Wang versus Memorex Telex:
All Bankruptcies are Bad, but Some Bankruptcies are Better than Others Are

…

“Beware of computer programmers that carry screwdrivers."
~ Leonard Brandwein

While Wang deserves its sterling reputation for the success of its restructuring efforts, the stark contrast is Memorex Telex (see further Lynn M. LoPucki’s Bankruptcy Data Base, WebBRD)—a technology business with a base of $3 billion of revenue that endured Chapter “33,” i.e., three separate Chapter 11 filings in 1991, 1993, and 1996. This highly leveraged company was a product of two successive leveraged buyouts organized by financier Eli S. Jacobs starting in 1988. Each buyout added more debt as the scope and reach of the parent company expanded, and once again management failed on the integration front. Like Wang, Memorex Telex serviced computers and manufactured peripheral equipment, and once maintained a leading reputation in certain services and peripheral segments, especially in Europe.

Unlike Wang, through the bankruptcies Memorex Telex was unwilling to admit its excesses relating to the astoundingly high leverage ratios, and too much senior bank debt and bond debt was permitted to remain after the first and second bankruptcies. Instead of crystal clear vision on the products and services that would come out of the reorganized enterprise, David J. Faulkner, the company’s vice chairman and chief financial officer, kept several business lines in place in the hope that multiple revenue sources would eventually somehow yield profitable operations. In addition, while the U.S. business units were problematic, the European units may have generated substantial interest in a sale during the first and the second bankruptcies. Most of the European units had been separate and independent businesses before the bankruptcy, and there may have been a better recovery for creditors with more debt-for-equity exchange, coupled with a brisk sale or spin-off of Europe, instead of keeping all the business units under a pile of debt that in the end resulted in the enterprise’s demise. Because Memorex Telex NV failed to address core problems, by October 15, 1996 it filed the third bankruptcy predicated on an expedited sale of some U.S. operations, and the shutdown of the remaining businesses for the benefit of creditors

Extracted from:
The Industries Most at Risk in Bankruptcy
Legal and Financial Experts on What to Expect,
Avoiding Financial Trouble, and Thoughts on the Future
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