

In the name of Allah

## **Addressing Inequalities Caused by a Petrochemical Company in an Economically Deprived Area**

Graduate School of Management and Economics  
Sharif University of Technology  
Tehran, Iran

### **Names and information of team members:**

Ali Baghbannezhad  
Fatemeh Behpoor  
Arya Khojasteh  
Nima Taheri  
Ali Vafaei Zonouz

Professor Masoud Shadnam (Faculty Advisor)

### **Our fictional business identity:**

We are a consulting firm specialized in diagnosis, analysis, and improvement of business organizations especially with respect to legal, financial, and ethical dimensions of the challenges that they face.

### **The audience whom the judges should imagine themselves to be:**

You are the board of directors of a large petrochemical company operating in a plant based in the South Pars, a remote region home to an economically deprived community.

### **Brief of the problem provided by the petrochemical company:**

We request your expertise in understanding and resolving a confusing array of challenges that our petrochemical company has been facing since we started our operation in the South Pars. Our company generates approximately \$550 million in net profits annually and employs over 1,200 people, with the majority working in the South Pars region and the remaining few in our Tehran office. While the company's financial performance has been extraordinary and particularly appreciated by our shareholders, we have been informed of several bizarre occurrences that has resulted in unanticipated costs and occasional disruption of work at the plant.

At first, the regional authorities of the South Pars seemed to be over the moon that we chose their region for investment and operation of our petrochemical plant. But as soon as starting the operation, we have faced difficulties getting the required permits for the use of their water, land, and road infrastructure. Serious disputes have emerged between the company and local authorities on issues ranging from the right to use natural resources to the potential dangers of plant operation for the local natural environment. This has caused significant costs and delays in the development and growth of the plant.

Besides authorities, we also witnessed backlash from the community. Most of the plant employees who are engineers coming from other parts of the country feel that they are being treated as unwelcome aliens. For example, many local sellers triple their price when they spot a plant employee (plant employees are easily identifiable as they do not speak the local dialect). Verbal confrontations between plant employees and the local population is not uncommon with some cases escalating into physical aggression. There is also reason to believe that some of the damages to the pipelines and the company's property are sabotage acts by local residents.

We think the presence of our plant in the South Pars region is a blessing that should have been naturally embraced by the local community. So we are puzzled by the received reaction and we are seeking your expert advice on this matter.

### Executive summary of our argument and solutions:

Our consulting firm has developed a comprehensive set of solutions to address the forementioned problem. Our solutions are aimed at fostering sustainable and inclusive practices to bridge the gap between the company and the local community. They include the following:

1. Development of Mutually Beneficial Work Interdependencies
  - a. Training and Hiring Local Workforce:  
The company will implement training programs and actively hire local residents to provide them with employment opportunities and promote economic growth in the region.
  - b. Developing Related Value Chains and Downstream Industries:  
The company will collaborate with local stakeholders to develop related value chains and downstream industries in the region, utilizing local capacities and fostering economic empowerment in the area.
2. Cultural Integration with the Local Community
  - a. Promoting Activities to Understand and Respect the Local Community Culture and Participate in their Rituals:  
The company will facilitate the sharing of local community rituals and culture with its employees, promoting mutual understanding and respect between the company and the local community.
  - b. Partnering with Key Local NGOs: The company will establish key partnerships with local non-governmental organizations (NGOs) and encourage employee volunteering and matching gifts to support local community initiatives.
3. Giving out Community Shares  
The company will provide discounted stock options to local residents, giving them a stake in the company's success and creating a sense of ownership and shared benefit within the community.
4. Principled Adherence to a Regime of Technical Solutions to Minimize Environmental Harm:  
The company will invest in a regime of technical solutions to address the environmental harm caused by its operations, including cleaner technologies, strict environmental monitoring, and reporting protocols, and collaborative efforts with local environmental organizations.

These solutions are carefully designed to simultaneously address the legal, financial, and ethical aspects of the challenges faced by the company. They will promote sustainable and inclusive practices, foster positive relationships with the local community, and address the environmental impact caused by the petrochemical company's operations. The implementation of these solutions will not only help address the inequalities in the South Pars region, but also contribute to the long-term success and sustainability of the petrochemical company.