

LIFE, DEATH AND REBIRTH OF THE B2B BUSINESS MODEL

- THE CASE OF THE CIMBER AIRLINE

Abstract:

Many airline companies are struggling to survive after the industry has been hit hard by several crises. The reaction of companies is however heterogeneous, with family businesses reacting in a particular way given their inherent characteristics and particular risks. One airline that has went through cycles of expansion and decline is the Danish family-owned Cimber airline. In this paper, we aim to understand how and why Cimber's business model changed over time.

Since its original establishment in 1950 the family-owned airline Cimber experienced many changes. To study the development of their business model, we adopt a qualitative case study approach. The empirical base of the case study is formed by a set of interviews, with previous and current managers and employees, including both family and non-family, conducted in the period 2011-2014, complemented with secondary data, such as annual reports, newspaper articles and industry analyses.

Cimber's business model development can be divided into three different stages with a changing focus on different business model components. Our analysis shows that there is an important difference between the internal (family) and external involvement, with an important association to the complexity of the business model.

Our findings imply that family businesses need to be aware of not only the opportunities but also the possible costs and risks when opening up their business model. Whereas establishing early relationships with key stakeholders is vital, it can also be risky on the long term to rely on a limited business model. Finally, while acknowledging the dangers of business model complexity, family businesses have to find a delicate balance between building and respecting their traditional values, resources and relationships on the one hand and developing or even reinventing their business model on the other hand.

Keywords: B2B Marketing, Business models, Family Business, Case Study, Cimber

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Work in progress paper

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INTRODUCTION

The airline industry has been hit hard by several recent crises after which many airline companies are struggling to survive. The financial crisis lowered corporate and consumer spending on air travel, similar to trends in many other industries. Besides, the Icelandic ash cloud in the spring of 2010 affected many European and transcontinental flights, causing a heavy financial burden on many airlines. To make matters worse, the rise in the oil price in 2011 also resulted in a significant cost increase for the airline industry. As in any industry, such crises feed into the general cycles of industry and business emergence and downfall. At the same time, different types of companies react differently to such dynamics. For example, given their inherent characteristics, family businesses face a particular failure risk as they react differently to possible threats in the environment. While family businesses have a particular approach to innovation inputs, processes and outputs, they are also limited in reacting to radical changes in the environment.

One airline that went through cycles of expansion and decline was the family-owned Cimber Air (later renamed Cimber Sterling), based in the southern part of Denmark (Sønderborg). In the early 2010s, Cimber Sterling was heavily affected by the various crises (Boyd and Hollensen, 2012), and despite some successful years, it had to file for bankruptcy on May 3, 2012. Within two weeks of the bankruptcy, the earlier top managers of Cimber Sterling founded a new airline, Cimber A/S. In the process of trying to revive the company, Cimber recycled parts of the old business model but also left out several components.

This paper sets out to investigate the role of business model innovation in this family-owned company, both in the historical context and in the period preceding and following the significant changes, such as the bankruptcy in May 2012.

In particular, the purpose is to better understand how and why changes to the business model enabled the development of the original Cimber company as well as the subsequent management of (the “ups” and “downs” in) the company in the different phases of its existence, with particular reference to the role of the family in this process. The following research questions will therefore be in the focus of our investigation.

How does a family-owned airline develop its business model over time? And what role does the family involvement have on the business model development? On this basis, we will furthermore explore the implications of the business model development in the family-owned airline business, both for the company itself and for family businesses in general.

RESEARCH METHODOLOGY

In this paper, we present the case of Cimber, a (partly) family-owned airline company that has experienced many changes in their business model since its original establishment in 1950. Even formally, the company has changed ownership and legal status, going from Cimber Air A/S (1950-2008) to Cimber Sterling A/S (2008-2012) to Cimber A/S (2012-2014), with important changes in its business model associated to these developments. To study these changes, we adopt a qualitative case study approach to explore the development of the business model in general and the role of the family members in particular (Eisenhardt, 1989; Yin, 2003). The empirical base of the case study is formed by a set of interviews, with previous and current management and employees, including both family and non-family, conducted in the period 2011-2014¹, complemented with secondary data, such as annual reports, newspaper articles and industry analyses. Triangulation is established by relying on multiple data sources, and we increase construct validity by using a general structure of questions and by checking the chain of evidence with the interviewees. Most central in the current paper will be a set of recent semi-structured interviews with the current owners and managers of the Cimber company. These interviews were conducted in the summer of 2014 and contained questions regarding the airline industry, business model development, and family involvement, both historically and in recent years. We analyzed the specific changes to the various components of Cimber's business model, building on this historical perspective, as well as focusing on the recent developments surrounding the bankruptcy in May 2012.

Appendix A provides a detailed timeline of the important events in the Cimber Airline, in the period of 1950-2014

Appendix B provides an aftermath of the recent development of Cimber Airline in 2015.

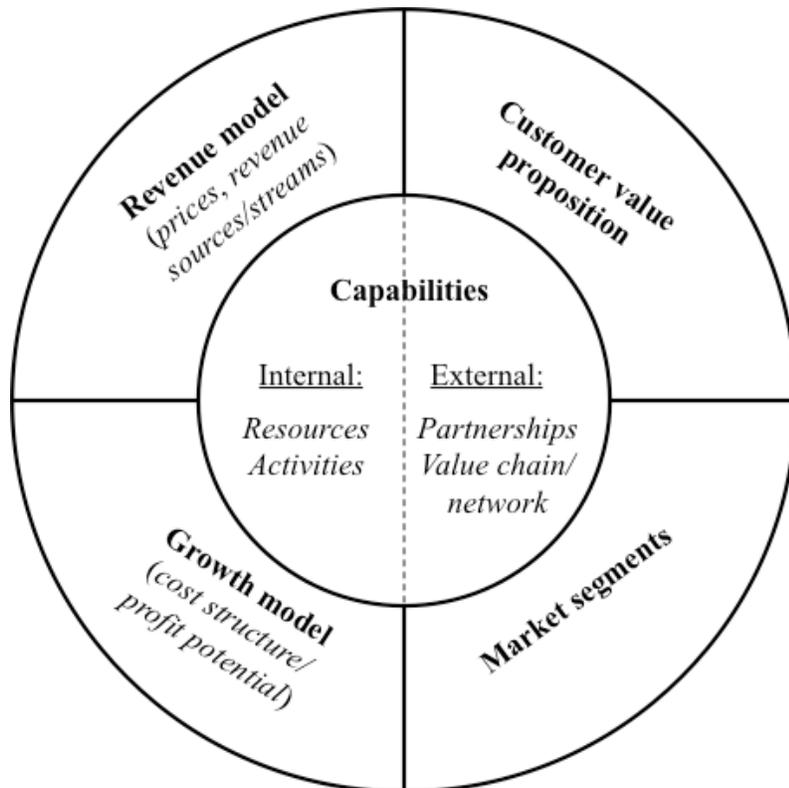
BUSINESS MODEL DEVELOPMENT

A business model describes the logic with which a company creates and captures value. Several perspectives on business models have been put forward, which essentially highlight the role of a set of capabilities and activities (including relations and partnerships) that support a cost structure and revenue model in line with the value proposition for a particular customer segment (Coombes and Nicholson, 2013). While business models as a new unit of analysis seek to explain how companies do business through value creating and capturing activities, the development of new business models can be surrounded by significant barriers, not the least in incumbent companies (Chesbrough, 2010). A particular challenge in business model development is moreover the dependence on external partners that are involved in the focal company's value creation and capture logic (Chesbrough, and Bogers, 2014). Consequently, the business modeling process can be understood to be both influencing and being influenced by not

¹ We also build on earlier interview, conducted by the authors before 2014, as well as interviews with the current senior CEO, CFO and COO, conducted in May 2014. A summary of key quotes from these interviews is available from the authors on request.

only internal actors within the firm developing the business model, but also by external actors within the business network (Mason & Spring, 2011). Figure 1 proposes a generic framework for understanding business models, which includes an internal (left-hand side) and external (right-hand side) orientation.

Figure 1: Main components of a business model



Source: Adapted from Afuah (2014), p. 5

The development of a family business' specific business model will depend on a number of key factors that define the particular nature of the family business. At the core of what constitutes a family business, researchers highlight that family involvement in terms of ownership and management make family businesses unique. The "familiness" moreover describes the uniqueness of family businesses as it relates to the specific bundle of resources that are distinctive to family involvement, and which explains which resources and capabilities at large lead to a competitive advantage.

In line with Muzellec et al. (2015) a two-sided business plan platform is needed – one for the end-user side (B2C) and one for the business partners (B2B). The business model orientation (B2B or B2C) changes over time.

The different aspects relating to a family business' business model - how it does business as part of its value creation and capture logic - can be dynamic and specifically change during the different stages in the family business' development. The life cycle of a family business may be

considered along several dimensions, such as ownership, business, and family (Gersick et al., 1997). In terms of the development of the business model, previous research suggests that family businesses innovate less because of their risk-averse strategic management (Naldi et al., 2007). Recent studies confirm the direct negative impact of family involvement on innovation input but show positive influence on the innovation output (De Massis et al., 2013). This outcome suggests that the reluctance of family businesses to invest in innovation can apparently lead to efficient strategic changes. In the capital-intensive airline industry, it is interesting to observe that family businesses seldom survive, seemingly except for those that persist on their traditional distinctive business model. For example, a longitudinal investigation of the business models of 26 European passenger airlines found that the only airline that did not change the business model over time was family-owned (Daft and Albers, 2013). This result indicates the uniqueness and lack of business model innovation in family businesses, presumably because of the family influence on the business. In this paper, we will investigate the particular case of the family-owned airline Cimber for which we explore how issues as family influence influenced business model development or innovation over time.

BUSINESS MODEL DEVELOPMENT AT CIMBER

In 1950, Ingolf Lorenz Nielsen (1925-1995) established the airline Cimber by acquiring Sønderjyllands Flyveselskab, which later became Cimber Air. The name Cimber derives from the Germanic tribe Cimbri who fought the Roman Empire more than 2000 years ago (Strauss, 2009). Since its establishment, Cimber has been located in Sønderborg, in the region of southern Denmark. In 1966, Cimber Air ascertained a concession on the Sønderborg-Copenhagen service, combined with Sønderborg becoming a genuine airport with asphalt runway and lighting. Cimber Air agreed on cooperating with SAS and Maersk Air in 1971 to establish the joint company Danair and to develop domestic flight operations in Denmark. The 35th anniversary marked a generational change in Cimber Air where Ingolf's oldest son, Hans Ingolf took over the position as Chief Executive Officer (CEO). In September 1994, Jørgen Nielsen replaced Hans Ingolf Nielsen as CEO. The two brothers and a younger sister Lone Marie Koch were co-owners of Cimber at that time. Lone joined the company in 1976 and worked in different departments. In February 2003, Cimber Air bought back the shares that SAS acquired in May 1998 and Cimber Air was once again a 100% family-owned business (Cimber Sterling Group A/S, 2010). In the winter of 2008/2009, Cimber Air acquired the intangible assets of Sterling Airlines A/S with the opportunity to operate Boeing 737 aircraft. CEO Jørgen Nielsen stated, "In buying Sterling we saw a unique opportunity to safeguard and extend our present position...". By expanding the market for scheduled services and including the segment for private holiday travellers, Cimber became an "all of Denmark's airline company". In April 2009, four Boeings started to operate, resulting in a total of 15 new destinations in Southern Europe. In 2009, Cimber Sterling announced its entry to the stock market. With a share capital of DKK 18 million (€2.4 million), it follows the "Ownership Restriction", meaning that non-EU shareholders are not allowed to hold or control shares exceeding 49.99% of the company. On the January 1, 2010, Jacob Krogsgaard, former Chief Operational Officer (COO), took over as CEO from Jørgen Nielsen to become the first non-family member CEO. In 2009, Cimber Sterling increased its number of passengers by more than 50%, also resulting in an increasing market share of domestic flights to around 42% in 2009. At this point in time,

Cimber followed a “hybrid” airline strategy, in that the fleet combines large and small aircraft to achieve maximum flexibility in route network and planning. With this business model, Cimber strived to become the leading airline in the Danish domestic market and intended to be a focused European airline to selected destinations.

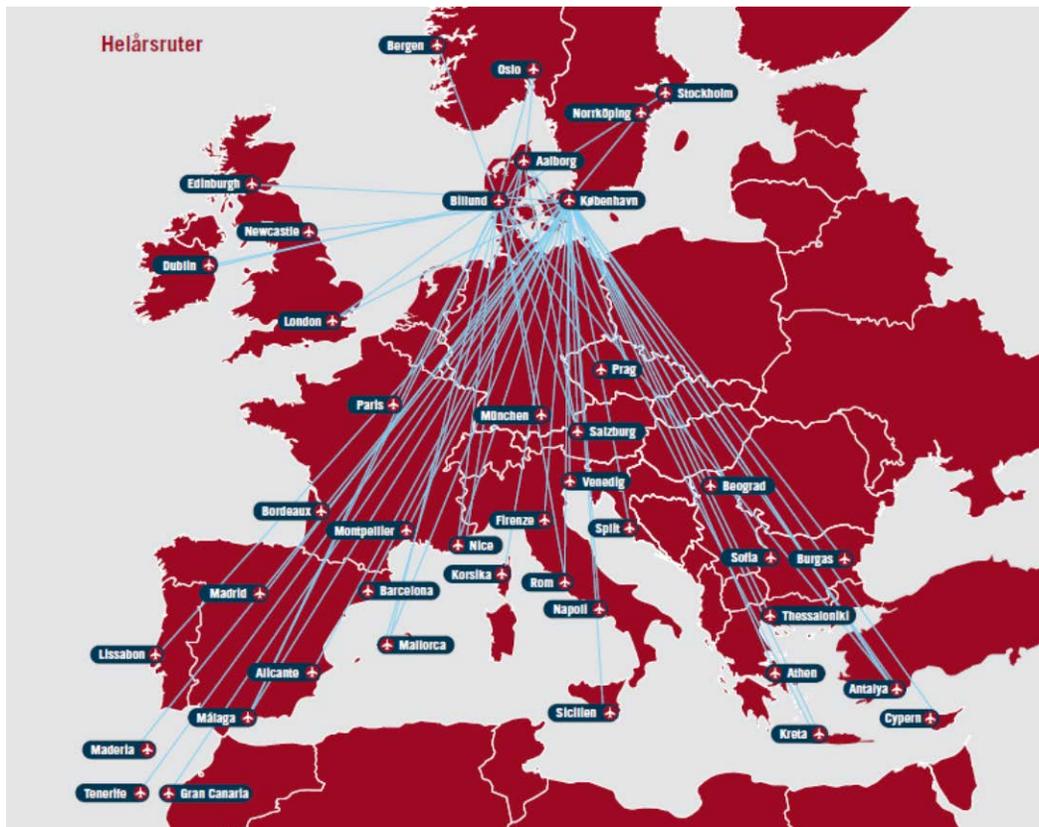
In this process, while competing airlines followed an extensive internationalization strategy by opening new bases all over Europe for leisure air travel, Cimber had to reduce costs as much as possible, resulting in a lower service offering. The hybrid business model also entailed a dynamic combination of business (B2B) and consumer (B2C) customers, thereby combining market segments and value propositions, linked to their growth and revenue model. In terms of scope of the business, this was clearly the highlight of the company, for example considering the number of routes in Denmark (Figure 2) and Europe (Figure 3).

Figure 2: Cimber Sterling’s point-to-point domestic flights



Source: Cimber Sterling Group A/S, Financial report 2010/11

Figure 3: Cimber Sterling's routes out of Denmark



Source: Cimber Sterling Group A/S, Financial report 2010/11

Despite this seemingly successful business model, there were some external developments that started to pose threats to the business model. For example, in 2009, there was a decline in air transportation of nearly 14%, compared to 2008. The International Air Transport Association (IATA) estimates the industry aggregate losses in airline companies at \$11 billion.² Furthermore, the volcanic ash crises in April-May 2010 wiped out further prospects of financial stability among most European airline companies. Cimber Sterling recorded losses of €7.9 million (DKK 59 million) in 2008/2009 and €30.5 million (DKK 229 million) in 2009/2010. After the introduction of Cimber Sterling on the stock exchange around December 1, 2009, the share price has been in a negative trend, going from DKK 9 down to DKK 2.40 around September 1, 2010. A critical point was reached in July 2011, when, after several months of financial trouble—shown by an operating loss of €28.4 million (DKK 213 million) in financial year 2010/2011—Cimber Sterling realized that it was not able to continue operations on a stand-alone basis, but needed new cash resources to service their creditors and ensure a long-term strengthening of its capital base. After a cash injection of €2 million (DKK 165 million) by Cyprus-based Mansvell Enterprises in August 2011, Cimber appointed a new CEO on October 1, 2011, from Jacob Krogsgaard to Jan Palmér, who had a background in Mansvell's Swedish Skyways. On February 15, 2012, the top management was supplemented by Chief Commercial Officer (CCO) Jacob

² Euromonitor, www.euromonitor.com, (2010)

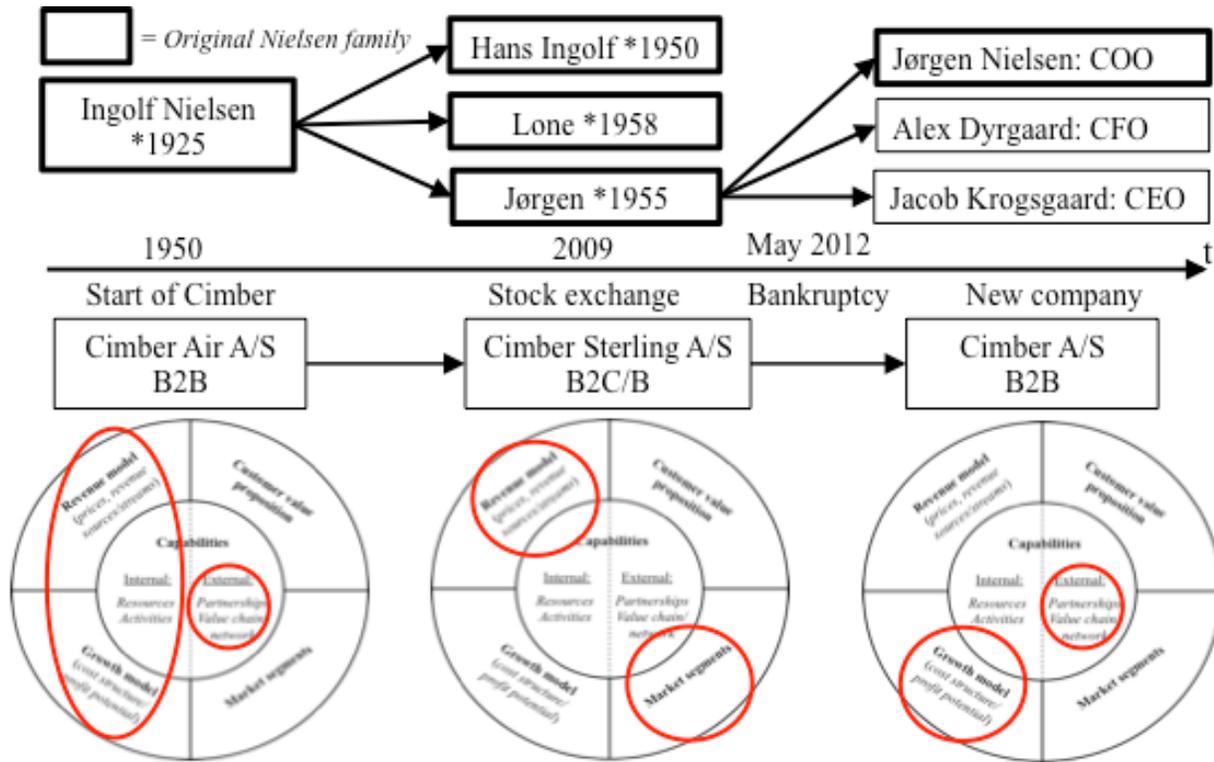
Krogsgaard, Chief Financial Officer (CFO) Martins Antonovics, Chief Operational Officer (COO) Jørgen Nielsen, and Chief Legal Officer (CLO) Alex Dyrgaard.

However, Mansvell Enterprises decided not to continue their financial support of the company, and Cimber Sterling declared bankruptcy on May 3, 2012. Interestingly, on May 15, 2012, the three earlier Cimber Sterling top managers Jørgen Nielsen, Jacob Krogsgaard and Alex Dyrgaard founded the new Cimber A/S. This means that Cimber is currently still partly owned by one of the sons (Jørgen Nielsen) of the original founder (Ingolf Lorenz Nielsen). The new Cimber A/S is somehow a return to the “basics” by going back to the original B2B model. Just after the foundation of the company, Cimber A/S got sub-supplier contracts from SAS to fly domestic routes, like Aarhus-Copenhagen and Billund-Copenhagen. Cimber A/S took over 114 employees from the earlier Cimber Sterling. By the end of 2012 the number of employees had increased to 150.

In summary, on a very general level, Cimber’s formal status and related business models can be divided into three different stages—see also Figure 4, which moreover give an indication of changing focus in business model components and orientation (Muzellec et al., 2015), compared to the general ‘business model’ in Figure 1:

- 1950-2008 (Cimber Air A/S): Domestic, B2B
- 2008-2012 (Cimber Sterling A/S): “Hybrid”, B2C/B, market leader in Denmark, after the acquisition of the insolvent Sterling Airways
- 2012-2014 (Cimber A/S): “Back to basics”, B2B (version 2.0), single customer

Figure 4: Change of family involvement and business model in Cimber airline



THE ROLE OF THE FAMILY IN BUSINESS MODEL DEVELOPMENT AT CIMBER

With the changes in family influence, there was also a related change to the scope of the business model. Every possible change to the business model is highly linked to internal capabilities, including financial resources:

“The financial thing is that family money is more patient than anybody else’s money. Things are thought over and discussed at the dinner table... everywhere... It’s a very detailed process - it pops up now and again... Every stone is turned 5 times. It’s not put down on a piece of paper... in the way that somebody makes a big, grand master plan on how we’re going to conquer the world, that’s not the story... it’s opportunity driven, where you see an opportunity... should we do this, should we do that... how can we..?”³

Following 1995, there was an increasing amount of changes. As Alex Dyrsgaard, who joined Cimber in 1996 observes:

“The business model changed a lot over these years, because when I started we had 4 aircraft... 3 older aircraft and 1 that had just been delivered... and then during the next year or so 2 more

³ Interview with Jørgen Nielsen, May 19, 2014.

were delivered, we went from 3 to 6 and in '96 most of the operation was for Lufthansa and the cooperation with SAS. Before '95 there was actually only 1 route Cimber was flying in Denmark, that was Sønderborg-Copenhagen... the rest was in Germany. Then in '95 when the market was liberalized, Cimber and SAS made a cooperation agreement, and then Cimber started to fly out of Karup, and Århus and Ålborg, so we spread all over the domestic market and still flying heavily in Germany... out of Kiel, there was a base in Kiel, were we were flying to Frankfurt, Cologne, Berlin, Berlin-Bremen etc.”⁴

A major business model change was related to the above-mentioned professionalization:

“Until then some of the stuff we were talking about was very, very, very down into operating, doing things the right way and building on the experience that was available. It changed gradually because the board was talking about strategic development, long term planning, blah blah blah.”⁵

One of the results of this professionalization was a move into the consumer market, linked to the acquisition of Sterling Airlines in 2008. However, *the resources were not interchangeable... we didn't get scale... and without the scale we didn't get the unit costs down... ”⁶*, which ultimately lead to the bankruptcy. After the bankruptcy, the current owners decided to re-launch the company by building on and with a focus on some of the earlier activities.

DISCUSSION AND IMPLICATIONS

Our analysis shows how Cimber, a family-owned airline, developed its business model over time. When Ingolf Nielsen established the company in 1950, the business model, which describes the logic of creating and capturing value, targeting a small segment of business customers based on a few key resources, activities and relations. There was a strong internal focus and there was only limited exploration and experimentation over the years. While Appendix A gives a detailed timeline, Figure 4 illustrates the development of the different components in the business model, separated into three main phases.

Our case study results (showing B2B orientation in the beginning of the company lifecycle) is not in line with the research found in Muzellec et al. (2015), where the value proposition in the early stages of development is mostly directed towards end-consumers (B2C orientation). Key reasons for this different orientation in the early stages of the company lifecycle might be that our family-owned Cimber is based in the airline industry, whereas Muzellec et al. (2015) is based in the internet industry, with a high degree of external funding.

In our Cimber case study an important shift happened during the years surrounding the new millennium, with key events being the passing of the founder in 1995 and the establishment of a professional board in 2005. In this process, with these events as specific examples, the role of the family in the overall business model was greatly affected. In particular, with a rising external influence - at the cost of the family influence—the complexity of the business model greatly increased with a diversification into the consumer market through the acquisition of Sterling

⁴ Interview with Alex Dyrgaard, May 12, 2014.

⁵ Interview with Jørgen Nielsen, May 19, 2014.

⁶ Interview with Jacob Krogsgaard, May 12, 2014

Airlines to form Cimber Sterling. However, the ultimate result was a bankruptcy in May 2012, after which one out of three siblings from the original Nielsen family decided to re-launch the Cimber company, in which they went “back to basics” by relying on the old relations – especially to SAS - that the family had built up during many years.

Based on our observations and analysis, we suggest a number of implications for the management of family businesses. Even though our Cimber case is a single case study, we assume that there are many similarities between the challenges that Cimber has faced over their company history and the challenges that other family businesses are facing in their ongoing and future development. For example, we recommend that family businesses consider the balance between internal and external capabilities. Especially in the current era of “open innovation” - in which there is much focus on “purposively managed knowledge flows across organizational boundaries ... in line with the organization's business model” (Chesbrough and Bogers, 2014) - family businesses need to be aware of not only the opportunities but also the possibly costs and risks involved in opening up their business model (Chesbrough et al., 2014)

The case of Cimber in particular shows the possible side effects of taking in external (professional) members in the board of a family business. The business model tends to increase in complexity, but this has not been the strength of the Nielsen family members - their strength was to know about the details in the airline industry and keep things simple and tractable—while keeping a good balance between having the required functional areas represented in the company. Consequently, potential conflict situations (between the founding family and the professional board members) about the future strategy may appear. In many cases, it may be better for the founding family not to include professional board member in order to retain the original company values.

The Cimber case moreover shows the importance of establishing early relationships with key stakeholders (e.g. SAS, Lufthansa and airline authorities) in the airline industry. Such early-established relationships can be very helpful later on in the company development, especially when the company comes into (crisis) situations that require rapid and fundamental changes of the business model. Such relationships also turned out to be of big help for Cimber in 2012, when Cimber changed their fundamental business model into being a sub-supplier for SAS, which has been a cooperation partner for Cimber, since beginning of the 1970s. However, recent developments in SAS (2013-2015 – see Appendix A and B) also show how risky it may be for Cimber to mainly rely on one key customer, even though the management has been aware of this threat.

Finally, the Cimber case shows that the return to a “simple” B2B business model (after 2012), with only low complexity, turned out to be more profitable, than the much more complex business model, that Cimber Sterling tried to implement in the period 2009-2012. However, the dependence on one key customer (SAS), also made Cimber more vulnerable against a possible acquisition by SAS, which actually happened in beginning of 2015, where Cimber stopped operations after being acquired by SAS (see Appendix B). That formed the end of a 65 years era with Cimber as a family business.

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APPENDIX A

Cimber's Historical Development: Timeline Facts⁷

Cimber Air A/S: 1950 – 2008 (until 3rd Dec. 2008) – the B2B business model

- 1950:** Ingolf Lorenz Nielsen acquires Sønderjyllands Flyveselskab.
- 1960:** Ingolf Lorenz Nielsen changes the company name into Cimber Air, after the 'Cimbri' tribe, which migrated from northern part of Jutland into Roman controlled territory, and clashed with Rome at its allies around 100 BC. Ingolf himself also came from Aalborg in the northern part of Jutland.
- 1966:** Cimber Air ascertains a concession on the Sønderborg – Copenhagen route, combined with Sønderborg becoming a genuine airport with asphalt runway and lighting.
- 1970:** Cimber Air starts flying for Lufthansa, mainly on their domestic routes. Cimber Air never gets rewarded for this work due to a serious air traffic controller labour dispute in West Germany. Due to this conflict, the initiated activities are abandoned and Cimber Air is forced to lay off almost 200 employees.
- 1971:** Cimber Air agrees on cooperating with SAS and Maersk Air to establish the joint company 'Danair' to develop and strengthen domestic flight operations in Denmark. This cooperation lasts for fourteen years.
- 1980:** During and after the second oil crises, Cimber Air has to find new business for their newly required Fokker F28 aircraft. They have the luck to enter a contract with Saudi Arabian Airlines on a 'wetlease'-agreement, where Cimber Air has to provide both aircraft and complete crew. The contract with Saudi Arabian Airlines lasted for six and a half year.

⁷ Part of the timeline draws on Boyd and Hollensen (2012)

- 1985:** The 35th anniversary marks a generational change in Cimber Air where Ingolf's oldest son, Hans Ingolf takes over the position as CEO. Lone, the youngest of the three children, Lone joins the company in 1976 and works in different departments, until she leaves the company in July, 2011. The oldest son, Hans Ingolf, already leaves the company in 2005. Both Lone and Hans Ingolf have ownership of Cimber Sterling until July, 2011.
- 1986:** Cimber Air A/S ends the operations for Saudi Arabian Airlines
- 1994:** Jørgen Nielsen replaces Hans Ingolf Nielsen as CEO. The two brothers and sister Lone Koch, are now co-owners of Cimber..
- 1995:** The cooperation in Danair comes to an end on 1st October, and the three members in the cooperation are then competing from that point. Ingolf Lorenz Nielsen dies on the 30th September.
- 1996:** On 1st January Cimber starts as an alliance partner (sub-supplier) for Lufthansa ("Team Lufthansa Partner") and flies several routes for them in Germany. This means that Cimber Air has business alliances with two of the leading airlines, SAS and Lufthansa, in Scandinavia and Germany.
- 1998:** In May SAS buys 26% of the shares in Cimber Air.
- 2003:** Cimber Air buys back the shares that SAS acquired in May 1998 and Cimber Air is once again a 100% family-owned business.
- 2000:** Lufthansa builds up a regional jet network, out of Berlin. Cimber Air is contracting with Lufthansa regarding regional jet network.
- 2001:** 9/11 attack means overcapacity in European Airlines, including Lufthansa.
- 2003:** The subsupplier contract with Lufthansa regarding the regional jet network ends.
- 2004:** In June 2004, Cimber Air Holding establishes Cimber Air Maintenance Center A/S with Jørgen Nielsen, Alex Dyhrgaard, Ove Lustrup Madsen and David George Plumpton in the Management.
- 2004:** Maersk Air gives signals that they want to leave airline business and concentrate on shipping, oil drilling and their other activities. The On the 11th August 2004 this results in the Cimber acquisition of Maersk Air routes in Denmark out of Billund.
- 2005:** In October 2005 Niels Erik Nielsen (attorney and partner in a law firm, and not part of the founding family) takes over as chairman of the board of directors from Hans Jørgen Thomsen, who had been Chairman (and Finance Director of Cimber Air A/S) for more than 20 years (<http://www.business.dk/diverse/nyt-fra-bestyrelserne-53>).
- 2005 – 2008:** Good years for Cimber Air. The net profits (after taxes) increased from DKK 5 million in 2005 to DKK 56 million in 2008.

Cimber Sterling A/S: 2008 – 2012 (until 3rd May 2012) – the B2C/B hybrid business model

- 2008:** On the 29th October 2008, Sterling Airlines A/S files for bankruptcy and ceased operations. On the 3rd December 2008 Cimber Air acquires the intangible assets of Sterling Airlines A/S with the opportunity to operate Boeing 737. By expanding the market for scheduled services and include the segment for private holiday travellers Cimber becomes an 'all of Denmark's airline company'.
- 2009** In April four Boeings start to operate resulting in a total of 15 new destinations in Southern Europe.

- 2009:** Cimber Sterling announces its entry to the stock market (1st December 2009). With a share capital of DKK 18,000,000 Cimber Sterling followed the 'Ownership Restriction', meaning that non-EU shareholders were not allowed to hold or control shares exceeding 49.99% of the company. The three family members, Hans Ingolf, Lone and Jørgen each keeps 13.1% of the shares, in total 39.3%.
- 2010:** On 1st January 2010 Jacob Krogsgaard (former COO) takes over as CEO from Jørgen Nielsen.
- 2010:** As a consequence of the crises in the airline industry and financial troubles in Cimber Sterling, on the 24th February 2010 it is announced that Cimber Sterling has agreed with its employees that all members in the organization (including board members) should reduce their salaries with 10%.
- 2010:** The Icelandic ash cloud, which leads to the airspace closure in April – May 2010, causes a heavy financial burden for Cimber Sterling and the airline industry in general. In order to secure Cimber Sterling's capital and cash position as much as possible, they have applied for a loan with a partial government guarantee. On the 1st October 2010 it is announced that Cimber Sterling has received final approval from the Government organization, Vaekstfonden, for a loan of DKK 86 mill.
- 2011:** In July 2011, after several months of financial trouble (shown by an operating loss, after taxes, of DKK 213 million in financial year 2010/11, after a loss of DKK 229 million in 2009/10), Cimber Sterling realizes that it is not able to continue operations on a stand-alone basis, but needs new cash resources to service their creditors and ensure a long-term strengthening of its capital base.
As a consequence, Cimber Sterling makes an agreement in August 2011 with Cyprus-based Mansvell Enterprises Ltd. (owned by Ukrainian billionaire Igor Kolomoisky) to inject DKK 165 million, which provides Mansvell with a stake of about 70% in Cimber Sterling. Mansvell's intention is to create a leading Nordic regional airline. As part of this strategy Mansvell Enterprises acquires the Swedish regional carrier City Airline from Gothenburg and Skyways from Stockholm in 2010
- 2011:** On 1st October 2011, Cimber Sterling appointed a new CEO, Jan Palmér, who came from Mansvell's Swedish Skyways.
- 2012:** On the 15th February 2012, besides Jan Palmér, the top management is supplemented by Chief Commercial Officer (CCO) Jacob Krogsgaard, CFO Martins Antonovics, COO Jørgen Nielsen and Chief Legal Officer (CLO) Alex Dyrgaard.
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Cimber A/S: 2012 – 2014 - the B2B business model (version 2.0)

- 2012:** On the 3rd May 2012 Cimber Sterling is declared bankrupt after its owner (Mansvell Enterprises) decides not to continue their financial support of the company. Later in May 2012, Mansvell's two other Scandinavian airlines (Skyways and City Airline) are also declared bankruptcy, and in this way ends the Mansvell's venture into the Scandinavian airline business.
- 2012:** On the 15th May 2012 the new Cimber A/S is founded by the three earlier Cimber Sterling top managers, Jørgen Nielsen, Jacob Krogsgaard and Alex Dyrgaard. Just after the foundation of the company, Cimber A/S gets sub-supplier contracts from SAS to fly domestic routes, like Aarhus-Copenhagen and Billund-Copenhagen. Cimber A/S takes

- over 114 employees from the earlier Cimber Sterling. By the end of 2012 the number of employees has increased to 150.
- 2012:** The 18th November 2012 was a critical day for Cimber A/S. Their only customer, SAS, was in deep financial trouble and as a sub-supplier for SAS, Cimber A/S was dependent on the survival of SAS. By the end of the day, SAS has made an agreement with their cabin employees and their pilots, that they should decrease their salary by 15% in order for SAS to survive. In this way a potential SAS bankruptcy was prevented.
- 2013:** On the 24th April 2013 the first 2012 financial report from Cimber A/S is published, based on 7.5 months (from 15th May to 31st December, 2012). It shows a net profit (after taxes) on DKK 1,0 million, based on a turnover of DKK 103 mill.
- 2013:** On the 1st November 2013 the current management team consisted of Jacob Krogsgaard (CEO), Alex Dyrgaard (CFO) and Jørgen Nielsen (COO). Cimber A/S's only customer was SAS, for which Cimber operates 6 aircrafts:
- 2 ATR 72 machines (50 seats each), based on leasing contracts with Willis Lease Capital and Spanish Swiftair;
 - 4 CRJ 200 machines (70 seats each) based on leasing contracts from Spain.
- 2014:** From 1st April 2014 Cimber loses the SAS contracts for the 2 ATR machines (operating on Aarhus – Copenhagen and Billund – Copenhagen) to the Danish Jet Time airline (www.jet-time.dk).⁸
- 2014:** On 24th June 2014 the second financial report (for 2013) was published. It showed a net profit (after taxes) on DKK 5,0 million, based on a turnover of DKK 203 mill. The number of employees is 140-150. The company is looking for new B2B airline customers, in order not to be so dependent on their main customer, SAS.

⁸ See also: <http://www.business.dk/business-magasin/blind-date-foerte-til-flyvende-vikarbureau>.

APPENDIX B:

Aftermath: What Happened to Cimber After 2014?

Since 2004, SAS has had a wet lease agreement (aircraft and crew) with Cimber. SAS and Cimber had agreed that the Cimber subsupplier contract (based on four aircrafts, CRJ 200) would run out in April 2015, and during late 2014 SAS gave no indication that they would renew the contract. Instead, on the 8th December, 2014, SAS entered into an agreement with the owners of Cimber A/S to acquire 100% of the shares of Cimber A/S for DKK 20 million (= EUR 2.7 million). The former owners of Cimber A/S (Jørgen Nielsen, Jacob Krogsgaard, and Alex Dyrgaard) got the task to help SAS with the transformation of Cimber A/S into a fully-fledged subsidiary of SAS. The acquisition provides SAS with the opportunity to transfer the production of flights with smaller aircrafts to the new SAS subsidiary, Cimber, consisting of 12 CRJ900 aircrafts, based in Copenhagen. Like several other European airlines (e.g., Lufthansa's Germanwings), SAS wants to outsource a part of their activities to a smaller subsidiary, which can operate with lower salaries and operation costs than the main company. This can be done because the new Cimber subsidiary can negotiate separate collective agreements with the labor unions of pilots, cabin personnel, and technical service personnel. In this way, with Cimber as a subsidiary, SAS hopes to be more cost-competitive against some of the low-cost providers like Norwegian Airlines, Ryanair, and EasyJet.

On the 2nd February, 2015, the Danish Competition and Consumer Authority gave its approval of SAS's acquisition of Cimber. The future role of Cimber will be as a SAS specialist in the regional air traffic, in order to get the SAS passengers frequently to the big European airports (e.g., Frankfurt and London Heathrow), from where passengers can go on larger aircrafts to North America or Asia. SAS has appointed Kent Hansen from the Danish Transport Authority as the Head of the new Cimber division. The headquarters of the new subsidiary will be placed in Copenhagen. Around 250 SAS employees were moved to the new subsidiary, which was in operation from 1st April, 2015.⁹

This is the end of the Cimber family business era, but still the Nielsen name keeps popping up in the airline industry. For example, on the January 28, 2015, there was an announcement that Lone Koch, daughter of the original Cimber Air founder (Ingolf Lorenz Nielsen), had entered the board of the Alsie Express, which is a small local airline at Sønderborg airport, flying between Sønderborg and Copenhagen.¹⁰ Given that this was the first route that Cimber started up in 1966, nearly 50 years ago, we may say that this is closing the circle, and it highlights some of the path dependencies related to the family principles, which seem to be firmly embedded in the family members.

⁹ SAS, "SAS completes acquisition of Cimber," *SAS Press Release*, <http://www.sasgroup.net/en/sas-completes-acquisition-of-cimber-2/> (Accessed February 20, 2015), February 2, 2015.

¹⁰ O.K. Christensen, "Cimber datter i bestyrelse for Alsie Express" [Cimber daughter in the board of directors for Alsie Express], *Check-In.dk*, <http://www.check-in.dk/newselement.cfm?nNewsArticleID=99277> (Accessed February 20, 2015), January 28, 2015.