

Acquiring Chinese Venture Capital as a European High-Tech Start-up

An exploratory research into the critical requirements and governmental and economic influences affecting the decision-making of Chinese Venture Capital firms investing in early-stage European High-Tech Start-ups

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Master Thesis – Management of Technology

Acquiring Chinese Venture Capital as a European High-tech Start-up

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PREFACE

For the last six months, I have been working on my thesis to complete the master program Management of Technology at TU Delft. I have researched the criteria Chinese VC firms use when they invest in Europe.

I chose this subject for my thesis because I am very interested in the Chinese market and passionate about tech start-ups. I have been actively involved in the incubator YES!Delft during my student days. Thereby, I have been to China twice, once visiting tech incubators and learning the Chinese language, and once for extra courses (innovation management, HR management, and investment). Also, during my master Management of Technology at TU Delft, I learned more about different strategies and characteristics of tech companies that helped me write this thesis.

I would like to thank my daily supervisors from the TU Delft, Victor Scholten and Elif Çelik for guiding me through the last six months when doing qualitative research. Being critical and giving advice on my work helped me to what it is now. Whenever I got stuck, I could go to one of you, after which I could continue in good spirits. Thereby, I would like to thank Geerten van de Kaa for feedback during the kick-off-, mid-term- and green-light meeting.

I also would like to thank my close friends, family, and boyfriend for brainstorming and moral support when writing my thesis.

In the future, I hope to use the knowledge gained to help start-ups attract Chinese Venture Capital.

Romy Menten

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EXECUTIVE SUMMARY

One of the largest and growing economies of the world is China, where economic growth is partly due to China's increasing innovative capability. However, some say their innovative capability comes partly from Europe. The Chinese government and Chinese Venture Capital (VC) firms are increasingly investing in Europe to attract R&D and new technologies. There are several reasons for European start-ups to accept Chinese capital, one of which is that the amount of VC investments in China is much higher than in Europe. However, there seems to be a disconnection between Chinese VC firms seeking European start-ups. There are still many uncertainties around receiving Chinese VC as a European start-up due to the lack of transparency. Two aspects were found to cause uncertainty for European start-ups to accept Chinese VC:

1. Knowledge is missing on how governmental and economic aspects specifically influence the decision making of Chinese VC firms investing in Europe.
2. It is unknown what are the selection criteria of Chinese VC firms investing in European High-tech start-ups.

In this research, first, a literature review is done to create a framework on all current known criteria other countries' VC firms set when selecting a Tech start-up. The framework also includes possible governmental and economic influences that could affect the decision-making of Chinese VC firms. Second, nine in-depth interviews have been held with three different perspectives: Chinese VC firms, European start-ups, and Specialists with an external view on Chinese VC investments in Europe. By conducting interviews, it was possible to get in-depth information on Chinese investments in the past. With this, valuable information on essential criteria for Chinese VC firms when investing in Europe is obtained. After data gathering, transcripts were made, and data were grouped into themes using open coding. Finally, a within-case- and cross-case analysis have been executed to trace possible causal relationships regarding selection criteria of Chinese VC firms on one side and governmental and economic aspects on the other side.

Based on the findings of this research, European start-ups can better assess the risks and understand the decision-making of Chinese VC firms investing in Europe. It appears that mainly governmental decisions from China and Europe influence the decision making of Chinese VC firms investing in Europe. Especially Chinese governmental capital requirements need to be considered before investments in European start-ups; however, VC firms try to circumvent the Chinese regulations as far as possible. The influence of the Chinese government comes forward in the fact that: 1. The investment needs to contribute to the Chinese economy 2. The European start-up should not compete with investments in start-ups funded by the Chinese government. In addition, European rules restrict Chinese investors from investing in sensitive technologies, making it increasingly challenging for Chinese investors to invest in specific European sectors. This happens mainly due to the negative coverage of US politics on China. Furthermore, this study has identified criteria Chinese VC firms particularly use when investing in European Tech start-ups. It was found that Chinese VC firms mainly focus on the following categories: 1. experience, personality, and capabilities of entrepreneur and team 2. characteristics of the market 3. characteristics of product 4. financial considerations. More specifically, based on the interviews, a list of 21 selection criteria is found that European start-ups could consider when attracting Chinese VC investments. To conclude, since every investment is unique, and the strategy of VC firms differs, it is good to consider all criteria found in this study, including the criteria found in previous literature of other countries' VC firms to get a better overview on the requirements Chinese VC firms set when investing in European High-Tech start-ups.

CONTENTS

Preface	2
Executive summary	3
Contents	4
List of figures	7
List of tables.....	8
Abbreviations.....	9
1. Introduction	10
<i>1.1 Knowledge gap</i>	<i>12</i>
<i>1.2 Problem statement and Research demarcation.....</i>	<i>13</i>
1.2.1 Problem Statement.....	13
1.2.2 Research demarcation	14
<i>1.3 Research objectives and – questions.....</i>	<i>18</i>
1.3.1 Research objectives	18
1.3.2 Main- and sub research questions	18
<i>1.4 Relevance of research.....</i>	<i>19</i>
1.4.1 Societal and scientific relevance.....	19
1.4.2 MoT relevance	19
<i>1.5 Methods selection and Research design</i>	<i>20</i>
1.5.1 Methods selection	20
1.5.2 Research design	21
2. Literature study	24
<i>2.1 Including literature</i>	<i>24</i>
<i>2.2 Background knowledge of Chinese VC eco-system.....</i>	<i>26</i>
2.2.1 The growth of Chinese VC	26
2.2.2 China as an emerging tech-giant	27
2.2.3 Chinese VC firms investing in High-Tech start-ups	28
<i>2.3 External influences.....</i>	<i>28</i>
2.3.1 Governmental aspect	29
2.3.2 Economic aspect	30
2.3.3 Sectional conclusion external influences	32

2.4	<i>Selection criteria of VC firms</i>	33
2.4.1	Selection criteria of VC firms in general	33
2.4.2	Selection criteria of Chinese investors investing in China	35
2.4.3	Sectional conclusion	37
2.5	<i>Relevance of literature</i>	38
2.6	<i>Answer on first two sub-questions and Framework creation</i>	39
2.6.1	Answers to first two sub-research questions.....	39
2.6.2	Framework creation.....	41
3.	Methodology	43
3.1	<i>In-depth interviews</i>	43
3.2	<i>Interview protocol</i>	43
3.2.1	Interview content and structure	43
3.2.2	Process aspects and Agreements interview.....	44
3.2.3	Expert selection	45
3.2.4	Saturation, validity and reliability of experts selection.....	47
3.3	<i>Data analysis</i>	48
4.	Results	51
4.1	<i>Within-perspective results</i>	51
4.1.1	Results perspective 1: Chinese VC firms	52
4.1.2	Results perspective 2: European High-Tech Start-ups.....	60
4.1.3	Results perspective 3: Specialists	66
4.2	<i>Cross-perspective results</i>	72
4.2.1	Similarities of results between perspectives.....	72
4.2.2	Differences in results between perspectives	73
4.3	<i>Selection criteria compared to framework</i>	75
5.	Discussion & Conclusion	77
5.1	<i>Reflection on the results</i>	77
5.2	<i>Main research findings and Conclusion on main research question</i>	79
5.2.1	Main research findings	80
	Chinese VC firms' perspective	80
	European start-ups' perspective	80
	Specialists' perspective	81
5.2.2	Conclusion: Answer on main research question.....	82
5.3	<i>Limitations of research and Recommendations for future research</i>	84
5.4	<i>Reflection on MoT and Process</i>	86
5.5	<i>Scientific contribution and Practical implications</i>	87
5.5.1	Scientific contribution.....	87
5.5.2	Practical implications	88

6.Literature	89
7. Appendices	95
<i>Appendix A - Keywords</i>	<i>95</i>
<i>Appendix B- Semi-structured questions.....</i>	<i>96</i>
<i>B.1 Introduction for the interview</i>	<i>96</i>
<i>B.2 Interview questions VC firms</i>	<i>97</i>
<i>B.3 Interview questions Start-ups.....</i>	<i>99</i>
<i>B.4 Interview questions specialists</i>	<i>101</i>
<i>Appendix C – Identification of organisations.....</i>	<i>104</i>
<i>Appendix D - Content analysis</i>	<i>105</i>
<i>Appendix E – Within-perspective analysis</i>	<i>106</i>
<i>E.1 Within-perspective 1 analysis.....</i>	<i>106</i>
<i>E.2 Within-perspective 2 analysis</i>	<i>107</i>
<i>E.3 Within-perspective 3 analysis.....</i>	<i>108</i>
<i>Appendix F – Cross-perspective analysis</i>	<i>109</i>
<i>Appendix G - Research planning.....</i>	<i>110</i>

LIST OF FIGURES

Figure 2.1: Example of snowballing effect in search process

Figure 2.2: China's direct investment in Europe (Billion USD) (European Parliament, 2020)

Figure 2.3: Annual FDI from China-Europe (MLN of Euros) (European Parliament, 2020)

Figure 2.4: Number of products in Chinese Private equity & M&A (Asset Management Association of China, 2021)

Figure 2.5: External influences and selection criteria affecting the decision making of Chinese VC firms in Europe

Figure 3.1: Content analysis

Figure 4.1: importance of themes within categories of perspective 1

Figure 4.2: importance of themes within categories of perspective 2

Figure 4.3 Importance of themes within categories of perspective 3

Figure D.1: Content analysis

LIST OF TABLES

Table 2.1: Governmental and economic aspects affecting Chinese VC-activity in Europe

Table 2.2: Selection criteria of VC firms based on previous studies

Table 2.3: Literature relevance on selection criteria of VC firms (PE investors, private VC firms and governmental VC firms)

Table 3.1: Interviewed organisations

Table 4.1: Themes used to label results for governmental and economic influences

Table 4.2: Themes used to label selection criteria of Chinese VC firms investing in Europe

Table 4.3: Overlapping dominant themes in all perspectives

Table 4.4: Contradictory dominant themes between perspectives

Table 4.5: Selection criteria of Chinese VC firms compared to framework

Table 5.1: Sub-research questions and chapters

Table 5.2: Dominant criteria categories mentioned with-in a perspective

Table 5.3: Selection criteria mentioned in this study

Table A.1: Research Keywords

Table C.1: Identification of interviewees

Table E.1: Within-perspective 1 analysis

Table E.2: Within-perspective 2 analysis

Table E.3: Within-perspective 3 analysis

Table F.1: Cross-perspective results per theme

Table G.1: Planning of the thesis

ABBREVIATIONS

VC:	Venture Capital
FDI:	Foreign Direct Investment
PE:	Private Equity
M&A:	Mergers and Acquisition
USD:	US Dollar
RMB:	Renminbi
IP:	Intellectual Property
ROI:	Return on Investment
IPO:	Initial Public Offering

1. INTRODUCTION

Innovation and entrepreneurship are essential drivers for economic growth. They create new knowledge, work opportunities and new products and services for society. However, new businesses are often high-risky and cost-intensive ventures, especially when they build new technologies. For this reason, start-ups often search for external venture capital to realize their ideas and spread the risk of failure (Botelho et al., 2021).

Venture capital (VC) comes from investment banks or private investors invested in start-ups with long-term growth potential. This type of private equity is used by investors willing to take high risks since the companies are still small at the moment of investment. In return for this investment, investors often get equity and voting rights. Besides the money start-ups get, VC investment allows start-ups to get help from their investors through managerial or technical expertise (Venture Capital, 2021).

One of the largest and growing economies of the world is China, where economic growth is partly due to China's increasing innovative capability. Where it first was only good at imitation, it is now also good at creating new technologies. China has emerged into a rapidly expanding country regarding investments, internationalization, innovation, and thereby new ventures/start-ups (Ahlstrom et al., 2018, Greeven and Wei, 2017). On a private level, Greeven & Yip (2019) mention that China's innovative capability is due to China's expansion of markets, economic growth, and growing income. Innovation and entrepreneurship are two critical factors enabling Chinese economic growth (McKinsey Global Institute, 2015). Also, the Chinese government has been advancing economic growth through various programs to support innovation and entrepreneurship (Schoff & Ito, 2019).

However, Lin (2021) indicates that these government programs are not very successful, and China's economic growth and increased innovative capability are due to the sharp increase in investments by VC firms. The VC market in China has grown over the past 30 years to become the largest globally in the number of investments (Lin, 2021). Even though it is first said that Chinese companies are good at innovation, the literature states that China has issues concerning keeping on track with innovative capability. China must improve still and strengthen its technological innovation capability. Therefore, they search for new technology and knowledge in Europe (Wang & Mei, 2020). Based on a study by Greeven and Yip (2019), Chinese companies and investors are interested in investing abroad. The main reason for this is the R&D capabilities of other countries, including Europe. This shows China's global focus on innovation. However, China's focus on Europe arises difficulties, for example understanding European culture and managing an international company (Greeven and Yip, 2019).

Several attempts have been made to explain why Chinese companies struggle to innovate and still depend on European companies and start-ups' innovative capacity. Previous studies explain why Chinese companies cannot continue to achieve this growth based on their current innovation pace; the reasons for this can be found below and could be divided into potential governmental- and economic reasons.

Governmental reasoning for lack of Chinese innovative capability

Firstly, China lacks legal and socio-cultural institutions required to enable innovation (Abrami et al., 2014). For example, institutions that make it easier to set up a start-up. Secondly, the Chinese government takes away the freedom and creativity of (tech) entrepreneurs by not giving property (Abrami et al., 2014; Ahlstrom, 2018). This stems from the top-down power (centralization). Thirdly, confucianism can prevent entrepreneurs from developing technologies that deviate from traditions.

Confucianism is a way of life in which one must follow the social, moral, and political guidelines of a country (Abrami et al., 2014; McCloskey, 2010; Wang & Mei, 2020).

Economic reasoning for lack of Chinese innovative capability

Fourthly, although many educated engineers and talents in China have a technical background, they often lack soft skills and management experience, not obtained because of the lack of a free economy (Abrami et al., 2014). From literature, it comes forward those European entrepreneurs have these soft skills and more management experience needed for innovation (Ministry of Foreign Affairs, 2019).

The above given four reasons are expected to increase the number of Chinese (VC) investments in Europe, divided into governmental and economic reasoning. As indicated, it seems that the Chinese government and Chinese economy lack the ability to create new technologies. Hereby, on the one hand, the Chinese government is trying to attract knowledge and new technologies from Europe and, on the other hand, it is trying to stop this development. Based on literature, it is still unknown how governmental and economic aspects specifically influence the decision making of Chinese VC firms investing in European High-Tech start-ups.

Accordingly, Chinese foreign investments could open opportunities for European Tech start-ups to raise capital. There are several reasons for European start-ups to accept Chinese capital. In China, the amount and number of VC investments are higher lower than in Europe. Thereby, research shows that China is the only place where it is possible to grow from a start-up to a unicorn within six years, unlike Europe, where that takes an average of eleven years (Asia Study Centre, 2021). However, the process of Chinese VC firms investing in European start-ups is not yet well established. Previous studies do not indicate what Chinese VC investors search for in a start-up, what they require after investing and how governmental and economic aspects influence their decision-making (Kalinin, 2021).

Tan et al. (2019) show that Chinese VC firms differ significantly from European VC firms. What is currently known about Chinese VC firms is that they monitor less than European VC firms and initiate stock options in the company in question less often. Financial statements are less frequently required. Also, Chinese VC firms mainly add financial value. This is partly due to the lack of experience in the governance of VC firms. Thereby, China's Company Law makes it difficult to invest in Europe in general (Tan et al., 2019). However, the specific rules and regulations that make it difficult for a Chinese VC firm to invest in Europe are unknown.

The problem is that there is no connection between Chinese VC firms that want to invest in European start-ups. Limited previous studies have investigated what Chinese VC firms require when making a European investment and what external influences affect this decision-making. This is because data is often unreliable and difficult to obtain in English. This research tries to fill this gap by mapping out the specific requirements and external influences that affect early-stage Chinese VC investments in European High-Tech start-ups. The remaining part of this chapter describes the knowledge gap, scope, objectives, relevance and methodology of this research.

Description of key words in this thesis

In this research, the abbreviation VC will refer to Venture Capital. In summary, this is the money invested in a Tech start-up. It is an investment in a young company with a relatively high-risk profile. VC is one of the most critical requirements to support knowledge and talent. The capital is exchanged chiefly for shares (Zider,1998). The abbreviation will likewise be used within the following examples; VC investment, VC investor and VC firm.

Early-stage investors are defined as doing seed-stage financing and angel financing. Seed financing is when the start-up still must prove a concept and build a prototype. Angel financing is for those working on product development and initial marketing. The start-ups these VC firms focus on have been in business for a while, although they have not sold their product commercially yet (Bacher and Guild, 1996).

A *High-Tech start-up* is a small company that brings a technology product or service to the market. These technologies often create new products/services or create existing products/services in a new way. A start-up often aims to enter the market quickly and is mostly still in the development and research phase. It often starts with high costs and has little revenue; therefore, they often search for VC (Graham, 2012).

1.1 KNOWLEDGE GAP

Based on the literature review, three different aspects create a knowledge gap in the current literature. First, the literature shows a growing interest of Chinese VC firms investing in European start-ups to continue national economic growth. The literature indicates that China is still dependent on Europe for innovation. Besides the growing interest in Europe, various national programs of the Chinese government try to stimulate national innovation to enable national economic growth (Schoff & Ito, 2019; Ahlstrom et al., 2018). Lin (2021) indicates that China's leading economic growth and innovative capability are due to the sharp increase in investments by VC firms. However, it is still unknown how governmental programs and indirectly economics affect Chinese VC firms investing in China and abroad.

Second, to date, no studies about Chinese VC firms' criteria when investing in European start-ups are available. Although European start-ups see opportunities in having Chinese capital, they often go to the US instead of China to search for foreign capital since there are too many uncertainties around acquiring Chinese VC. European start-ups are afraid to accept Chinese capital since Europe lacks adequate English information about Chinese investments in Europe. It is unknown what Chinese VC investors search for in a start-up or what they require after investing (Kalinin, 2021). There is some literature about the criteria of Chinese VC firms investing in Chinese start-ups. However, most studies in this field have only focused on processing data quantitatively, aggregating data into single terms, leading to misleading and too narrow results. Therefore, these studies' results lose much value and in-depth knowledge (Risks of Quantitative Studies, 2004). It is not known if these criteria also apply to Chinese investments in Europe. Europe is currently still suspicious of receiving Chinese capital, which could make Chinese VC investment in Europe more difficult in the future. Certainly, in this research, it is precisely the substance of the Chinese parties' specific choices that are important to gain confidence in Chinese VC firms' investments for European start-ups. Currently, there is no in-depth research on the selection criteria Chinese VC firms have when investing in Europe.

Thirdly, since literature shows the incapability of innovation in China, it becomes more relevant for Chinese VC firms to invest in Europe (Abrami et al., 2014; Ahlstrom, 2018; McCloskey, 2010; Wang & May 2020; Ministry of Foreign Affairs, 2019). In current literature, selection criteria of other international VC firms can be found regarding their selection procedure of a Tech start-up. Still, nothing can be found about Chinese VC firms investing in Europe. Whether selection criteria of the European and American international early-stage VC firms also work for Chinese VC firms is still unknown.

Based on these three aspects, the present knowledge gap is that it is unknown what criteria Chinese VC firms find essential when investing in European start-ups. Thereby it is unknown how external influences governmental and economic aspects affect the decision-making of Chinese VC firms. Research into these requirements and external influences can become essential to ensure future Chinese VC investments in European High-Tech start-ups. Since currently, there is a fear of European start-ups receiving Chinese capital, although they see opportunities of receiving Chinese VC. Combined with the fact that Chinese VC firms are willing to invest in Europe, this study aims to better connect both parties in the future. In this research, the specific criteria and external influences that affect the decision making of Chinese VC investors in early-stage European High-Tech start-ups are searched for by doing qualitative research with the help of in-depth interviews.

1.2 PROBLEM STATEMENT AND RESEARCH DEMARCATION

1.2.1 PROBLEM STATEMENT

Based on the knowledge gap in paragraph 1.1, the main problem statement to be addressed in this study is:

There seems to be a disconnection between Chinese VC firms seeking European start-ups and European start-ups reluctant of receiving Chinese VC. This problem mainly comes forward due to the cultural, political, and economic differences combined with the limited previous research and unreliable data sources in this field of study.

This central problem statement is the result of the following two problem statements:

Problem statement 1: It is unknown how governmental and economic aspects specifically influence the decision making of Chinese VC firms investing in European High-Tech start-ups. Until these influences become apparent to European start-ups, investments from China will largely be avoided, thus avoiding many capital and growth opportunities.

Problem statement 2: It is unknown what are the selection criteria of Chinese VC firms investing in European High-Tech start-ups.

Previous studies have researched the selection criteria of Chinese VC firms investing in Chinese start-ups (Zhang et al., 2006; Chen, 2011; Fang et al., 2020; Lu et al., 2020). It is unknown if these criteria are also applied when selecting European start-ups. Thereby, as an English speaking researcher, it is challenging to access a Chinese platform that potentially has more detailed information on specific requirements of Chinese VC firms when investing in Europe, including the Chinese laws and regulations that potentially affect the decision-making of Chinese VC firms investing in Europe.

Suppose the selection criteria and governmental and economic aspects affecting the decision-making of Chinese VC investments in European start-ups are not researched. In that case, there is a missed opportunity for both parties. Namely, it is more difficult for Chinese investors to attract European start-ups. With this, China lacks knowledge in several industries (Abrami et al., 2014; Ahlstrom, 2018; McCloskey, 2010; Wang & May 2020; Ministry of Foreign Affairs, 2019). Moreover, European start-ups miss out on money and, thus, potential growth opportunities without sound reason (Kalinin, 2021).

The above-given problem can be solved by doing in-depth interviews to get insights into Chinese VC firms' choices and what is crucial for them when making investments in Europe. With this, the substance of choices made by the Chinese party is essential here, rather than just involving loose criteria and external influences. When more insight knowledge is acquired, this could create better relations between both parties.

1.2.2 RESEARCH DEMARCATION

Based on the problem statement in sub-paragraph 1.2.1, a clear research boundary is needed to define the scope of this research

Firstly, this research will only consider Chinese VC firms investing in European High-Tech start-ups, not considering spin-offs and/or scale-ups, considering foreign direct investments in Europe. With this, the VC must have an office in China. This choice is made for practical reasons to complete this research more minor.

Secondly, China lacks knowledge in some High-Tech sectors (Zhang et al., 2006; Chen, 2011; Fang et al., 2020; Lu et al., 2020). Chinese investors are searching for new High-Technologies abroad because China lacks knowledge in specific industries.

Thirdly, from 2010 to 2016, most Chinese Investments were generally Seed and Angel, namely 32.73% (Insead, 2018). The reason for this is the potential of receiving high returns for Chinese investors (Carter and Van Auken, 1994). Thereby, Chinese investors receive support from the government when they invest in companies that can contribute to the multi-year plan to make China the global dominator in technology (McBride, 2019). Moreover, China lacks knowledge in specific industries. Tech start-ups often can bring new expertise in a particular sector, which is interesting for China (Abrami et al., 2014; Ahlstrom, 2018; McCloskey, 2010; Wang & May 2020; Ministry of Foreign Affairs, 2019). Since it is known that there have been Chinese investments in this phase of investment, the scope of this research is to focus on early-stage investments. According to Tyebjee and Bruno (1984), there are six stages of firm development and thereby for investments, the first two of which are interesting for this research, namely:

- | | |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 1. Seed financing: is the development of a new concept. | 2. Start-up/Angel financing: development of first version product and its initial marketing. |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------|

This study makes no distinction between the two, and from now on, these stages are combined and called "early-stage" investments.

The selection criteria for each investment stage are different within different stages of investment. Research shows, for example, that early-stage investors are often more concerned with liquidity and less concerned with the management of risks of the company. Early-stage investors also appear to want more control over the project, which is reflected in their time on the company's first major decisions. Thereby, early-stage investors favour the initial public offering as the means of the existing project, as it gives high expectations for the return in the future (Carter and Van Auken, 1994).

Fourthly, the results given in this research focus on VC firms selecting start-ups for a potential investment. Consequently, this study's criteria and external influences are used to evaluate a potential investment. This choice is made just because of practical reasons to narrow the research.

1.3 RESEARCH OBJECTIVES AND – QUESTIONS

1.3.1 RESEARCH OBJECTIVES

In this paragraph, the research objectives of this research will first be described in more detail. Next, there is a brief overview of the main and sub-questions. In 1.3.2, the used methods per sub-questions are explained.

The research addresses one main objective:

This study benefits high-tech entrepreneurs seeking Chinese venture capital. This study will provide these insights and will benefit entrepreneurs seeking venture capital for their technology-based businesses. The primary research objectives of this study are:

1. Support European High-Tech entrepreneurs looking for Chinese VC to respond better to the requirements of Chinese VC firms and thus obtain Chinese venture capital more efficiently.
2. Support Chinese VC firms in their decision making when selecting European High-Tech start-ups
3. Support academics interested in the requirements of Chinese VC firms in the examination of European VC firms and external influences on their decision. In current literature this information is not yet available. This research will be divided in two parts, and focussing on namely:
 - A. Governmental and economic influences, affecting the decision making of Chinese VC firms investing in European Tech start-ups. With the help of a literature review on the characteristics of the Chinese VC ecosystem, potential external influences on the decision making of Chinese VC firms in Europe can be generated.
 - B. Selection criteria used by Chinese VC firms in the selection process of European Tech start-ups. Research will be done into which specific criteria categories are important for VC firms in general and Chinese VC firms in Europe. The criteria categories that come forward most often will be used as a guideline for the interviews. Within these criteria categories, respondents are asked what they think is most important in the selection of European start-ups by Chinese VC firms.

The overall objective of this research will be:

Create a list of critical requirements of Chinese VC firms investing in European High-Tech start-ups. The list should be able to inform European start-ups to respond to the needs of Chinese VC firms. In addition, the aim is to map the governmental and economic influences that affect the decision making of these VC firms.

1.3.2 MAIN- AND SUB RESEARCH QUESTIONS

The main research question is derived from the objective mentioned in sub-paragraph 1.4.1. The main research question has various sub questions. These sub questions are necessary to answer the overall research question and meet the final research objective.

The main research question for this thesis is:

What are the critical requirements and governmental and economic influences affecting the decision making of Chinese Venture Capital investors in European early-stage High-Tech start-ups?

The sub-questions for this thesis are:

1. What governmental and economic aspects could affect the decision-making of Chinese VC firms in Europe?
2. Which criteria categories are important for Chinese VC firms when selecting a European early-stage High-Tech start-up?
3. How do governmental and economic influences affect the decision-making of Chinese VC firms investing in European High-Tech start-ups?
4. What are the critical requirements for Chinese VC firms investing in a European High-Tech start-up?

1.4 RELEVANCE OF RESEARCH

1.4.1 SOCIETAL AND SCIENTIFIC RELEVANCE

The problem mentioned above is relevant for society since Chinese VC firms consider investing in European start-ups. In the past, Chinese VC firms invested in start-ups in Silicon Valley. Nevertheless, due to the Trump Administration, investing in start-ups in the US became more difficult. Therefore, since 2018, Chinese VC firms have come forward in European technology start-ups. Thereby, due to the enormous Chinese market, the availability of more Chinese VC, and the interest of Chinese VC firms in Europe, there is a window of opportunity for European tech entrepreneurs to receive capital (Zhang, 2021). It is necessary to examine what these two parties (Chinese VC firms and European Tech Start-ups) expect from each other and what requirements must be met (Tan, 2017). To be successful for both sides and improve investment efficiency, the interpretations of business and the advantages that both ecosystems bring must be considered. With this, transparency and fairness of the decision-making are critical.

The scientific relevance of the problem statement mentioned above is to formulate qualitative insights into the selection criteria Chinese VC firms search for when investing in a European start-up. Thereby, no research has yet been done on the governmental and economic influence on Chinese VC firms investing in Europe. Since no qualitative research has yet been done on both, this research is scientifically relevant.

1.4.2 MOT RELEVANCE

In the master Management of Technology, students are taught to become technology managers or entrepreneurs in highly technology-based environments. A clear focus is on how technology-based products/ideas could transform into final business models. In the part “Entrepreneurship” of the course “Technology, Strategy, and Entrepreneurship,” the theoretical background of entrepreneurship is given. Students are taught to formulate and implement technological innovation strategies for large and small entrepreneurial firms (TU Delft, n.d.). This is closely linked to the goals of this research, in which a European tech start-up tries to attract VC from Chinese investors. Attracting VC may require changing strategies or team-setup and entering different markets and customers. It should be considered that setting up a business model and investment proposal for European markets are different than for Chinese markets.

1.5 METHODS SELECTION AND RESEARCH DESIGN

1.5.1 METHODS SELECTION

Reasoning for methods

This thesis will use a literature study combined with in-depth qualitative interviews to answer the research questions. Firstly, a literature study gives insights on what is known about the current Chinese (VC) investment ecosystem and potential influences of cultural, political, and economic differences between China and Europe on the decision-making of Chinese VC firms investing in Europe. It shows the selection criteria of VC firms in general and Chinese VC firms on European Tech start-ups. Subsequently, based on the existing knowledge and current knowledge gaps, interviews are conducted to determine specific requirements and external influences that affect Chinese VC firms' decision-making searching for European start-ups.

The logic of qualitative approach is referred to by Creswell (2003) in "The Inductive Logic of Research in a Qualitative Study" (p. 26). This forms a final theory extracted from literature and interviews, also named the "endpoint." In this inductive process, broad terms/categories are searched from the data, and a theory/generalized model is extracted. The process runs as follows (Creswell, 2003):

1. Information gathering in literature
2. Analyse data to create important criteria categories potentially used by Chinese
3. Interview with open-ended questions
4. Search for patterns, theories, and themes between all respondents/perspectives
5. Conclusions based on literature study and experiences from respondents

Sub-questions and methods

To find answers to the sub-research questions and thereby main questions in this thesis, three steps have to be followed:

1. Literature study
2. In-depth interviews
3. Qualitative data analysis: Within- and cross-perspective analysis of the interviews.

This sub-paragraph explains the relevant chapters and methods used to answer all the sub-questions. In figure 1.1, the design of this study can be found.

Firstly in paragraph 2.2, a general introduction is given about the Chinese VC ecosystem and Chinese VC investments in European Tech start-ups. Since there is still a lot unknown about the selection criteria used by Chinese VC firms, this must be researched and to do so; firstly, research is done into external influences that could affect the decision making. A literature review, in chapter 2.3, answers sub-question:

1. What governmental and economic aspects could affect the decision-making of Chinese VC firms in Europe?

The second sub-question takes a closer look at the selection criteria categories of Chinese VC firms. With the help of a literature review, some critical criteria categories from early-stage VC firms in general are searched for. Then, research will be done into the selection criteria of Chinese VC firms used to

select Chinese start-ups. Based on the literature, an answer to sub-question two can be found in paragraph 2.4:

2. Which criteria categories are important for Chinese VC firms when selecting a European early-stage High-Tech start-up?

The final answer on sub-questions 1 and 2, can be found in sub-paragraph 2.6, including a framework. The framework is later used as a guideline for the interviews.

Based on the literature reviews, potential external influences and selection criteria used by other countries' VC firms are used to create a framework for this study. Certain selection criteria used in international and Chinese VC firms are combined to define the most important categories, international VC firms use when selecting a start-up in their portfolio. Thereby potential external influences are grouped, to also take these into account in the decision making of Chinese. Nine experts in this field are interviewed to get in-depth knowledge into how the external influences affect the decision-making of Chinese VC investments in European Tech start-ups. The respondents' background can be divided into three different perspectives: interviews are held with experts from different perspectives: Chinese VC firms, European High Tech start-ups ad specialists. The results of the interviews will be analysed by doing a within-perspective- and cross-perspective analysis. With the help of the interviews, sub-question 3 and 4 can be answered in sub-paragraphs 4.1 and 4.2:

3. How do governmental and economic influences affect the decision-making of Chinese VC firms investing in European High-Tech start-ups?
4. What are the critical requirements for Chinese VC firms investing in a European High-Tech start-up?

The explanation of the methods used per sub-question ultimately results in answer to the main question "What are the critical requirements and governmental and economic influences affecting the decision making of Chinese Venture Capital investors in European early-stage High-Tech start-ups?"

In the following paragraph, the design of this thesis is presented in more detail.

1.5.2 RESEARCH DESIGN

In this paragraph, the research will be explained based on the research design in figure 1.1.

Introduction

After the introduction to this research, a knowledge gap could be identified in paragraph 1.1. After the problem statement, relevance, demarcation, objectives, and main- and sub-questions of this research, a summary is made here to describe the design of this study.

Literature review

In paragraph 2.1, the literature study method is explained. To get a better view of the Chinese VC ecosystem, paragraph 2.2 will explain in more detail the growth in the number of Chinese VC firms, China as an emerging tech giant, and why Chinese companies specifically are interested to invest in tech. Paragraphs 2.3, and 2.4 then answer sub-question 1 and 2. A summary of this literature review, including an answer to sub-questions 1 and 2 can be found in sub-paragraph 2.6. Moreover, in sub-

paragraph 2.6 a framework is set up. The findings of the literature review are used as a guideline for the interviews and finally to analyse the results.

Qualitative data analysis

In chapter 3, the methodology of interviews is explained in more detail. Firstly, in paragraph 3.1, the reasoning for doing in-depth interviews is explained. Subsequently, in paragraph 3.2, the interview protocol is explained, including the process aspects, expert selection, and validity and reliability of this selection. Moreover, in paragraph 3.3, the data analysis method is explained.

In chapter 4, the results from the interviews are presented. Firstly, in paragraph 4.1, a within-in perspective analysis can be found, in which results are divided per category per perspective. Subsequently, in paragraph 4.2, a cross-perspective analysis for every category can be found. Finally, in paragraph 4.3 the selection criteria found in this study are compared to the framework.

Conclusion

In chapter 5 the discussion and conclusion will be presented, including reflection on the results, limitations of this research, recommendations for further research, and finally, demonstrating the relevance of this study.

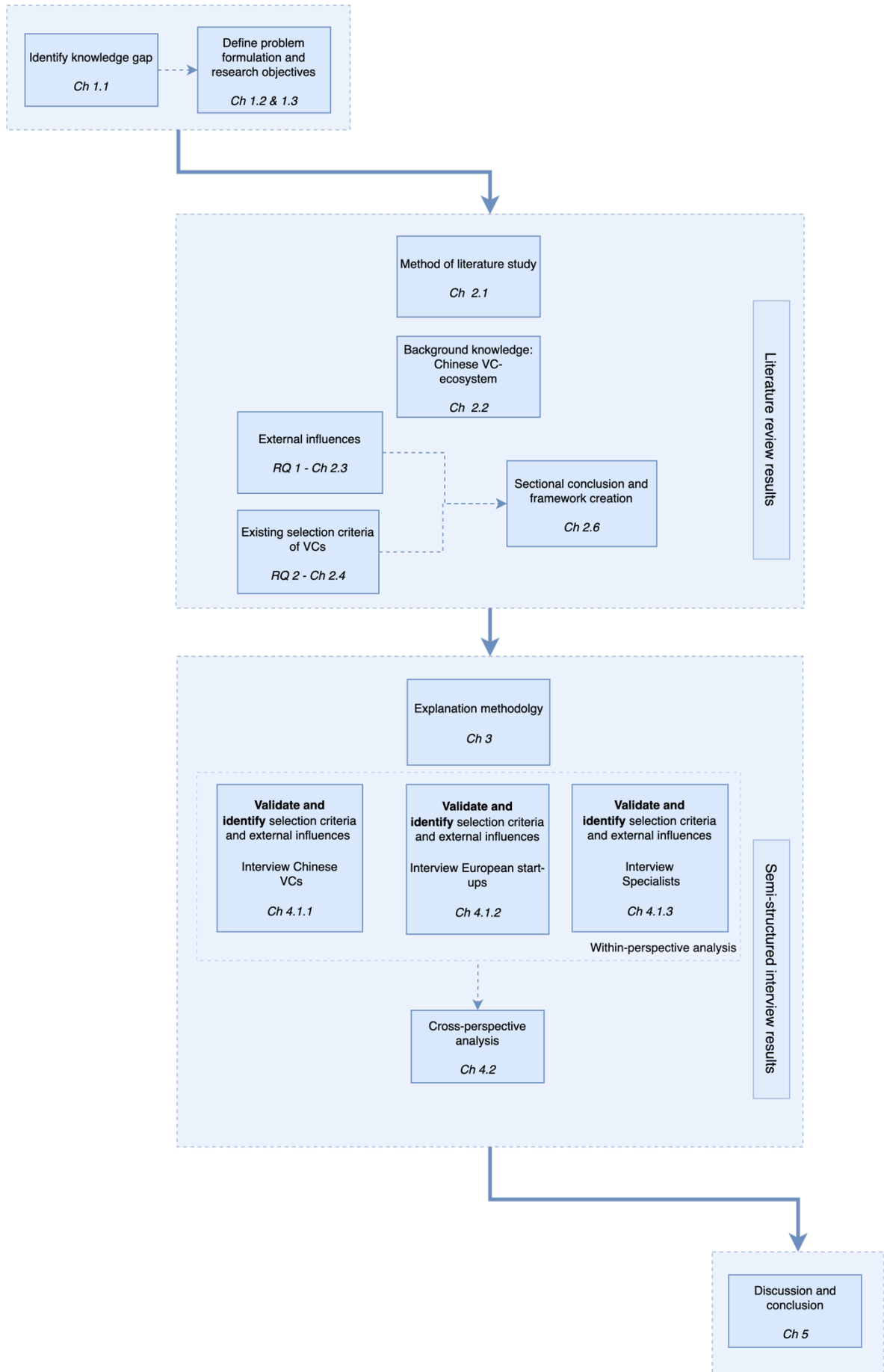


FIGURE 1.1: FULL RESEARCH DESIGN OF THIS THESIS

2. LITERATURE STUDY

In this chapter, the currently available literature is reviewed. Firstly, in paragraph 2.1, an overview of the methods used to do a literature study is given. Subsequently, in paragraph 2.2, an overview is given of the Chinese VC ecosystem. In paragraph 2.3, the potential economic and governmental influences that affect the decision-making of Chinese VC in European tech start-ups are given. Further in paragraph 2.4, the selection criteria of VC firms investing internationally and Chinese VC firms investing nationally are provided. In paragraph 2.5, the relevance of literature of this literature review can be found. Finally, in paragraph 6, a concrete answer is given to sub-questions 1 and 2, including a framework.

2.1 INCLUDING LITERATURE

A literature study is done to understand better the Chinese VC ecosystem, the characteristics of Chinese VC firms, the criteria used by VC firms in general, and why Chinese VC firms invest in European High-Tech. Search systems Web of Science, Scopus, and Google Scholar were mainly used for this study. Thereby, some grey literature was important because sometimes it gave confirming or contradictory information. Moreover, since this topic is still very new in literature and is about a real-life phenomenon, some information from grey literature was needed. Case studies, blogs, and patents are also used to provide precise information on a particular topic at a specific and current moment. Unfortunately, only English literature is used since the researcher cannot read Chinese.

The goal of the literature study was the following:

1. Identify the knowledge gap
2. Provide background knowledge of Chinese VC ecosystem
3. Gain insights into the Chinese VC ecosystem and identify potential external influences that could affect the decision making of Chinese VC investors.
4. Gain insights into the selection criteria used by foreign/non-Chinese VC firms when selecting a High-Tech start-up and set up criteria categories for validation
5. Gain insights into the selection criteria used by Chinese VC firms when selecting a European High-Tech start-up

Search terms

This paragraph explains how the literature used in this chapter was found. Using the following search terms, relevant literature was searched in the aforementioned search systems: *“Chinese” AND “Venture” AND “Capital” AND “in” AND “China”, “Selection criteria” AND “Chinese” AND “Venture” AND “Capital” AND “Europe”, “Selection criteria” AND “Chinese” “Venture Capital”, “Success factors” AND “Chinese” AND “VC” AND “Europe”, “Characteristics” AND “Chinese” AND “VC” AND “ecosystem”, “Chinese” AND “Economic” AND “Growth”, “Critical” AND “Criteria” AND “European” AND “start-ups” AND “in” AND “China”.*

Synonyms have been used for the above search terms. In appendix, A all the keywords, including synonyms, can be found. Below the most important are presented:

- **Topic China:** “Mainland China”
- **Topic Entrepreneurship:** “Entrepreneur”, “entrepreneurial”, “business development”
- **Topic Technological Start-up:** “Tech start-up”, “High tech start-up”
- **Topic Economic growth:** “Economic development”, “Economic expansion”, “GDP growth”

- **Topic Foreign investment:** “Overseas investment”, “finance”, “capital”, “international investments”
- **Topic Tech start-up:** “Hi-Tech start-up”, start-up
- **Topic Venture Capital:** “VC”, “start-up investors”, “VC fund”
- **Topic Critical criteria:** “Selection criteria”, “success factors”

Explanation of initial search process

At the start of this study, only the search system Scopus was used, where the first search terms were: "Chinese" AND "Venture" AND "Capital" AND "Europe". Out of this search, ten articles came up, and none seemed relevant.

Since this research area is relatively new, more investigation had to be done into China's entrepreneurial and innovative capability to find the knowledge gap. The presence of entrepreneurs and innovation is expected to attract VC. In addition, a potential reason for Chinese VC firms to invest in Europe was the lack of scientific knowledge and innovative capacity of Chinese start-ups and the economy. Therefore, the following keywords have been used: "China" AND "Innovation" AND "Entrepreneurship" AND "Economic" AND "Growth". This resulted in 84 scientific articles potentially relevant for this research. The period when the article was published is crucial because it concerns a subject that has changed in the past 20 years. It was necessary to check whether the information is still up to date for every article. Initially, only articles from 2017 and later were considered, which resulted in 45 remaining articles. After the summaries had been read and globally scanned, this search resulted in one relevant article for further research from Ahlstrom et al. (2018).

Backward and forward snowballing

The article of Ahlstrom et al. (2018) is used as the “initial collection of literature”. From here, backward- and forward snowballing was used to select relevant literature. Backward searches were searched for publications on the same subject, cited in the initial literature set. Next, forward snowballing was used to search for newer publications by looking at where the initial collection of literature was cited (Danglot et al., 2019). The search process mentioned above can be seen in figure 2.1.

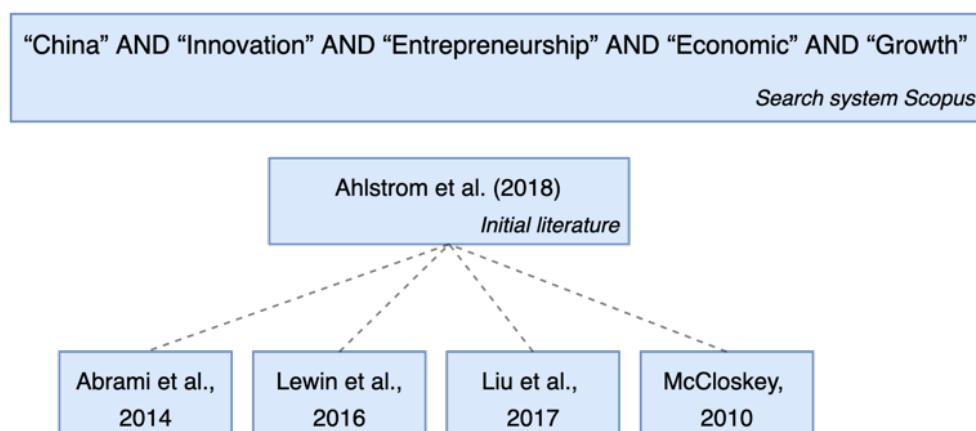


FIGURE 2.1: EXAMPLE OF SNOWBALLING EFFECT IN SEARCH PROCESS

2.2 BACKGROUND KNOWLEDGE OF CHINESE VC ECO-SYSTEM

In paragraph 2.2, background knowledge of the Chinese VC ecosystem is provided. Subsection 2.2.1 will first show the growth of Chinese VC; this is important because VC in China is still relatively new compared to Europe. Then, in 2.2.2, China's strengths in innovation will be shown. Finally, in 2.2.3, the reasoning can be found for why Chinese VC firms invest in European technologies.

2.2.1 THE GROWTH OF CHINESE VC

Numbers from Crunchbase and Deal room, platforms for finding business information about private and public companies, show that the total global funding of VC firms has increased from \$110-150B in 2020 to 260-290 billion USD in 2021. This is an increase of 95 to 130 percent. While total VC investments in the US and Europe grew by 130% and 190%, respectively, total VC investments in China grew by only USD 30 billion, or 60% (Kremer, 2021). The European Parliament (2020) also shows Eurostat's figures on China's direct investment that do not match the figures reported by the Chinese Ministry of Commerce (Figure 2.2).

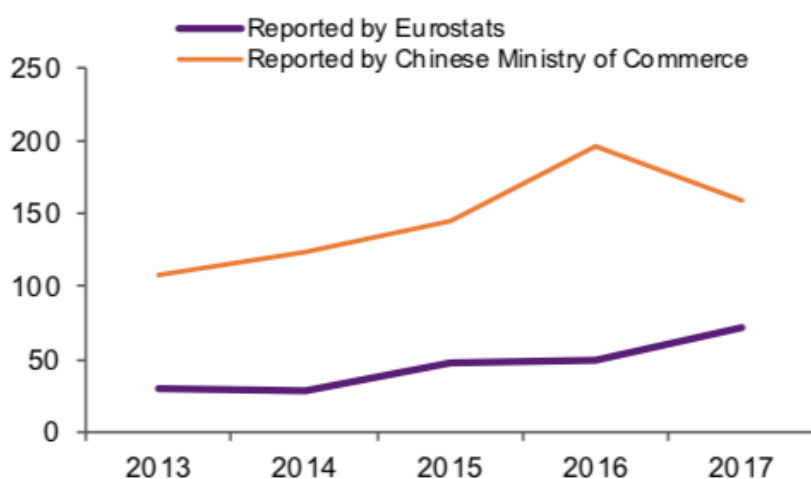


FIGURE 2.2: CHINA'S DIRECT INVESTMENT IN EUROPE (BILLION USD) (EUROPEAN PARLIAMENT, 2020)

According to some earlier studies there are a few reasons for these perhaps unreliable Chinese figures (Kremer, 2021; Rowley, 2018):

- VC deals from China are often not made public. This is partly because many VC funds in China work together because they focus on different phases/types of companies (e.g., Series A, B, C). Keeping deals quiet makes it easy to pass deals without giving competition info. An example of such a collaboration is Sequoia Capital and ZhenFund.
- Due to the use of different systems and communication problems due to foreign language and culture, some data is recorded inaccurately. According to Crunchbase, the Chinese investment market is often a blind spot for them, and it is difficult to get their hands on reliable data. Large investment rounds usually do not go unnoticed, but early-stage ventures are often unknown.

Kremer's (2021) survey on Chinese local reliable databases on VC investments, such as IT Juzi, show that the first half of 2021 was the best of the past three years. Considering the 25 most significant Chinese VC funds, the investment volume increased by 80%, with a total of 35 billion USD for these 35 funds

alone. The total VC investment volume of deals announced in 2021 in China was USD 100 billion, an increase of 55% (Kremer, 2021). According to Löchel and Frauendorfer (2020), there are three reasons why the international Chinese VC and PE industry have risen since the 80s to what it became now:

1. Originally, there were only Chinese VC funds supported by government agencies (universities and local governments). Over the years, more and more private funds have been set up that have performed well abroad (IPOs abroad and profits).
2. Due to the risks of an unstable Chinese currency and financial volatility, the Chinese government firmly controls the money flows in and out of China with laws and regulations. Only when it contributes to China's economy (in high-tech sectors) regulation will be made more attractive. Further, because of the internationalization in this field, the insurance regulatory requirements were loosened.
3. Due to a lack of creativity, Chinese investment firms are increasingly intuitively moving to Europe. That creativity is needed to generate new ideas for products and services and to train people flexibly so that companies can respond faster to the changing world.

2.2.2 CHINA AS AN EMERGING TECH-GIANT

Research has shown that China has become the world's most prominent business disrupter (Moschella & Atkinson, 2020). This is partly due to the size of the market in China, the geopolitical power, and China being the leading global supplier of several sources/materials. Partly because of the COVID pandemic and several government actions to protect and empower its own country, the West is increasingly concerned about China. One can think of the fear of Europe for (European) national security, trade deficits, and lack of human rights in China (Moschella & Atkinson, 2020). Greeven and Wei (2017) indicate that China has emerged into a rapidly expanding country regarding investments, internationalization, innovation, and new ventures/start-ups.

As a rapid emerging tech giant, China continues to set high goals in terms of technology and innovation. One of those goals is to become self-reliant in the field of software and other technological innovations (Moschella & Atkinson, 2020; Greeven and Wei, 2017). Since 2000 it has even been a precursor to many industrial developments (Moschella & Atkinson, 2020). Ernst et al. (2016) indicate that the current industrial economy, with state influences, has emerged through an incremental marketing process.

In Europe, we are currently in a fourth industrial revolution, in which global developments are taking place in the areas of AI, big data, 5G, IoT, quantum computing, and nanotechnology. Nevertheless, China lagged for a long time and did not go through an industrial revolution. In 2021, China's influence over the rest of the world steadily expanded, with data being the main driver. The number of internet users in China is equal to that of the US and the European Union combined. Due to state capitalism, China can invest large amounts of money to increase its influence. The new world order created by the fifth revolution will allow China to play a more dominant role (Morrish, 2021).

Some numbers found indicate that China is very active in innovation. According to the World Bank Group (2020) numbers, the number of patents in China increased to an annual of 1.56 million in 2018, the highest number in the world. Alibaba, Baidu, and Tencent are leading companies in (China World Bank Group, 2020); also, they are three out of seven examples of Chinese companies that have been listed among "50 Smartest Companies" worldwide in 2017 (Greeven & Yip, 2019). This indicates that some

companies are doing very well in R&D and innovation. In addition, China spends 20% of the world's total spending on R&D (World Bank Group, 2020).

2.2.3 CHINESE VC FIRMS INVESTING IN HIGH-TECH START-UPS

Currently, America is still the composite in various digital technologies. As mentioned earlier, China tries to keep up with America. With the government's "Made in China 25" strategy program, it aims to be self-sufficient in high-tech industries, of which information technology (IT) and artificial intelligence (AI) are some examples (Andronova et al., 2021). Observer Research Foundation (2021) indicates that by 2049, they aim to be the market-leading technology industry.

Even though these are government goals, Chinese investors/Venture Capitalists and entrepreneurs are also encouraged to focus on High technologies and find this interesting themselves (in the next paragraph, it is explained why). Chinese companies and investors are additionally supported by the Chinese Communist Party (CCP) through subsidies and safeguards to develop technologically advanced products and reach Europe to achieve earlier goals of the Chinese government. Thanks to, among other things, the Belt and Road Initiative (BRI), Chinese technology can now do better business/communication with Europe, just like their American counterparts.

European high-tech start-ups are often attractive investments and technology companies. For example, 47 start-ups from Europe were acquired by Amazon, Google, Apple, Microsoft, and Facebook from 2015 to 2017 (Observer Research Foundation, 2021). These investments also provide new opportunities and opportunities for the start-up, for example, through access to a new target group and foreign market. The investments will enable them to finance their next growth phase (Observer Research Foundation, 2021).

A report by the Observer Research Foundation (2021) and Defense Innovation Unit Experimental et al. (2018) show that Chinese VC investors are particularly interested in critical future technologies that ultimately form the basis for innovations in the field of commercial and military applications. Some of the technologies that emerge from the two reports are:

1. IT
2. AI
3. Robotics
4. Mobility/ Autonomous vehicles
5. Augmented and virtual reality
6. Financial technology (Fintech)
7. Gene-editing

2.3 EXTERNAL INFLUENCES

External influences affect the decision-making of Chinese VC firms in Europe. For example, due to rules and regulations imposed by the Chinese government, Chinese VC investments in Europe are affected. In addition, economic changes in the Chinese market could affect the number of investments of Chinese investors in Europe. In this paragraph, all the potential governmental and economic influences out of literature are given to paint a good picture of the external demands that Chinese VC firms, and thus European tech start-ups, potentially should consider. This paragraph gives an answer to sub-question 1.

2.3.1 GOVERNMENTAL ASPECT

The national government of China started the program "Mass Entrepreneurship and Innovation by All" in 2014, which was part of the "Government Work Report," to promote innovation and rapid growth at different levels in society (Lu et al. 2018). Currently, China is in its 14th Five-Year Plan, which lasts until 2025. Compared to the 12th and 13th Five-Year Plan, digitization and security are more important focus points. The focus on innovation and technological development, in general, is still the same (Grünberg & Brussee, 2021).

Chinese government encouraging Chinese investment in Europe

All over the world, efforts are being made to allow start-up ecosystems to flourish or continue to grow. Not only Asia but also Europe and the United States are trying to attract new talent, technologies, and capital. With the help of new policies and attractive tax regulations, the goal is to grow ecosystems to a global level (Riccardo, 2018)

China's goal is to become the most significant public and private R&D investor in the world (Schoff & Ito, 2019). The Chinese government tries to stimulate investment in Europe to obtain new knowledge and technology from Europe to increase Chinese economic growth. Several measures are taken to support investment in Europe. Firstly, by providing attractive regulations for Chinese investors in Europe. However, the investment should align with the government's goal, which is to focus on specific technology sectors only (Schoff & Ito, 2019; Riccardo, 2018). China tries to create synergies to obtain knowledge and talent from Europe and thus build a bridge between European and Chinese start-up ecosystems (Riccardo, 2018).

Furthermore, there is currently a trade- and investment purchase between Europe and China, mainly by the obstructed regulations and barriers to enter the country. Building up relations with Europe makes it easier for Chinese investors to invest in Europe. In 2017, 35 billion euros was invested in Europe by China, 77 percent more than the year before (Yan, 2017). However, the other way around, Europe invested only 8 billion euros in China, decreasing 23 percent (Yan, 2017).

Chinese government discouraging Chinese investment in Europe

However, besides these upcoming interests and encouraging measures taken to make Chinese investment in Europe possible, China aims to become a global technical leader (Schoff & Ito, 2019). With the help of several government programs: "Made in China 2025" and "New Generation of Artificial Intelligence Development Plan", the goal of the Chinese state is to be able to produce 70% of the core components of high-tech products by 2025. In addition, China already owned 40% of all patent applications in 2019; for comparison, the US-owned 20% at the time (Andronova et al., 2021).

In order to stimulate their own innovation pace, the Chinese government gives more subsidies to Chinese High-Tech start-ups and initiatives (Riccardo, 2018). In addition, the Chinese government gives extra attention and investments/subsidies to Chinese research institutes and universities to reduce the tensions between the traditional Chinese economy (me too/ price taking) and the new Chinese economy (innovation/ price making). This was part of the national top-down strategy in which all developments in sustainable and technological innovation were announced (Ahlstrom et al., 2018).

Finally, Chinese Tech start-ups often get favourable handling (extra support for innovation from the government in terms of customs regulations, financial investment, favoured access to Chinese markets and knowledge). In contrast, foreign companies often get murky regulations to enable local economic

and innovative growth (Yan, 2017). and. This is because Chinese start-ups often align their work with the policy goals of the Chinese Communist Party. However, although China keeps making significant investments in basic research, research shows that this does not stop Europeans from coming to China (Schoff & Ito, 2019).

2.3.2 ECONOMIC ASPECT

Next to governmental influence, the Chinese economy could also influence the decision making of Chinese VC firms in Europe.

Economic aspects encouraging Chinese investment in Europe

Also, economic aspects seem to encourage Chinese investment in Europe. For example, a lot has changed in the private sector in China around the development of new business models, new forms of organizations and new (technology) products that they develop themselves (Greeven & Yip, 2019). This has led to the following developments in the economic area.

Firstly, the number of Chinese VCs firms have risen. Chinese VC activity started at the end of the '90s. Their total investment has grown by 3000 per cent between 2006 and 2016, whereby growth is still continuing (from \$ 1.1 billion to \$ 34.1 billion) (Ministry of Foreign Affairs, 2019). At the beginning of 2021, China represented 40% of the global VC investments, slightly less than Silicon Valley (44%) (Zinser, 2021). Thereby, from 2015 the number of IPOs increased significantly (in 2020, 395 domestically and 140 overseas listings), and the value of shares rose unprecedentedly (Nirei et al., 2020). Since the VC market is so big and still growing, it is expected that China will invest more in Europe. Below, some extra numbers on foreign direct investments in Europe can be seen.

Since China's desire to become an enormous economic power, together with a declining rate of return of domestic capital, the Chinese FDI in Europe ten folded, with this reaching 59 billion Euros in 2017. Over the last years, it has become more and more attractive to invest in Europe (see figure 2.3).

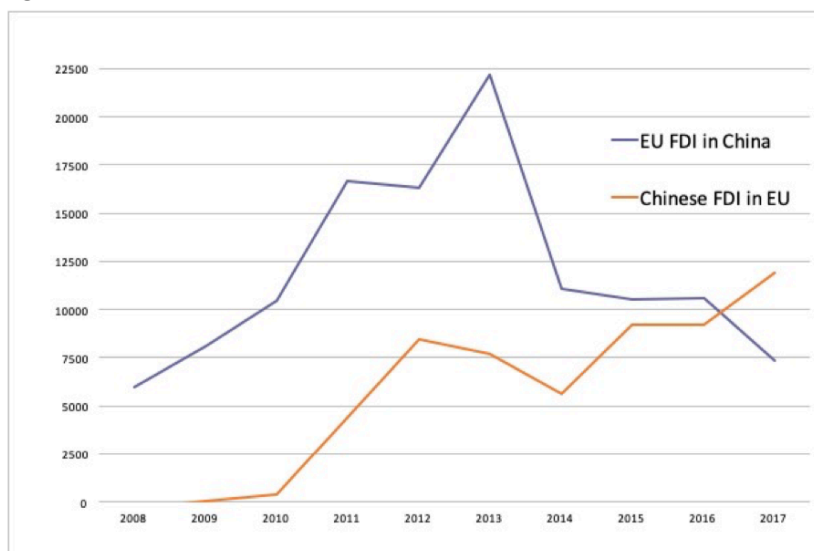


FIGURE 2.3: ANNAL FDI FROM CHINA-EUROPE (MLN OF EUROS) (EUROPEAN PARLIAMENT, 2020)

Despite the situation surrounding COVID, the number of products on the VC- and Private Equity (PE) markets in China together has grown enormously in the past year, as shown in Figure 2.4. Considering

the last 20 years, the number of products peaked on August 1, 2021, at 42,907,000 units and reached an all-time low in 2015 at 4,025,000 units (Asset Management Association of China, 2021).

Also, in 2020, the total value of new funds from Local Chinese VC companies was 114 billion yuan (17,690.325,060 billion USD). As a result, all VC companies in China managed 40% of the global number of VC investments (Statista, 2021).

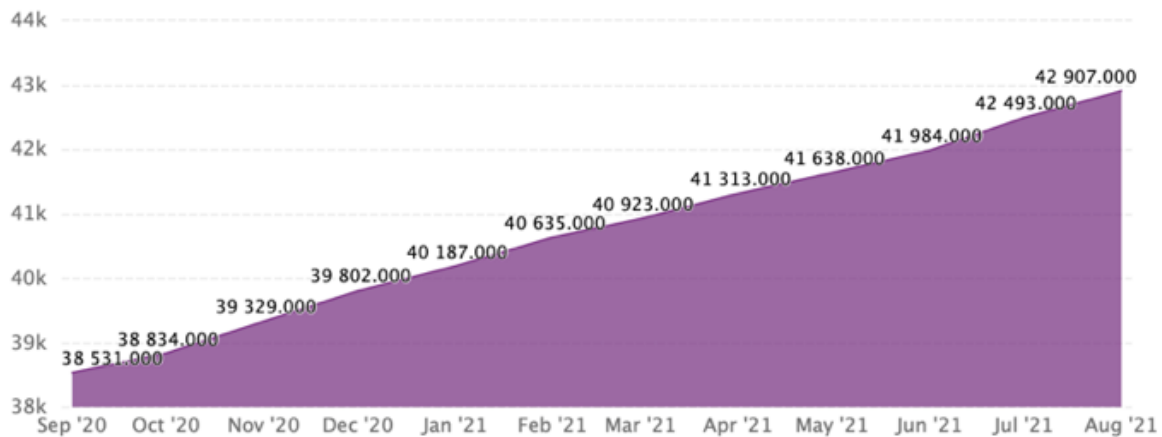


FIGURE 2.4: NUMBER OF PRODUCTS IN CHINESE PRIVATE EQUITY & M&A (ASSET MANAGEMENT ASSOCIATION OF CHINA, 2021)

Secondly, Europe Nu (2021) indicates that the China Investment Company, an investment fund of the Chinese government, focuses strongly on new investments in European companies and infrastructure projects. These investments make the EU more dependent on China. At the same time, China will also become more dependent on developing the European economy (Europe Nu, 2021). An example of such an investment is the "Belt and Road Initiative," a collection of infrastructure projects to closely connect China's political and economic ties between China and the rest of the world. These Chinese Foreign Direct Investments (FDI) in European companies/projects will be held back more and more in 2021. However, research shows that despite the resistance (disruption of Covid-19), high barriers for FDI in China, and extra regulatory barriers for foreign investment in China), Europe remains an attractive investment location for the Chinese (Rhodium Group, 2021).

Thirdly a study by Löchel and Frauendorfer (2020) mentions, despite the strict controls of the Chinese government, other economic reasons for upcoming Chinese investment in Europe, namely:

1. Emerging and thriving technology industry
2. Spreading assets and risk across different countries/businesses
3. Smaller Chinese growth in numbers of citizens
4. Strong competition in China
5. Wealthier individuals in China

Based on a study by Greeven and Yip (2019), Chinese companies and investors are still interested in expanding their business and investing abroad. The main reason for this is the R&D capabilities of Europe. This shows the global focus China still has in the field of innovation (Greeven and Yip, 2019)

Economic aspects discouraging Chinese investment in Europe

However, Chinese governments and firms do have difficulties understanding European culture and managing an international company (Greeven and Yip, 2019). Where China was seen 40 years ago as a country that was only good at imitation, it has developed into an innovator itself, with entrepreneurs with better entrepreneurial capabilities (Lewin et al., 2016; Greeven & Yip, 2019). Although some studies still indicate that China is not good at innovation, later studies indicate that China is becoming better at innovation and thus becoming more independent (Abrami et al., 2014; Greeven & Yip, 2019). Greeven & Yip (2019) mention that China’s expansion of markets, economic growth and growing income increase the innovative capability. Innovation and entrepreneurship are two critical factors enabling Chinese economic growth (McKinsey Global Institute, 2015). According to Liu et al. (2017), this is mainly because the traditional success factors for economic growth, namely low-cost labour and heavy capital investment, cannot achieve the desired growth as in the past. The above could indicate a decline in investment in Europe as the national innovative capability increases.

2.3.3 SECTIONAL CONCLUSION EXTERNAL INFLUENCES

From the above paragraphs, it can be gathered why Chinese investors are primarily searching for “European High-Technologies and what governmental and economic influences affect the decision making of Chinese VC firms in an encouraging and discouraging way. In table 2.1 all aspects that potentially encourage or discourage Chinese VC activity in Europe mentioned in paragraph 2.3 are summarized.

Encouraging Chinese investment in Europe	
Governmental aspect	Economic aspect
Attractive regulations for Chinese VC firms investing in specific technology sectors (aligned with Chinese government's goals) in Europe	Increasing number of Chinese VC firms and big amount of circulating VC money
Trade- and investment purchase between Europe and China	Chinese government fund investing in European companies and infrastructure project, making them more dependent on Europe
	Emerging and thriving technology industry
	Spreading assets and risk across different countries/businesses
	Smaller Chinese growth in numbers of citizens
	Strong competition in China
	Wealthier individuals in China
Disuraging Chinese investment in Europe	
Governmental aspect	Economic aspect
Chinese governmental programs aim becoming a global technical leader and stimulate national innovation	Upcoming innovative capability of Chinese companies and people
Chinese government gives more subsidies/taks reduction to Chinese start-ups and initiatives	Upcoming entrepreneurial capabilities of Chinese companies and people
Chinese government gives extra attention and investments/subsidies to Chinese research institutes and universities	
Chinese Tech start-ups get favorable handling (extra support for innovation from the government in terms of customs regulations, financial investment, favoured access to Chinese markets and knowledge)	
Foreign companies get murky regulations to enable local economic and innovative growth	

TABLE 2.1: GOVERNMENTAL AND ECONOMIC ASPECTS AFFECTING CHINESE VC-ACTIVITY IN EUROPE

2.4 SELECTION CRITERIA OF VC FIRMS

All over the world, international VC investments are made. Therefore, a literature study is done to find criteria categories used in other countries' VC firms investing abroad in sub-paragraph 2.4.1. Subsequently, in paragraph 2.4.2 the selection criteria used by Chinese VC firms investing in China are presented. Finally, 2.4.3 provides a sectional conclusion of this paragraph, which will later be used to create the framework in paragraph 2.6.

2.4.1 SELECTION CRITERIA OF VC FIRMS IN GENERAL

While it was once thought that Chinese investors, with their vast amounts of money, are investing in various industries and hoping for something to come out of it, it seems that the Chinese VC landscape has been turning around lately. Investors are looking more closely at start-up's survivability, doing better due diligence, and it appears that fewer Chinese start-ups are passing this more rigorous investor screening (Ministry of Foreign Affairs, 2019). That is why it is crucial to gain insight into the expectations/requirements/characteristics of Chinese VC firms in a European Tech start-up to increase the chances of attracting Chinese investment. However, no literature can be found on the selection criteria of Chinese VC firms in Europe. Therefore a literature review is done on other countries' selection criteria.

This study resulted in four criteria categories that come forward most often in several previous studies on the selection criteria of early-stage VC firms in general, namely (Santisteban et al., 2021; Kakati, 2003; Poindexter, 1976; Tyebjee and Bruno, 1984; Groenewegen and de Langen, 2012; Bacher and Guild, 1996; Knight 1994):

1. Characteristics of product
2. Experience, personality and capabilities of entrepreneur and team
3. Characteristics of market
4. Financial considerations

Every criteria category above will now be explained extensively. It appeared that previous studies mention different specific criteria within a category. It should be mentioned that all literature used below presents the selection criteria within a category of different VC ecosystems across the world. Other potential selection criteria such as; resource-based capability, environmental threat resistance and organization did not come forward in all studies from this literature review and are therefore not considered in this study.

Firstly, the product's characteristics are essential for early-stage VC firms. Based on a study by Santisteban et al. (2021) in Peru with 125 CEOs, the perceived performance and quality of a product/service is critical. The perceived performance is the ability to produce a high-value product/service to a customer—the better the performance level, the better the brand loyalty and thereby business growth. The quality of a product/service is defined as the product's characteristics that are in line with the customer's need and thereby enables business success. Several studies (Kakati, 2003; Tyebjee and Bruno, 1984; Groenewegen and de Langen, 2012; Bacher and Guild, 1996; Knight, 1994) also mention the importance of the characteristics of a product. However, all studies have a different view on what it exactly means.

In a study by Kakati (2003), specific criteria within the category of product characteristics are; uniqueness of product/service relative to competitors, product market acceptance, a product developed to functioning prototype, the product was in the early stage of development. However, other

searches only indicate that the product/service must be different. The product has to differentiate from others and have a unique advantage (Tyebjee and Bruno, 1984; Groenewegen and de Langen, 2012). In addition, according to a study by Bacher and Guild (1996), the product/service of the start-up has to have a higher quality than other competing products, can be protected by a patent, has a prototype that works, and the technical aspects are understandable.

Secondly, the entrepreneur's and team's experience, personality, and capabilities are essential in selecting potential successful start-ups. Several studies have a different view on what this exactly means. A study by Santisteban et al. (2021) mentions dynamic capability, regarding market conditions and solving problems, of entrepreneurs and teams as a competitive advantage. In contrast, Tyebjee and Bruno (1984) mention only the importance of good managerial capabilities to ensure success. According to other studies, the entrepreneurial quality of entrepreneur and team can be assessed by looking at: the size of the team, desire for success, creativity, courage, enthusiasm for work, competence in the field of endeavour, capability of sustained intense effort, ability to evaluate and react to risk well, ability to talk in the discussion, attention to detail, familiarity with the target market, leadership quality and track record that was relevant to venture (Kakati, 2003; Groenewegen and de Langen, 2012; Bacher and Guild, 1996; Knight, 1994). In addition, Groenewegen and de Langen (2012) give extra attention to the management experience, relevant social networks and higher education. Bacher and Guild (1996) agree on this but add the importance of the entrepreneur being trustworthy and having good R&D skills.

Thirdly, the characteristics of the market turned out to be important in the selection process. The market is attractive where the target market has a significant growth rate. Thereby the product/service stimulates an existing market, is a well-known industry for VC, little competition in this industry is expected in the coming three years, and the product/ service of the venture enters a new market (Knight, 1994; Kakati, 2003; Bacher and Guild, 1996; Tyebjee and Bruno, 1984). In addition, Kakati (2003) mentions that having competition in the first two years of doing business is good. Bacher and Guild (1996) indicate that VC firms must look very well if the customer needs change and that competition is there. Finally, the venture is protected by barriers to entering the market is also an added value.

Lastly, according to several studies, financial consideration seemed a critical category. Kakati (2003) indicates that the investment can easily be made liquid, the return on investment (ROI) is expected to be ten times within five years, and no subsequent investment is needed. Knight (1994) agrees that the investment can easily be made liquid, and the VC firm will not participate in a later round of investments; however, the requested ROI is ten times within ten years. Other studies (Tyebjee and Bruno, 1984; Bacher and Guild, 1996) do not indicate a specific ROI; however, they expect a cash-out potential, e.g., going public.

Overall, "entrepreneurs personality and experience" are ranked much higher than "characteristics of the market and product/service" and "financial considerations (Kakati, 2003; Groenewegen and de Langen, 2012; Bacher and Guild, 1996; Knight, 1994)." Especially Canadian VC firms think the "entrepreneurs personality and experience" are essential (Knight, 1994). American VC firms are selecting new high-tech ventures more on their investment's financial returns and liquidity.

2.4.2 SELECTION CRITERIA OF CHINESE INVESTORS INVESTING IN CHINA

In this paragraph, selection criteria used by Chinese VC firms investing in China are presented

Chinese financial investors in Europe

Little is known on the selection criteria of Chinese VC firms investing in Europe. Based on a research of Löchel and Frauendorfer (2020), this is probably because many Chinese investors do not yet have a significant impact on the European market, in contrast to counterparts as the United States (US). To better understand the investment choices and criteria set by Chinese VC firms, it is important to hear as much as possible from the Chinese investor itself and assess the history of emerging Chinese VC firms in Europe. Understanding the development of Chinese VC firms in Europe can help to understand better the choices of Chinese VC firms (Löchel and Frauendorfer, 2020).

First, VC funds in China have been slowly privatized only since the 1980s. This development also took place in the Chinese M&A and PE sector. Most of the VC firms are partially state-owned or dependent on the Chinese government. Second, as with all types of short-term capital. The reason for this is the fear of currency instability and financial volatility. Thirdly, due to the lack of diversity and thinking in a tunnel vision on the domestic market, the search for new technologies and ideas has arisen from, among others, Europe. Fourth, the Chinese government has opened special channels for certified investors in recent years. In this way, the government supports the development of internationalization (Löchel and Frauendorfer, 2020).

In general, Chinese financial investors invest in eighty percent of the cases in politically strategic sectors, such as technology, industrials, and infrastructure. Contrary to the first expectation of Chinese investors, according to a study by Löchel and Frauendorfer (2020), they are much more risk-averse than European investors. Nevertheless, this study focuses on Chinese VC firms, which are generally a risky way of investing in early-stage start-ups. It may be questioned whether the above also applies to Chinese VC firms.

State capitalism plays a dominant role in many choices made by Chinese financial investors abroad. In doing so, the financial investor must adhere to the political investment agenda. Since 2015, the number of Chinese investors who are wholly or partly state-owned has partially decreased. This may be due to an increase in private financial investors or the rejection of state-owned financial investors in Europe. The exact role of this is unknown in the current literature and needs to be further investigated (Löchel and Frauendorfer, 2020).

It should be noted that the above investment rationales apply to Chinese financial investors in general. This paragraph does not explicitly look at the motivations of private Chinese Venture Capital funds investing in Europe.

In general, Chinese VC funds invest in high-tech start-ups when they see opportunities in innovation. However, VC does entail high risks, and there is often asymmetric information provision between the entrepreneur and venture capitalists. In addition, the entrepreneur and venture capitalist have to draw up contracts for cooperation, which are often incomplete. However, it appears from the literature that one crucial factor for the success of a Chinese Tech start-up with an investment from a Chinese VC firm, clear control rights are allocated in the start-up's governance between VC and entrepreneur. This is

different from European VC firms, where control rights are less necessary for the start-up's success (Wang et al., 2017).

As mentioned before, there is a massive growth in the number of general investments made by China in Europe. In 2017, the total transaction volume was 140 billion euros, with this considering Private Equity (PE) and Mergers and Acquisitions (M&A). The main reasons for this are (Löchel and Frauendorfer, 2020):

1. The growing technology sector
2. Getting richer from individuals
3. Increased desire for risk and asset diversification
4. Great competition in China
5. Shrinking of domestic growth.

These developments have resulted in stricter control from the Chinese government (Löchel and Frauendorfer, 2020). Golden Bridge (2013) showed that due diligence processes must be closely monitored due to Europe and China's significant cultural and system differences. A due diligence investigation mainly focuses on a vital investment decision's financial, tax, legal, and commercial aspects.

Selection criteria of private Chinese Venture Capital investments on Chinese start-ups

In this sub-section, a summary is made of known selection criteria used by Chinese VC firms on Chinese start-ups specifically. These insights may be interesting, as perhaps these criteria are also used by Chinese VC firms in Europe.

Based on a field survey by Zhang et al. (2006) in eastern China, the importance of the market of the venture is mentioned, whereby Chinese VC firms have a special focus on: market size of product, market growth rate of product, market capacity of product. Next to the characteristics of the market, a study by Chen (2011) indicates the importance of the management capacities and technology of the enterprise. Which is in line with the literature review of other countries selection criteria of VC firms, namely capabilities of entrepreneur and team and the product characteristics. Also, Fang et al (2020) agrees on the fact that in the selection process the potential growth of the market, characteristics of a product and team are important. However, in addition the social effects and which industry the venture seemed important.

Selection criteria of Government Chinese Venture Capital investments

This subparagraph explains the Chinese government's evaluation and selection process of venture capital projects. The criteria categories and specific selection criteria mentioned in this paragraph are not specifically for selecting European High-Tech start-ups. Thereby, they are specifically for Chinese government venture capital. Nevertheless, they could be handy to understand Chinese parties better in selecting Chinese start-ups.

Some Chinese governments have started investing in Chinese Start-ups having difficulties accessing private venture capital. With this, the Chinese government wants to boost emerging strategic industries and other High-Tech Industries (Bertoni, Colombo, & Quas, 2015).

To improve the investment efficiency, transparency, and fairness of the decision-making of the government VC investment, Lu et al. (2020) created a list of categories important for selecting Chinese

High-Tech start-ups. The government's policy goals and objectives are essential in identifying criteria categories. Lu et al. (2020) found the following selection categories:

The criteria categories found in the study by Lu et al. (2020) appeared in line with the results of the literature study of subparagraph 2.4.1, namely:

1. Management team ability (vision of firm, cooperation of team, innovative ability of team)
2. Firm leaders' ability (character, experience and academic level of entrepreneur, leadership capability)
3. Start-up team ability (stability of team)
4. Product development potential (innovative product/service, high technical barriers, product maturity, high quality product/service)
5. Product market potential (market growth rate potential, product/service is accepted in market, market capacity, market competitiveness)
6. Financial status (firm valuation, certain profit, certain risk level)

This Chinese study about selection criteria of governmental VC firms in China could be summarized into the selection criteria categories found in sub-paragraph 2.4.1 (Santisteban et al., 2021; Kakati, 2003; Poindexter, 1976; Tyebjee and Bruno, 1984; Groenewegen and de Langen, 2012; Bacher and Guild, 1996; Knight 1994): characteristics of product, experience, personality and capabilities of entrepreneur and team, characteristics of market, financial considerations.

2.4.3 SECTIONAL CONCLUSION

It is challenging to establish evaluation criteria in a general model to select companies in the most rational way possible. This is because the selection of a venture often depends on environmental factors and personal feelings (Siskos & Zopounidis, 1987). Nevertheless, some studies have already been conducted into criteria that are considered necessary in selecting a venture.

As could be seen, not much is clear about the selection criteria used by Chinese VC firms investing in Chinese start-ups, but especially not specifically for Chinese VC firms investing in European Tech Start-ups. Criteria categories mentioned in sub-paragraph 2.4.2 about Chinese government VC can't be used directly for Chinese Private VC firms, and certainly not for Chinese Private VC firms investing in Europe.

In paragraph 2.4, it is found that some criteria categories recurred in several studies and are therefore seen as more important than others. The categories that seemed most important are:

1. Characteristics of product
2. Experience, personality and capabilities of entrepreneur and team
3. Characteristics of market
4. Financial considerations

Within these criteria categories, several studies have a different view on what is important. Therefore, all the findings of paragraph 2.4 are summarized in table 2.2. Because little is known about Chinese VC firms' criteria for European early-stage High-Tech start-ups, this thesis' research is carried out to determine whether some of these factors mentioned above are also relevant for Chinese VC firms when investing in European start-ups.

	Characteristics of product	Experience, personality and capabilities of entrepreneur and team	Characteristics of market	Financial considerations
International literature				
Kakati, 2003; Tyejbee and Bruno, 1984; Groenewegen and de Langen, 2012; Bacher and Guild, 1996; Knight, 1994	perceived performance of product/service quality of a product/service product/service can be protected by a patent venture has a prototype that works the technical aspects are understandable product/service has to differentiate from others product/service has a unique advantage	dynamic capability of entrepreneur and team good managerial capabilities/ leadership quality the size of the team desire for success creativity, courage, enthusiasm of entrepreneur and team competence in the field of endeavour capability of sustained intense effort ability to evaluate and react to risk well attention to detail familiarity with the target market track record that is relevant to venture entrepreneur being trustworthy entrepreneur having relevant social networks higher education of entrepreneur R&D skills of entrepreneur and team	product/service stimulates an existing market venture focusses on well-known industry for VC market has competition venture enters a new market customer needs change market protected by barriers to entering the	investment can easily be made liquid no subsequent investment certain ROI cash-out potential (going public)
Chinese literature				
Lu et al., 2020; Zhang et al., 2006; Fang et al., 2020; Chen, 2011; Wang et al., 2017)	innovative product/service high technical barriers of product/service product maturity high quality product/service technology capacities special focus on certain tech industries	vision of firm cooperation of team innovative ability of team character of entrepreneur experience of entrepreneur academic level of entrepreneur leadership capability stability of team management capacities clear control rights between VC and entrepreneur	market growth rate potential product/service is accepted in market market capacity market competitiveness market capacity of product market size of product	firm valuation certain profit certain risk level

TABLE 2.2: SELECTION CRITERIA OF VC FIRMS BASED ON PREVIOUS STUDIES

2.5 RELEVANCE OF LITERATURE

Out of the knowledge gap of this thesis, it became clear that from the literature, it appears that no previous qualitative studies into the “Selection criteria of Chinese VC in European Tech Start-ups” have been done. In previous studies, data was processed quantitatively, aggregating data into single terms, losing much value and in-depth knowledge. This can be seen in table 2.3 since almost all previous studies are done with the help of surveys and quantitative data analysis. As a result, context-specific information is often forgotten, which is essential in this study. In addition to the current literature, this qualitative study investigates the criteria European start-ups must meet to attract Chinese VC, considering content-specific information.

In table 2.3, the literature that has been used to answer sub-question 2 can be seen. The number of citations is given to show the relevance of the literature used. As can be seen, the literature on Chinese VC firms has fewer citations, which indicates this research is new. Besides Google Scholar, it was also not easy to find relevant literature on Chinese VC firms. Although the literature on the selection criteria of Chinese VC firms has limited the number of citations, they are still considered, as they gave more information on specific criteria used by Chinese VC firms in general.

Study	Study location	Research methodology	Qualitative/Quantitative	Number of citations on Google Scholar	Journal
Literature on the selection criteria of non-Chinese VC firms investing abroad					
(Santisteban and Mauricio, 2017)	Peru	Survey (questionnaire)	Quantitative	74	International Journal of Entrepreneurship and Small Business
(Groenewegen and de Langen, 2012)	The Netherlands	Survey (questionnaire)	Quantitative	101	Journal of Applied Economics and Business Research
(Kakati, 2003),	India and South-east Asia	Survey (questionnaire)	Quantitative	374	Journal of Technovation
(Knight 1994)	US, Canada, Europe and Asia Pacific	Survey (questionnaire)	Quantitative	125	International Small Business Journal
(Bacher and Guild, 1996)	Canada	Survey (questionnaire)	Quantitative	116	Frontiers of Entrepreneurship Research
(Poindexter, 1976)	USA	Survey (questionnaire)	Quantitative	186	-
(Tyejbee and Bruno, 1984)	USA	Telephone survey & survey by mail	Quantitative	1782	Institute for Operations Research and the Management Sciences (INFORMS)
(Shepherd, 1999)	Australia	Experiment send by email and experiment collected by author	Quantitative	604	Institute for Operations Research and the Management Sciences (INFORMS)
Literature on the selection criteria of Chinese VC firms investing in China					
(Chen, 2011)	China	Survey	Qualitative	1	Journal of Tibet University
(Zhang et al., 2013); Zhang et al., 2006)	China	Survey	Quantitative	Backward snowballing literature search (no citations found)	Technology Transfer & Incubation Center, Kunshan Industrial Technology Research Institute
(Fang et al., 2020)	China	Survey	Qualitative	Backward snowballing literature search (no citations found)	Journal of Science and Technology Management Research
(Lu et al., 2021)	China	Survey	Quantitative	2	Journal of Managerial and Decision Economics

TABLE 2.3: LITERATURE RELEVANCE ON SELECTION CRITERIA OF VC FIRMS (PE INVESTORS, PRIVATE VC FIRMS AND GOVERNMENTAL VC FIRMS)

Out of previous quantitative literature, several requirements used by other countries' VC firms operating internationally and Chinese VC firms nationally came forward. These criteria could potentially also influence the decision making of Chinese VC firms in Europe. This research qualitatively tries to find the critical requirements that affect the decision making of Chinese VC firms investing in European early-stage high-tech start-ups by using earlier studies on selection criteria used by VC firms in general.

Out of the literature review in this chapter, the first sub-questions of this thesis can be answered. Finally, a framework is set up.

2.6 ANSWER ON FIRST TWO SUB-QUESTIONS AND FRAMEWORK CREATION

Chapter 2 provides an overview of the literature needed to answer sub-questions 1 and 2. With these answers, the theoretical framework of this thesis could be set up. This sub-paragraph reflects on the literature review of this study.

2.6.1 ANSWERS TO FIRST TWO SUB-RESEARCH QUESTIONS

Question 1 - What governmental and economic aspects could affect the decision-making of Chinese VC firms in Europe?

Out of literature, various Chinese national programs, governmental decisions, and economic drivers that ensure national economic growth came forward. It appeared those aspects also affect the international economy indirectly and potentially Chinese VC investments in Europe positively or negatively. China uses several government programs to become a global technology leader, for example, with the following programs: "Made in China 2025" and "New Generation of Artificial Intelligence Development

Plan" (Riccardo, 2018). As a result of this, the Chinese government gives extra attention and grants to Chinese research institutes and universities to reduce the tensions between the traditional Chinese economy (price taking) and the new Chinese economy (price making) (Ahlstrom et al., 2018). Thereby, China keeps making significant investments in basic research to promote national innovation (Schoff & Ito, 2019). One interesting finding is the goal of the Chinese government is to support the ten leading sectors to innovate further (Riccardo, 2018). Another important finding was that Chinese Tech start-ups often get favourable handling or murky regulations applied against foreign companies (Yan, 2017). Moreover, China tries to create synergies to obtain knowledge and talent from, among others, Europe and thus build a bridge between European and Chinese start-up ecosystems (Riccardo, 2018). China has interest in the knowledge and technological innovation of European in case it contributes to their national economy (Riccardo, 2018). This finding was also reported by Schoff & Ito (2019). These findings suggest that Chinese investment firms are only allowed to invest in Europe if it contributes to the government's goals. It appears, China is eager to protect its own economy and thereby in some way discourages investment in Europe by:

- Improving national R&D; for example by giving subsidies to research, universities and local start-ups
- Give additional benefits to Chinese start-ups for accelerated innovation (for example: tax reduction)
- Applying murky regulations to foreign companies to enable local economic and innovative growth

From economic perspective, the rising number of investments in general in Europe is due to (Löchel and Frauendorfer, 2020; Ministry of Foreign Affairs, 2019; Lewin et al., 2016).

- The intense start-up competition in China
- Growth of Chinese VC activity
- Improved entrepreneurial capabilities
- Improved innovation capabilities
- Smaller Chinese population growth

However, the upcoming innovative and entrepreneurial capability of Chinese VC firms and people, discourage Chinese investments in Europe, since it becomes more interesting to invest in China (Lewin et al., 2016; Liu et al. 2017).

Based on these earlier studies, it can be concluded that the government directly or indirectly influences Chinese VC firms. This result may be explained by the fact that start-ups can only grow and innovate further if there is capital. Since the number of Chinese VC firms have grown over the last years in combination with China's goals to become a global technology leader, it can be suggested that the Chinese government influences the decision making of Chinese VC firms, nationally and internationally. For this reason, governmental influence should be considered in this research.

Also, the economic changes in China are a possible explanation for the upcoming interest of Chinese VC firms in European start-ups and could affect their decision-making when investing in a European start-up.

Because cultural differences manifest themselves in governmental and economic differences between China and Europe, these are also expected to influence the decision of Chinese VC firms investing in European tech start-ups. Therefore, these will be included in the framework to examine which specific

government- and economic aspects specifically influence the decision-making of Chinese VC firms in Europe.

One of the issues emerging from these findings is how Chinese VC firms (must) consider governmental decisions and overall economic changes. These two influences are essential to take into account and are therefore explored further in this study.

Question 2 - Which criteria categories are important for Chinese VC firms when selecting a European early-stage High-Tech start-up?

The criteria mentioned in paragraph 2.4 provide insight into VC firms' evaluation of investment proposals from early-stage High-Tech start-ups in other countries, the choices of Chinese Governmental VC firms, and Chinese VC firms when investing in Chinese start-ups. Nevertheless, In reviewing the literature, no data was found on the requirements of Chinese VC firms investing in Europe. A note of caution is due here since it was impossible to access Chinese research platforms and literature due to the language difference between Chinese platforms and the researcher of this study. Therefore, the selection criteria categories and specific requirements VC firms use in different countries when selecting a venture to invest in have been researched.

This literature review resulted in four criteria categories that seemed most important, based on various earlier studies (selection criteria of other countries' VC firms, Chinese VC firms investing in China, and Chinese Governmental VC firms investing in China). The following selection criteria categories come forward most often in other literature (Bacher and Guild, 1996; Groenewegen and de Langen, 2012; Tyebjee and Bruno, 1984; Kakati, 2003; Knight 1994; Lu et al., 2020; Zhang et al., 2006; Fang et al., 2020; Chen, 2011; Wang et al., 2017):

1. Characteristics of product
2. Experience, personality and capabilities of entrepreneur and team
3. Characteristics of the market
4. Financial considerations

It may be the case that these criteria categories are also used by Chinese VC firms investing in European start-ups. However, this has not yet been validated. This study raises intriguing questions regarding the nature and extent of the influence of each category in the decision making of Chinese VC firms.

2.6.2 FRAMEWORK CREATION

The findings of the literature study from paragraphs 2.3 and 2.4, that answer sub-question 1 and 2 are used to create a framework. This framework is used as a guideline for the interviews to get more insight into the categories regarding the specific external influences and critical requirements of Chinese VC investment in European Tech start-ups.

In the framework in figure 2.5, the potential external influences - and criteria categories that could affect the decision-making of Chinese VC firms are summarized.

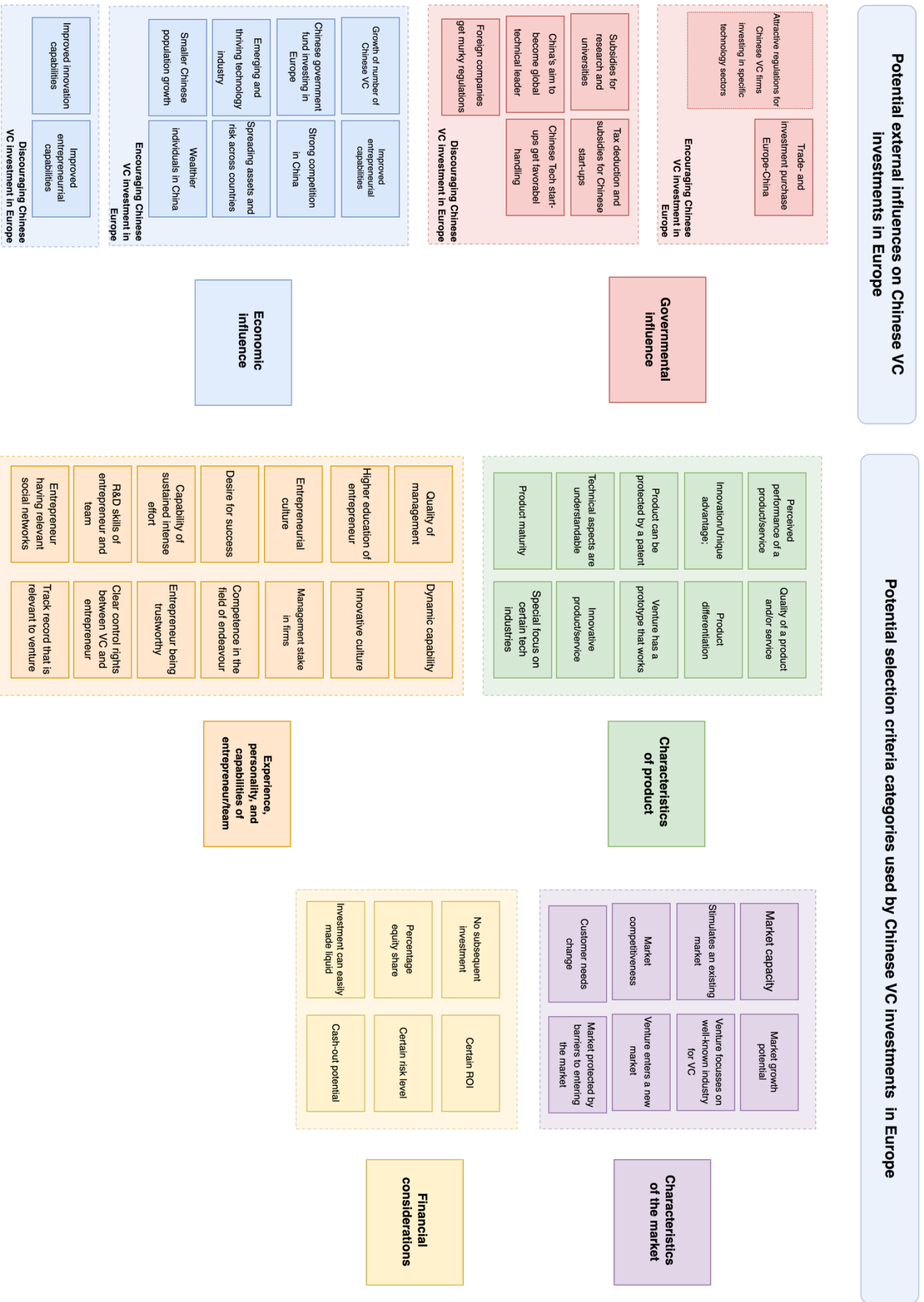


FIGURE 2.5: EXTERNAL INFLUENCES AND SELECTION CRITERIA AFFECTING THE DECISION MAKING OF CHINESE VC FIRMS IN EUROPE

3. METHODOLOGY

In this chapter, the research strategy and structure will be explained. Firstly, in-depth interviews have been conducted in this study. In paragraph 3.1, the reasoning for conducting in-depth interviews will be presented. Secondly, in paragraph 3.2, the interview protocol will be explained, including the interview structure, process aspects, experts selection, and saturation of the interviews. Finally, the method of data analysis can be found in paragraph 3.3.

3.1 IN-DEPTH INTERVIEWS

The goal of conducting an in-depth interview is to collect answers to the specific research questions of this thesis. A general interview schedule with predetermined, somewhat more generally formulated questions is set up. During the interviews, it was possible to deviate from the predetermined questions. In this way, it was possible to ask further questions if the respondent said something interesting or was not entirely understood by the researcher. In-depth interviews give more detailed information, which is often the goal of qualitative research (Legard et al., 2003). The advantage of this method is that it has relatively high validity. Also, criteria from the literature review in other case studies are considered if applicable.

The interviews will be held with key players in the international Chinese VC eco-system, with some experience in investing in European High-Tech start-ups. The reasoning of the selection of the three perspectives and 9 participants can be found in sub-paragraph 3.2.3. The three perspectives that get interviewed are:

Perspective 1: **Chinese VC firms** with experience in investments in Chinese VC-ecosystem and potentially investments in European Tech start-ups

Perspective 2: **European High-Tech start-ups** that got investment from a Chinese VC in the past

Perspective 3: **Specialists** (different backgrounds) with an external view Chinese investments in European High-Tech start-ups

In-depth interviews are conducted to validate the criteria-categories and find relevant selection criteria based on the inductive logic of research. Several criteria-categories which came out of the literature study have to be validated. All nine respondents are interviewed in-depth to determine if specific criteria categories found in the literature are essential for Chinese VC firms. Moreover, specific criteria and potential external influences (politically and economically) affecting the decision-making of Chinese VC firms are searched for.

More information about the specific research protocol can be found in paragraph 3.2, including the relevance of the specific respondents of above given three perspectives.

3.2 INTERVIEW PROTOCOL

3.2.1 INTERVIEW CONTENT AND STRUCTURE

In general, interviews are held with key players in the early-stage Chinese Venture Capital eco-system focussing on investing in European Tech start-ups. Before the interviews, research questions are defined, which can be seen in appendix B. During the interviews, there is room for discussion and further

questions to get to the core of the requirements of the Chinese VC and delve deeper into points that are important to the interviewee. The purpose of the interviews is to:

1. Validate criteria categories found in literature
2. Find new case-specific criteria, early-stage Chinese VC firms find important when selecting a European High-Tech start-up
3. Identify specific governmental and economic influences that affect the decision-making of Chinese VC in Europe

Interview guideline

The six main categories from the framework in figure 2.5 are used as guidance for the interviews for this study. These categories firstly must be validated by the respondents, after which more insight information can be given. The used guidance-categories are:

1. Potential influences out of literature:

- Governmental aspects
- Economic aspects

2. Criteria categories out of previous studies:

- Characteristics of product
- Financial considerations
- Experience, personality and capabilities of entrepreneur and team
- Characteristics of the market

Content of interviews

All interviews will have the same structure:

1. Explanation research topic: In this part, the research field is explained to the respondent
2. General questions will be asked about: Economic influences, governmental influences, regulations, deal-makers, deal-breakers.
1. After an explanation of the criteria categories used in this study, questions will be asked about: Characteristics of products, financial considerations, characteristics of the market and experience, personality and capabilities of entrepreneur and team
3. Validation: The respondents will be asked if they indeed use found selection criteria categories
4. Additional insights: The respondents will be asked for additional insights. For example, if there are other criteria categories relevant in the selection process.

3.2.2 PROCESS ASPECTS AND AGREEMENTS INTERVIEW

An in-depth interview is a qualitative method of research. This method is used in this research because it allows to search intensively for answers and delve deeper into some questions. A total of nine respondents are questioned (four VC firms, two start-ups and three specialists). The semi-structured layout of the conversation encourages the participant to answer freely. However, since there is somehow a structure in the interviews, it is possible to see overlapping results in the answers at the end (Legard et al., 2003).

Each in-depth interview is expected to last approximately 60 minutes. At the start of this interview, it is pointed out that it concerns investments explicitly by Chinese VC firms in European High-tech start-ups. Because many standard criteria are known, it is interesting to find what Chinese VC firms and European start-ups themselves come up with in their answers. This is also one of the reasons why questions are asked semi-structured.

3.2.3 EXPERT SELECTION

In this thesis, the interviewees are selected based on assessment sampling, a non-probability sampling method in which the interviewees are chosen based on the researcher's knowledge. This involves looking at what the researcher wants to know about the participants concerned. This is a non-random technique in which information is obtained that is otherwise difficult to obtain. Thereby the snowballing technique is used, as certain interviewees, for example, VC investors could bring the researcher in contact with a European start-up they invested in (Etikan, 2016).

The participants are selected based on the qualities they possess. The aim is to choose people with homogeneous characteristics within a particular perspective to make comparisons within a certain perspective (Start-up-, VC and external perspective). The selection of interviewees is made by using direct personal connections, personal visits to Chinese incubators in the past, connections from working experience at YES!Delft and online search on Crunchbase. This resulted in nine respondents being selected for this study.

The experts interviewed can be seen in table 3.1. Appendix C shows the organization, description of the organization, and function per expert. Four respondents preferred to stay anonymous. From now on, numbers will be used to refer to the respondents.

Organisation	Expert
Chinese Venture Capital firms	
(Anonymous, Anonymous, G&M Capital, Anonymous)	[1],[2], [3],[4]
European High Tech start-ups	
(Rebocoon Bionics, Dashmote)	[1],[2], [3],[4]
Specialists	
(Anonymous, Agio Capital & Business Solutions, Nihub)	[1],[2], [3],[4]

TABLE 3.1: INTERVIEWED ORGANISATIONS

Interviewed Chinese VC firms

Firstly, the chosen respondents, within the perspective of Chinese VC firms, were all specialized in early-stage investments in High-Technologies in China. Some have already invested in EU start-ups, and some have not. Nevertheless, all of them had experience investing in Hi-tech start-ups in the USA. Although not all of them have direct experience in Europe, they still could give insights into the requirements of Chinese VC firms in general and Europe as they know the Chinese VC market, the pace of innovation in China, and the Chinese government's influences. The reason for selecting VC firms is because they have mostly seen both failure and success stories from start-ups. Based on their experience, they select new ventures. Thereby, VC firms often help the start-up they invested in settling strategies and making

essential choices. Since there are many semi-private VC firms in China, it should be mentioned that VC firms included in this research are entirely private.

The VC firms and respondents interviewed are:

- Expert [1] & Expert [2] – This VC is founded in China in 2022, together with Sequoia Capital China. This fund invests in early-stage ventures (seed, Series A, Series B, and Series C) within different industries, including internet technology, AI, and healthcare. Besides their headquarter in Beijing, offices are based in Shanghai, Shenzhen, and Palo Alto. It has had 51 exits out of 742 investments done. The founder, Bob Xu (Expert [1]), and managing director (Expert [2]) were interviewed. The interview with the founder is an added value, as he is the number 24 on The Midal List, The World's Best Venture Capital Investors in 2021 (Loeb et al., n.d.). Liu Yuan has a lot of experience in VC investments in China, and thereby understands very well what Chinese VC firms take into account when investing.
- Expert [3] - G&M Capital: G&M Capital is an early and medium stage VC with a particular focus on innovation and technology in AI, cloud computing, IT, advanced manufacturing, and e-medical. They invested in a European AI start-up called Dashmote and are still searching for European investment opportunities (HighTech Connect China, n.d.) From VC-company, the general manager (Chaoqun Zhu) was interviewed.
- Expert [4] - Another VC that was interviewed had to stay anonymous: It is an early and mid-stage private/personal venture capital firm focusing on disruptive and technology-focused start-ups. They have invested in several well-known (previous) start-ups in Europe in the early stage. They do have a widespread network worldwide (Anonymous, 2021). From this company, the managing director was interviewed.

Interviewed European start-ups

Secondly, the interviewed start-ups were all technologies companies that previously had early-stage funding of Chinese VC firms. They are specialized in a specific High-Technology, and because of previously completed funds at Chinese VC firms, they learned from their successful/failed investment proposals. Their experience can give insights into the specific requirements European Tech start-ups must meet to better understand Chinese VC firms' requirements.

The start-ups and respondents interviewed are:

- Expert [5] – Rebocoon bionics: Rebocoon bionics is a High-Tech robotics start-up based in the Netherlands which got Chinese VC investment in the past.
- Expert [6] - Dashmote is an AI start-up that helps companies understand data and thereby get more efficient internal processes. It was founded by two Dutch entrepreneurs with an international mindset and got partly Chinese VC investments (Dashmote, 2020). The founder/CFO, Stefan Tan, was interviewed for this company.

Interviewed specialists

Thirdly, experts with an external perspective on Chinese VC firms in Europe were interviewed. All respondents in this perspective have experience in international investments of Chinese VC; however, they do not directly work for a VC firm. All the respondents within this perspective have a different

background. As Chinese VC in Europe is upcoming, little is known about this. Nevertheless, the people spoken do have insights into this specific topic.

The specialists interviewed are;

- Expert [7] – The company “anonymous” founded by Li Ka-Shing, an 87-year-old billionaire in Hong Kong and known as one of the most intelligent investors in the world. With his company, Li owns the drugstore chain Kruidvat and the Rotterdam transshipment company ECT. For this research, the Group Finance Director/Deputy Managing Director/ Executive Director of this company is interviewed (Wall Mine Editors, 2021). With his personal experiences in China, Europe, and the US, he adds value to this research.
- Expert [8] - Agio Capital & Business Solutions is based in Belgium specializing in international advisory in financial and business solutions in Europe and Asia. They help companies in Europe to attract Chinese VC in technological industries (AI, IoT, Fintech, Blockchain, etc.), ICT, Cleantech, and renewable energy. From this company, the general manager (Henk Joos) was interviewed, who is specialized in Life Sciences, Biotech, and Agriculture but also has experience and insights on Chinese VC investments in Europe (Agio Capital & Business Solutions, n.d.).
- Expert [9] - Nihub is an innovation centre based in Hangzhou, founded by a Swiss. They help European companies and entrepreneurs with investment, acceleration, grants, field trips, and more to enter the Chinese market. From this company, the CEO is interviewed (Lucas Rondez), who helped several European companies to investments in China (Nihub – Accelerator of Startup in China, n.d.)

3.2.4 SATURATION, VALIDITY AND RELIABILITY OF EXPERTS SELECTION

Since the topic of this thesis is considerably new and much is still unknown, the selection of respondents is necessary to reach conclusions with added value to the current literature. In this research field, the people with knowledge and information about this subject were not infinitely many. It was challenging to find appropriate respondents since there are few Chinese investments in European Tech start-ups. Nevertheless, for this research, it was managed to speak to the respondents planned to be interviewed, conceivably due to several connections in the Chinese VC ecosystem and several incubators in the Netherlands.

People with a Chinese VC background and Europeans with experience in VC investments from China were interviewed for this research. There are currently no other persons who could add value to this research; since the answers are starting to look more and more similar, there is a saturation of the results of several respondents.

Compared to other studies, the respondents interviewed in this study are very distinctive, making it an added value to this research. Especially the Chinese VC firms spoken in this research are challenging to reach due to their high function within the company. Significant CEOs and founders of the most prominent VC firms in China have been interviewed in this research, which gives a good overview since they have insights into the requirements and governmental and economic aspects considered by Chinese VC firms.

3.3 DATA ANALYSIS

Three steps are undertaken to analyse the data out of the interviews. In the first step, after the interviews are conducted, transcripts are made. In step 2, within the within-perspective analysis, transcripts within a perspective are divided into six categories and labelled with themes. Finally, the cross-perspective analysis is done in step 3. In figure 3.1, the applied content analysis, as just shortly described, can be seen and will be more elaborated on in the rest of this paragraph. In appendix D a larger version of the content analysis can be found.

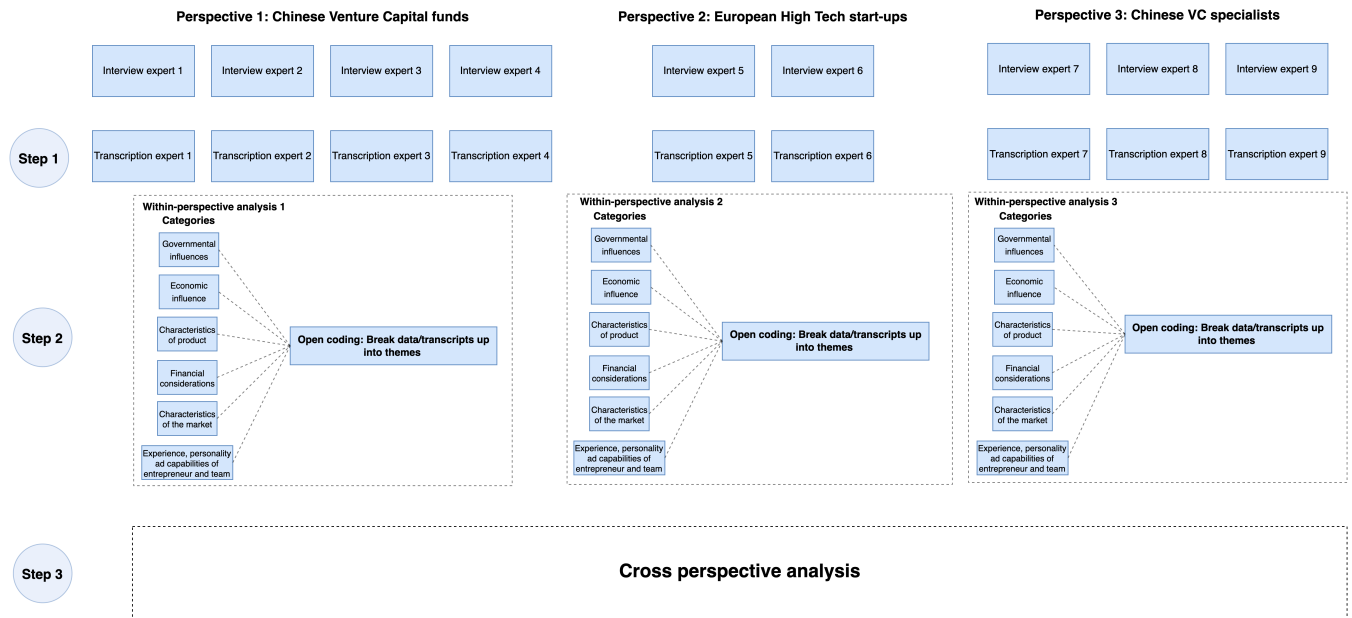


FIGURE 3.1: CONTENT ANALYSIS

Step 1: Transcription

After the interviews have been done, all the interviews are transcribed. All interviews have been recorded, and the records are transcribed by using the online software called Otter.ai. With this software, it is possible to automatically convert audio files into transcriptions. After automatic transcription, transcriptions are checked, and parts that did not come through being listened to again and transcribed manually. Since some of the respondents were difficult to hear due to the Chinese dialect, this was necessary a few times.

Step 2: Within-perspective analysis

To properly reflect the respondent's thoughts, the transcripts of the interviews are firstly summarized per category (categories out of the framework in figure 2.5). This resulted in a summary per category per respondent. Subsequently, a search was done for themes that emerged as necessary during more than one interview within a category, open coding.

In qualitative research, transcripts or interviews can be grouped into themes using open coding. With open coding, the first step of grounded theory, the goal is to derive new theories based on the results of the interviews. Open coding makes it possible to break up the transcript into discrete parts. In this study, pieces of transcripts are broken up into different themes. To conclude, with open coding, it is possible to break up data into different themes, which could later be used to compare the results of different interviewees (Creswell, 2021).

This within-case analysis aims to obtain detailed insights per perspective regarding critical criteria. With this, it is aimed to trace possible causal relationships within a perspective (Chinese VC firms, European High-Tech start-ups, Chinese VC specialists). Three different phases take place within the within-case analysis (Eisenhardt, 1989):

- a) Data reduction: Each interview transcript (within one perspective) is summarized and structured within different categories. The categories of the framework in paragraph 2.8 are used for this.
- b) Data display: First, all transcripts are broken into categories from the framework. Next, pieces of text were labelled with different themes, called open coding. With this, connections, and differences on themes within a category between respondents within a perspective are searched. The themes were chosen based on recurring comments that emerged within a category in an interview. If a respondent discussed a specific “theme”, it was checked whether other respondents also discussed this theme. In Appendix E, it can be seen how often a theme has been mentioned within a perspective.
- c) Conclusions: In this phase, conclusions can be drawn about which criteria are essential for the relevant perspective.

The above steps must be repeated three times because this research has three perspectives. The categories and structure of the work will always be the same.

Thus, in this study, within the six categories (governmental influences, economic influences, characteristics of product, financial considerations, experience, personality and capabilities of entrepreneur and team, characteristics of the market), all parts are labelled into themes to create an overview within each category.

Subsequently, at the end of each within-perspective analysis, the number of experts who mentioned a particular theme within a category is counted. It will be checked how often a theme has been mentioned. Different restrictions apply per perspective:

- Perspective 1: If *3 out of 4* VC firms have mentioned a theme, this theme is relevant within this perspective.
- Perspective 2: If *2 out of 2* start-ups have mentioned a theme, this theme is relevant within this perspective.
- Perspective 3: If *2 or more out of 3* specialists have mentioned a theme, this theme is relevant within this perspective.

Suppose the above applies to a specific theme. In that case, the relevant theme is included as a dominant theme in the particular perspective and thus a dominant requirement or external influence affecting the decision making of Chinese VC firms in Europe. With the above-given restrictions, a distinction can be made between criteria and external influences that can be seen as dominant in the relevant perspective. With this, the most important external influences or critical requirements for Chinese VC firms when investing in European early-stage high-tech start-ups can be highlighted. This serves only as a rule of thumb to distinguish between criteria mentioned by the respondents. However, in this research, all results are essential, given that it always depends on the situation/investment. Thereby, experts may agree on others' insights, although they did not come up with them during the interview.

In paragraph 4.1, the within-perspective analysis can be found.

Step 3: Cross-perspective analysis

After the within-perspective analysis, specific themes seemed to be recognized and dominant within a perspective. In paragraph 4.2, the cross-perspective analysis can be found. A cross-case analysis compares the data of a category from different perspectives (Eisenhardt, 1989; Lindgreen, 2001). In this case, the results of all perspectives per category (out of the framework) are compared. Similarities and differences are examined for all perspectives. This allows for subtle conclusions (Eisenhardt, 1989). First, in sub-paragraph 4.2.1, dominant themes within all perspectives are mentioned and described because, apparently, all interviewed perspectives see this theme as a crucial external influence or criterion for Chinese VC firms. Thus, this will be shown when respondents from different perspectives agree on a specific theme. Second, in sub-paragraph 4.2.2, dominant themes in one perspective and not other perspectives. In this case, it will be mentioned when a particular theme was critical for one perspective and not for another.

4. RESULTS

In this chapter results are presented. Firstly, in paragraph 4.1, the within-perspective results of this research are presented. Subsequently, in paragraph 4.2, the cross-perspective results are presented.

4.1 WITHIN-PERSPECTIVE RESULTS

The results of the within-perspective analysis can be found in this paragraph. As mentioned earlier, results are labelled in specific themes within each category. “Themes” in this thesis are specific external influences (governmental or economic) or critical requirements that came forward during the interviews. In table 4.1 and 4.2, the themes used within each category can be seen. In total, 35 themes within six categories emerged from the analysis, and at the end of each sub-paragraph, additional insights mentioned by respondents within the perspective are given. All the themes are used to organise results and find similarities within respondents' answers within a perspective. The results of each respondent within a perspective can be found in 3 tables in appendix E. It should be mentioned that themes within table 4.1 could positively and negatively influence Chinese VC investments in Europe. The specific findings for each theme can be found in the rest of this chapter. After the within-perspective analysis in subparagraphs 4.1.1, 4.1.2, and 4.1.3, the cross-perspective analysis can be found in paragraph 4.2. Finally in paragraph 4.3 the selection criteria found in this study are compared to the initial framework.

External influences
Governmental influence
1 Chinese governmental capital restrictions
2 Chinese subsidies
3 Chinese laws and regulations
4 Governmental focus on national economic growth
5 Macroeconomics and politics
6 European laws and regulations
Economic influence
1 Geographic risk diversification of Chinese VCs
2 Big start-up competition in China
3 European lack of testing field and manufacturers
4 Chinese lack of research-based knowledge
6 Chinese lack of knowledge in certain industries
7 Trump administration

TABLE 4.1: THEMES USED TO LABEL RESULTS FOR GOVERNMENTAL AND ECONOMIC INFLUENCE

Critical requirements
Experience, personality and capabilities of entrepreneur and team
1 Graduation from well-known/good universities
2 Corporate experience
3 Industry specific knowledge
4 Management capacities
5 Relationship/trust building
6 Chinese speaking person in team
7 Knowledge of Chinese culture and landscape
8 Chinese VCs long term vision
9 Willingness to start business in China
10 Global minded entrepreneurs
11 Flexible and quickly acting attitude of entrepreneur
12 International experience of team
Characteristics of market
1 Focus on European market
2 Preference of big/global markets over niche markets
3 Focus on markets not yet available in China
Characteristics of product
1 Innovative High-Technologies
2 Possession of a patent
3 Physical product/prototype ready
Financial considerations
1 Invested company going IPO
2 Certain ROI
3 No general differences with other VCs in world
4 Face-saving behaviour of Chinese VC

TABLE 4.2: THEMES USED TO LABEL SELECTION CRITERIA OF CHINESE VC FIRMS INVESTING IN EUROPE

4.1.1 RESULTS PERSPECTIVE 1: CHINESE VC FIRMS

External influences according to Chinese VC firms

Governmental influences

Chinese subsidies & Chinese governmental capital restrictions

During the interviews, it became clear that the influence of the *Chinese government* affects the decision making of Chinese VC firms. Out of literature, it was already clear that the government has a lot of rules and regulations to control incoming and outgoing investments to protect the Chinese economy. Nevertheless, it was not clear how this affects the decision making of Chinese VC investments in Europe, apparently mainly by Chinese and Chinese governmental capital restrictions.

Firstly, all the Chinese VC firms interviewed mentioned that the Chinese government significantly influences Chinese VC firms' investment in Europe. Secondly, subsidies of the Chinese government positively and negatively affect the decision making since the Chinese government tries to protect and stimulate their national economy.

According to experts 1 and 3, the Chinese government supports high-tech start-ups by giving subsidies more than in Europe. By providing subsidies to start-ups, innovation is stimulated to improve Chinese economic growth subsequently. On the one hand, these subsidies are annoying for European start-ups because they receive more money for developing new technologies, but on the other hand, when European technologies can contribute to the growth of the Chinese economy, it is also possible for a Chinese VC and thereby European start-up to receive a subsidy. Especially expert 3 argues that this subsidy offers enormous possibilities for European start-ups focusing on technologies that the Chinese government promotes, such as AI.

Secondly, out of the interviews, it came forward that Chinese VC firms are obliged to approve converting Chinese currency, Renminbi (RMB), into Euros by the government to protect their economy. In this way, the Chinese government can regulate how much money goes out of China, which kind of technologies/start-ups a Chinese VC invests in and whether they contribute to the national economy. Especially expert 1 mention this as a problem for Chinese VC firms when investing in Europe. Since they have to consider the technologies the Chinese government focuses on. However, expert 4 mentions that these capital restrictions and other Chinese regulations make the work of VC firms a bit more complicated. They try to work around the rules as far as possible, considering the assigned rules, procedures, and laws. However, expert 4 mentions that Chinese government agencies are scrutinising more to prevent or pre-approve investments by Chinese investors in specific industries in Europe and domestically.

Both Chinese governmental capital restrictions and Chinese subsidies are considered by Chinese VC firms when investing in Europe. For example, when the Chinese government supports local start-ups within a specific technology, it is uninteresting to invest in the same kind of start-up due to more competition. Nevertheless, if a subsidy is given to the Chinese VC firm to invest in European start-ups, it becomes more interesting, but not all VC firms use this subsidy since it is a small amount on the total investment and by applying, they have to follow the rules of the Chinese government.

Chinese laws and regulations

All interviewed VC firms indicate huge differences between Europe and China regarding regulations. Below, the difficulties of Chinese laws and regulations are demonstrated.

Firstly, expert 4 argues that there are no set rules and regulations in China for Chinese VC firms in general and Chinese VC firms investing in Europe. The focus and thereby the Chinese government's rules and regulations are continually changing. It is unknown how regulations today impact the technology and country tomorrow.

According to expert 2, the constantly changing regulations in China also pose a significant risk for both Chinese VC firms and European start-ups to get investments from China. China has stricter regulations than the rest of the world because the government is acting more authoritarian. The Chinese government may change regulations at the last minute, negatively affecting investments made by Chinese VC firms in Europe. Therefore, it is necessary to pay close attention to the richer risk, although it is difficult to define. In China, there is no lobby. However, there must be VC firms' development groups in a very close relationship with various government parties to negotiate policy changes with the government.

Secondly, Chinese laws and regulations are often lacking in "labour law"; there are no rules such as the hours of work allowed per day for employees. Experts 1,3, and 4 mention that this is a deal-breaker if a founder is not available full time and does not work many hours.

For expert 2, China's lack of labour laws is a reason for investing in European start-ups. In Europe, there is a specific "labour law," which ensures that employees and entrepreneurs have certain rights and are, for example, not allowed to work more than a certain number of hours. This creates creativity and freedom for entrepreneurs in Europe.

Nevertheless, since there are no labour regulations in China, the innovation speed is very high. People are afraid that they will be left behind with innovation and continue to work. According to expert 2, this is not necessarily healthy and sustainable in China. Recently, there have been cultural backfires against the lack of rules of the personal lives of Chinese employees and entrepreneurs. This also stimulates investment in European start-ups since it is probably a more healthy and sustainable investment climate in Europe.

Thirdly, it is necessary to follow up all laws and regulations set up by the Chinese government. Expert 1 and 3 agree on this. Nevertheless, expert 2 mentions that since the investments are very early stage, and therefore relatively smaller amounts than later-stage investments, government decisions are considered slightly less because the influence on the investment is then relatively small. So although regulation is not a top concern at the time of their investment, they very closely follow regulation. For example, especially in early-stage investment, if it is not illegal at the moment of the investment, deals are made that go against the trend of regulatory changes.

Expert 4 mentions that international focused Chinese VC firms try to work around government regulations as much as possible, considering the mandatory procedures and laws. Also, it is possible to avoid sensitive industries where regulations change more often; with this, the VC is less dependent on regulation.

Governmental focus on national economic growth

The Chinese government is *highly nationalistic* and tries to keep as much money and technology as possible within China. If technology cannot be sufficiently developed in China, the Chinese government allows investment in this sector, making *Chinese VC firms extremely dependent on the Chinese government*.

Expert 3 agrees; it emerged that the influence of the government is considerable. The government wants to obtain as much knowledge and technologies from Europe as possible to grow faster, which is possible given the enormous manufacturing capabilities in China. The government's involvement in investments at home and abroad is interesting because grants can be obtained if a VC invests in an overseas/European start-up that contributes to the goals of the Chinese government at that time. Also, approval for converting Chinese RMB into euros can be received sooner. This mainly concerns specific technologies described in the government's Five-Year Plan. For example, in 2017, the focus was primarily on AI. Another requirement the government set is to ensure the growth of the local economy after the FDI.

In contrast to expert 3, expert 4 indicates that the influence of the government, despite the subsidies, makes life difficult for Chinese VC firms investing in Europe, and the Chinese government tries to hinder them in these investments to stimulate their economy.

European laws and regulations

Not only from the Chinese side but European laws and regulations also influence the decision making of Chinese VC firms. The laws and regulations from several European governments are becoming increasingly strict in receiving Chinese capital.

Experts 3 and 4 see this as an external variable that makes it more difficult for Chinese VC firms to invest in Europe. Some rules restrict Chinese investors from investing in sensitive technologies, making it increasingly challenging for Chinese investors to invest in Europe. Expert 4 indicates that this mainly concerns AI, FinTech, data, biotech, life sciences. These industries are attractive for foreign/Chinese investors, but these industries should be avoided as much as possible, given that the regulations can influence the commercialization of a specific technology.

Economic influences

Geographic risk diversification of Chinese VC firms

The *diversification of geographic risk* of Chinese VC firms is investing in resilient markets to absorb any loss in one market with the other. For example, a VC can also invest in different industries outside of geographic risk diversification. Experts 1,2 and 3 agree on the geographic risk diversification of Chinese VC firms. They are trying to diversify their geographic portfolio risk across different markets worldwide. This affects the Chinese economy in such a way that, on the one hand, money disappears from China.

On the other hand, new technologies, ideas, and knowledge stimulated the Chinese economy. Expert 4 does not agree that geographical risk diversification is not the reason for Chinese VC investments in Europe. Expert 4 mentions that the specific technologies that have tremendous growth opportunities at the investment time are the reason.

Big start-up competition in China

China's enormous competitive start-up environment, combined with intellectual property that has never been well preserved, resulted in the fact that cheap copycats still happen very often in China. On the one hand, this ensures rapid innovation and thus rapid economic growth; on the other hand, this is why Chinese VC firms look for new markets because the chance of success in China is relatively small, according to expert 2.

Experts 2, 3 and 4 agree on the above aspect. Both mention that the abundant supply of capital is growing, and there is always a war/competition between start-ups. Therefore many Chinese business models and VC firms export/invest out of China.

European lack of testing field and manufacturers

Often Chinese VC firms want European start-ups to *enter the market in China* after an investment. The start-up can use the VC's network for this. China has an extensive testing field and many manufacturers, compared to Europe.

According to expert 3, using manufacturers and testing fields in China is essential when investing in European start-ups. With the help of the Chinese VC, it is possible to create good connections, which are necessary to overcome cultural communication problems.

Chinese lack of research-based knowledge

According to experts 2 and 3, European start-ups contribute significantly to the development of the Chinese economy since they have been doing research for longer and therefore have a solid foundation of knowledge. Chinese do work very hard but often *lack this research-based knowledge*. This creates opportunities for European Tech start-ups.

Critical requirements according to Chinese VC firms

Experience, personality and capabilities of entrepreneur and team

Management capacities & Graduation from well-known/good universities

According to all interviewed VC firms, the "*entrepreneur's experience, personality, and capabilities*" appear to be the essential criteria for selecting a European start-up. When investing in early-stage start-ups, they are usually still developing a product. Therefore, having a proven product, financials, or business is not necessary yet. So even though the product/service must be very good in the end, the most important thing is an excellent team to launch the product/service.

Experts 1 and 2 states that the founder is the most important thing to consider when choosing an investment. Essentially, VC firms buy the founder's future perspective, like a share in the amount of wealth the founder can create. Also, previous experiences and the proven track record of the entrepreneur and team should be looked at. The entrepreneur must meet certain leadership qualities and have been graduated from good universities.

Experts 1,2,3, and 4 all agree on the fact that leadership qualities and educational background are essential. Ideally, founders should have a solid academic foundation in a specific field at a well-known university. Also, the entrepreneurial capability/execution of strategies is essential. The founder must be a visionary, summon a strong team and execute the founder's vision. In addition, according to expert 2, the entrepreneur's creativity is an essential characteristic.

Expert 2 also indicates that the following three aspects can be considered to determine if the entrepreneur is worth to invest in:

1. Leadership (can the founder gather and persuade other intelligent, strong people to join the team)
2. Authenticity (relevant experience in a specific industry)
3. Intelligence (absorptive capacity of new knowledge, have been to good well-known university, working experience in a top firm)

Additionally, according to an observation by expert 2, most successful founders in China can be divided into four categories:

1. Young geniuses (students that have talents for technology and business)
2. Veteran/serial entrepreneurs (profits from previous businesses are used to set up a new business)
3. Tech experts and executives (Professors or research institute fellows that have accumulated domain knowledge in specific tech industries like healthcare, semiconductor areas)
4. Senior executives (senior executives at large corporations, not trying to climb a corporate ladder while working in a big corporation, but focussing on building new products)

Industry specific knowledge

According to experts 1,2,3 and 4, having specific *knowledge of a particular technology* is a unique strength to invest in, specifically an ability that cannot be found in China. When someone has worked in a large company and gained knowledge in a particular technology, it is very interesting for Chinese VC firms.

Willingness to start business in China

In contrast to experts 1,2, and 4, expert 3 mentioned the *willingness to export and set up a business in China* is essential. It is crucial to understand the Chinese culture to do business with China. This is needed to build trust between the two parties. Experts 1,2, and 4 would prefer them to stay where they are, continue building out the product, complete commercialization and build a specific market size in Europe before thinking about moving their business or expanding their business to China.

Chinese speaking person in team& Knowledge of Chinese culture and landscape

Since there are significant cultural and language differences between Europe and China, this could result in communication problems.

Expert 2 agrees and mentions that the exchange of Chinese students to European start-ups is necessary to understand the European market better and exploit more start-ups. Experts 1,3 and 4 do not think a Chinese-speaking person familiar with the Chinese culture is necessary for the European start-up team since all Chinese VC firms investing in Europe are international-minded enough.

The great geographical separation could be a problem since real-life communications and going for dinner are essential in Chinese culture when doing a deal for investments.

Nevertheless, according to experts 3 and 4, the geographical separation did not seem a problem. Especially during Covid, most work is done remotely. Nevertheless, identifying good companies in Europe, rather than sticking with companies closeby. It is crucial what gap the new technology is trying to fill and get an overview of the current competitive landscape in that market to identify the growth potential in the market.

Corporate experience & Relationship/trust building

A feeling of trust between entrepreneurs and VC seemed important when investing in start-ups.

For expert 4, trust in an entrepreneur is essential. This can be build-up by having close connections with the entrepreneur. For example, if a friend or other connection brings you in contact with the entrepreneur, it is known that the entrepreneur has already proven him-/herself. Expert 2 mentions this feeling of trust, but also business-related experience can be built up in earlier corporate experience.

Characteristics of market

Focus on European market & Preference of big/global markets over niche markets

According to expert 1,2 and 4, the *European market is enormous*. According to expert 4, Europe could be an interesting and big market, so access to the European market is one of the main reasons for investment. When investing in a specific technology, they want the start-ups to use European market to exploit business.

Expert 1,2,3, and 4 all prefer start-ups to focus on *huge markets rather than a niche market*. The general strategy of expert 2, in terms of the market, is to search for a big yet fragmented market, hoping that the start-up covers all fragmentations. Another option is a niche market that can potentially grow into a mainstream market. Both above strategies should result in a start-up/company dominating the market, resulting in a monopoly. After Europe is covered, the founder's ambition should be to cover the global market as their potential market. Before investing, expert 4 mentions it is important to find out what the current competitive landscape is, to see if competitors are overlapping with each other.

Characteristics of product

Innovative High-Technologies

Out of the interviews with all Chinese VC firms, it emerged that they are interested in *high-tech*, with a focus on start-ups that have an innovation strategy. Chinese lack knowledge in specific industries, for example, semiconductors and computer chips, which makes investment in these categories very interesting. The service/product of the start-up has to be something new or something better.

According to expert 2, in general, the product has to be:

1. High Tech
2. Product Market Fit (PMF) (Is there a market for his product, the lifetime of the product, etc.)

Expert 4 mentions it is very seldom to find three identical companies working on the same product or technology. The technology must be differentiated from others. Hereby the following questions can be taken into account; what is the entry barrier of the start-up's technology? What is the mode that is built around the particular piece of technology?

If it is possible to find three companies working on the exact product, there is a minimal entry barrier; investment is not attractive.

Possession of a patent

According to expert 3 and already having *an IP is extremely important*. This means that possible competition is less, but also that the application for a potential future patent application in China will be more accessible.

Financial considerations

In general, early-stage investments are already high-risk investments. It is hard to calculate the expected return on investment (ROI) in early-stage investment, and it is too early to give a sense of how the product will eventually be.

Invested company going IPO

But since Chinese VC firms are big thinkers with a lot of money compared to Europe, most Chinese VC firms aim for *Initial Public Offering* (IPO), according to expert 1.

Certain ROI

Expert 2 has the goal of a *100 ROI* within seven years, although it is still tough to measure in such an early stage.

No differences with other VC firms in world

Expert 4 does *not have a set of financial benchmarks* to benchmark its investments. But in general thinks Chinese VC do not differ that much from other international VC firms. Expert 4 mentions an Internal Rate of Return (IRR) of 25% is typically required for early-stage Chinese VC firms.

Additional insights

Black box for both parties

Some extra insights above the specified categories are given out of the interviews. Expert 1 mentioned considerable opportunities in Chinese VC in Europe, but it is still a black box for both sides. More research into this field could encourage Chinese VC firms and European start-ups to invest or apply for investment. According to expert 1, there are many mutual interests besides money. Therefore forums should be set up to improve communication between the European start-up ecosystem and the Chinese VC ecosystem.

Upcoming VC in Europe

Expert 2 does not expect Chinese VC to grow in Europe since it's already quite rare for Chinese funds to focus on investing in start-ups in the US. Foreign investments in Europe are expected to be more complicated due to the even more close system in Europe compared to the US. Significantly few funds can successfully operate on both continents with one team. Because China, by language and culture, is a highly self-enclosed environment, it is not very easy for foreigners to be immersed or well adjusted in China due to macro-political issues.

Expert 4 does not agree because by having a local team/representatives in Europe, investing in European early-stage start-ups in Europe is not difficult.

Sectional conclusion Chinese VC firms

Overall, the comprehensive results presented above indicate that some themes emerged that had a more significant impact on the decision-making of Chinese VC firms than others out of the perspective of Chinese VC firms. As indicated in paragraph 3.3, a theme is dominant in the perspective of VC firms when at least three out of four VC firms have said something about the theme in question.

Figure 4.1 presents the results obtained in this paragraph, where the bigger the circle, the more often the relevant theme is essential for respondents in the perspective of Chinese VC firms. The sketched

circles are not critical for this perspective. Nevertheless, it should be mentioned that the themes said less than three out of four times are still valuable for European start-ups and Chinese VC firms since every investment case is different in terms of investment size, technology, and strategies. In the within-perspective analysis, the results of the interviewed specialists are brought together. Out of the results, some aspects seemed more critical, according to the Chinese VC firms in this research, and the most relevant will be further discussed below in figure 4.1.

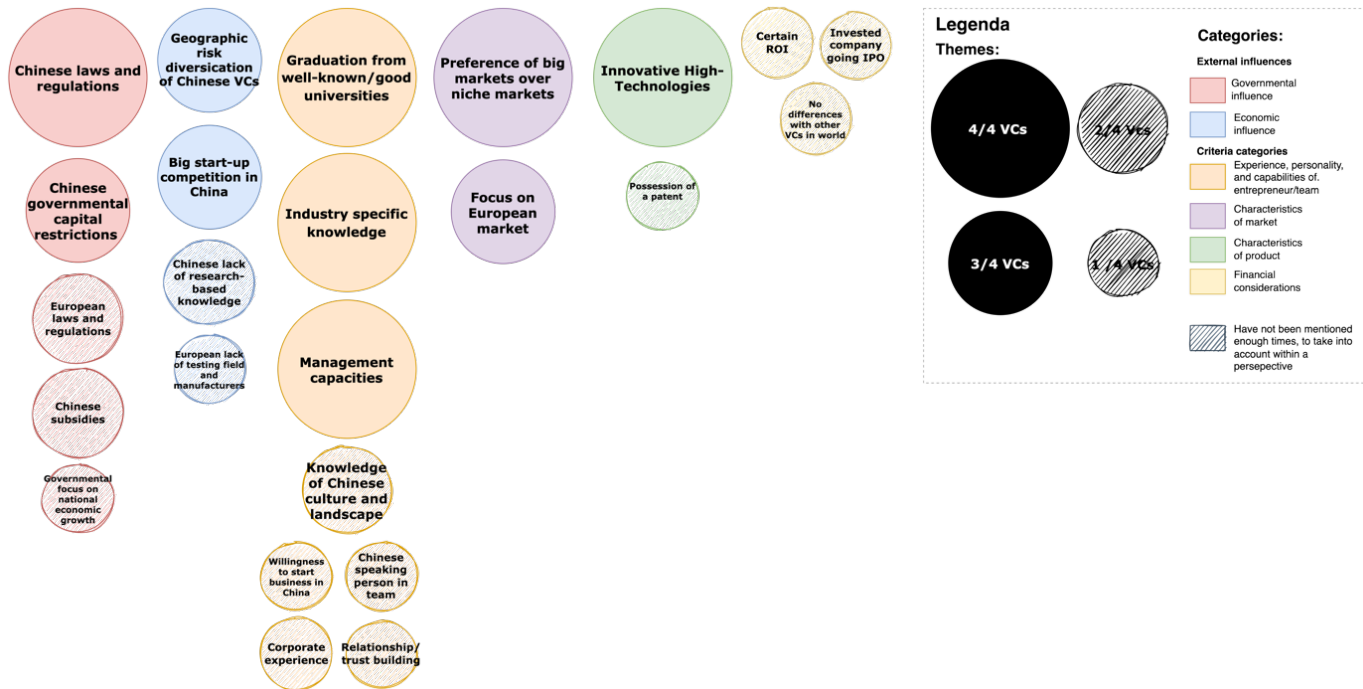


FIGURE 4.1: IMPORTANCE OF THEMES WITHIN CATEGORIES OF PERSPECTIVE 1

Out of the interviews, it came forward that the external influence of the government was quite significant. All Chinese VC firms mentioned that they are very dependent on Chinese governmental capital restrictions and Chinese laws and regulations. Also, the Chinese government tries to protect its economy by several measures. For example, Chinese VC firms are obliged to approve converting Chinese currency into Euros by the government to protect their economy. In this way, the Chinese government can regulate how much money goes out of China, in which foreign investments are made and whether they contribute to the national economy. These findings contribute to reaching China's goal to become a global tech leader in 2025 (Schoff&Ito, 2019). These results do not suggest that the Chinese government discourages Chinese investments in Europe; however, the Chinese government tries to control foreign investments (Riccardo, 2018; Ahlstrom et al., 2018; Yan, 2017).

Moreover, the labour law for Chinese workers is not like in Europe. This has recently ensured that cultural backfires were true against the lack of rules of the personal lives of Chinese employees and entrepreneurs. This influence could stimulate investment in European start-ups. Regarding the reasoning for investing in Europe, 3 out of 4 VC firms interviewed suggest that the reason for this is geographic risk diversification. This finding was also supported by Löchel and Frauendorfer (2020), whereby spreading assets and risk of Chinese investors across several countries is reasoning to invest in Europe. This external influence makes it easier for European start-ups to get Chinese VC since they are based in Europe.

Thereby, the impact of China's enormous competitive start-up environment results in intellectual property that has never been well preserved, and the chance of having cheap copycats still happens very often in China. This is another reason why some Chinese VC firms start investing in Europe.

Furthermore, all VC firms agree that Chinese investors are particularly interested in High-Tech, but it became clear that the entrepreneur's characteristics were the most important out of all criteria. With this, having specific knowledge of specific industries, management capacities, and graduation from a well-known university are crucial; this result has not previously been described.

During the interviews with the VC firms, the potential to enter large markets is of great importance. Chinese VC firms generally think much bigger. VC firms want the start-up they invest in to focus on big rather than niche markets. Three out of the four VC firms interviewed say they first want to enter the European market and then enter the global market. Within the criteria category "characteristics of the market", the market growth potential seemed most important. This finding was also reported by a Chinese study by Lu et al. (2020) of Chinese VC firms investing in China. However, this result has not previously been described in the literature of other countries' VC firms investing abroad (Knight, 1994; Kakati, 2003; Bacher and Guild, 1996; Tyebjee and Bruno, 1984).

4.1.2 RESULTS PERSPECTIVE 2: EUROPEAN HIGH-TECH START-UPS

External influences according to European High-Tech start-ups

Governmental influences

Chinese governmental capital restrictions & Chinese laws and regulations

China is one of the few countries that still has *capital restrictions*. As a Chinese VC, approval from the regional, local, or central government must be obtained to convert the money into Euro. Which level of the Chinese government is responsible for this commitment depends on the amount invested. The bigger the investment amount, the sooner a VC must go to the central government. For example, Chinese VC firms must get the Ministry of Commerce (MOFCOM) approval within the central government. If a European technology can contribute to the economic development of China, a license to invest will be given sooner.

According to expert 6, the influence of the Chinese government makes acquiring Chinese VC the most difficult. Expert 5 did not mention governmental capital restrictions as a problem.

Governmental focus on national economic growth

In general, China focuses on national economic growth, which is essential at various levels within the Chinese government. A Chinese VC often needs, besides capital restrictions, approval from the local government to invest in Europe, whereby they set several requirements.

Expert 5 agrees and mentions that the local government set requirements for Chinese VC firms to locate international companies or build factories in the region, leading to extra employment and fame. In this way, the start-up financed by a Chinese VC is indirectly influenced by the government's requirements. In addition, expert 6 mentions that the Chinese government partly finances all Chinese VC firms. Indirectly, the (local) government tries to influence the start-up's strategy. By getting innovations on Chinese soil, the country's economy and thus employment can be stimulated. In general, the mindset of Chinese investors is to grow above average, which again stems from little pressure from the government.

European laws and regulations & Macroeconomics and politics

In addition to capital restrictions and regulations set by the Chinese government, the *negative coverage of US politics on China* has impacted the opportunities for Chinese VC firms to come to Europe. Many Chinese companies that initially had a business in America are now no longer allowed to enter. Due to political tensions between America and China, this leads to additional regulations from Europe to stop Chinese investors. Also, just the feeling of these tensions prevents start-ups from wanting to receive an investment from Chinese VC firms. Experts 5 and 6 both agree on this. Expert 5 indicates that these tensions make it more difficult for Chinese investors to invest in Europe because, according to the Chinese, European countries are under the control of America. Moreover, many American and European investors of a start-up do not tolerate it if there is also Chinese capital involved in the company. This is because there are often additional rules associated with Chinese investment originating from the Chinese government. According to Western investors, the participation of Chinese VC firms in the same start-up poses risks since they are often afraid of the political issues between the West and Europe. So *macro-political and economic tensions* are causing unrest and discontent among Western investors.

Expert 6 indicates that the tensions between China and the US and Europe, have become drastically worse in all respects over the past four years. Thereby, the world has become *less global* due to difficulties with traveling due to Covid-19 regulation (no physical contact possible to make a deal) and European governments forming new rules and regulations against investment out of China. This results in the fact that investments made four years ago are now often no longer possible or too risky. European start-ups have to consider other western investors of the company, although there is a lot of money to get in China.

Chinese subsidies

The Chinese government gives subsidies in case patents are filed in China. Another advantage of filing a patent in China is that it is much cheaper, according to expert 5. Since there are many patents in China, the pace of innovation is breakneck. European start-ups setting up a business in China must apply for a patent and keep innovating very fast.

Economic influences

Geographic risk diversification of Chinese VC firms

Expert 6 indicates there is a lot of money in circulation in the Chinese VC ecosystem. Chinese investors want to invest this money in *good opportunities in China, Europe, and America* to guarantee portfolio diversification. So if a European start-up covers different markets across Europe, this could improve the chance of Chinese VC investment.

Chinese lack of knowledge in certain industries

Also, the *lack of knowledge in specific industries* could affect the decision making of Chinese VC firms in Europe. For example, if a particular sector is not yet available in China, investment in this industry in Europe, to get it afterwards into China, could result in extra revenue later. Expert 6 agrees on this.

Big start-up competition in China

Another reported problem by expert 5, was that since there is a *big start-up competition* going on in China, the innovation pace of the company must stay high. Therefore, to keep interesting for Chinese

VC firms, the start-up must continue to innovate to overcome to be overtaken by similarly Chinese innovations subsidized by the Chinese government.

Critical requirements according to European High-Tech start-ups

Experience, personality and capabilities of entrepreneur and team

Graduation from well-known/good universities & Corporate experience & Industry specific knowledge

A standard view amongst interviewees was that having a good track record is essential in early-stage investments. This mainly concerns completing good universities and having corporate experience, according to experts 5 and 6. The interviewed start-ups also agreed on the necessity of industry-specific knowledge, which can, for example, be gained through a PhD and corporate experience.

Relationship/trust building

A *bond of trust* must be created between both parties to ensure good communication during an investment process. This can mainly be built up by having physical contact with each other, which is a lot more difficult given the situations surrounding Covid-19. Given the great distance between China and Europe, building a relationship is complicated. Before COVID-19, China often organized international start-up competitions where the parties could meet. This was the first meeting place where building a bond of trust began. Both start-ups interviewed, experts 5 and 6, agree on the importance of a good relationship. In addition, expert 5 mentions trust is not just based on the experience of for example a PhD, but more on the sales projections for the coming three years made by the entrepreneur. They purely look at how trustworthy the person is by feeling.

Chinese speaking person in team

According to expert 5, having a *Chinese speaking person with a vast network in China* is of extra importance to access Chinese investors and then build a relationship of trust. In addition, this gives access to a network, which is necessary to possibly expand business in China and thus have a fair chance in the competitive Chinese market. Expert 6 indicates that despite doing business with Chinese investors being less transactional and more trust-based, having a Chinese-speaking person is not a requirement. The reason for this is that many Chinese investors speak English.

Knowledge/ of Chinese culture and landscape

A recurrent theme in interviews was a sense amongst both interviewees that understanding the *Chinese culture and affinity with the country* is necessary. In China, for example, it is customary to get to know each other by eating out together a lot. On this, the Chinese VC can get to know the entrepreneur. Thereby, also to enter the Chinese market, it is good to understand the business landscape.

Chinese VC firms long term vision

According to expert 6, in addition to *cultural differences*, there are also *business differences*. Chinese investors often look more to the long term than in Europe. In addition, Chinese investors often do not interfere with the strategies of the start-up, which gives more freedom of movement to the direction that the start-up wants to take.

Characteristics of market

Preference of big/global markets over niche markets

Compared to American and European VC firms, the Chinese often think even more *enormous*, having more money to spend and striving for more considerable profits. After specific research, Chinese VC firms first want to understand the product/service when they invest. This is why niche market products are not interesting for Chinese VC firms. Secondly, Chinese investors wish to invest in something vague, meaning the market size has to be big, the ceiling has to be high enough, so they don't the end every few years. Chinese VC aims continually grow. Expert 5 and 6 indicate that Chinese investors are looking for more *big market opportunities* and think more global, which they also want to see in the start-up.

Focus on markets not yet available in China

Expert 5 mentions that the Chinese are increasingly focusing on healthcare- and welfare industries. Industries in which European start-ups are further developed and therefore attractive to market in Europe and China.

Focus on European market

Expert 5 argued that since the Chinese VC firms care a lot about significant market opportunities, they also care about the European market. Chinese look for opportunities that can also enter the European market.

However, expert 6 mentions that Chinese investment money is not explicitly used for setting up or expanding business in Europe. If getting Chinese investments, there should be a reason to get this investment of a Chinese VC specifically, for example, for using the connections of the Chinese VC. If the company has a head office in China or wants to build a product there, it makes sense to raise money there. If there is no specific reason to go to China, expert 6 advises going to other places in Asia for VC.

Characteristics of product

Possession of a patent & Physical product/prototype ready

Having a patent is a must to get an investment from a Chinese VC. Expert 6 mentions that the Chinese like it when the start-up has patented. Chinese investors consider patents very important compared to other countries. To them, having a patent is proof that the technology works.

Expert 5 mentions that if the start-up's technology is easy to be copied, the technology barrier is too low and therefore not attractive enough, especially when the market potential is enormous, it is easy to be taken in by someone else. By innovating fast and keeping the technology barrier high and not easy to copy, start-ups make themselves interesting for VC firms. Nevertheless, having a patent is always handy. Expert 5 mentions it is interesting to file patents in China because this is cheaper than in Europe, and secondly, the start-up gets a subsidy from the Chinese government. However, to keep the patent afterwards, start-ups should innovate fast. Thereby, all start-ups interviewed agreed that Chinese investors consider tangibility more important than a story. Having a working prototype and/or market presence is necessary for attracting Chinese VC.

Innovative High-Technologies

Chinese VC firms are looking for ground-breaking, hard-tech innovative ideas rather than universal products. According to expert 5, the technology must have something special; high-tech, high profits or large market size, and a lot of cash flow. It has to be well-positioned, and it has to have a good competitive position with other competing products.

With this, expert 5 mentions a few technology industries Chinese investors nowadays find interesting:

1. Medical robots
2. Semiconductor
3. Biotechnology

Financial considerations

Invested company going IPO

According to expert 5, Chinese VC firms specifically look at the potential growth, the possibilities of the start-up to go *IPO* in a short time frame, and finally, the price equity ratio.

No differences with other VC firms in world & Face-saving behaviour of Chinese VC

According to expert 6, the financial considerations of Chinese VC firms are becoming *comparable to other international VC firms*. Nevertheless, according to expert 6, VC firms are more face-saving, which stems from Chinese culture. This means, for example, that Chinese VC firms would rather sell you for a low amount in ten years than that you are now going bankrupt as a start-up.

Additional insights

Reason for office in China

According to expert 6, the biggest reason to attract Chinese VC is the growing possibilities of recruiting Chinese talent. It is particularly interesting for the product development of technical innovations, such as product developers.

Sectional conclusion European High-Tech start-ups

From the comprehensive results presented above, some themes emerged that had a more significant impact on the decision-making of Chinese VC firms than others out of the perspective of the European start-ups interviewed. As indicated in paragraph 3.3, a theme is dominant in the perspective of start-ups when at least two out of two start-ups have said something about the theme in question.

Figure 4.2 presents the results obtained in this paragraph, where the bigger the circle, the more often the relevant theme is essential for respondents in the perspective of Chinese VC firms. The sketched circles are not critical for this perspective. Nevertheless, it should be mentioned that the themes said less than two out of two times are still valuable for European start-ups and Chinese VC firms since every investment case is different in terms of investment size, technology, and strategies. In the within-perspective analysis the results of the interviewed specialists are brought together. Out of the results, some aspects seemed more critical, according to the start-ups interviewed, and the most relevant will be further discussed below the figure 4.2.

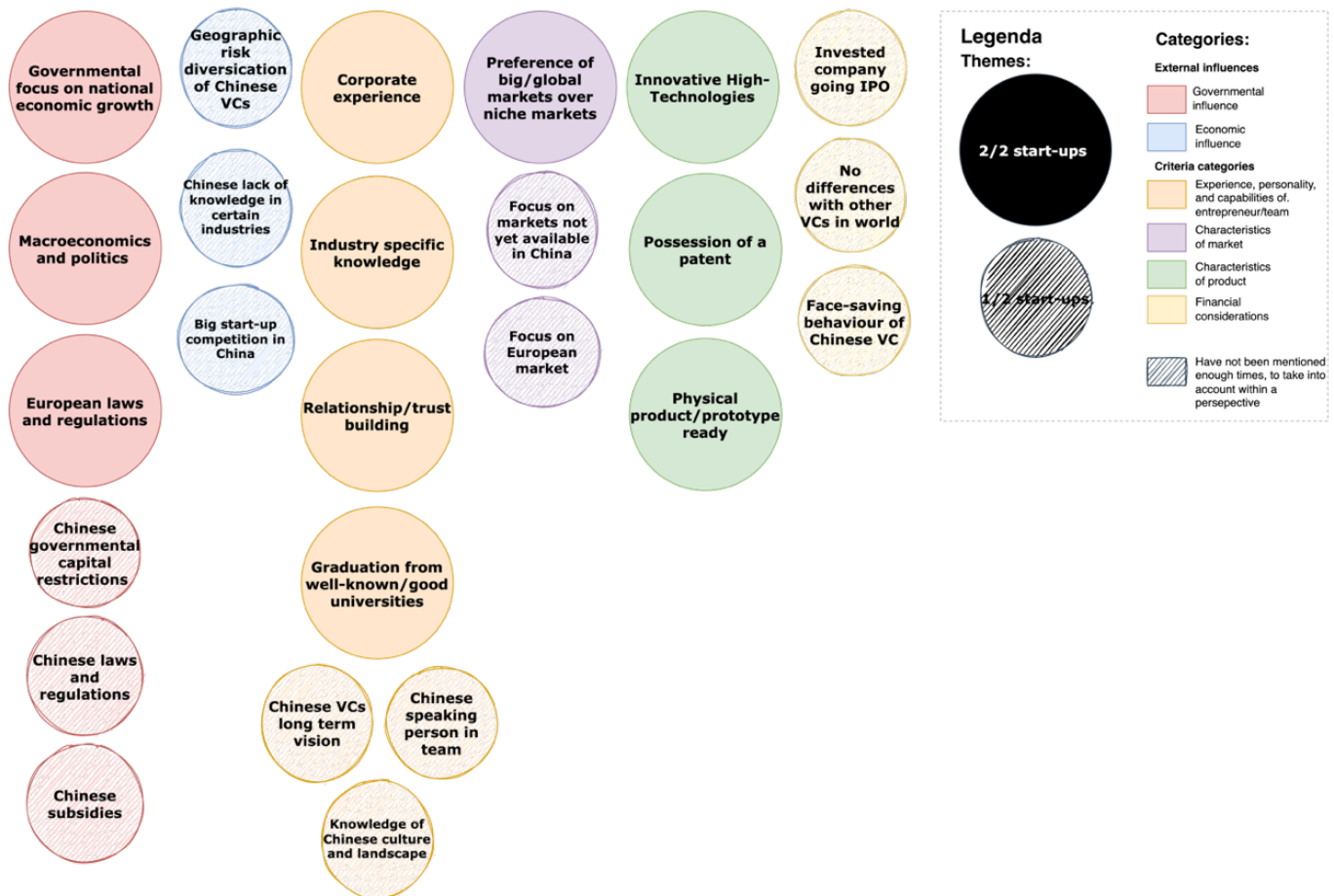


FIGURE 4.2: IMPORTANCE OF THEMES WITHIN CATEGORIES OF PERSPECTIVE 2

Out of the interviews, it came forward that all start-ups interviewed mention that the measures taken by the Chinese government to improve national economic growth make it harder for Chinese VC firms to invest in Europe. This is mainly due to the Chinese government's additional requirements to stimulate national economic growth. For example, one requirement that the Chinese government could set is to manufacture or have a headquarter in the relevant Chinese region. European start-ups are thus indirectly influenced by the Chinese government, and to receive Chinese VC, they must be prepared to meet these government's requirements. These results reflect those of Schoff & Ito (2019), who also found that regulations are set up for Chinese investment in Europe to stimulate national economic growth and become the most significant public and private R&E investor in the world. These results do not perse indicate that the Chinese government discourages Chinese investments in Europe; however, the Chinese government tries to control foreign investments (Riccardo, 2018; Ahlstrom et al., 2018; Yan, 2017). This specific result has not previously been described. One interesting finding is that the negative coverage of US politics on China prevents start-ups from wanting to accept Chinese investment. According to both start-ups interviewed, this feeling is reinforced by the additional European regulations becoming increasingly strict due to the tensions between the US and China. By not being influenced too quickly by these developments as a European start-up and seeing the positive sides of investment from China, there are opportunities for these start-ups, given a large amount of money available there. However, it has turned out that previous Western investors often do not want to have a Chinese investor, so this feeling must be considered. This result has not previously been described.

This study confirms that the entrepreneur and team's experience, personality, and capabilities are the most important criteria for winning an investment (Santisteban et al., 2021; Kakati, 2003; Groenewegen and de Langen, 2012; Bacher and Guild, 1996; Knight, 1994). What is surprising is that corporate experience, industry-specific knowledge, and a university degree are precious for Chinese investors. The ability and drive to build trust and invest in a good relationship are also essential.

Also, the product or service must be scalable for Chinese VC firms. Chinese investors think big since they have more money to spend. Other countries' VC firms have not previously mentioned this finding. Finally, regarding the characteristics of the product or service of a start-up, the results suggest that Chinese VC firms are primarily interested in high-technologies. Thereby the possession of a patent and having a physical product or prototype ready are criteria used by Chinese VC firms. Having a functioning prototype ready has not previously been mentioned and would add to the initial framework.

4.1.3 RESULTS PERSPECTIVE 3: SPECIALISTS

External influences according to specialists

Governmental influences

Chinese governmental capital restrictions & Governmental focus on national economic growth

The influence of the Chinese government on Chinese VC firms investing in Europe can mainly be seen in the fact that the government applies a "Foreign Exchange Control." Only a few VC firms have Euros Fund and can directly invest overseas. Since foreign exchange is regulated, VC firms need to apply for an amount to invest abroad, and most will not get it quickly. Therefore, they cannot invest overseas but only can invest in RMB in China. Both experts 7 and 9 think this way of restrictions makes overseas investing for Chinese VC firms difficult.

Expert 7 argued that the main reason is that the Chinese government does not want people getting rich in China, especially not hiding money overseas. In China, entrepreneurs are not supposed to get rich and being too famous should be part of a more egalitarian society. On the other hand, the Chinese government promotes their "Attracting Talent Strategy," including international talents. This government's strategy is a "soft-pressure" for Chinese VC firms to invest in European companies.

Expert 7 mentioned that the influence of the Chinese government on Chinese VC firms has become more prominent in the last five years. The positive thing is that this governmental influence is not across all domains. Therefore, there are still opportunities for Chinese VC firms to invest in Europe. For example, in sustainability-health- and wellness-related technologies, more openness from both sides for investment flows will be there. However, as soon as it goes about AI- or defence-related technologies, there could be a no-go from both sides (Chinese and European governments).

European laws and regulations

European governments are starting to be cautious about Chinese investments and may veto them. Several European regulations (Government restriction, data protection, share data with US/EU regulatory) affect potential investments of European start-ups with Chinese investment. It is more complicated for European start-ups with Chinese VC to get listed in Europe, making it difficult for overseas investors to exit. Experts 7, 8 and 9 agree on receiving Chinese VC investment due to European regulations. Expert 8 gives the example that Germany has set a limit of 25% Chinese investment in

German companies, not considering the technology. According to expert 9, to overcome this European doubt about Chinese investment in Europe, both parties must learn about each other, build trust, and share successful cases from the past.

It should be mentioned that there is no such thing as one Europe because every country in Europe has their own rules. Due to fast-changing politics, today's European countries' rules and regulations could be another tomorrow, as mentioned by expert 7.

Macroeconomics and politics

The result of *the continually changing macro-political issues* between China and Europe is a continually changing view on the value of Chinese money invested in Europe. Thereby, due to an authoritarian regime in China, Chinese rules and regulations tend to change course suddenly, and therefore it is hard for European companies to build this trust. Expert 7 mentions that this makes it difficult for Chinese VC firms to invest in Europe since European start-ups closely follow and influence *macro-economic and political tensions*. Start-ups who dare to think different can get Chinese investment since Chinese VC firms who already invest in Europe will keep doing that. Nevertheless, a good relationship of trust is needed then.

In addition, expert 8 argued that to survive as Europe between the two great world powers, China and America, European countries have to move to a position in technology investment where the company's distribution is 40 percent in the hands of Europeans, 30 percent of Americans, and 30 percent of from Chinese. In this way, firstly, it is ensured that there is still strategic control. Secondly, it ensures that these European companies have a foothold in the two largest markets, namely America and China. The influence of the Chinese government on Chinese VC firms investing in Europe can mainly be seen in the fact that the government applies a *"Foreign Exchange Control* Since foreign exchange is regulated, you need to apply for an amount to invest abroad, and most VC firms will not get it quickly Several *European regulations* (Government restriction, data protection, share data with US/EU regulatory) affect potential investments of European start-ups with Chinese investment. It is more complicated for European start-ups with Chinese VC to get listed in Europe, making it difficult for overseas investors to exit.

The result of *the continually changing macro-political issues* between China and Europe is a continually changing view on the value of Chinese money invested in Europe. Thereby, due to an authoritarian regime in China, Chinese rules and regulations tend to change course suddenly, and therefore it is hard for European companies to build this trust.

Chinese investors primarily invest in Europe due to economic responses. Chinese investors are not looking at a specific location to invest, they look for opportunities. Since Europe has a strong R&D and many big companies have risen, it is an interesting place for Chinese investors. An upcoming number of *Chinese VC firms have an internationalization process*, which potentially results in extra investment in Europe and indirectly stimulating Chinese economy.

Economic influences

Chinese lack of research-based knowledge

Chinese investors primarily invest in Europe due to economic responses. Chinese investors are not looking at a specific location to invest, they look for opportunities. Since Europe has a strong R&D and many big companies have risen, it is an interesting place for Chinese investors. An upcoming number of *Chinese VC firms have an internationalization strategy*, which results in extra investment in Europe and

indirectly stimulates Chinese economy. Both experts 8 and 9 agree on this. Nevertheless, according to expert 8 and 9, Chinese VC firms overall prefer the later stage over the early-stage overseas investments, as they are looking for already recognized technologies.

Chinese lack of knowledge in certain industries

Although the Chinese government policies do not support certain investments in Europe, *in key strategic industries* in which Chinese companies are still behind, Chinese VC firms are more often allowed to invest in technologies such as the semiconductor industry, new materials, and biotech according. By attracting new technologies, Chinese economy could grow. Although European entrepreneurs are not eager to accept Chinese investment due to macro-political changes, experts 8 and 9 mentions that it offers great opportunities to start an operation in China and to attract Chinese VC more easily if your technology is in line with the technologies China lacks.

According to expert 9, the ratio of Chinese VC in European countries will increase due to more openness of the Chinese economy, which creates more opportunities for Chinese VC firms.

Trump administration

The Trump administration has ensured that *Chinese people cannot invest in American companies*. Little has changed under the Biden administration either, which has made the Chinese want to invest more in Europe. According to expert 8 this creates huge possibilities for Europe. Chinese investors have realized that European start-ups are better than US companies. In addition, Europe is interesting for Chinese investors because there is much less risk capital available, which makes investing cheaper for the Chinese.

Critical requirements according to specialists

Experience, personality and capabilities of entrepreneur and team

Graduation from well-known/good universities

All experts argued that having a known *educational background* is very important. Often, the educational background of European entrepreneurs is much better, which is an essential aspect for Chinese VC firms, according to experts 7, 8 and 9. Expert 7 indicates close ties with universities such as Stanford, Berkeley, MIT, NYU, Oxford, Cambridge are essential for their investments. Nevertheless, not many European universities are known to Chinese. By making this one of the main requirements for early-stage entrepreneurs to invest in, it is possible to become part of the scientific and innovation clusters in the areas that are interesting nowadays. In the past, very little scientific research has been translated from Chinese universities into a product that has been brought to the market. So, the capacity to create start-ups and then develop them into a good company is not yet present in China. The Chinese are generally not good at innovative ideas, but they are good at devising large-scale strategies.

Knowledge of Chinese culture and landscape

Due to *cultural and language differences*, a big issue is evaluating the entrepreneurs for a Chinese VC. According to expert 8, cultural differences between China and Europe immediately throw a spanner in the works during discussions. However, research shows that 80 percent of misunderstandings during negotiations stem from cultural differences, and 20 percent are business-related. That is workshop for both parties to show cultural differences could lead to good cooperation.

Flexible and quickly acting attitude of entrepreneur

According to expert 8, a *flexible attitude and acting quickly* are extremely important for Chinese investors. Chinese investors often find European companies very slow. Despite the superb technology, it takes years to develop further. Considering that the motivation for Chinese investors is to make very fast money and let the company go IPO, an assertive and big mindset is needed to receive investments from Chinese VC firms.

Knowledge of Chinese culture and landscape & Chinese speaking person in team & International experience of team & Global minded entrepreneurs

Showing interest in the *cultural differences*, expert 8 considers extremely important, while experts 7 and 9 rely more on the fact that the Chinese VC firms are already international enough. According to experts 7,8, and 9, having someone on the team who masters the Chinese language is not required. However, according to all specialists, having a team with *international experience* is an essential characteristic. This is also in line with the requirement of start-ups being global minded. European entrepreneurs often do not think big/global enough. This could be a problem according to Chinese VC firms.

Characteristics of market

Preference of big/global markets over niche markets & Focus on European market

The interviews with all specialists indicated that entering a potentially large market is essential for Chinese investors.

Nevertheless, in contrast to experts 7 and 9, expert 8 indicates that Chinese VC firms do not consider expansion in the European market important. Nevertheless, expert 8 expects that in the future, Chinese VC firms will become increasingly interested in expanding into the European market as well. Also, when a technical innovation has already had approval and success in the European market, it helps as a reference point for investment approval from the Chinese Government.

Focus on markets not yet available in China

Some sectors and technologies in high demand in Europe are not in demand in China. For example in healthcare, the disease multiple sclerosis (MS) is known in Europe, and everything is being done to solve it. This disease is not seen as a disease in China. According to the Chinese, MS is much less common. Cancer is also not so recognized in China as in Europe. Advanced technologies and products to treat diabetes are very important to the Chinese. Hence, the Chinese are not interested in all technologies the European market is interested in. Expert 8 indicates that if a Chinese VC invests in Europe, it does extensive research into the differences in markets. By being distinctive as a European start-up, regarding the market you enter, this can open doors, on the one hand, and on the other hand, it can hinder market expansion in China.

Characteristics of product

Innovative High-Technologies

In the past, technologies in which Chinese VC firms were interested were often disruption technologies. However, due to the current political developments, the focus is increasingly *on core technologies such as AI, robotics, communications*, mainly focusing on sustainability and decarbonization. Expert 7 argues that the purpose of the technology has become more and more critical over the last ten years. According

to expert 9, products have to be different, unique and innovative, but overall all experts within the specialists perspective agree on preferences for high-technologies.

Possession of a patent & Physical product/prototype ready

Above the requirement of being high-tech, expert 8 mentions that the product has to be finished and/or already in use on the market. In addition, *having IP* in Europe and getting it in China is of importance. For biotech and life science technologies, the above requirement makes it difficult to invest in China, as it often takes at least 10 years to develop the product.

Financial considerations

Invested company going IPO

Realizing an exit on the stock exchange or by selling the company is one of the main goals of Chinese VC firms, according to expert 8. With this, it doesn't matter whether it is the American stock exchange, the European stock exchange, or going on the stock exchange with a derivative company in Shanghai or Hong Kong.

No general differences with other VC firms in world

Experts 7,8, and 9 think how Chinese VC firms consider the financial aspects is the same as in Europe.

Additional insights

International trust building

According to expert 7, it is essential for *improving cooperation* between Chinese VC firms and European start-ups that it is needed to understand the areas where Chinese investment can be welcomed in Europe and can be allowed by China. Only in this way a special relationship of trust can be built without one of the private parties getting into trouble because of public laws and regulations.

Expert 8 indicates that European start-ups often prefer America over China as a second potential market and place for VC. However, good research is done into the market and the investment climate when looking for American VC. According to expert 8, this is unjustified, and China is not considered fully-fledged in this regard, despite the many potentials and large amount of capital that the country has to offer. One of the problems arising from negative publicity spewed from America about China. Somehow it is easy to use the American market as a next step because of the minor cultural differences and no language difference. However, the language barrier with Chinese VC firms has become smaller in recent years, and almost everyone speaks English. Nevertheless, receiving market data in China is more complex, but expert 8 expects this to improve in the coming years.

Expert 8 advises using independent brokerage firms for investment agreements between Chinese VC firms and European start-ups. In this way, the brokerage firm can build connections and trust with Chinese VC firms, the Chinese government, and any legal offices. Workshops can be organized to point out the cultural differences to all parties. In this way, European start-ups can, for example, be advised on specific customization strategies if they want to expand the business to China.

Important characteristics of start-up

Expert 9 expects Chinese VC in Europe will increase. Thereby, the characteristics a Chinese VC is looking for are mostly:

1. Good team
2. Core technology
3. Chinese operation (Operation in China would be recommended but not mandatory)

Sectional conclusion specialists

From the comprehensive results presented above, some themes emerged that had a more significant impact on Chinese VC firms' decision-making than others from the perspective of the specialists interviewed. As indicated in paragraph 3.3, a theme is dominant in the perspective of specialists when at least two out of the three specialists have said something about the theme in question.

Figure 4.3 presents the results obtained in this paragraph, where the bigger the circle, the more often the relevant theme is essential for respondents in the perspective of Chinese VC firms. The sketched circles are not critical for this perspective. Nevertheless, it should be mentioned that the themes said less than two out of three times are still valuable for European start-ups and Chinese VC firms since every investment case is different in terms of investment size, technology, and strategies. In the within-perspective analysis, the results of the interviewed specialists are brought together. Out of the results, some aspects seemed more critical, according to the specialists interviewed, and the most relevant will be further discussed below figure 4.3.

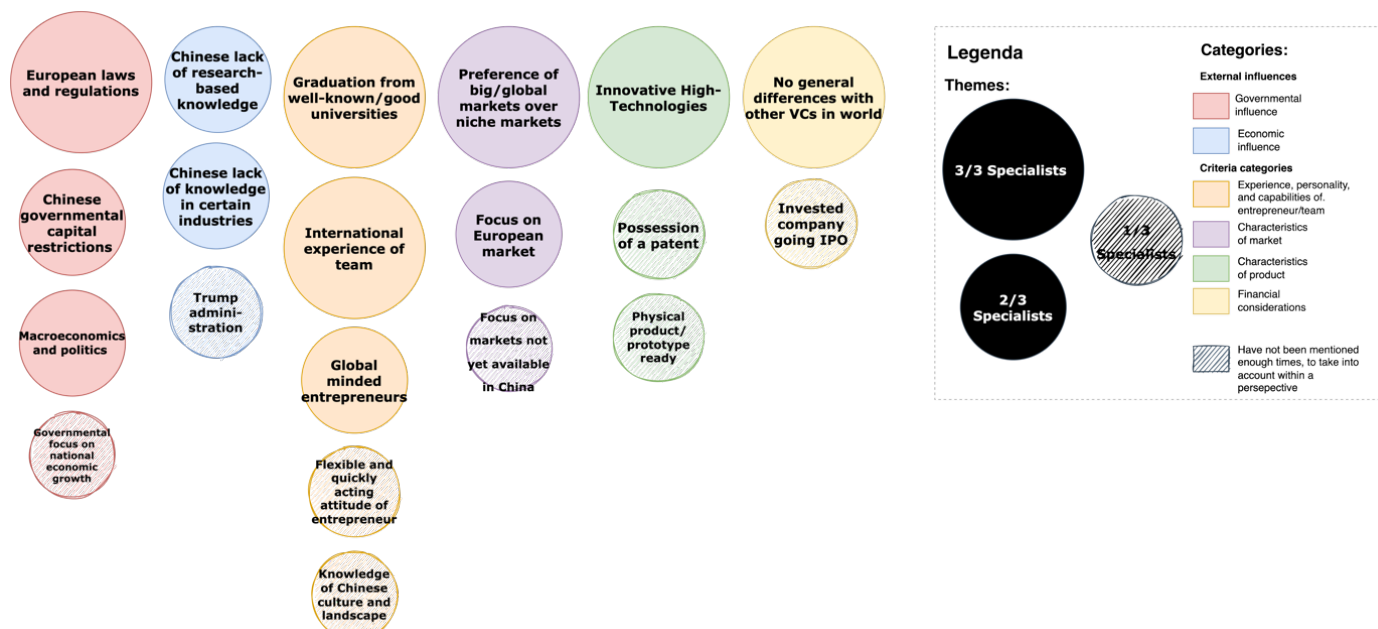


FIGURE 4.3 IMPORTANCE OF THEMES WITHIN CATEGORIES OF PERSPECTIVE 3

The results regarding the governmental influence suggest that due to political tensions between the US and China, there is an upcoming number of European laws and regulations on data protection and data sharing between China, the US and the EU. These regulations make it more difficult for Chinese VC firms to invest in European start-ups. These regulations also make it more complicated for European start-ups with Chinese VC to get listed in Europe. This may prevent Chinese VC firms from realizing an exit and thus from investing in Europe. According to expert 9, overcoming this problem as a European start-up is to build trust with the Chinese investor or build trust on the intergovernmental level. These results have not previously been described. A possible explanation for this might be the dynamic nature of this problem.

Two out of three interviewed specialists mentioned the influence of Chinese governmental capital restrictions getting in the way when a Chinese VC wants to invest in Europe. Also, specialists mention that the continually changing macro-political issues between China and Europe negatively influence Chinese investment in Europe. These findings have consisted of previous literature, which showed that the Chinese government does not perse discourage Chinese investments in Europe; however, the

Chinese government tries to control foreign investments (Riccardo, 2018; Ahlstrom et al., 2018; Yan, 2017). This specific result has not previously been described.

Regarding the external economic influence, China generally lacks research-based knowledge and knowledge in specific industries. Since Europe has a strong R&D and particular expertise in particular industries, Chinese VC firms are searching for these knowledge backgrounds. Also, if China lags other countries, the Chinese government is more likely to invest or enter a partnership with a European party/start-up. These results corroborate the ideas of Riccardo (2018), who suggested that China tries to obtain the knowledge and talent of Europe.

Surprisingly, having an excellent educational background is very important. Often, the educational background of European entrepreneurs is much better, which is essential in the eyes of Chinese VC firms. According to all specialists, instead of having a Chinese person in the team, the team and especially the entrepreneur must have international experience and a global opportunistic mindset. Chinese VC firms often want to invest in start-ups to cover a potentially large market. With this, the European market is also essential to consider before expanding business globally. THESE RESULTS HAVE NOT BEEN MENTIONED IN PREVIOUS LITERATURE AND ARE OF PARTICULAR INTEREST OF CHINESE VC FIRMS INVESTING IN EUROPEAN START-UPS (Knight, 1994; Kakati, 2003; Bacher and Guild, 1996; Tyebjee and Bruno, 1984). Finally, all specialists agreed that Chinese VC firms explicitly search for High-Technologies such as AI and robotics.

4.2 CROSS-PERSPECTIVE RESULTS

The results of the cross-perspective analysis can be found in this paragraph. A cross perspective analysis is done based on the most critical themes within each category, which came out of the within-perspective analysis. The research will be done into similarities and contradictions of themes important for each perspective. An overview of the cross-perspective results can be found in appendix F. In subparagraph 4.2.1, the similarities of themes between all perspectives are given. With the help of the results in the within-case analysis, it came forward that some themes come out as a dominant theme within different perspectives. A theme is dominant in case everyone or more than half of all respondents within a perspective agreed on the importance of the theme (as mentioned in paragraph 4.1).

If a theme is not dominant within one perspective but in another perspective, this will be shown in subparagraph 4.2.2.

4.2.1 *Similarities of results between perspectives*

Table 4.3 shows all themes that emerged dominantly from all perspectives. Out of the interviews, it came forward that graduation from a good university is of great importance from all perspectives. Chinese investors prefer entrepreneurs with a higher educational background. In all cases, the informants of all perspectives reported that the potential of entering large markets with the product or service offered by the start-up is of great importance to Chinese parties. Finally, all perspectives agreed that Chinese VC firms are mainly interested in High-Technologies, with a preference for technologies in which China itself is not yet in development or does not have enough knowledge.

Category Theme	Perspective 1: Chinese VC firms	Perspective 2: European High-Tech start-ups	Perspective 3: Specialists
Governmental influence			
-			
Economic influence			
-			
Experience, personality and capabilities of entrepreneur and team			
Graduation from well-known/good universities	x	x	x
Characteristics of market			
Preference of big/global markets over niche markets	x	x	x
Characteristics of product			
Innovative High-Technologies	x	x	x
Financial considerations			
-			

TABLE 4.3: OVERLAPPING DOMINANT THEMES IN ALL PERSPECTIVES

4.2.2 DIFFERENCES IN RESULTS BETWEEN PERSPECTIVES

In table 4.4, the themes that appeared dominant within one perspective but not in another can be seen. This may be due to the interviewees' different perspectives on Chinese VC firms investing in start-ups in Europe.

It appears that Chinese VC firms and specialists see Chinese governmental decisions (e.g. capital restrictions) as an essential theme that makes investing in Europe more difficult. In general, previous studies also indicate that European entrepreneurs find the role of the Chinese government also difficult since they do not know how governmental and economic aspects influence the decision-making of Chinese investors (Kalinin, 2021). The current study found that the Chinese government only approves investment in a technology/sector if it increases China's knowledge and national economic growth. Another interesting thing to mention here is the influence of macro-economic and political tensions between America, Europe and China, which among other things, results in other European laws and regulations. According to the start-ups and specialists, these tensions influence the number of investments and acceptance of European start-ups in Europe. However, this theme is not dominant in the interviews with VC firms. Internationally focused Chinese VC firms often try to get out of the rules as much as possible because it concerns early investments in companies, but of course, stick to them. The influence of macro-economic tensions between America, Europe and China was expected to influence the decision making of Chinese VC firms and acceptance of European start-ups. However, this finding was not mentioned in earlier research.

According to specialists, another external influence that affects the decision making of Chinese VC firms is the fact that China lacks research-based knowledge and knowledge in particular industries. According to them, VC firms invest in European start-ups, which knowledge China lacks. On the one hand,

European start-ups indirectly contribute to the Chinese economy; on the other hand, Chinese VC firms get access to new ventures (Schoff & Ito, 2019; Riccardo, 2018).

The current study found that the big start-up competition in China creates opportunities for European start-ups to get Chinese VC. Due to the enormous Chinese competition, Chinese VC firms tend to invest in Europe. On the one hand, to enter new markets, on the other hand, to find new technologies overseas and potentially bring them to China, with the help of Chinese VC firms. This could create opportunities for European start-ups in China.

According to the specialists and VC firms interviewed, having corporate experience and relationship-building seemed essential for start-ups but was not dominant. Nevertheless, management capacities are crucial according to the VC firms' perspective and international experience and a global mindset of the entrepreneurs according to the specialists' perspective.

Regarding the market, only VC firms think entering the European market with the start-up is necessary for investment, although the start-ups and specialists did not mention this as required.

Thereby, the necessity of possessing a patent on the start-up's idea is only mentioned by start-ups, but the VC firms and specialists interviewed did not see this as a dominant theme. Also, in contrast to Chinese VC firms' and specialists' perspectives, start-ups mention that having a prototype or working product is of great importance to get Chinese investment.

These findings confirm the importance of the following criteria categories used by other countries VC firms investing abroad: 1. experience, personality, and capabilities of entrepreneur and team 2. characteristics of the market 3. characteristics of product and 4. financial considerations (Bacher and Guild, 1996; Groenewegen and de Langen, 2012; Tyebjee and Bruno, 1984; Kakati, 2003; Knight 1994; Lu et al., 2020; Zhang et al., 2006; Fang et al., 2020; Chen, 2011; Wang et al., 2017). However, the results within every category are specifically for China and have not been previously described.

Category Theme	Perspective 1: Chinese VC firms	Perspective 2: European High-Tech start-ups	Perspective 3: Specialists
Governmental influence			
Chinese governmental capital restrictions	x		x
Chinese laws and regulations	x		
Governmental focus on national economic growth		x	
Macroeconomics and politics		x	x
European laws and regulations		x	x
Economic influence			
Geographic risk diversication of Chinese VCs	x		
Big start-up competition in	x		
Chinese lack of research-based knowledge			x
Chinese lack of knowledge in certain industries			x
Experience, personality and capabilities of entrepreneur and team			
Corporate experience		x	
Industry specific knowledge	x	x	
Management capacities	x		
Relationship/trust building		x	
Global minded entrepreneurs			x
International experience of team			x
Characteristics of market			
Focus on European market	x		x
Characteristics of product			
Possession of a patent		x	
Physical product/prototype ready		x	
Financial considerations			
No general differences with other VCs in world			x

TABLE 4.4: CONTRADICTION DOMINANT THEMES BETWEEN PERSPECTIVES

4.3 SELECTION CRITERIA COMPARED TO FRAMEWORK

Compared to literature, it appeared that some criteria found in this study are entirely new compared to the initial framework. This shows that new specific criteria have been found for Chinese VC firms investing in European start-ups, as expected. Chinese VC firms have a particular interest in particular criteria and differ from the selection criteria of other countries' VC firms. If a European start-up wants to attract Chinese VC, it is interesting to consider the requirements found explicitly in this study. This study confirms that the following criteria, which are of importance for VC firms in general, are also important for Chinese VC firms: "Entrepreneur has management capacities", "Product or service of a start-up has the potential of serving big and global markets" "Start-up has physical prototype/product ready" "Start-up aims certain ROI". However, 16 out of the 21 criteria found in this study are entirely new criteria and specifically for Chinese VC firms investing abroad. These can be found in table 4.5. It should be mentioned that the criteria found in previous literature of other countries' VC firms could still be considered. In the end, every VC firm has a different strategy and tries to receive a multiple of their

initial investment by investing in risky start-up companies. Every VC firm could differ there set of selection criteria for every single investment.

Critical selection criteria of Chinese VC firms investing in European start-ups	
Experience, personality and capabilities of entrepreneur and team	Chinese VC firms' specific criteria compared to initial framework
	Entrepreneur has corporate experience
	Entrepreneur and team have international experiece
	Entrepreneur has affinity with China which helps in building trust with Chinese VC firm
	Entrepreneur has knowledge of Chinese culture and landscape
	Entrepreneur has graduated from well-known university
	Entrepreneur has a flexible attitude
	Entrepreneur has a long term vision (Chinese investors often look more to the long term than in Europe)
	Team consists of a Chinese speaking person
	Criteria also found in initial framework
Entrepreneur has management capacities	
Entrepreneur and team have industry specific knowledge ad experience	
Characteristics of market	Chinese VC firms' specific criteria compared to initial framework
	Start-up keeps focussing on European market
	Product or service of start-up serves big markets in stead of niche markets
	Start-up is willing to serve Chinese market and expand business
	Product or service serves markets not yet available in China
	Criteria also found in initial framework
Product or service of start-up has potential of serving big and global markets	
Characteristics of product	Chinese VC firms' specific criteria compared to initial framework
	Innovative break-through technologies in which China lacks knowledge or the barrier of entry is very high
	Start-up possessions a patent
	Criteria also found in initial framework
Start-up has physical prototype/product ready	
Financial considerations	Chinese VC firms' specific criteria compared to initial framework
	Start-up aims going IPO
	Start-up accepts face-saving behaviour Chinese VC firm
	Criteria also found in initial framework
Start-up aims certain ROI	

TABLE 4.5: SELECTION CRITERIA OF CHINESE VC FIRMS COMPARED TO FRAMEWORK

5. DISCUSSION & CONCLUSION

In this chapter, a discussion on the conducted research is presented by reflecting on the results. Second, the main findings are presented to conclude the main research question finally. Next, the limitations of this study are offered, including recommendations for further research. Finally, a reflection on the relevance is executed.

Table 5.1 shows the sub-research questions, including the relevant chapter where the answers were addressed. This thesis's first and second sub-questions have been answered in chapter 2. These answers were needed to create a framework (figure 2.5) used as a guideline for the interviews and further data analysis.

Sub-research questions	Chapter
What external aspects could affect the decision-making of Chinese VCs in Europe?	2.3
Which criteria categories are important for Chinese VCs when selecting a European early-stage High-Tech start-up?	2.4
How do external influences affect the decision-making of Chinese VCs investing in European High-Tech start-ups?	4.1 & 4.2
What are the critical requirements for Chinese VCs investing in a European High-Tech start-up?	4.1 & 4.2

TABLE 5.1: SUB-RESEARCH QUESTIONS AND CHAPTERS

5.1 REFLECTION ON THE RESULTS

The results in chapter 4 reveal new insights into the requirements Chinese VC firms set when selecting a European start-up. Previous studies have not demonstrated the critical requirements Chinese VC firms use when investing in European start-ups. A possible explanation for this might be the complexity of gathering information due to the lack of transparency in this research field. A possible explanation for this might be that disclosing sensitive information about a VC firm's strategic choices could be detrimental in the future. For example, competing VC firms respond to these choices. The current study found that in 5 out of 9 interviews, Chinese VC firms investing in Europe adhere to the rules of the Chinese government but try to circumvent them where possible. Whether the respondents also release this sensitive knowledge is open to question. This finding confirms that obtaining knowledge in this research field is difficult.

Reflection on the results of governmental and economic influences

The lack of transparency of knowledge of Chinese VC investments in Europe is because it is unknown what Chinese VC firms, the Chinese government, European start-ups, and European governments want. When the wishes and requirements of these four parties become more explicit, this can result in positive outcomes for all parties. The current study firstly found that via VC investments in Europe, the Chinese government gains access to tech innovations from Europe. Secondly, Chinese VC firms can diversify geographic risk and have access to the European market. This finding was also reported by Löchel and Frauendorfer (2020). Thirdly, European start-ups gain access to more capital and easier access to the Chinese market. Finally, European governments better understand the goals of the Chinese government, thereby reducing macro-political tensions. This suggests that the different stakeholders are often scared to share information, although it would benefit all stakeholders.

As stated by Lin (2021), Chinese VC firms contribute to the growth of the national economy because they invest in new national technologies in China and abroad. Despite this knowledge of government

goals, the literature describes little about how these influences directly affect Chinese VC firms' decision-making in early-stage European High-Tech start-ups. In contrast to previous studies, this study confirms that there is an influence of the Chinese government on the decision making of Chinese VC firms.

Previous studies indicate the importance of Chinese national programs to support innovation and entrepreneurship (Schoff & Ito,2019). The results of this study, based on nine in-depth interviews, confirm the association between the Chinese government and Chinese VC firms investing in Europe. It was found that the Chinese government tries to influence Chinese VC firms through capital restrictions. The Chinese government only allows investments in industries that contribute to the Chinese economy. It sets requirements to the start-up concerned to manufacture or have a headquarter in China to stimulate the national economy.

Finally, it is surprising is that seven of the nine interviewees mention the European laws and regulations against Chinese VC, an external variable that makes investing in Europe more difficult.

Reflection on the results of the selection criteria of Chinese VC firms

The current study found that 16 out of the 21 criteria found were not mentioned in previous literature and thus in the initial framework. The specific selection criteria of Chinese VC firms investing in European start-ups have not previously been demonstrated. The inconsistency between the initial framework and criteria found in this study was expected. It seems possible these somewhat contradictory are due to cultural, governmental and economic differences between Chinese and other countries' VC firms. However, it should be mentioned that the criteria found in previous literature of other countries' VC firms should still be considered. In the end, every VC firm has a different strategy and tries to receive a multiple of their initial investment by investing in risky start-up companies, which could influence their specific set of selection criteria for every single investment.

The results of the interviews regarding the selection criteria used by Chinese VC firms in Europe, one interesting finding is the importance of the experience, personality and capabilities of the entrepreneur and team. This finding is consistent with Knight (1994), who mentions that the entrepreneur's personality and experience are ranked much higher than the market characteristics, product characteristics and financial considerations. Within the category of the characteristics of the entrepreneur and team, having industry-specific knowledge, graduation from a good university and management capacities, being trustable and having international or corporate experience are some aspects that came forward more often. Abrami et al. (2014) mentioned the lack of soft skills of Chinese talents with a technical background. The four respondents who said management skills as a criterion did not think this criterion is harder to find in China. However, this finding goes against expectations. A possible explanation for this might be that more Chinese are becoming more entrepreneurial due to the rapidly growing economy since the article is from 2014.

Before conducting this study, Chinese VC investors were also expected to go to Europe to seek out entrepreneurs who were more creative than the Chinese. This assumption emerged based on a study by Ahlstrom (2018), in which it was stated that the Chinese government takes away the freedom and creativity of (tech) entrepreneurs, which leads to less good innovation. Nevertheless, this turned out to be no problem for all the respondents.

Seven out of the nine respondents found that their most critical criterion is the technology they invest in. This concerns technologies in which China lacks knowledge and wants to achieve its innovation

capability. This result reflects those of Wang & Mei (2020). Chinese VC firms mainly search for core technologies such as AI, (medical) robotics, semi-conductor and bio-technologies. Nevertheless, eight out of nine respondents said that the start-up being invested in must have something unique, and the barrier of entry must be high, disregarding government goals. The remaining two respondents mentioned that their VC firm mainly looks at the entrepreneur's personality, reflecting their strategy.

Surprisingly, no significant differences with other international VC firms were found in the Chinese VC firms' requirements regarding financial considerations (Santisteban et al., 2021; Kakati, 2003; Poindexter, 1976; Tyebjee and Bruno, 1984; Knight 1994). This study confirms that Chinese investors are looking more closely at start-up's survivability, doing better due diligence (The Ministry of Foreign Affairs supported this finding, 2019).

The results of the cross-perspective analysis indicate that only three requirements are dominant within all perspectives, namely: graduation from a well-known university, preference of big markets over niche markets and innovative high-technologies with low entry barriers. These results must be interpreted cautiously because only three perspectives and nine respondents have been interviewed. Because of the qualitative nature of this study, all results should therefore be valued. Further research should investigate the importance of every requirement for Chinese VC firms.

Finally, besides VC investment, a start-up usually receives help from its investors in the form of managerial or technical expertise (Venture Capital, 2021). Four out of the four VC firms interviewed mentioned they cannot help doing business in Europe and only support money. However, when expanding business to China, they could bring the European start-up in contact with business-related connections and help understand the Chinese market and rules and regulations of the Chinese government. European start-ups should consider this when receiving Chinese VC.

These findings may help us understand Chinese VC firms' decision-making and what aspects, internally and externally, they generally (have to) take into account. These results must be interpreted with caution because rules and regulations are continually changing. Thereby, only nine respondents have been interviewed, with three different perspectives and the VC firms all having their strategies. Some external influences and selection criteria seemed important for all respondents, and some results differed. Future research should consider all results since every investment is different. Since only nine respondents were interviewed in this study, these results need to be interpreted with caution and are not generalizable.

5.2 MAIN RESEARCH FINDINGS AND CONCLUSION ON MAIN RESEARCH QUESTION

In this research, through in-depth interviews with stakeholder from three different perspectives who have knowledge of Chinese VC investments in Europe, the critical requirements that Chinese VC firms apply when investing in early-stage European High-tech start-ups are explored. Also the external influences that affect the decision making of Chinese VC firms are investigated

The purpose of the current study was to determine what governmental and economic influences, together with the critical requirements, affect Chinese VC firms' decision-making in European early-stage High-Tech start-ups. This could help European start-ups gain access to Chinese VC, and with this, Chinese VC firms get better access to the European start-up ecosystem.

This research answers the following central research question:

What are the critical requirements and governmental and economic influences affecting the decision making of Chinese Venture Capital investors in European early-stage High-Tech start-ups?

The interviews revealed that the critical requirements and external influences that affect the decision-making of Chinese VC firms in Europe depend on every investment itself, with all VC firms and start-ups having other strategies and goals. Thereby, it appeared that the three different perspectives interviewed in this study have different views on the problems and solutions on some themes. Some requirements and external influences appeared to be of greater importance. Therefore, in the first subparagraph the main research findings are elaborated. Finally, an answer is given to the main research question.

5.2.1 MAIN RESEARCH FINDINGS

CHINESE VC FIRMS' PERSPECTIVE

The results from the interviews with Chinese VC firms show that, firstly, the rules and regulations in China regarding Chinese VC investments in Europe are continually changing. These constantly changing regulations in China pose a significant risk for Chinese VC firms and European start-ups that get investments from China. China has stricter regulations than the rest of the world because the government is acting more authoritarian. The Chinese government may change regulations at the last minute, making it harder for Chinese VC firms to invest in Europe.

The second significant finding was that investors try to diversify their geographic portfolio risk across different markets worldwide from an economic point of view. This affects the European and Chinese economy in such a way that, on the one hand, European start-ups get access to Chinese VC easier, and Chinese VC firms are willing to invest in companies who would like to keep business in Europe. On the other hand, it indirectly affects the Chinese economy by accessing new technologies, ideas, and knowledge.

The third significant finding was that the entrepreneur must meet certain leadership qualities and graduate from a good and well-known university. With this, specific knowledge in a particular technology can be gained, which is a unique strength according to Chinese VC firms.

EUROPEAN START-UPS' PERSPECTIVE

The results from the interviews with European start-ups show, firstly, that several levels within the Chinese government mainly focus on national economic growth. Therefore, besides capital restrictions, Chinese VC often needs approval from the local government to invest in Europe. The Chinese government set several requirements to the VC and indirectly to the start-up. European start-ups will have to contribute to the Chinese economy by employing Chinese people.

Secondly, the negative coverage of US politics on China has impacted the opportunities for Chinese VC firms to come to Europe. Due to political tensions between America and China, new regulations from Europe try to stop Chinese investors from investing in Europe. Macro-political and economic tensions are causing unrest and discontent among Western investors of the concerned start-up, which could deter start-ups from accepting investment from China. Since start-ups and VC firms cannot do much to

ease these tensions, European start-ups must be open-minded to Chinese investment, despite the tensions.

A third significant finding within the start-up's perspective is the importance of creating a bond of trust between start-ups and VC, which can best be built by having physical contact with each other. The situation around COVID-19 and the great distance between China and Europe makes it sometimes harder to build trust and make an investment deal.

Finally, having a patent is a must to get an investment from a Chinese VC. Chinese investors consider patents very important compared to other countries. To them, having a patent is proof that the technology works.

SPECIALISTS' PERSPECTIVE

The results from the interviews with specialists show, firstly, that the European and Chinese governments make it harder for Chinese VC firms to invest in Europe. The influence of the Chinese Government on Chinese VC firms investing in Europe can mainly be seen in the fact that the Government applies a "Foreign Exchange Control". In China, foreign exchange is regulated, whereby Chinese VC firms need to apply for an amount to invest abroad. Also, European regulations make it complicated for European start-ups with Chinese VC to get listed in Europe, making it difficult for overseas investors to exit and less interesting for Chinese VC firms.

Secondly, the continually changing macro-political issues between China and Europe create a changing view on the value of Chinese money invested in Europe. Thereby, due to an authoritarian regime in China, Chinese rules and regulations tend to change course suddenly, and therefore it is hard for European companies to build this trust.

Thirdly, Chinese investors primarily invest in Europe due to economic responses. Chinese investors are not looking at a specific investment location; they look for opportunities. Since Europe has a strong R&D and many big companies have risen, it is interesting for Chinese investors. The Chinese government does not support certain investments in Europe. However, in key strategic industries in which Chinese companies are still behind, Chinese VC firms are more often allowed to invest in, such as the semiconductor industry, new materials, and biotech. By investing in Europe, China attracts new technologies that contribute to the Chinese economy in different ways.

The fourth significant finding within this perspective was that having a team with international experience is an essential characteristic.

Finally, Chinese VC firms tend to be more and more interested in investing in the European market and using this market. When a technical innovation has already had approval and success in the European market, it helps as a reference point for investment approval from the Chinese Government.

Some other requirements and external influences seemed important but were not mentioned by all respondents within the perspective. These can be found in table 5.2. It should be noted that the reasoning within every influence in table 5.2 differs per respondent and could positively and negatively affect Chinese VC firms investing in Europe.

	Chinese VC firms	European High-Tech start-ups	Specialists
	External influences		
Governmental influence (Positively and negatively affecting Chinese VC firms)	Chinese laws and regulations Chinese governmental capital restrictions	Governmental focus on national European laws and regulations Macroeconomics and politics	Chinese governmental capital restrictions European laws and regulations Macroeconomics and politics
Economic influence (Positively and negatively affecting Chinese VC firms)	Geographic risk diversification of Big start-up competition in China	-	Chinese lack of research-based knowledge Chinese lack of knowledge in certain industries
	Critical selection criteria		
Experience, personality and capabilities of entrepreneur and team	Management capacities university Industry specific knowledge university	Corporate experience Relationship/trust building between VC and start-up Industry specific knowledge	International experience of team Global minded entrepreneurs
Characteristics of market	Focus on European market	-	Focus on European market
Characteristics of product	-	Possession of a patent Physical product/prototype ready	-

TABLE 5.2: DOMINANT CRITERIA CATEGORIES MENTIONED WITH-IN A PERSPECTIVE

5.2.2 CONCLUSION: ANSWER ON MAIN RESEARCH QUESTION

To conclude, it was found that one should consider all perspectives when involving criteria or external influences for a Chinese VC investment in Europe. Based on nine in-depth interviews done in this study, it appeared it is impossible to select one set of specific requirement or external influence that are most important. However, the interviews confirmed that many variables are considered before any investment is made. All perspectives agreed that the categories from the framework, are the main categories considered by a Chinese VC when investing in a European start-up, namely:

External influences

1. Governmental influence
2. Economic influence

Critical requirements

3. Characteristics of market
4. Experience, personality and capabilities of entrepreneur and team
5. Financial considerations
6. Characteristics of product

The above-selected categories contain requirements that depend on the one hand, on the strategy of the VC and, on the other hand, are imposed by governments or economic phenomena over which a VC firm has no influence. However, European start-ups should consider how it influences their own decision making for accepting Chinese VC.

Firstly, this study has shown that out of the external influences, mainly governmental decisions from China and Europe influence the decision making of Chinese VC firms and should be considered. The Chinese government accept investments in Europe if they somehow contribute to the national economy. Chinese governmental capital restrictions, subsidies and additional investment-specific requirements must be considered by Chinese VC firms when investing in Europe. Thereby, if the Chinese government supports local start-ups within a specific technology, it becomes less interesting for a Chinese VC firm to invest in the same kind of start-up due to more competition. Therefore, the Chinese government's goals should be considered closely, whereby the current focus is mainly on AI.

In addition, one unanticipated finding was that European rules restrict Chinese investors from investing in sensitive technologies, making it increasingly challenging for Chinese investors to invest in Europe. This happens mainly due to the negative coverage of US politics on China. Political tensions between America and China led to additional regulations from Europe to stop Chinese investors. Besides governments, also many American and European investors of a start-up do not tolerate it if there is also Chinese capital involved in the company.

Besides governmental influences, also economic influences affect the decision making of Chinese VC firms. Since there is immense competition between Chinese start-ups, Chinese VC firms try to diversify their geographic portfolio risk across different markets worldwide. In addition, although the Chinese do work very hard, they often lack research-based knowledge, which makes Chinese VC firms move to Europe faster.

Secondly, this study has identified 21 critical requirements affecting the decision making of Chinese VC firms when selecting a European start-up for investment. Based on these results, it cannot be confirmed that European start-ups know precisely what Chinese VC firms search for when investing in Europe because every VC firm has different strategies and rules, and regulations are continually changing. However, this thesis provides a deeper insight into these requirements and is worth reading

to get a better understanding of the decision-making of Chinese VC investors. The analysis revealed that there are three requirements that were dominant within all perspectives, whereby it appeared that Chinese VC firms find it important if:

- Entrepreneur and team graduated from a well-known university
- Start-up has product or service that is scalable and not focussing on niche markets
- Product or service is a technology in an industry China lacks knowledge, or the barrier of entry is very high. Some interesting core technologies that came forward in this study are: AI, Robotics, semiconductors

However, when a European start-up tries to attract Chinese VC, they should consider all criteria mentioned in this study to increase the chance of attracting Chinese VC, including the criteria found in previous literature of other countries' VC firms. Every VC firm has a different strategy and tries to receive a multiple of their initial investment by investing in risky start-up companies, which could influence their specific set of selection criteria for every single investment. Based on nine in-depth interviews, the 21 selection criteria particularly for Chinese VC firms investing in European start-ups can be found in table 5.3.

Critical selection criteria of Chinese VC firms	
Experience, personality and capabilities of entrepreneur and team	Entrepreneur has corporate experience
	Entrepreneur has management capacities
	Entrepreneur and team have industry specific knowledge and experience
	Entrepreneur and team have international experience
	Entrepreneur has affinity with China which helps in building trust with Chinese VC firm
	Entrepreneur has knowledge of Chinese culture and landscape
	Entrepreneur has graduated from well-known university
	Entrepreneur has a flexible attitude
	Entrepreneur has a long term vision (Chinese investors often look more to the long term than in Europe)
	Team consists of a Chinese speaking person
Characteristics of market	Start-up keeps focussing on European market
	Product or service of start-up has potential of serving big and global markets
	Product or service of start-up serves big markets instead of niche markets
	Start-up is willing to serve Chinese market and expand business
Characteristics of product	Product or service serves markets not yet available in China
	Innovative break-through technologies in which China lacks knowledge or the barrier of entry is very high
	Start-up possesses a patent
	Start-up has physical prototype/product ready
Financial considerations	Start-up aims certain ROI
	Start-up aims going IPO
	Start-up accepts face-saving behaviour Chinese VC firm

TABLE 5.3: SELECTION CRITERIA OF CHINESE VCS

5.3 LIMITATIONS OF RESEARCH AND RECOMMENDATIONS FOR FUTURE RESEARCH

In this paragraph, the limitations of this research are given, including recommendations for further research.

This thesis addresses several limitations. Firstly, this study is limited by the lack of available information on Chinese VC firms. Since this study was limited to English written research platforms, it was impossible to access Chinese research resources. Thereby, the Chinese government exerts much influence on the economy and decisions of Chinese VC firms; the question is whether the results obtained from the respondents are based on pure truth and transparency. It could be that respondents (mainly Chinese VC firms) are afraid of sharing information since some information can be interpreted as sensitive, especially regarding the Chinese government. As the Chinese government tries to protect their economy, they do not want to share too much information. To avoid the language and cultural limitations of this study, further research could repeat this study using a Chinese native-speaking person to conduct interviews with Chinese VC firms. This allows additional validation of the results of this study and avoids this limitation.

The second limitation of this study is that all VC firms interviewed have their company's internal strategies. The results cannot be extrapolated to all VC firms because only nine respondents have been interviewed, all with different strategies and views on Chinese VC in Europe. The differences between strategies of the interviewed VC firms could negatively influence the results and, thereby, the study's reliability. For example, VC firms that are partly government-funded make a VC more dependent on the Chinese government. The differences between strategies and company-dependent choices can be contradictory, which can cause some interesting results to be overlooked and not considered.

The third limitation of this study is that specific themes /requirements mentioned by respondents within a perspective are of greater importance if most of the respondents within a perspective have mentioned this criterion and are therefore dominant within a perspective. However, this analysis method is arbitrary, and more data would be needed to draw more significant conclusions. In this study, also the non-dominant criteria are considered since every investment is different and is dependent on every VC firm.

Fourthly, limited to the small sample size, this study lacks generalizability. It was hard to find participants for this research since the number of early-stage VC investments in Europe is not a lot yet, and a low response rate of Chinese VC firms contacted. Therefore, the respondents found within the time frame of this thesis are used, and no further search has been done. Moreover, when selecting interviewees for the in-depth interviews, potential interviewees did not want to participate since they thought they did not know enough about the upcoming Chinese VC investments in Europe. However, their insights could have been of additional value. Because not much is known about the requirements of Chinese VC firms in Europe, all insights obtained by different respondents could have been of added value for scientific and societal knowledge.

From the above three given limitations, this work's natural progression is to analyse what criteria are generable and what criteria are of greater importance than the other. Further research could validate the criteria categories, selection criteria and external influences found in this literature. Since this research has a qualitative approach, several criteria have been identified. In the following research stage, it would be good to use the found criteria to do quantitative research by doing structured surveys. In this way, a more extensive amount of Chinese VC firms and European start-ups that got Chinese VC in the past can be reached, and this study's results become more generalizable. By doing further research on this topic quantitatively, it is also possible to weigh the importance of criteria.

The fourth limitation is that only two external influences were examined in this study: governmental influence and economic influence. However, there could be other external influences affecting the decision-making of Chinese VC firms in Europe. Future research might explore other external influences that did not come forward in this study during nine interviews. The study should be repeated interviewing other respondents and perspectives, for example, a Chinese government representative.

The fifth limitation is that Europe is taken as a whole in this study. This is because Chinese VC investments in Europe are already very new. Since this is an exploratory study, it gives new insight into this phenomenon. However, two respondents mentioned differences in the regulation of European government within Europe. Future research might explore more specific regulations of a particular European country by repeating this study in a particular country.

The final limitation is that one researcher only does the in-depth interviews and the coding of the transcripts. Reliability is of great importance; it is often forgotten in qualitative research. Because one investigator only did the interviews and coding, the question is whether the different codes and questions would be done in the same way by other coders. This could bias the results and downgrade the intercoder reliability (Campbell et al., 2013). Since this thesis is a solo work, doing this research with multiple investigators was not possible. Also, because in-depth interviews were conducted, it is possible that specific questions were asked slightly differently so that some criteria categories were discussed more extensively. The respondent, therefore, went deeper into the subject in question. However, this does not mean that the respondent in question disagrees with the criteria/themes that other

respondents have stated. To avoid this limitation, future studies could repeat the current research, which means doing in-depth interviews and analyzing data again from three different perspectives (Chinese VC firms, European start-ups, and specialists) to increase the intercoder reliability. Also, some answers given by some interviewees in this study can be validated by asking a likewise question to other respondents. The validation can be done by doing interviews with the interviewees of this study or other VC firms and start-ups.

5.4 REFLECTION ON MOT AND PROCESS

In the master Management of Technology, students are taught to become technology managers or entrepreneurs in highly technology-based environments. After completing the master's Management of Technology, students learn potential strategies considering the continually changing economic and societal environments, internal and external to the business. Next, to learn more about academically doing research and considering social and scientific values, also MoT-students are learning to analyse technological trends among society. Both aspects were contributions to the writing of this thesis. Especially the courses "technology strategy and entrepreneurship" and "emerging and breakthrough technologies" were indirectly most in line with this thesis. In these courses, the importance of having specific technological innovation strategies for different, e.g. products and regions are mentioned. A European start-up with their technical innovation focuses not only on their new product but also on the service, production, organisation, network and searching investors and customers. Thereby, a short introduction is given about the importance of Angel investors and Venture Capital. All aspects just mentioned have been considered during the writing of this thesis. In this thesis, it is researched how European start-ups could attract Chinese VC. All the criteria and economic and governmental influences were found to affect their decision making of internal and external strategies.

An added value for the master-program MoT would include a course about intercontinental business strategies. As the world is getting smaller, many start-ups and multinationals are investing and expanding business abroad. It would be interesting to learn about the risks and potential strategies that should be paid extra attention to when going abroad.

By reflecting on the content of the process of this thesis, some aspects could have been done differently. Firstly, to reach a higher quality of results, doing the interviews a bit later in the process would have been sound. In this way, there would have been more time to critically reflect on the literature and have more clear goals in advance. However, this was not possible because respondents were difficult to reach during Christmas and Chinese New Year. Thereby, there is a set time to work on this thesis. Secondly, it would have been nice to have done the interviews with a Chinese interpreter since it is expected that due to cultural differences, some aspects could have been better explained by respondents when said in the Chinese language. Thirdly, it would be nice to have planned a meeting every two weeks with my daily supervisors, instead of different moments monthly. This would help brainstorm in advance instead of gaining new insights after adjustments. After every meeting, it was an added value to see things differently.

5.5 SCIENTIFIC CONTRIBUTION AND PRACTICAL IMPLICATIONS

5.5.1 SCIENTIFIC CONTRIBUTION

The Chinese economy is more and more becoming an innovative economy (Ahlstrom et al., 2018). The Chinese governments set up several programs to promote innovation and ensure national economic growth at different levels in society (Lu et al., 2018). In addition, in recent years, there has been an increasing number of Chinese VC investors active in China (European Parliament, 2020). Because China was lagging knowledge on specific technologies, it is increasingly searching for new technologies in Europe. With this, the government try to reach their goals of becoming the global tech leader and ensuring economic growth, and Chinese VC firms try to diversify risks across the world and try to make more profit. One of the main reasons to invest in Europe is the better R&D capabilities of Europe. However, China's focus (investment) on Europe arises due to cultural and governmental differences (Greeven and Yip, 2019).

Firstly, this research has found that due to the culture and language differences between China and Europe, European start-ups appeared to have difficulty and fear receiving Chinese VC. When European start-ups want to attract foreign capital or enter the international market, they often choose American parties since the cultural differences seem minor. It appeared that European start-ups are often reluctant to receive Chinese capital mainly due to the tensions between America and China and the Chinese government's influence on the Chinese economy.

Riccardo (2018) has shown that the Chinese government supports the ten leading sectors to innovate further. Yan (2017) mentioned that Chinese Tech start-ups often get favourable handling or murky regulations against foreign companies (Yan, 2017). This research has found that those governmental influences also make it more difficult for Chinese VC firms to invest in Europe, as they are dependent on governmental decisions. In addition, this research has found that Chinese governmental capital restrictions and Chinese subsidies are considered by Chinese VC firms when investing in Europe. VC firms mention that these restrictions make the work of VC firms more complicated; however, they say that they try to work around the rules as far as possible, considering the assigned regulations, procedures, and laws. To conclude, this research has found several governmental- and economic influences that affect investments made by Chinese VC investors in Europe.

Secondly, this research has found 16 selection criteria particularly used by Chinese VC firms investing in Europe. Zhang et al. (2006) only showed the importance of the market of the venture, whereby Chinese VC firms have a particular focus on the market size of the product, the market growth rate, the market capacity of the product. Next to the market characteristics, a study by Chen (2011) indicates the importance of the management capacities and the enterprise's technology. However, the criteria mentioned in previous studies are essential for Chinese VC firms investing in China. This research has found the following criteria categories that seemed crucial for specifically Chinese VC firms investing in Europe: the product's characteristics, the experience personality and capabilities of entrepreneur and team, the characteristics of the market and the financial considerations. Within these categories, 21 criteria came forward out of the interviews. Some criteria appeared of great importance for Chinese VC investors seeking European start-ups to invest in, namely: entrepreneur and team graduated from a well-known university, the start-up has product or service that is scalable and not focussing on niche markets, product or service is a technology in an industry China lacks knowledge, or the barrier of entry is very high. Some interesting core technologies that came forward in this study are AI, Robotics,

semiconductors. However, all criteria mentioned during the interviews must be considered due to the exploratory nature of this research.

To conclude, this research has found several selection criteria Chinese VC firms use when seeking European start-ups to invest in. However, it should be mentioned that the requirements found in previous literature of other countries' VC firms should still be considered. In the end, every VC firm has a different strategy and try to receive a multiple of their initial investment by investing in risky start-up companies. Therefore, criteria could differ per VC firm.

The knowledge gained in this thesis provides new insights for the scientific community to conduct further research.

5.5.2 PRACTICAL IMPLICATIONS

This research clarifies the expectations and requirements of Chinese VC firms and what governmental and economic influences affect their decision making. European start-ups can take the acknowledgements into account to attract Chinese VC. This research can help European start-ups raise capital faster since they can better respond to the criteria of Chinese VC firms. Thereby they can consider external influences in advance. With the help of this study, European start-ups could attract more Chinese VC money and grow faster.

Moreover, this research is essential for Chinese VC firms, as it facilitates the search for European start-ups. Due to the increased transparency and clarity surrounding this relatively new investment flow, European start-ups are expected to be more interested in receiving Chinese capital. As a result, Chinese VC firms are less likely to reject European start-ups and invest sooner.

Based on the findings of this research, European start-ups can better assess the risks and understand the decision-making of Chinese VC firms investing in Europe. It appears mainly governmental decisions from China and Europe influence the decision making of Chinese VC firms. The Chinese government only accepts investments in Europe if they somehow contribute to the national economy. Chinese governmental capital restrictions, subsidies and additional investment-specific requirements for a VC firm must be considered when investing in Europe. Thereby, if the Chinese government supports local start-ups, it becomes less interesting for a Chinese VC firm to invest in the same kind of start-up due to increased competition. In addition, European rules restrict Chinese investors from investing in sensitive technologies, making it increasingly challenging for Chinese investors to invest in specific European sectors. This happens mainly due to the negative coverage of US politics on China. Thereby, Chinese companies often lack research-based knowledge regarding economic influences, which makes Chinese VC firms move to Europe.

Moreover, suppose a European start-up tries to attract Chinese VC. In that case, it is good to know that Chinese VC firms focus mainly on the following categories: 1. experience, personality and capabilities of entrepreneur and team 2. characteristics of the market 3. characteristics of product 4. financial considerations. More specifically, based on the interviews, a list of criteria is made that European start-ups could consider when attracting Chinese VC investments. To conclude, since every VC firm's strategy differs, it is good to consider all criteria found in this study to understand better the requirements Chinese VC firms set when investing in European High-Tech start-ups.

6. LITERATURE

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7. APPENDICES

APPENDIX A - KEYWORDS

This research emerged that more profound research was needed into Chinese VC firms investing in European Tech start-ups. In table A.1, all keywords and synonyms are given, which have been used to search for literature.

Keywords	Synonyms
China	Mainland China
Europe	Western
Entrepreneurship	Entrepreneur, entrepreneurial, business development
Technological Start-up	Tech start-up, High tech start-up
Emerging economy	Emerging market (country), transitional economy, developing economy, developing market
Economic growth	GDP growth, Economic development Economic expansion
Technology policy	Technology rules and regulations, Technology institutions
Foreign investment	Overseas investment, finance, capital, international investments
Tech Start-up	Hi-Tech Start-up
Venture Capital,	VC, Investors, VC funds, Start-up investor
Critical criteria	Selection criteria, success factors
Technological Innovation	Invention, creation, novelty, introduction, creativity, change, technological innovation, technological development

TABLE A.1: RESEARCH KEYWORDS

APPENDIX B- SEMI-STRUCTURED QUESTIONS

In F.1 the introduction for the interview is given. In F.2, F.3 and F.4 the interview questions for VC firms, start-ups and experts are given.

B.1 INTRODUCTION FOR THE INTERVIEW

Before the in-depth interview starts, it is asked if the interview may be recorded. Thereby it is asked whether the contact details should be kept anonymous.

Part 0: Intro

Name interviewee:

Organisation:

Date:

Introduction

- Thank you for participating in this interview
- I first want to ask, may I record this interview?
- Short introduction of myself: I am Romy Menten and have always been interested in China and VC firms. Have also been in China several times for different reasons.
- For my thesis I wanted to combine both interests, and that's how I ended up doing research into why and how Chinese VC firms select European tech start-ups. I have worked in a big Tech incubator in the Netherlands. Here start-ups are small thinkers with big potential. Since there is a huge market, I want to connect them to china. With the help of this research I want to show them what is needed to become interesting for Chinese VC firms and the market, because many think it is often scary to go to china and that's a shame. In literature there is not a lot known about this, especially not about Chinese VC firms selecting European Tech start-ups. For Europe it is like a black box, therefore I am interested in specific/more in-depth requirements you find important when selecting European start-ups, instead of general answers. I want to get insights in the way Chinese people look at European companies. This research is specifically into early-stage Start-ups (angel and seed).
- I will first ask some general questions, after I will ask some more specific questions on concrete themes. In total it will take approximately 45 minutes/1hour.
- There is no right or wrong answer, so please answer what comes up first in you!

B.2 INTERVIEW QUESTIONS VC FIRMS

Part 1: General questions

Introduction

- a) Could you briefly introduce yourself and the company you work for? (How long do you work for this Venture Capital firm? And have you worked for a VC firm in the past, if yes, how long?)
- b) What is your experience in Chinese VC-world and what is your experience in investing in European Tech Start-ups?

Economic influences

- c) Why do Chinese VC firms invest in European High-Tech Start-ups? How does it come there is an upcoming number of investments in European start-ups?
- d) What makes European Start-ups different from Chinese Start-ups?
- e) How often have you invested in a European Tech start-up company in the past? What is the ratio of the company?
- f) Is it expected that the ratio of Chinese/European Tech start-ups stays the same, or do you start focussing more and more on European Tech-start-ups?
- g) What kind of companies have you invested in in Europe? Are there specific industries you focus? If yes, is there a reason for that? And do you have preferences for a specific stage of company when investing in start-ups in Europe? Why do you specifically invest in Europe? What makes it interesting?
- h) How have you experienced the collaboration with European start-ups?
- i) How do you perceive the risks of an overseas investment in European Start-ups?

Deal breaker /maker

- a) Lets recall European start-ups you rejected, why? I reckon, that in the past you declined certain European High-Tech Start-ups. What was the deal breaker for this investment? What did they miss?
- b) Lets recall the last European high-tech start-up you invested in, why? In the past, what made an investment successful? What were characteristics of a start-up that helped hereby?

Strategy

- a) What are the main challenges when investing in a European early-stage start-up? What makes it difficult when investing in European start-ups? What should be paid extra attention to ensure success?
- b) What is your investment strategy/goal for selecting Chinese Start-ups? And for European Start-ups? Do you have a specific strategy for European start-ups? (Do you use the same strategy for Chinese Start-ups and European Start-ups? If no, what makes it different?)
- c) Is there a difference in strategy for different industries of a Start-up?
- d) Do you have preferences for a specific stage of a company?
- e) Do you have specific requirements for the Start-up when doing a seed-/angel investment? (

Governmental influences

- a) Is there regulation that makes it more difficult to invest in European High-Tech Start-ups?
 - a. If yes, what kind of regulations? What can a European start-up do to bypass problems with this?
- b) What makes it different to invest in a Chinese High-Tech Start-up compared to a European Start-up, regarding regulations?
- c) How does the Chinese Government influence your decision making in Start-ups abroad?
- d) To what extent does the government influence investment decisions made in Europe? Are there certain characteristics you should pay extra attention to when investing in a European Tech start-up?

Part 2: Selection categories validation

For the following questions take into account your last investment in a European Tech Start-up if you can't choose. Small reminder, following questions are specifically to get better insights into early-stage investments.

Criteria categories validation

- a) What do you take in consideration when searching a European High-Tech Start-up, and why?
- b) Out of literature, these come forward as most important: Personality of entrepreneur Experience of entrepreneur, Characteristics of market, Characteristics of product, Financial considerations, Competitive strategy) do you agree? Do you have additional criteria categories?
- c) Which *criteria category* do you think are most important of all mentioned before? Which one could be a deal maker or deal breaker?

Experience, personality and capabilities of entrepreneur and team

- a) What experiences of the entrepreneur and team are important for you, and why?
- b) What experiences of the entrepreneur you just mentioned can be seen as key importance for you? And which could be skipped?
- c) What characteristics (personality and capabilities) of the entrepreneur and team are important for you, and why?
- d) What characteristics of the entrepreneur you just mentioned can be seen as key importance for you? And which could be skipped?
- e) Do you prefer a Chinese person in team? Or other qualities in the team?

Characteristics of market

- a) What characteristics of the start-ups market are important for you, and why?
- b) What characteristics of the market you just mentioned can be seen as key importance for you? And which could be skipped?

Characteristics of product

- a) What characteristics of the start-ups product are important for you, and why?
- b) What characteristics of the product you just mentioned can be seen as key importance for you? And which could be skipped?

Financial considerations

- a) Which financial considerations of the Start-up are important for you, and why?
- b) Which financial considerations of the Start-up, you just mentioned can be seen as key importance for you? And which could be skipped?

Competitive strategy

- a) What kind of competitive strategy in the Start-up is important for you, and why?

Additional criteria

- a) If you said you use an additional “criteria category”, which criteria are important for you selection procedure?

B.3 INTERVIEW QUESTIONS START-UPS

Part 1: General questions

Introduction

- a) Could you briefly introduce yourself and the start-up? Including stage and technology? What are your main reasons to go to China?
- b) What is your experience in searching Chinese VC? Did you get Chinese VC in the past, and how often?

Economic influences

- c) What makes your start-up interesting for Chinese investors regarding product?
- d) What makes your start-up interesting for Chinese investors regarding your team?
- e) What do you think, is the reason why Chinese VC firms invest in European tech start-ups?
- f) What do you think, are the differences in requirements of Chinese VC firms compared to European VC firms?
- g) How is the collaboration with Chinese VC firms after investment? What should be known after getting investment?
- h) How do you perceive the risks of an overseas investment from Chinese VC in a European Start-up? A lot start-ups find it risky, do you agree?

Deal breaker /maker

- a) How did you succeed to get VC? Why does a Chinese VC would invest in you? What are characteristics of your company, that makes it interesting for Chinese VC firms in general?
- b) Have you ever been rejected by a Chinese VC? If yes, why?
- c) When you had Chinese investment in your start-up, why? In the past, what made an investment successful? What were characteristics of a start-up that helped hereby?

Strategy

- a) What are do you think are the main challenges when Chinese VC invest in a European early-stage start-up? What makes it difficult when investing in European start-ups? What should be paid extra attention to ensure success?
- b) What is your strategy when searching Chinese VC? And for European VC? Do you use the same strategy? If no, what makes it different?)

Governmental influences

- a) Is there Chinese regulation that makes it more difficult to find Chinese VC?
 - b. If yes, what kind of regulations? What can a European start-up do to bypass problems with this?
- b) What makes it different to invest in a Chinese High-Tech Start-up compared to a European Start-up, regarding regulations?
- c) To what extent do European governments influence Chinese VC investments made in Europe?

Part 2: Selection categories validation

Small reminder, following questions are specifically to get better insights into early-stage investments.

Criteria categories validation

- a) What do you think Chinese VC firms take in consideration when selecting a European High-Tech Start-up, and why?
- b) Out of literature, these come forward as most important: Personality of entrepreneur, Experience of entrepreneur, Characteristics of market, Characteristics of product, Financial considerations, Competitive strategy; do you agree? Do you have additional criteria categories?
- c) Which *criteria category* do you think are most important of all mentioned before? Which one could be a deal maker or deal breaker?

Experience, personality and capabilities of entrepreneur and team

- a) What experiences of the entrepreneur and team do you think Chinese VC firms find important, and why?
- b) What experiences of the entrepreneur you just mentioned do you think Chinese VC firms find important? And which could be skipped?
- c) What characteristics (personality and capabilities) of the entrepreneur and team, do you think Chinese VC firms find important, and why?
- d) What characteristics of the entrepreneur you just mentioned do you think are important for Chinese investor? And which could be skipped?
- e) Do you think it is important to have a Chinese person in the team? Or other qualities in the team?

Characteristics of market

- a) What characteristics of the start-up's market do you think Chinese VC firms find important and why?
- b) What characteristics of the market you just mentioned can be seen as key importance for a Chinese investor? And which could be skipped?

Characteristics of product

- a) What characteristics of the start-up's product do you think Chinese VC firms find important, and why?
- b) What characteristics of the product you just mentioned can be seen as key importance for a Chinese investor? And which could be skipped?

Financial considerations

- a) Which financial considerations of the start-up do you think Chinese VC firms find important, and why?
- b) Which financial considerations of the start-up, you just do you think Chinese VC firms find important? And which could be skipped?

Competitive strategy

(side note: Quality strategy, cost strategy, innovation strategy, customization strategy)

- a) What kind of competitive strategy do you think Chinese VC firms find important, and why?

Additional criteria

- a) If you said you use an additional "criteria category", which criteria do you think are also important to be selected by a Chinese VC?

B.4 INTERVIEW QUESTIONS SPECIALISTS

Part 1: General questions

Introduction

- a) Could you briefly introduce yourself and what is your experience in Chinese investments in European companies?
- b) Why do Chinese VC firms invest in European High-Tech Start-ups? How does it come there is an upcoming number of investments in European start-ups?

Economic influences

- c) What makes European Start-ups different from Chinese start-ups?
- d) Is it expected that the ratio of Chinese/European Tech start-ups stays the same, or do you start focussing more and more on European Tech-start-ups?
- e) Why do Chinese specifically invest in Europe? What makes it interesting?
- f) Are there specific industries you focus? If yes, is there a reason for that? And do you have preferences for a specific stage of company when investing in start-ups in Europe?

Strategy

- a) What characteristics in a European start-up are most important for investment from a Chinese VC?
- b) What are the main challenges when investing in a European early-stage start-up? What makes it difficult when investing in European start-ups? What should be paid extra attention to compared to Chinese start-ups to ensure success?
- c) What is your investment strategy/goal for selecting Chinese Start-ups? And for European Start-ups? Do you have a specific strategy for European start-ups? (Do you use the same strategy for Chinese Start-ups and European Start-ups? If no, what makes it different?)
- d) Do you think there are preferences for a specific stage of European companies?
- e) Do you think Chinese VC firms have specific requirements for the start-up when doing an investment? (Eg export to China, get an office in China, start producing in China)

Conclusion: Deal breaker /maker

- a) What could be the deal breaker for this investment? What did they miss?
- b) Lets recall the last European high-tech start-up you invested in, what as the deal maker? What were characteristics of a start-up that helped hereby?

Governmental influences

- a) What makes it different to invest in a Chinese High-Tech Start-up compared to a European Start-up, regarding regulations?
- b) Is there regulation that makes it more difficult to invest in European High-Tech Start-ups?
 - c. If yes, what kind of regulations? What can a European start-up do to bypass problems with this?
- c) How does the Chinese Government influence the decision making in Start-ups abroad?
- d) To what extent does the government influence investment decisions made in Europe? Are there certain characteristics you should pay extra attention to when investing in a European Tech start-up?

Part 2: Selection categories validation

Small reminder, following questions are specifically to get better insights into early-stage investments.

Criteria categories validation

- a) What do you think Chinese VC firms take in consideration when searching a European High-Tech Start-up, and why?
- b) Out of literature, these come forward as most important: Personality of entrepreneur, Experience of entrepreneur, Characteristics of market, Characteristics of product, Financial considerations, Competitive strategy) do you agree? Do you have additional criteria categories?
- c) Which *criteria category* do you think are most important of all mentioned before? Which one could be a deal maker or deal breaker?

Experience, personality and capabilities of entrepreneur and team

- f) What experiences of the entrepreneur and team do you think Chinese VC firms find important, and why?

- g) What experiences of the entrepreneur you just mentioned can be seen as key importance for you? And which could be skipped?
- h) Do you prefer a Chinese person in team? Or other qualities in the team?

Characteristics of market

- c) What characteristics of the start-ups market do you think Chinese VC firms find important, and why?
- d) What characteristics of the market you just mentioned can be seen as key importance for you? And which could be skipped?

Characteristics of product

- c) What characteristics of the start-up's product do you think Chinese VC firms find important, and why?
- d) What characteristics of the product you just mentioned can be seen as key importance for you? And which could be skipped?

Financial considerations

- c) Which financial considerations of the Start-up do you think Chinese VC firms find important, and why?
- d) Which financial considerations of the Start-up, you just mentioned can be seen as key importance for you? And which could be skipped?

Competitive strategy

- b) What kind of competitive strategy in the Start-up do you Chinese VC firms find important, and why?

Additional criteria

- a) If you said you use an additional "criteria category", which criteria are important for you selection procedure?

APPENDIX C – IDENTIFICATION OF ORGANISATIONS

	Expert Organisation	Description	Function	
Chinese Venture Capital funds	1	Anonymous This is a venture capital firm based in Beijing with a focus on seed-fund. It is a dominating VC in China, as it is the largest Angels investor in China. It is now also expanding in the US. (Zhenfund - Crunchbase Investor Profile & Investments, n.d.), (ZhenFund, n.d.)	Founder, Pioneer of angel investing in China	
	2	Anonymous See above	Managing director,	
	3	G&M Capital This is an early&medium stage VC. It focusses on innovation and technology and invests in high-potential companies in the field of AI, cloud computing, advanced manufacturing, IT solution and e-medical (HighTech Connect China, n.d)	Partner, General Manager	
	4	Anonymous This is an arly and mid-stage venture capital firm based in Hong Kong. It focusses on disruptive technology start-ups and has invested in start-ups worldwide.	Managing Director	
	5	Anonymous Start-up who develops robots and got chinese VC in the past	CEO	
	6	Dashnote A (previous)start-up that helps companies to understand data and thereby get more efficient internal processes. It is founded by two dutch entrepreneurs and have an international mindset regarding R&D and partly Chinese Investments (Dashnote, 2020)	Founder, CFO	
	European High Tech start-ups	8	Anonymous "Anonymous" is an investment holding company, which has several divisions. It also invested in several ventures in Mainland China, Hong Kong and the UK. (CK Hutchison Holdings Limited -, n.d.); The Li Ka-Shing Foundation supports projects to promote social progress.	Group Finance Director, Deputy Managing Director, Executive Director, Director; Advisor
		7	Agio Capital & Business Solutions (Agio Capital & Business Solutions, n.d.) Agio Capital & Business Solutions is an international advisory firm providing financial and business solutions, with focus on Europe and Asia.	General Manager
		9	Nihub Nihub is an innovation center based in Hangzhou, founded by a Swiss. They help European companies and entrepreneurs with investment, acceleration, grants, field trips and more to enter the Chinese market. (Nihub – Accelerator of Startup in China, n.d.).	Serial entrepreneur, CEO and investment manager of nihub

TABLE C.1: IDENTIFICATION OF INTERVIEWEES

APPENDIX D - CONTENT ANALYSIS

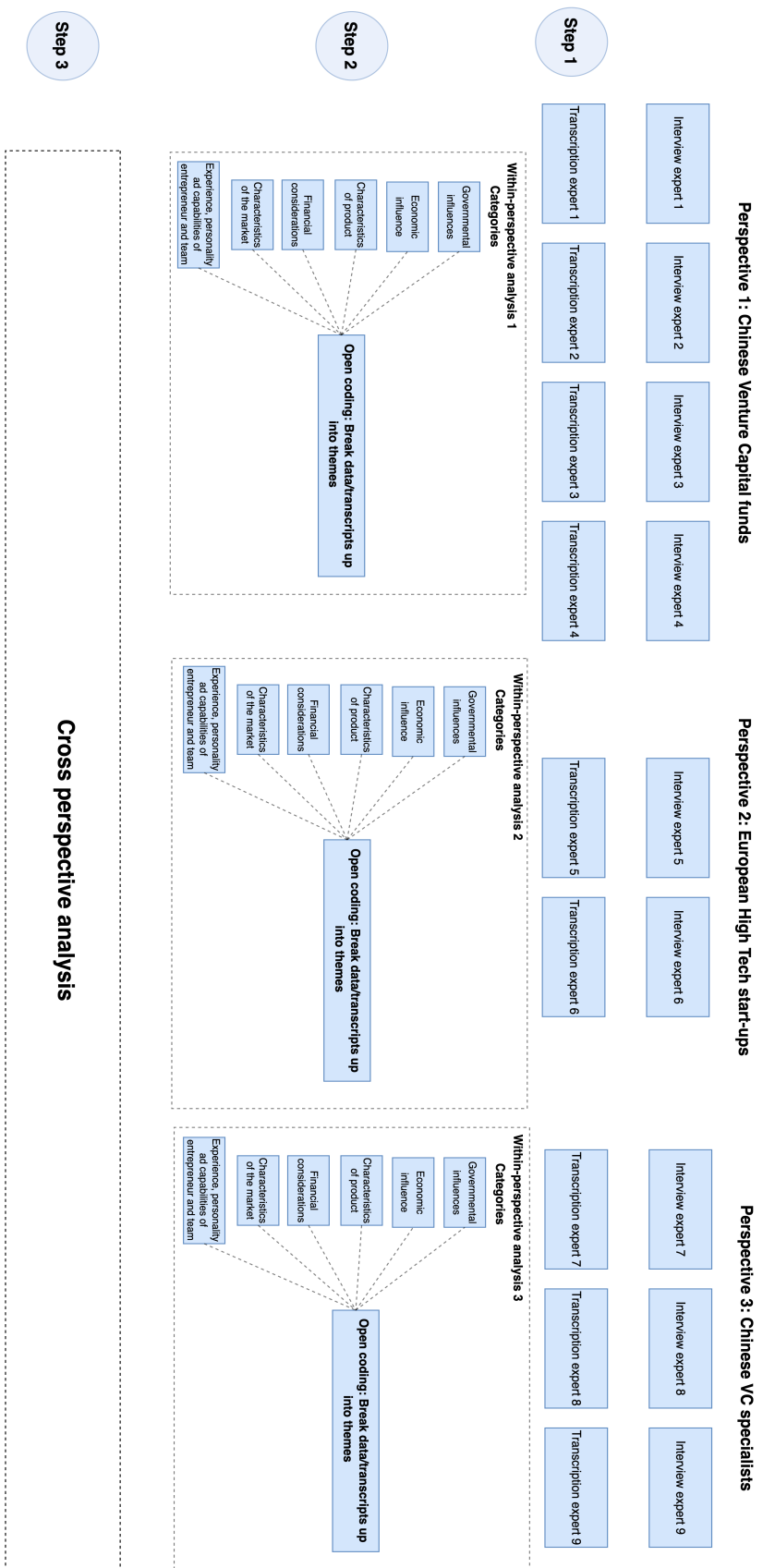


FIGURE D.1: CONTENT ANALYSIS

APPENDIX E – WITHIN-PERSPECTIVE ANALYSIS

All within-perspective analyses can be seen in appendix H, indicating which respondent within a perspective has mentioned a theme. The reasoning for mentioning a theme can be found in chapter 4. Themes within each category are found by open coding.

E.1 WITHIN-PERSPECTIVE 1 ANALYSIS

Category Theme	Perspective 1: Chinese VC firms				Total
	Expert 1	Expert 2	Expert 3	Expert 4	
Governmental influence					
Chinese laws and regulations	x	x	x	x	4
Chinese governmental capital restrictions	x		x	x	3
European laws and regulations			x	x	2
Chinese subsidies	x		x		2
Governmental focus on national economic growth			x		1
Macroeconomics and politics					0
Economic influence					
Geographic risk diversication of Chinese VCs	x	x	x		3
Big start-up competition in China		x	x	x	3
Chinese lack of research-based knowledge		x	x		2
European lack of testing field and manufacturers			x		1
Chinese lack of knowledge in certain industries					0
Trump administration					0
Experience, personality and capabilities of entrepreneur and team					
Graduation from well-known/good universities	x	x	x	x	4
Industry specific knowledge	x	x	x	x	4
Management capacities	x	x	x	x	4
Knowledge of Chinese culture and landscape			x	x	2
Chinese speaking person in team		x			1
Willingness to start business in China			x		1
Corporate experience		x			1
Relationship/trust building				x	1
Chinese VCs long term vision					0
Global minded entrepreneurs					0
Flexible and quickly acting attitude of entrepreneur					0
International experience of team					0
Characteristics of market					
Preference of big markets over niche markets	x	x	x	x	4
Focus on European market	x	x		x	2
Focus on markets not yet available in China					0
Characteristics of product					
Innovative High-Technologies	x	x	x	x	4
Possession of a patent	-	-	x		1
Physical product/prototype ready					0
Financial considerations					
Invested company going IPO	x				1
Certain ROI		x			1
No general differences with other VCs in world				x	1
Face-saving behaviour of Chinese VC					0
Additional insights					
Black box for both parties	x				1
Upcoming VC in Europe		x			1
Reason for office in China					0
International trust building					0
Important characteristics of start-up					0

TABLE E.1: WITHIN-PERSPECTIVE 1 ANALYSIS

E.2 WITHIN-PERSPECTIVE 2 ANALYSIS

Category Theme	Perspective 2: European High-Tech start-ups		
	Expert 5	Expert 6	Total
Governmental influence			
Governmental focus on national economic growth	x	x	2
Macroeconomics and politics	x	x	2
European laws and regulations	x	x	2
Chinese governmental capital restrictions		x	1
Chinese laws and regulations		x	1
Chinese subsidies	x		1
Economic influence			
Geographic risk diversication of Chinese VCs		x	1
Chinese lack of knowledge in certain industries		x	1
Big start-up competition in China	x		1
European lack of testing field and manufacturers			0
Chinese lack of research-based knowledge			0
Trump administration			0
Experience, personality and capabilities of entrepreneur and team			
Corporate experience	x	x	2
Industry specific knowledge	x	x	2
Relationship/trust building	x	x	2
Graduation from well-known/good universities	x	x	2
Chinese speaking person in team	x		1
Knowledge of Chinese culture and landscape		x	1
Chinese VCs long term vision		x	1
Management capacities			0
Willingness to start business in China			0
Global minded entrepreneurs			0
Flexible and quickly acting attitude of entrepreneur			0
International experience of team			0
Characteristics of market			
Preference of big/global markets over niche markets	x	x	2
Focus on markets not yet available in China	x		1
Focus on European market	x		1
Characteristics of product			
Innovative High-Technologies	x	x	2
Possession of a patent	x	x	2
Physical product/prototype ready	x	x	2
Financial considerations			
Invested company going IPO	x		1
No general differences with other VCs in world		x	1
Face-saving behaviour of Chinese VC		x	1
Certain ROI			0
Additional insights			
Reason for office in China		x	1
Black box for both parties			0
Upcoming VC in Europe			0
International trust building			0
Important characteristics of start-up			0

TABLE E.2: WITHIN-PERSPECTIVE 2 ANALYSIS

E.3 WITHIN-PERSPECTIVE 3 ANALYSIS

Category Theme	Perspective 3: Specialists			Total
	Expert 7	Expert 8	Expert 9	
Governmental influence				
European laws and regulations	x	x	x	3
Chinese governmental capital restrictions	x		x	2
Macroeconomics and politics	x	x		2
Governmental focus on national economic growth	x			1
Chinese subsidies				0
Chinese laws and regulations				0
Economic influence				
Chinese lack of knowledge in certain industries		x	x	2
Chinese lack of research-based knowledge		x	x	2
Trump administration		x		1
Geographic risk diversication of Chinese VCs				0
Big start-up competition in China				0
European lack of testing field and manufacturers				0
Experience, personality and capabilities of entrepreneur and team				
International experience of team	x	x	x	3
Graduation from well-known/good universities	x	x	x	3
Global minded entrepreneurs		x	x	2
Flexible and quickly acting attitude of entrepreneur		x		1
Knowledge of Chinese culture and landscape		x		1
Industry specific knowledge				0
Relationship/trust building				0
Chinese VCs long term vision				0
Chinese speaking person in team				0
Management capacities				0
Willingness to start business in China				0
Characteristics of market				
Preference of big/global markets over niche markets	x	x	x	3
Focus on European market	x		x	2
Focus on markets not yet available in China		x		1
Characteristics of product				
Innovative High-Technologies	x	x	x	3
Possession of a patent		x		1
Physical product/prototype ready		x		1
Financial considerations				
No general differences with other VCs in world	x	x	x	3
Invested company going IPO		x		1
Face-saving behaviour of Chinese VC				0
Certain ROI				0
Additional insights				
International trust building		x		1
Important characteristics of start-up			x	1
Reason for office in China				0
Black box for both parties				0
Upcoming VC in Europe				0

TABLE E.3: WITHIN-PERSPECTIVE 3 ANALYSIS

APPENDIX F – CROSS-PERSPECTIVE ANALYSIS

	Perspective 1: Chinese VCs				Total 1	Perspective 2: European High-Tech Start-ups			Total 2	Perspective 3: Specialists			Total 3
	Expert 1	Expert 2	Expert 3	Expert 4		Expert 5	Expert 6	Expert 7		Expert 8	Expert 9		
Governmental influence													
Chinese governmental capital restrictions	x		x	x	3		x	1	x		x	2	
Chinese subsidies	x		x		2	x		1				0	
Chinese laws and regulations	x	x	x	x	4		x	1				0	
Governmental focus on national economic growth			x		1	x	x	2	x			1	
Macroeconomics and politics					0	x	x	2	x	x		2	
European laws and regulations			x	x	2	x	x	2	x	x	x	3	
Economic influence													
Geographic risk diversification of Chinese VCs	x	x	x		3		x	1				0	
Big start-up competition in China		x	x	x	3	x		1				0	
European lack of testing field and manufacturers			x		1			0				0	
Chinese lack of research-based knowledge		x	x		2			0		x	x	2	
Chinese lack of knowledge in certain industries					0		x	1		x	x	2	
Trump administration					0			0		x		1	
Experience, personality and capabilities of entrepreneur and team													
Graduation from well-known/good universities	x	x	x	x	4	x	x	2	x	x	x	3	
Corporate experience		x			1	x	x	2				0	
Industry specific knowledge	x	x	x	x	4	x	x	2				0	
Management capacities	x	x	x	x	4			0				0	
Relationship/trust building				x	1	x	x	2				0	
Chinese speaking person in team		x			1	x		1				0	
Knowledge of Chinese culture and landscape			x	x	2		x	1		x		1	
Chinese VCs long term vision					0		x	1				0	
Willingness to start business in China			x		1			0				0	
Global minded entrepreneurs					0			0		x	x	2	
Flexible and quickly acting attitude of entrepreneur					0			0		x		1	
International experience of team					0			0	x	x	x	3	
Characteristics of market													
Focus on European market	x	x		x	3	x		1	x		x	2	
Preference of big/global markets over niche markets	x	x	x	x	4	x	x	2	x	x	x	3	
Focus on markets not yet available in China					0	x		1		x		1	
Characteristics of product													
Innovative High-Technologies	x	x	x	x	4	x	x	2	x	x	x	3	
Possession of a patent			x		1	x	x	2		x		1	
Physical product/prototype ready					0	x	x	2		x		1	
Financial considerations													
Invested company going IPO	x				1	x		1		x		1	
Certain ROI		x			1			0				0	
No general differences with other VCs in world				x	1		x	1	x	x	x	3	
Face-saving behaviour of Chinese VC					0		x	1				0	
Additional insights													
Black box for both parties	x				1			0				0	
Upcoming VC in Europe		x			1			0				0	
Reason for office in China					0		x	1				0	
International trust building					0			0		x		1	
Important characteristics of start-up					0			0			x	1	

TABLE F.1: CROSS-PERSPECTIVE RESULTS PER THEME

