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Empowering Women Entrepreneurs through Affirmative Action: Implications for Innovation and Sustainable Performance in Indonesia's Creative Industries

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Abstract

In highly competitive and rapidly evolving industries, achieving and sustaining organizational success requires continuous innovation, adaptability, and strategic inclusiveness. Within Indonesia's digital creative sector, organizations are increasingly challenged to generate novel ideas, develop unique processes, and deliver innovative products that ensure differentiation and long-term competitiveness in both domestic and global markets. This study investigates the influence of affirmative action supporting women's entrepreneurship on creativity, innovation, and overall performance within Indonesia's creative industries. The research draws on a population of 2,876 individuals actively engaged in various segments of the creative economy, from which 350 respondents were purposively selected to obtain relevant and representative insights. Utilizing a quantitative research design, the study employs structural analysis to examine both the direct and indirect effects of women's affirmative action initiatives on innovation capacity and organizational outcomes. The findings reveal that empowering women entrepreneurs exerts a significant and positive effect on innovation and firm performance. Moreover, innovation functions as a mediating variable that enhances the contribution of women's entrepreneurial participation toward sustainable industry development. These results emphasize the strategic importance of gender-inclusive policies and entrepreneurial empowerment as key drivers of creativity, innovation, and competitiveness. Strengthening women's roles in entrepreneurship not only elevates individual and organizational capabilities but also fosters social inclusion and accelerates economic transformation. Ultimately, the study underscores that empowering women in the creative sector contributes to building a more resilient, innovative, and sustainable creative economy in Indonesia.

Keywords: *Affirmative Action, Creative Industry, Women Entrepreneurship, Innovation, Performance*

1. Introduction

The rapid evolution of digital technologies has transformed global industries, enabling new business models and expanding market opportunities. Indonesia's creative economy has emerged as a major contributor to national development, representing a vital source of employment, innovation, and cultural identity. According to data from the Indonesian Creative Economy Agency (Bekraf, 2017), the creative sector contributed approximately 7.29% to the national GDP, underscoring its significant role in economic growth. The Ministry of Trade (2008) classifies the creative economy into fourteen sectors, including crafts, fashion, design, television, publishing, architecture, interactive games, performing arts, research and development, advertising, and film. These industries, particularly those based on traditional crafts such as batik, embroidery, and local fashion, serve as embodiments of Indonesia's cultural heritage, distinguished by intricate designs and production methods that are difficult to replicate.

The craft industry, a critical component of this sector, continues to play a major role in sustaining the country's economic resilience. Data from the Ministry of Industry (2022) indicate that Indonesian handicraft exports reached USD 725.54 million between January and September 2022—a 6.94% increase from the previous year. These figures highlight the potential of the creative industry to boost foreign exchange earnings and generate employment. Approximately 17 to 18 million Indonesians are employed in creative sectors, which demonstrates their significant role in enhancing national welfare. Within this dynamic context, women represent a substantial proportion of the creative workforce. While female participation in the general labor market remains at 37.16% (BPS & Bekraf, 2017), their representation in creative industries reaches 53.68%. Furthermore, women account for 54.96% of creative business ownership, surpassing their male counterparts. Affirmative action in

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entrepreneurship provides a structural mechanism for ensuring that women can access equal opportunities in innovation and leadership. Within the entrepreneurial context, affirmative action refers to deliberate initiatives designed to reduce gender disparities by empowering women to identify business opportunities, make informed strategic decisions, and mobilize essential resources such as human and financial capital (Lin et al., 2008).

Empirical studies suggest that affirmative action fosters competitiveness and enhances women’s performance. However, evidence regarding the long-term implications of affirmative action remains mixed. Leonard (1984, 1989) found no substantial productivity differences attributable to affirmative programs, while Holzer and Neumark (1999) reported that performance evaluations of women and minority employees in firms implementing affirmative measures were statistically indistinguishable from those of white male employees. In the context of Indonesia’s creative economy, the ability to generate, manage, and apply innovation represents a key determinant of firm competitiveness. Given these insights, this study examines how female affirmative action entrepreneurship influences innovation and performance within Indonesia’s creative industries—specifically focusing on craft and fashion subsectors.

2. Methods

This study adopts a quantitative explanatory design to analyze the causal relationships between women’s affirmative action entrepreneurship, innovation, and creative industry performance. The research population comprised 2,876 individuals, and 350 respondents were selected through purposive sampling. Data collection employed a structured questionnaire using a five-point Likert scale. The analysis technique utilized Structural Equation Modeling (SEM), allowing the estimation of direct, indirect, and mediating effects. Construct validity and reliability were verified through Confirmatory Factor Analysis (CFA), with all indicators exceeding accepted thresholds for reliability and validity.

3. Results and Discussion

The outcomes of the assessments of the research variables' validity and reliability are presented in Table 1 and Table 2.

Table 1. The results of the validity of the research variable test

Variable	Coefficient Correlation	Significance	Cut of Value	Result
Female Affirmative Action Entrepreneurship	0.832	0.000	0.05	Valid
Innovation	0.807	0.000	0.05	Valid
Creative Industry Performance	0.821	0.000	0.05	Valid

Source: Data Processed (2024)

Table 2. Research variable test reliability results

Variable	Reliability	Result
Female Affirmative Action Entrepreneurship	0.817	Reliable
Innovation	0.832	Reliable
Creative Industry Performance	0.821	Reliable

Source: Data Processed (2024)

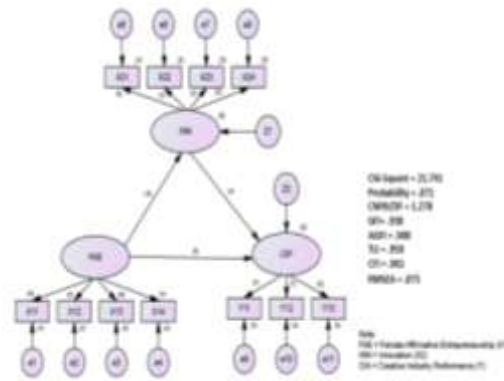


Figure 1. Result of SEM Analysis

The findings show that the model under investigation is recursive in nature, with a sample size of 350 participants. The Chi-Square statistic for the model is calculated at 21.741, with 41 degrees of freedom and a probability value of 0.071. This Chi-Square outcome indicates that the data fits the model, meaning the null hypothesis cannot be rejected. In other words, the model is consistent with the empirical data collected, supporting the validity of the research hypothesis.

Table 3. SEM Analysis

Goodness of Fit Index	Cut off Value	Result Model	Conclusion
Chi-Square (DF = 41)	< 56.942	21.741	Good
Probability	≥ 0.05	0.071	Good
CMIN/DF	≤ 2.00	1.278	Good
AGFI	≥ 0.90	0.900	Good
GFI	≥ 0.90	0.938	Good
TLI	≥ 0.95	0.958	Good
CFI	≥ 0.95	0.961	Good
RMSEA	≤ 0.08	0.075	Good

Source: Data Processed (2024)

The study evaluated the four proposed hypotheses by analyzing the critical ratio values and the probability associated with the causal relationships.

Table 4. Hypothesis testing

Variable	Estimate	SE	CR	P
INN < FAE	.658	.086	4,612	***
CIP < INN	.405	.103	2,544	***
CIP < FAE	.299	.075	8,812	***

Source: Data Processed (2024)

The following Table 4, explains hypothesis testing:

H1: Entrepreneurship driven by female affirmative action has a positive and significant impact on the performance of the creative industries.

The parameter estimation for assessing this impact yields a CR value of 8.812 with a probability of zero. Since the probability is less than 0.05, it can be inferred that female affirmative action entrepreneurship significantly enhances the performance of the creative industry.

H2: The impact of female affirmative action on entrepreneurship has an effect on innovation

The estimated parameter for evaluating this relationship shows a CR value of 4.612 and a probability of zero. With a threshold probability of 0.05, it is evident that female affirmative action entrepreneurship significantly contributes to fostering innovation within the creative industry.

H3: Innovation positively and significantly impacts the performance of the creative industries.

The parameter estimation for this relationship produces a CR value of 2.544 and a probability of zero. Given the probability value is below 0.05, it can be concluded that innovation significantly drives the performance of the creative industries.

H4: Affirmative action for women in entrepreneurship influences the creative industry's performance by encouraging innovation.

The parameter estimation for this mediated effect reveals a CR value of 8.812 for the direct relationship and 2.544 for the mediating variable, both with a probability of zero. Given the probability threshold of 0.05, it can be concluded that innovation serves as a significant mediator between female affirmative action entrepreneurship and the performance of the creative industry.

Female affirmative action entrepreneurship is a significant factor in fostering innovation and boosting creative industry performance in Indonesia, particularly in the fashion products, batik crafts, and embroidery crafts industries. This is consistent with the findings of the study (Hult et al., 2004; Valdez- Abro et al., 2011; Juárez et al., 2016; Strønen et al., 2017). Rooted in tradition, women in developing countries are often not valued for their efforts. In fact, from a socio-economic perspective, it shows that women who actively participate in the economy can generate fiscal and social welfare. Not only in increasing national productivity in formal employment, but there are also social benefits that can reduce child mortality, reduce poverty, reduce violence, better nutrition, and lower incidence of infectious diseases (Sullivan & Meek, 2012). The existence of women in the MSME sector itself is part of the basic strategy for community economic growth, because the MSME sector is the key to economic growth. Affirmative action can also be used to describe women's empowerment. Women's affirmative action in entrepreneurship involves generating value by identifying business opportunities, taking risks, and honing the ability to mobilize the necessary human, financial, and other resources to implement activities. Therefore, entrepreneurial orientation is the process of creating value by exploring business opportunities, managing risks with effective communication skills, and steering management towards achieving objectives (Lin et al., 2008). Balafoutas and Sutter (2012) examined the effect of affirmative action on women in the labor market and changes in performance. The inclusion of women in senior management positions positively influences company performance, as it enables businesses to leverage gender diversity as a resource, enhancing their organizational structure and driving profitability (Gomez, 2018). In addition, the presence of women on the board will ensure that governance mechanisms are implemented properly so that they will produce good financial performance (Mintah-Agyemang & Schadewitz, 2019). Women's leadership is more effective in terms of motivational abilities, communication skills, ability to create positive working conditions, strategic thinking skills, ability to listen to subordinates' complaints and ability to analyze current issues. This proves that women's leadership style has a positive impact on employee performance which can result in maximum company performance.

Companies that can use all of their resources will find it simpler to identify current innovations, including product innovations, processes, and administrative innovations (Rajapathirana & Hui, 2018). According to Kalay and Lynn (2015), industries with an organizational environment that fosters risk taking, rewards accomplishment, and allows for experimentation are more successful. This shows that an innovative culture, including recognition and incentive systems, might inspire organizational employees to come up with new ideas, break rules, and engage in creative conduct. Because the creative sector is reliant on human ability, industry players or managers must be able to adapt a flexible and organic organizational structure in order to accomplish product innovation.

As a result, in order to increase industry performance, each industry actor must always make quick adjustments in terms of innovation strategy (Ting et al., 2012). This is because the more the ability of industrial innovation, the greater the industry's success (Sutapa et al., 2017). Customers will benefit from increased creativity in offering new items to consumers and manufacturing products employing new technologies. According to Suparman and Ruswanti (2017), innovation may occur at any moment, not just when the firm begins to decline. Innovation should be carried out in phases, keeping in mind the features of the previous firm. The most important thing to do is conduct a poll and document all consumer concerns and comments. As a result, the innovations that emerge are in line with market realities and client needs. Aside from that, product innovation may be accomplished by revamping previous items, determining product benchmarking, and eventually generating various products. Technological advancements are inextricably linked to innovation. If the creative sector can capitalize on the influence of rapid technological development to generate novel goods with a wide range of options, the industry's sales and earnings will skyrocket, implying that the industry's performance will skyrocket as well. Innovative items will receive higher public approval due to their attractiveness or unique value proposition when compared to products in general.

4. Conclusion

Women in developing countries are often undervalued for their contributions due to prevailing cultural norms. Given that the MSME sector serves as a fundamental driver of economic development, women's active participation within this sector is essential to advancing community-based economic growth. In this context, affirmative action embodies women's empowerment, particularly through entrepreneurship. Such initiatives enable women to create value by identifying business opportunities, assuming calculated risks, and strengthening their capabilities in mobilizing and managing critical resources—human, financial, and material—for business operations. Entrepreneurial orientation, therefore, encompasses the pursuit of value creation through opportunity recognition, proactive risk-taking, effective communication, and strategic management aimed at achieving organizational goals. Affirmative action has a significant influence on women's participation and performance in the workforce. The inclusion of women in top management roles enhances organizational outcomes, as gender diversity contributes to more effective resource utilization and, ultimately, improved profitability. Organizations that leverage diverse talent pools are also better equipped to recognize and implement innovative ideas related to products, processes, and administration. Industries fostering a culture of innovation—one that encourages risk-taking, rewards accomplishments, and promotes experimentation—tend to achieve superior performance. In the creative sector, success in product innovation requires leaders and managers to maintain flexible, adaptive, and organic organizational structures. Consequently, continuous adaptation and refinement of innovation strategies are vital for sustaining industrial competitiveness and prosperity, as greater innovation capacity directly correlates with higher levels of industrial success and economic well-being.

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