Chapter 11
Creating Competitive Advantage in Scottish Family Businesses:
Managing, Sharing and Transferring the Knowledge

Claire Seaman  
Queen Margaret University, UK

Stuart Graham  
Queen Margaret University, UK

ABSTRACT
This chapter seeks to consider both the role that knowledge transfer may have in family businesses and the different manners in which knowledge transfer may take place within this diverse environment. The economic, social and community importance of family businesses within Scotland is considered, alongside the different manner in which family businesses commonly operate and the implications for knowledge transfer. The importance of knowledge transfer in the creation of competitive advantage within a family business environment and the relatively limited nature of research in this area are explored, highlighting the need for further research both to support the on-going development of a strategy for family businesses in Scotland and to facilitate future development of high quality knowledge transfer. Key to all of this, however, is an increased understanding of what is meant by knowledge transfer and the breadth of ways in which it happens.

INTRODUCTION
The importance of knowledge – its acquisition, transfer and management – in the development of competitive advantage is well established and acknowledged (Davenport and Prusack, 1998, pxi). Knowledge has been defined in a variety of ways, within which some consistent themes emerge: an initial definition, from Zander and Kogut (1995) would be ‘what you know and how you know it’, although other authors have highlighted the importance of contextualisation (Randeree, 2006) and the distinction that knowledge as a concept is both broader and deeper than data or information, but often encompasses both. Knowledge forms a highly fluid mix which includes experience, values, contextual information which serves as a lens through...
which new information and suggestions can be viewed (Davenport and Prusack, 1998, p5). Within business, knowledge is perceived as being both vital and complex; a challenging mixture which merits considerable discussion and debate. Similarly, the importance of the economic and social contributions of family businesses is well established worldwide and, despite somewhat sparse research within Scotland itself, within the UK. Far less research, however, has been conducted which looks at knowledge transfer within family businesses per se, still less where a business is part of Scotland’s thriving SME sector.

Family businesses may be defined in a number of ways - and indeed represent an area of academic activity where no one, single definition may be agreed upon - but three factors tend to remain constant throughout the literature: the economic importance of family businesses, their disproportionate representation within the SME sector and the blending of family and business culture to create a unique and often highly fluid environment for active knowledge transfer. The combination of these three factors creates an area where research is currently sparse but where, given the acknowledged importance of family businesses and the role of knowledge transfer in the creation of competitive advantage, future research is vital to facilitate optimal business development in diverse communities and is likely to focus around current work in the area of knowledge integration and dynamic organisational adaptation within family firms (Chirico and Salvato, 2008).

Within the current academic literature relating to family business, a number of themes emerge which are likely to impact upon knowledge transfer and business learning. One such theme is the relatively private nature of family businesses, which in turn tends to mean that accurate information about them is not readily available (Astrachan and Shanker, 2006). A second constant theme is the importance of the contribution that family businesses make to economic, social, cultural and community development, whether that be in the UK (Reid and Harris, 2004), the USA (Astrachan and Shanker 2006), in the Chinese economy (Chung and Yuen, 2003; Poutzioris et al, 2006) or amongst distinct and relatively discrete minority communities (Dhaliwal and Kangis, 2008). The combination of a sector of clear and, to some extent, measurable, importance where robust data are nonetheless difficult to establish, illustrates both the dilemma of family business research and its importance.

The impact of family business culture on knowledge transfer and the implications of the relatively informal working practices often identified within family-based SMEs offer a parallel area for research where the development of effective strategies for engagement is of critical importance. Links between current KT policy and the specific needs of family businesses will be explored as part of both local and national strategies for engagement, both as they occur at present and as they might develop in the light of current research. Notable, however, are indications that knowledge transfer is primarily a social activity (Lucas and Ogilvie, 2006) and one that may be more easily facilitated within flatter management structures (Drucker, 1998): the impact of such factors within a family context remains to be explored.

In considering the topic of family businesses, it is worth noting at the outset one major paradox that underpins much of the current body of research and has tended to influence perceptions of the dominant theme within the subject. Much of the early and continued research within the family business environment focuses upon the transfer of knowledge, or lack of it, that occurs in relation to succession planning and the handing over of a business from one generation to the next. Whilst this remains a critical and totally legitimate area of enquiry, a central thesis of this chapter is that the importance of knowledge transfer in the development of competitive advantage within a family business environment is far broader than this and the manner in which knowledge transfer takes place varies widely. Specifically, the transfer