INTEGRATION STRATEGY AND CORPORATE PERFORMANCE IN NIGERIA BREWERY INDUSTRY

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Abstract
This study examined the effects of integration strategy on corporate performance in the Nigeria brewery industry. Survey research design was employed in this study. 140 copies of questionnaire were administered to selected members of staff of Nigeria Breweries Plc and Guinness Nigeria Plc using stratified sampling technique based on employee designation. The research instrument was validated using content validity technique while the reliability was ascertained using the internal consistency approach. The scale used for the study has good internal consistency, with a Cronbach alpha coefficient value of 0.851. The data collected were analyzed using descriptive statistics (percentages, charts and table) and inferential statistics (regression analysis and correlation analysis). The study found out that there is a positive high relationship between integration strategy and the profitability of Nigeria Brewery Plc and Guinness Plc \((r = 0.986, p<0.05)\); the relationship between integration strategy and quality relation is very high and significant \((r = 0.932, p<0.05)\); Also, influence of integration strategy on the market share is very high and significant \((r = 0.950, p<0.05)\). Based on the findings, the study recommended that management of the firms should continually seek measures to expand and increase the local contents and sources of factor input. The Federal Government should invite all stakeholders in the brewery industry for brainstorming to review the local content in order to accommodate all interest groups (subsistence farmers) in the industry.

Key words: Integration strategy, Corporate performance, Profitability, Market share, Quality relations, brewery industry.

Introduction
Companies have to now interface with a wider range of stakeholders to ensure they pay attention to all important facets of performance. More so, that each of the operational facets of an organization has a contributory impact on the input- output ratio and by extension profitability. Thus adherence to process standard, improved operation efficiency, optimum product quality, consistency of raw material source and quality becomes cardinal issues that organizational management have to continually address. Kazmi (2008) defines integration strategy as a combination of activities related to the present activity of a firm. Such a combination may be done on the basis of the value chain. The value chain must be a set of interrelated activities performed by an organization right from procurement of basic raw materials down to marketing of finished products to the ultimate consumer. This integration strategy can be especially appropriate when a firm’s current supply chain is unreliable, too costly, or cannot meet firm’s needs. Hence, in order to remain in business and continue to earn returns for shareholders, many companies have indeed embraced integration strategy. Though, there are conflicting results about the nature of relationship between Integration Strategy and Performance. However, there are amazing results in the activities of the companies that have embraced integration strategy without showing signs of regression. Companies like Nestle Nigeria, Dangote Group, Coca Cola, Unliver, Cadbury and others have embraced integration strategy in the most determined way (Adedeji, 2009). Aside making use of what is available, most of these companies are breaking new grounds by expanding their coasts by ensuring that those involved in the value chain are taken care of.
The view amongst Brewery operators is that industry capacity is inadequate to meet market potential demand. Consequently, the two market leaders have been expanding capacity as a first line strategy considering their market dominance to fight threats from new entrants. Focus is also on operational efficiency and innovation to ensure lower cost of production and a deeper market penetration. This search for operational efficiency and cost effectiveness warrant the adoption of a pilot test run of a few best fit strategies inclusive of integration strategy.

Statement of the Problem
The dynamic and turbulence that characterized business environment courtesy of phenomena like globalization, changing customers and investors dds ever-increasing product-market competition has made organizational success transient. To compete favourably in this turbulent business environment, organizations in the Brewery Industry continually need to improve their performance by reducing cost, increase market share, improve quality relation and productivity. Thus, turbulent business environment have compelled professional managers and scholars to constantly examine best fit strategies for the sustenance of industry leadership.

Much as there are numerous researches on the conjecture between integration strategy and organizational performance, the results remain mix and inconclusive especially in relation to specific manufacturing industries. Smith and Golden, (2018), Ajao and Grace (2012); Griffin (2016) alluded to a strong positive correlation between integration strategy and performance. However, a few other researchers like Slaon (1963); Oyedijo (2012); Stuckey and White, (2013) posit either a none or weak conjectural relationship between the variables. Taking cognizance of the enormous contributions of the brewery industry to economic development, this study therefore aimed at further examining the nature and extent of relationship between backward integration strategy and organizational performance.

Objectives of the Study
The main objective of the study is to examine the effect of integration strategy on corporate performance in the Nigerian brewery industry, while the specific objectives are to:

i. Examine the relationship between integration strategy and profitability, quality relations and market share of Nigerian Breweries and Guinness Plc.

ii. The contextual issues associated with the use of integration strategy.

Literature Review
Integration Strategy
Business entities are created to achieve certain objectives. Thus, entities develop different strategies toward their survival and growth within a reasonable period. Part of the strategies embarked upon is integration i.e. influencing either their input or output (finished goods distributions) or even both. Whichever strategy a business chooses will be influenced by some contextual factors. The main purpose of any integration is organizational survival and possibly obtaining a larger part of the market (Stuckey &White, 2013 cited in Olarenwaju, 2016).

According to Ansoff (1962) cited in Kazmi (2008), firms operate on two dimensions of new products and new functions. The new products could be made through related technology or unrelated technology. The new functions could range from the firm being its own customer to an entirely new type of product. Based on these dimensions, it is possible to have two types of integration strategy – horizontal and vertical. When an organization takes up the same type of products at the same level of production or marketing process, it is said to follow horizontal integration. Conversely, when an organization serves its own needs, vertical integration takes place. Vertical integration could be of two types: backward and forward integration.

Backward integration occurs when an organization takes charge of the flow of source of her major raw materials. In the opinion of Oyedijo (2012), forward integration depicts a process where organizations extends their business portfolio to cover either the use of her present end products as raw material input to produce a new set of product either for a different target customer or otherwise. He also posits that through forward integration strategy, organizations could mere own the distribution channel of their products to final consumers, thereby eliminating all forms of distribution challenges.
Corporate Performance

Corporate performance is described as the ability of organization to acquire and utilize its scare resources and valuables in the pursuit of its operational goals (Griffin, 2016). Although the concept of corporate performance is very common in the academic literature, its definition is difficult because of its many dimensions. Lebans & Euske, (2014) in attempt to give an exhaustive yet succinct description of corporate performance, submit that:

- Corporate performance is a set of financial and non-financial indicators which offer information on the degree of achievement of objectives and results (Kaplan & Nortan, 1992).
- Corporate performance is dynamic, requiring judgment and interpretation.
- Corporate performance may be illustrated by using a casual model that describes how current actions may affect future results.

Appropriate composition of these processes sum-up the level of performance recorded in the organization. The extent/degree of quantification of the contributions of these processes to corporate performance is essential for management to make informed and high precision decisions.

Thus, corporate performance is one of the most important variables in management research as organizations perform various activities to accomplish their objectives. It is these repeatable activities that are composed of processes for organization to be successful. Here in the study, performance variables are conceptualized as profitability, quality relations and relative market share.

Man, (2015) noted the multivariate measurement parameters of corporate performance and submit that corporate performance could be categorized as; financial; non-financial; tangible like quality relations (Tangen, 2014); or intangible like experience (Delios & Bearmish, 2012). The focal point of financial performance measures is generally on the resulting impact on production activities and financial characteristics, such as profitability and logistics activities. Non-financial performance values have their focal point directly on actual production activities, such as quality relations and market share (Polakoff, 2012).

Profitability here is referred to the degree to which a business or activities yields revenue in excess of cost of operations. It depicts the metric used to determine the scope of a company’s profit in relation to the size of their business. It assesses organizational efficiency and ultimately its success or failure.

Market Share is the ratio or portion of aggregate market demand that an organization controls or supply. An organization is said to be a market leader when it is responsible for the supply of more than fifty percent of the aggregate market demand for her products.

Quality Relation is conceived as customer perception of the value received for the price paid for the attributes of the product in relation to its fit, form or function. The number of repurchased patronage by customers is used as a parameter for good quality relation.

Theoretical Review

Classical Theory

Classical theory is the oldest and still most influential theory of strategy. The theory relies on the rational planning method and profitability is the supreme goal. Oyedijo (2004) identified Chandler, 1962, Sloan and Ansoff, 1965 as the three men that developed the classical theory. They established the key features of the classical theory in strategy as:

i. The attachment to rational analysis
ii. The separation of strategy concept from strategy execution
iii. The commitment to profit maximization

This theory relies on the rational planning method and incremental goal setting approach towards achieving organizational objectives. The classical school posits that strategy should be formal and explicitly based on the organizational structure for profit maximization. Here success and failure are determined internally by the existence or non-existence and quality of the strategic management activities in an organization (Sloan, 1963). This study is premised on this theory because of its assertion of an inverse relationship between average cost and profitability per unit of output. It is presumed that when organizations are in charge of their
factor input, and/or supply chain, product quality is assured, organization will likely be operating at a low cost level.

**Empirical Framework**

**Integration Strategy and Performance**

County (2008) described integration as the ability of business entity to control its production chain as a strategy for survival in a very competitive market. Corporate performance is described as an organization’s ability to acquire and utilize its resources in the pursuit of her operational goals (Griffin, 2016).

In the context of Nigeria, Ajao and Grace (2012) conducted a study titled “the effect of strategic planning on corporate performance in university education: a study of Babcock University”. The main objective of this study was to find the effect of Strategic Planning on the management efficiency and effectiveness as strategic planning is essential in corporate organizations. The research design adopted for this study was survey design. The sample size was 283 and questionnaire was used as data collection tool. The findings of the study established that effective strategic planning has a positive impact on performance. Although it was noted that formal planning only will not bring about better performance, however, it takes a front-burner role in the determination of organizational performance (Ajao & Grace, 2012).

Another study in Nigeria titled strategic management practice and corporate performance of selected small business enterprises in Lagos metropolis. The objective of this study was to find out influence of strategic management on corporate performance in selected small-scale enterprises in Lagos, Nigeria. The paper also provides how strategy could be used for improved performance of small scale enterprise in Nigeria. Survey design was used in the methodology. The sample size was 140 respondents. This was selected randomly and questionnaire was used as data collection tool. The findings of the study show that strategic management has a positive relationship with organizational profitability (Dauda, Akingbade & Akinlabi, 2010).

Smith and Golden, (2018) equally conducted an empirical research titled “integration strategy and organizational performance in a business simulation: an empirical study”. The objective of this study was to find the relationship between integration strategy and organizational performance in a business simulation. The methodology of this study was survey research. The sample size was 114 respondent and questionnaire were used as data collection tool. The difference between this study and earlier studies is that members of teams had the chance of self-discretion as to the extent of planning they would do in respect of their tactical action geared towards actualizing integration goals. The result therefore reflects a very strong positive correlation between organizational performance and integrated practices. These results support the perspective of the classical school which believes that success and failure are determined internally by the existence or non-existence and the quality of strategic management activities of which integration strategy remains crucial in an organization (Slaon, 1963).

**Conceptual Model**

The conceptual framework for this study covers the specific empirical properties of the research. The proposed relationship between Integration Strategy and Corporate Performance are illustrated in Research Model - Figure 1.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTEGRATION STRATEGY</strong></td>
<td><strong>ORGANIZATIONAL PERFORMANCE</strong></td>
</tr>
<tr>
<td>a. Ownership/Control of Factor Input</td>
<td>Profitability</td>
</tr>
<tr>
<td>b. Factor Input/Quality Control Measures</td>
<td>Quality Relations</td>
</tr>
<tr>
<td>c. Optimum Regulation of Supply Chain System</td>
<td>Market Share</td>
</tr>
<tr>
<td>d. Low Cost of Factor Input</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Developed by the Researcher (2018)*

Figure 1: Causal Relationship between Integrated Strategy and Corporate Performance
Methodology
Survey research design was adopted in this study. Out of all the brewery companies in Nigeria, only eleven (11) companies are listed on the floor of the Nigerian stock exchange. These quoted companies constitute the population of the study. Of all the listed players, besides Nigerian Breweries plc, Guinness and International Breweries, the other brewers have failed to regularly publish performance scorecards and have lagged behind their peers in this regard. Purposive sampling technique was then used to select Nigerian breweries and Guinness Nigeria Plc as these companies were selected for the study because they have proven records of regular published performance scorecards. Secondly, they are the market leaders in the Nigerian brewery industry as both of them control over 85% of the market share and production volumes. Copies of Questionnaire were administered to the selected members of staff of Nigerian breweries and Guinness Nigeria Plc using stratified sampling technique based on their employment levels. The questionnaire has five-point Likert scale with the ratings strongly agree (5), Agree (4), Undecided (3), Disagree (2) and Strongly disagree (1). To establish the validity of the research, the researcher sought opinions of experts in the brewer industry (content validity). This facilitated the necessary revision and modification of the research instrument thereby enhancing validity. The study adopted Cronbach’s alpha technique to ascertain the internal consistency of the scale question. The result of Cronbach’s Alpha result for the overall scale of the variables is 0.851 which is acceptable. Thus, the instrument was shown to be reliable.

**Reliability Statistics**

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>No of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.851</td>
<td>10</td>
</tr>
</tbody>
</table>

Results and Discussion

Results

Demographic information of respondents

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>88</td>
<td>63%</td>
</tr>
<tr>
<td>Female</td>
<td>52</td>
<td>37%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>140</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Management level</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Staff</td>
<td>103</td>
<td>74%</td>
</tr>
<tr>
<td>Senior Staff</td>
<td>17</td>
<td>12%</td>
</tr>
<tr>
<td>Junior Staff</td>
<td>20</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>140</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Field Survey, March, 2018*

Table 3 shows that 63% of the respondents were male while 37% were female. 74% of the respondents are management staff members, 12% are senior staff members while 14% of the respondents are junior staff members.
Hypothesis testing
There is a strong causal relationship between integration strategy and corporate performance (with respect to profitability, quality relations and market share) of Nigerian Breweries Plc and Guinness Plc.

Table 1.

<table>
<thead>
<tr>
<th></th>
<th>Integration Strategy</th>
<th>Profitability</th>
<th>Quality Relation</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration Strategy</td>
<td>Pearson Correlation</td>
<td>.986**</td>
<td>.932**</td>
<td>.950**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>140</td>
<td>140</td>
<td>140</td>
<td>140</td>
</tr>
<tr>
<td>Profitability</td>
<td>Pearson Correlation</td>
<td>.986**</td>
<td>1</td>
<td>.927**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>140</td>
<td>140</td>
<td>140</td>
<td>140</td>
</tr>
<tr>
<td>Quality Relation</td>
<td>Pearson Correlation</td>
<td>.932**</td>
<td>.927**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>140</td>
<td>140</td>
<td>140</td>
<td>140</td>
</tr>
<tr>
<td>Market Share</td>
<td>Pearson Correlation</td>
<td>.950**</td>
<td>.951**</td>
<td>.952**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>140</td>
<td>140</td>
<td>140</td>
<td>140</td>
</tr>
</tbody>
</table>

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

The canonical correlation above shows that there is a significant relationship between integration strategy and the corporate performance indicators of Nigerian breweries and Guinness Nig. Plc. There is a high positive relationship between integration strategy and profitability of Nigerian Breweries and Guinness Plc (r = 0.986, p<0.05); the relationship between integration strategy and quality relation is very high and significant (r= 0.932, p<0.05); and lastly, the relationship between backward integration strategy on the market share is very high and significant (r = 0.950, p<0.05).

The correlation individual effect of integration strategy and profitability is 0.986 which is 98.6%. integration and quality relation is 0.932 which is 93.2%, while that of integrated strategy and market share is 0.950 which is 95.0% level of relationships. The overall causal relationship between integration strategy and corporate performance is 0.986 which is 98.6%. This simply implies that there is 98.6% relationship between integration strategy and the component of corporate performance of Nigeria Breweries Plc. and Guinness Plc. this indicates a high positive relationships. The P-Value is less than 0.05. Thus, the null hypothesis is rejected while the alternative hypothesis is accepted which states that there is a strong causal relationship between integration strategy and corporate performance with respect to profitability, quality relations and market share of Nigeria Breweries Plc. and Guinness Plc.

Discussion of Findings
The result of the study revealed that there is a strong causal relationship between integration strategy and corporate performance with respect to profitability, quality relations and market share. This result is in tandem with the study carried out by Smith & Golden (2018). Smith and Golden (2018), revealed that there is a very strong positive correlation between organizational performance and integrated practices. These results support the perspective of the classical school which believes that success and failure are determined internally.

The implication of the relationships that existed between integration strategy and indicators of organizational performance (profitability, quality relations and market share) of Nigeria Breweries Plc. and Guinness Plc. is that integration strategy is crucial to the growth of Brewery Industry because integration strategy has assured quality, timely delivery, savings and transportation cost reduction and availability of
raw materials. Thus, integration strategy is a part of long term strategy which has possible effects on profitability, quality relations, market share and transaction costs reduction. (Oyedijo, 2012; Ajao & Grace, 2012; Dauda, Akingbade & Akinlabi, 2010). The positive relationship between integration strategy and organizational performance revealed a synergistic effect between the two variables. This implies that, as corporate entities embark on integration strategy, its outcomes will reflect on organizational performance. Industry leaders, Nigeria Breweries and Guinness have successfully eliminated inconsistent base prices and likely arbitrage opportunities across geographical locations within the country, by establishing factories and distribution outlets in the various regional locations across the country, ensuring that distribution costs are minimal, as well as enabling the adoption of a single pricing policy for each product in all geographical regions. The companies are also involved in the production of the materials used in packaging their products. They are involved in the product canning of their products for ease of distribution. The indirect effect of this on the quality of the companies’ relations has tremendously improved their market shares.

**Conclusion**

Relative to other African and emerging economies, the Nigerian market remains largely unsaturated. The structure of the Nigerian Brewery Industry is a pseudo-duopoly, due to the large number of inactive and moribund companies that exist within the industry. Most of the key activities within the industry are attributable to the market leaders, NB and Guinness. The Brewing process is highly technical and largely capital intensive, and it has benefitted from significant foreign direct investment inflows in recent times. This has to a large extent ensured that the volumes and market share has remained with the most technologically advanced manufacturers with cutting edge technology and up to date expertise. The growth of the sector over the years has been strong, predicated on improving economic conditions, growing disposable income, improved product quality and the marketing activities of manufacturers. Stakeholders in the industry remain largely optimistic; that despite the infrastructure challenges, as well as the erosion of disposable incomes faced by Nigerian consumers, the cultural and habitual premise of consumption in the brewery Industry as well as the observed bottom heavy and growing demographics will mitigate against these challenges to revenue and earnings growth. Nigeria has been estimated severally to have a population growth of 3.0 percent and consumption volumes will continue to grow as new consumers continue to make their entrance into the Industry. Youth under the age of 15 represents 45% of Nigerian’s population and a potential market for the brewery sector. The increasing population, and bottom-heavy demographics, promises a steady pipeline of consumers for the industry products and necessitates growth levels, at least commensurate with that of the population, at the barest minimum. The Nigerian market for Brewery products has proven largely defensive and resilient to economic challenges. This is further buttressed by the very social and festive nature of a significant portion of the Nigerian populace. Many of whom seek solace for the many economic and social challenges in alcohol. Although this cultural effect cannot be overemphasized, it is believed that it helps explicate some of the uniqueness and divergences in the demand patterns of the Nigerian market, relative to other foreign markets where demand is mostly premised on earnings and thus has been on the decline. Thus, the failure of the recent economic slowdown to significantly impact the industry demand has again reiterated the uniqueness of emerging markets in Nigeria and the awakened investor interest once again in the industry.

**Recommendations**

Based on the findings and conclusion of the study, the study recommends that:

1. Brewers continually seek measures by which to expand and increase production locally and match demand with supply.
2. The Federal Government should intensify effort to create a robust platform for stakeholders in the industry to cross fertilize ideas. Also provide supportive economic, commercial and fiscal framework to increase local content in order to accommodate all interest groups (subsistence farmers) in the industry.
3. Government should set up a modernization fund to revamp brewery technology, create more jobs and increase standard of living.
4. The government should also introduce financial incentives and other necessary supporting policies to raise productivity, improve quality and make this Nigeria made beer drinks globally competitive.

5. The government should also introduce attractive incentives and non-bureaucratic and user friendly operating policies to promote foreign investment in brewery sector.
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