

## Chapter 7.20

# The Role of Emotional Capital in Organisational KM

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### **INTRODUCTION**

In the intellectual capital and knowledge management (KM) literatures, emotional capital has been a neglected dimension. From the late 1980s into the 1990s, there was burgeoning interest in intellectual capital, which had a substantial impact on the early development of KM. Over the past decade, social capital theory has sparked a new wave of thinking in KM. The concept of emotional capital has the potential to further enrich the knowledge base of the KM discipline. This article explicates the concept of emotional capital and provides a framework for understanding its role in organisational KM.

### **BACKGROUND**

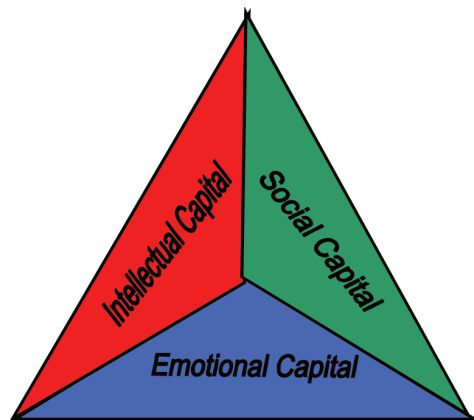
The early KM literature adopted the prevalent intellectual capital view on human capital, with a strong emphasis on developing and leveraging organisational intellectual assets (or knowledge assets). Although important, this perspective provides an insufficient basis for understanding the complex human dynamics involved in organisational knowledge processes.

### **RECONCEPTUALISING HUMAN CAPITAL IN ORGANISATIONAL KM**

In distilling reading across diverse literatures, the author developed a framework (Tanner 2006) that reconceptualized human capital in terms of a tripartite division of intellectual, social and emotional dimensions, or 'the three faces of human

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Figure 1. The three faces of human capital



capital', i.e. intellectual capital, social capital and emotional capital (see Figure 1).

Each of these perspectives offers an alternate way of seeing human capital, a distinct *frame* with the potential to yield deeper insights; taken collectively, they help build a more holistic view of organisational knowledge processes. This conceptualisation also provides an effective mechanism for blending macro- and micro-levels of organisational analysis.

### **Defining the Three Human Capital Frames and Their Intellectual Heritage**

**Intellectual capital:** refers to the value embedded in the expertise, knowledge and skills of an organisation's 'people' and various explicit and implicit representations of this knowledge, eg as embodied in organisational products and services, processes, structures, systems and technologies. Some of these knowledge representations may be legally protected under intellectual property laws.

This approach to human capital is strongly focused on strategic goals and economic concerns, and on being able to manage and measure an organisation's intangible assets. It is a highly utilitarian, functional perspective. Apart from strategic management, economics and account-

ing literatures, there are substantial literatures in this tradition from the fields of human resource management, knowledge management and information systems.

This was the primary emphasis of the first wave of KM: the notion that it is possible to capture and transform individual tacit knowledge and expertise into an explicit form that is owned and can be used and leveraged by the organisation for its economic benefit. New information technology was seen as pivotal in this process. From this perspective, people's knowledge and know-how can be acquired, traded, extracted, codified, accumulated, stored in organisational knowledge repositories (e.g. intranets, data warehouses), mined, distributed, quantified and re-used. Companies which effectively leverage their intellectual capital are the ones that are said to thrive in the knowledge economy. Subsequent research and practice has demonstrated that this intellectual property conception of organisational knowledge was limited and naïve. Knowledge is a far more elusive, multi-faceted phenomenon, embedded in complex social interactions and local contexts. The social capital and emotional capital perspectives illuminate these dimensions of organisational knowledge.

**Social capital:** This term is used at two distinct levels: the perspective of the individual and small group, and that of the wider collective (organisation, community, society, industry, market). In the former usage, social capital can be defined as 'the wealth (or benefit) that exists because of an individual's social relationships' (Lesser, 2000), and in the latter usage, social capital refers to 'Features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit' (Putnam, 1993).

Social capital incorporates the structure of relationships, associated interpersonal dynamics, and the common culture, language and context held by those within the network. *Organisational social capital* is the value an organisation derives from networks of social relationships internal and ex-

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