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Marketing Orientation: A Longitudinal Study of Community Banks

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Abstract - Marketing orientation has long been touted as a means of improved business performance and the key to success in marketing management (Kotler, Keller & Chernev, 2021). This is a longitudinal study of community banks examining marketing orientation and business performance using a survey instrument based on the work of Narver and Slater (1990) and Kohli and Jaworski (1990). Four survey datasets cover the period preceding the Great Recession (2003-2005), the Great Recession and its fallout (2008-2010), a Post–Great Recession period (2014-2016), and the COVID-19 period (2020). Survey responses were gathered from a list of community bank CEOs in the Southeastern U.S. In addition to survey items about the organization's marketing orientation, bank financial information was collected regarding assets and profits for each year in the study periods. Kohli and Jaworski (1990) point out that business performance is responsive to changing external conditions. This study includes unemployment, GDP growth, inflation, labor participation rate, and the 10-year U.S. Treasury yield for its direct impact on bank performance. Research questions focus on variations in the bank's approach to market orientation across the selected four economic periods.

1. Do banks change their "marketing orientation" when economic conditions change?
2. Do banks emphasize different variables in marketing orientation (customer, competitors, market planning) based on economic conditions?
3. Does the relationship between marketing orientation and the bank's financial performance change between the four economic periods?

Keywords - Marketing orientation, customer orientation, relationship marketing, community banks, banking, longitudinal study, economic periods, recession, Covid-19.

Relevance to Marketing Educators, Researchers, and/or Practitioners –paper is a longitudinal study of marketing orientation attitudes and behaviors among community bank CEOs across two decades. Community banks differentiate from mega-banks by focusing on relationships and personal services. Using a marketing orientation model derived from Kohli and Jaworski (1990) and Narver and Slater (1990), the study examines four survey samples from the same population representing four unique economic periods. It compares attitudes, behaviors, and outcomes between the periods. Techniques incorporated model building, confirmatory factor analysis, and statistical tests, including correlation, analysis of variance (ANOVA), and multiple regression.

Introduction

The concept of marketing orientation has dominated marketing literature for decades in both academic research and marketing textbooks (Kotler, Keller & Chernev, 2021). Our model for measuring the impact of a firm's marketing orientation integrates components outlined by Narver and Slater (1990) and Kohli and Jaworski (1990) to examine the assertion that a firm's marketing orientation enhances business performance as measured by profitability. This study is unique as it uses survey results from four different economic periods with self-reports of CEOs in the same sampling population in the community banking industry. This subset of the banking industry uses a relationship marketing approach to differentiate itself from large regional and national megabanks (FDIC, 2020).

Research Agenda

The four surveys cover distinct economic periods; the period preceding the Great Recession (2003-2005), the Great Recession and its fallout (2008-2010), a Post – Great Recession period (2014-2016), and the COVID-19 period (2020). In each period, the same survey instrument was distributed to community bank presidents in seven Southeastern U.S. These include Tennessee, North Carolina, South Carolina, Georgia, Florida, and Alabama. In addition to survey items about the organization's marketing orientation, bank financial information was collected regarding assets and profits for each year in the study periods.

Kohli and Jaworski (1990) point out that business performance is responsive to changing external conditions. External economic indicators for our four economic periods are incorporated in this study. These include unemployment, GDP growth, inflation, labor participation rate, and the 10-year U.S. Treasury yield for its direct impact on bank performance.

Our research questions focus on variations in the bank's approach to market orientation across the selected four economic periods.

1. Do banks change their marketing orientation when economic conditions change?
2. Do banks emphasize different variables in marketing orientation (customer, competitors, market planning) based on economic conditions?
3. Does the relationship between marketing orientation and the bank's financial performance change during the four economic periods?

Community Banking

The community banking industry is part of the finance sector, the third largest sector of the U.S. economy. Its products and services focus on the needs of individuals and businesses in a relatively limited geographic footprint. Products encompass personal and commercial banking with checking and savings accounts as well as a variety of lending products.

The lifeblood of community banks lies in their ability to attract depositors and serve the lending needs of their respective communities. From a marketing perspective, bank products in a community bank setting are unique.

1. There is little obsolescence in the products. The fundamental bank account is the same today as it was 100 years ago. The account represents the balance of all deposits and withdrawals. Technology has influenced how those transactions occur as we move from paper deposits and checks to mobile online transactions. However, the fundamentals of the

product remain the same.

2. Whether the relationship is a traditional checking account or automobile loan, it represents a long-term relationship between the bank and its customer. Termination of an account is made based on a change in the customer status (customer moves or dies) or “customer experience” (customer dissatisfaction or disqualification).
3. Changes in loan or savings rates or other features of the bank’s products, such as online banking, focus on customer retention and satisfaction and attracting new customers.
4. The banks are marketing a relationship with the customer. They are not subject to the pressures of limited product life cycles requiring different marketing strategies at each phase. Thus, marketing campaigns take on the characteristics of institutional marketing instead of product marketing.

Literature Review

Marketing Orientation

Narver and Slater's marketing orientation model (1990) is the theoretical foundation for this study. Kohli and Jaworski (1990) add to the construct, including the importance of operational support and executive leadership commitment as critical to successful implementation. Our model uses Narver and Slater’s model and its additional explanation in Slater and Narver’s 1994 article linking marketing orientation to improved business performance. The model also incorporates Kohli and Jaworski’s points about market awareness, organizational support, and supportive leadership.

The marketing concept for viewing markets and product planning first emerged in the 1950s (Weeks & Marks, 1968, 1969) and subsequently evolved to "marketing orientation." Peter Drucker noted that marketing is not a separate management function but the whole business seen from the customer’s point of view (1974). It is a paradigm that incorporates beliefs and values and puts the customer at the center of the firm’s thinking about strategy and operations (Deshpande & Webster, 1989).

Kohli and Jaworski (1990) noted that, although the marketing concept was considered the cornerstone of the marketing discipline, little attention was given to its implementation. In their review of the literature, they found no clear definition of market orientation, the absence of measurement issues, and the absence of empirically based theory. The authors’ research purpose was “to delineate the domain of the market orientation construct, provide an operational definition, develop a propositional inventory, and construct a comprehensive framework for directing future research (1990, p.1).” According to Kohli and Jaworski, three core outcomes appeared to be present. These outcomes were customer focus, coordinated marketing, and profitability. Given these three outcomes, Kohli and Jaworski deemed it reasonable to conclude that a market-oriented organization could manifest these outcomes operationally.

Publishing six months after Kohli and Jaworski, Narver and Slater set forth an exploratory study designed to develop a valid measure of market orientation. They cited authors such as Levitt (1975), Kotler (1979), and Webster (1988) to support the statement, “A business that increases its market orientation will improve its market performance.” The authors explained that, for an organization to achieve above-normal performance sustainably, it must create a sustainable competitive advantage. That requires an organizational culture producing behaviors necessary to maintain the culture and a long-term sustainable competitive advantage.

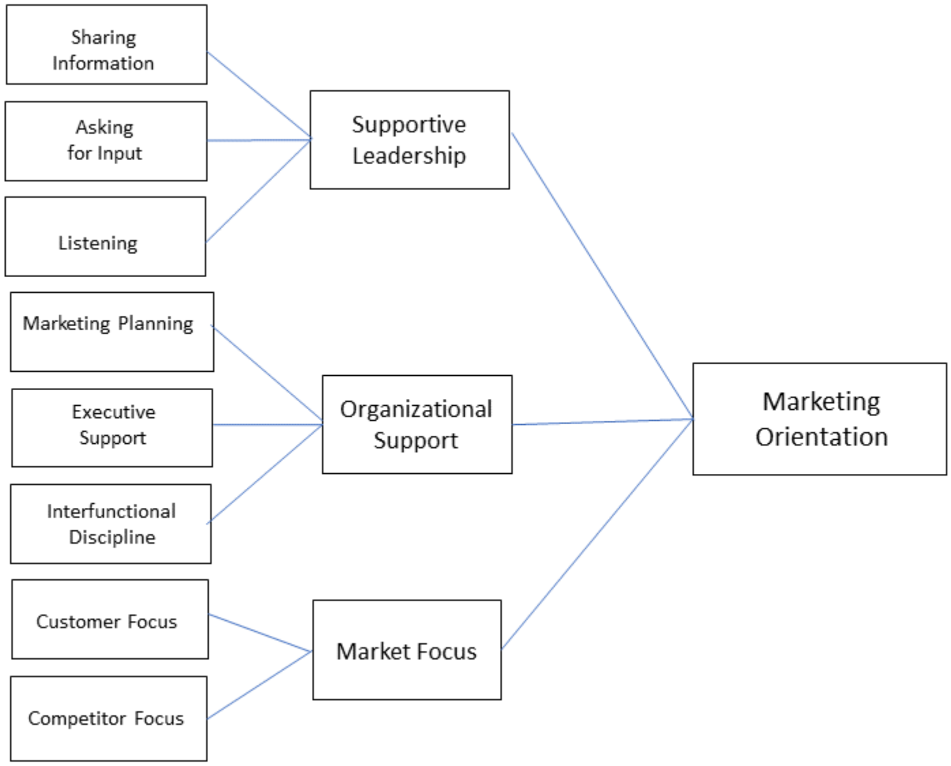


Figure 1: Three-Component Model for a Marketing Orientation

From the literature review, Narver and Slater (1990) infer that market orientation consists of three behavioral components – customer orientation, competitor orientation, and inter-functional discipline. Christensen and Bower (1996) concluded that firms lose their industry leadership position because they listen too carefully to their customers, and customers place stringent limits on the strategies they can and cannot pursue. Slater and Narver (1998) countered with the observation that customer orientation is a short-term philosophy, while market orientation is a long-term philosophy. They also noted that market orientation is proactive, while customer orientation is more responsive.

In summary, many studies have shown an overall positive relationship between market orientation within a firm and the firm's financial performance. There are a few exceptions to this generality, such as in times of technological turbulence or in those specific conditions where the costs of a market orientation exceed its benefits.

Consumer Behavior and Technology

Consumer adoption of Internet technology has fueled the most significant change in behaviors impacting the banking industry throughout our study period. These changes arise from consumer trends favoring instant gratification, convenience, and personalization. The cost of services continues to be a critical factor in decision-making. The change to banking is the decline in the necessity for retail banking to be conducted on a person-to-person basis in a branch facility. From a skills standpoint, banking has been transformed by financial technology. Community banks have been challenged to keep up by investing extensively in internet-based banking services and adapting to the changing consumer expectations.

This trend did not occur overnight. The first form of online banking was introduced in 1994 by the Stanford Federal Credit Union, permitting dial-up access to customer account information. Before broadband's advent, internet speed from 1994 to 2000 was relatively slow. The introduction of broadband in 2000 marked the next phase where users were no longer required to access dial-up services. Broadband access and incremental improvement in speed provided the foundation for consumer demand for richer use of online and mobile services.

Initially, the banking industry faced the unique challenge of ensuring the security of sensitive information. While consumers had greater access to fast internet speeds, they hesitated to access private information online. As a result, the banking industry made tremendous investments in increasing encryption, multifactor identification, anti-malware protection, and other security features in the 2010s.

A related innovation was the "smartphone," integrating multiple communication functions into a single handheld device. While there were predecessor "smartphone" products, the 2007 introduction of Apple's iPhone accelerated the adoption of smartphones and purpose-built smartphone apps (Pew Research, 2021).

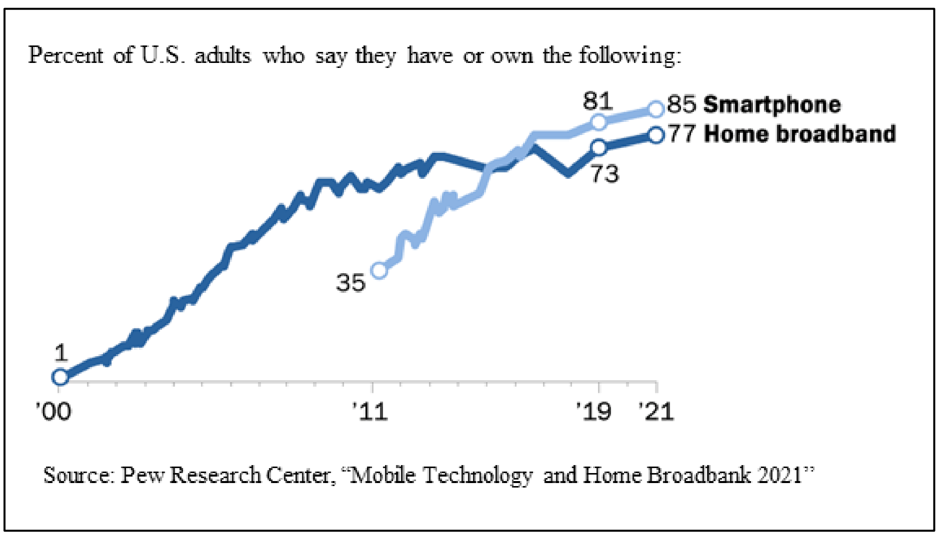


Figure 2: Growth of Broadband and Mobile Devices

In 2010, Price Waterhouse Coopers (PwC) noted consumer behavior trends that would challenge traditional business models. This challenge includes banking, considered the staidest industry sector. By 2010, larger banks offered online banking and touted their market presence with websites. In 2015, the American Banking Association noted the impact of growth in smartphone ownership and the necessity of industry response with mobile banking apps (Jensen, 2015). In 2023, Forbes reported its 2022 Digital Banking Survey found that 78% of adults in the U.S. prefer to bank via a mobile app or the bank's website. Only 29% of Americans prefer to bank in person (Underwood & Aldrich, 2023)

Across the four economic periods covered in this study, we see the adoption of significant technology that impacts the banking industry as it responds to consumer demand for more flexible delivery of banking services. These include secure real-time access to accounts and transactions without the intervention of tellers or trips to a branch. For the banking industry and community banks, responding to consumer demand requires significant investments in technology and realignment of resources.

Model for Measuring Marketing Orientation

Our model for measuring marketing orientation is primarily based on the Narver and Slater model (1990) and Slater and Narver (1994, 1998), with extensions to recognize issues to recognize the importance of organizational support and leadership commitment (Kohli & Jaworski, 1990). We added moderating factors that account for the impact of external economic and market conditions that are not in the organization's control.

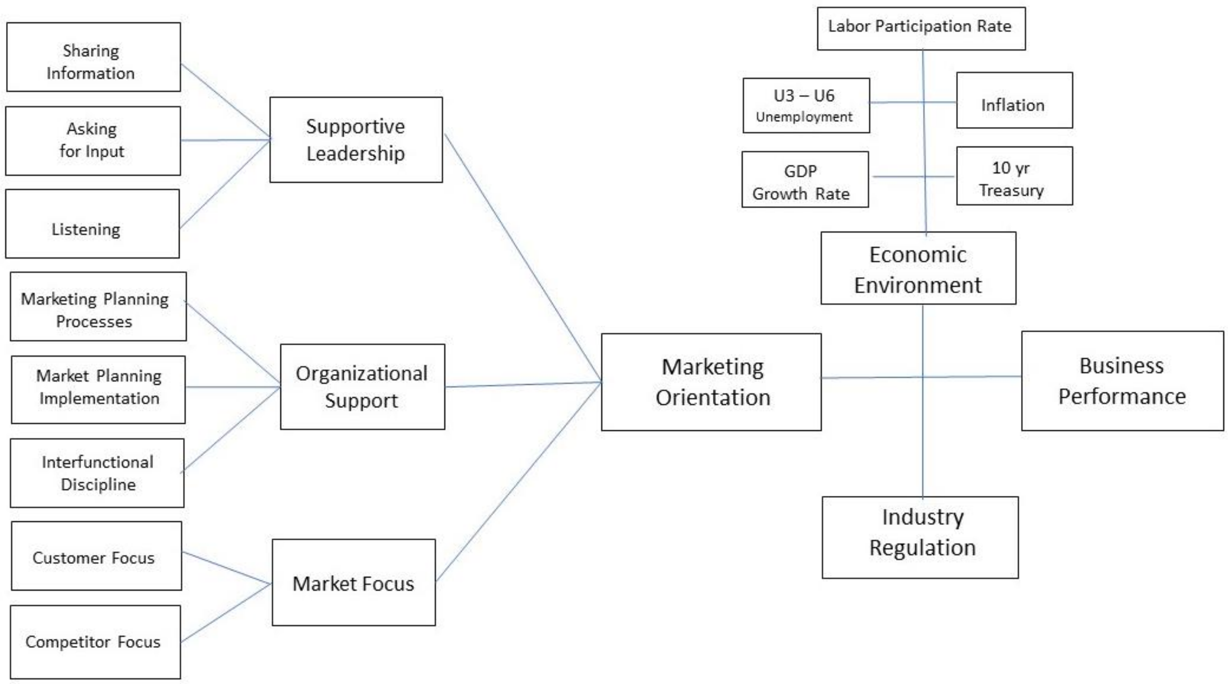


Figure 3: Marketing Orientation Measurement Model

Marketing Orientation Components

Market Focus

The marketing focus component of the model consists of two sub-components: a focus on customer needs and a focus on direct competitors. Combined, these two sub-components represent the attitudes and behavior toward the two major players in the market environment.

Customer Focus

A focus on customer needs is expressed in attitudes about the importance of the customer in day-to-day activities, including serving customer needs, visiting current and potential customers, and reinforcing this focus within the bank's culture. From a strategic standpoint, the expressed commitment to serving customer needs is "raison d'etre" for its strategy for competitive advantage.

Competitive Focus

The speed of response to a competitor's initiative measures the bank's competitive focus. A rapid response indicates the degree of threat the bank perceives from the competitor's actions. An emphasis on sharing competitive information contributes to the staff's awareness of the competitive environment. Competitive pressure is acknowledged in the strategic stance.

Organizational Support

Our marketing orientation model includes a component for organizational behaviors that reflect the organization's support for executing the firm's intended marketing orientation. There are three sub-components; a measure of executive support for a marketing-oriented approach to the business, a measure of the internal response to its charter, and the formal systems to support a marketing orientation (Kohli & Jaworski, 1990).

Supportive Leadership

The third component in our marketing orientation model focuses on supportive leadership behaviors (Koli & Jaworski, 1990; Lee, Willis & Amy, 2018). The supportive leadership construct closely parallels the employee empowerment leadership style. The three sub-components are asking for input, listening, and sharing information. While these are broader, the empowerment aspect of this leadership style is reflected in increasing organizational commitment (Lee et al., 2018)

Business Performance

The dependent variable of our model is "business performance," as measured by return on assets (ROA). Return on assets is the accepted measure of profitability for banks. A bank's assets are loans to individuals, businesses, other organizations, and its securities. Its liabilities are its deposits and the money it borrows from other banks or by selling commercial paper on the money market. When calculating the return on assets for a bank, consider that banks are highly leveraged, so a 1% ROA indicates significant profits.

The interesting trend is increasing profitability following the 2008 crisis leading to the Great Recession. This trend can partly be explained by the extended period of low-interest rate policies pursued by the U.S. Federal Reserve.

Business Performance Survey Average	2003-2005 Pre-Great Recession	2008-2010 Great Recession	2014-2016 Post Great Recession	2020 COVID July
Return on Assets	.9848%	.75457%	.9287%	1.1558%

Table 1: Business Performance Survey Averages

Moderating Variables

Moderating variables based on the regulatory environment and the economic macro-environment have been included in the marketing orientation model for this study.

Regulatory

The regulatory environment changed during the Great Recession. Thus, over the four study periods, bank regulations included an increased emphasis on reserves and the ability of individual banks to withstand regulatory "stress tests." This led to increased mergers and acquisitions of weaker institutions. From 2008 forward, new charters dwindled to single digits, and the total number of commercial banks declined from 7,086 in 2008 to 4,378 in 2020 (FDIC, 2023).

Economic

The dataset for this study consists of survey data of community bank presidents covering four unique economic periods to determine the presence and impact of a bank's marketing orientation and its relationship to business performance.

The Pre-Great Recession survey covers 2003 – 2005. This period illustrates a robust economy following the shocks of the 9/11 attack on the World Trade Center. It is characterized by a strong GDP growth rate, low inflation, a "normal" unemployment rate, and a "normal" 10-year U.S. Treasury yield.

The Great Recession survey covers 2008 – 2010. Economic performance was weak, as illustrated by a 2.7% GDP growth rate, a low inflation rate, and a modest decline in the 10-year U.S. treasury yield. Unemployment rose to 9.3% (U3).

The Post Great Recession survey covers 2014 – 2016. This period returns to optimistic times with a 5.3% unemployment rate (U3). However, the other key economic indicators have a mixed message. GDP growth was 2.1%, and low growth was the "new normal." Inflation was 1.0% prompting the Federal Reserve to express concern about reaching an inflation target of 2%.

Economic Measure	2003-2005 pre-Great Recession	2008-2010 Great Recession	2014-2016 post-Great Recession	2020 COVID-19
Unemployment – U3	5.60%	9.30%	5.30%	9.08
Unemployment – U6	9.60%	16.30%	10.70%	13.70%
GDP Growth Rate	6.40%	2.70%	2.10%	-2.8
Inflation Rate	2.60%	1.10%	1.00%	1.23
Labor Participation Rate	66.20%	64.70%	62.70%	61.40%
10-Year U.S. Treasury Yield	4.14%	3.21%	2.18%	0.96%

Source: FRED, St. Louis Federal Reserve

Table 2: Economic Measures - Four Study Periods

Our final survey covers the first COVID-19 year, including months of shutdowns and restricted economic activity. Two full quarters of declining GDP officially designated a recession period with an average GDP rate of -2.8%. Unemployment rose significantly to 9.03% (U3) and 13.7% (U6). Using technology to support a distance / at-home work environment prevented further unemployment.

Across the four time periods, there are two consistent downward trends. First is the continued decline in U.S. Treasury rates signaling caution about economic conditions. Second is the downward trend in the labor participation rate. Labor participation fell from 66.2% to 61.4%.

Methodology

Survey Design

The survey instrument consists of twenty (20) statements using a seven-point Likert scale asking for recipients' agreement with a statement related to the bank's approach to marketing. Marketing orientation questions were derived from Kohli, Jaworski, and Kumar's MARKOR instrument (1990). The survey also requested financial data corresponding with the bank' publicly disclosed financial information (total assets, total capital, profit after taxes). Appendix 1 contains a table listing each of the survey items as they are associated with specific components of the measurement model. This instrument was used with the same content and format for each of the four surveys (Sullivan, 2005)

Data Collection

Mailing lists were assembled from state banking association member lists for community banks in five Southeastern U.S. states. The survey was mailed to the bank president, accompanied by a cover letter from the principal researcher requesting a response. Follow-up letters requesting a response were sent four weeks after the first mailing. Response rates for each round are summarized below. Our relatively high response rate was because the cover letter from our principal researcher was from a former bank president.

Due to consolidations within the banking industry, the number of community banks surveyed declined. This trend is reflected nationally by the decline from 7,698 chartered banks in 2003 to 4,236 chartered banks in 2021 (FDIC, 2023).

Data Cleaning and Preparation

A data-cleaning process was applied to each of the four raw datasets from each survey. The first step was to address the issue of missing data in one of two forms: missing financial data or missing responses to survey items. The latter typically represented the items couched in the voice of the bank president, suggesting that the survey response was prepared by staff. Survey responses with missing data were removed, and the resulting dataset was saved for further preparation for analysis.

Survey Distribution and Response		2003-2005 Pre-Great Recession	2008-2010 Great Recession	2014-2016 Post Great Recession	2020 COVID
Number Surveys Mailed		926	695	620	541
Usable Survey Responses		165	60	166	85
Response Rate		17.82%	8.63%	26.77%	15.71%

Table 3: Survey Response Rate

Model Confirmation

Confirmatory Factor Analysis

Confirmatory factor analysis (CFA) was conducted using a subset of the 2020 survey data. The subset consisted of observations that included responses to all 20 questions. Any observation with missing data was removed before running the CFA.

The test confirmed a model with three components: supportive leadership, organizational support, and market focus. A chi-square test (CHMIN) supported the validity of the model (Factor model $X^2 = 293.957$, $df = 149$, $p < .001$). The goodness of fit indices supports a valid model. CFI values greater than 0.70 indicate an increasingly better fit. Similarly, GFI values greater than 0.95 indicate a better model fit. The number of variables in the model penalizes the RMSEA (0.107), suggesting the use of fewer variables in future models.

Index	Value
Comparative Fit Index (CFI)	0.752
Goodness of fit index (GFI)	0.982
Root mean square error of approximation (RMSEA)	0.107
RMSEA 90% CI lower bound	0.089
RMSEA 90% CI upper bound	0.125
CFIRMSEA p-value	1.317×10^{-6}

Table 4: Confirmatory Factor Analysis Fit Indices

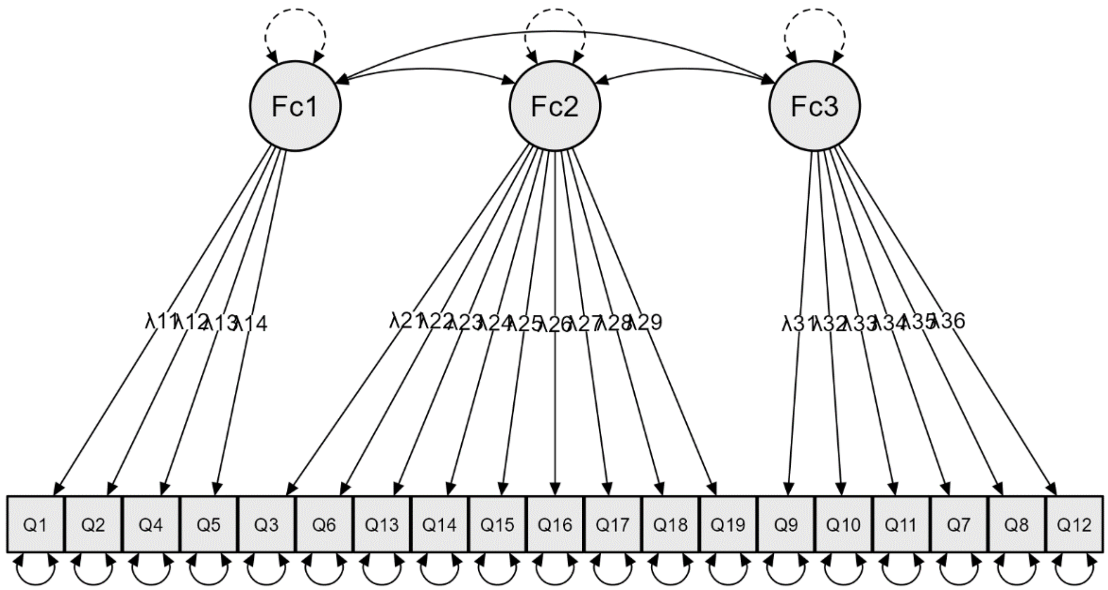
Factor Covariances

Covariance measures the degree of co-movement between two random variables. The table below summarizes our test results, supporting the premise that the respective components are independent measures. The result of this analysis shows a positive relationship between supportive leadership and market focus. Conversely, it also shows a negative relationship between organizational support, market focus, and supportive leadership.

						95% Interval	
			Estimate	**Std. Error**	**z-value**	**p**	**Lower**	**Upper**
Factor 1	↔	Factor 2	-0.589	0.124	-4.758	< .001	-0.831	-0.346
Factor 1	↔	Factor 3	0.555	0.132	4.198	< .001	0.296	0.815
Factor 2	↔	Factor 3	-0.587	0.091	-6.429	< .001	-0.766	-0.408

Factor 1 – Market Focus, Factor 2 – Organizational Support, Factor 3 – Supportive Leadership

Table 5: Factor Covariances



Factor 1 – Market Focus, Factor 2 – Organizational Support, Factor 3 – Supportive Leadership

Figure 4: Model Plot - Confirmatory Factor Analysis

The model plot output from confirmatory factor analysis ties each of the twenty survey items to a unique latent variable representing the three-component marketing orientation model.

Scale Scores for Latent Variables

To further our analysis of the latent variables in our model for marketing orientation, we computed scale scores for each of the first-order latent variables. Using the same base of responses to our 20-item surveys, we computed second-order scale scores for the three main constructs: market focus, organizational support, and supportive leadership. Scales scores reflecting the mean for each latent variable provide a ready way of relating the results to the model and its representation of attitudes and behaviors. We repeated this process for each of the four datasets to understand the continuance or change in attitudes and behaviors between the four economic periods (DeVellis, 2012).

The Likert scale values for survey responses in each period were summarized into a mean score for each latent variable in the measurement model. The number of survey items is noted for each latent variable in Table 10. Text for each item is documented in Appendix 1 of this report. The model also calls for a second order of latent variables (Table 8). The number of first-order variables used to calculate second-order variables are noted as “items.”

First Order Latent Variables	Items	2003-2005	2008-2010	2014-2016	2020
Competitor Focus	2	4.83	4.56	4.61	4.51
Customer Focus	2	4.90	4.53	4.77	4.96
Asking for Input	2	5.71	5.39	5.72	5.77
Listening	2	5.85	5.83	5.99	6.02
Sharing	2	5.51	5.24	5.59	5.61
Interfunctional Discipline	2	4.83	4.65	5.72	4.99
Executive Support	4	5.22	5.10	5.62	5.02
Marketing Planning	4	4.35	3.96	4.55	4.29

Table 6: First-Order Latent Variable Scale Scores

Second-Order Latent Variables	Items	2003-2005	2008-2010	2014-2016	2020
Market Focus	4	4.87	4.55	4.69	4.74
Supportive Leadership	6	5.69	5.49	5.77	5.80
Organizational Support	10	4.80	4.57	5.30	4.77

Table 7: Second-Order Latent Variable Scale Scores

Research Questions

Narver and Salter (1990) identified three internal components of the marketing orientation construct. These are the external focus (customer and competitors), organizational support, and leadership support for implementing a marketing orientation. The underlying internal support systems are reflected in a formal system for marketing planning, communications advancing the marketing orientation strategy, and the internal coordination and inter-functional discipline in strategy execution. The research questions for this study focus on three key issues when examining marketing orientation across the four economic periods.

Does the Scale Score Approach Measure Marketing Orientation?

The underlying issue using a scale score approach is whether the components measure different aspects of the construct. For this study, we have taken a simplified approach using analysis of variance (ANOVA) to test the following hypotheses.

> H_0: There are no differences between scale scores for each of the three components of the marketing orientation construct in our model.
>
> H_1: There are statistically significant differences in scale scores for the three components indicating that each component individually contributes to measuring the construct.

The ANOVA for this test focused on the differences between scores by marketing orientation component. We reject the null ($F = 25.0149$, F crit $= 4.2565$, $p = 0.000211$) and find support for the alternative hypothesis that the three model components measure different aspects of the marketing orientation construct.

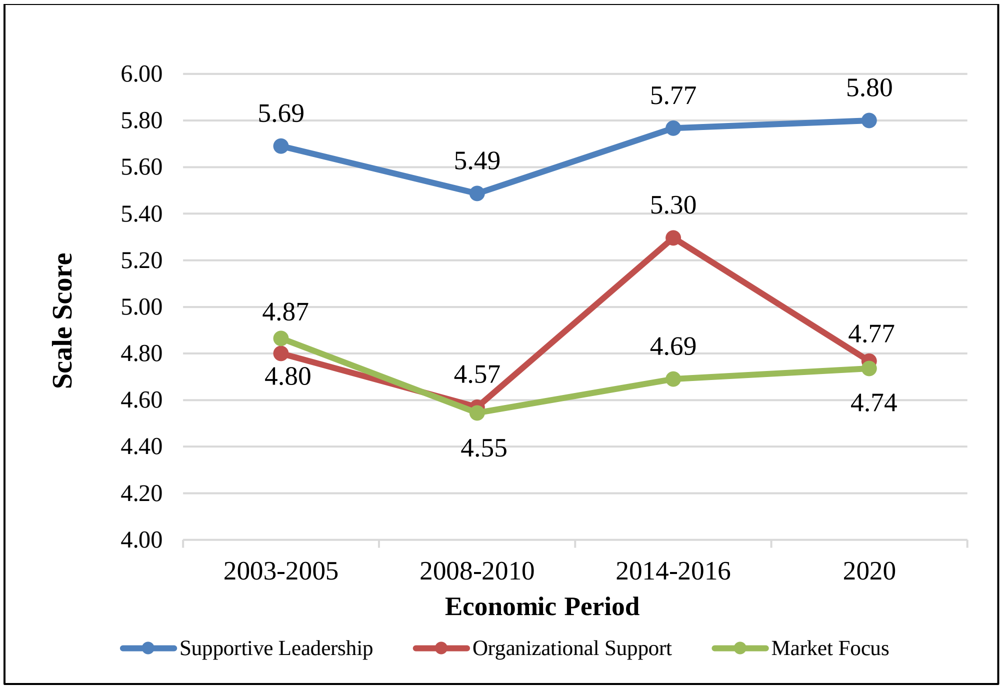


Figure 5: Marketing Orientation Component Scale Scores

Figure 5 displays scores over the four periods with an upward trend in supportive leadership and market focus in the 2008 – 2010 Great Recession period. Organizational support peaks in the 2014-2016 period emphasizing implementation across the organization in the post-recession.

Do Marketing Orientation Scores Change Across Economic Periods?

In this analysis, we examine the distribution of marketing orientation scores within each survey and compare the distributions to determine whether there is any statistically significant difference. The frequency distribution of the scale score for each economic period was prepared to prepare this portion of the analysis.

H_0: There are no differences in the expected distribution of marketing orientation scale scores across the four economic periods.

H_2: There are statistically significant differences in the distribution of marketing orientation scale scores across the four economic periods.

Table 8 summarizes a count of marketing orientation scale scores by score within each survey period. We conducted a Pearson's chi-square test for goodness-of-fit and determined that the survey data was consistent with expected values. When we exclude the four rows for cells that fall under a count of 5, we end up with 5 degrees of freedom, using a .05 alpha; our critical value is 16.9293. The chi-square test statistic is 21.98.13, and the p-value is 0.0089. Therefore, we support the alternative hypothesis that statistically significant differences exist between the actual and expected distribution of scores among the four periods. This finding is consistent with the visualization presented in Figure 5 that period-by-period, there are statistically significant differences in the component scale scores in response to changing economic conditions.

Score	2003-2005	2008-2010	2014-2016	2020	Totals
1	0	0	0	0	0
2	0	0	0	0	0
3	1	1	0	1	3
4	7	4	6	3	20
5	58	29	61	35	183
6	87	22	88	38	235
7	12	4	11	8	35
Totals	165	60	166	85	476

Table 8: Distribution of Marketing Orientation Scale Scores by Period

Score	2003-2005	2008-2010	2014-2016	2020	Totals
1	0.00%	0.00%	0.00%	0.00%	0.00%
2	0.00%	0.00%	0.00%	0.00%	0.00%
3	0.61%	1.67%	0.00%	1.18%	0.63%
4	4.24%	6.67%	3.61%	3.53%	4.20%
5	35.15%	48.33%	36.75%	41.18%	38.45%
6	52.73%	36.67%	53.01%	44.71%	49.37%
7	7.27%	6.67%	6.63%	9.41%	7.35%
Totals	100.00%	100.00%	100.00%	100.00%	100%

Table 9: Percentage Distribution of Marketing Orientation Scores

Table 9 contains the score counts as a percentage of the total observations. Using the counts in Table 8, this table illustrates the relative emphasis of the survey respondents on pursuing a marketing orientation. Across the four economic periods, there is a consistently heavy emphasis on scale scores of 5 and 6, which represents a response of “a considerable extent” (5) or a “great extent” (6). We conclude that an average of 87.82% of respondents believe their respective bank has adopted a moderate to moderately high degree of marketing orientation.

Do Changes in Economic Conditions Change Emphasis on Market Orientation?

Using the economic measures (see Table 2: Economic Measures), the data suggest significant variation in the key indicators across the four study periods. Change in the key indicators also suggests changes in market conditions and subsequent perceived risk for depositors and borrowers. Given the volatility of the external environment, will banks alter their market orientation strategy?

H_0: Measures of marketing orientation are not correlated with economic measures. Banks do not alter their marketing orientation in response to changes in economic conditions.

H_3: Measures of marketing orientation are highly correlated with economic measures. Banks their marketing orientation in response to changes in economic conditions.

A correlation analysis shows only one correlation value between marketing orientation and one of the economic measures meeting the 0.70 thresholds for a strong relationship. In this case, market orientation goes down as unemployment (U6) increases. There is a low to moderate relationship with the labor participation rate. All other relationships are very weak (less than 0.1).

Variable Labels	*Marketing Orientation*	*Unemploymen t – U3*	*Unemploymen t – U6*	*GDP Growth Rate*	*Inflation Rate*	*Labor Participation Rate*	*10-Year U.S. Treasury Yield*
Marketing Orientation	1						
Unemployment – U3	0.064	1					
Unemployment – U6	-0.831	0.2515	1				
GDP Growth Rate	-0.067	-1	-0.254	1			
Inflation Rate	0.0693	0.9999	0.2409	-1	1		
Labor Participation Rate	-0.331	-0.737	-0.229	0.7457	-0.731	1	
10-Year U.S. Treasury Yiel	-0.27	-0.81	-0.271	0.8177	-0.804	0.9928	1

Table 10:Marketing Orientation - Economic Measures Correlations

To get another perspective, we analyzed variance (ANOVA) comparing the means of the marketing orientation component scores in the four economic periods on the premise that changes in the general economic environment might result in changes in the marketing orientation (see Table 11). While this is not a direct relationship with one or more economic indicators, we believe the test has merit as it is based on survey data conducted in each period. Based on the F test, we find no support for the hypothesis that there is a difference in means among the four periods (F = 0. 0.7028, F crit = 2.9467, p = 0.5584). A similar result was obtained by ANOVA comparing scores for the eleven (11) first-order latent variables that comprise the marketing orientation model (F = 1.0569, F crit = 2.8387, p = 0.3781). We can conclude that the market orientation scores are stable under multiple economic conditions.

Market Orientation and Financial Performance

Marketing orientation literature suggests that focusing on customer needs leads to increased profitability. Our study questions whether there is a relationship between marketing orientation and the bank's financial performance. Is there any relationship between a bank's marketing orientation and bank performance across the four economic periods of this study?

> H_0: There is no measurable relationship between the bank's marketing orientation scores and its reported return on assets. Increased investments into a marketing orientation strategy will not increase the bank's return on assets.
>
> H_4: A measurable relationship exists between the bank's marketing orientation scores and its reported return on assets. Therefore, banks should expect to increase return on assets as the bank increases investments into a marketing orientation strategy.

We test this hypothesis using regression analysis to explore the relationship of marketing orientation with the bank's return on assets. As each survey reflected different sample sizes, separate regression analyses were conducted on the four datasets using "return on assets" as the independent variable and "marketing orientation" as the dependent variable.

	2003-2005	2011-2012	2013-2016	2020-2021
Regression Statistics				
Multiple R	0.0558	0.0736	0.0817	0.1336
R Square	0.0031	0.0054	0.0067	0.0178
Adjusted R Square	-0.0030	-0.0117	0.0001	0.0060
Standard Error	0.0044	0.0045	0.2497	0.0166
Observations	165	60	152	85
F-statistic	0.5090	0.3157	1.0085	1.5081
F-significance	0.4766	0.5763	0.3169	0.2229

Table 11: Regression Statistics - Market Orientation and ROA

In summary, the individual regression tests failed to find a statistically significant relationship between the bank's marketing orientation and its return on assets. This finding is consistent across all four economic periods. While banks may pursue a marketing orientation, banks' financial performance as measured by return on assets has no significant relationship to the level of attention given to a marketing orientation strategy. Similarly, there is no significant difference in the relationship between a bank's marketing orientation and a bank's return on assets when viewed from the perspective of four different economic conditions.

Additional testing suggests that "size matters." Regression of the 2020 bank data set using marketing orientation and reported profit dollars to support an alternative hypothesis establishing a relationship between these two variables. We found support for an alternative hypothesis that as profit dollars increase, the bank's marketing orientation scores will likely increase. If ROA remains relatively stable across the dataset, increased profits usually are related to increased size. This finding suggests additional research to establish a relationship between size and marketing orientation.

Regression Statistics	
Multiple R	0.235135891
R Square	0.055288887
Adjusted R Square	0.043625787
Standard Error	0.919474982
Observations	83
F -statistic	4.740496659
F -significance	0.032370838

Table 12: Regression Statistics - Market Orientation and Profit $

Discussion

Does our model measure marketing orientation?

Our first test was to determine the viability of our marketing orientation model and its components. We found statistically significant differences in scale scores for the three components indicating that each component individually contributes to measuring the marketing orientation construct. Confirmatory factor analysis resulted in a CFI = 0.752 and a GFI = 0.982. This set of findings supports using our model and model components for measuring marketing orientation in the remainder of the study.

Does marketing orientation change as economic conditions change?

We conducted surveys across significantly different economic periods, including the 2008-2009 Great Recession and the COVID-19 quarantine periods. We expected to find significant differences in the marketing orientation scores across the four periods. The test for analysis of variance between periods and a chi-square analysis of the component scores supported this hypothesis. Therefore, we conclude there are statistically significant differences in the expected distribution of marketing orientation scale scores across the four economic periods. However, the differences do not appear to significantly impact business performance.

Further analysis of the individual model component level results suggests that the overall focus on marketing orientation remained relatively stable throughout the four periods. However, the marketing tactics would change in response to consumer expectations and market conditions. We submit that meeting consumer expectations and providing a suitable product and service remains a constant objective as market conditions change. We noted the significant technological changes and their impact on consumer behaviors over the two decades. We concluded that community banks have adapted to technological changes and consumer expectations across each economic period.

Does marketing orientation impact return on assets?

Narver and Slater (1990) posit that a firm that adopts a marketing orientation will increase business profitability. Their study focused on businesses in both commodity and non-commodity industry sectors. Slater and Narver (1994) put increasing focus on market awareness and customer focus as a path to improved business performance.

Given the level of competition within the banking sector, we expected a moderate to strong relationship between a bank's marketing orientation and profitability. A study using our model's "customer focus" sub-component suggested that as customer focus increased, profitability also increased until a certain point when profitability dropped precipitously (Dokic, Fitzgerald & Sullivan, 2011).

Using the broader marketing orientation model outlined in this study, we tested for a similar relationship between marketing orientation and business performance. Given the highly leveraged nature of banking, we use the firm's return on assets and a more accurate measure of the bank's ability to generate profit from its principal asset… loans.

We found no measurable relationship between the bank's marketing orientation scores and its reported return on assets. While this may suggest that investments into a marketing orientation strategy will not increase the bank's return on assets, we respectfully point out that the marketing orientation scale scores of the surveyed banks remained heavily tilted to a strong marketing orientation across all four economic periods.

Areas for Further Research

Stability in the key measure of business performance (return on assets) suggests that highly regulated industries may be less impacted by significant changes in the economic environment. When coupled with the emphasis on marketing orientation across the four investigation periods, firms try to continue listening to customers and gauging market trends. Over the period, disruptive technology in the form of Internet banking has grown significantly. As noted in the FDIC Community Banking Survey (2020), this trend altered the allocation of resources from bricks-and-mortar/face-to-face retail banking behaviors to offering competitive online banking capabilities.

However, the average return on assets remains relatively constant across the timeline. A deeper dive into the decisions and behaviors at each juncture of the study periods might give us insight into the decision to resource allocation decisions, implementation of Internet banking technologies, and efforts to maximize returns (e.g., shedding high-maintenance customers).

As noted, there was a decline in the number of community banks over the study periods. This subject deserves further investigation. Was this a result of regulatory measures or consolidation within community banking? What is behind the decision to either close or merge with another bank? Is there a pattern to the conditions that lead to a decision to consolidate with another institution?

While the survey instrument is unique to the banking industry, research opportunities exist to examine results garnered from a marketing orientation in various industries. The survey instrument was a simplified version of the MARKOR measure of marketing orientation. The instrument can be easily adapted to different industries (Kohli, Jaworski, & Kumar, 1993). We see variations in marketing tactics in our data. However, additional research is needed to understand how marketing tactics interact within the banking and other industries.

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Appendix 1
Survey Instrument Items

Market Focus		**Customer Focus**
	3	Our top manages from every function visit our current and prospective customers.
	6	All our managers understand how everyone in our bank can contribute to creating customer value.
		Competitor Focus
	1	We regularly share information concerning competitor's strategies
	2	We rapidly respond to competitive actions that threaten us.
Supportive Leadership		**Sharing Information**
	9	I explain to the bank's employees why I have taken various courses of action.
	10	I keep the bank's employees informed about what is happening in the organization
		Asking for Input
	7	I check with the banks's employees to see if they have any concerns we need to discuss
	10	I encourage the fee flow of ideas.
		Listening
	8	I pay attention to the concerns that the bank's employees try to express
	12	I take time to listen to the bank's employee's questions and problems.
Organizational Support		**Management's Support for Market Planning**
	13	I repeatedly tell the bank's employees that this bank's survival depends on the bank adapting to market trends.
	14	I often tell the bank's employees to be sensitive to the activities of our competitors.
	15	I keep telling the bank's employees that they must gear up now to meet customers' future needs.
	16	I tell the bank's employees that serving customers is the most important thing our bank does.
		Marketing Planning Focus
	3	To what extent does your bank use a formalized marketing planning process?
	6	To what extent were the objectives of the marketing planning cycle explicitly addressed?
		Marketing Planning Implementation
	17	To what extent does your bank use a formalized marketing planning process?
	18	To what extent were the objectives of the marketing planning cycle explicitly addressed?
	19	To what extent to people in different functions, which have to work together, do their job efficiently without getting in each other's way?
	20	To what extent was the input of all employees in marketing planning encouraged?