

# Entrepreneurial Competences and Growth of Female-owned Enterprises

## The Mediation Role of Absorptive Capacity

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## **Entrepreneurial Competences and Growth of female-owned enterprises: The mediation role of Absorptive capacity**

### **Abstract**

#### **PURPOSE**

Focusing on female entrepreneurs operating in a resource-scarce environment, this paper draws from the resource-based view to examine the relationship between entrepreneurial competences and firm growth.

#### **DESIGN / METHODOLOGY**

The study employed a cross-sectional research design. Data was collected from 232 women entrepreneurs operating in Kampala's two biggest markets. The data were analyzed to test the mediation effect of absorptive capacity on the relationship between entrepreneurial competences and firm growth, a Sobel test and Bootstrap estimation were analytical approaches that were used.

#### **FINDINGS**

This paper argues that for female entrepreneurs, the venture growth process is not simply dependent on inimitable resources such as competences as these are first not readily available to female entrepreneurs and second, only provide a temporary competitive advantage. Rather, venture growth also involves the ability to continuously identify and exploit knowledge resources through absorptive capacity which may be limited by the socio-cultural context within which the female entrepreneur operates in sub-Saharan Africa.

#### **ORIGINALITY**

The novelty of the research resides in support for the mediating role of the ability to recognize the value of new information, assimilate it, and apply it to commercial ends. The study shows that female entrepreneurs use externally generated knowledge as a mechanism to grow their firms and this is impacted by the socio-cultural context within which they operate. The study further improves our understanding of the resource-based view by suggesting that a black box exists in the relationship between resources and performance. It is shown that possession of one resource facilitates the acquisition of other resources and propose that the role of resources continuously unfolds as a firm develops.

## Introduction

A key driver for research in entrepreneurship is its association with firm growth and its contribution to economic development. A question that persists in the literature is what distinguishes female entrepreneurs who end up growing their firms. In this study a female entrepreneur is defined as the leader of a business that is wholly or majority female-owned and managed (Carter and Shaw 2006). Existing literature shows that female entrepreneurs tend not to focus on early and fast growth (Gatewood et al., 2009) preferring in some cases to stay small (Reichborn-Kjennerud and Svare, 2014). However, the notion of absence of growth among female entrepreneurs has been challenged (Marlow, 2014). In this regard some authors have argued that in the pursuit of growth female entrepreneurs place less emphasis on measurable criteria (Costin, 2012).

A theoretical model was built and tested to include different aspects of three broad antecedents of firm growth that is ability, need, and opportunity. The study focusses on entrepreneurial competences and absorptive capacity both of which are related to ability (Davidsson 1991).

Despite a growing amount of policy initiatives to support growth of female-owned enterprises, the majority of these enterprises continue to be of the owner-managed type with no employees (Namatovu, Dawa, Katongole and Mulira, 2012). It has been argued that this may be due to socio-cultural mechanisms (Dawa and Namatovu, 2015), gender-related barriers and the existing institutional settings (Amine and Staub, 2009; Langevang, Hansen and Rutashobya, 2018; Wang, Li and Long, 2019). It may also be attributed to the vagueness of policy implications in previous research papers which stifles implementation (Foss, Henry, Ahl and Mikalsen, 2019).

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3 Growth has therefore been interpreted as constrained performance (and not under-performance)  
4  
5 due to the gendered socio-economic position (Marlow and McAdam, 2013).  
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9 The abilities required to grow a firm can be conceptualized in a number of ways. We adopt  
10  
11 the concept of entrepreneurial competences as a way to capture the knowledge, skills and abilities  
12  
13 needed to grow a venture (Man, Lau, and Chan, 2002; Mitchelmore and Rowley, 2013). Man et  
14  
15 al. (2002) define entrepreneurial competences as the total ability of the entrepreneur to perform a  
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17 job role successfully. Competences shape the entrepreneur's aspirations and choices about the  
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19 direction of the firm. They are also useful in mobilizing and transforming other types of resources  
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21 for firm expansion (Namatovu and Dawa, 2017). They are especially critical for securing scarce  
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23 resources for female entrepreneurs in sub-Saharan Africa who contend with comparatively higher  
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25 institutional challenges in this socio-cultural context.  
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28  
29 Entrepreneurial competences are acquired through prior work experience, formal study and  
30  
31 previous business ownership. Women face a number of gender based barriers in these activities  
32  
33 including discrimination in the work place, exclusion from pursuit of certain study courses due to  
34  
35 cultural norms and lack of capital to open businesses.  
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40 While research has assessed that lack of competences is a critical impediment to firm  
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42 growth among female entrepreneurs (Brush, 1992; Fuller-Love, 2006; Kirkwood, 2009), studies  
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44 explaining this relationship are few (Mitchelmore and Rowley, 2013) with calls for further  
45  
46 research to improve our understanding of this relationship. In fact, mixed results have been  
47  
48 registered in assessing the relationship between competences and growth (Chaston, Badger and  
49  
50 Sadler-Smith, 1999; Colombo and Grilli, 2005) suggesting the possibility of more proximal  
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52 variables. This study therefore seeks to explicate what we propose to be the distal relationship  
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3 between entrepreneurial competences and firm growth of women owned enterprises by  
4 illuminating the mediating role of absorptive capacity.  
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8 The resource based view explains the role of inimitable resources in firm performance.  
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10 Previous research has identified different types of resources to be important for the realization of  
11 growth of female owned enterprises (Kickul, Gundry, and Sampson, 2007). We sought to add  
12 absorptive capacity to this rich line of inquiry by bridging the gap between entrepreneurial  
13 resources and performance outcomes. This study suggests that while competences are an important  
14 selection criterion, absorptive capacity provides a lot more clarity in explaining firm growth.  
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23 Applying a contextual perspective and gender lens to entrepreneurship research illuminates  
24 its intricacies (Welter, 2020) and this provides more nuanced insights on entrepreneurship. The  
25 complexity of the resource-scarce context in which women entrepreneurs are embedded in Africa  
26 slows the process for accessing and acting on resources/opportunities which consequently affects  
27 the possible continuous growth path for their businesses (Ngoasong and Kimbu, 2018). In this  
28 context the nature of female enterprises tends to be small, in close proximity with one another and  
29 engaging in similar trade activities. The ability to recognize the value of external information to  
30 develop a business idea is therefore very important. Female entrepreneurs in sub-Saharan Africa  
31 are hobbled by a number of institutional factors that hinder their access to the external knowledge  
32 and what this knowledge can be used for. Seeking external knowledge requires reliance on  
33 networks. The nature of these networks are defined by gender, with men, unrestrained by domestic  
34 gender roles, subscribing to more diverse professional networks (Klyver and Grant, 2010). On the  
35 other hand women who are impeded by~~while women, impeded by~~ gender barriers that hinder  
36 movement, interaction and decision making ability tend to affiliate with informal networks of  
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3 friends, family (~~Klyver and Grant~~Foss, 2010) and those operating in close proximity with their  
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5 firms. The nature of information in the two types of networks differs with the likelihood of  
6  
7 accessing information useful for venture outcomes skewed to the professional networks.  
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10  
11 The paper proceeds as follows. Subsequent to this introduction is the theory development  
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13 section. Thereafter the methodology is presented followed by the findings. The final section is  
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15 devoted to the discussion of the findings, conclusion and limitations of the study.  
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### 21 *Theoretical framework*

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24 The Resource based view of the firm (Barney, 1991) has been extensively used to study  
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26 strategy in organizations. Drawn from the theory of the firm (Penrose, 1959), it has been used to  
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28 explain firm performance differences (Agyapong, Essuman, and Afia Kesewa Yeboah, 2018) and  
29  
30 highlights the role of inimitable resources for firms to attain competitive advantage (Kraaijenbrink,  
31  
32 Sprender, and Groen, 2010).  
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36  
37 The theory proposes that superior firm performance and therefore likelihood to grow is  
38  
39 derived from a firm's valuable resources. Given that an individual's venture may be a part of the  
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41 entrepreneur (Lau, Shaffer, and Au, 2007), firm resources may also be tied to the entrepreneur  
42  
43 (West and Noel, 2009). It has therefore been suggested that entrepreneur-specific factors such as  
44  
45 human capital resources may influence venture growth and related performance outcomes (Song  
46  
47 et al., 2008).  
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50  
51 The resource-based theory is appropriate for understanding growth of female owned  
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53 enterprises because it describes how entrepreneurs build their firms from the resources and  
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3 capabilities they currently possess or can acquire (Dollinger, 1999). Female enterprises tend to be  
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5 small and are usually dependent on the female entrepreneur's personal resources and capabilities  
6  
7 (Dawa and Namatovu, 2014). They tend to achieve modest growth due to the nature of sectors  
8  
9 they operate in, the domestic responsibilities of the female entrepreneur and the limited investment  
10  
11 in research and development.  
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16 In applying the resource based theory to this study, it is argued in this paper that female  
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18 entrepreneurs possess inimitable resources such as entrepreneurial competences that they may  
19  
20 have acquired through previous work experience, study or previous business ownership that they  
21  
22 utilize to realize firm growth. Previous literature has indicated that competences, an inimitable  
23  
24 resource, influence firm growth because these resources provide competitiveness to a firm  
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26 (Mitchelmore and Rowley, 2013).  
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31 According to the resource-based view (Barney, 1991), a unique set of resources at founding  
32  
33 is critical for new venture survival. Based on this it can be suggested that entrepreneurs and their  
34  
35 competences are a critical and valuable resource of the firm. Female entrepreneurs are somewhat  
36  
37 disadvantaged when it comes to providing financial resources for their business. Previous research  
38  
39 has shown that competences tend to have a more distinct effect on women owned enterprises than  
40  
41 those of men (Manolova et al., 2007). The possession of competences tends to attract potential  
42  
43 employees and lenders and can, thus, enhance entrepreneurial growth indirectly through an easier  
44  
45 access to other resources (Backes-Gellner and Werner, 2007).  
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49  
50 Firm growth results from a combination of firm specific resources such as knowledge  
51  
52 (West and Noel, 2009). Knowledge is therefore a key resource described in the literature.  
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3 Attainment of competitiveness we argue relies on the acquisition, assimilation and utilization of  
4 knowledge. The absorptive capacity construct is therefore included in the study to explain the  
5 mechanisms through which the theory is actualized. Absorptive capacity enhances the ability to  
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7  
8 adapt to changes in the environment (Liao, Welsch, and Stoica, 2003; Marks, Dawa and  
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11 Kanyemba, 2020), increases the degree of innovation (Todorova and Durisin, 2007) and scales up  
12  
13  
14 response rates to customer needs (Fernhaber and Patel, 2012) which leads to increased  
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17 competitiveness and growth. Ultimately absorptive capacity enables firms to align their strategies  
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20 with changes in their environment.  
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### 23 *Hypotheses development*

#### 24 25 26 **Entrepreneurial competences and firm growth**

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29 For over a decade the relationship between competences and venture outcomes has  
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31  
32 continuously fascinated scholars of management. There is widespread acknowledgement that the  
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35 success, performance and growth of a small enterprise is heavily dependent on the competences  
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38 of the entrepreneur (Man, Lau, and Snape, 2008; Mitchelmore and Rowley, 2013).

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41 Entrepreneurial competences have been identified as a specific group of competences  
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43  
44 relevant to the exercise of successful entrepreneurship. An entrepreneur is competent when they  
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47 have the ability to find and effectively utilize the resources necessary to achieve the business'  
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50 objectives (Mitchelmore and Rowley, 2013). Most businesses owned by women are privately  
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52  
53 owned and largely dependent on the owner and her skills or competences (Kyejjusa, Gough, and  
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56 Kristensen, 2016; Lerner, Brush, and Hisrich. 1997). Entrepreneurial competences are  
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59 characterized by long term orientation, controllability, relativity and dynamism which provides a  
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3 relevance for its use in investigating performance of women-owned small firms (Man et al., 2002).  
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6           Studies have indicated that women entrepreneurs tend to possess fewer competences and  
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8 thus face a range of challenges in an effort to grow their businesses due to cultural, social and  
9  
10 economic aspects of their operations (Carter and Shaw, 2006). Yet even where the female  
11  
12 entrepreneur is imbued with requisite competences, growth outcomes tend to be unpredictable  
13  
14 (Ngoasong and Kimbu, 2019). Previous research has highlighted the limited understanding of the  
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16 relationship between entrepreneurial competences and firm growth especially among women  
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18 entrepreneurs (Carter et al., 2006).  
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23           Competences facilitate growth through improving confidence to experiment with new  
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25 ideas and facilitating stakeholder relationships (Tsai, Chang, and Peng, 2012). With regards to the  
26  
27 new ideas, competences stimulate individuals in the production of new ideas as they are able to  
28  
29 combine and experiment. In as far as stakeholder relationships are concerned competences enable  
30  
31 interaction with individuals with different viewpoints (Parida et al., 2017). Possession of requisite  
32  
33 competences therefore enables an individual ask new questions, apply unusual interpretations,  
34  
35 identify non-obvious linkages and create alternative solutions to problems.  
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39           Possession of competences contributes to entrepreneurs' preparedness for understanding  
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41 and adjusting to their external environment, thereby allowing a greater opportunity for positioning  
42  
43 the firm for growth (Manolova et al., 2007). They shape the entrepreneur's aspirations and choices  
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45 about the direction of their firm because they steer resource mobilization and transformation. They  
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47 are especially critical for securing scarce resources for female entrepreneurs through the  
48  
49 identification and adoption of resource combinations that yield growth.  
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3 Based on the above reviewed literature, the following hypothesis emerges:  
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5 **H1:** There is a significant positive relationship between entrepreneurial competences and  
6 firm growth.  
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12 While it is anticipated that we will confirm this relationship in the current study, we add to  
13 the literature by proposing that absorptive capacity will mediate the relationship between  
14 entrepreneurial competences and firm growth. For such mediation to occur, entrepreneurial  
15 competences must influence absorptive capacity, and absorptive capacity must in turn influence  
16 firm growth. These relationships are addressed in the following section of this paper.  
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### 24 25 26 27 **The mediating role of absorptive capacity on the relationship between entrepreneurial** 28 **competences and firm growth** 29 30

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32 In this paper it is argued that entrepreneurial competence can only matter when the  
33 entrepreneur is able to identify, assimilate, and exploit additional knowledge from the environment  
34 which helps him/her to adjust to the business environment that is always in flux. This suggests that  
35 the mechanism through which entrepreneurial competence can affect firm growth may be not only  
36 direct and linear, but also indirect.  
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45 Therefore, to the extent that the outcomes of entrepreneurial competence can increase or  
46 decrease the entrepreneur's absorptive capacity, it can also indirectly boost or deflate the  
47 entrepreneurial outcome.  
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52 The bridge function of absorptive capacity and the temporal disparity between  
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3 entrepreneurial competences and the subsequent firm growth allow for conceptualizing a  
4 mediating effect of absorptive capacity between abilities and outcomes. Competences increase the  
5 potential to identify new ideas as they expand an individual's pool of imagination. This is  
6 explained by the assertion that knowledge is a critical factor in assimilating new technologies  
7 (Cohen and Levinthal, 1990) and that knowledge acquisition improves venture outcomes (Ruiz-  
8 Arroyo et al., 2012). Possession of competences therefore enables interactions with external  
9 business actors from where knowledge spillovers that contribute to growth are accessed.

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20 Absorptive capacity is defined as a firm's ability to identify, assimilate, and exploit  
21 knowledge from the environment (Cohen and Levinthal, 1990). It encompasses firms' ability to  
22 value and use external knowledge to gain organizational competence (Cohen and Levinthal, 1990).  
23 The construct has a multilevel character (Matusik and Heeley, 2005) as it might be influenced by  
24 antecedents at different levels of analysis (Volberda, Foss, and Lyles, 2010). The discussion of  
25 individual level antecedents of absorptive capacity is relatively scarce (Volberda, Foss, and Lyles,  
26 2010). Yet, neglecting the role of individuals while studying absorptive capacity overlooks the  
27 individual's position as a fundamental locus of knowledge (Felin and Hesterly, 2007; Lane, Koka,  
28 and Pathak, 2006). Absorptive capacity studies show, improves one's ability to exploit external  
29 resources thereby enhancing firm performance (Hervas-Oliver et al., 2012; Presutti, Boari and  
30 Majocchi, 2013; Marks, Dawa and Kanyemba, 2020).

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46 A core assumption of the original conception of absorptive was that it depends on the  
47 cognitions and behaviors of its individual members (Cohen and Levinthal, 1990). Research has  
48 also shown that absorptive capacity is a precursor to a number of outcomes such as corporate  
49 entrepreneurship (Zahra, Filatotchev, and Wright, 2009), internationalization (Wu and Voss, 2011)

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3 and innovation (Gray, 2006), all of which bear relationships to firm growth.  
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5           Related to the above, this study further draws support from previous research where it has  
6  
7 been asserted that individual absorptive capacity increases with the level of competence (Bastian  
8 and Zali, 2016) and mediates the relationship between its predictors and individual performance  
9  
10 (Lowik, Kraaijenbrink, and Groen, 2017).  
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15 It is therefore hypothesized that:  
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18           **H2:** Absorptive capacity mediates the relationship between entrepreneurial competences  
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20 and firm growth  
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## 28 **Methodology**

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### 30 31 *Design, population and sample*

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34           The age of the theory informs the type of inquiry to be undertaken (Edmondson and  
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36 McManus, 2007). The resource based view is a mature theory and therefore a quantitative study is  
37  
38 best suited for such a theory.  
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42           The study was based on field research that employed a cross-sectional research design and  
43  
44 involved systematic collection of original quantitative data from 232 women. During data  
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46 collection, we worked closely with market leaders, with who we shared our research objectives.  
47  
48 In turn, we were informed of the appropriate times that we could engage the respondents without  
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50 interrupting their work schedules. We were then on hand to provide assistance wherever a  
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52 respondent needed clarity. As a result of this interactive approach, the study had a response rate of  
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3 95% and only three cases were disregarded.  
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## 10 **Research context**

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13 Markets in Africa have a long history of hosting informal businesses. In the last three  
14 decades, the population of African cities has grown, while public sector employment has shrunk  
15 resulting in the expansion of the informal sector (Gerxhani, 2004). Consequently, there has been  
16 an increased influx of vendors in city markets searching for a source of livelihood and catering to  
17 the increased urban demand for food stuffs. This is because market places are considered to be a  
18 public provided “place for the people” where actors/vendors have a sense of entitlement to trade.  
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28 Kampala, Uganda’s capital hosts approximately 50 markets where the majority of low  
29 income city dwellers and residents from neighbouring districts earn a living. The study, conducted  
30 in Owino and Nakawa markets, explored iconic market spaces sitting in the centre and East of  
31 Kampala respectively. These markets were selected because their sizes provide the variation  
32 necessary for such a study.  
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41 Located on 7.04 hectares, Owino market, also referred to as St. Balikudembe market, was  
42 started in 1971 and is the largest market in Uganda. It hosts 50,000 vendors, 70% of whom are  
43 women. Approximately, 200,000 people visit Owino market daily. Although it started as a  
44 wholesale market for farmers’ produce it has since evolved to include other lines of business such  
45 as sale of second-hand garments and shoes, catering, tailoring, fresh meat sales and machine  
46 repairs and several other trades. Nakawa market the second research site, is the largest fresh food  
47 markets in Kampala- an arrival point for produce from Eastern Uganda and serving the residents  
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3 of the upscale areas of Kololo, Naguru, Bukoto and Ntinda. It has direct interaction with the  
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5 Ugandan farming community and hosts over 7,000 vendors, the majority of whom are women.  
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8  
9 In Africa, markets serve many purposes beyond addressing the economic needs of the  
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11 market actors (Lindell, 2010). They are a significant arena for politics, social interaction and are a  
12  
13 network of communication (Monteith, 2016). Although the precise character of a market is  
14  
15 dependent on its governance structures, vendor associations and business activity (Monteith,  
16  
17 2016), many markets are a socio-political space for the vendors. African market vendors constitute  
18  
19 themselves into commodity associations-‘associations of sellers in a particular market who handle  
20  
21 a particular commodity’ (Hill, 1963, p. 446). The commodity associations are social support  
22  
23 mechanisms and continue to be the main conduit for information sharing. Through their unique  
24  
25 commodity associations (clusters), vendors pool savings together to finance their economic and  
26  
27 social needs.  
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33 The market setting involves high levels of competition that requires reliance on unique  
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35 competences such as networking, agility and . ~~For female entrepreneurs this~~  
36  
37 ~~includes~~ sambidexterity, the ability to fulfill both family and business roles. The requisite  
38  
39 competences extend beyond firm management as their other gender roles are equally as important  
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41 and if poorly executed will ultimately affect their firm’s performance. Yet opportunities to learn  
42  
43 and gain support from others are abundant. Many women in developing economies start  
44  
45 entrepreneurship through petty trade (Allen and Truman, 2016) and slowly grow their ventures.  
46  
47 Market-based associations contribute to the economic vibrancy of women in Africa. Women are  
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49 able to sustain their households, educate their children and increase their working capital as a result  
50  
51 of being members of such market associations. Through commodity associations, they access  
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3 formal (sometimes-informal) financing, exchange knowledge and ‘craft trade tricks’ that elevate  
4 them to better social and businesses statuses. Female-owned enterprises tend to survive in markets  
5 because the market layout (high pedestrian traffic, minimal marketing) coupled with minimal costs  
6 (setup and operational) do not alienate them from the work place. Regardless of their status,  
7 women, in markets, embed their business activity with their affective world of family, kin and  
8 community. They draw seamless links between their household roles and business demands  
9 (Brush, de Bruin and Welter, 2009; Dolan and Roll, 2013) thereby demonstrating ambidexterity.  
10 The women entrepreneurs in this context were able to muster creative business practices that  
11 influenced or were influenced by household roles symbolising their entrepreneurial selves. For  
12 instance, in managing time, mothers carried their sleeping infants on their backs during trade rush  
13 hour (often the wee hours of the morning). Outside the rush hour is when mothers prepared family  
14 diner meals that they ferried back home to share with the rest of the household. In another  
15 demonstration of the balancing of roles, mothers comfortably step away from their stalls to nurse  
16 their babies, leaving friends (sometimes competitors) to attend to customers.  
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36 A market is therefore a platform of information and knowledge exchange, an avenue to  
37 realize a decent livelihood. A market context exhibits flexibility in managing the multiple roles  
38 that a female entrepreneur undertakes. It is in such a context that we are able to explore the diversity  
39 of entrepreneurship and further develop theories related to context and gender (Welter, 2020).  
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### ***Instrument development and testing***

The instrument development stage had three phases; *the first one* was item creation where the objective was to create pools of items for each variable by identifying items from existing scales and by creating additional items that appeared to fit the variables. In this case we reviewed literature for scales that were already developed by previous scholars which we then evaluated for validity and reliability. This stage assisted in ensuring content validity and items that were found inappropriate were left out. The questions were modified to fit the research context which resulted in the questionnaire that was used.

*The second stage;* was scale development and involved examining items so that any inappropriately worded or ambiguous items were eliminated. This was intended to assess construct validity of the various scales developed. The items were then combined into an overall instrument.

*The third stage;* instrument testing, involved doing a pilot study where the overall instrument was administered to a small sample of 12 respondents in markets other than the two that the target sample was to be drawn from. An analysis of responses was done to determine the reliability of the scale. Furthermore, this step helped us determine whether we met the requirements for compiling a questionnaire and appropriateness in terms of the length, wording and instructions.

### ***Data collection instrument***

The questionnaire had five sections; *Section one* focused on business information. This consisted of questions like; type of business, when business was started, whether the proprietor was a sole owner or had partners, where the business idea was obtained from, source of startup capital, value of assets at the start of business and value at the time of data collection, average daily sales, whether the firm had employees at the start and the current number of employees, if this was the entrepreneur's first business and what other businesses they had been involved in before and others they are currently involved in, average daily sales, when the business was started and the average daily sales at the time of data collection.

*Section two* focused on entrepreneurial competences based on (Bamiatzi et al., 2015). It consisted of questions on entrepreneurial skills, human relations, personality and ability to manage the business.

*Section three* focused on absorptive capacity based on (Flatten et al., 2011). It consisted of questions on acquisition, assimilation, transformation and exploitation.

*Section four* focused on growth perceptions based on (Watson, Stewart and BaNir, 2003). It focused on the respondents' subjective assessment of growth.

### ***Structure of questions***

The questionnaire had both closed- ended and open- ended questions. The open ended questions sought to find out how respondents would describe variables. For example, questions focused on loan amounts obtained for business, business growth expectations in terms of number of employees. The closed ended questions were intended to determine whether the respondents

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3 agreed or disagreed with the statements. These statements were based on likert scales as adopted  
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5 from different scholars on different variables.  
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8 The study also considered yes / no questions to determine the relevance of certain variables  
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10 in the business. This contained questions like “are you the sole owner of the business” since the  
11  
12 study objective was focused on business owners. “Are you the family head” was asked to  
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14 determine whether these business owners had sole responsibility of the families which impacts on  
15  
16 operations as well as availability of funds for business operations? “Have you ever received a loan”  
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18 was asked to determine whether these entrepreneurs were using loans to finance their businesses  
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20 or relying on other sources of income.  
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24 The questionnaire was directly administered to the entrepreneur to avoid biases that could  
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26 result from delegation. The respondents engaged in various activities including; agricultural trade,  
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28 clothing, financial services, professional work, artisanal activities and others as per their  
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30 description and observation. Direct collection of data helped us confirm the actual businesses that  
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32 the respondents were involved in.  
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### 35 36 37 ***Measures*** 38

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40 Study variables were operationalized based on previous scholars and modified to match  
41  
42 the developing country context.  
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45 Competences were measured using a scale adopted from Bamiatzi et al. (2015). We  
46  
47 determined the average of the four underlying/ composite indicators, i.e. entrepreneurial,  
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49 managerial, personal and human relational. Therefore, we created one variable (an average) for  
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51 each indicator. A correlation analysis showed a significant and positive correlation between the  
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3 variables and therefore an index of competences was created by multiplying the four averages  
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5 together.  
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9 Absorptive capacity was measured using a scale adopted from Flatten et al. (2011). We  
10 adjusted the scale after the pilot to have the wording more usable by a small business owner. For  
11 example, ‘in this company, we usually search for information relevant to our sector’ was rephrased  
12 as, ‘in this firm we usually search for information relevant to our sector’.  
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18 Absorptive capacity has four underlying/composite indicators, which are acquisition,  
19 assimilation, transformation and exploitation. Each of them had at least four questions and we  
20 calculated the average to determine each of them. A correlation analysis indicated that all  
21 indicators had a significant correlation and therefore we created the Absorptive Capacity Index as  
22 a product of all four underlying indicators. This variable was labeled ACAP and was used to  
23 measure absorptive capacity.  
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32 A Likert scale was adopted for the above items. Respondents were asked to assign rates  
33 from 1 (strongly disagree) to 5 (strongly agree) to the respective variables.  
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37 Growth perceptions were measured based on a binary scale developed by Watson, Stewart  
38 and BaNir (2003). Extant research supports the validity of using entrepreneurs’ self-reported  
39 performance. This is because perceptions of performance may be more insightful indicators than  
40 objective measures and draw on the entity’s inside knowledge concerning the way the business  
41 environment is defined and enacted (Osborn et al., 1980).  
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### ***Data management***

This involved checking for completeness, consistency and accuracy of responses to determine suitability for further processing. Some cases were found incomplete or exaggerated hence them being discarded.

### ***Data analysis***

The data was analyzed to test the mediation effect of absorptive capacity on the relationship between entrepreneurial competences and firm growth. Prior to this, correlation analysis was undertaken to determine the relationships between study variables.

## **Results**

### ***Descriptive statistics***

A total of 232 women entrepreneurs in both Nakawa and Owino markets were included in the study. Up to 87% of them were involved in trade with majority being in agricultural trade, including selling fresh produce and grains. Majority of the women singly owned the businesses.

Table 1 shows that it was common for the women to get business ideas from family and friends (60%) or through observing others doing the business (37%). This is indicative of reliance on personal networks where strong network ties dominate. Additionally, funds to start the business were mainly accumulated from personal savings (51%) or from family members. This may be

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3 explained by female entrepreneurs' limited reliance on formal financial institutions which may be  
4 due to lack of collateral or an institutional setup that hinders access to this considerably cheaper  
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6 finance.  
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11 Table 1 also shows that two thirds of the respondents headed their households and 92% of  
12 the respondents had dependents, with the majority (54.6%) having between 2-5 dependents. The  
13 table also shows that 58.9% of the respondents were married and another 4.1% were cohabiting  
14 with a partner. These statistics indicate the extent of domestic responsibilities borne by the  
15 respondents.  
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26 [Table 1 near here]  
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29 Before testing the hypotheses, statistical tests to assess common method variance (CMV)  
30 were conducted. Following the marker variable technique suggested by Lindell and Whitney  
31 (2001), a marker variable, was included in the survey. When the effect of the marker variable was  
32 partialled out of the remaining correlations of the study variables, all previously significant  
33 correlations maintained significance at  $p < .05$ . Based on the results of this analysis, it can be  
34 concluded that the effects of CMV in this study are negligible.  
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44 Table 2 presents the means, standard deviations, and correlations of the study variables.  
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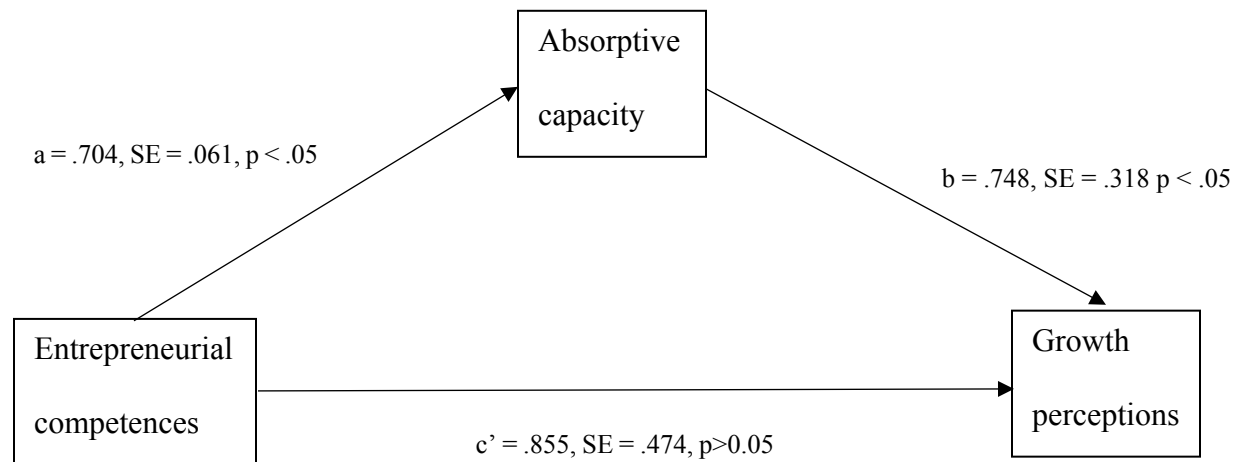
47 [Table 2 near here]  
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3 Preliminary data screening suggested that there were no serious violations of  
4 assumptions of normality or linearity. All coefficients reported here are unstandardized, unless  
5 otherwise noted;  $\alpha = .05$  two-tailed is the criterion for statistical significance.  
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### 13 *Mediation Analysis*

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16 Mediation analysis extends the understanding of the relationships among variables  
17 beyond the descriptive (Preacher and Hayes, 2004). The initial causal variable was  
18 entrepreneurial competences; the outcome variable was firm growth; and the proposed mediating  
19 variable was absorptive capacity. Figure 1 below depicts our empirical model and results.  
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Figure 1



To examine the proposed mediated model, consistent with best practices in the literature (De Carolis, Litzky, and Eddleston, 2009; Preacher and Hayes, 2004), we closely followed recommendations for testing for the presence of mediators (Hayes, 2009; Preacher and Hayes, 2008). In this regard we utilized an SPSS macro designed by Hayes (2019), which enables us to examine the stated mediation effects.

The literature states that to infer mediation, it is necessary to establish that: (1) the independent variable is correlated with the mediator; (2) the mediator is correlated with the dependent variable; and (3) the effect of the independent variable in the presence of the mediator is zero or reduced (Baron and Kenney, 1986; Preacher and Hayes, 2004; Mackinnon and Fairchild, 2009). The analyses confirm all these conditions. With respect to the indirect effects, Hypothesis 2 suggests that absorptive capacity mediates the effects of entrepreneurial competence on firm growth.



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3 The total effect of competences on firm growth was significant, as shown by the logistic  
4 regression indicators. Competences were significantly predictive of the hypothesized mediating  
5 variable, weight;  $a = .704$ ,  $SE = .061$ ,  $p < .05$ . When controlling for competences, absorptive  
6 capacity was significantly predictive of firm growth,  $b = .748$ ,  $SE = .318$   $p < .05$ .

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12 Testing the mediational hypothesis, entrepreneurial competences were no longer a  
13 significant predictor of growth after controlling for the mediator, absorptive capacity,  $c' = .855$ ,  
14  $SE = .474$ ,  $p > 0.05$ , consistent with partial mediation. In order to further test the significance of the  
15 mediation effects, a Sobel test was conducted, adjusting the coefficients to take into consideration  
16 that logistic regression estimates the coefficients on different scales across equations (MacKinnon  
17 and Dwyer, 1993). Full mediation is ascertained when the variance accounted for by the  
18 independent variable is non-significant with the addition of the mediator. Partial mediation is said  
19 to occur when the influence of the independent variable decreases but remains significant.

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22 The Sobel test is used to determine whether a variable carries (or mediates) the effect of an  
23 independent variable to the dependent variable—the outcome of interest. A significant test statistic  
24 offers evidence that an independent variable has an indirect effect (i.e., an effect that is mediated  
25 in whole or in part through another variable) on the dependent variable. This is done by testing the  
26 hypothesis that there is no statistical difference between the total effect (i.e., the effect of a  
27 specified independent variable on the dependent variable) and the direct effect (i.e., the effect of  
28 that same independent variable on the dependent variable) after taking into account the influence  
29 of a potential mediator. The Sobel test results were marginally significant,  $z = 1.94$ ,  $p = 0.05$   
30 confirming partial mediation.

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3 The indirect effect was also tested using a percentile bootstrap estimation approach with  
4 10000 samples (Shrout and Bolger, 2002), implemented with the PROCESS macro Version 3  
5 (Hayes 2019). These results indicated the indirect coefficient was significant,  $B = .527$ ,  $SE = .253$ ,  
6 95% CI =  $-.00059, 1.004$ . Entrepreneurial competences were associated with growth perceptions  
7 scores that were approximately .53 points higher as mediated by absorptive capacity. Absorptive  
8 capacity therefore partially mediates the relationship between entrepreneurial competences and  
9 firm growth.  
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## 21 **Discussion and Conclusion**

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24 This study's major finding was that for female entrepreneurs in sub-Saharan Africa, while  
25 entrepreneurial competences are important in firm growth, their effects are channeled through the  
26 entrepreneur's absorptive capacity. Specifically, the research demonstrates support for the  
27 mediating role of female entrepreneurs' ability to recognize the value of new information,  
28 assimilate it, and apply it to commercial ends in the relationship between entrepreneurial  
29 competences and firm growth. Competences equip entrepreneurs with the intention and ability to  
30 identify and exploit novel business ideas through a larger pool of imagination and assimilation of  
31 new information. In so doing competences facilitate the acquisition of the needed know-how to  
32 bring ideas to fruition.  
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49 Cultural norms and weaknesses in institutions restrict women's participation in  
50 entrepreneurship especially in sub-Saharan Africa where female entrepreneurs are impeded by the  
51 expectations of society regarding the trades they can engage in. For women, opportunities to  
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3 acquire or improve entrepreneurial competences are limited to domestic activities such as cooking,  
4 laundry and sale of farm produce. Correspondingly, the systemic subordination of women at home,  
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6 in training institutions and in workplaces hinders the acquisition of human, and other capital and  
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8 therefore places limitations upon women's abilities to access and utilize external information when  
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10 they start their own enterprises.  
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15 Competences are a proxy for persistence, motivation and self-discipline which impact  
16 favorably on the impressions of potential professional acquaintances. Through richer information  
17 exchanges these acquaintances allow entrepreneurs access to opportunities and resources  
18 (Katongole et al., 2015) and to tap into advice and moral support. The study shows that the social  
19 networks of the respondents involved a disproportionate number of friends, family and close  
20 associates, what Foss (2010) regarded as dependence on strong ties. This limits the heterogeneity  
21 of available information and consequently the value of exploiting this information for commercial  
22 purposes. The deep affinity that characterizes strong ties obviates the competitive edge that exploitation of external  
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39 We conclude that entrepreneurial competences are not only unique capabilities as inputs critical to firms' growth  
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43 In concert with the assertion that any shortcomings attributed to female entrepreneurs can be  
44 explained by differences in contextual factors (Henry, Foss & Ahl, 2016), we contend that  
45 inconsistencies in explanation of growth of female owned firms is due to sociocultural factors that  
46 restrict women's access to and exploitation of information necessary for firm growth. We argue  
47 that in the sub-Saharan Africa context, gender bias is exhibited in access to employment and career  
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3 progression in the work place which influences acquisition of knowledge that could be useful in  
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5 future entrepreneurial pursuits. Additionally, gender subordination is ~~exhibited~~demonstrated in  
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7 the nature of entrepreneurial activity female entrepreneurs engage in which are related to their  
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9 domestic responsibilities. This is exacerbated by perceptions of society where a number of  
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11 characteristics associated with entrepreneurship such as risk-taking are viewed as incongruent with  
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13 women's gender roles. These structural restrictions offer a cogent explanation for the inconsistency  
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15 in reporting growth of female entrepreneurs and provide a basis to question the notion that female  
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17 entrepreneurs do not grow.  
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22 The complexity of female entrepreneurship is contextually embedded (Henry et al., 2015). In the  
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24 case of firm performance and networking, context may serve as an enabler or constraint of these  
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26 entrepreneurial outcomes. The sub-Saharan Africa context is fraught with challenges that are  
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28 amplified based on gender divisions. This may be due to gendering that attributes the context with  
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30 negative values (Welter, 2020) which in turn affects female entrepreneurs' access to external  
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32 information. This gender discrimination affects female entrepreneurs' access to external  
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34 information. ~~This gender discrimination affects female entrepreneurs' access to external~~  
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36 ~~information.~~ The mediation of absorptive capacity therefore helps us understand how the context  
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38 typified by a myriad of gender-based disadvantages influences the performance of these firms.  
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42 It has been proposed that theorists need to learn something new about the theory itself as a  
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44 result of working with it under different conditions. That is, new applications should improve the  
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46 tool, not merely reaffirm its utility (Whetten, 1989). In this regard, the study also improves our  
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48 understanding of the resource based view by suggesting that a black box exists in the relationship  
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50 between resources and performance. We show that possession of one resource facilitates the  
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52 acquisition of other resources and propose that the role of resources continuously unfolds as a firm  
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3 develops. In this regard the study shows that the inimitable resources may be used to acquire other  
4 resources that subsequently foster competitiveness. The RBV has been used as a bridge between  
5 individual and firm levels of analysis in entrepreneurship studies. Linking individual-level  
6 attributes such as competences to firm-level attributes such as growth is essential because without  
7 such relationships it may not be possible to capture the cross-level interactions (Davidsson and  
8 Wiklund, 2007) that typify the entrepreneurship phenomenon.

### 17 18 ***Limitations***

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21 One limitation of this study is the potential of reverse causality, that is, absorptive capacity  
22 affects the level of competence of the entrepreneur. A second limitation is that only a limited  
23 number of constructs were included in the model, and that these constructs were analyzed at an  
24 aggregate level. Thirdly, although the competencies scales we used in the questionnaire were  
25 useful, they were not comprehensive in capturing other context-based competencies needed by  
26 women entrepreneurs in a market setting. For example, we learnt that ambidexterity, the sustained  
27 ability to juggle household roles and business activity is a highly desirable competence in markets.

### 38 39 40 41 42 ***Further research***

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44 Future research can probe deeper into the competences-absorptive capacity-growth  
45 relationship by distinguishing unique attributes of competences and absorptive capacity and  
46 examining how absorptive capacity transforms these competences into growth and other  
47 entrepreneurial outcomes. In addition, it would be worthwhile to examine whether this proposed  
48 model based on a developing country is generalizable to other countries.

### *Implications*

~~Following Foss, Henry, Ahl and Mikalsen (2019) we reiterate that policy implications have to be context dependent with consideration for societal gendered mechanisms.~~

Following Foss, Henry, Ahl and Mikalsen (2019) we reiterate that policy implications have to be context dependent with consideration for societal gendered mechanisms.

With a number of programs and policies in sub-Saharan Africa designed around empowering female entrepreneurs through providing them requisite entrepreneurial competences to facilitate entrepreneurship, it is important for policy makers to recognize the role of subsequent access to external information. A lot of government programs supporting female entrepreneurs are designed around the model of constituting women in groups to enable access to training and resources. This study, identifies a major need in enabling the constitution of these groups to include individuals from diverse backgrounds which will enable the availability of distinctive information that can be exploited by alert group members for commercial purposes.

Articulating absorptive capacity's role in explaining the relationship between competencies and firm growth will enable policy makers and institutions that have a stake in developing female entrepreneurs in Uganda to formulate supportive policies and strategies that enhance successful knowledge transfer, and boost enterprise performance. The study's findings therefore imply that there is a need to expose female entrepreneurs to relevant up to date information through providing access to resourceful networks such as successful female role models/mentors and business networking organization's e.g. professional bodies, community service clubs, online/social media networks, cooperatives, VSLAs, and SACCOs. Opportunities need to be availed that enable female entrepreneurs to establish relationships with business networking organizations and use such ties

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3 to facilitate knowledge transfer and acquisition. Within these networks there is need to be a  
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5 recognizable presence of women and gender mainstreaming to address culturally embedded  
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7 discriminatory practices that may filter into the networking organizations.  
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11 By describing the mediating role of absorptive capacity, this study also identifies key firm growth  
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13 catalysts such as having competencies that build a diverse knowledge and networking base which  
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15 could be acquired through availing female entrepreneurs with needs-based business development  
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17 training opportunities. Therefore it is necessary to focus on those training opportunities that expose  
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19 the women to a dense socially connected business environment, a broad range of professionals, up  
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21 to date entrepreneurial best practices, and have an orientation towards improving the overall  
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23 performance of the individual female entrepreneur and business as a whole. In the agricultural  
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25 trade sector where the majority of the study respondents ply their trade, absorptive capacities can  
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27 be developed by involving the female entrepreneurs in produce and export cooperatives.  
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29 Participation in these two types of cooperative societies will facilitate access to information at  
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31 different levels of the value chain and interaction with individuals from diverse professional and  
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33 social backgrounds.  
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**Table 1: Sample description of women's enterprises**

<b>Location</b>		<b>%</b>
	Nakawa	58.2
	St. Balikudembe (Owino)	41.8
<b>Sector</b>		
	Agricultural trade	59.9
	Other trade	27.2
	Hotel, lodges, bar restaurant and eating places	6.5
	Financial services	.9
	Artisans	5.6
<b>Marital status</b>	Married	58.9
	Single	29.2
	Widowed	4.3
	Divorced	1.6
	Separated	1.9
	Cohabiting	4.1
<b>Are you the family head</b>	Yes	66.8
	No	33.2
<b>Do you have dependents</b>	Yes	92.4
	No	7.6
<b>Number of dependents</b>	0	7.6
	1	5.7
	2-5	54.6
	6-10	23.2
	More than 10	8.9
<b>Av. Age of business (years)</b>		23.7

Sole Ownership		95.3
<b>Source of business idea</b>		
	Friend/workmate	33.6
	Family	27.2
	Media	.4
	Business Associations	.4
	School	1.3
	Observation	37.1
<b>Source of startup capital</b>		
	Savings	51.3
	Capital from other business	9.5
	SACCO	2.6
	Sale of asset	0.9
	Bank	4.3
	Family	26.3
	Friends	4.7
	Women's group	.4
Did not have employees at the start of the business		91.4
Average number of employees now(persons)		0.4
Average value of assets (UGX)		200,000-500,000
Average daily sales (UGX)		51,000-100,000
Average daily sales at the start (UGX)		11,000-51,000
Not the first business		62%
Operating another business		13%

Table 2

	<i>Mean</i>	<i>SD</i>	<i>1</i>	<i>2</i>	<i>3</i>
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Competences	0.2446	.09419	1		
Absorptive capacity	.3129	.10370	0.506**	1	
Do you think your business has grown? Growth Perceptions	1.13	.339	0.168**	0.198**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).