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# Entrepreneurial Marketing and SME Performance in Tanzania's Agro-Processing Industry: The Roles of Customer Intensity, Value Creation, and Proactiveness

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**Abstract**

*This study investigates how entrepreneurial marketing dimensions affect the performance of small and medium-sized enterprises (SMEs) in Tanzania's agro-processing industry. By integrating insights from the Resource-Based Theory ) and Entrepreneurial Marketing Theory , the analysis focuses on three critical dimensions: customer intensity, value creation, and proactiveness. Data were collected from 255 SMEs in Dar es Salaam, Tanzania, and analyzed using Structural Equation Modeling (Partial Least Squares SEM) with the SEMinR package. The results demonstrate that both customer intensity and proactiveness significantly enhance SME performance, suggesting that prioritizing customer-focused activities and adopting a proactive approach can lead to improved outcomes. Interestingly, the study finds that value creation does not directly correlate with SME performance, indicating a need for a more nuanced approach in the agro-processing sector. These findings offer practical implications for agro-processing SMEs seeking sustained growth and competitiveness while advancing the theoretical understanding of both Resource-Based Theory and Entrepreneurial Marketing Theory.*

**Keywords:** Entrepreneurial Marketing, Performance, Small and Medium-sized Enterprises, Customer Intensity, Proactiveness, Value Creation

## Introduction

The agro-processing industry plays a crucial role in driving economic progress, particularly in developing countries, where it serves as a bridge between agriculture and manufacturing (Bannor & Arthura, 2024). This sector adds value to agricultural products and contributes to job creation and rural development. However, SMEs operating within the agro-processing industry encounter significant challenges, such as limited access to funding, intense competition, and volatile market conditions (Roberta & Potgieter, 2021; Sarma et al., 2022). In Tanzania, this sector is vital to economic growth, contributing to food security and export earnings. Despite its potential, agro-processing SMEs face additional hurdles, including inadequate infrastructure, regulatory constraints, and limited access to advanced technologies (Adam & Alarifi, 2021). Addressing these challenges necessitates innovative strategies, with entrepreneurial marketing emerging as a promising approach to enhancing performance (O'Cass & Morrish, 2016). Research consistently underscores entrepreneurial marketing as a key factor for SME success, enabling firms to navigate volatile markets and seize opportunities despite limited resources.

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(Damer et al., 2023; Sarma et al., 2022; Maziriri & Mapuranga, 2018). Entrepreneurial marketing, characterized by the fusion of entrepreneurial spirit and marketing expertise, enables businesses to identify market opportunities, anticipate customer needs, and generate unique value (Buccieri et al., 2021; Pascalau, 2020). This approach is essential for agro-processing SMEs, which must consistently innovate and develop creative solutions to remain competitive. Entrepreneurial marketing strategies often emphasize exploring new market segments, fostering creativity, and managing resources efficiently to enhance profitability (Agazu & Kero, 2024; Ouragini & Lakhal, 2023). Unlike traditional marketing, entrepreneurial marketing is adaptive, flexible, and particularly suited to the constraints faced by small businesses, where spontaneous and innovative marketing approaches are critical to success (Morris et al., 2002; Sadiku-Dushi et al., 2019).

Nevertheless,, the literature remains incomplete, with some studies emphasizing the positive effects of entrepreneurial marketing on business performance (Nuvriasari & Hasyim, 2020; Zahara & Wright, 2023), while others reveal inconsistencies in empirical findings (Alqahtani & Uslay, 2020; Ratten, 2022; Fadda, 2018). Specifically, there is limited understanding of how key entrepreneurial marketing dimensions customer focus, value creation, and proactiveness affect SME performance, particularly in developing economies such as Tanzania (Baporikar & Fotolela, 2021; Yumboris & Mbayah, 2020). Furthermore, existing studies offer mixed results regarding the influence of proactiveness, customer intensity, and value creation on performance. Some findings suggest a positive relationship between these factors and performance (Kreiser et al., 2013, Hamali, 2015; Hanaysha & Al-Shaikh, 2022), while others present conflicting outcomes (Hanaysha & Al-Shaikh, 2022; Indriastuti, 2019; Febriyantoro et al., 2022). This study addresses these gaps by exploring the relationship between entrepreneurial marketing and the performance of Tanzanian agro-processing SMEs. The focus is on how customer intensity, value creation, and proactiveness contribute to competitiveness and growth, offering actionable insights for SME owners and policymakers seeking to leverage entrepreneurial marketing in this critical sector.

**Theoretical Foundations**

This study is grounded in the Resource-Based Theory (RBT) and Entrepreneurial Marketing (EM) theory. The RBT framework, with its internal focus, posits that a company's competitive advantage arises from its resources that are valuable, rare, inimitable, and non-substitutable (VRIN) (Barney, 1991). According to RBT, firms differentiate themselves through their unique combinations of resources and capabilities, which account for performance variations within the same industry (Peteraf, 1993; Teece et al., 1997). Internal resources such as knowledge, skills, and managerial decisions are key to gaining and sustaining a competitive advantage (Grant, 1991; Morgan & Strong, 2004). However, RBT has been criticized for insufficiently considering external market factors. Researchers like Peng & York (2009) and Shibin et al. (2020) have argued that the value of resources is contingent upon specific market conditions, meaning that resources currently deemed valuable may lose relevance over time. To address this limitation, the study integrates the External Market (EM) theory, which emphasizes market adaptation and a customer-centered approach, placing resource utilization within a broader market framework.

EM theory enhances RBT by focusing on how small and medium-sized enterprises (SMEs) apply their entrepreneurial mindset—characterized by proactiveness, customer intensity, and value creation—to achieve superior performance. EM emphasizes inventive and forward-thinking marketing tactics that leverage a firm's distinct resources and capabilities, enabling value creation and the attainment of competitive advantages (Morris et al., 2002; Hills et al., 2008). Proactiveness involves anticipating and addressing future market needs, while value creation and customer intensity highlight the importance of cultivating strong customer relationships. The combination of RBT and EM provides a comprehensive understanding of how SMEs can enhance their performance. While RBT offers a foundational view of resource-based advantages, EM sheds light on the dynamic and market-oriented utilization of these resources. This integrated approach suggests that SME success in competitive markets depends on both the possession of valuable resources and the strategic, entrepreneurial use of these resources through innovative marketing strategies (Ng & Kee, 2017). By integrating RBT and EM, the study aims to clarify how proactiveness, customer intensity, and value creation influence SME performance, underscoring the importance of entrepreneurial resource deployment for sustainable competitive advantage and improved market outcomes.

**Proactiveness**

From an RBT perspective, proactiveness is a critical strategic capability that enables firms to capitalize on internal resources—such as market knowledge and innovation—to stay ahead of competitors. This strategic foresight allows SMEs to exploit emerging opportunities, thereby creating sustainable competitive advantages that improve performance (Zhang & Hartley, 2018). In the context of EM theory, proactiveness is a core entrepreneurial trait that drives firms to anticipate customer needs, innovate, and take calculated risks in the marketplace. Through proactive behavior, firms can respond swiftly to market changes and shape the competitive environment, resulting in enhanced operational and financial outcomes (Durie & Beshir, 2018). Thus, in both RBT and EM theories, proactiveness emerges as a key factor in driving firm success.

**Value Creation**

RBT highlights that value creation stems from a firm’s ability to deploy unique resources—such as expertise, relationships, and innovation capacity—in ways that are difficult for competitors to imitate. The ability to generate value from strategic resources directly influences a firm's competitive position and overall performance (Jyoti & Efpraxia, 2023). Entrepreneurial Marketing theory complements this view by focusing on how firms create value through dynamic, market-driven actions. In the agro-processing sector, firms can co-create value with customers, suppliers, and other stakeholders by focusing on innovation and stakeholder engagement, which enhances customer satisfaction and firm performance (Pinelli et al., 2022). In both RBT and EM frameworks, value creation plays a central role in differentiating SMEs and sustaining their competitive advantage.

**Customer Intensity**

In RBT, customers are viewed as critical external resources that significantly influence a firm's competitive advantage (Joachim, 2017). By fostering strong customer relationships, firms can gain valuable market insights, enhance product offerings, and secure long-term customer loyalty, all of which contribute to superior performance (Otto et al., 2020, ). EM theory underscores the importance of customer focus and interaction as drivers of entrepreneurial success. Through active customer engagement and integrating feedback into product and service innovations, firms

can better meet market demands and improve their competitive standing. This intense customer engagement supports value co-creation and continuous innovation, ultimately leading to improved performance outcomes (Morgan & Anokhin, 2023). In both theoretical perspectives, customer intensity is crucial, positioning customers as central drivers of firm growth and sustainability.By integrating the RBT and EM theories, this study demonstrates how SMEs in the agro-processing industry can strategically utilize proactiveness, value creation, and customer intensity to enhance their competitive advantage and overall performance. These variables are deeply rooted in the firm's ability to leverage its resources and entrepreneurial actions, underscoring their importance in achieving sustained growth and long-term success.

## Development of Hypotheses

### *Customer Intensity and SME Performance*

In entrepreneurial marketing, customer intensity plays a crucial role in shaping the success of SMEs (Becherer et al., 2012). This focus emphasizes the implementation of innovative, resource-efficient strategies tailored to meet the specific needs of startups and small businesses (Hanaysha & Al-Shaikh, 2022). Studies consistently demonstrate that customer intensity significantly enhances firm performance (Fegada & Veres, 2024; Mittal et al., 2023). Hamali (2015) observed that heightened customer focus significantly enhances business performance in the small garment industry of Bandung City. Similarly, Febriyantoro et al. (2022) revealed that while customer intensity directly enhances business performance, it does not notably influence competitive advantage. Shows & Gjerde (2017) observed a positive relationship between customer intensity and business performance, including both satisfaction with performance and overall business outcomes, in the wine industry of North Carolina.

Furthermore, Kağıtcı and Sahin (2022) demonstrate that while customer intensity varies across industries, it drives superior customer value in clustered SMEs. Similarly, Hacioglu & Batur (2012) found that customer intensity positively correlates with innovative performance in Turkish SMEs, suggesting that a strong customer focus enables firms to adapt and innovate. Panarina (2023) highlights the importance of customer-oriented marketing models in Russia, where SMEs leveraging customer insights see better business outcomes. Lastly, Etuk et al. (2024) found that customer orientation significantly influences the performance of Nigerian SMEs, reinforcing the need for firms to prioritize customer engagement. Empirical evidence consistently indicates that SMEs prioritizing customer focus are better positioned to navigate market fluctuations and meet customer demands. This leads to improved performance indicators such as sales growth, customer retention, and profitability. Based on these findings, the following hypothesis is proposed:

**Hypothesis 1 (H1):** ***Customer intensity positively influences the performance of SMEs in the agro-processing industry.***

### *Value Creation and SME Performance*

In entrepreneurial marketing, value creation is pivotal in enhancing firm performance. Value creation involves developing and delivering superior products, services, or experiences that meet customer needs, thereby driving business success (Hanaysha & Al-Shaikh, 2022). Entrepreneurial marketing helps foster a positive brand image, contributing to increased sales growth and market share through entrepreneurial orientation (EO), market orientation (MO), and brand management capabilities (BMCs) (Wijekoon & Rathnayake, 2024). Several studies consistently underscore the

significance of value creation as a crucial element in marketing that positively impacts firm performance (Sánchez-Gutiérrez et al., 2019: Sadiku-Dushi et al., 2019). Hanaysha and Al-Shaikh (2022) found that value creation has a significant and direct influence on the performance of SMEs. Similarly, Sadiku-Dushi et al. (2019) highlighted the role of value creation in enhancing firm performance in their study on the impact of entrepreneurial marketing on SMEs in Kosovo. Furthermore, Rezvani and Fathollahzadeh (2018) determined that delivering customer value through products, services, and marketing activities substantially impacts performance. Similarly, Chen (2023) shows that value creation enhances performance by improving competitiveness and sustainability in digital startups, while Odondo (2023) demonstrates that Kenyan agro-food SMEs benefit from value creation through better market responsiveness and profitability. These consistent findings demonstrate that SMEs prioritizing value creation experience significant improvements in various performance dimensions, such as profitability, customer satisfaction, and competitive positioning. Based on these findings, the following hypothesis is proposed:

**Hypothesis 2 (H2):** ***Value creation positively influences the performance of SMEs in the agro-processing industry.***

***Proactiveness and SME Performance***

In entrepreneurial marketing, proactiveness is a critical factor in driving firm performance. Being proactive enables firms to anticipate changes, seize emerging opportunities, and maintain a competitive edge. Research consistently demonstrates that entrepreneurial proactiveness connects technological innovation with company success, allowing organizations to adapt to dynamic environments, outmaneuver competitors, and capitalize on first-mover advantages (Karali et al., 2024). According to Al Mamun and Fazal (2018), proactiveness refers to the readiness of entrepreneurs to introduce new products ahead of competitors and anticipate future customer needs. Proactive firms excel at identifying unmet market demands and gathering strategic information about competitors and customers, which enables them to respond rapidly to market shifts (Blocker, 2011). This behavior often results in accessing premium market segments and achieving sustainable competitive advantages.

Empirical studies consistently affirm the positive impact of proactiveness on firm performance (Seet & Hossain, 2021; Kiss & Danis., 2022; Rezaei & Ortt, 2018). Kiss & Danis. (2022) observed that CEO proactiveness enhances organizational innovation and ambidexterity, positively influencing firm performance. Hurtado-Palomino et al. (2024) highlight the significant role of proactiveness as part of entrepreneurial orientation, which directly and indirectly improves firm performance. Studies by Aloulou (2018) and Kraus et al. (2018) reveal strong positive relationships between proactiveness and firm performance in SMEs in Saudi Arabia and the Netherlands, respectively. Moreover, Hossain et al. (2022) found a robust link between proactiveness and export performance, reinforcing the broad applicability of proactiveness across various performance dimensions. Furthermore, Kreiser et al. (2013) highlight that proactiveness, a critical dimension of entrepreneurial orientation, enhances SME performance by enabling firms to anticipate market trends and act on emerging opportunities, leading to competitive advantages. Similarly, Kiss & Danis. (2021) emphasize that proactive leadership fosters innovation, improving firm performance. Nwankwo & Sadiq (2022) specifically focus on agro-processing SMEs in Nigeria and demonstrate that entrepreneurial orientation, particularly proactiveness,

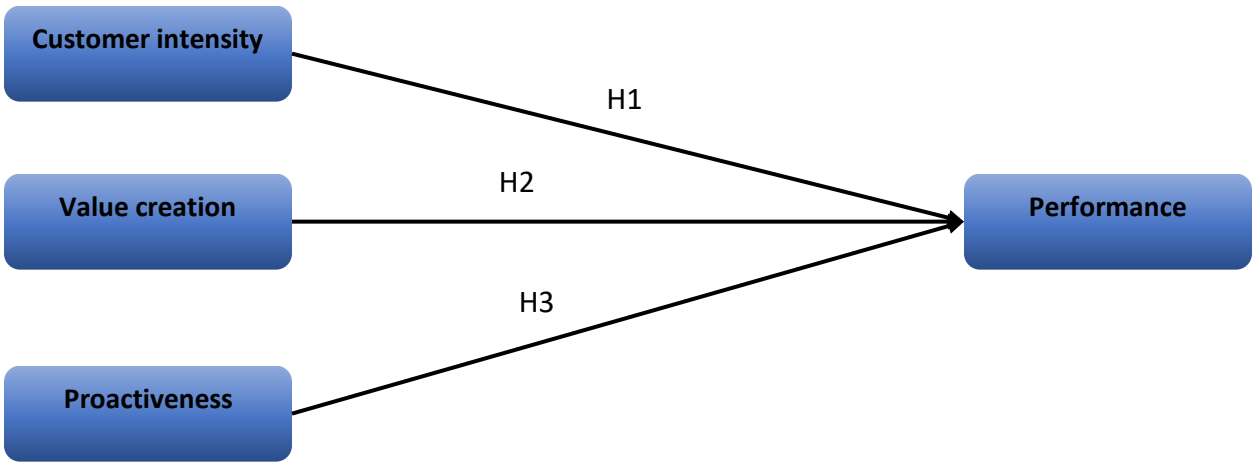
significantly improves business performance by driving innovation and market expansion. Based on these findings, the following hypothesis is proposed:

**Hypothesis 3 (H3):** ***Proactiveness positively influences the performance of SMEs in the agro-processing industry.***

**Research Model**

Drawing on resource-based theory (RBT) and Entrepreneurial marketing theory (EMT), empirical literature, and formulated hypotheses, Figure 1 substantiates the research framework underpinning this study.

**Figure 1: The Conceptual Framework**




**Source**: Developed from literature review (2024)

**Study Methodology**

***Sample and Data Collection Process***

The study employed a survey methodology to gather data from participants. The questionnaire was designed to assess the relationship between entrepreneurial marketing dimensions—namely, proactiveness, customer intensity, and value creation—and the performance of Tanzanian agro-processing SMEs. The questionnaires were adopted from previous literature (Sadiku-Dushi et al., 2019; Çağlıyan et al., 2022; Yu et al., 2017) and modified to fit the specific context and objectives of the study. Before data collection, the survey questions underwent thorough scrutiny to ensure content validity. This process included expert input, which was crucial in evaluating the relevance and suitability of the questions. Insights from experts guided necessary adjustments to improve the precision of the questionnaire. Two experienced senior experts from Tanzania, with extensive backgrounds in business and economic research in Africa, were involved in the evaluation process to establish face validity. The experts evaluated the content validity of the questionnaire and provided feedback on necessary adjustments. Based on their recommendations, a preliminary test of the questionnaire was conducted to refine the questions by removing unclear language and ensuring clarity and conciseness. This iterative process ensured that the survey accurately captured the intended concepts.

It is important to note that when time or budget constraints exist, conducting a preliminary test with friends or family members can still provide valuable insights for ensuring the validity of the questionnaire (Saunders et al., 2023). Additionally, to further enhance the validity of the scale items and minimize the risk of common method bias, the study incorporated content validity assessments from experts across diverse geographical locations (Spoto et al., 2023). The questionnaire used a five-point Likert scale, with one (1) representing "strongly disagree" and five (5) representing "strongly agree," to measure the variables. The Likert scale, commonly used in social science research, provides a simple and reliable way to assess attitudes, opinions, and perceptions (Tehseen et al., 2017). The study was carried out from August to December 2022, and 255 usable responses were obtained from SMEs involved in agro-processing. Specifically, the participants were agro-processing SMEs, and their owner-managers or managers had been involved in domestic and international trade for an average of three years, ensuring that they had relevant experience matching the study's focus. The sampling frame was based on a list of registered agro-processing SMEs provided by the Tanzania Revenue Authority (TRA). Stratified random sampling was used to ensure representation across different sectors in the agro-processing industry.

Demographic data were collected to better understand the characteristics of the respondents involved in the study, focusing on aspects such as gender, professional experience, position held within the SME, and educational background. This information helps provide a comprehensive profile of the individuals responsible for key decision-making in Tanzanian agro-processing SMEs. The demographic distribution is summarized in Table 1 .

**Table 1: Distribution of SMEs in Tanzania's Agro-Processing industry**

| category | Group | Frequency | Percentage % |
|---|---|---|---|
| **Size** | < 5 employees | 141 | 55.3 |
| | 5 - 49 employees | 107 | 42 |
| | 50 - 100 employees | 7 | 2.7 |

The table illustrates the distribution of SMEs based on their size, categorized by the number of employees. It shows that the majority of SMEs are micro-enterprises, with fewer than 5 employees, comprising 55.3% (141 firms) of the total sample. Small enterprises, employing between 5 and 49 people, account for 42% (107 firms), while medium-sized enterprises, with 50 to 100 employees, represent only 2.7% (7 firms). This distribution highlights a common characteristic of SME ecosystems, where the majority of businesses are small-scale operations, often limited in resources and workforce. Such data underscores the dominance of micro and small enterprises, which are crucial for economic development of a country.

**Sampling and Data Collection**

Stratified random sampling was utilized in this study to ensure a balanced representation across relevant population segments. The population was first divided into distinct subgroups (strata) based on geographical location. Random sampling was applied within each stratum by assigning a unique number to each potential participant. Then, a random selection process using a random number generator was conducted to select participants from each subgroup. This approach ensured that every individual in the stratum had an equal chance of being selected (Lohr, 2010). The final sample size was designed to align with Partial Least Squares Structural Equation

Modeling (PLS-SEM) requirements and was processed using R Programming version 4.3.3 (Hair et al., 2021).

***Measures***

The measurement of Entrepreneurial Marketing dimensions was carefully adapted from Sadiku-Dushi et al. (2019). Specifically, for Customer Intensity, 7 items were used; for Proactiveness, a set of 6 items captured this dimension; and for Value Creation, 5 items were employed to assess this construct. These dimensions were formatively measured, meaning the individual items for each dimension combined to form the overall construct, as discussed in Hanaysha and Al-Shaikh (2022). In this approach, the items collectively define the dimension, and changes in the indicators result in changes in the overall construct rather than reflecting an underlying latent factor.When assessing SME performance, both financial and non-financial indicators were utilized. Financial metrics, such as profitability, market share, sales growth rate, and operational cost, were adapted from Çağlıyan et al. (2022). Non-financial indicators, including managerial capability and product quality, were sourced from Yu et al. (2017).

The analysis followed a reflective measurement approach, where these indicators were viewed as manifestations of the underlying latent performance construct. In this reflective model, changes in the latent construct (SME performance) are assumed to cause variations in the observed indicators rather than the indicators forming or defining the construct themselves (Rojas-Lema & Duran, 2021). Therefore, these metrics were reflective, as they collectively reflect the overall performance of the SMEs, aligning with the study's theoretical framework.

**Data Analysis Methods**

Survey questionnaires were distributed to businesses in various geographical regions through email or in-person delivery. The focus was on areas with a high concentration of small and medium-sized agro-processing enterprises, targeting owner-managers and managers. All questionnaires were distributed within Dar es Salaam, Tanzania's primary commercial and economic hub (Kaale et al., 2023). Of the 300 distributed surveys, 268 were collected, resulting in an 89.3% response rate. Thirteen questionnaires were discarded due to excessive missing values, leaving 255 questionnaires for data analysis.

Partial Least Squares Structural Equation Modeling (PLS-SEM) was selected for data analysis. This decision was based on its suitability for research questions aimed at making predictions, small sample sizes, and the expected non-normal data distribution (Hair et al., 2021). PLS-SEM enables the evaluation of measurement models, including reflective and formative constructs. Moreover, SEM handles observable variables indirectly measured by indicator variables, addresses measurement errors, and statistically tests predefined theoretical and measurement assumptions against empirical data (Chin, 1998; Hair et al., 2021).

**Research Results**

The tool of choice for the analysis was the SEMinR package, integrated into R programming version 4.3.3 (Hair et al., 2022). SEMinR, an open-source library, provides a specialized domain-specific language for defining, estimating, visualizing, and validating SEMs using the PLS method. Its advantages include cost-effectiveness, flexibility, reproducibility, and strong community support (Valdez et al., 2023).

***Assessing Measurement Models in Entrepreneurial Marketing***

Before analyzing the structural (inner) model, the measurement (outer) model was evaluated, adhering to the guidelines outlined by Klarner & Böhme (2013). A bootstrapping procedure with 10,000 replications was employed to assess the significance of path coefficients, following the approach recommended by Hair et al. (2021) and Henseler et al. (2015).

***Reflective Measurement Model Assessment***

The indicators for dependent variables in the measurement model were reflective. Specific criteria had to be met to establish the reliability and validity of partial least squares measurement models (Henseler et al., 2015). The study considered an item's reliability satisfactory if its outer loading was at least 0.40 for the corresponding construct. Items falling within the 0.40 to 0.70 range were evaluated for potential removal, but only if excluding them improved composite reliability and average variance extracted (AVE) beyond the recommended AVE threshold of 0.5 (Hair et al., 2021). Notably, all indicators in the model met this requirement (see Table 2).

**Table 2 Reflective measurement model evaluation results**

| | **Construct/Indicator** | **Loading** | **reliability** | **AVE** |
|---|---|---|---|---|
| | SMEs Performance | | 0.926 | 0.731 |
| 1 | Our firm has been highly profitable over the past year. | 0.865 | | |
| 2 | Our market share has increased over the past three years. | 0.894 | | |
| 3 | The sales revenue of our firm has grown consistently over the past three years. | 0.778 | | |
| 4 | Our operational costs are efficiently managed. | 0.83 | | |
| 5 | The quality of our goods or services is excellent. | 0.855 | | |
| 6 | Our managerial team is competent | 0.901 | | |

Next, construct reliability was assessed using composite reliability (ρc), where a ρc value between 0.60 and 0.70 was deemed acceptable (Hair et al., 2019). Significantly, all constructs exceeded the minimum threshold for ρc, indicating reliable internal consistency of the construct measures (refer to Table 2). Convergent validity was evaluated using AVE, and all reflective constructs demonstrated convergent validity with AVE values of 0.5 or higher. To evaluate discriminant validity, the heterotrait-monotrait ratio of correlation (HTMT) method was employed, which is considered more effective than traditional Fornell-Larcker and cross-loading criteria (Henseler et al., 2015). The primary criterion for the HTMT test is whether the HTMT ratio approaches 1.0; values near or exceeding 1.0 may signal a potential violation of discriminant validity (Ab Hamid et al., 2017). While the exact HTMT ratio indicating a discriminant validity issue can vary, Henseler et al. (2015) recommend using 0.85 and 0.90 as benchmarks.

**Table 3 Heterotrait-Monotrait Ratio (HTMT)**

| Construct | CI | VC | P | Performance |
|---|---|---|---|---|
| CI | . | . | . | . |
| VC | 0.799 | . | . | . |
| P | 0.652 | 0.777 | . | . |
| Performance | 0.233 | 0.169 | 0.331 | . |

Table 3 shows that the maximum HTMT value is 0.8, which falls below the conservative critical threshold of 0.85. Furthermore, the bootstrapping results reveal that all upper confidence interval limits remain well below 1, signifying that all HTMT values significantly deviate from 1. Consequently, both the HTMT0.85 and HTMT0.90 criteria confirm the discriminant validity of the dependent construct. It is worth noting that three specific aspects within the HTMT assessment warrant attention.

***Formative Measurement Model Evaluation***

The indicators for the independent variables—proactiveness, customer intensity, and value creation—were assessed within a formative measurement model. Hair et al. (2021) state that evaluating formative measurement models involves several critical steps. Convergent validity is first assessed through redundancy analysis, which requires a correlation of ≥ 0.708 between the formative construct and a reflective measure of the same concept. Collinearity is then examined using the variance inflation factor (VIF), with acceptable values being VIF < 3. The statistical significance of indicator weights is determined by t-values, where a t-value greater than 1.960 is significant at $\alpha = 0.05$, and a t-value greater than 1.645 is significant at $\alpha = 0.10$. Additionally, the 95% confidence interval must not include zero. Significant weights indicate the relevance of the indicators, with loadings ≥ 0.50 being considered relevant even if their weights are not statistically significant (Hair et al., 2022). All indicators in the model successfully met these criteria, as detailed in Table 4.

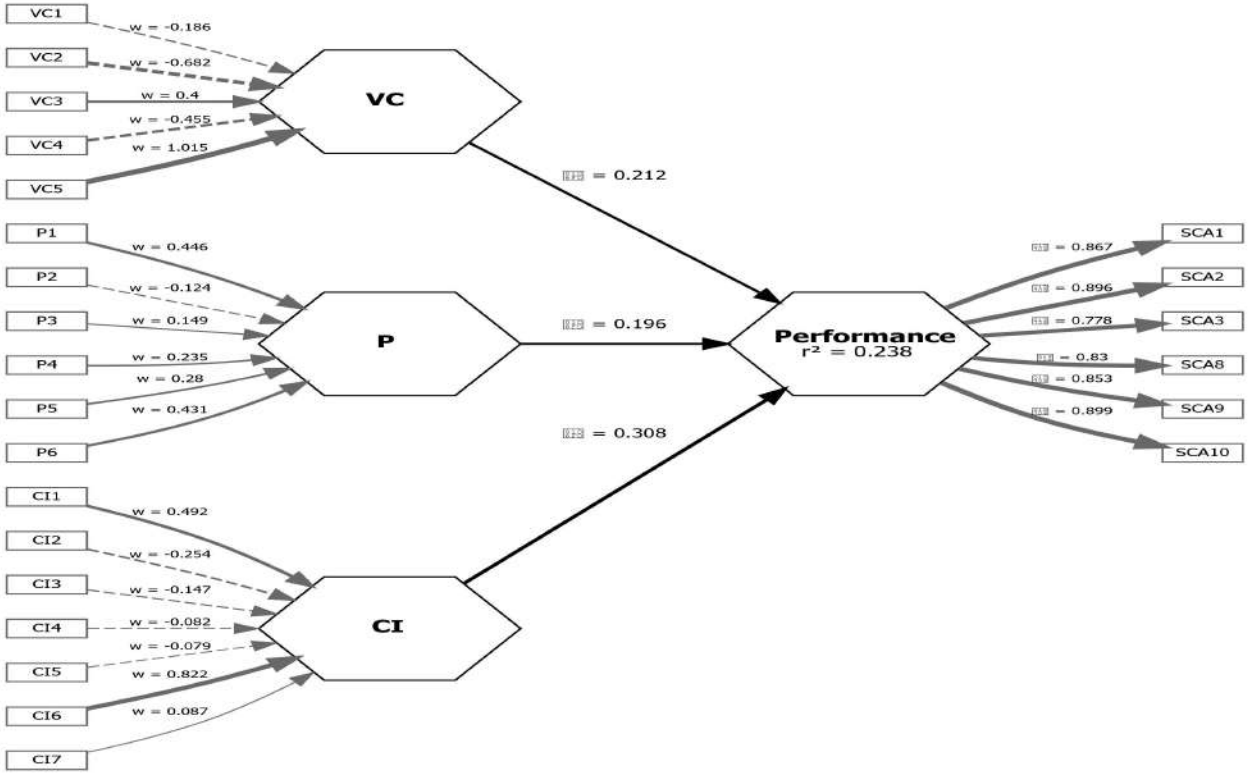
**Table 4: Formative Measurement model evaluation results**

| | **Indicators** | **Outer weights** | **t values >1.96** | **Outer loadings >0.5** | **t stat >1.96** | **VIF <5.0** | **Convergent validity >0.7** |
|---|---|---|---|---|---|---|---|
| Proactiveness | P1 | 0.347 | 1.492 | 0.733 | 5.319 | 1.703 | 0.853 |
| | P2 | -0.06 | -0.261 | 0.484 | 2.667 | 1.577 | |
| | P3 | 0.096 | 0.411 | 0.364 | 1.735 | 1.212 | |
| | P4 | 0.266 | 1.375 | 0.56 | 3.617 | 1.176 | |
| | P5 | 0.296 | 1.351 | 0.652 | 4.137 | 1.251 | |
| | P6 | 0.477 | 2.02 | 0.833 | 6.6 | 1.576 | |
| Customer intensity | CI1 | 0.46 | 2.631 | 0.59 | 4.58 | 1.545 | 0.741 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | CI3 | -0.164 | -0.776 | 0.133 | 0.773 | 1.571 | |
| | CI4 | -0.05 | -0.28 | 0.079 | 0.518 | 1.588 | |
| | CI5 | -0.104 | -0.512 | 0.308 | 2.051 | 1.979 | |
| | CI6 | 0.835 | 5.904 | 0.898 | 9.531 | 1.283 | |
| | CI7 | 0.127 | 0.704 | 0.387 | 2.697 | 1.547 | |
| Value creation | VC1 | -0.235 | -0.739 | -0.155 | -0.617 | 1.34 | 0.838 |
| | VC2 | -0.652 | -1.069 | -0.218 | -0.745 | 1.455 | |
| | VC3 | 0.419 | 1.053 | 0.36 | 1.195 | 1.365 | |
| | VC4 | -0.422 | -0.977 | -0.083 | -0.397 | 1.333 | |
| | VC5 | 1.009 | 1.217 | 0.629 | 1.328 | 1.526 | |

The redundancy analysis results for each construct exceeded the 0.78 threshold, thereby confirming convergent validity. Additionally, all Variance Inflation Factor (VIF) values remained below 3, indicating acceptable collinearity levels. Although most formative indicators demonstrated statistical significance at the 10% level, several indicators exhibited t-values below 1.680, and their 95% confidence intervals included zero, suggesting the absence of statistical significance. These indicators were retained in the model due to their theoretical importance and alignment with prior research, which emphasizes their relevance in capturing the dimensions of entrepreneurial marketing (Sadiku-Dushi et al., 2019; Deku et al., 2023).

**Figure 2: PLS Path Model Result**




**Source: Field Data Extracted from Smart PLS3 (2024)**

In **s**tructural model significance testing, Table 5 indicates that Customer Intensity (CI) exerts a significant positive impact on SME performance, with a path coefficient of 0.228. Bootstrapping analysis corroborates this relationship, demonstrating a statistically significant effect [β=0.228,p<0.01,C.I(0.146;0.331)][β = 0.228, p < 0.01, C.I (0.146; 0.331)][β=0.228,p<0.01,C.I(0.146;0.331)], thereby supporting Hypothesis 1. Conversely, the direct effect of Value Creation (VC) on SME performance was weaker, yielding a path coefficient of 0.196. Bootstrapping analysis confirmed the lack of statistical significance in this relationship [β=0.196,p=0.327,C.I(−0.287;0.275)][β = 0.196, p = 0.327, C.I (-0.287; 0.275)][β=0.196,p=0.327,C.I(−0.287;0.275)], leading to the rejection of Hypothesis 2. However, Proactiveness (P) significantly influenced SME performance [β=0.134,p<0.05,C.I(0.081;0.245)][β = 0.134, p < 0.05, C.I (0.081; 0.245)][β=0.134,p<0.05,C.I(0.081;0.245)], providing support for Hypothesis 3**.** These findings consistently validate the positive relationships between CI and P with SME performance at <0.05.

**Table 5. Significance Testing Results**

| Path | Path coefficient (β) | t-values | Significance levels | p-value | 95% confidence intervals |
|---|---|---|---|---|---|
| **CI -> PM** | 0.228 | 3.871 | *** | 0.0001 | [0.146, 0.331] |
| **VC -> PM** | 0.196 | 0.981 | NS | 0.3268 | [-0.287, 0.275] |
| **P -> PM** | 0.134 | 2.693 | ** | 0.0072 | [0.081, 0.245] |

Note: NS = Not significant; CI = Customer Intensity; VC = Value Creation; P = Proactiveness; PM = SME Performance. *Significance levels: *p < 0.1, **p < 0.05, ***p < 0.01*.

In conclusion, Customer Intensity demonstrated the most substantial effect on SME performance (path coefficient: 0.228), followed by Proactiveness (path coefficient: 0.134). However, Value Creation did not exhibit a significant impact. As a result, the findings support Hypotheses 1, 3, and 5, whereas Hypothesis 2 is rejected.

**Discussion of Findings**

In Tanzania's agro-processing industry, Customer Intensity (CI) plays a pivotal role in enhancing SME performance, supporting Hypothesis 1. Prioritizing customer needs and preferences enables SMEs to customize products and services, improving customer satisfaction and loyalty. A customer-centric approach helps SMEs differentiate themselves in the competitive agro-processing market. Numerous studies highlight the positive correlation between Customer Intensity and performance. Hanaysha and Al-Shaikh (2022) emphasize that understanding and addressing customer needs is essential for improving SME performance. Similarly, Fegada and Veres (2024) argue that customer intensity enhances firm performance, especially when combined with technological capabilities—an important consideration for agro-processing SMEs, where customer preferences continuously evolve. Febriyantoro et al. (2022) demonstrate that entrepreneurial marketing driven by customer intensity significantly improves business performance, especially when connected to a competitive advantage, a crucial factor for the

success of agro-processing SMEs. Additionally, Shows et al. (2017) found that in industries similar to agro-processing, such as North Carolina's wine sector, maintaining a strong customer focus is essential for achieving superior entrepreneurial marketing performance.

The consistent findings across these studies suggest a shared recognition of the importance of customer-centric practices in diverse markets. Factors such as increasing competition, evolving customer expectations, and the need for differentiation likely contribute to the positive relationship between Customer Intensity and SME performance in Tanzania and other contexts. Collectively, these studies confirm the critical role of customer intensity in driving SME performance within the agro-processing industry. Hypothesis 2 suggests that SME performance is not significantly influenced by Value Creation (VC). Although creating value is widely regarded as a crucial business goal, this result may stem from market saturation, limited consumer purchasing power, or challenges in effectively communicating the created value to customers in the agro-processing industry in Tanzania. Previous studies suggest that creating value alone may be insufficient without practical strategies for capturing and delivering that value. For example, Lu and Tang (2022) found that the level of value co-creation in educational contexts is unrelated to course grades, primarily due to grading systems and student motivation. Similarly, Zulfikar (2018) demonstrated that while market orientation does not directly impact marketing performance, it exerts a positive indirect effect through value creation in the knitting industry.

The consistent findings across these studies highlight the complexity of translating value creation into tangible performance outcomes. In various industries, including agro-processing, external factors such as competitive dynamics, consumer behavior, and economic conditions shape the relationship between created value and performance. Furthermore, many SMEs lack effective mechanisms to leverage the created value, which can prevent the expected performance improvements from materializing. These findings suggest that in certain contexts, such as education and small businesses, value creation may not always significantly enhance performance, emphasizing the need to consider additional mediating or moderating factors. Proactiveness (P) significantly influences the performance of small and medium-sized enterprises (SMEs), confirming Hypothesis 3. SMEs in Tanzania's agro-processing industry that proactively identify market opportunities, anticipate future demands, and take initiative are more likely to succeed. Proactive companies are better equipped to manage market uncertainties, adapt to changes, and leverage emerging trends, which are essential for consistent growth and performance. Various research studies corroborate these findings. For instance, Karali et al. (2024) concluded that entrepreneurial proactiveness positively affects the performance of businesses led by women, highlighting the importance of anticipating market changes and taking initiative. Similarly, Al Mamun and Fazal (2018) demonstrated that proactiveness, as part of entrepreneurial orientation, enhances the competence and performance of micro-enterprises, playing a key role in driving business success within dynamic environments. Kiss & Danis (2022) found that CEO proactiveness contributes to company performance by fostering innovation, emphasizing the connection between proactive leadership and organizational outcomes.

The consistent findings across these studies indicate the universal importance of proactiveness in navigating competitive and rapidly changing markets. Proactive firms tend to recognize and exploit emerging trends more effectively, enabling them to outperform competitors. This pattern aligns with the idea that proactiveness promotes a culture of innovation and adaptability, which

are essential for success in the dynamic agro-processing industry. Furthermore, shared external pressures, such as economic conditions and shifting customer demands, reinforce the positive relationship between proactiveness and performance, encouraging SMEs to adopt proactive strategies. In summary, these studies confirm that proactiveness is a critical factor in determining the performance of SMEs

## Conclusion

In conclusion, this study revisits the correlation between entrepreneurial aspects and the performance of small and medium enterprises (SMEs) in Tanzania's agro-processing industry. Although existing research frequently emphasizes the importance of Value Creation (VC), the findings of this analysis offer an alternative perspective. Specifically, Customer Intensity (CI) and Proactiveness (P) emerge as critical factors for SME success, while the impact of Value Creation on performance appears limited. These outcomes underscore the need for business strategies that align with customer expectations, optimize resource utilization, and adopt a proactive approach toward market opportunities. This emphasis is particularly relevant given the distinct challenges SMEs face in Tanzania's competitive agro-processing industry. The limited influence of Value Creation highlights the importance of implementing supplementary strategies beyond focusing solely on value creation.

### *Theoretical Implications*

This study enhances theoretical understanding by integrating the Resource-Based Theory (RBT) with Entrepreneurial Marketing Theory to explain how small and medium-sized enterprises (SMEs) in the agro-processing industry perform. The RBT proposes that internal capabilities and resources—such as knowledge, skills, and organizational culture—are essential for maintaining a competitive advantage. The findings support this view by demonstrating that SMEs with strong internal capabilities, particularly in Customer Intensity and Proactiveness, are better positioned to respond to market changes and drive performance. For example, the ability to effectively engage customers and anticipate their needs reflects the internal resources leveraged by SMEs to differentiate themselves in a competitive market. The emphasis on Customer Intensity and Proactiveness aligns with Entrepreneurial Marketing Theory, which highlights the importance of customer-centric approaches and proactive market engagement as key success factors. The findings illustrate that by prioritizing customer relationships and proactively identifying market opportunities, SMEs enhance their performance and cultivate valuable resources, contributing to long-term sustainability.

Interestingly, the results challenge the traditional assumption that Value Creation universally benefits firms, suggesting that its effectiveness depends on specific contextual factors. This insight demonstrates the interaction between the two theories: while RBT emphasizes leveraging internal capabilities, Entrepreneurial Marketing Theory highlights the importance of aligning strategies with market dynamics. In this context, the limited impact of Value Creation suggests that valuable resources must be effectively communicated and operationalized to achieve their full potential. Overall, this study contributes to a more nuanced understanding of how RBT and Entrepreneurial Marketing Theory can complement each other in explaining SME performance in the agro-processing industry. It emphasizes the interdependence between internal capabilities and external market engagement strategies in achieving sustained competitive advantage.

### *Practical Implications*

#### Managerial Implications

The findings highlight the importance of prioritizing customer engagement and maximizing resource efficiency for managers in the agro-processing industry in Tanzania. Managers should focus on understanding and fulfilling customer needs, optimizing resource use, and proactively pursuing market opportunities. Implementing these strategies positions businesses for long-term growth.

#### Policy Implications

From a policy perspective, the study emphasizes the need to create an environment that supports effective customer engagement and resource utilization for SMEs. Policymakers should implement measures to improve access to market information, facilitate resource acquisition, and encourage proactive business practices.

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