CEOs of manufacturing startups said that due to their extremely young and small brand, those owners spent most of their time for direct selling and doing after-sales service. Therefore, they did not spend enough time training employees and checking quality which leads to several problems of product quality, company reputation, and customer relationship.

As a continuous chain, finance and human resource shortage lead to a gap in the professional working process. All of the manufacturer startups shared that there were so many tiny problems within their organization while they did not have enough experience and knowledge to build a working standard. Conflict of interests occurred due to their human utilization which decreases employees' motivation and charisma.

Four startups claimed that they were confused with paper works. Due to their specific product, they had to buy many spare parts to complete a whole system such as a whole concrete batching plant. In terms of business law, they have to gather enough invoices for every included item of a big machine so that those invoices can reflect their final product. However, they were worried about annual checking from the tax department. Because they did some illegal way to import their special products to avoid import tax on the Vietnam side. Moreover, they hired an accounting service for this job instead of hiring a full-time accountant. Therefore, an accountant could not balance between inflow and outflow which forces the company to pay high year tax.

This research found that all of the manufacturing startups did not have problems with market demand, different cultures. They just had small difficulties in marketing activities. Those manufacturing startups owners said that there were the following reasons. Firstly, most of them were deputy directors and project managers of big companies in the same industry who were engineers so, they had plenty of business networks and willing partner with to learn about legal law, near-future opportunities. Moreover, they had not to spend a big budget for market research because their relationship was large and actual enough for developing their products which met exactly customers' needs. Those startups said that due to limited budgets they did not focus on marketing activities which reduced their sales.

4.1.2. For technical startups:

Finance is also an unavoidable difficulty in technology startups. Two technology startups claimed that they must sell their house to get enough capital for developing their products and paying monthly salary to their staff. Two of them have got funds from angel investors for 1 year already. They also admitted that paying an affordable salary for their employees could help them save money. One respondent said that due to lacking experience, they paid a high salary for their engineers which became a high financial burden.

There are essential issues from human resources that they have to face. First, all of them admitted that recruiting talented people was hard when their startups are still developing their image. Especially, technology startups require suitable humans who have their basic knowledge about the target customer market so that they can keep up with the company's strategy. Besides, those startups cannot spend a huge budget for hiring IT engineers to develop their products which prevents their developing process and speeding to market. The technology startups said that they had to face the financial burden of paying a high salary to keep their IT engineers. Second, they could not convince people to work for them due to their unknown brand. Choosing the wrong people happened with 2 respondents because they cooperated with their family members and their friends which brought personal conflicts when team contribution was not effective and equal. Moreover, all technology startups in this research said that there were one or more co-founders joined in this business. However, those founders and co-founder had only a typical strength such as finance, marketing, IT. Those people could be considered as different fractions which bring advantages and disadvantages to their business. There were two biggest disadvantages that they had to cope with such as role conflict and lacking relationships. Three respondents regretted hiring their family member and their friend due to their experts. They said that it was extremely hard to make an important decision due to their big ego. The second issue of allowing many people to join in this business is lacking relationships. Two technical startups owners claimed that they believed that they could take advantage of the large relationship of their partners. However, they even disclosed their company's secret before launching products.

All of the technology startups said that they might have a human resource problem, but they were not worried about the professional working process. They stated decentralization was applied in their managing approach. They also indicated that this management approach gave their employees freedom for creativity which was important in designing apps and IT programs. Moreover, their outcome was the intangible product that would be issued in the whole of Vietnam or even a foreign country. Therefore, the decentralization approach would empower their lower-level staff to make a small decision quickly and practically.

Moreover, startups respondents regretted that they did not launch any marketing activities in the past which reduce their customer order. One interviewee said that he did not have any idea about marketing or introducing his product in the market, his company spent most of the time to complete their order by order. His technology start-up designs management program as the customer requires therefore, he mainly concentrates on maximizing the effectiveness in each feature. He also confidently claimed that his business did not care about market change and customers will come to his company. However, after 2 years, he had problems with lacking orders. Another respondent shared that she did not do marketing activities because she was afraid that she could not have enough products.

Another point worth noting is market demand. This is a curious concern of technical startups who provide intangible products or services. Those respondents recommended that they were worried about market demand from the first stage of their business until now even they had done market research. They provide applications running on the mobile phone for booking restaurants and sharing a luxury lifestyle. Moreover, they also said that due to their special target market, they had to meet their partners around Vietnam to get many agreements of cooperation regularly by testing the real quality of those places before joining together. The startups of manufacture did not cope with market demand because they have a tangible product, a sample for quality checking. Along with market demand, market change is also another issue from the market. One respondent claimed that his business provided used forklift for the Vietnamese market by importing directly from Japan auctions which helped him reduce many unexpected fees. However, he said that he could not keep up with market change during a year due to his financial capacity. Furthermore, he shared that at the beginning, he just operated his company for maintaining the business without getting much profit.

4.2. Research question 2 – How can they overcome those difficulties?

As mentioned above, there are different aspects of manufacturing startups and technology startups in terms of product, an operation so that their challenges might be different. However, they might have common difficulties due to lacking experience and human resources. These common difficulties were perceived as internal obstacles and external obstacles as below.

During data collection, those mentioned difficulties are classified into two groups based on the perception of respondents. They are external and internal factors.

Table 3: Internal and external obstacles

No.	Internal obstacle	External obstacle
1	Finance	Finance
2	Human resource	Market change
3	Working process/standard	Market demand
4	Paperwork	Culture
5	Quality control	

All the respondents run their business for three years already, but their companies are still young and unprofessional. Most of them admitted that those difficulties were results of their weakness. Some of them also believed that they had to live with those difficulties during their developing process. Therefore, they chose to solve the problem step by step. This analysis will distinguish the solution of those two types of startups.

4.2.1. Manufacture startups:

Human resource: Six respondents believed that outsourcing was the most available approach in the short-term. They said that outsourcing an accountant for their company was necessary for managing the VAT invoice of input and output. Moreover, they could reduce the financial burden of hiring a full-time accountant for their company. However, another interviewee said that he hired an official accountant because that person could calculate the cost and estimate the selling price accurately. Moreover, he also emphasized that he utilized human resources for several tasks instead of doing a single task. Besides, two respondents utilized their employees from several jobs. In the station, they allowed their engineers to go to projects to have a real image of the actual product. Therefore, those engineers could be trained to become a professional salesperson. They shared that they spent a large budget for recruiting “the right person” but those applicants could not tolerate their working pressure. Moreover, they believed that their employees could learn from actual experiences to improve themself which motivates them a lot.

Finance: In terms of financial issues, all of the manufacturing startups did not mention their solution. Because they thought to focus on improving products and services to increase sales was more important. As they claimed that they were completely based on their own capital, they were quite passive in increasing cash flow. Therefore, in the short-term, they decided to control the purchasing activities of their companies. Two respondents said that they worked with purchasing men of their company who had majors in the construction field to build a list of price and quantity of items needed to be bought. So, they could know the estimated price of those initial materials to balance their budget and save their money.

Working process/standard: All the respondents have the trouble of building their company standard and working process. Owners of those businesses admitted that they were the main salesperson in their companies because they were the only person understand extremely deep their product, service. So, they spent most of their time approaching new customers and doing after-sales service. Therefore, they did not focus on their internal relationship management. After recognizing the confusion among jobs within their companies, three respondents indicated that they classified each job into different responsibilities of each department such as purchasing department, sales department, assistant of general director…. This classification helped them point out the responsibility of each person.

Market change: According to manufacturing start-up owners, they did not have a problem with market change because they had a great relationship for learning the practical market need, market change, and developing their products in the right direction. However, those businessmen were still observing their customer needs through activities of after-sales services to learn their future needs. Three startups’ owners said that they tried to build a team to analyze customers' needs and market trends through products of their competitors. Therefore, they could provide sub-products beside their main products which expanded their brand name in this industry.

Paper works: All of the manufacturing startups decided to have an accountant in their company due to its necessity. However, because of the limited budget and size of their company, they decided differently. One start-up hired an official accountant for their company to manage documents and estimate costs and revenue. Besides, he also utilized that accountant for relative tasks in such a specific situation. Another start-up hired a part-time accountant to save their cost, but they could make sure that their document would be conducted legally. The last start-up realized outsourcing accounting service. This start-up owner said that there were several companies providing this kind of service professionally at a reasonable price. Therefore, they would not worry much about the mistake of an accountant while still saving their money effectively.

Quality control: Quality control is an important concern of management in the manufacture sector. All manufacturing startups owners coped with this issue while dealing with human resources problems and lacking the professional working process. Four respondents said that they spent their time to train and motivate their engineers and workers. They believed that engineers designed each characteristic of the whole machine so that they must understand deeply operation of the machine. Those owners also thought that they would open a training section for their workers to teach them how to assemble correctly and understand the basic operation of the machine.

4.2.2. Technical startups

Finance: There are two types of financial issues that they are coping with. Firstly, financial management happens when they try to pay a high salary for attracting talent. Two technology startups said that they had to hire excellent IT engineers for developing their program which took a high cost. Therefore, they had to reset the salary budget by cutting one engineer and hiring fresh graduates and training them at the beginning. Secondly, lacking budget there are four technical startups indicated that they tried to modify their application programs so that they could ask more investment from their angel investors. Because four respondents said that they could not be active in financial issues. Consequently, those improvements were done after their businesses have a stable cash flow.

Market change: There are two ways of coping with market change currently. One respondent said that market change was not his concern due to his differentiation. He emphasized that he made a management program based on customer describing. However, market demand was a big concern of another respondent. The second founder said that due to the limited capacity of his company, he could only concentrate on his typical product. Both founders said that startups had to focus on developing their main strengths, products, and services instead of expanding products and markets. There were two respondents who were concerned about market change because their service serves the whole of Vietnam in terms of enjoying food and drink. Two startups' owners said that they decided to pay for market research to ensure their market and catch market trend to develop new service. They were two startups who had gotten funds from angel investment for 6 months so that they thought that this was necessary to conduct accurate market research.

Culture: Two startups' owners said that they had to cope with the cultural differences. Those startups provide experimental services for foreigners and Vietnamese who travel around Vietnam. Their mobile program could suggest restaurants, hotels, bars, and beautiful sites of Vietnamese with the different recommendation of price. They admitted that different cultures had the most difficulties that they had to cope with, and they also had complained about this. In such a situation. They could not stop their program to redesign it so that they decided to add "home country-tab" in the platform of the mobile program. Therefore, they could classify their customers in suitable recommendations which would not violate the traditional culture of customers.

5. Conclusion

Based on the research conducted, the failure factors of startups can be found as financial issue, human resource problems, the professional working process, market change, market trend and market demand. Accordingly, there are many solutions for those factors. However, since the sample size of this paper is quite small with 11 start-ups, the result can only be found in a small scale. Therefore, in future research, the writer can use this research as a base literature review and conduct further research. To mitigate failure rates of startups, Vietnam startup ecosystem has been creating and supporting through incubators, accelerators, and government supporting policies (laws, grants, training programs…). Especially, with the help from incubators and accelerators, these failures will be addressed through their supports, and from government level, more activities and public initiatives will help addressing these failure factors, thus shaping the ecosystem to a stronger community and a healthy economy.

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