

# Against the Odds, Women Can Still be Powerful Innovators

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**KEYWORDS:** Entrepreneurship, Innovation, Women.

*EDITOR'S NOTE: This article was produced in partnership with Strategic Entrepreneurship Journal, a leading academic journal, as part of our effort to highlight actionable cutting-edge research on entrepreneurship.*

Innovation, or the creation of new products or processes, helps small- and medium-sized enterprises (SMEs) be more productive and profitable -- and sometimes even survive. As a catalyst of social progress and economic development, innovation is especially critical for countries whose economies have struggled.

While we know that SMEs are responsible for over 60 percent of all innovations worldwide, we don't have a firm handle on who is doing the innovating -- women or men -- in unexplored corners of the world. Our research into businesses in emerging countries, published in March 2022 in the Strategic Entrepreneurship Journal, shows that often women in the most repressive societies are finding ways to innovate, breaking through stereotypes and cultural expectations.

Although gender has not been a primary focus of research into entrepreneurship, the field traditionally has had a "masculine" aura about it -- characterized by terms such as "captain of industry," "trailblazer," and "lonely hero" typically ascribed to men. Little research has attempted to refute this perception. This lack of attention to gender, and specifically the role of women in innovation, limits our ability to understand why stereotypes persist and a comprehensive understanding of *her* contributions to innovation. Our research seeks to advance this understanding by looking at what it takes to help women innovate in parts of the world where they face the biggest odds.

## Women Make Strides in Developed

## Economies

In recent years, scholars have started to recognize the importance of women entrepreneurs. Women are the fastest-growing population of entrepreneurs globally, and they make significant contributions to innovation. The U.S. has witnessed a dramatic increase in the number of women launching innovative ventures, largely due to national efforts to engage young women in STEM fields (science, technology, engineering, and math) and the presence of more women entrepreneurs as role models and mentors. Sweden's national policy for increasing the participation of women in innovation has strengthened its entrepreneurial ecosystems. Norway enacted a law requiring gender parity on the board of directors of public limited-liability companies; and scholars have found that as the number of women on the board increases, so too does the level of innovation. These examples highlight that women are important for innovation, but they've only looked at developed economies, and more specifically, countries committed to closing the gender gap in entrepreneurial opportunity and participation.

What about parts of the world that are not so committed...that are rife with institutional constraints and high levels of gender disparity? Emerging economies are known to have weak or unenforced laws, ineffective markets and political volatility that limit access to essential business resources, thereby stifling new venturing, enterprise growth and innovation for all entrepreneurs. Women suffer the most.

Societal norms also shape gender roles and affect perceptions of the occupations considered appropriate for women, and cultural values and gender biases often limit women's participation in entrepreneurial activities. For example, women entrepreneurs in emerging economies lack equal access to loans, financial institutions and business education, which limits both their venture growth and their confidence in their



decision-making abilities. Some institutions only allow women to start businesses or hold jobs that are operated from their home, further limiting their potential and ability to innovate.

Emerging economies are also known to have high levels of gender disparity in labor force participation: 45.6% participation for women compared to 76.1% for men. This gender gap can be attributed to many factors. For example, based on institutionalized stereotypes, entrepreneurship and innovation are deemed masculine endeavors and are viewed as less suitable occupations for women. Institutionalized norms tend to reinforce stereotypes that women are weak, lack leadership skills, and are inferior to men. These factors may intimidate women from seeking employment and showcasing their ability to innovate. Due to gender role expectations, women are viewed primarily as family caretakers, and thus, tend to forgo employment opportunities that limit their work-life balance. Some social and/or religious norms place a high value on the “purity” of women, restricting women’s interaction with men beyond the family unit. Overall, our study theorizes that women can overcome these institutionalized gender-related constraints when women are represented across all levels of the SME.

## What we studied

The motivation behind our study was to determine if and how women can have a positive impact on innovation in emerging economies despite being marginalized. Because conditions in emerging economies tend to constrain rather than empower women, we sought to unearth other sources of empowerment. We focused our attention on potential sources of empowerment within SMEs, including how the gender of the SME’s owners and the gender of the SME’s workforce can empower women to channel their unique perspectives and experiences towards innovating.

Women are responsible for water-fetching in many parts of the world; and prior research indicates that their knowledge of soil and water yields enables them to contribute to process innovations in water infrastructure projects. There is also evidence of women’s ability to innovate in the food, education and healthcare industries because their role as family caretakers helps them better understand these areas. Women also consider the needs of women in product innovations; menstrual cups were developed by women and have improved women’s health and the environment. Based

on this research, we assumed that when women are represented in the SME, their collective experiences, roles and abilities make the SME more innovative. Our research sought to see if this was true.

We studied 741 SMEs in 33 emerging economies in Eastern Europe, Central Asia, the Middle East, and North Africa. We obtained the data on these SMEs from the Business Environment and Enterprise Survey that was collected as a joint initiative of the European Bank for Reconstruction and Development, the European Investment Bank, and the World Bank.

We looked at whether the SMEs had female owners, managers and employees. We also looked at whether the SMEs introduced new products to the market within the last three years (product innovation) and whether they introduced new processes into the business within the last three years, such as new methods of manufacturing, logistics, or delivery (process innovation). We analyzed the data to determine if female representation in ownership and workforce composition affected the likelihood of product and process innovation.

## What we found

Our findings, published in a recent issue of *Strategic Entrepreneurship Journal*, showed a higher incidence of both product and process innovation at SMEs with more women. This was especially true at companies owned by women, who tended to hire more women.

The upshot: Women are an important source of innovation in emerging economies. When more women are represented in the SME as managers and employees, they are empowered to share their knowledge and unique perspectives for innovation with one another. Communication among women in the SME increases innovation even further, because it enhances their relationships, provides social support and builds trust. We also found that female business owners, compared to male business owners, advocate for and support other women by employing more women in their businesses. **The bottom line is that women in emerging economies are more innovative when they gain strength in numbers.**

Overall, our study challenges the general perception that men are more innovative than women. The presence of women in emerging-economy SMEs yields greater levels of product and process innovations. This

is interesting (and surprising) because gender biases that marginalize women tend to be the norm in emerging economies. Our study reveals that when women have an opportunity to work with other women, they are able to overcome cultural gender biases and be innovative together.

## What might be researched in the future

Are women entrepreneurs and innovators the key to social progress? We learned that women are an importance source of innovation in emerging economies, but questions remain as to how, when, and at what level women's participation in entrepreneurial activities will change the institutionalized gender-based beliefs and expectations in these settings.

## Takeaways

Here are some things to think about:

- We need more women business owners: Our findings align with the “women as hero” perspective. Women at the top of an organization advocate for other women, serve as mentors and role models, and weaken stereotype threats associated with working in male-dominated settings, thereby positively influencing the number and abilities of women at lower levels in the business.
- We need more women in the workforce: Our findings align with the “critical mass” perspective. With greater female representation, women are empowered to leverage their competencies because they have more social support and confidence. This lessens feelings of isolation and work-related stress and makes them less fearful of offering ideas and opinions.
- Women in ownership and women in the workforce are important for innovation in emerging economies where women—as entrepreneurs, managers, employees and individuals—have historically experienced institutionalized gender bias.
- Women in ownership and women in the workforce are also important for society, especially in emerging economies. For example, women-owned businesses in Moldova mainly employ women and are credited with reducing the historically high female unemployment rate; women-owned businesses in Ukraine also

prefer to employ women, which reduced pre-war women trafficking problems in the country.

## Explore the Research

Madison, Kristen; Moore, Curt B.; Daspit, Joshua J. and Nabisaalu, Joyce Komakech. [The Influence of Women on SME Innovation in Emerging Markets](https://onlinelibrary.wiley.com/doi/abs/10.1002/sej.1422) (https://onlinelibrary.wiley.com/doi/abs/10.1002/sej.1422) . Strategic Entrepreneurship Journal, March 20, 2022. <https://doi.org/10.1002/sej.1422>