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APPROACHES TO REDUCE SYSTEMIC RISK DURING THE DEMERGERS OF DIGITAL INFRASTRUCTURE IN CORPORATE SETTING

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Abstract

Systemic risk is an important issue in the survivability of modern establishments. Empirical evidence suggests that systemic risk can cause instability of computer resources and subsequent collapse, bankruptcy and cascading failure for prominent multinational companies globally. With the ongoing global economic meltdown, systemic risk is a major concern to global market. These developments usually compel government and other stakeholders of big establishments to reverse or demerge previously concluded mergers and acquisitions and concurrently split their establishments into separate entities. The business motives and expectations about most demergers focus on the need to create new and profitable establishments that will have diverse individualities in a segmented market. Nevertheless, it is obvious that the cost of implementing computer resources and the cost for smoothly running separate companies will be higher than the cost of running one company. Hence, most companies that intend to demerge are confronted with series of technical problems. In the case whereby computer resources, the stocks and other assets of the shareholders are locked up in one or other segments of separate establishments, accountability, accessibility, revaluation of shares, privacy and security of these dispersed assets become other critical issues to their stakeholders. Therefore, this paper critically examines the above issues. The results obtained are informative to the stakeholders so that they can discern and anticipate the demergers that tend to tactically fraught with systemic risk, doom and downfall. Finally, we subsequently proposes strategies to mitigate them.

Key words: Demerger, merger, acquisition and systemic risk

1. INTRODUCTION

The numbers of companies and parastatals that decide to demerge are increasing in the last five years. It is worrisome to note that despite the input invested on mergers and acquisitions, majority of them are completely collapse after their completion (Bryer and Melvin, 2002). There are numerous cases whereby mergers and acquisitions involving corporate businesses, ministries, agencies and parastatals have degenerated into uncontrollable disputes in different sectors across the globe. Consequently, government and business owners promptly revert to the demerger of such establishments to lessen the above issues.

Demerge can describe the circumstances whereby business owners and government respectively segregate their businesses, ministries, agencies and parastatals into smaller establishments (Thomas, 2003; Cusatis et al, 1993). Each of the resulting companies, establishments or entities can be identified with a different identity, different missions, visions and operations. It is also possible that they are individually controlled by different

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groups of employees. Moreover, the intricacy surrounding demerger is such that each of the resulting institutions can be dissolved straightaway after the demerger is completed. They may be demerged so that they can operate as complete and individual business ventures. Stakeholders can completely vend all the new establishments to the new shareholders or new management.

Fundamentally, demerger can occur on the basis of two main reasons. Firstly, the shareholders and board of directors of the company can solicit for the reversal of a failed merger process especially if there are series of irreconcilable technical and operational problems after recently concluded mergers and acquisition (Bryer and Melvin, 2002). Besides, government may decide to restructure and reposition national economy by enforcing certain organs of the government, ministries or certain organizations to demerge their business operations in a highly competitive market.

In the modern digital era, demerger of computer resources is an active components of any establishment that intend to demerge. From the technical point of view, demerger computer resources also involves data demerger and their peripherals. Data demerger is contrast to data integration. Despite the fact that these areas can easily trigger systemic risk if they are poorly handled, it is appalling that research community ignore them completely in the recent decade. Consequently, this paper intends to critically discuss these aforementioned issues with the view of providing ways to thwart systemic risk in the course of demerging establishments.

One of the substantial contributions of this paper is its ability to exhaustively discuss demerger of corporate organizations from technical points of view. Secondly, this paper has discussed potential sources of systemic risks that can cause of the instability of computer resources and the subsequent collapse, bankruptcy and cascading failure of demergers of multinational and other corporate companies. The remainders of this paper are organized as follows. Section 2 discusses the technical perspective of demerger in corporate setting. Section 3 focuses on core benefits and causes of demerger. Section 4 proposes a model for demerging digital data while section 5 concludes the paper. The section also offers various suggestions that stakeholders can adopt to mitigate systemic risk and other negative impacts of demerger of computer resources.

2. OVERVIEW OF DEMERGE OF A CORPORATE ORGANIZATION

The concept of demerger is very broad in an organizational setting. Its scope is delimited by the stakeholders, size of the establishment and the resources within the establishment. Demergers are delicate because they can degenerate to a state whereby the entire organizations collapse especially if all the phases of the demergers are improperly managed. The phenomenon whereby an entire organization collapse is an indication of systemic risk (Thomas, 2003; Kudla and McInish, 1983).

The issues that can generate systemic risks in the course of demerger of corporate computer resources can be addressed with suitable policies, procedures and best practices because data migration is a core component of demerger of corporate business. Demerger must be properly

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managed and supervised so that above issues will not be inheritable by any of the companies that are formed from the demerger.

Demerger of computer systems is a central component of the demergers of corporate organizations as a whole. Basically, data migration in the context of demerger of a computer-based establishment can be divisible into some stages to eliminate the aforementioned issues. In order to build security measures that will not impede smooth business operations as much as possible into each stage, the kind of security metrics to be incorporated into the extraction of all digital data should begin with the acceptable formats for each category of available digital data that will be demerged into smaller fragments. The data integrator should have a comprehensive data dictionary to guide them in the course of extracting the data. The data dictionary is expected to be a group of attributes and explanations of the digital format of the data, the ratio for sharing the data and the relationship among the attributes of the data to be demerged into various companies. It is possible that the companies that are formed from the demerger will be using different applications and different platform.

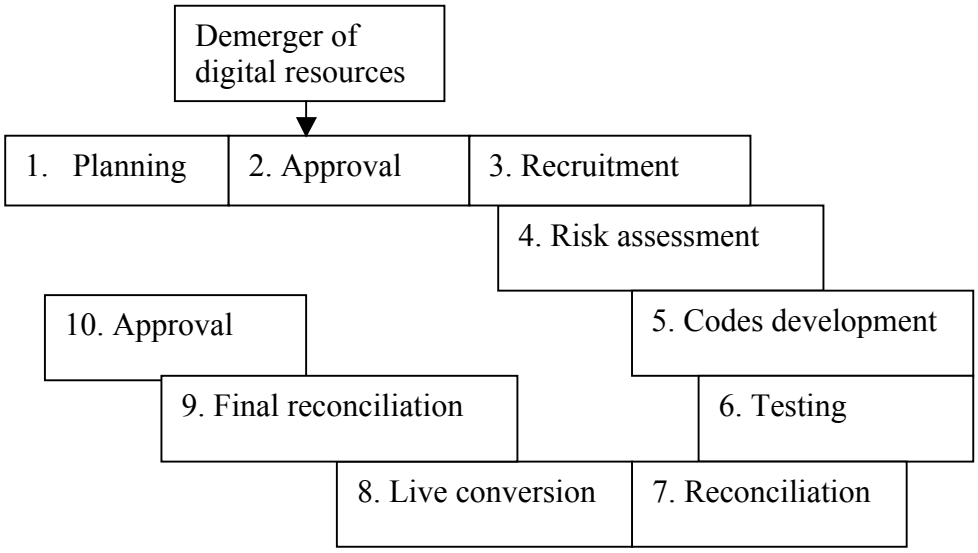

Figure 1: Phases of demerger of digital resources

Demerger of digital resources can progress through ten phases as shown in Figure 1 above. The planning phase (phase 1) is the beginning of the process to demerge digital resources that the company is currently using. The approval to commence the demerger is needed from the management, shareholders and other stakeholders and this is done in phase 2. A Memorandum of Understanding (MoU) is the first stage of contractual agreement that the stakeholders of a company that want to demerge must endorsed to substantiate that they have agreed to willing separate their businesses and henceforth they are happy to be acting as different companies under the different managements. Recruitment's phase involves setting up a team of demergers. They are saddled with the responsibilities to carry out the demerger for the company. They will determine the scope of the task. They will conduct and participate in period meetings to discuss issues bothering the demerger and to update the stakeholders about the status of the exercise to date. In the phase 4, data stakeholders conduct

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risk assessment of the demergers they are about to embark upon. This phase helps them to determine the feasibility of the investment's decision they are about to make. In phase 5, data mergers are developing and sourcing for suitable computer codes they can adopt to demerge all digital resources the management has endorsed. This is the phase whereby consultants are hired to complement in-house staff in case if the required skills are absent in-house. Thereafter, all the proposed codes must be dully verified and this is done in phase 6. In other words, phase 6 marks the preliminary demergers of the digital resources in the establishment into smaller establishments. Subsequently, preliminary reconciliations of source and destinations of each group of the digital files are carried out in phase 7. One of the benefits of phases 6 and 7 is that the results obtained from them are indicative of certainty and veracity of the demerger in entirety. Approval of the stakeholders is needed to legalize phase 7. Most approvals are done by the representatives of the stakeholders. Once approvals are done, then, the date of the live demergers of the entire systems is fixed. In phase 8, the real demergers are carried out at this level. In most cases, they are implemented during the last weekend of the end of month. This will help the establishment to respectively consolidate and amortize their assets and liabilities with their bankers. Phase 8 precedes phase 9. Upon the successful completion of the former, the latter commences. Most reconciliations are better handled with automated scripts to conserve resources. In phase 10, the stakeholders give approvals that the exercises are accepted and these serve as legal binding principles to disintegrate the parent's establishment into its off springs. At this level, individual establishment continues under their identities.

In principle, complexity arises if there are different computer system's requirements for each of the companies that are formed from the demerger.. The data dictionary should categorically state a set of digital data that must be concatenated before they are imported into their various databases in the new platforms.

As identified in Nehinbe (2015), the digital formats of the data to be demerged may be organized in certain numbers of rows and columns. So, the conversion routines must be written to import sequence of digital data with their respective attributes in the acceptable formats. In addition, the data can be concatenated with sequence of attributes by joining together some special characters like hysteric (*), hyphen (-) and quote (“). The computer codes will be used for demerging the data must be properly documented. It is very good if competent experts can collaboratively review and approve such codes before they are used to demerge the required data.

In the case whereby the demerger is about corporate restructuring and the segregated business operations or components will have to adopt different computer software, different hardware and different databases, then, each of the above-named platforms might have different versions and releases. Hence, the challenge for the data merger is that these platforms will be configured differently. Several questions must be answered in this context. How will the conversion of the data be implemented? What is the modality for converting the companies that are formed from the demerger? How many different codes will be required to completely convert them? Will it be possible to adapt codes that are used to convert digital data form one company to another company? How accurate are such conversion routines?

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2.1. STRATEGIES TO DEMERGE DIGITAL FILES

The output of the expected digital data can also be in the forms of text, Portable Document Format, document, xml, spreadsheet and data file as shown in Figure 2, Table 1 and Table 2. Each format of data that is selected has its merits and demerits. Therefore, in the course of extracting the data from their repositories, the data demergers must adopt output formats that will eliminate frauds and illegal update to the data as much as possible.

It is imperative to note that accessibility of external users to the content of digital data that is demerged and saved in the formats of PDF, XLS and DOC can be restricted to certain users by passwords. Two level passwords and access to be granted based on fundamental ethics computer security are strongly recommended in both cases. In addition, textual documents, graphics, and multimedia images can be converted into PDF and they can equally be extracted, reprocess and used for other intentions. In other words, it is possible to create an editable version of data that is extracted in the PDF.

Table 1: Overview of formats of digital files

S/N	Files format	Acronym	File's extension	Attributes of data
1.	Portable Document Format (PDF)	PDF	.PDF or .pdf	Textual or literal documents, graphics, and multimedia images can be demerged and saved in PDF's format. Demerged file can only be editable by specialized utility. PDF is suitable for converting textual documents, graphics and multimedia images into read only formats.
2.	Comma-separated values	CSV	.CSV or .csv	Data that is demerged in CSV's format can be separated by special characters. Examples of special characters are comma (,), hysteric (*), double quotation mark ("), semicolon (;),double colon (:), hash (#) and vertical bar (|).
3.	Textual	TXT	.TXT or .txt	Data that is demerged in text format is easily readable to most computer applications and human operators. The data can be easily edited and written by other computer applications.
4.	Printer format	PRN	.PRN or .prn	PRN is a formatted text or space delimiter file. Data that is demerged in the form a print file can be used to manage the printing of data and

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				graphical information that require high-resolution.
5.	Data file	DAT	.DAT or .dat	A data (DAT) file is adopted to restrict users from manually opening the file. Hence, only specialized utility that can mostly be open, read, write and execute computer operations on data that is demerged in the format of data file.
6.	DOCUMENT file	DOC	.DOC or .doc	Document files are used to demerge digital data that will serve as an input to word processing applications. Document files can be textual or literal information, tables, multimedia images, charts, and graphical information.
7.	Spreadsheet or Microsoft excel file	XLS	.XLS or .xls	XLS files are used to process Excel spreadsheets. XLSX is the higher version of XLS. Other versions are available in the market.
8.	Extensible Markup Language file	XML	.XML or .xml	XML files are used to handle data that is an input to the World Wide Web (WWW). Xml data file is demerged in conformity to a set of rules.
9.	TapeARchive	TAR	.TAR or tar	TapeARchive file is a standard format that can be uploaded into Unix and Linux operating system.
10.	XML Paper Specification file.	XPS	.XPS or .xps	An XPS document or file is a form of XML Paper Specification file. This format is used to define the blueprint of a document and the graphical appearance of page. The output of the data is in the read-only format.

There are other extensions that can be used to convert digital files. Some of them that are variants of MPEG can be used to demerge high quality MPEG video file and whenever there is need to optimize storage space. In other words, the digital files can be appear in formats of Extensible Markup Language (XML) file, Joint Photographic Experts Group (JPEG), Portable Network Graphics (PNG), Portable Network Graphics (PNG) and Graphics Interchange Format.

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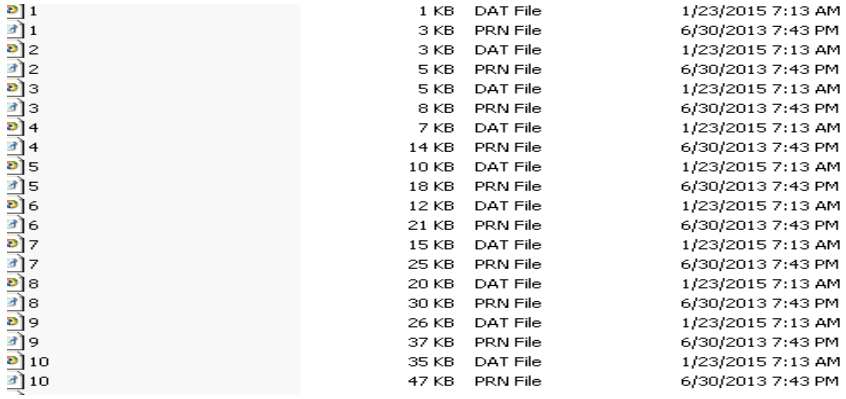

1	1 KB	DAT File	1/23/2015 7:13 AM
1	3 KB	PRN File	6/30/2013 7:43 PM
2	3 KB	DAT File	1/23/2015 7:13 AM
2	5 KB	PRN File	6/30/2013 7:43 PM
3	5 KB	DAT File	1/23/2015 7:13 AM
3	8 KB	PRN File	6/30/2013 7:43 PM
4	7 KB	DAT File	1/23/2015 7:13 AM
4	14 KB	PRN File	6/30/2013 7:43 PM
5	10 KB	DAT File	1/23/2015 7:13 AM
5	18 KB	PRN File	6/30/2013 7:43 PM
6	12 KB	DAT File	1/23/2015 7:13 AM
6	21 KB	PRN File	6/30/2013 7:43 PM
7	15 KB	DAT File	1/23/2015 7:13 AM
7	25 KB	PRN File	6/30/2013 7:43 PM
8	20 KB	DAT File	1/23/2015 7:13 AM
8	30 KB	PRN File	6/30/2013 7:43 PM
9	26 KB	DAT File	1/23/2015 7:13 AM
9	37 KB	PRN File	6/30/2013 7:43 PM
10	35 KB	DAT File	1/23/2015 7:13 AM
10	47 KB	PRN File	6/30/2013 7:43 PM

Figure 2: DAT and PRN files

The data demergers should aware of the strengths and weaknesses of each digital formats before it is adopted to avoid distortion. The format of the digital files to be adopted can also depend on whether they will retain all the original qualities of the digital files or they just need a bit of flexibility upon the completion of the demerger of the digital files into their respective platforms.

Table 2: Overview of formats of digital image files

S/N	Files format	Acronym	File's extension	Attributes of data
1.	Joint Photographic Experts Group	JPEG	.JPEG or .jpeg	JPEG is suitable for storing and transferring images (such as photographs) and signatures that will be uploaded onto the mandate's server in the case of financial organizations and for World Wide Web in general.
2.	Graphics Interchange Format	GIF	.GIF or .gif	GIF can be used to demerge multimedia animations and for applications that use World Wide Web.
3.	Portable Network Graphics	PNG	.PNG or .png	A simple test shows that the digital files that are demerged in the format of the PNG is better in terms of optimization and resolution than the images that are saved in the GIF's format.
4.	Tagged Image File Format	TIFF	.TIFF or .tiff	TIFF can be used to demerge images such as passport photographs and signatures that are scanned into the image server.
5.	Moving Picture Experts Group	MPEG	.MPEG or .mpeg	MPEG is used for storing audio and video images. MPEG's files are difficult to accurately demerge by some toolkits.

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2.2. STRATEGIES TO OPTIMIZE CODES FOR DEMERGING DIGITAL FILES

Clustering is very good for demerging digital files (Han et al, 2011). The computer codes that will be used to demerge data must be able to Open, Read and Write the source data into a designated location and in the specified formats as stated in the data dictionary.

In the interest of best professional practices, data demerger should ensure that each extraction carried out by their routines is being appended to the previous string of data. In other words, the output file should be opened in an append mode. Figure 3 briefly illustrates pseudo codes on how to open output files for three companies an append mode codes using C++ programming language.

```
fin.open("digitaldata", ifstream::in);

fout1.open("company1.dat");

fout2.open("company2.dat");

fout3.open("company3.dat");
```

Figure 3: Files opened in append mode

Each file that is open in Figure 3 above must be closed as shown in Figure 4 to safeguard its content. The significant of this method is that it will help to guide against the situation whereby each complete string of preceding record will overwrite the existing record. Some poorly written routines can enter undefined loop intermittently. One of the best strategies to avoid such phenomenon is to count the number of records in the legacy system before and after they are demerged as shown in Figure 5. Such careful and automated correlation will help to eliminate redundant entries in the new platforms. In principle, data that is stored in the database can be demerged by using automated programs in any of formats that we have stated above.

```
fout1.close();

fout2.close();

fout3.close();
```

Figure 4: Closing files

However, it the data demergers cannot develop codes that can correctly extract and demerge the data locally especially if the project life cycle is short to invent needed codes, then, they need to seek for suitable proprietary routines. They can equally seek the support of consultants. The team of external supporters should also adopt the template of the data as documented in the data dictionary.

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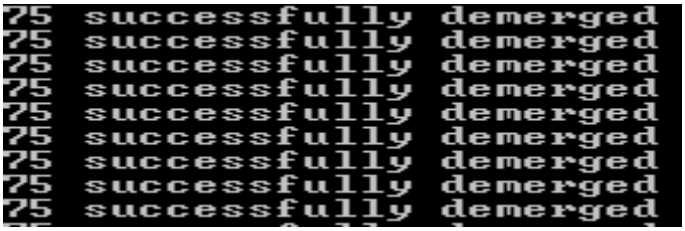

Figure 5: Demerging a source file

Serious audit issues can come to fore if the codes that will be used to demerge the resources of the company are improperly written, reviewed and tested. Strict supervision by knowledgeable personnel is necessary at this point to avoid human, deliberate insertion of fallacious record and system's errors.

3. CAUSES AND BENEFITS OF DEMERGERS TO CORPORATE ORGANIZATIONS

Systemic risks are increasingly becoming the central causes of the instability of computer resources and subsequent collapse, bankruptcy and cascading failure that most of the prominent multinational companies are facing in a recent time due to thoughtless changes to business system and strategic procedures globally (Thomas, 2003; Krishnaswami and Subramaniam, 1999). These developments usually compel stakeholders of a corporate organization to reverse previously concluded merger and acquisition or decide to split their company into separate entities.

The business motive and expectations about most demergers focus on the need to create new companies that will have diverse individualities in a segmented market. Nevertheless, these arguments have merits and demerits despite the fact it is obvious that the cost of implementing computer resources and for smoothly running separate companies will be higher than the cost of running one company. Hence, most companies that intend to demerge are confronted with series of technical problems. In the case whereby computer resources, the stocks and other assets of the shareholders are locked up in one or other segments of separate companies for instance, accountability, accessibility, revaluation of shares, the privacy and security of these dispersed assets become critical issues (Cusatis et al, 1993; Kudla and McInish, 1983). As a result, the demerger will be tactically fraught with systemic risk, doom or downfall.

Intellectual property and revaluation's errors are few of the numerous reasons that can trigger the reverser of mergers and acquisition (Bryer and Melvin, 2002). The desire to create independent company with the general believe that such motive will improve the shareholder's value and to simultaneously boost profitability are critical factors that can make management to opt for demerger after completing merger and acquisition. Some mergers and acquisitions can have irreconcilable socio-cultural integration's problems.

An organization that focuses on mining of aluminum, coal, nickel, silver assets, manganese, oil and gas can plan to create two or more independent and complementary companies to manage portfolios of assets such that a company will be dealing with mining of aluminum,

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coal, nickel, silver assets and manganese while another company will be dealing with oil and gas (Thomas, 2003; Kudla and McInish, 1983).

Furthermore, in the case there are complexity especially if there are different computer system's requirements that are required for each of the companies that are formed from the demerger and the needed skills are not available among the data integrators within the organization, we recommend that the organization should hire the services of competent consultants. Strict auditing and regulatory procedures must be available to regulate the demerger of digital resources within the company.

4. DESCRIPTIVE ANALYSIS OF DEMERGERS IN A CORPORATE SETTING

The survey that we carried out using opinion sampling of 40 and focus group of 10 experts in IT and Business management suggest that there are more than two ways to categorise factors that cause demergers in general. In Figure 6, it is suggested that economic factor, government/political factor, corrective purpose, insolvency, bankruptcy, deposit's mobilization (liquidity, security, bonds) and assets acquisition, assets disposals and internal crises are potential causes of demergers of modern establishments across the globe.

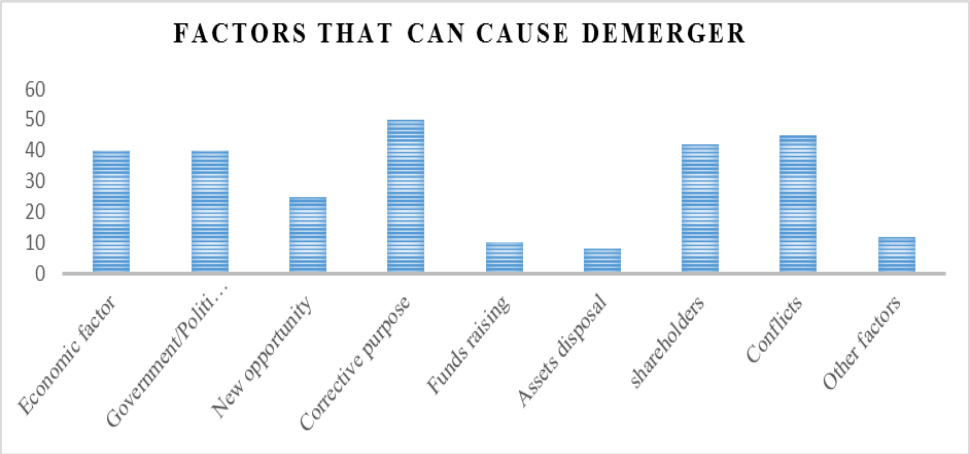

Figure 6: Causes of demergers

It is pertinent to suggest that inflation, deflation, uncontrollable depreciation of shares, inability of the legacy company to harness the business advantages in the emerging opportunities in the market and wrong investment decision such as wrong mergers and acquisition, wrong acquisition of non-performing assets are impetus that can threat companies to separate investment's portfolios and assign them to different management.

Our findings also confirms that previous investment decisions to merge and acquire some ailing companies may suddenly be discovered to be fraught with cheats, collateral fraud such as deposit fraud, insurance fraud, indemnity fraud, warranty's and guarantee's frauds Thomas, 2003; Krishnaswami and Subramaniam, 1999; Cusatis et al, 1993; Kudla and McInish, 1983). There could be high numbers of shams, identity theft, swindle, mail fraud, legal fraud and name droppers that are traced to the new arrangement or slope towards

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particular group of employees or shareholders. Hence, stakeholders may decide to demerge their resources with the aim to rectify the aforesaid issues.

Another inference that can be drawn from the above findings is that business owners should not be fascinated with the new arrangement whether they want to merge or demerge their resources without conducting proper due diligence. It is after they are very sure of the true positions of the assets and liabilities they have at their disposals before it is good for them to approve mergers and acquisitions of other companies. Endorsement of Memorandum of Understanding (MoU) without agreeing on how to amortize all non-performing loans and investments that cannot be expended should be discouraged. Such errors are often committed during their attempts to hurriedly meet the deadlines that are stated by regulators. Outsourcing and recruitment of competent personnel are antidotes to ameliorate such errors.

5. CONCLUSION, SUGGESTIONS AND FUTURE RESEARCH WORK

Corporate divorce that can lead to the reversal of previous investment's decisions is gaining momentum in a recent time. Unlike the conventional divorce in human life, demerger can cause a company to segregate into more than two separate entities. Despite the facts that there are many issues and challenges that can emerge whenever a company decides to demerge its resources, there are insufficient empirical evidence on these critical issues in the last decade. Nonetheless, the above review is an indicative of the fact that technical considerations and reviews of demergers are rarely carried out by research community. Besides, because of the complexities that are inherent in the processes of demerging digital resources that companies have embraced to augment service delivery and to boost productivity, most demergers are frequently fraught with systemic risks and increasing cases of instability of their computer resources.

If the demerger is implemented to rectify errors of recently completed mergers and acquisition and the companies that are formed from the demerger are crippled with systemic errors, then the companies that are affected are logically heading towards imminent collapse, bankruptcy and cascading failure. The economy of the nation that experiences such mishaps is basically impacted. Then the question of whether to reverse or retain the demerger will be left to open discussions. Therefore, in order to avert such scenarios in realistic business operations, this paper proposes series of strategies to avoid economic failure whenever companies demerge their businesses.

Furthermore, demerger inevitably restructures the existing business in entirety. As a matter of fact, such a business decision can provide an avenue for big multinational companies to raise their capital bases and to trade-off some of their assets that are irrelevant to the development and continuity of the existing business operations. As a result, poorly coordinated demergers of computer resources can threaten business operators to be befuddled and indecisive on the best platforms for the companies that emerge from the demerger since there are varieties of ways to format digital information. Technically, there should be agreed modalities on how to

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demerge available computer software, hardware, network resources, operators and other ancillary's devices.

Structurally, experience with mergers and acquisitions suggest that there should redundancies should be foretold. For instance, six companies that propose mergers and acquisition should aware that six Head of IT will be collapse to one Head of IT at the end of the merger. It is plausible that none of such five experts will be appointed at the end of the mergers and acquisition to lead the hybrid company. Hence, procedures on how to treat redundant employees and how to reduce negative impacts of management's decisions are core issues that must be concluded in round tables. Reengineering is inevitable in the case of mergers and acquisition in most cases. Some employees will be retained because their services will still be needed in the new company. Contrarily, some employees are likely to be fired or deployed to where their services are needed.

Operationally, corporate restructuring should not favour a particular group of employees and shareholders at the expense of their counterparts from legacy companies to avert threats to the corporate existence of companies after mergers and acquisitions. Embezzlement is a form of misappropriation of funds, corporate theft and pilfering. Researches are still need to explicate whether there are ethnic correlations in most of the above-named corporate misdemeanours. Employments of employees with proven track records are best strategies to lessen cases of fraudulent practices that can slope towards certain group of employees more than the other employees. Conspiracies by certain group of employees and sudden detection of insincerity, deceitful pretences, counterfeit claims and fallacious reports after mergers and acquisition have been completed can be averted with proper due diligent before MoU is endorsed by the participating companies.

In principle, before the commencement of the extraction of the required digital data, it is imperative that the data demergers possess the necessary professional skills to discern and explicate the reasons behind the past successes or failures of a recently completed merger or the underlying reasons that trigger the demerger to avoid systemic risk. Some of the core qualities to search for in the course of recruiting team members that will form the data demergers can include honesty, flexibility, critical thinking, data reporting, encourage change, attention to detail, problem solving, reliable, careful, competent, consistent and productive. The recruited data demergers need to critically examine the historical data to isolate potential vulnerabilities that crippled the past performance of the company from potential vulnerabilities that can cripple performances of the resulting companies after the completion of the demerger.

We also suggest that there should be agreed modalities among the stakeholders on how to demerge and share positions and ranks. Non-human resources such as official cars, branches to be closed and new branches to be opened must be thoroughly reviewed to avoid uncontrollable crises. Additionally, procedures on how to suitably expend systems and human's errors during demergers must be written and endorsed by the stakeholders at the planning phase of the demerger. Such procedures should account for best strategies on how to

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handle issues such as inability to reconcile some of the assets and liabilities of the newly formed organizations with assets and liabilities of the legacy company.

Finally, we have not exhaustively researched on the demergers of entire computer systems in modern establishments. We hope to delve extensive into such areas to extend our research work in the nearest future.

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