Strategic management of a family-owned airline

Analysing the absorptive capacity of Cimber Sterling Group A/S

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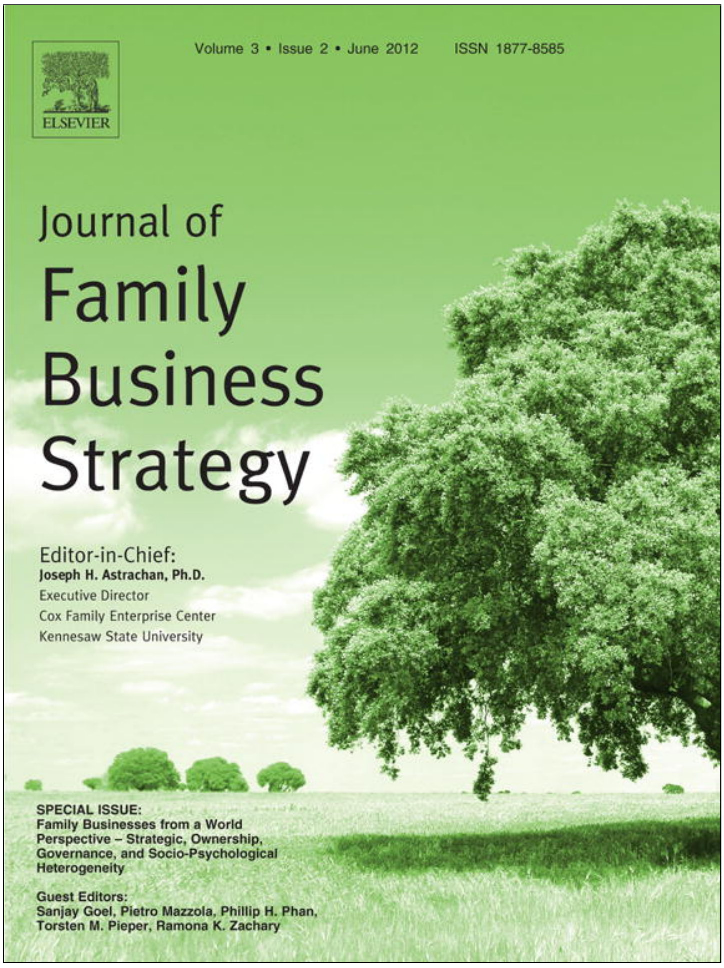
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Strategic management of a family-owned airline: Analysing the absorptive capacity of Cimber Sterling Group A/S

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ABSTRACT

The concept of absorptive capacity (ACAP) observing a firm's ability to value, assimilate and utilise new external knowledge is applied in this paper. This case study analysis focuses on the strategic management processes and competitiveness of the Cimber Sterling airline. The aim is to discover resources and capabilities that lead to competitive advantages within the aviation industry. From an ACAP perspective, Cimber Sterling Group A/S was analysed by interviewing selected owners, managers and employees of the airline. A comparison within the airline industry regarding external factors and the strategic management of other selected low-cost airlines is part of the ACAP concept. The analysis shows to what extent Cimber Sterling Group A/S, as a Danish family business, copes with increasing competition and critical situations, such as the recent volcanic ash cloud and the financial crisis. Identifying the potential and realised capacity of the strategic management of airlines was revealed as a source of strategic competitiveness. The ACAP was improved through stakeholder experience, strategic flexibility, networking capabilities and customer orientation, leading to a competitive advantage realisation in the low-cost airline market.

1. Introduction

Most international airlines are not family-owned, based on the 50 percent control definition of a family business (Astrachan & Kolenko, 1994; Chua, Chrisman, & Sharma, 1999) where succession has at least been planned. Using this definition, Bennedsen, Nielsen, and Wolfenzon (2004), when investigating 80,000 registered businesses in Denmark for the years 1995–2002, found that 89.2 percent of privately held firms are family firms. For other countries, the estimate of the share of family ownership lies between 65 and 80 percent, according to studies using smaller samples (Dreux, 1990; Gersick, Davis, McCollom Hampton, & Lansberg, 1997; Lansberg, 1999; Ward, 1987). Although Denmark has a relatively high percentage of family businesses, research in the area of family businesses is predominantly limited to the fields of entrepreneurship and small- and medium-sized enterprises (Schøtt, 2007, 2008), selected case studies or industry-related research (Boyd, Goto, & Hollensen, 2010; Getz & Nilsson, 2004). Therefore, a Danish family-owned airline such as Cimber Sterling Group A/S (shortened in the following text to Cimber) provides an interesting case for investigation.

Traditional literature on strategic management explains competitive advantages mainly by focusing on external factors (e.g., Barney, 1991; Porter, 1991), which has also been the main approach in explaining the competiveness of the Emirate Airlines (Nataraja & Al-Aali, 2011). Compared to this traditional approach, the ACAP perspective as applied in this study is better able to explain how the organisation and its members understand, absorb and respond to environmental changes. The dynamics of the ACAP concept first introduced by Cohen and Levinthal (1990) can also explain how sudden changes in the airline environment (e.g., the volcano ash crisis) can elicit fast decisions because it focuses on the internal decision-making environment of the company.

The international behaviour of family businesses differs from non-family businesses because of different competences and values (Casillas, Acedo, & Moreno, 2007). However, it has not yet been determined how family businesses use these competences in their strategic management. In the aviation industry, there exists only a small number of family businesses. The strategic management of Cimber, a Danish family business, and its implications for competitiveness will be the focus of this case study analysis. The four non-family airlines that compete with Cimber in the low-cost leisure segment were selected by the owner and validated according to industry information.

The overall purpose of this study is to understand the strategic management and development of a company's competitive advantages from an ACAP perspective. More specifically, the following research questions will be addressed in this study:

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1. To what extent are the situational and structural triggers absorbed and incorporated into the strategic management decisions of Cimber?
2. What prior knowledge and personal capabilities of the owners and employees lead to corporate competences of Cimber?
3. Which internal and external factors have an influence on the competitive advantage realisation of Cimber?

2. Theoretical background and methodology

Internationalisation processes have been analysed with regard to family businesses in different industries and regions. Accordingly, the formation of networks, such as joint ventures (Boyd et al., 2010; Niemelä, 2004; Swinth & Vinton, 1993), and the development of specific capabilities play an important role in the internationalisation process (Casillas et al., 2007; Fernández & Nieto, 2005; Graves & Thomas, 2006, 2008; Okoroafo, 1999). However, international strategic management as an on-going interactive process towards internationalisation (Hamel, 2000; Hamel & Prahalad, 1994) is an important aspect for family business management and should not be neglected.

Prior research on organisational learning and strategic management focusing on the role of ACAP defined the concept of ACAP as the "ability of a firm to recognise the value of new, external information, assimilate it, and apply it to commercial ends" (Cohen & Levinthal, 1990: 128).

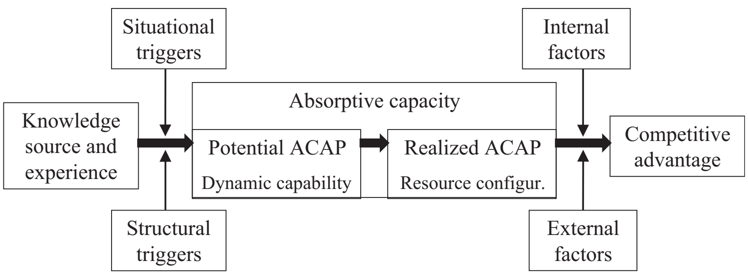
According to Bower and Hilgard (1981), prior related knowledge is needed to assimilate and use new knowledge. They argue that the breadth and differentiation of categories into which prior knowledge is organised and the linkages across these categories enables individuals to absorb new knowledge. The history- or path-dependency of ACAP and innovative performance explains that the creation of early expertise is particularly important for the future development of capabilities (Cohen & Levinthal, 1990).

In a reconceptualisation, Zahra and George (2002: 198) define ACAP as a "set of knowledge based capabilities embedded within the firm's routines and strategic processes" that enhances the ability to gain and sustain competitive advantages. They differentiate the two subsets of potential and realised ACAP. The first consists of the capability to acquire externally generated knowledge and the capability to assimilate or interpret these sources. The second subset includes the capabilities to transform or combine existing with acquired knowledge and the ability to exploit that knowledge. As a set of specific processes such as product development, strategic decision making and networking, dynamic capabilities evolve via well-known learning mechanisms. Dynamic capabilities build the basis for long-term competitive advantages realised by resource configurations (Eisenhardt & Martin, 2000). In that sense, dynamic capabilities can be seen as a potential ACAP and resource configuration can be considered a realised ACAP.

This is why the focus of this case study is to analyse the ACAP of Cimber from a competence or capability perspective when examining its internationalisation strategies. The case study methodology presented herein can explain management situations. To generalise case study results, the development of a theoretical framework and the testing of quality criteria are important (Bonoma, 1985; Eisenhardt, 1989; Eisenhardt & Graebner, 2007). All principles of data collection, according to Yin (2009), were considered, including multiple sources, a case study database and chain of evidence. Yin's reply to concerns about case study generalisability is to argue that, like the experiment, the case study generalises to the theoretical propositions and not to the whole population (Yin, 2009). It is posited herein that individual competences of owners and employees as well as factors that influence the absorptive capacity of an organisation can lead to competitiveness when potential and realised capacities are being passed on (Cohen & Levinthal, 1990). These factors can be found in sociocultural values, norms and mechanisms that facilitate and influence knowledge generation and assimilation processes within an organisation (Lewin, Massini, & Peeters, 2011; Zahra & George, 2002). The assimilated and utilised knowledge source will then lead to competitive advantages and the ability to address critical situations. The aviation industry was not only affected by the financial crisis but also by the volcano ash cloud in April 2010. Therefore, the investigation will examine the handling of these critical situations from three different perspectives, namely, that of the owner, a stewardess and a pilot. In-depth qualitative interviews were carried out, transcribed and analysed according to the research questions.

The research model in Fig. 1 was adapted from the ACAP reconceptualisation of Zahra and George (2002) and the dynamic capability discussion from Eisenhardt and Martin (2000). Their literature review supported this model wherein the potential capacity or knowledge acquisition and assimilation can be seen as a dynamic capability or personal competence. The realised capacity of knowledge transformation and exploitation can be valued as a form of resource configuration or corporate competence. According to Eisenhardt and Martin (2000), dynamic capabilities are the drivers behind the creation, evolution and recombination of other resources into new sources of competitive advantage.

In accordance with the abovementioned prior research, this study will analyse the historical knowledge source and the experience being absorbed from three different perspectives when responding to activation triggers. The ash cloud and recent oil price increase are regarded as situational triggers. Structural triggers reflect the financial crisis and the overall conditions in a saturated market. This study will investigate how these triggers are absorbed as potential ACAP and transformed to realised ACAP. The analysis



Source: Adapted from Zahra & George (2002) and Eisenhardt& Martin (2000).

Fig. 1. Research model.
Source: Adapted from Zahra and George (2002) and Eisenhardt and Martin (2000).

will take different factors of institutional and industry dynamics into account and determine which corporate competences can lead to competitive advantages. The financial support of an investor was regarded as an internal factor and the competitive position of Cimber as an external factor. Following the abovementioned pathway, as illustrated in the research model (Fig. 1), the interview guideline begins with some general questions and then moves to more detailed questions about the personal and corporate competences.

3. The competence and ACAP perspective

The concept of core competences can be viewed differently within an organisation. From a strategic management perspective, competences are defined as a combination of resources and capabilities (Hitt, Ireland, & Hoskisson, 2005). In an organisation, the combination of resources and capabilities can be classified as a core competence when it is valuable, rare and difficult to imitate or substitute. As such, core competences can be a source of strategic competitiveness on a personal and corporate level (Cardy & Selvarajan, 2006).

Hamel (2000) and Grant (1991) explain the development of different strategic approaches in organisation theory resulting in the competence-based view, which is considered an equivalent to the widely acknowledged resource-based view (Prahalad & Hamel, 1990). While the assumptions in both approaches are similar, the competences are more appropriate with regard to the people in the companies. A core competence is regarded as a particular strength in relationship to other companies that provides a customer benefit, is difficult to imitate and provides potential access to other markets. Core competences can be found in technological developments, specific managerial abilities, in-depth knowledge, or a combination of skills, knowledge and attitudes (Goto, 2006, 2008). Because discovering core competences can be a difficult task, Tampoe (1994) suggests going from the 'known to the unknown'. This means, starting at the core product, service or market, and then identifying related technologies, processes or skills that form the input to the core competences. As particular strengths relative to other companies, core competences are part of a process of continuous enhancement, which enables the firm to adapt quickly to market and technology changes.

According to the theory of ACAP, inter-organisational learning depends on the similarity of firms and on the organisation's knowledge bases, organisational structures, compensation policies and dominant logics (Lane & Lubakin, 1998; Wahyuni & Sudharito, 2010). When focusing on one firm, the same logics can be applied because the individual members interact within the organisation. The individual differences in prior knowledge, experience and capabilities have important implications on the development of ACAP and on the performance of an organisation (Cohen & Levinthal, 1990; Zahra & George, 2002).

Family firm uniqueness arises from the integration of family and business life (Frank, Lueger, Nosé, & Suchy, 2010; Habbershon & Williams, 1999). This integration can create several inimitable characteristics or resources (human, organisational and process resources) also described as familiness (Irava & Moores, 2010). This bundle of unique resources resulting in competitive advantages of family compared to non-family firms consists of human capital, social capital, patient capital, survivability capital and governance structure (Sirmon & Hitt, 2003). However, involvement, essence and identity are also mentioned as important components of familiness (Zellweger, Eddleston, & Kellermanns, 2010). Tokarczyk, Hansen, Green, and Down (2007) suggest that familiness qualities such as strategic focus, customer orientation, family relationships and operational efficiency contribute to an effective market orientation.

According to Penrose (1959, 1995), normal enterprises are ambitiously managed, while some smaller firms do not always try to increase profits when doing so involves greater effort, risk or investment. Many of these smaller firms are family firms unwilling to exert themselves or reduce control over their firms. Furthermore, some industries have been operating successfully, but at the same time, they have refrained from taking full advantage of expansion opportunities. The aviation industry is atypical in that regard because most airlines seek growth and very few family-owned airlines exist. Therefore, the investigation of specific competences and values of Cimber as a small Danish family firm seems to be of high interest.

Regarding the international management of airlines, a few articles have recently been published. Gilbert and Wong (2003) investigated the service dimensions of airlines and found that passengers are primarily concerned with safety and security. Other studies on competitive advantages of airlines focus on the competition between full-service airlines and low-cost carriers or on how competitiveness can be approached through specific social networks (O'Connell & Williams, 2005; Saglietto, 2009). Another more specific research question regarding competitive advantages that could arise from these findings is whether family-owned airlines provide better reassurance compared to non-family airlines.

4. Analysis of the components of the research model

In the following analysis, the different components of the research model are further examined with regard to the aforementioned research questions. Each subsection in this analysis is applied to the specific case of the Cimber Sterling Group.

4.1. Knowledge source and experience: history of Cimber

In 1950, Ingolf L. Nielsen acquired Sønderjyllands Flyveselskab, which later became Cimber Air. In 1966, Cimber Air, ascertaining a concession on the Sønderborg – Copenhagen service, combined with Sønderborg to become a genuine airport with an asphalt runway and lighting.

Cimber Air agreed to cooperate with SAS and Maersk Air in 1971 to establish the joint company of Danair and to develop domestic flight operations in Denmark. The 35th anniversary marked a generational change in Cimber Air when Ingolf's oldest son, Hans Ingolf, assumed the position of CEO. In September 1994, Jørgen Nielsen replaced Hans Ingolf Nielsen as CEO. The two brothers and a younger sister, Lone Marie Koch, became co-owners of Cimber, and Lone, joining the company in 1976, worked in different departments (Cimber, 2010).

In February 2003, Cimber Air bought back the shares acquired by SAS in May 1998 and Cimber Air was, once again, a 100 percent family-owned business.

In winter 2008/2009, Cimber Air acquired key parts of the bankrupt Sterling Airways A/S with an opportunity to operate Boeing 737s. Chief executive Jørgen Nielsen stated that, "In buying Sterling we saw a unique opportunity to safeguard and extend our present position ..." (Airline News, 2008: 1). By expanding the market for scheduled services and including the segment for private holiday travellers, Cimber became Denmark's focal airline company. In April 2009, four Boeings were put into operation, resulting in a total of 15 new destinations in Southern Europe (Cimber, 2009). In 2009, Cimber announced its entry into the stock market. With a share capital of DKK 18,000,000, Cimber follows the so-called ownership restriction, meaning that non-EU shareholders are not allowed to hold or control shares exceeding 49.99 percent of the company (Airline News, 2009).

4.2. Situational triggers: volcanic ash crisis and oil price increase

In April 2010, European air traffic was seriously disrupted by a volcanic ash cloud caused by the eruption of the Icelandic volcano, Eyjafjallajokull. The ash was much finer than usual and moved so fast that the aviation authorities declared most of the European skies as no-fly zones (Mazzocchi, Hanstein, & Ragona, 2010). The International Air Transport Association (IATA) estimated that the Icelandic volcanic ash crisis in April 2010 would cost airlines more than €1.2 billion worldwide and affect more than 1 million passengers. Even with cost savings due to the grounding of the fleet (e.g., lower fuel costs), additional costs occurred as staff had to provide assistance to passengers. The International Air Carrier Association (IACA) calculates a financial net loss of at least €310 million (lost revenue plus additional costs) (Commission Européenne, 2010). As a consequence, the airspace closure also caused a heavy financial burden for Cimber.

The recent rise in oil prices also resulted in a significant increase in costs for the aviation industry. In March 2011, the IATA issued a statement declaring the possibility of a significant decrease in the net profits of international airlines in 2011. The decline in net profits by 46 percent in 2010 can be seen as a consequence of the escalating oil prices caused by the uprising in the Middle East (Tunisia, Egypt and Libya). Airlines generally try to pass on these costs to travellers by adding fuel surcharges. This can, however, prove difficult. The success of absorbing increased fuel prices depends largely on the airlines' business models and the fuel-efficiency of the fleets. Low-budget airlines are less vulnerable to the damaging effects of higher fuel prices because their fleets are usually more modern and homogenous than larger airlines (IATA, 2011).

4.3. structural triggers: financial crisis and consolidation of the airline industry

All airlines outlined below (see industry analysis) compete in the tough low-cost fare segment, but their international strategies differ significantly. Norwegian adheres to the 'give everybody the possibility to travel by air' strategy. The overall goal of this airline is to be the preferred supplier for air travel and services in the Norwegian and other carefully selected markets.

Cimber follows a hybrid airline strategy, meaning that the fleet combines large and small aircrafts to achieve maximum flexibility in route networking and planning. With this business model, Cimber strives to be the leading airline in the Danish domestic market and intends to be a primary European airline to selected destinations. The other airlines follow an extensive internationalisation strategy by opening new bases all over Europe for leisure air travel. In this highly competitive market segment, they must reduce costs as much as possible, which results in lower service levels (Cimber, 2010).

Even though the most severe phase of the worldwide financial crisis, which started in 1997, is over, the economic recovery remains fragile. Challenges still persist as a result of price increases, limited international financing, low growth and high unemployment (Worldbank, 2010). The GDP in Denmark fell by 4 percent in 2009 compared to an average decrease of all advanced economies of 3.8 percent. The overall effects of the financial crisis in Denmark were diminished by the government investing in financial institutions that give loans to the population (IMF, 2009).

To create economies of scale, a considerable degree of consolidation has taken place in the international airline industry. For example, in 2005, Lufthansa merged with Swiss Air, and in January 2009, Lufthansa bought the majority of the Austrian Airlines stock from the Austrian government (Lufthansa, 2010).

4.4. Absorptive capacity: personal and corporate competences

One focus here lies on the personal competences possessed by individuals and includes characteristics such as knowledge, skills, abilities, experience and personality. Taking a broader view, corporate competences belonging to the organisation are embedded processes and structures that remain within the organisation even when individuals leave (Cardy & Selvarajan, 2006; Turner & Crawford, 1994).

Lone Marie Koch, born in 1955, Vice President since 2007 and Product Manager and co-owner of Cimber. Since 1978, she has held various management positions and has a broad and comprehensive knowledge of aviation, passengers and technical sales systems. Since 2003, she has been in charge of implementing ticketless sales via the Internet as well as using own documents on E-ticketing via the Amadeus reservation platform.

Jørgen Nielsen, Senior Vice President: Business Development and co-owner of the company, began his career 25 years ago as operations director of Cimber after finishing his training as a fighter pilot (F100/F16) in the Danish Air Force. From 1986 to 1989, Jørgen Nielsen was involved in buying and selling aircraft and overseeing special projects for Cimber. In 1989, Jørgen Nielsen was appointed Vice President while also holding the position as Airport Manager of Sønderborg Airport until 1993, when he headed the negotiation team in charge of selling Sønderborg Airport to the municipality of Sønderborg. Jørgen Nielsen has been CEO of the Cimber Group from 1994 to 2009 (Cimber, 2010).

The interviewed Cimber stewardess gained experience in Hamburg and the US before moving back to Denmark. As a trusted person of the employees' group, she can build on her life experiences, various language skills and communication skills as well as her loyalty to Cimber. Job satisfaction at Cimber, in part, is related to her role in introducing the part-time job concept to Cimber. According to a recent customer survey, Cimber passengers are highly satisfied.

The interviewed pilot became chief pilot at Cimber in 2000 after having various jobs in the military, working for privately owned companies and working as a helicopter pilot. As chief pilot, he views his involvement in a pilots' network, as well as his strong management and communication skills and ability to be flexible and highly dependable, as important to his job. During the interview, he emphasised that business passengers are primarily concerned with on-time departures and arrivals and that explaining problems to passengers increases their level of satisfaction.

On a corporate level and as a consequence of the financial crises, Cimber Sterling agreed, in February 2010, with their employees that all members of the organisation (including board members) should reduce their salaries by 10 percent as doing so would improve the financial results in the 2010/2011 fiscal year by €4.7 million (Cimber, 2011a). Another example that demonstrates the realised corporate competence of Cimber is based on the personal networks and loyalty of their employees. At the beginning of 2010, Norwegian offered flights on a Danish domestic route between Copenhagen and Karup for only 1 DKK. Only 30 real passengers showed up for the first flight because the rest of the seats had been bought up by staff from Cimber (Airline News, 2010). As mentioned by the owner, the corporate level networks include 39 other airlines as well as a sponsorship of the Danish male handball team (Flensborg Avis, 2010).

4.5. Internal factors: ownership, leadership and finances

The airspace closure in April 2010 caused a heavy financial burden for the entire industry, including Cimber. To secure its capital and cash position as much as possible, Cimber applied for a loan with a partial government guarantee. On October 1, 2010, it was announced that Cimber had received a final approval from the Danish government organisation, Vaekstfonden, for a loan of DKK 86 mill, thus strengthening Cimber's cash position (Cimber, 2011a).

In July 2010, the external investor Karsten Ree rescued Cimber from bankruptcy by buying and, a month later, selling some shares so that his resulting ownership of the company totals 11 percent (Børsen, 2010).

In August 2010, non-family member Niels Erik Nielsen, a former attorney and director of a law firm, stepped down as chairman of the board of Cimber, and Vilhelm Hahn-Petersen, the former COO of Easyjet, assumed the vacated position. Additionally, a new CCO with experience in the airline business was also announced. The majority of the other Cimber board members are from the founder's family (Cimber, 2011b).

Since its introduction on the stock exchange, Cimber has still not managed to produce positive financial figures. The fiscal year 2009/2010 ended in a loss of Euro 30 million, and the fiscal year 2010/2011 expects a loss of Euro 17–19 million. However, the number of employees at Cimber was still 800 in March 2011 (Cimber, 2011b), indicating that Cimber did not lay off employees despite the heavy losses during the past few years.

4.6. External factors: industry analysis

Airlines operate mainly in two segments, business and leisure or a combination of the two. SAS and Lufthansa are examples of competitors in both segments. Concentrating on smaller low-cost airlines in the leisure segment offers a suitable comparison for Cimber. Therefore, the following airlines, mentioned by Cimber's owner as its strongest competitors in the low-cost target market, were selected and compared with Cimber: Norwegian, Transavia, Ryanair and Easyjet. Although Ryanair and Easyjet can be considered larger airlines, they are still important competitors in the leisure segment according to the owner of Cimber.

The facts in Table 1 reveal the sizes of the five airlines and other key figures that are important for a comparison. An overall description of the company history and its international management strategies are specified, thus giving an indication of the corporate and personal competences.

4.6.1. Norwegian

Norwegian Air Shuttle ASA was incorporated in 1993 and is publicly listed on the Oslo Stock Exchange. During its first years, Norwegian provided regional flights on the west coast of Norway. Low-cost operations were initiated in 2002 as a result of an economic slowdown. As the monopolistic domestic market was attractive for the company, Norwegian started to expand its route network from Norway to international destinations shortly after implementing its low-cost operations in 2002 (Norwegian, 2010). The elected board members have experience that includes transport and other competitive consumer sectors as well as experience in business, finance, capital markets, marketing and networking (Norwegian, 2009). Consistent with its design profile, all planes in the fleet have a red nose and, on the tail, an image of a Norwegian person who has broken the boundaries or challenged the established order (Norwegian, 2009).

4.6.2. Transavia.com

Founded in 1965 by a Belgian and a Scot, Transavia Holland has its home base at Maastricht Aachen Airport. In 1995, it became a subsidiary of KLM, and in 2004, it changed its public name to transavia.com because the website and online booking became so critically important for the business (Transavia.com, 2010). Another key marketing strategy of transavia.com that distinguishes it in the market is its 'low cost with care' slogan. The internationalisation process began during the winter sport market of 2008 when it scheduled 25 European destinations (Transavia.com, 2009). The co-founder and air force pilot Johan Nicolaas Block bought Transavia. However, having vast experiences in the aviation industry, he left the company in 1975 looking for new ventures (Transavia, 2010).

4.6.3. Ryanair

In 1985, Ryanair was founded by the Ryan family. After years of rapid growth, Ryanair faced intense price competition in 1990 and, under new management, decided to copy the Southwest Airlines (Meersman, Roosen, Van der Voorde, & Witlox, 2004; O'Connell & Williams, 2005) low-fares model. As Europe's first low-fare airline, it became the largest passenger airline on the Dublin-London route. In 1997, the first four European routes opened and the internationalisation process continued during the following years. In 2000, Ryanair launched Europe's largest booking website and selected its first European bases in Brussels and Frankfurt Hahn (Ryanair, 2009). In its marketing strategy, Ryanair emphasises low fares and a price guarantee through advertisements in newspapers. As part of its marketing strategy, however, Ryanair also engages in controversial advertising, press conferences and publicity stunts (Ryanair, 2010).

4.6.4. Easyjet

Easyjet, founded in London in 1995 by 28-year-old Stelios Haji-Ioannou, offers low-cost air services within Europe. Their aim to make flying as affordable 'as a pair of jeans' succeeded, and only one year later, Easyjet went international, offering service to Amsterdam. Easyjet pioneered the use of Internet travel in 1998. In 1999, a new series of ITV's 'Airline' programme was launched, attracting approximately 9 million viewers each episode and becoming ITV's most successful docu-soap. In 2000, Easyjet shares were formally admitted to the London stock exchange and new bases were established in different European airports. One year later, Colin Chandler took over the position as chairman and followed the same internationalisation strategy as his predecessor (Easyjet, 2010). The directors of Easyjet are all young and have experiences in numerous organisational functions. The founder, who has established various other ventures, was knighted for his services to entrepreneurship in 2006. To improve communication, Easyjet tailors marketing emails to reflect individual customer preferences by using its vast customer database (Easyjet, 2009).

Table 1
Comparison of key figures from annual reports 2008/2009.

Airline	2008 profit	2009 profit	No. of airports	No. of aircraft	No. of customers (million)	No. of employees	Return on equity (percent)
Cimber, DK	7.5	−7.9	36	26	1.8	762	32.5
Norwegian, N	0.5	55.8	86	46	10.8	1614	36.0
Transavia, NL	11.7	7.3	73	34	55	1911	7.1
Ryanair, IRL	480.9	105.0	145	196	58.6	6616	7.9
Easyjet, UK[a]	129.7	64.4	114	181	42.5	6666	15.0

[a] All profit after tax figures are in million Euros, for Easyjet only profit before tax was available.

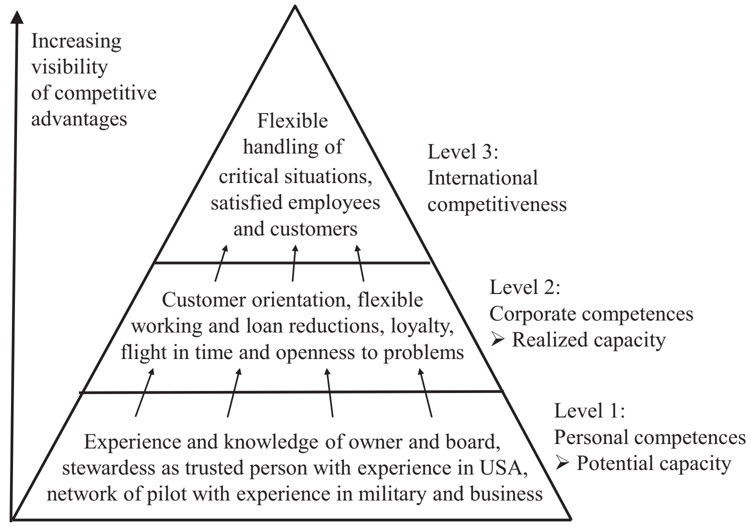


Fig. 2. Development of international competitiveness of Cimber.

4.7. Competitive advantage

The personal and corporate competences and the extent to which they can be classified as core competences or competitive advantages will be analysed in this part of the study. For this evaluation, internal and external factors must be considered. Therefore, the competitive advantage realisation will be discussed and will include a comparison of competences at the personal, corporate and international level.

Following the findings of Cardy and Selvarajan (2006), competences at the personal and corporate level have been examined. According to the research questions, the international management of the outlined airlines will be analysed at three levels to determine where the visibility of competitive advantages increases (see Fig. 2). The competence classification was referenced in the questionnaire to differentiate personal and corporate competences. Questions regarding the competition, the business family and the business history were included in the interview guidelines (see Appendix A).

4.7.1. Level 1: personal competences

At Cimber, the oldest of the compared airlines, there exists a long tradition of having an air force pilot as well as technicians on the supervisory board. The long-term market experience combined with the marketing and Internet skills of Lone Koch, the co-owner, is viewed as a valuable resource. Regarding abilities and interpersonal and intellectual skills, the chairman, himself a lawyer, serves as an excellent resource and advisor. The stewardess and pilot, representing the two employee groups, bring sound experience and a strong network base to the organisation. The management board is young, and the members possess different skills and huge potential.

The board members of Norwegian also represent diverse experiences including transport and other important sectors. The other three airlines did not specify special personal competences. Transavia, as the second oldest company, has undergone many changes at management level.

4.7.2. Level 2: corporate competences

As a subsidiary of KLM, Transavia is financially secure and can build upon the competences of the mother company. The other airlines operate alone and possess different corporate competences without having a strong partner on their side. Norwegian, with its distinct position in Norway, is the second largest airline in Scandinavia and has experienced significant growth in recent years. Ryanair and Easyjet, as the largest of the compared airlines, attempt to stay competitive by constantly lowering fares, which ultimately results in relatively low returns on equity (see Table 1).

Cimber can build on its long-term experience in the airline business and on its cooperative networking with 39 other airlines. These networks are regarded as important competences within the firm. The organisational structure of Cimber has developed at a steady pace and experienced only a few changes over the years. Therefore, the experience and competences stay within the family business, which could be a reason for the high level of loyalty of its employees and their willingness to accept flexible working hours and salary reductions.

4.7.3. Level 3: international management and competitiveness

As an indication of international competitiveness, the profit figures and equity ratios from Table 1 are considered relevant. In this respect, Norwegian and Cimber stand out with an equity ratio that exceeds 30 percent.

All outlined airlines compete in the low-cost fare segment, but the internationalisation strategy differs significantly. Cimber's hybrid strategy shows flexibility and innovativeness in their international marketing. An increase in the number of passengers of more than 50 percent and an increase in the market share of domestic flights in 2009 confirm that Cimber has chosen the right strategy to realise its goals (Cimber, 2009, 2010). The lower profits of Cimber in 2009 can be viewed as a result of the Sterling acquisition. The recent losses as a consequence of the different crises were partly absorbed by developing corporate competences and internal factors (Cimber, 2011a). Only in 2010 as a way to recover from the volcanic ash crisis did Cimber receive financial support from a background partner.

Norwegian adheres to the philosophical strategy 'to give everybody the possibility to travel by air'. The overall goal is to be the preferred supplier of air travel and services in the Norwegian and other carefully selected markets (Norwegian, 2010). The other three airlines that implemented an extensive internationalisation strategy on the highly competitive market segment for leisure air travel had to reduce costs as much as possible and offer lower levels of service levels. In using different strategies, these other airlines try to find a distinctive position in the low-fare market but still operate at a low return on equity.

5. Conclusions and outlook

This case study analysis outlined strategic management processes and the competitiveness of Cimber from a competence and ACAP perspective. The analysis using the research model and the competence approach lead to the following conclusions.

The first research question was addressed with regard to structural and situational triggers. The absorptive capacity of Cimber can generally be considered to be high because of the flexible management style and the support it receives from its employees. Another example for this high level of ACAP could be the termination of the sponsorship of Denmark's male handball team in 2010, which they proudly supported for many years (Flensborg Avis, 2010). This may have been a fast but necessary reaction to the increased costs resulting from the volcanic ash and oil crises. In July 2011, after months of financial trouble (shown by an operating loss of DKK 200 million in financial year 2010/2011), Cimber Sterling, realising that it was not in a position to continue operations on a stand-alone basis, sought new cash resources to service their creditors and ensure a long-term strengthening of its capital base. As a consequence, Cimber Sterling entered into an agreement with Cyprus-based Mansvell Enterprises to fund DKK 165 million, thus yielding to Mansvell a stake of approximately 70 percent in Cimber Sterling. As part of the strategy to create a leading Nordic regional airline, Mansvell Enterprises also acquired the Swedish regional carrier City Airline from Gothenburg and Skyways from Stockholm in 2010 (Cimber, 2011b; CPH traveler.dk, 2011). The full consequences of the identified critical situations and the way in which the different airlines cope with these problems in the long run would be interesting to follow. Gathering more information on this special situation for the aviation industry would be of great importance.

The airlines' personal and corporate competences as discussed with respect to the first two levels of the competence approach followed the second research question, which can be answered by the fact that Cimber is a family business with special sociocultural values and norms (Lewin et al., 2011). In particular, the familiness components of involvement and identity (Zellweger et al., 2010) were clearly evident at Cimber. Zahra and George (2002) see social integration mechanisms within the firm as an important factor as they facilitate information sharing and, therefore, reduce the gap between potential and realised ACAP. In the case of Cimber, networking within and outside the company and knowledge sharing among members of the family business can be regarded as social integration mechanisms or familiness qualities (Tokarczyk et al., 2007). The introduction of part-time jobs, flexible work hours and pay reductions also shows the innovative thinking of Cimber management and the support of their employees. Therefore, the flexibility, responsibility and loyalty of Cimber's employees and the fact that Cimber is a family business with long-term perspectives had a positive influence on transforming capabilities into corporate competences in the organisation.

The third research question as to how internal and external factors influence the competitive advantage realisation was analysed in comparison to four other airlines. Regarding ownership and finances, the influence of such factors can be considered positive. However, the recent changes in the management of Cimber may have a negative effect on the competitiveness of the family-owned airline. To maintain the satisfaction of its customers and its employees, it is important that Cimber keep other conditions as stable as possible.

Combining the influence of external factors from the literature and the industry analysis, it can be concluded that airline passengers travelling on full-service carrier flights place strong emphasis on reliability, quality, flight schedules, connections and comfort. Travellers taking low-cost carriers focus almost exclusively on low fares. The survey of O'Connell and Williams (2005) indicates that the ideal setting for passengers would be a combination of low fares with some of the full-service products. This, however, is a difficult task especially when considering the different crises that affected the entire industry. As shown in the competence analysis, an airline cannot offer both full service and low fares. They must decide on one strategy and follow this. Norwegian and Cimber operate in the low-fare market but are still able to offer a good level of service because of their distinct position in the Scandinavian market. In the Scandinavian market, the competition in the low-cost market is less intense than it is throughout the rest of Europe. For example, Transavia, Ryanair and Easyjet compete in the non-Scandinavian market and try to cut costs to an absolute minimum, an effort that results in lower returns. Although the economic crisis affected the whole of Europe, Cimber (up to the point of the Mansvell takeover) and Norwegian survived without having a stronger financial partner in the background. Norwegian identifies strongly with the country's culture using their airline's design profile and concentrating on the Scandinavian market. Cimber tries to position the airline as the market leader in Denmark, but it does not stress the fact that it is a family business. Having strong networks and long-term employees puts the family business in a strong position to compete against other airlines. As previously mentioned, Cimber develops innovative ideas to defend the domestic market. Additionally, their hybrid airline strategy shows flexibility and innovativeness in international management and in handling crisis situations.

The recent trend of consolidation in the aviation industry could be investigated further from a network perspective. Successful alliances lead to convergent marketing strategies where a smaller company is able to compete globally and the larger business can respond locally (Dana, Etemad, & Wright, 2000). This could include considerations regarding how the ACAP perspective can or should be applied, not only for the firm itself but also for inter-firm cooperation (Flatten, Greve, & Brettel, 2011). It could also be interesting to analyse more family-owned airlines or to look at the history of airlines, in general, where alliances resulted in losing the family business status. Moreover, it would be interesting to determine why airlines transition from a family to a non-family business.

The Cimber case has contributed to the ACAP theory with elements that constitute ACAP in family firms. The case shows how a family-owned company can gain and retain competitive advantages by handling crisis situations in a fast and flexible way through networking and exploiting the high degree of absorptive capacity. Considering the acquisition by Mansvell, the case also indicates that internal factors, particularly the financial basis of the company, are of significant importance as they counterbalance, in a capital intensive industry, the constant threats of consolidation, thereby demonstrating the problems that companies in the airline industry face during critical situations. Although Cimber had to sell a large part of the company, the family-owned airline showed a high degree of absorptive capacity and strong competences in handling critical situations.

Appendix A. Interview guideline for Cimber Sterling

We are trying to find out competences or activities in which Cimber is regarded as being better than its competitors. Can you please tell us your opinion about following questions?

1. Business family: Who of the following people do you know and how good? (show list)
2. Personal competence of management: What special competences do the board members have regarding following skills?
   - Intellectual (e.g., strategic perspective, analysis, and judgements)

- Interpersonal (e.g., persuasiveness, decisiveness, communication)
- Adaptability (e.g., resilience, flexibility)
- Results orientation (e.g., initiative, business sense)

3. What are the special corporate competences of Cimber Sterling?
   - What networks are most important for Cimber Sterling?
   - Can you describe the competences in the internationalisation process (destinations)?
   - What international marketing competences are most important?
   - Is the fact that Cimber is a family business important? Why?
4. What is your own background (potential capacity)?
   - Educational and family background
   - Experience from previous jobs
   - Personal networks
   - Other networks
   - Special skills/competences (e.g. creativity, flexibility, dependability, personality, leadership skills, communication skills. management skills)
   - Do you know how Cimber could increase passenger satisfaction?
5. Does your educational background help you in the job (realised capacity)?
   - Education or experiences that are needed for the job
   - Personal networks useful for the job
   - Other networks useful for the job
   - Special skills/competences needed for the job
   - Knowledge about handling of the financial crisis
   - Knowledge about handling of the volcano ash disaster
   - What can you do to increase customer satisfaction?

Additional question for the owner of Cimber Sterling:

6. Competition:
   - Do you know of any other family-owned airlines?
   - Which airlines are at the moment the strongest competitors in your target market?

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