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Editorial

In addition to an excellent product and distribution strategy and a good understanding of cultural aspects of a country, developing your business often requires a solid strategic vision and a fair amount of courage.

Many of us gave a positive turn to their career when accepting a job that was perceived as risky. Similarly, many of our corporate customers took a really strong position in a country when the country was not going so well.

**Isn't it time to position your company for the Iranian market?
Isn't it time to intensify your presence there?**

Today, what we read and hear in the media about Iran is far from positive news. Still, quite a few companies and decision makers are not looking away. On the contrary, keeping in mind the national elections that are to come next year, they view the situation and timing as offering new business opportunities, more so than ever before.

This article by Pari may allow you to discover the real faces of Iran, the ones of the country with great business potential. We would be so happy if you could **keep in mind that cultural adaptation to a market, international management skills and business development go hand in hand.**



Laurent Lepez,
Associate Partner

The faces of Iran

Is it not time to position your company for the Iranian market?

By Pari Namazie, Senior Consultant

You might have heard the news of the continuing sanctions and threat of war Iran is currently facing. Experts say Iran is now facing one of the strictest sanctions regimes in history; no other country has ever come under such harsh sanctions. The U.S. Senator Ron Paul went as far to say that "sanctions against Iran are an act of war". Since 2006, sanctions have been imposed due to Iran's nuclear ambitions intensifying further over the last six years to include limitations on trade, foreign investment, financial services, insurance, sectors such as energy, shipping, telecom and now recently an EU-imposed oil embargo. Iran not only faces the pressure of sanctions, but also more recently, the threat of war from Israel. It is valid to argue that Iran is in a crisis mode considering these pressures, coupled with the backlash caused by the global economic and financial crisis, recent energy subsidy reforms within Iran, currency devaluation, political in-fighting and governmental mismanagement -all of which have caused even greater inflationary impact and greater socio-economic discontent. Additionally, Iran has an upcoming presidential election in June 2013 in which President Ahmadinejad cannot run anymore.

For companies looking to invest in the MENA region (Middle East and North Africa), Iran is a country with great business potential. Iran has the largest combined (oil and gas) hydrocarbon reserve base, i.e. the third largest oil reserves, following Saudi Arabia and Canada, and the second largest gas reserves, after Russia. Iran also has the MENA region's second largest economy, after Saudi Arabia, and the second largest population, after Egypt.

Although the country faces many challenges, there are also great opportunities to be gained. As comments by some clients show,

"Iran is a country you cannot afford to neglect, with its geopolitical location, very rich resources and educated and qualified human resources, it is a difficult country to be in, but if a company wants to be global and wants to expand into the Middle East, Iran is a country which cannot be missed."

"It seems we are sinking but the longer we survive, the more opportunities we see coming towards us, i.e. talent, market share, less competition..."

Although the media reflects Iran as a threat to the Western world, an Islamic fundamentalist country bent on building a nuclear bomb, people who only know a little bit about Iran and Iranians know a very different face of Iran.

Misperceptions about Iran

Iran is an Islamic country in the Middle East, but it is not an Arab country. The Arabs invaded Iran in the 7th century, which led to the country's Islamisation. Iran distinctly showed its own identity by adopting the Shia branch of Islam instead of the more popular Sunni faith seen throughout the Islamic world. Further, Iran retained her own language, Persian, and did not adopt Arabic as the language of the country.

Iran has a very rich pre-Islamic history and civilization which has indeed influenced the Iranian culture and psyche. Up to the present day the most celebrated festivals are those from the Zoroastrian faith (Iran's pre-Islamic religion).

Another misperception about Iran is the degree of religiosity in the country. Although Iran is an Islamic Republic, its people are often moderate in their religious acts. Seen from the perspective of western observers and compared to other Islamic countries, Iranians are less religious and more interested in modern western phenomena like technology. Ideological fundamentalism is almost non-existent, though extreme notions of political Islam are witnessed in some of the country's political decisions.

Demographics

Approximately 40 per cent of Iran's 77 million population is aged between 15 and 40 years, providing a young and educated workforce which also translates to great pressure on the country's job market. The country enjoys an overall literacy rate of 86% (98% literacy for the population below the age of 30). Youth unemployment is and will remain a key challenge to the country for another decade. Although Iran is an Islamic country, the role and presence of women is seen and felt strongly in society. Over 60% of university entrants and over 30% of the active workforce are women. Additionally, due to high inflation, both men and women must find employment in order to manage their family and rising expenses.

Cultural orientations

Based on the GLOBE study findings, Iran is closer to the South Asian cultural cluster, along with India, Indonesia, Malaysia, than the Arab cluster.

Iranians are seen as individualists with strong family ties. One of the most distinguishing features of the Iranian culture is its family and in-group orientation, suggesting loyalty and cohesiveness of Iranians toward small groups such as family and close friends. As such, in business terms, this translates to building close and trust based relationships and also nepotism and favoritism.

In business circles, one would therefore expect to see family or trusted individuals in key positions and, more importantly, when one public sector director is replaced, his whole team of managers might also depart voluntarily with him.

Iranians have an indirect communication style, where in many situations one would need to read in between the lines to understand the message. On the one hand, it might be a matter of saving face, but on the other hand it might be consideration of which audience is watching. So, deciphering the message and intent requires time and skill.

Considerations for doing business with Iranians

Making the time to build a personal and trust based relationship is very important, as is having a presence in Iran. Due to sanctions, many multinational companies have pulled out of Iran or halted their Iran businesses. A few multinationals have remained, however, with a minimal presence. This in turn creates a feeling of good will with Iranian counterparts and these companies are indeed in a better position for when sanctions are lifted. In negotiating with Iranians, it is important to maintain mutual respect and treat Iranians on an equal footing. Acknowledging the Iranian companies' technological expertise and know-how will be useful in building a sustainable relationship.

Iranians are short-term planners but have a long-term memory. If a company abandons Iran, Iranians will indeed take note of this for future business deals. However, if a company stands beside Iranians during days of hardship, this is a plus in building and sustaining a longer term relationship. This will certainly have long lasting effects.

Mini bio: Pari Namazie

Pari is a management consultant and a business developer dealing with emerging economies in the Middle East. Her main country focus is Iran, and she helps companies understand the complexities of working and communicating in her own country as well as in the Middle East at large. She holds a PhD in International Human Resources Management. She has published articles and contributed to several books on culture and business development.



Cultural Tips

- 1 – Take time to build a personal and trust based relationship
- 2 – Develop strength-to-strength and mutual respect relationships
- 3 – Be careful who to build relationships with and how long they might remain in the organization
- 4 – Take note of short-term orientation and a long-term memory