International Journal of Public Administration (IJOPAD)

2 (2) August, 2023 p-ISSN: 2617-129X; e-ISSN: 1115-7119

Available online at: https://ijopad.org.ng

Horizontal Merger and Effectiveness of Firms in the Brewery Industry in South- South Nigeria

Ezeanyanike, Phoebe Anurika

Department of Office Technology and Management, Federal Polytechnic, Oko, Anambra state, Nigeria

Corresponding Author's email: phoebeanurika@gmail.com

Abstract

This study explored horizontal merger and effectiveness of firms in the brewery industry in South-South Nigeria. The aim of the study was to determine the relationship between horizontal merger and effectiveness (productivity, market share and customer retention) of firms in the brewery industry in South-South Nigeria. Three research questions and hypotheses were developed to address the objectives of the study. The study adopted the survey research design. The population of the study consisted of 151 managers of the registered beverage companies in South-South Nigeria. The census sampling technique was adopted where all the members of the population were used as the sample size for the study. A structured questionnaire was used as the main instrument for data collection. The data collected were analyzed statistically using (SPSS) while the hypotheses were tested using Pearson Correlation Coefficient (r). The bivariate analysis was performed with the aid of the SPSS 23 version. The findings revealed that horizontal merger has a significant relationship with productivity of firms in the brewery industry in South-South Nigeria. The study also found a significant relationship between horizontal merger and market share of firms in the brewery industry in South-South Nigeria. The study also discovered a significant relationship between horizontal merger and customer retention of firms in the brewery industry in South-South Nigeria. Based on these findings, it was concluded that horizontal merger significantly enhance the effectiveness of brewery firms in terms of increasing their productivity, market share and customer retention. Based on these findings and conclusion, it was recommended that brewery companies in South-South Nigeria should embrace horizontal merger as it would enhance their effectiveness in terms of increasing their productivity, market share, and customer retention.

Keywords: Horizontal merger, effectiveness, productivity, market share, customer retention.

Citation of article: Ezeanyanike, P. A (2023).Horizontal Merger and Effectiveness of Firms in the Brewery Industry in South- South Nigeria. *International Journal of Public administration (IJOPAD),* 2(2): 141-170.
Date submitted:27/06/2023 **Date accepted:** August 22, 2023 **Date published**: August 2023

International Journal of Public Administration (IJOPAD) Copy Right: © Author (s)
2 (2) August, 2023 p-ISSN: 2617-129X; e-ISSN: 1115-7119
Available online at: https://ijopad.org.ng

1.1 Background of the Study

The unpredictability of the business environment and the unequal distribution of resources such as financial, human and technological resources have made it imperative for business firms in the same industry to consider merger in the business strategy. Horizontal merger is the coming together of two or more companies of similar size in the same line of business to form a new entity (Dinc &Erel, 2010).Stankova, P., Papadaki, S. & Dvorsky, J. (2018) defined horizontal merger as a business strategy whereby two or more firms in the same industry are consolidated into one corporate body.Firms merge with their competitors when there is need for it.The motivation behind horizontal mergers is to create synergies which can be financial synergies, operational synergies or managerial synergies (Ngaru, 2016). For instance, when one house corporation has excess cash while another corporation is in need of cash to finance its activities or investments, the merger would result in an internal capital market, lower interest expenses and more efficiency (Delens, in Ngaru, 2005).

Horizontal merger has become a popular strategy for companies operating in a dynamic and resource constrained environment. A good number of companies have embraced horizontal mergers as a way of achieving organizational effectiveness. A typical example of companies that have adopted horizontal merger strategy are Chevron and Texaco, two separate oil companies of similar size that merged in 2001 to form a new company known as "Chevron-Texaco Nigeria Limited." Exxon and Mobil is another good example of companies that implement horizontal merger strategy as the two companies that merged in 1999 to form a single entity with the name "Exxon Mobil Nigeria Limited." In 2011, Nigerian Breweries merged with Consolidated

Breweries, bringing its brand portfolio to 19 brands. Companies that merger horizontally do so because they understand the power of merger in achieving organizational effectiveness.

Horizontal merger can be used by firms to gain a competitive advantage in the market. Porter (2009) stated that firms that merged horizontally would gain two types of competitive advantage in the market namely; cost advantage and differentiation advantage. According to Porter (2009), these two competitive advantages help to position the firms in its industry as market leaders in both cost and product differentiation. Porter (2009) further explained that merged firm would gain cost advantage if it is able to provide the same benefits which its competitors delivered but certainly at a lowest possible cost while differentiation advantage arise if the firm delivers benefits that surpass or exceed those of its competitors. However, Chatizkel (2009) believed that merged firm gains a competitive advantage in the market because it creates superior value for its customers and increase profitability.

Obviously, merged firms operate more efficiently than two separate firms because they achieve operating efficiency in different ways through merger (Gibbs, in Ngaru, 2016). Sheen (2014) argued that when firms merge, overhead costs are bound to reduce and the merged firm will improve operational efficiency since there is a sharing of facilities such as machinery, computer facilities, staff and top management, and central facility like corporate headquarters. By adopting a horizontally merger strategy, the merged firm obtains a competitive advantage which fundamentally grows out of value created for its esteem customers (Porter, 2002). Porter (1980) noted that merged firms invest in efficient scale services which help them to drive cost lower. Kimando (2012) stated that merged firm that wants to improve its competitiveness by reducing cost should focus on maintaining efficiency in all activities so as to minimize expenses and achieve cost reduction.

Horizontal mergers is considered as a strategic tool to achieve organizational effectiveness. This strategy is more suitable for companies that compete in a growing industry where competitors lack the skills, expertise and technologies needed to get the desired results on their own (Ngaru, 2016). Amir (2009) noted that a company that adopts horizontal merger is more likely to enjoy greater economies of scale and increasing its market share. In order to achieve organizational effectiveness, a company needs merger with its rivals so as to reduce the number of competitors in the industry. Once fewer competitors operate in the industry, it will reduce the level of intensity in rivalry, and the company will gain more access to new market and achieve organizational effectiveness. It is against this backdrop that this study examines the relationship between horizontal mergers and organizational effectiveness in the brewery industry in South-South Nigeria.

Given the dynamic nature of the environment and the limited room for pricing actions, some brewery companies have been compelled to improve their efficiency across their supply chain, increase their economies of scale and market share and achieve organizational effectiveness through horizontal mergers. For instance, in 2011, Nigerian Breweries merged with Consolidated Breweries, bringing its brand portfolio to 19. However, ever since these companies embraced horizontal merger, it is still not clear whether this strategy has yielded the desired result of achieving organizational effectiveness. Some empirical studies(e.g.Harris et al, 2000; Babu, 2009;Indhumathi, 2011; Mwapaga et al, 2019) have been conducted on horizontal merger of business firms. However, most of these studies relate horizontal mergers to firm performance while studies that examined the relationship between horizontal merger and effectiveness of firms in the brewery industry in South-South Nigeria are limited.

1.2 Objectives of the Study

The main objective of this study is to examine the relationship between horizontal merger and effectiveness of firms in the brewery industry in South-South Nigeria. Other specific objectives are to:

1. determine the relationship between horizontal merger and productivity of firms in brewery industry;
2. ascertain the relationship between horizontal merger and market share of firms in brewery industry;
3. determine the relationship between horizontal merger and customer retention of firms in brewery industry.

1.3 Research Questions

In order to address the objectives of this study, the following research questions are raised:

1. To what extent does horizontal merger contribute to productivity of firms in brewery industry?
2. What is the relationship between horizontal merger and market share of firms in brewery industry?
3. To what extent does horizontal merger relate to customer retention of firms in brewery industry?

1.4 Hypotheses

The following hypotheses are formulated to guide this study:

Ho_1: Horizontal merger is not significantly related to productivity of firms in brewery industry.

Ho_2: There is no significant relationship between horizontal merger and market share of firms in brewery industry.

Ho_3: There is no significant relationship between horizontal merger and customer retention of firms in brewery industry.

1.5 Scope of the Study

This study focuses on horizontal merger and effectiveness of firms(productivity, market share and customer retention). Geographically, the study was limited to firms in the brewery industry in the South-South Geopolitical Zone of Nigeria. The unit scope was made up of managers of the brewery firms in the South-South Geopolitical Zone of Nigeria.

1.6Significance of the Study

This study is highly significant in the sense that it would serve useful purpose to different categories of persons and organizations. First, the study would be useful to companies in the Nigerian brewery industry especially those that are yet to merge with other companies in their industry as it would sensitize them on how horizontal mergers can help to achieve organizational effectiveness. This study would also broaden the knowledge of top executives on how horizontal mergers facilitate higher productivity, increase market share and customer retention of their company. This study will be relevant to prospective investors who may wish to establish brewery companies in Nigeria as it would sensitize them on the importance of horizontal mergers in achieving organizational effectiveness. The study will also enlighten such investors on how horizontal mergers can help to increase the productivity, market share and customer retention of a company. Students, authors, researchers and academic consultants in the educational sector particularly those who may be interested in carrying out further research on horizontal mergers and organizational effectiveness or any other related topic will find this study relevant as it will serve as a good reference material for their studies. Most importantly, the study will contribute to the existing knowledge on horizontal mergers and organizational effectiveness and fill the gap that exists in literature.

REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

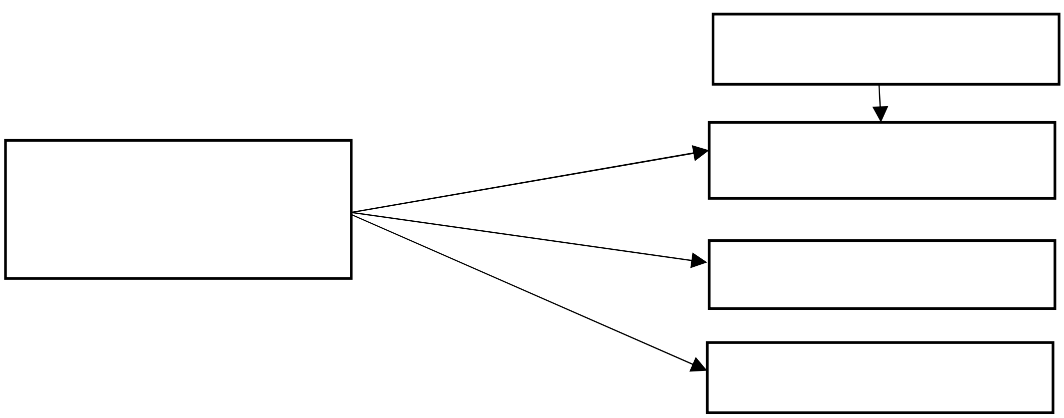

Fig 1: Operational Conceptual Framework

Source: Researcher's Operationalization, 2023.

2.1.1 Concept of Horizontal Merger

Horizontal merger is the coming together of two or more companies of similar size in the same line of business to form a new entity(Alao, 2010). Dinc and Erel in Ngaru (2016) defined horizontal merger as the joining of two similar sizes, independent companies to make a joint entity. It is any amalgamation of two or more companies to form one corporate body (Bovee, 2001). Coyle in Ngaru (2016) described horizontal merger as the coming together of two companies of roughly equal size, pooling their resources together to establish a single new business venture.

Horizontal merger is facilitated by four potential value-creating drivers namely; exploiting economies of scope, increasing market power, stretching corporate management competence and gaining superior internal processes (Lichtenthler in Millenaar, 2016). By exploiting economies of scope, it means increasing efficiency by employing existing resources and capabilities to new markets. This occurs in organization whose resources, capabilities and competencies are under-utilized. By merging horizontally, it enables the organization to exploit and effectively utilize resources, capabilities and competencies to other activities. Reddy in Ngaru (2016) posited that economies of scale relates to the average cost per unit of producing goods and services. He explains that if the unit cost of production falls as the level of production increases, an economy of scale exists. However, by increasing market power, it means gaining competitive advantage in the market. When a company mergers horizontally, it becomes operational in diverse markets and this increases its market power in terms of competing favourably in the market (Van de Voorde & Vanelslander, 2009).

Stretching the competencies of corporate management involves utilizing the skills and talents of merging companies (Lichtenthaler, 2005). Lichtenthler in Millenaar (2016) argued that the skills of talented management can be used to implement new activities. The idea behind this is that management competencies are stretched among the activities in the portfolio and fully utilized. When it comes to gaining superior internal processes, it means improving the internal processes within a company to make it more efficient than the frequently used external processes in a perfect and open market. This implies that when the capital or labour markets in developing countries are not able to meet demand, horizontally merged firms can utilize their own internal process and cope with this shortfall in external processes (Lichtenthaler, 2005). Lichtenthler in Millenaar (2016) noted that a well-organized horizontally integrated firms possess the ability to mobilize assets, retrain employees and shift managers. Scott Morton (2002) posited that horizontal mergers enable firms to put their assets, competencies and capabilities together and these resources complement each other to produce combined surplus of benefits. Scott Morton in Millenaar (2016) stated that the effect of combined activities is much greater than the effect of the sum of two activities performed separately.

2.1.2 Concept of Organizational Effectiveness

Organizational effectiveness refers to how effective an organization is in achieving its goals and objectives (Mitchell, 2012).Every manager strives to achieve organizational effectiveness. In fact, achieving organizational effectiveness is the primary objective of every managers and organizations. The idea of organizational effectiveness is important for all organizations be it private or public organization, small, medium or large organization. Kepes (2009) noted that an organization's effectiveness is dependent on its communicative competence and ethics. The relationship between these three is simultaneous. Ethics is a foundation found within organizational effectiveness. An organization must exemplify respect, honesty, integrity and equity to allow communicative competence with the participating member. Along with ethics and communicative competence, members in that particular group can finally achieve their intended goals. Baker and Branch (2000) pointed out that effectiveness is an organization dynamic that haunts managers. They further noted that the concept of organizational effectiveness is hidden within the cloak of more popularized notions such as total quality management (TQM), continuous quality improvement and organizational efficiency. (Mitchell, (2012) posited that organizational effectiveness is the concept of how effective an organization is in achieving the outcomes the organization intends to produce.

Organizational effectiveness can be achieved by creating a unique product so that the market can perceived the company's product as being superior to other firms offering similar products (M'kuma, 2015). For a business to achieve its goals in a competitive market, the firm must create superior value that customers cannot find elsewhere. According to Somuyiwa and Mcilt (2012), a firm can achieve organizational effectiveness by creating value or products that are superior to their competitors' offerings. This includes improving the quality of its product and attaching a lower price to it. Antonova (2014) stated that a firm's survival results from providing greater value at a lower price. Kireru, et al (2016) argued that a firm that is determined to achieve organizational effectiveness must create a unique product that its competitors cannot easily imitate. Such firm need to create something that is difficult to find elsewhere, something of superior value and at a lower cost. This helps to establish a defensive position over its rivals in the same industry.

2.1.3 Measures of Organizational Effectiveness

Organizational effectiveness can be measured using various criteria. However, in this study, organizational effectiveness is measured using productivity, market share and customer retention.

2.1.3.1 Productivity

Organizational productivity is the ratio of total output to total input which shows how well the organization is doing at a particular point in time (Gamage, 2015).Bloom and Reenen (2010) defined organizational productivity as the relationship between output of goods and services of an organization and input of resources (human, technological, financial and material resources) employed in the process of production. If the inputs invested are equivalent to the outputs, the organization is said to be productive. The overall productivity of an organization is a function of the individual employee productivity. If the employees in an organization are productive, the organization is more likely to accomplish more in a given period of time (Nawaz & Nawaz, 2012). On the other hand, when employees are unproductive, they will take much time to complete their task and the organization will accomplish less despite the huge resources (input) invested in the project (Nawaz & Nawaz, 2012). Therefore, it is important for an organization to have productive workers in order to increase its productivity. Gamage (2015) stated that when an organization possess productive workers, there is a possibility for the organization to increase its productivity and profitability. Okoye and Ezejiofor (2013) added that productive employees make an organization to grow and prosper; they are always the brain behind the success of the organization.

2.1.3.2 Market Share

According to Kotler and Armstrong (2004), market share is the percentage or proportion of the total available market or market segment that is being served by a company. Companies generally want to grow their market share from year to year. Market share growth is the increase in the portion of the market captured by a company from year to year (McKelvie & Wiklund, 2010). A company's market share can be calculated by taking into consideration the total sales of the company over a period of time and the industry's total sales for the same period (Parmenter, 2009). Huynh and Petrunia (2010) agreed that market share growth enables a company to attain greater scale of operations and increase its profitability. A higher market share means more sales for the company, lesser effort to sell more products and a strong discouragement to competitors who are planning to enter the industry. Every company wants to increase their market share since it is a sure way to maximize profit. To increase market share means that a company has to put in more efforts to grow its sales (Brudan, 2010). Woodburn (2004) stated that a company can increase its market share by embracing innovation, strengthening its relationship with its existing customers and acquiring competing firms.

2.1.3.3 Customer Retention

Customer retention is the activity in which an organization reduces customer defection and continues with the customers throughout the entire lifetime of a business relationship (Malla, 2014).Stone in Kagendo (2015) defined customer retention as customers' stated continuation of a business relationship with an organization. He further explained that customer retention is a practice whereby an organization maintains its customers by creating a need and satisfying them consistently. The main aspect of customer retention is the emotions evoked by the customer experience combined with the organization's strong reputation. Without the emotional bond, customer retention will be impossible (Magatef & Tomalieh, 2015). Hence, organizations need to take proactive steps to retain their customers and prevent them from switching to their rivals. When customers switched from one service provider to another, it becomes difficult for the affected organization to maximize profit and survive. Ginn et al (2010) stated that a well-designed customer retention program tends to answer the basic questions: what are the expectations of customers and what action can be taken to meet them? However, Malla (2014) opined that customer retention is more than giving the customer what they are expecting; it is about exceeding their expectations so that they become loyal customers to the brand.

2.1.4 Horizontal Mergers and Effectiveness of Firms

The relationship between horizontal mergers and effectiveness of firms is well discussed in literature. According to Sudarsanam (2010), horizontal mergers have the potentials of achieving organizational effectiveness. The author explains that horizontal merger enables firms to achieve organizational effectiveness through expansion of economies of scale, higher productivity, cost reduction, increased sales and higher profitability. Zarandi (2014) noted that merged firm stands a better chance of achieving organizational effectiveness because its total costs will be reduced when production is moved from one plant to another. It is assumed that both plants are working after merger and they are producing the same product, and the merged firm decides to move outputs of both plants so as to create equal marginal costs. If there is a lower marginal costs for one plant at all output levels and the other plant has high marginal costs, the firm is expected to shut down the plant that is inefficient and move all its output to the efficient plant. It is inefficient if there is a higher marginal costs at one plant, hence moving all output (production) from the inefficient plant to the efficient plant will reduce the total costs spent in producing output.

Horizontal merger is seen as a viable option for achieving organizational effectiveness. According to Thompson (2008), horizontal mergers provide a brighter chance for organizations to achieve effectiveness since it saves costs, increases productivity, sales and profit margin. This cost reduction occurs due to expansion of economies of scale, expansion of economies of scope and decrease in per unit costs. Gaughan (2007) believed that horizontal mergers can lead to organizational effectiveness because the merged firm will benefit from talented management, specialization of labour, expertise, technology and more efficient utilization of input resources such as machinery, equipment, etc. These gains may not be achieved at low level of output. For example, a higher price will be charged on inputs for a small beer producer because he buys inputs in small batches while a lower price will be charged on these same input for larger companies because they buy these inputs in bulks. Thus, if a small beer manufacturer produces a few hundred beers of a particular brand, the manufacturer must have to use more of labour intensive and less of automated system than larger firms that employ 15 persons to produce hundreds of thousands of beer of a particular brand. This means that there is a high cost associated with low production and labour intensive, and less with high production runs with capital intensive production technique.

Hence, companies merge to take advantage of larger volume of production (higher productivity/ output) to lower costs, maximize and achieve organizational effectiveness. Cummins (2010) opined that companies can achieve organizational effectiveness if they expand their economies of scope through horizontal integration. According to him, economies of scope occurs when there is a lesser cost to produce two lines of product in one single company than when two companies separately manufacture a product. Since merger requires two companies to pool their assets and resources together for production activities, the merging firm will use these resources into the most productive way. Delens (2005) stated that proper coordination of inputs and activities leads to the expansion of economies of scope rather than redistributing output from one firm to another. He explains that two competing firms that have their own distribution and marketing departments can merge and jointly coordinate these activities to reduce costs and maximize profit. Apart from the expansion of economies of scope, joint coordination of these activities will lead to organizational efficiency.

2.2 Theoretical Framework

This study is anchored on the integration theory which was developed by Milan in 1943. The integration theory states that transnational cooperation is highly required in order to resolve common problems. Milan (1943) emphasized the need for ramification which is the likelihood that cooperation in one sector would lead government extending the range of collaboration across other sectors. Milan explained that as states become more embedded in an integration process, the cost of withdrawing from cooperative ventures increases. The integration theory emphasized that a firm that wants to integrate with other similar firm must first of all undertake organizational restructuring to establish stability of partnership. It is on this note that Woodrow Wilson in Wyatt et al (2018) opined that firms will make competition less likely and intensive if they integrate horizontally. In line with this idea, it should be recalled that integration strives well in sectors where there is huge capital investment.

Integration theory promotes free trade and cooperation. According to Schiff (2003), free trade is a policy in international markets in which government does not restrict imports or export. Free trade is exemplified by European Union, European Economic Area and North American Free Trade Agreement which has established open markets. Free trade is the core idea of the 19th century liberalism which brought mutual benefit even though in some cases trade can be exploitative in nature, as exemplified by Rodney in the case of European Colonist and African chiefs. Burchill (2001) encouraged global harmony and peace through free trade. He posited that free trade meant:

> Breaking down the barriers that separate nations; those barriers behind which nestle feelings of pride, revenge, hatred, and jealousy which every now and then breaks their bonds and deluge whole countries with bloods, those feelings which nourished the poison of war and conquest, which assert that without conquest we can have no trade, which foster that lust for conquest and dominion which commit warriors chiefs to sanction and devastations through other lands (2001:38).

Liberalists emphasized more on free trade when they stated that the doctrine that unfettered trade helps prevent disputes from escalating into war. This is because trade brings tighter economic relations between two or more groups in which such healthy relationships cannot be undermined. Similarly, Kegley and Banton (2011) noted that:

> Commercial intercourse creates a material incentive to resolve disputes peacefully; as war reduces profits by interrupting vital economic exchange. Secondly, cosmopolitan business elites who profit from these exchanges compromise a powerful transactional interest group with a stake in promoting amicable solutions to fostering disagreements. Finally, the web of trade between countries increases communications erodes nation selfishness and encourages both sides to avoid ruinous clashes (pp. 38-39).

Relating the integration theory to this study, it can be inferred that firms should collaborate with one another because of the benefits of such partnership which will help to achieve organizational effectiveness. The theory of integration clearly explained the reasons behind horizontal mergers among business firms. The idea of horizontal mergerswill help firms to address and proffer solutions to common problems in a way that each firm will achieve organizational effectiveness. The integration theory argues that if firms merger horizontally, it will reduce the level and intensity of competition in their industry and achieve organizational effectiveness. In light, Jackson and Sorenson (2015) advised firms in the same industry to merger so as to reduce the level of competition and achieve organizational effectiveness. In particular, the flow from inter-firm collaboration will foster prosperity and at the same time achieve organizational effectiveness.

2.3 Empirical Review

A number of related empirical studies have been conducted on horizontal mergers and organizational effectiveness. For instance, Harris et al (2000) carried out a study to determine whether mergers enhance the performance of hospitals in the United States. The researchers adopted the descriptive survey research design where data were collected through the use of a structured questionnaire. The data collected from owners of private hospitals in the United States were analyzed using mean and standard deviation while the hypotheses were tested using Pearson Product Moment Correlation (r). The findings revealed that mergers significantly improve the performance of hospitals. The study also revealed that mergers enhance the operational efficiency of private hospitals in United States.

Babu (2009) carried out a study to determine the impact of mergers on corporate performance of acquirer and target companies in India. The researcher adopted the survey research design where a structured questionnaire was used to collect data from managers of IT companies in India. The data collected were analyzed using percentage and frequency count, mean and standard deviation while the hypotheses were tested using regression analysis. The findings revealed that mergers has a significant impact on corporate performance of acquirer and target companies in India. The study also revealed that mergers has a significant relationship with the profitability and growth of companies.

Indhumathi (2011) empirically examined the effect of horizontal merger on corporate performance of manufacturing companies in India. The researchers adopted the survey research design where data were collected from managers in manufacturing companies in India. The data were collected using a structured questionnaire while the percentage and frequency tables, mean, standard deviation and factor analysis were used for data analysis. The findings revealed that horizontal merger and performance of manufacturing firms. The study also revealed that horizontal merger enhance the growth of manufacturing companies in India.

Mwapaga, Mukhongo and Datche(2019) carried out to determine the effect of mergers on market performance of commercial banks listed in the Nairobi Securities Exchange in Mombasa County. The researchers adopted the survey research design where data were collected from bank managers using a structured questionnaire. The data collected were analyzed using percentage and frequency count, mean and standard deviation while the hypotheses were tested using Pearson Product Moment Correlation and regression analysis. The findings revealed that horizontal merger has a significant positive relationship with market performance of commercial banks listed in the Nairobi Securities Exchange in Mombasa County.

Clougherty (2009) explored the impact of horizontal mergers on firms' rivals. The researchers adopted the descriptive survey research design where data were collected from managers in construction firms in India. The instrument used in obtaining data from the respondents was a structured questionnaire while the percentage and frequency tables, mean, standard deviation and regression analysis were used for data analysis. The findings revealed that horizontal merger has a significant impact on firms' rivals. The study revealed that horizontal merger significantly improve the competitiveness of firms in the construction sector in India.

Kim and Singal (2019) explored the relationship between mergers and market power in the airline industry in Malaysian Their study employed the cross-sectional survey research design where a structured questionnaire was used to collect data from managers in the airline industry.The data collected were analyzed using frequency count, mean and standard deviation while the hypotheses were tested using Pearson Product Moment Correlation and regression analysis. The findings showed that mergers have a significant positive relationship with market power in the airline industry in Japan.

Spang et al (2009) examined the effect of non-rural hospital mergers and acquisitions on cost and price outcomes of hospitals. The researchers adopted the survey research design where data were collected from managers in hospitals in India. The data were collected using a structured questionnaire while the percentage and frequency tables, mean, standard deviation and factor analysis were used for data analysis. The findings revealed that Y consolidating hospitals may be able to concentrate very costly and highly specialized services in one physical location, reducing average costs. The study also revealed that Y hospitals can compete on the basis of price and therefore have an incentive to merge with highly technical departments to reduce capital and labour costs. The study equally revealed that Y hospital can also take advantage of cost savings by combining administrative duties to reduce overhead or contracting cost in non-revenue producing cost centres.

From the literature reviewed, it was observed that a significant number of studies have been conducted on horizontal merger but none of these studies relate the concept to organizational effectiveness of brewery companies in Nigeria. Most of the empirical studies conducted on horizontal mergerrelate the concept to firm performance (e.g.Harris et al, 2000; Babu, 2009;Indhumathi, 2011; Mwapaga et al, 2019) while studies that examined the relationship between horizontal merger and organizational effectiveness of brewery companies in South-South Nigeria are absent or limited. This has created a gap in literature that needs to be filled. This study made an attempt to fill the gaps in literature by exploring the relationship between horizontal mergers and organizational effectiveness of brewery companies in South-South Nigeria.

Methodology

The survey research designwas adopted in this study.The population of this study consisted of all the six (6) registered brewery companies in the South-South Geopolitical zone of Nigeria.The six brewery companies were drawn from the six states that make up the South-South Geopolitical Zone namely; Akwa Ibom State, Cross River State, Delta State, Edo State, Bayelsa State and Rivers State. The population elementsare made up of managers of the brewery companies in the south-south geopolitical zone.These managers include general managers, strategic managers, tactical managers, operational managers, human resource managers,production managers, marketing managers, logistic managers, sales managers and finance managers.Available information from the human resources departments of the brewery companies showed that there are 151 managers who fall under the above mentioned managerial categories.All the 151 managers were used as the sample size for the study.

A structured questionnairewas used as the main instrument for data collection. The questionnaire was structured on a 5 Likert type scale namely: Strongly Agree (SA), Agree (A), Undecided (U),

2 (2) August, 2023 p-ISSN: 2617-129X; e-ISSN: 1115-7119
Available online at: https://ijopad.org.ng

Disagree(D) and Strongly Disagree (SD). The instrument (questionnaire) was validated through face and content analysis while its reliability was determined using Cronbach Alpha reliability test method. The questionnaire was administered to the respondents (managers) of the brewery companies in South-South Geopolitical Zone.One hundred and fifty-one (151) questionnaires were administered to the respondents and 112 copies were collected. The data collected were analyzed statistically while the hypotheses were tested using the Spearman Rank Correlation Coefficient (rho).The SPSS software program version 23 was used to perform the correlation (bivariate) analysis.

Results and Analysis

4.1 Results

The data collected on horizontal merger was correlated to those obtained on productivity, market share and customer retentionof firms in the brewery industry in South-South Nigeria. The analysis was done with the aid of the SPSS software program version 23.0. The results of the correlation analysis are presented in the tables below:

Hypothesis 1

Ho_1: There is no significant relationship between horizontal merger and productivity of firms in brewery industry in South-South Nigeria.

Table 1: Result of bivariate analysis between horizontal merger and productivity of firms

			Horizontal Merger	Higher Productivity
Pearson	Horizontal Merger	Correlation	1.000	.618**
(r)		Coefficient	.	.001
		Sig. (2 tailed)	112	112
		N		
	Productivity	Correlation	.618**	1.000
		Coefficient	.001	.
		Sig. (2 tailed)	112	112

N

**Correlation is significant at 0.01 levels (2 tailed)
*Correlation is significant at 0.05 levels (2 tailed)
Source: SPSS-Generated Output, 2023

Table 1 presents the result of the bivariate analysis performed between horizontal merger and productivity of firms in brewery industry in South-South Nigeria. The result indicates that horizontal merger has a strong positive correlation with higher productivity of firms (r = .618**) and the symbol ** signifies that this correlation is significant at 0.01 level. Based on this result, the null hypothesis (Ho_1) is rejected and the alternate hypothesis is accepted. This means that there is strong positive and significant relationship between horizontal merger and productivity of firms in brewery industry in South-South Nigeria.

Hypothesis 2

Ho_2: There is no significant relationship between horizontal merger and market share of firms in brewery industry in South-South Nigeria

Table 2: Result of bivariate analysis between horizontal merger and market share of firmsin brewery industry

			Horizontal Merger	Market Share
Pearson (r)	Horizontal Merger	Correlation Coefficient	1.000	.721**
		Sig. (2 tailed)	.	.001
		N	112	112
	Market Share	Correlation Coefficient	.721**	1.000
		Sig. (2 tailed)	.001	.
		N	112	112

**Correlation is significant at 0.01 levels (2 tailed)
*Correlation is significant at 0.05 levels (2 tailed)
Source: SPSS-Generated Output, 2023

Table 2 contains the result of the bivariate analysis carried out between horizontal merger and market share of firms in brewery industry in South-South Nigeria. The result indicates that horizontal merger is strongly and positively correlated to market share of firms in brewery industry (r = .721**) and this correlation is significant at 0.01 level as indicated by the symbol **. Consequently, the null hypothesis (Ho_2) is rejected and the alternate hypothesis is accepted. This means that we then accept that there is strong positive and significant relationship between horizontal merger and market share of firms in brewery industry in South-South Nigeria.

Hypothesis 3

Ho_3: There is no significant relationship between horizontal merger and customer retention of firms in brewery industry in South-South Nigeria.

Table 3: Result of bivariate analysis between horizontal merger and customer retention of firms in the brewery industry

			Horizontal Merger	Customer Retention
Pearson (r)	Horizontal Merger	Correlation Coefficient	1.000	.806**
		Sig. (2 tailed)	.	.001
		N	112	112
	Customer Retention	Correlation Coefficient	.806**	1.000
		Sig. (2 tailed)	.001	.
			112	112

N

**Correlation is significant at 0.01 levels (2 tailed)
*Correlation is significant at 0.05 levels (2 tailed)
Source: SPSS-Generated Output, 2023

Table 3 shows the result of the bivariate analysis carried out between horizontal merger and customer retention of firms in the brewery industry in South-South Nigeria. The result indicates that horizontal merger has a very strong positive correlation with customer retention of firms in the brewery industry (r = .806 **) and this correlation is significant at 0.01 level as signified by the symbol **. As a result of this, the null hypothesis (Ho_3) is rejected and the alternate hypothesis is accepted. This implies that we then accept that there is a very strong positive and significant relationship between horizontal merger and customer retention of firms in brewery industry in South-South Nigeria.

4.2 Discussion of Findings

From the analysis carried out, it was reported that horizontal merger has a strong positive and significant relationship with higher productivity of firms in the brewery industries in South-South Nigeria. This finding was derived from the result of the bivariate analysis carried out on the two variables in the first hypothesis. The result revealed that horizontal merger has a strong positive correlation with productivity of firms in the brewery industry (r = .618**) and this correlation is significant at 0.01 level. Based on this result, the null hypothesis (Ho_1) was rejected and the alternate hypothesis was accepted. This means that there is strong positive and significant relationship between horizontal merger and higher productivity of firms in the brewery industries in South-South Nigeria. This finding is supported by Harris, Ozgen and Ozcan (2000) andFee (2004) as both studies reported thathorizontal mergers enable firms to increase their productivity.

This study also found a strong positive and significant relationship between horizontal merger and market share of firms in the brewery industry in South-South Nigeria. This finding was deduced from the result of the bivariate analysis carried out on the two variables in the second hypothesis. The result revealed that horizontal merger is strongly and positively correlated to market share of firms in the brewery industry (r = .721**) and this correlation is significant at 0.01 level. Consequently, the null hypothesis (Ho_2) was rejected and the alternate hypothesis was accepted. This means that we then accepted that there is strong positive and significant relationship between horizontal merger and market share of firms in the brewery industry in South-South Nigeria. This finding is supported by Kim and Singal (2016) and Indhumathi (2011)as both studies revealed that companies that merger horizontally expand their market share and grow their sales.

It was discovered that horizontal merger has a very strong positive and significant relationship with customer retention of firms in the brewery industry in South-South Nigeria. This finding emerged the result of the bivariate analysis carried out on the two variables in the third hypothesis. The result revealed that horizontal merger has a very strong positive correlation with customer retention of firms in the brewery industry (r = .806**) and this correlation is significant at 0.01 level. As a result of this, the null hypothesis (Ho_3) was rejected and the alternate hypothesis was accepted. This implies that we then accepted that there is a very strong positive and significant relationship between horizontal merger and customer retention of firms in the brewery industries in South-South Nigeria. This finding is supported by Mwapaga, Mukhongo and Datche (2019) andSudarsanam (2010) as both studies confirmed that horizontal merger significantly increase the customer retention rate of firms.

5.1 Conclusion

From the foregoing analysis, it was confirmed that horizontal mergerhas the potentials of achieving effectiveness in the brewery industry in South-South Nigeria. The empirical results of this study confirmed this as horizontal merger was found to have a significant relationship withproductivity of brewery companies. The study also found a significant relationship between horizontal merger and market shareof brewery companies. The study equally discovered a significant relationship between horizontal merger and profitabilityof brewery companies. Based on these findings, it is therefore concluded that horizontal merger significantly enhance effectiveness of firms in the brewery industry in South-South Nigeria.

5.2 Recommendations

In line with the findings and conclusion, the following recommendations are made:

1. That, brewery companies in South-South Nigeria especially those that are finding it difficult to achieve goals should merge with their competitors as it would enhance their effectiveness in terms of achieving their set goals.
2. That, brewery companies in South-South Nigeria especially those that are experiencing low productivity should merge with their competitors as this strategic move would help to increase their productivity.
3. That, brewery companies in South-South Nigeria especially those that are experiencing decline market share should embrace horizontal mergers as it would expand their market share and grow their sales.
4. That, brewery companies in South-South Nigeria should mergehorizontally as it would help them to increase their profitability.

5. Finally, it is recommended thatbrewery companies in South-South Nigeria should merge horizontally and apply their vast knowledge to business, exploiting market opportunities and creating superior value to their customers. This would attract more customers to their firm, increase market share and improve their profitability.

References

Alao, R.O. (2010). Mergers and acquisition in the Nigerian banking industry: An advocate of three Mega Banks. *European Journal of Social Sciences*, 15 (4), 21-44.

Amir, R. (2009). Merger performance under uncertain efficiency gains. *International Journal of Industrial Organization*, 6 (2), 264-273.

Antonova, K, (2014). Organizational competitiveness through strategic knowledge management.*Journal of University of Economics*, 1, 76-86.

Babu, M. (2009). Impact of mergers on corporate performance of acquirer and target companies in India. *Journal of Modern Account and Auditing*, 5 (2), 77-86.

Baker, K. & Branch, K.M. (2000). *Concepts underlying organizational effectiveness: Trends in the organization and management science literature*. McMillan Publishers.

Bloom, N. & Reenen, J.V. (2010). Human resource management and productivity. National Bureau of Economic Research (NBER) Working Paper Series, Cambridge.

Brudan, A. (2010). Rediscovering performance management: systems, learning and integration. . *Measuring Business Excellence*, 14 (1), 109-123.

Chakravarty, S. R. (1998). Efficient horizontal mergers. *Journal of Economic Theory*, 82 (1), 227-289.

Dinc, A. & Erel, I. (2010). Economic nationalism in merger and acquisitions. Fisher College of Business Working Paper, 4 (1), 55-61.

Gamage, A.S. (2015). The role of HRM in improving labour productivity: An analysis of manufacturing SMEs in Japan. *Sri Lankan Journal of Human Resource Management*, 5 (1), 45-59.

Huynh, K. & Petrunia, R. (2010). Age, leverage and firm growth. *Journal of Economics Dynamics and Control*, 34, 5-13.

Indhumathi, G. (2011). The effect of horizontal merger on corporate performance of manufacturing companies in India. *The Review of Financial and Accounting Studies*, 4 (2), 14-40.

Kagendo, R. (2015).Influence of electronic marketing on customer retention at Safaricom Limited. MBA Thesis, University of Nairobi.

Kepes, S. (2009). Contingencies in the effects of pay range on organizational effectiveness. *Journal of Personnel Psychology*, 45 (3), 67-79.

Kim, E.H. & Singal, V. (2016). Mergers and market power: Evidence from the airline industry. *American Economic Review*, 8 (3), 549-570.

Kimani, D. (2016). Strategic collaboration and performance of small and medium enterprises in Nairobi Central Business District. MBA Thesis, University of Nairobi, Kenya.

Kithitu, J., Cheluget, J., Keraro, V. & Mokamba, J. (2012). Role of mergers and acquisitions on the performance of commercial banks in Kenya. *International Journal of management & Business Studies*, 13 (2), 1-17.

Kotler, P. & Armstrong, G. (2004). *Principles of marketing*. Pearson Education.

Magatef, S. G. & Tomalieh, E. F. (2015). The impact of customer loyalty programs on customer retention. *International Journal of Business and Social Science,* 6 (8), 78-93.

Malla, D.(2014). Customer retention in telecom industry. *Acme Intellects International Journal of Research in Management, Social Sciences & Technology*, 23 (2), 253-267.

McKelvie, A. & Wiklund, J. (2010). Advancing firm growth research: A focus on growth mode instead of growth rate. *Entrepreneurship Theory & Practice*, 34 (2), 261-288.

Millenaar, M.J. (2016). The influence of horizontal integration on business performance. B.Sc. thesis, Wageningen University.

Mishra, P. & Chandra, T. (2010). Mergers, acquisitions and firms' performance: Experience of Indian Pharmaceutical Industry. *Eurasian Journal of Business and Economics*, 3 (5), 111-126.

Mitchell, G.E. (2012). The construct of organizational effectiveness: Perspective from leaders of international non-profits in the United States. *Non-Profit and Voluntary Sector Quarterly*, 2(1), 34-44.

M'kuma, E.K. (2015). Strategic positioning and competitive advantage in banking industry in Kenya: A Descriptive Statistics of Private Sector Banks.*European Journal of Business and Management*, 7(32), 101-109.

Mwapaga, A.N., Mukhongo, A. & Datche, E. (2019). Effect of mergers on market performance of commercial banks listed in the Nairobi Securities Exchange in Mombasa County. *The Strategic Journal of Business & Change Management*, 6 (1), 1188-1206.

Nawaz, J. N. & Nawaz, R.Y.M.A. (2012). Human resource management and productivity: A comparative study among Banks in Behawalpur Division. *European Journal of Business and Management*, 4 (8), 253-261.

Ngaru, B.W. (2016). An assessment of competitive advantage gained through horizontal integration: A case of Insurance Company of East Africa-Lion Group. United States International University-Africa.

Okoye, P.V.C. & Ezejiofor, R.A. (2013). The effect of human resource development on organizational productivity. *International Journal of Academic Research in Business and Social Sciences*, 3 (10), 258-268.

Porter, M.E. (2009). *Competitive Strategy: Technique for analyzing industries and competitors* (4th eds.). Free Press.

Roman, D.J., Piana, J., Lozano, M.S.P., Mello, N.R. (2012). Organizational Competitiveness Factors. *Brazilian Business Review*, 9(1), 25-42.

Scott Morton, F. (2002). Horizontal integration between brand and generic firms in the Pharmaceutical Industry. *Journal of Economics & Management Strategy*, 1 (1), 135-168.

Somuyiwa, A. O. & Mcilt, M. (2012). Firm's competitiveness through supply chain responsiveness and supply chain management practices in Nigeria. *British Journal of Arts and Social Sciences*, 10(1), 42-52.

Spang, H. R., Arnould, R. J., & Bazzoli, G. J. (2009). The effect of non-rural hospital mergers and acquisitions: An examination of cost and price outcomes. *The Quarterly Review of Economics and Finance*, 49(2), 323-342.

Stankova, P., Papadaki, S. & Dvorsky, J. (2018). Comparative analysis of the perception of the advantages and disadvantages of hospital horizontal integration. *Journal of Business Administration and Management*, 1 (21), 101-115.

Sudarsanam, S. (2010). *Creating value from mergers and acquisitions: The challenges* (2nd Eds.). The Free Press.

Thompson, A. A. (2008). *Crafting and executing strategy: The quest for competitive advantage, concepts and cases*. Free Press.

Van de Voorde, E. & Vanelslander, T. (2009). *Market power and vertical and horizontal integration in the Maritime Shipping and Port Industry*. Antwerp: OECD/ITF.

Woodburn, D. (2004). Engaging marketing in performance measurement. *Measuring Business Excellence*, 8 (4), 63-72.

.