

into one concept, from a KM perspective, it's more useful to consider the constituent components individually, as shown in Exhibit 1.4.

The three major components of intellectual capital are:

- 1. *Human capital.*** The knowledge, skills, and competencies of the people in the organization. Human capital is owned by the employees and managers that possess it. Without a KM system in place, when employees and managers leave the company, they take their skills, competencies, and knowledge with them.
- 2. *Customer capital.*** The value of the organization's relationships with its customers, including customer loyalty, distribution channels, brands, licensing, and franchises. Because customers often form bonds with a salesperson or customer representative, customer capital typically is jointly owned by employee and employer. The proportion of customer capital held by employees and employers depends on the relative contribution of customer loyalty to customer capital.
- 3. *Structural capital.*** The process, structures, information systems, and intellectual properties that are independent of the employees and managers who created them. Intellectual properties are sometimes considered as a separate, fourth component of intellectual capital.

Each of the three major components of intellectual capital can be subdivided into finer levels of granularity, as shown in Exhibit 1.5. For example, for KM purposes, Human Capital is composed of three kinds of knowledge: tacit, implicit, and explicit knowledge.

Tacit knowledge is knowledge that is ingrained at a subconscious level and therefore difficult to explain to others. An expert machinist may be extremely skilled at operating a particular machine, for example,