

Does women in power spark innovation in family firms?

Do women family leaders hold the key to SME innovation?

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Family businesses often blend tradition with resilience. But as markets evolve, the pressure to innovate becomes more urgent. While ownership structure, generational transitions, and leadership development are widely studied, the role of **gender dynamics**—particularly the role of women in governance—remains underexplored.

Can female family directors foster innovation? Are their contributions merely symbolic, or do they bring strategic value? A recent study published in the *Journal of Small Business Management* provides compelling answers by examining the **influence—not just the presence—of women family members in leadership roles**, offering fresh insights into how gender and power interact in the boardrooms of family SMEs.

WHAT WE STUDIED

Research Framework

The authors combine the **resource-based view (RBV)** with **critical mass theory** to explore the influence of female family directors. The RBV frames women as a potential source of unique, valuable resources, such as relational capital, long-term commitment, and diverse perspectives. Meanwhile, critical mass theory argues that a minority group—like women—only affects outcomes once they achieve sufficient presence and influence.

This dual lens allows the authors to ask: **Under what conditions do female family directors actually drive innovation in family SMEs?**

Methodology

- **Sample:** 439 Spanish family-owned small and medium-sized enterprises (SMEs).

- **Innovation Metric:** Investment in innovation-related activities (e.g., R&D, product/process development).
- **Independent Variables:**
 - Proportion of **female family directors** on the board.
 - Degree of **influence** held by these directors (ownership, executive role, or board leadership).
- **Controls:** Firm age, size, generation, industry sector, and board composition.

This method allowed the team to test whether influence—not just representation—matters for innovation.

KEY INSIGHTS

1. Representation Alone Isn't Enough

Female presence on the board—measured simply by their number or proportion—does **not correlate positively with innovation**. In fact, in firms where women serve in symbolic roles with limited power, innovation investment tends to be **lower**.

Why? Symbolic inclusion can result in passive participation or constrained influence, especially in traditional family cultures where senior male members dominate decision-making. This reinforces that **numbers without power can dilute effectiveness**.

2. Influence Makes the Difference

The game-changer? **When female family directors hold influential positions**, innovation investment rises. This includes roles like:

- CEO or managing director
- Chairperson of the board
- Majority shareholder or controlling owner

These women don't just bring diversity—they shape strategy. Their influence enables them to **challenge inertia, bring in new ideas, and promote risk-taking.**

3. Family Control Enhances the Effect

The impact is stronger in firms with **concentrated family control.** In such firms, trust, shared values, and long-term orientation are high—creating fertile ground for **female leaders to act as innovation champions.**

Rather than acting as outsiders, influential women in these environments operate from a place of **family legitimacy and insider knowledge,** boosting their ability to lead change effectively.

4. Critical Mass Isn't the Full Story

Interestingly, a **higher proportion of women on the board** doesn't automatically lead to innovation unless **at least some of them hold real power.** This challenges the idea that simply increasing numbers is enough.

Instead, **even one influential woman can shift the culture,** while multiple symbolic members may have little effect. It's a matter of **quality and authority,** not quantity alone.

TAKEAWAYS FOR FAMILY BUSINESS LEADERS

1. Promote Authority, Not Just Visibility

Having women on the board is a step forward—but it's **not transformational unless they have authority.** Empowerment through ownership, leadership roles, and decision-making responsibilities is essential.

Tip: Ensure governance structures and succession plans **create meaningful roles** for women with clear influence pathways.

2. Build a Culture of Inclusion and Innovation

Empowerment thrives in cultures where dissent is welcomed and different voices are heard. Family firms should work toward a governance culture that combines **psychological safety** with **strategic diversity.**

Tip: Conduct board reviews that assess who holds power—not just who holds seats.

3. Leverage Female Leadership for Strategic Renewal

Women often bring different leadership styles—more collaborative, inclusive, and forward-thinking. In

family firms, these traits align well with long-term vision and stakeholder loyalty.

Tip: Engage female leaders in **strategic innovation discussions,** not just operational or HR-related tasks.

4. Reconsider Gender Quotas Through a Family Lens

Public policies often focus on increasing the number of women in leadership. But in family firms, **influence may matter more than formal titles.**

Tip: Advocate for policies and programs that **develop leadership capabilities, foster mentorship, and incentivize equity transfer** to women in the family.

IMPACT ON THE FAMILY BUSINESS FIELD

This study sheds light on a nuanced truth: **Innovation in family firms doesn't stem from boardroom diversity alone—it stems from empowered diversity.** For decades, the gender conversation in family business governance has centered around fairness and representation. This research adds a new layer: **performance.**

Influential female family directors can help family firms **avoid stagnation, renew strategic direction, and respond proactively to external challenges.** As next-generation transitions loom and innovation becomes central to competitiveness, their role is likely to grow in importance.

For researchers, this work invites exploration into **how gender and governance interact** across different cultural and generational contexts. For practitioners, it underscores that **family, gender, and innovation are deeply interconnected themes.**

RECOMMENDATIONS

- **Family Firms:** Actively develop succession and ownership transfer plans that allow for **genuine female leadership** at the board level.
- **Educators and Advisors:** Provide targeted governance and innovation training for women in family businesses.
- **Policymakers:** Support mechanisms that go beyond quotas—like **influence-enhancing leadership programs, access to capital, and family business-specific governance standards.**

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