COVID-19 and Adaptation at Orbis Technologies

Orbis Technologies, based in Annapolis, Maryland, was a profitable component content management system (CCMS) company in September 2019, with annual revenue of $18 million. CCMS allows organizations to efficiently manage and deploy discrete chunks of informational content across multiple channels. For instance, a company using a CCMS system for managing customer support queries would ensure that responses are targeted to the specific technical inquiry and always reflect the most current information. A typical Orbis client produced a specialized publication with internally developed content, such as for a trade journal or a user manual. For Orbis's clients, the CCMS software and associated services facilitated the management of critical activities related to writing and publication, like redactions, clearances, and editing. As such, its creators organized Orbis as a focused software company with a heavy emphasis on differentiation via technology and service and a substantial sales staff.

The COVID-19 pandemic extracted a heavy toll on Orbis. The company lost one team member to the virus, and many other employees experienced illness and death in their families. Clients likewise experienced personal tragedy and uncertain business prospects. For Orbis, this translated to the resignations of 20% of its staff and clients canceling 20% of projects. Projected annual revenue declined to $14 million, and forecasts for future years were uncertain at best.

By September 2020, Orbis CEO Brian Ippolito stated that the COVID pandemic was "... the most significant disruptive market force of our generation." In the short run, a Payroll Protection Program (PPP) loan from the federal government gave the company some breathing room. On some dimensions, the challenges posed by COVID were quite idiosyncratic: How long will the pandemic persist, and will business practices eventually return to the normal of 2019? On other dimensions, COVID, while unusual in its suddenness, essentially just represented some fundamental strategic challenges for businesses operating in dynamic markets: Going forward, what are the core differentiating competencies of the organization; how well do those competencies match the needs of the market; and is the company organized in a manner that reinforces its competitive advantages?

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With these idiosyncratic and fundamental questions in mind, Ippolito convened the executive team to examine the situation critically and "reimagine Orbis." Four alternative adaptation paths emerged from those discussions:

- Option 1: Stimulate demand via discounts. The operating theory here is that customer uncertainty is hindering sales in the short run, but demand will eventually rise to match pre-pandemic trends. In exchange for taking a short-run hit to revenue, the company remains essentially intact and follows its heretofore winning strategy. The risks include uncertainty regarding how long the pandemic will last and also uncertainty that customers will embrace the temporary price reduction and buy in to the notion of "sharing the pain."
- Option 2: Reduce costs with sales staff layoffs. To this point, Orbis sees its core competency as CCMS software engineering. While salespeople are undoubtedly important, the gravity of the crisis suggests focusing on the most value-creating functions. Furthermore, hiring new salespeople is easier when the market returns than hiring talented engineers. The risks in this approach are that salespeople likely possess valuable knowledge about the target niche, and rehiring may be difficult.
- Option 3: Broaden product scope by including writing services. This scenario postulates that customers will perceive greater value in a service that bundles software and content creation (research and writing) compared to software alone. An important assumption is that writing is not a core function for most clients and, thus, something they are willing to outsource. The risks associated with this alternative are that clients may not value the writing services. Moreover, writing capability is hard to develop credibly in-house, and the acquisition of an existing content development firm would require an outlay of at least $2-4 million from cash reserves.
- Option 4: Increase market power and efficiency by purchasing a competitor. This option is strategy 101: Enhance your pricing advantage by sidelining a close competitor and increasing scale, and reduce overall costs relative to scale by consolidating operating activities. While overall demand has declined, CCMS remains critical to clients. To acquire a competitor relatively cheaply may never be timelier. The downsides to this approach are market uncertainty, the $10-20 million likely required for an acquisition, and the difficulty of integrating the new firm.

Which option would you choose?