The Potential for Distinctive Contribution of Knowledge-Intensive Business Services in the Quest for the Diversification of Nigeria's Economy

Mercy Adeyeye, Bamidele Adepoju, Emmanuel Oni & Alexander Ikupolati

Since after independence Nigeria has for years remained a mono product economy with heavy dependence on crude oil for export. Successive administration has over the period paid lip service to address issues of economic diversification. However, the current development in the global economy has made it compelling to seek other means of foreign exchange earnings avenues. Technological advancement is one of the ways for diversification as growth in the Knowledge –Intensive Business services (KIBS) will enhance innovation for job opportunities and economic growth. Hence this study examines the potential for distinctive contribution of KIBS in the quest for the diversification of Nigeria's economy. KIBS are broadly consultancy and problem-solving firms which performs for other firms, services that are highly intellectual and value-added driven. This study is based on the development economy theory. It reviews streams of literature to distinguish between general service firms and KIBS, and elucidate the key characteristics of KIBS. Its significance to the economy, the various activities and relevance in fostering diversifications in the economy are analyzed. It is therefore, among others suggested that there should be sensitization programme for the public and law makers on the relevance of KIBS for diversification as well as policy makers to provide supportive structures for KIBS.

Keywords: Development economy, economic diversification, Knowledge –Intensive Business services (KIBS), Nigeria, Service firms, SMEs.

1.0 Introduction

Economic diversification is a process by which an economy becomes dependent on diverse markets or source of externally generating income activities for economic growth and sustainability. Economic diversification is a crucial issue for many developing countries because their economy predominantly relies on mono product, production of primary commodities or domestic activities which are subject to climate change (UN, 2016). For instance, Nigeria, like many others depended solely on crude oil until the fall in price of this global commodity in 2014. Immediately, the Gulf Cooperation Council (GCC) convened and agreed on the necessity of generating non-oil tradable sector (Anyaecnie & Areji, 2015). Nigeria also had her share of the peculiar challenges of mono-economy but without specific action plan on the way forward like the GCC. Nigeria is today battling with dwindling foreign reserves owing to the huge importation bills, thereby affecting the naira exchange value with all its aches and pains. The incumbent government iterates the need for diversification. However, as part of the non- oil sector, technological advancement is one way of diversification in this era as growth in the Knowledge –Intensive Business Services (KIBS) can enhance job opportunities and economic growth. Hence, there is the need to examine the potential for distinctive contribution of KIBS in the quest for the diversification of Nigeria's economy.

Recently, there is a global transformation to knowledge-based economy (Brinkley, 2012), in all advanced industrialized countries like United States of America (USA),United Kingdom(UK), Japan and so on. Also, in many emerging/developing economies (Smith, 2002) like China, India, Malaysia, Nigeria and so on at different degrees. In Nigeria, as the political environment becomes stable and reinforced by the strong natural resources sector, there was a radical shift into the service sectors because technological and professional services are highly needed to

10th Annual Conference of The Academy of Management, Nigeria, Ahmadu Bello, University, Zaria. October, 27-28. Conference Proceeding pp 481-491.

complement the growth (Becker et al., 2008). Thus, Nigeria's transformation to become a knowledge-based economy commenced in 1999 through a clarion call made by the then President, Chief Olusegun Obasanjo. Friendly policies fostering KIBS SMEs were promulgated for innovation through venture creation or expansion into existing markets (NPIT, 2000). A campaign was launched to introduce individuals, family and firms that might not be accustomed to KIBS, as well as encourage those that have abandoned such services to return. It is therefore anticipated that following this development in Nigeria for more than a decade, and the present development in the country for diversification from the mono-oil sector, there is need for research investigating the potentials of KIBS distinctive contribution in Nigeria.

Knowledge economy is about the combination of new general purpose technologies with knowledge assets to pilot the economy towards the ultimate destination of becoming a 'knowledge society' (Brinkley, 2012). Such societies have greater reliance on knowledge, information and high skills (OECD/Eurostat, 2005). Knowledge economy is a universal phenomenon that permeates all sectors of the economy: manufacturing and services, high tech and low tech, domestic and international trade, public and private, large firms and small and medium enterprise (Kuusisto and Viljamaa, 2006). Hence, the usual border line between sectors such as manufacturing and services are disappearing and previously unnoticed sector 'knowledge–intensive business services' (KIBS) are emerging (Smith, 2002). However, there seems to be a shortfall in KIBS SMEs researches in both developed and developing economies. The little existing research evidence is derived from US and Europe. New insights could be generated by investigating the developing economies since research on KIBS as a relatively new sector is relevant especially when the Nigerian economy is in recession.

The outcome of the research will contribute to literature in entrepreneurship generally from the perspective of new market innovation (Schumpeter, 1934), by examining the potentials for distinctive contributions of KIBS. Also, it will contribute to the literature on diversity management in developing countries by providing a better understanding of economic diversification through KIBS in Nigeria. The paper is organized as follows, in section 2 and 3, review of literature on development theory and definition of KIBS, distinction between general service firms and KIBS. Section 4 discusses the significance of KIBS for economic diversification. In section 5, KIBS and SMEs are discussed and in section 6, conclusion and recommendations are provided.

2.0 Development Economic Theory

Earlier studies established certain patterns of development as stylised facts followed by most countries.

Prominently, Fisher (1939), Clark (1940), Lewis (1954) and Todaro and Smith (2006) argued that at the early stages of economic development, the primary sector (subsistence agriculture and mining) dominate employment and output, later there are shifts to the secondary (industrial) sector and finally, the tertiary (services) sector becomes the largest in the economy and source of employment. This study is therefore situated in the line of thoughts of Clark-Fisher's development theory of structural change. He argued that structural change can happen as a result of considerable shocks, such as epidemics, warfare, revolutions, recessions or major

technological advancement. However, this study is about a developing economy context experiencing structural change over the course of its development prompted by economic down turn. A country's development policy does not just emanate from the space, thus a review of the pre-independence to post-independence era is crucial to establish the relevance of the theory (Acs and Virgill, 2009).

In the colonial era until the early 1980s, Nigeria was immersed in agriculture until the oil boom era when income began to rise and the demand for farm products increased but there was low income elasticity of demand which was proportionally lower than income rate (Country profile, 2011). Therefore, people started migrating to urban cities in search of white-and-blue-collar jobs which led to demand for manufactured goods with a higher income elasticity of demand. There was the emergence of manufacturing sectors from within and outside the country where the rise in income consequently led to higher demand for manufactured goods at a proportionately higher rate. Thus, the secondary sector continued to grow until Nigeria became the leader in industrial goods in West Africa. By 1999, at the transition to the democracy, there was upsurge in income which tactically led the nation to the third stage of the developmental theory, the tertiary (Small Business Service) sector.

As part of the effort to improve the economic status of the nation, the government initiated the vision 2015/2020 domestically to achieve United Nations Millennium Development Goals (UNMDGS) with a policy to transform Nigeria to a knowledge–based economy (NPIT, 2000). One of the means of achieving this goal is the promotion of ICT through SMEs as most KIBS features are based on growing usage of ICT (Yue, 2001). Therefore, motivation to growth in KIBS, according to EFILWC (2006) is significant growth in education and domestic use of ICT. By 2011, growth of ICT in Nigeria escalated to a proportion that made definite impact on national economy thus becoming a fertile ground to germinate KIBS and innovation.

However, the present economic status of the country calls for immediate intervention for diversification to salvage the situation. President Buhari in his speeches emphasised the need for the country to return to the primary sector as the solution to her predicament. Moving from tertiary back to primary sector, though retrogressive, can be a way forward if KIBS distinctiveness can be identified and included in the plan. Thus, it is important to examine KIBS potentials for distinctive contribution for economic diversification in Nigeria. It is therefore necessary to ask, what is KIBS?

3.0 Definitions of KIBS

Miles et al. (1995) initiated KIBS and described it as private firms that generate, collect, analyze and distribute knowledge with the purpose of providing customized proficient service solutions to issues that client-firms are unable and unwilling to develop (Bettencourt et al., 2002). Many researchers (Miles et al, 1995; Muller, 2001; Bettencourt et al 2002) came up with various definitions but all points to the same things in different ways (see table 1.0 below).

Table 1.0: Definitions of KIBS

Source	***Definitions of KIBS***
Miles et al. (1995 p.18)	"Services that involve economic activities which are intended to result in the creation,

	accumulation or dissemination of knowledge."
Den Hertog (2000 p.505)	"Private companies or organisations who rely heavily on professional knowledge, that is..., knowledge or expertise related to a specific (technical) discipline or (technical) functional-domain to supply intermediate products and services that are knowledge based."
Muller and Zenker, 2001 (p.1502)	"Consultancy firms performing, mainly for other firms, services encompassing a high intellectual value-added."
Bettencourt et al. (2002 p.100–101)	"Enterprises whose primary value-added activities consist of the accumulation, creation or dissemination of knowledge for the purpose of developing a customised service or product solution to satisfy the client's needs."
Toivenen (2006 p.2)	"Expert companies that provide services to other companies and organisations."
Strambach (2008)	'knowledge-producing, knowledge-using and knowledge-transforming industry that uses knowledge-based methods to present itself as 'drivers of knowledge dynamics in multilevel contexts."
Muller and Doloreux (2009 p.65)	"Service firms that are characterised by high knowledge intensity and services to other firms and organisations, services that is predominantly non-routine."

Source: Adeyeye (2013)

From the table 1.0, summarily, KIBS' end product is a consulting service and/or knowledge transfer. However, Muller and Doloreux (2007) identified three key terms that distinguish KIBS. They are 1) 'Business services' referring to professional services required by public and private organizations (Strambach, 2008). 2) 'Knowledge-intensive' connoting intensified operations between providers and clients (Hauknes, 1999). 3)'firms' meaning corporate or SMEs whose key resource are human capital that operates complex intellectual matters (Alvesson, 2000).Thus for this study, based on the scholastic definitions of KIBS above, Miles et al.'s (1995) definition will be adopted because of its pioneering status especially the dichotomization from other service industries. This distinctiveness has made many studies to adopt their definition (e.g. Muller and Doloreux, 2007; Xin et al., 2009; Antonietti and Cainelli, 2008, Scarso and Bolisani, 2010).

> *'Services that involved economic activities which are intended to result in the creation, accumulation or dissemination of knowledge'*(Miles et al., 1995).

Thus, KIBS firms are perceived as providing specialized economic activities that are implemented by experts or professionals to create, accumulate and disseminate knowledge to satisfy clients' or client-firms' needs through interactions. For instance, such firms assist in producing and transmitting knowledge to other businesses for integration into the current knowledge economy. They represent an important building block of necessary infrastructure for knowledge economy and economic growth. At this point in Nigeria where diversification to the non-oil tradables from domestic market is crucial, firms that want to be relevant must increasingly depend on knowledge-intensive services for competitive advantage in the global economy(Brinkley, 2012).

KIBS resemble vehicles that assist people in moving physical assets to their vicinity. Hence they are very vital in facilitating knowledge flow and intangible assets around the economy. They established ties between them and their clients which perceived them basically as means for developing and transferring knowledge. This accorded them the privilege to gaze into the 'knowledge kitchen' of firms to conceptualize solutions (Amara et al., 2009; Muller and Zenker, 2001). They are quite crucial to economic growth, industrial growth and development in innovation.

3.1 General characteristics of service firms

Firms in any sector have some similarities, and equally, heterogeneities (Malerba, 2005). Identifying such features will assist in understanding KIBS distinctiveness from other service firms. The basic characteristics of services were investigated in literatures on innovation for peculiarity (Green et al., 2001). Certain characteristics emanated which differentiate service innovation from product innovation (see table 2 below).

Table 2.0: General characteristics of service firms

Authors	Statement of Service Characteristics
Zeithaml et al. (1985)	Four distinctive characteristics of service innovation: intangibility, heterogeneity, perishability and inseparability.
Bharadwaj et al. (1993)	There are four identifiable characteristics of services: intangibility, simultaneous production and consumption, heterogeneity of service offering, and perishability.
Kerin et al. (2003p.323)	There are four unique elements to services: intangibility, inconsistency, inseparability, and inventory.
Kotler (2003, p.446)	Services have four major characteristics that greatly affect the design of marketing programs: intangibility, inseparability, variability, and perishability.
Pride and Farrell (2003, p.325	Services have six basic characteristics: intangibility, inseparability of production and consumption, perishability, heterogeneity, client-based relationships and customer contact.
Solomon and Stuart (2003)	Regardless of whether they affect our bodies or our possessions, all services share four characteristics: intangibility, perishability. inseparability, and variability.

Source: Author, developed for research

These academics attributed specific features to services that distinguished them significantly from products. One emphasis is heterogeneity (Lovelock and Gummesson, 2004) which suggests variation in service delivery due to human tendencies. Another is intangibility, that is, inaccessibility to sensory organs (Lovelock and Gummesson, 2004). Next is the inseparability in terms of delivery and perishability in the capacity of storage for a later time which cannot be resold or returned to seller (Lovelock and Gummesson, 2004). However, the limitations of service innovation according to Song et al., (1999) is the tendency to be easily imitated than product innovation except such service innovation have knowledge at its core (Zack, 2003), specific resources and continuous innovation (Wickham, 2006; Lovelock and Gummesson, 2004a; Robinson, 2002). General services will produce general results, nevertheless, the peculiarity of Nigerian's economy for diversification needs something unique and dynamic to foster the various efforts in all the sectors for diversification. These inimitable features are found in KIBS as a service but with some more distinctive features.

3.2 Distinction between general service firms and KIBS firms

In the contemporary economy, sectors are distinguished by their particular technological and economic status, knowledge-based classification, structures of relationships among firms and

non-firm organisations as well as sector-specific institutions. This became obvious when sectoral systems and institutional approaches are used (Malerba, 2005). Miles et al. (1995) categorized service firms into firms-to-firms and firms-to-customers' services. Those related to knowledge and information is referred to as KIBS because of the requirement for personnel with high expertise in comparison to the requirement of staff for physical services (Miles et al., 1995). KIBS are not general service firms. Miles (2005) claimed that general service are very information-intensive whilst service innovative firms are mostly concerted knowledge-intensive, found in IT interactive sector in the contemporary knowledge-based economy**.** Non-KIBS business services are more dynamic in non-technological areas such as organizational development, business strategy, human resources management or public relations (Miles et al., 2000; Rubalcaba, 2006) repairs, maintenance, fashion designing, security,(Lovelock and Gummesson, 2004) which are different from KIBS. High degree of qualified personnel using new technologies such as health care related services and professional services like agriculture, mining and gas extraction are not designated as KIBS (Muller and Doloreux, 2007). Hence, for the diversification need in the nation, our focus is not just certain professions using new technologies as aid for physical services but where technological knowledge would create advancement in the economy.

Furthermore, Strambach (2008) postulated three *sector-specific governance mechanisms* characteristics linked with KIBS firms' heterogeneity: firstly, 'knowledge' is the key factor of production and the 'product' being sold. Unlike general service firms such as entertainment, dry cleaning, physicians, menial servants, transporters and others where the product being sold depends on the industry. More often KIBS provide non-material intangible services like expertise knowledge, R&D capability, and problem solving activities.

Secondly, there is 'in-depth interaction between users and suppliers' since both parties possess cumulative learning processes to provide customised service solutions. Rendering of services by KIBS is usually a product of common interaction and efforts between them and their client. This performance is in most cases a coproduction process (Strambach, 2008). It is a catalytic role in knowledge-creating and innovation processes depending on the type of client's need. KIBS could assist client-firm's transformation into learning organisations by different knowledge conversion processes. This is unlike general services where the customer is merely at the receiving-end though usually face–to-face experience emphasising customer satisfaction and individual needs. KIBS firms and customers are contributory as co-creators and co-producers of values due to the in-depth interaction involved.

Lastly, 'consultancy' is the content or end-product of the interactive and problem solving process whereby expertise and expert knowledge is adapted to address clients' needs (Miles, 2000; Wood, 2002). KIBS SMEs act as bridging institutions in the knowledge society systems and assist considerably in driving the capacity to learn by players operating in these systems. The general services do not end up in consultancy at the end of the process. General service is perceived as the end while KIBS is seen as a means to the end. Thus, KIBS can be classified as a subset of the general service firms with added-values (see figure 1 below). These added-values make it relevant at this point where there is need for diversification in the economy in Nigeria.

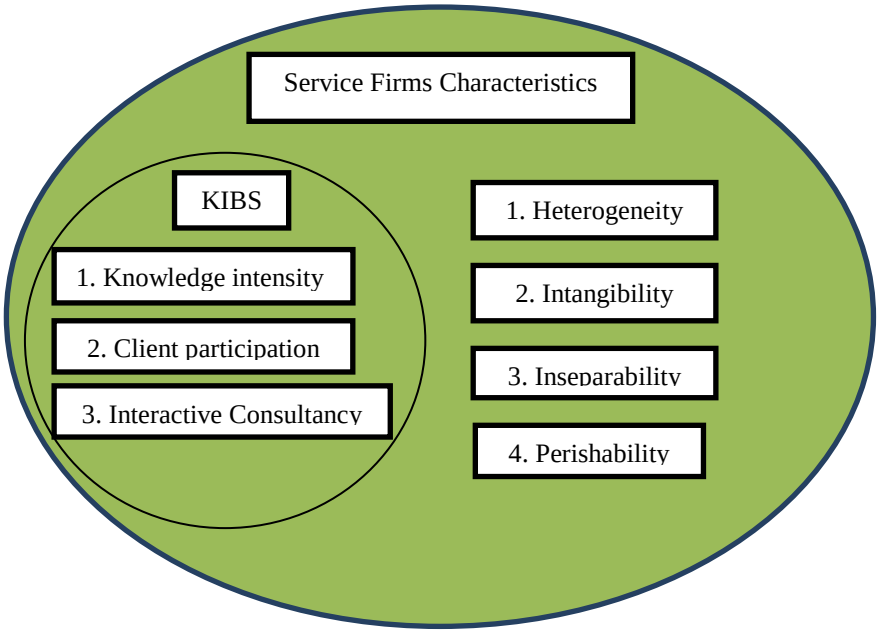


Figure 1: The Characteristics of Service firms and KIBS

Source: Adeyeye (2013)

Figure 1 above presents KIBS as a subset of general service firms and its specific traits can be perceived at a glance. The specific characteristics reveal a common trend of knowledge intensity, client participation and interactive process of consultancy as the bottom line. The study was carried out on firm, sectorial and territorial levels without context specification or reference to firms' size. Service firms' traits are the foundation upon which KIBS are laid. KIBS sector is heterogeneous in composition and its specific characteristics constitute its uniqueness from other service sector is the catalytic force for diversification.

3.3 Activities of Knowledge–intensive business services'

The OECD report (2007: 18) summarized KIBS activities as : i) renewal services that are directly related to innovation such as research and development (R&D) and strategic management consulting; ii) routine services, such as accounting and taxation that help improve the maintenance and management of different business' subsystems; iii) compliance services, such as legal services that help businesses deal with legal and regulatory issues; and iv) network services, such as production networks that facilitate knowledge exchange and resource distribution.

Miles et al. (2000) distinguished KIBS as P-KIBS (pure or traditional professional services) like legal, accountancy, business and management, marketing research which are intensive users of technology; and T-KIBS as (technological-based services) that relates to services, engineering, R&D and consultancy which are directly linked to Information and Communication Technology or technical activities to support other businesses to function effectively. Lately, an additional group has been included: C-KIBS, referring overtly to computer and software related services (Martinez-Fernandez and Miles, 2006). KIBS operate mainly with qualified professionals (that is, a well-educated workforce with creative skills) who specialize in particular technological fields of study or any functional area to provide information, knowledge or other knowledge-

based services to customers (Lawal, 2009). They fundamentally provide products that are primary sources of information and knowledge, or use their specialist knowledge to generate services which assist their clients' performance.

KIBS are important in the creation and implementation of new products, services and processes as carriers, shapers, facilitators and creators of both technological and managerial innovations (Kuusisto & Viljamaa, 2004). They structure the infrastructure of the knowledge economy by fostering knowledge and ideas mobility around the economy, and encourage firms to maximise the use of new technologies and ideas. They provide support systems like information technology (IT) networks and legal or accountancy function for business operations. They act as direct inputs such as engineering or technical service for products or services (Sissons, 2011). They also drive innovation through management consultancy or specialist design services of new products development or boosting of productivity (Sissons, 2011). They contribute both to an overall economic growth and specific industry clusters growth (Sissons, 2011). KIBS are external service providers that enable client-firms to focus more on effective use of scarce resources to manage their businesses. They are appropriate in transforming companies to learning organizations because of their involvement in knowledge transformation processes. KIBS are used to exploit better knowledge and capabilities as part of business processes (Strambach, 2008). Suffice to state that KIBS do not exist in service firms only but are sometimes structured within industrial firms (Brinkley, 2012). Some large firms have in-house service providers organised as a department providing KIBS to their various business units, referred to as internal clients (Brinkley, 2012). Also, there are public and semi-public Research and Technological Organisations (RTO) offering KIBS.

See table 3 below for definite KIBS activities. The Standard Industrial Code (SIC) in United Kingdom and Europe has been of tremendous assistance in classification of all economic activities including KIBS. It is the universal standard that describes KIBS and used by most countries including Nigeria (Sesan, 2011).

Table 3.0: Typical KIBS activities

Computing and related activities	Research and Development (R&D)	Other business activities
*Hardware consultancy	*Research and experimental development in natural sciences & engineering	*Legal activities
*Software consultancy and supply	*Research and experimental development in social sciences & humanities	*Accounting, book-keeping, & auditing activities
*Data processing		*Market Research& public opinion polling,
*Database activities		*Business and Management consultancy holdings
*Maintenance & repair of office, accounting and computing machinery		*Architectural & engineering activities.

*Other computer-related activities		*Technical testing and analysis activities. *Advertising *Labour recruitment

Source: European Foundations for the Improvement of Living and Working Conditions (EFILWC) (2006 p.22)

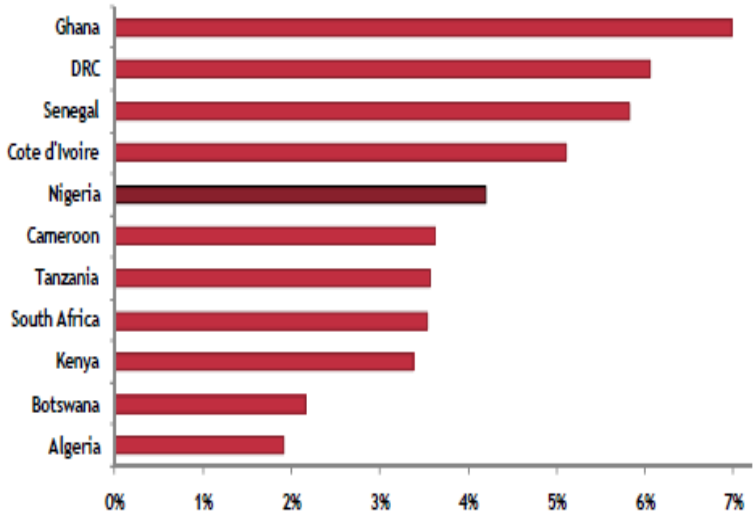
This suggests the heterogeneity outlook of KIBS as front-liners and in particular as agents for knowledge economies because knowledge is utilized as the core input and output (Miles, 2005; Gallouj and Savona, 2009). KIBS operates mainly with qualified professionals who specialize in particular technological fields of study or any functional area to provide information, knowledge or other knowledge-based services to customers or client-firms. The innovative capacity among KIBS SMEs through development of business processes and client relationships has strengthened the usage of their services on the local and global scale (Bruton et al, 2010).

4.0 The Significance of KIBS for Economic Diversification

KIBS emergence has become so important in most countries since 1980s (EFILWC, 2006). It currently represents over 60% of the Gross National Income (GNI) in most developed countries and a dynamic factor in manufacturing and human resources industries performance in many countries (Hazdra, 2010). To support this assertion, Link and Siegel (2007) emphasized that bulks of the service sector's development from the early 1980 are principally services with knowledge content. Hence, the recognition of KIBS as a sub-sector in the service industry becomes a powerful sector with a rapid growth in many economies (EFILWC, 2006). For instance, the GDP for the service industry which included KIBS doubled within a decade in USA employment to a range of 70-80%. Precisely by 2015, 78.1% and 78.6% of GDP in USA and UK respectively was in service sector (World Bank, 2015).

The latest report about the knowledge economy specified that more than 20% of UK GDP is KIBS and the largest singularly growing sector of the economy (Sissons, 2011). This development is perceived in both the developed and developing economies at diverse levels depending on the environment for entrepreneurship (Baumol, 1990). For example, service sector contributes over 60% in Brazil and Korea; 56.5 % in Zambia; 52% in India; 50.4% in Kenya; 50% to GDP in Uganda (World Bank, 2015). In Nigeria, about 30% of the GDP in 1985 was from the service sector and declined to 25% by 1990 and 1992, it reached the lowest as 18.9%. By 1994, the service sector's share in the GNI was stabilised to 20% and to virtually 27% in 1998. By 2005, it reduced to 24.4% of the GDP, by 2009 it was 28.6% and in 2010 it grew to 35.5% (CIA,2011). By 2015, there was a jump to 54.6% and became the largest contributor to the economy (National Bureau of Statistics (NBS), 2015). Nigeria was ranked 63rd worldwide and fifth in Africa in service output (CIA, 2011). Furthermore, the aggregate growth in information and communication technology (ICT) as a significant part of KIBS also contributed 8.27% to GDP in 2015 (NBS, 2015). These figures attest to the impact of KIBS which can enable diversification especially in a defunct oil dependent economy like Nigeria.

Figure 2: ICT revenue as a percentage of GDP in some selected African countries



Percentage of GDP, 2009

Source: Pyramid Research Data Forecast (2010)

In 2009, the contributions of ICT to 10 selected countries in Africa were analyzed. Ghana had 7% as the highest, Democratic Republic of Congo was 6.5%, Nigeria was 4.5%, South Africa was 3.5% and Algeria having the least as 2%. However, Lawal (2009) claimed that KIBS was 27% of the economy in 1999 but barely a decade in 2009, it increased to 62% with a projection of 30% annual growth with over 71 service associations showing the propensity towards this sector. Thus, KIBS are very important if there will be a result-oriented diversification in the economy. Isiguzo (2010) stated that improvement in a country's ICT is an accelerator to the economic development of the nation. It transforms lives, work and creates new opportunities of demand (Yue, 2001). Many reports in recent times supported that Nigeria is a recognised major market for ICT services in Africa (Boz et al, 2010; Lawal, 2009). Moreover, its financial service cluster is ranked the second largest in sub-Saharan Africa apart from South-Africa in terms of banking assets, market capitalization and personnels, and tags them as prospective financial service hub for West Africa (Becker et al, 2008). If this trend can be kept, government investment in KIBS sector will enable a faster recovery for Nigerian economy. Since it is on-going, it cannot be capital intensive in comparison with other significant sectors.

5.0 KIBS and SMEs

KIBS can function as large corporations such as Microsoft, Dell, Adder Technology, Apple and so on. KIBS do not exist in service firms only but are sometimes structured within industrial firms (Brinkley, 2012). Some large firms have in-house service providers organised as a department providing KIBS to their various business units, referred to as internal clients (Brinkley, 2012). Also, there are public and semi-public Research and Technological Organisations (RTO) offering KIBS. KIBS exist as SMEs like Broadex tech in China, Red gate, BIW technologies, lab 126 (Cambridge Network Directory, 2012), Xybertex co Ltd.(Nigerian

Yellow Pages, 2012) and a host of them form China, Japan and so on that are collaborating with similar firms in Nigeria. It seems recent attention has been shifted towards SMEs. Thus DTI Minister, Griffiths (2001p.109) in his speech stated that:

> *'In the industrial economy of the 20th century, large corporations drove economic progress .In the knowledge economy, the drivers of change will be small businesses.'*

Thus, new firms and high growth SMEs account for majority of job creation, drive dynamic efficiency through output processes and introduce innovations while the share of large firms in job creation appears to be declining (Jones et al., 2007). SMEs represent majority of all business and 60-90% of employment in most of the world's economy (OECD, 2003). They make meaningful contributions to employment in private sectors and productivity which seems to be rising over time (Storey, 1994) and often present the first platform for opportunity-seekers. KIBS SMEs are a special category of service firms (Miles et al., 1995; Strambach, 2008), which are very dynamic in growth (Keeble, 1997),very vibrant players in most countries (Strambach, 2008)and which offer indispensable expertise to other SMEs in need of professional knowledge (She and Nagahira, 2012). They provide support for other organizations and firms so as to deal with activities that complement production and problems where external sources of knowledge are required (Antonietti and Cainelli, 2008). KIBS SMEs could be quicker in discovering and foreseeing opportunities (Perez, 2002) because of their peculiarity to deliver significant innovations to the market, globalization and involvement of specialised personnel. More KIBS SMEs are successful in Nigeria and are given all support. It is actually the engine of growth and recovery. ICT is like a vogue in Nigeria, the poorest person in the remote village knows the importance of possessing a mobile phone. A conscious support of SMEs for KIBS will go a long way in enhancing diversification in Nigeria.

Kuah (2002) argued that competitiveness and openness to international business activities like ICT are connected to a country's growth and standard of living. Baptista and Swann (1999) in their survey confirmed that technological innovation is the hub of dynamic process of cluster growth hence the recent growth being experienced in Nigeria is associated with these development (Isiguzo, 2010). The government can use this platform as a means for diversification in the economy since it is on-going. It has a global connection to the unlimited global market that can assist in repositioning the naira exchange value.

5.1 KIBS SMEs and Innovation

There has been a spate of interest in innovation (Drucker, 2009) as the main force behind sustainable development in market economies as posited by Schumpeter (1934). Innovation is spearheaded by the individual addressed as 'entrepreneur' (Schumpeter (1934). The entrepreneur discovers and exploits opportunity by converting it to a commercial process (Shane and Venkataraman, 2000). The exploitation of new ideas for business purpose is referred to as innovation(Shane and Venkataraman, 2000). Thus by innovation, reference is being made to (Schumpeter, 1934): 1) the production of new products, 2) introduction of new processes, 3) opening of a new market, 4) identification of new sources of raw material supply and, 5) the introduction of new kinds of industrial organization. Hence, the present campaign for entrepreneurship in Nigeria could have a definite focus on KIBS.

The nucleus of the dimensions of innovation is the continual creation of novel ideas by innovative firms which steadily destroys the position of dormant firms. However, while numerous studies have examined the determinants of products/service innovations (OECD/Eurostat, 2005), very little effort has been placed on studying KIBS SMEs innovative tendencies for economic diversification especially in developing countries. This is particularly important because there are many firms that experienced tremendous growth by just starting small. Some started small and became multinationals through expansion into new markets by embracing pioneering work. Examples of such firms in Africa are Safaricom in Kenya, whose pioneering work on mobile banking has become so prominent in developing economies that now even some developed economies are trying to emulate it (Dahunsi, 2012).

In addition, the rapid growth of one of the Africa's most successful telecom company - MTN (from South Africa) was enhanced by expansion into several new markets across many underserved African countries, and within countries – from urban to rural areas, often introducing their services to new places and new people (Dahunsi, 2012). One of the vital resources is knowledge (Pedersen et al., 2002): it is the cardinal assets upon which other resources are based for the operation of KIBS. If other resources are present and knowledge is missing then it is no longer KIBS (Pedersen et al., 2002). Nigeria is blessed with adequate human resources to supply the knowledge need of KIBS. Individuals are central to knowledge resources (Nonaka and Takeuchi, 1995) and finance is very essential to human sourcing and maintenance (Pedersen et al., 2002). Thus, Yue (2001) argued that a key pillar of a knowledge society is a robust financial sector to finance domestic development within a country. Several interventions programme are in operation in Nigeria today but let special attention be given to KIBS as much is expended on non-KIBS sectors.

The attraction of KIBS in the new millennium is closely related to their aggregate economic performance because of their direct impact in facilitating other economic sectors to become very innovative and raising productivity (Handzic and Parkin, 2002).

6.0 Conclusion and Recommendations

The present economic down turn in Nigeria requires urgent intervention for economic diversification into the non-oil tradable sector. However, there is a global awakening in the KIBS sectors about the relevance of this technological advancement as one of the most rapidly developing sector of the economy. KIBS are increasingly given recognition as taking a nucleus and dynamic place in new knowledge-based economies. KIBS services provide primary sources of information and knowledge products, or use their specialised knowledge to produce services which facilitate their customers'/clients-firms' activities. These features as well as others distinguish KIBS from other non-KIBS business services. KIBS firms are taking pre-eminence in SMEs in many economies because it is one of the most decisive success factor in modern organizations. They offer substantial prospect for future employment growth and possess many innovative users of new technologies. This represents a significant intermediaries and knob in innovation scheme especially in a knowledge society. Nigeria should therefore embrace KIBS to facilitate the diversification.

In view of the above the following recommendations are made First, the twenty-first century global agenda is the need for a knowledge society hence the incumbent government should continue the Obasanjo's campaign for a knowledge society and complete the unfinished task. This will obviously beef-up the economic diversification. Second, there is need for sensitization and re-orientation programme for the public and law makers on the relevance of KIBS for economic diversification. This can be done though mass media, workshops and so on. The acquisition of right information enables them to pool all resources together to achieve this ultimate aim. Thirdly, entrepreneurship should be encouraged along the line of KIBS to properly position our teeming unemployed graduates to be active participants in higher value creation and not just the vocational skills acquisition that non-graduates could venture into. Furthermore, policy makers should provide supportive structures and friendly policies to encourage exchange and collaborations for importation and exportation of KIBS with other countries of the world. Finally, the national architecture for the knowledge economy should foster valuable application of existing knowledge and creation of new knowledge.

References

Ács, Z. J. & Virgill, N. (2009). *Entrepreneurship in developing countries*, Jena economic research papers.

Alvesson, M. (1993). Organizations as rhetoric: Knowledge-intensive firms and the struggle with ambiguity, *Journal of Management Studies,* 30(6) 997-1015.

Amara, N., Landry, R. & Doloreux, D. (2009) 'Patterns of innovation in knowledge-intensive business services', *Service Industries Journal,* 29(4) 407-30.

Antonietti, R. & Cainelli, G. (2008). Spatial agglomeration, technology and outsourcing of knowledge-intensive business services: empirical insights from Italy, *International Journal of Services Technology and Management,* 10(2) 273-298.

Anyaenie, M.C. & Areji, A.C. (2015). Economic diversification for sustainable development in Nigeria. Open Journal of Political Science 5, 87-94 http://dx.doi.org/10.4236 ojps. 2015.52010.

Baptista, R. and Swann, G. M. P. (1999). A comparison of clustering economics in US and UK computer industries, *Journal of evolutionary Economics,* 9(3) 373-399.

Baumol, W. J. (1990). Entrepreneurship: Productive, Unproductive, and Destructive, *The Journal of Political Economy,* 98(5) 893-921.

Becker, L., Chammard, M. B., Hussein, Z. B., Kotsuji, Y. & Quagraine, N. (2008). *Nigeria: Financial services cluster analysis and recommendations*, NY.

Bettencourt, L. A., Ostrom Amy, L., Brown, S. W. & Roundtree, R. I. (2002). Client co-production in knowledge-intensive business services, *California Management Review,* 44(4) 100-128.

Bharadwaj, S.G., Varadarajan, P.R.& Fahy, J.(1993). Sustainable competitive advantage in service industries: A conceptual model and research propositions Journal of Marketing.57 (4) 83-99.

Boz, G., Kechiche, B. and Boguszewsta, S. (2010) *The impact of mobile service in Nigeria*, Cambridge:Pyramid Research www.pyramidresearch.com accessed 21/06/2011.

Brinkley, I. (2012). The knowledge economy and enterprise, *Knowledge economy working paper*, 1-42.

Bruton, G. D., Ahlstrom, D. & Li, H. L. (2010). Institutional theory and entrepreneurship: Where are we now and where do we need to move in the future?, *Entrepreneurship, Theory and Practice,* 34(3) 421-440.

Cambridge Network Directory (2012). *Cambridge Network members list*, United Kingdom:Cambridge Network limited.

CIA (2011). *World factbook*, Washington D.C.

Clark, J. M. (1940). Toward a concept of workable competition, *The American Economic Review,* 241-256.

Country Profile, N. (2011). *World statistics pocket book* http//cweb2.loc.gov/frd/cs/profile/nigeria.pdf retrieved 4/12/2011.

Dahunsi, F. (2012). Towards the deployment and adoption of Location-based services for optimal mobile communication operations in Africa, *The African Journal of Information Systems,* 4(2) 61-83.

Drucker, P. F. (2009). *Innovation and Entrepreneurship: Practice and Principles*,Chennai: Macmillan.

European Foundation for the Improvement of Living and Working Conditions (EFILWC) (2006). *Trends and drivers of change in the knowledge-intensive business services sector: Four scenarios*, European Monitoring Centre on Change.

Fisher, A. G. B. (1939). Production, primary, secondary and tertiary, *Economic Record*, 15(1) 24-38.

Gallouj, F. and Savona, M. (2009). Innovation in services: a review of the debate and a research agenda, *Journal of evolutionary Economics,* 19(2) 149-172.

Green, L., Howells, J. & Miles, I. (2001). *Services and Innovation: Dynamics of Service Innovation in the European Union*, Discussion Paper,University of Manchester, unpublished.

Griffiths, N. (2001). *Small businesses*, House of Common:DTI.

Hauknes, J. (1999). *Knowledge intensive services – what is their role?*, Paper presented for the OECD forum on Realising the Potential of the Service Economy,Paris: OECD, unpublished.

Handzic, M. and Parkin, P. (2002). *The impact of ICT on knowledge intensive business services: An Australian experience*, Information Technology,University of New South Wales, Australia, unpublished.

Hazdra, A. (2010). Service-dominant logic: Why, where, and what it means for innovation?, *Current*, 21 1-21.

Isiguzo, I. (2010). Impact of mobile services in Nigeria, *Vanguard* 28.

Jones, O., Macpherson, A., Thorpe, R. & Ghecham, A. (2007) 'The evolution of business knowledge in SMEs: conceptualizing strategic space', *Strategic Change*, 16(6) 281-294.

Keeble, D. (1997). Small firms, innovation and regional development in Britain in the 1990s, *Regional Studies*, 31(3) 281-293.

Kerin, R. A., Varadarajan, P. R. & Peterson, R. A. (1992). First-mover advantage: A synthesis, conceptual framework, and research propositions, *Journal of Marketing Research*, 56 33−52.

Kotler, P. (2003) Marketing insights from A to Z: 80 concepts every manager needs to know London: Wiley.

Kuah, A. T. H. (2002). Cluster theory and the small business: Advantages for the Small Business Locating in a Vibrant Cluster, *Journal of Research in Marketing and Entrepreneurship*, 4(3) 206-228.

Kuusisto, J. & Viljamaa, A. (2004). Knowledge-intensive business services and coproduction of knowledge–the role of public sector, *Frontiers of E-business Research,* E5.

Lawal, S. D. (2009). Nigeria's strategic interest on trade in services: Role of the Nigerian Export Promotion Council, *ILEAP workshop for stakeholholders for service and devlopment in trade*, Abuja, November 3-7, Research and Development Department.

Lewis, W. A. (1954). Economic development with unlimited supplies of labour, *The Manchester School*, 22(2) 139-191.

Link, A. & Siegel, D. (2007). *Innovation, Entrepreneurship, and Technological Change*, Oxford,UK:Oxford University Press.

Lockett, A. & Thompson, S. (2004). Edith Penrose's contributions to the resource-based view: An alternative perspective, *Journal of Management Studies*, 41 193-204.

Lovelock, C. & Gummesson, E. (2004b). Whither services marketing? In search of a new paradigm and fresh perspectives, *Journal of Service Research*, 7(1) 20-41.

Malerba, F. (2005). *Sectoral systems of innovation: how and why innovation differs across sectors,Handbook of Innovation,* New York:Oxford University Press.

Martinez-Fernandez, M. C. & Miles, I. (2006). Inside the software firm: co-production of knowledge and KISA in the innovation process, *International Journal of Services Technology and Management,* 7(2) 115-125.

Miles, I. (2005). Knowledge-Intensive business services:Prospects and Policies, *Foresight,* 7(6) 39-63.

Miles, I., Andersen, B., Boden, M. & Howells, J. (2000). Service production and intellectual property, *International Journal of technology Management,* 20(1) 95-115.

Miles, I., Kastrinos, N., Bilderbeek, R. & den Hertog, P. (1995). Knowledge- Intensive Business Services: Users, carriers and sources of innovation', *EIMS publications,* 15 1-98.

Muller, E. (2001). *Innovation Interactions between Knowledge-Intensive Business Services and Small and Medium-Sized Enterprises: An Analysis in Terms of Evolution, Knowledge and Territories Recherche,* Heidelberg:Physica-Verlag.

Muller, E. & Doloreux, D. (2007). The key dimensions of knowledge-intensive business services (KIBS) analysis: A decade of evolution, *Working Papers*.

Muller, E. & Zenker, A. (2001). Business Services as actors of knowledge transformation: The role of KIBS in regional and national innovation systems, *Research Policy,* 30(9) 1501-1516.

Nigerian Yellow Pages (2012) *Nigeria Yellow Pages Directory,* Lagos:Nigeria Yellow Pages.com.

Nonaka, I. & Takeuchi, H. (1995) *The knowledge-creating company: How Japanese companies create the dynamics of innovation,* USA:Oxford University Press.

Dahunsi, F. (2012) Towards the deployment and adoption of Location-based services for optimal mobile communication operations in Africa, *The African Journal of Information Systems,* 4(2) 61-83.

Pedersen, T., Christine, S. & Devinney, T. (2002). *The importance of internal knowledge sourcing in firm performance: A latent class estimation*, Working Paper,LINK conference, Australia, unpublished.

Perez, C. (2002). *Technological revolutions and financial capital: The dynamics of bubbles and golden ages,* Edward Elgar Publishing.

Pride, W. & Ferrell, O. C (2003).Marketing Concepts ad Strategies. Boston:Houghton Mifflin Co. New York.

Rubalcaba, L. (2006). Which policy for innovation in services?, *Science and Public Policy,* 33(10) 745-756.

Scarso, E. & Bolisani, E. (2010). Knowledge-Based Strategies for Knowledge Intensive Business Services: a Multiple Case-study of Computer Service Companies, *Electronic Journal of Knowledge Management,* 8(1) 151-160.

Schumpeter, J. A. (1934). *The theory of economic development,* Cambridge Mass:Harvard University Press.

Sesan, G. (2011). ICTs in Nigeria: A status report, *ICT and future of Nigeria*, 1-9, available: [accessed 03/04/2011].

Shane, S. & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research, *Academy of management review,* 25 217-226.

She, S. & Nagahira, A. (2012). The impact of KIBS on Japanese manufacturing corporations from the client–side point of view, *International Journal of technology Management,* 57(4) 201-226.

Sissons, A. (2011). *Britain quiet success story: Business service in the knowledge economy*, London:The work Foundation Lancaster University.

Solomon, M.R. & Stuart, E.W. (2003). Marketing: Real people, real choices. New Jersey: Prenticehall.

Song, X. M., Di Benedetto, C. A. and Zhao, Y. L. (1999). Pioneering advantages in manufacturing and service industries: Empirical evidence from nine countries, *Strategic Management Journal,* 20 811-836.

Smith, K. (2002). *What is the'Knowledge Economy'? Knowledge intensity and distributed knowledge bases*, UNU/INTECH discussion paper,The Netherlands: United Nations Univeristy, Institute for New Technologies, unpublished.

Strambach, S. (2008). Knowledge-Intensive Business Services (KIBS) as drivers of multilevel knowledge dynamics, *International Journal of Services Technology and Management,* 10(2) 152-174.

Storey, D. J. (1994) *Understanding the small business sector,* London:Routledge.

Todaro, J. B. and Smith, M. (2006) *Training library staff and volunteers to provide extraordinary customer service.* London:Facet.

National Bureau of Statistics (NBS) (2015)

National Policy for Information Technology (2000) *National Policy for Information Technology.* Abuja:Federal Government Press.

OECD (2003) *Productivity and Economic Structure*, Paris:OECD

OECD/Eurostat (2005) *Proposed guidelines for collecting and interpreting technological innovation data- Oslo manual*, Joint publication of OECD and EUROSTAT.

Robinson, C. (2002) 'Real World Research: A resource for Social Scientists and Practitioner-Researchers ' in, Second edition ed., Oxford: Blackwell Publishers, pp.

Robinson, C. (2002) 'Real World Research: A resource for Social Scientists and Practitioner-Researchers in, Second edition ed., Oxford: Blackwell Publishers.

United Nations (2016). Nairobi work programme on impacts, vulnerability and adaptation to climate change. United Nations framework convention on climate change http:// Unfcc.int?3994phpFCCC/ASR/2016BE.

Wickham, P. A. (2006) *Strategic Entrepreneurship*, ed., Pearson Education Limited.

Wood, P. (2002) 'Knowledge-intensive services and urban innovativeness', *Urban Studies*, 39(5-6) 993-1002.

World Bank Atlas (2015) *Gross national income per capita 2015, Atlas method and PPP*, World Bank.

Xin, Y., Ojanen, V. & Chai, K. (2009) 'Service innovation in Knowledge - Intensive Business Services', *International Journal of Entrepreneurship and Innovation Management*, 10(2) 1-16.

Yue, C. S. (2001). Towards a knowledge-based economy in Seiichi, M., Yue, C and Donna, V, ed. *Industrial restructuring in East Asia: Towards the 21st century*,Singapore: Seng Lee 169-208.

Zack, M. H. (2003). Rethinking the Knowledge- Based Organization, *Sloan Management Review*, 41(3) 67-71.

Zeithaml, V.A., Parasuraman, A. & Berry, L.L. (1985). Problems and strategies in services marketing.The Journal of Marketing. 33-46.

10th Annual Conference of The Academy of Management, Nigeria, Ahmadu Bello, University, Zaria. October, 27-28. Conference Proceeding pp 481-491.