

CONSULTING IN IRAN

A SOURCE GLOBAL RESEARCH GUIDE



Including market sizing data
and current market trends

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INTRODUCTION



There are two ways in which to understand the interest consulting firms are currently showing in Iran:

The first sees Iran as the newest addition to a long list of emerging markets on which consulting firms have pinned their hopes only to have them dashed. It sees Iran as the new Brazil; which in turn was the new Africa; which was the new India; which was the new China. It reveals consultants to be naïve and romantic, like ardent teenagers whose hearts have been broken time and again but who, with the spring of life coursing through their veins, eschew cynicism in favour of hope and believe that this time it will all be different. That this is it. That this is the one. It cites the persistent frigidity of relations between the US and Iran—exemplified by the former denying the latter access to its financial system—as evidence that Iran remains a capitalist's pipe dream. It sees Trump in the wings. It expects little.

The other sees Iran, the country with the world's fourth largest proven oil reserves and second largest gas reserves, standing at the threshold of an economic boom. It sees European car makers, plane makers, cosmetics companies, and fashion labels queuing up to get a piece of the action now that trade sanctions have been lifted. It knows their dreams—and those of the consultants who serve them—will take time to come to fruition, but that to fruition they must surely come. And although relations with America remain tricky to say the least, it actually sees Trump as less of a hindrance to progress than Clinton would have been. More pragmatic, more business-like, less back story. And far from being naïve romantics, it sees consultants as pragmatists, too. Opportunists, no doubt, but opportunists with a legitimate role to play as wheel-greasers to the Iranian economic train, and at a time when the smart money isn't on Iran failing to leave the station, but on Saudi Arabia derailing spectacularly. Seen within that context, if it's nothing else then Iran is still a pretty decent back-up plan.

This short guide to consulting in Iran does not presume to determine which of those views is the more accurate: that remains the business of economists and politicians, not to mention that ultimate teller—time. Rather, it attempts to pull together the stories and opinions shared with us by consultants working in and around Iran, most of whom prefer (perhaps prophetically) to remain anonymous, and to combine them with our knowledge of the global consulting market, so that anyone who feels instinctively drawn to the second view has something a bit more substantial to chew on.

One organisation that is happy to be on the record is ILIA Corporation, a market entry specialist working in Iran, and we're especially grateful to it for its assistance in our research. Firms like ILIA appear to have a very important role to play in opening up the Iranian consulting market, and it would have been remiss of us not to draw heavily on its knowledge for our report. Indeed, because understanding these organisations assists in developing an understanding of the market as a whole, we've taken the decision to profile it at the back of this report.

METHODOLOGY

Definitions

Our definition of management consulting includes a broad range of business advisory services, but excludes: tax advisory; audit; the implementation of IT systems; the delivery of outsourced/offshored services; and HR compensation/benefits administration and technology. Where mergers and acquisitions work is concerned, consulting on deals is included (under strategy), but corporate finance fees on deals themselves are generally not included although it is not always straightforward to separate the two.

For more information about how we classify consulting services and industries, please see “Definitions of industries and services”.

Sources

Our report is based on quantitative research in Iran and qualitative opinions about Iran. The quantitative data contained in this report focuses on consulting done by mid- and large-sized consulting firms (those with more than 50 consultants) and typically includes work they have carried out for mid- and large-sized clients—what we at Source call “big consulting”. It therefore reflects the “addressable” market for the majority of mid- and large-sized consulting firms; we don’t try to track the long, thin tail of work done by very small firms for very small clients, nor the contractor market, as most readers of this report would not seek or be able to compete with this part of the market. Our analysts work out the addressable size of the market through desk research, identifying the number of firms that meet our criteria and extrapolating from that to reach a figure for the market as a whole.

Using this definition, Source has built a bottom-up model of the global consulting market from the information we get from consulting firms and our own research, and we use it to size the industry and its growth rates. This is based on our global model which contains detailed data about almost 1,600 firms, plus higher level estimates about a further 400,000 firms, all with more than 50 consultants apiece, in addition to primary research carried out by Source analysts.

We should emphasise that there are no standard sources of definitions of data within geographies let alone between them. We are, however, confident that the richness of our qualitative data, combined with Source’s unparalleled industry expertise, means that our analysis fairly and accurately reflects the state of the market.

All figures given in this report are in US dollars. For reference, Source is using the following exchange rates in our reports this year:

- US dollar to British pound \$1 = £0.66
- US dollar to euro \$1 = €0.88

In addition to our quantitative research, we interviewed nine very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the country and many smaller local specialists to understand more about how the consulting market is performing, and what the major trends, changes, and challenges are. Throughout the year Source analysts remain plugged into the global consulting market through our bespoke research and consulting projects, adding further depth to our understanding of the consulting industry.

Definitions of industries and services

Industries



Energy & resources

Energy

Includes the exploration and production of energy, including oil, gas, coal, and renewables.

Utilities

Includes the delivery of electricity, gas, water, sanitation, and other related services.

Primary resources

Includes agriculture, chemicals and chemical products, commodities, forestry, fishing, metals, mining, and plastics.



Financial services

Banking

Includes retail banking, commercial banking, and lending.

Insurance

Includes general insurance (e.g., motor, home, pets, health—anything on an annual contract), life insurance, pension products, retirement planning.

Private equity

Includes both consulting work for private equity firms and consulting work with private equity portfolio businesses.

Capital markets

Includes investment banking, trading of stocks and financial products, corporate finance, and broking.

Investment and wealth management

Includes private banking, high net-worth banking, investment management, trust funds, the management of pension funds, and asset management.



Manufacturing

Aerospace

Includes space research and technology, the manufacture of aircraft, aircraft parts, rockets and other space equipment, and tanks and ammunition.

Automotive

Includes the manufacture of motor vehicles, industrial vehicles, and vehicle supplies and parts.

Construction

Includes surveying, architectural, and engineering services, heavy construction, house building, and the building of infrastructure.

Consumer packaged goods

Includes the manufacture of clothes, foods, alcohol, tobacco, furniture, home furnishings, cleaning products, small arms, children's toys, and sports equipment.

Consumer and industrial electronics

Includes electrical components, household and industrial appliances, commercial and professional equipment.

Industrial products

Includes industrial machinery, steel and metal products, and plastic products.



Pharma & biotech

Includes research into and the production of drugs, biological products, medicinal chemicals, and life sciences.



Healthcare

Includes private and publicly-funded healthcare, hospitals, laboratories, and medical equipment.



Public sector

Government

Includes federal/national, state/regional, local government, emergency services, justice, social services, public transport, and conservation.

Education

Includes public and private schools, universities, and libraries.

Defence

Includes national security and consulting around defence issues.



Retail

Includes the selling of clothes, food, consumer goods, and automobiles.



Services

Logistics

Includes warehousing, storage, packing and crating, and distribution including cargo, freight, and haulage.

Business services

Includes services relating to law, accountancy, IT maintenance, security systems, advertising, employment agencies, and vehicle leasing.

Leisure

Includes museums, art galleries, theatre, golf courses, hotels, hospitality, travel agencies, restaurants, and bars.

Real estate

Includes estate agencies and operators of residential and commercial buildings.

Transportation

Includes private and people-related transportation, including airlines, airport management, train operators, rail infrastructure management, water transportation, courier services, and private bus services.



Technology, media & telecoms

Telecoms

Includes telephone, mobile, digital, and other communication services.

High-tech

Includes IT related devices, computer and computer related devices, audio and video equipment, broadcasting and communication equipment.

Media

Includes radio, television and digital broadcasting stations and services as well as printing and the publishing of newspapers, periodicals, and books.

Services



Financial management

Includes finance function and budgeting/financial planning process.



Risk & regulatory

Includes responding to regulation, technology and security risk services, operational risk, financial risk, programme risk.



HR & change management

Includes HR strategy and effectiveness, benefits, compensation and pensions, change management, internal communications, organisational design and culture, stakeholder management, team effectiveness and collaboration, leadership and governance, performance management, talent management/training and development.



Operational improvement

Includes business continuity and recovery, knowledge management, Lean and Six Sigma, property and estate management, quality and performance management, supply chain management, cost-cutting, innovation, M&A integration, managing quality, post-M&A integration, process design and re-engineering, procurement/purchasing, research and development, benchmarking, distribution strategy, environmental, sustainability and CSR, and operational review.



Strategy

Includes business and financial modelling, corporate re-structuring, corporate recovery and turnaround, corporate strategy, market analysis and strategy, market research, policy formulation, strategic sourcing/offshoring strategy, due diligence and valuation, infrastructure/asset financing and management, PFI, mergers and acquisitions, customer service, new product development, branding, marketing and channel management, customer relationship management, pricing, sales force effectiveness, category management, sales and distribution planning.



Technology

Includes ERP consulting, IT training, application of new technology, hardware/software selection, IT design and build, IT strategy, planning and review, IT testing and integration, management information and business intelligence, requirements definition, mobile and internet consulting, project and programme management (e.g., where consulting firm has been engaged to run a specific project that it is otherwise not involved in).

IRAN CONSULTING MARKET FACTSHEET

Consulting market size*

2015



\$6.4m

* A note about our Global Consulting Data Model

Our global consulting data model is the biggest, most sophisticated, and most accurate model of the consulting industry ever created. It provides data about the consulting market across nine industries, 29 sectors, six service lines, and 80 countries, including Iran. It's available to buy as a whole or to suit your requirements, and it is the platform on which a growing number of consulting firms are basing their understanding of the market and their performance within it. It is, though, important to note that the absence of information in Iran makes the challenge of sizing its consulting market greater than it is elsewhere. While we're confident that ours is the most accurate information that exists, we also know that the picture isn't complete and that the margin of error may be as much as 20% in either direction.

[More information about the model is available here.](#)

Breakdown of the Iran consulting market in 2015 (US\$m)

By industry

	Financial services	\$1.5m
	Public sector	\$1.4m
	Energy & resources	\$0.9m
	Manufacturing	\$0.7m
	Services	\$0.6m
	Technology, media & telecoms	\$0.5m
	Healthcare	\$0.5m
	Retail	\$0.2m
	Pharma & biotech	\$0.2m

By service

	Technology	\$2.7m
	Operational improvement	\$1.6m
	Strategy	\$1.3m
	Risk & regulatory	\$0.5m
	HR & change management	\$0.2m
	Financial management	\$0.1m



WHAT'S THE SCALE OF THE OPPORTUNITY?

The short answer:

\$844m. Roughly.

The long answer:

China remains a useful reminder that not all consulting markets will necessarily grow up to be what they're expected to be. So does Japan—perhaps even more so. Compared with their respective economies, both consulting markets remain remarkably small. In both cases the lesson is that much rests on the extent to which consulting can establish itself as a norm in business and political culture. Were it to do so in China to the extent that it has in America, for instance, China's consulting market would be worth somewhere in the region of \$35bn. It's actually worth about \$3.5bn. Japan's would be worth about \$14bn when it's actually worth little more than \$1bn, a point that becomes all the more forceful when you take into account the fact that Japan is a mature economy. The Japanese have never really got consulting.

Iranians might not get consulting either. Nevertheless, there are useful markers that have been laid down by other consulting markets, the most obvious of which is the GCC (Saudi Arabia, the UAE, Oman, Qatar, Bahrain and Kuwait). And they tell a fairly positive story: Assuming that there are no greater inherent cultural or structural barriers to consulting in Iran than there are in the GCC, then based on the current size of the Iranian economy the former should be able to support a consulting market worth about \$850m. Given that it's currently worth about \$6.4m, we can probably claim, with some reason, that there's a theoretical opportunity worth about \$844m for consultants in Iran today. Isn't theory lovely?

Needless to say, in practice it's likely to take some time for that opportunity to be fully realised. As one consulting leader told us, "I think it's going to take a long time before it's anywhere close to the size of the other markets in the region. They haven't purchased consulting for 30 years and so there's going to be a mindset change that needs to take place."

But others already talk about their consulting businesses expanding rapidly: "The scale of the opportunity in Iran is very, very big," one told us. "We have educated people and an enormous population, but we don't know how to scale our companies."

And while most Iranians will have had relatively little experience using consultants, that's not to say everyone's a novice: "Most clients in Iran have a foreign or international affairs manager who acts as a liaison with consulting firms," one consultant with many years' experience in the market told us. "They know what consulting is and that you have to pay money for it—there's a much higher level of sophistication than you might expect. They explain to their internal colleagues what consulting is all about and prepare them for what's expected from them in a consulting assignment."

HOW MANY CONSULTING FIRMS ARE IN IRAN ALREADY?

The short answer:

About 50, officially.

The only slightly longer answer:

Iran probably has somewhere in the region of 50 consulting firms that are legally registered to do business in the country, most of which are very small outfits by international standards. Many of the world's biggest consulting brands—including McKinsey, Roland Berger, EY, Accenture, and Bain—are among them, though their presence is nearly always limited to a very small number of people. There is almost certainly a much larger unofficial market made up of one-man bands and tiny outfits, but they're notoriously hard to count in mature markets, let alone somewhere like Iran.

How do we enter the market?

The short answer:

Put boots on the ground. Get someone else to help you. Be humble.

The long answer:

When faced with an opportunity in an emerging market like Iran, consulting firms typically attempt to serve it from the nearest market in which they feel safe, financially or physically. In the Middle East that tends to mean Dubai. From there they'll fly in and out of the country, picking off opportunities to work either for existing clients or (much harder) for new clients with whom they've managed to strike up a relationship. This can be an effective way to exploit the opportunities that exist while minimising risk of over-exposure to a market from which they might want to pull out at short notice.

But it's not a very effective way to grow the market—that requires a far greater level of commitment. Specifically it requires a consulting firm to set up shop in the country: To put boots on the ground. Most of the people we spoke to in the course of researching this report were in agreement about that: "To succeed in Iran you need to be here on the ground," said one. "You can't compare Iran to any other country in the region. It's such a big country and there have been so many different trends influencing our way of thinking." Another agreed: "The Big Four are using a fly in-model and this might work for a few clients, but not as a market strategy."

That's easier said than done though. "The main barrier for consulting firms is simply being established in the country—finding enough local consultants to set up an office," says Amir Ebrahimzadeh at ILIA Corporation. "There's a lot of great talent here in Tehran, but very few people have had international experience or have the right attitude for the job. As a result, consulting firms have a tendency to fly in people from places like South East Asia, and that makes projects very costly."

But there is evidence from elsewhere in the region that it works: A few years ago Oliver Wyman won a bid to become part of a joint partnership—known as the Tri International Consulting Group—with the Kuwaiti Investment Authority and the Kuwait Fund for Arab Economic Development. It's a partnership that has required the firm to invest in its business in Kuwait, but one that has also seen the country—contrary to the experience of most firms—come to represent a significant part of Oliver Wyman's business in the GCC.

The key to Oliver Wyman's success in Kuwait was that it didn't attempt to do things on its own, and that's a lesson firms thinking of investing in Iran may do well to heed. "Local partners are very important in Iran," one firm already working in the country told us. "They can help with local ways of working and get results." They can also help firms to find clients, something that has driven the success of ILIA Corporation: "It can be very hard to find projects here," says Amir Ebrahimzadeh. "You need a local company with lots of links into government."

It's an approach that becomes all the more important for small consulting firms: "A key part of our strategy has been to establish partnerships with companies (and individuals) who can help us get quality results, especially given the fact that as a small firm we can't afford to recruit too many people locally," says one consulting leader. "That being said, it is very important to have a clear agreement with your partner to avoid any issues and have a clear exit strategy in case of the need for termination."

And finally, you need humility. The neighbouring GCC market is littered with stories of consultants who flew in on the promise of an easy buck, assumed their Western experience made them superior, and catastrophically underestimated the extent to which local clients would (sooner or later) see through that. Four or five years ago, it resulted in a reputational crisis for consulting firms in the region, which consultants have been working hard to put right ever since.

Related to that is the need to strike the right note from a marketing perspective. Remember, in most cases you're not simply trying to convince potential clients to pick you as their supplier, you're trying to embed a use of consultants in their behaviour, and making them feel like they're being sold to is unlikely to help that process. "My advice would be not to come here aggressively, with aggressive marketing strategies," says Reza Ghiabi at ILIA\OPMAKR. "In Iran, the people and the government will let you do anything for the first time, but the challenge is in being able to repeat what you do and make a sustainable business. You need to come in a humble manor and do business slowly, step by step with mini projects at first."

Do we need Farsi speakers?

The short answer:

Yes, but you need people who know the culture more.

The long answer:

There's an almost universal consensus among the people we spoke with that having Farsi speakers is a pre-condition of doing business in Iran. But this is much less an issue of language than it is of culture: In fact, many Iranians—and particularly those in management positions—speak English very well and may well be tolerant of consultants doing so were it not the most obvious illustration that they're lacking a much more important capability: a deep understanding of Iranian business culture.

Indeed, though Farsi speakers with international experience may sound like the perfect consultants for the Iranian market, they're not: "The Farsi speakers of the big global firms have very little knowledge of Iran," said one consulting leader we spoke to. "They don't have the deep knowledge of what's going on in the country, and they can't judge what's going on. They don't know the deepest feeling of the country."

That's not to dismiss the value of international experience by any means—Western knowledge (even American knowledge, though that comes with its own issues) is very much sought after in Iran. It's simply to emphasise that cultural awareness matters more. "Iran is complicated with some things that you don't see in other markets," says one consultant. "Only a person who grew up here is going to understand some of the problems of operating here. When you come from the West or Asia, you'll never really understand what's happened here or the challenges and opportunities we now face."

All of which makes it treacherous, to say the least, to attempt any glib summary about what's at the heart of those cultural considerations. Nevertheless, three things shine through in our conversations with people who know more than we do about Iranian business culture, and they seem to be these: 1) It's complicated. 2) It's personal. 3) It will take time.

In my experience, it's not just about Farsi-speaking consultants, it's about the combination of language and an understanding of the Iranian people and market. You need someone who talks in the same language but who also knows the processes, the values. Someone who knows how everything works in Iran. It's not about the language; it's about the culture.

Reza Ghiabi, ILIA\OPMAKR

ABOUT THE AUTHOR

Edward Haigh

Ed was Source's first employee and is now a Director of the business. Prior to joining Source in 2008, he spent seven years in various marketing roles for Sony Europe, followed by a spell as Marketing Director for a small start-up venture. Ed oversees Source's strategic marketing activities, writes many of our reports and speaks regularly to domestic and international audiences about the consulting market.



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Reports for different regions vary in length but the content includes:

- Overall description of the market in the region/industry
- Data for the consulting market:
 - Regional report: by industry, service, and firm type
 - Industry report: by sector, service, and geography
- High-level breakdown:
 - Regional report: by geography within region
 - Industry report: by sector within industry
- Discussion about the current state of, and prospects for, the consulting market:
 - Regional report: by industry, service, and firm type
 - Industry report: by sector, service, and firm type
- Analysis of the key challenges and opportunities in the market
- Feedback from clients in selected regions
- Growth forecasts

Please note that this content is subject to slight changes and amendments

2017 Consulting Market Programme research schedule

February	UK	August	India
March	France	September	Africa
	GCC		Brazil
April	Benelux		Energy & resources
	Nordics	October	Financial services
May	US		China
	Canada		Healthcare
June	DACH	November	Technology, media & telecoms (TMT)
	Eastern Europe		
	Russia		
July	Italy		
	Spain		
	Australia		

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About Source

Source Global Research is a leading provider of information about the market for management consulting. Set up in 2007 with offices in London and Dubai, Source serves both consulting firms and their clients with expert analysis, research, and reporting. We draw not only on our extensive in-house experience but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency, and transparency.

Source was founded by Fiona Czerniawska and Joy Burnford. Fiona is one of the world's leading experts on the consulting industry. She has written [numerous books](#) on the industry including [The Intelligent Client](#) and *The Economist* books [Business Consulting: A Guide to How it Works and How to Make it Work](#) and [Buying Professional Services](#).

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