Case Study:

Cascade Networks Inc.

Industry: Broadband Services and Equipment

- Company: Cascade Networks, Inc.
- Situation: The company had grown to include four divisions: Internet Services, broadband equipment sales, public safety vehicle up-fitting and network design and integration services. The source of profitability was assumed to be the ISP and equipment sales there was a persistent shortage of available cash which limited the ability of the equipment sales division to keep stock on the shelves for quick order fulfillment.
- Role: COO
- Analysis: The company's financial reporting was limited to a simple version of QuickBooks and made profit visibility by division or service difficult. A profitability analysis was initiated to clarify results by division and product or service within each division.
- Findings: The profitability analysis showed that the Internet Services division, while profitable, consumed more cash in capital improvements than it generated. The equipment sales and network integration divisions were also profitable but those profits were being used to pay for the capital needs of the Internet Services division. Finally, the public safety up-fitting division was shown to be clearly unprofitable. This mix of results was leading to an overall break-even result for the whole company thus making any additional investment in inventory, etc. difficult.
- Solution and Result: A buyer was sought and found for the Internet Services division. This yielded a reasonable return on the network investment. The public safety up-fitting division was phased out after helping the customer agencies transition to other suppliers. The remaining equipment and network integration divisions continued growing profitably with cash available to support more shelf stock. The additional cash also enabled the purchase of large project equipment in advance so that the division could compete for higher return opportunities.