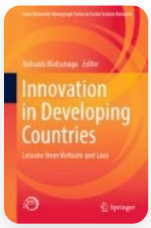
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# Human Capital, Innovation and Entrepreneurship in Micro and Small Businesses in Laos

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**Innovation in Developing Countries**

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## Abstract

Along with the adoption of an open-door policy , the Government of Laos has recognised its role and supported the development of the private sector. Small- and medium-sized enterprises (SMEs ) constitute the core of the private sector, which has achieved rapid growth in the last three decades and noticeable contribution to job creation. This chapter attempts to address the relationship between entrepreneurial human capital , and successful entrepreneurship and innovation in Laos. The analysis is based on primary data from a questionnaire survey of manufacturing SMEs in Vientiane in 2016. The results indicate that owner education at the university and higher levels increases the probability of innovation and that a combination of augmented human capital and innovation tend to enhance successful entrepreneurship . The findings shed more light on the

importance of human capital , and innovation and entrepreneurship promotion in economic development. It gives rise to the quality and appropriateness of education and training for entrepreneurs, if the target of the government policy is to foster successful innovation and entrepreneurship and to promote SME development as part of socio-economic development.

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# Notes

1. GIZ is the German abbreviation for the Gesellschaft für Internationale Zusammenarbeit (German International Cooperation Agency).

2. Deutsche Gesellschaft fuer Technische Zusammenarbeit (GTZ) is the former name of GIZ, the German Technical Cooperation Agency.

3. LAK (Lao Kip) is the unit of the local currency of Laos. The official exchange rate to the US dollar for 2016 is 8129 LAK = 1.00 USD (ADB 2017).

4. Some of the figures reported in this section are extracted from the Economic Census 2013, while the figures in Table 5.1 are summaised for five-year periods from a different source. Hence, there exist some discrepancies in the information.

5. In the 2013 census, enterprises are classified by employees into six categories: 0–4 employees, 5–9 employees, 10–19 employees, 20–99 employees, 100–999 employees and more than 1000 employees. Micro and small enterprises are considered to have 0–9 employees and medium-sized enterprises 10–99 employees.

6. Detailed descriptions and definitions of variables are presented in Table 5.4.

7. In the Lao context of SMEs, innovation is often considered comparable to imitation of existing products or services, or adaptation and modification of existing products or services. Creation of new innovative products or services, which have not been introduced anywhere in the world would be rare—if not impossible—among SMEs in a poor country like Laos.

8. The full correlation matrix is not presented owing to space limitations. However, it is available upon request from the authors.

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