

**Role Play**

**Arancibia, Inc:**

Confidential Information for Cristobal Arancibia

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This role play was written by Shawn Chan, Predoctoral Research Associate at INSEAD, and Sourav Aggrawal, under the supervision of Martin Schweinsberg, Associate Professor of Organisational Behaviour at ESMT Berlin, Horacio Falcão, Professor of Management Practice of Decision Sciences at INSEAD, and Eric Uhlmann, Professor of Organisational Behaviour at INSEAD. It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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General Information

Arancibia, Inc began in 1984 in the small city of Quillota, the local capital of the Valparaíso Region of Chile, as a small family-run trading company in the electrical sector. The firm imports batteries, inverters, and related products from outside the country and sells them in Chile, further providing installation services. Over time Arancibia, Inc has blossomed into an approximately $50 million USD value Small and Medium Enterprise (SME) through the collective efforts of the five Arancibia brothers, who rose from Chile’s callampas (slums) to a position of wealth and prominence in the local community.

Among the brothers, Francisco Arancibia was instrumental in the early ideation and foundation of the company over its first two decades and initially held a 30% ownership stake. However, as the business started to expand, Francisco gradually withdrew due to his struggles with clinical depression. Over the subsequent two decades, this was associated with a major reduction in his ownership – a decision made unilaterally by his four brothers, especially the eldest brother and now family patriarch Vito Arancibia, yet not contested by Francisco. Today, in 2025, Francisco’s current stake in the family firm is 10%, with his 5 children only scheduled to finally receive legal shares after Francisco passes away. In contrast, Vito’s share has grown to 30% and the other 3 brothers hold 20% of shares each.

It is the norm in the family business to handle everything informally through discussions within the family, supervised by their patriarch Vito, rather than sign formal legal agreements. The elder generation expect their children to wait for their inheritance and legal stake in the company until after their parents pass away. There are no contracts or processes in place to rely on in case of disagreements or disputes. Due to his mental health, Francisco no longer plays any active role in the company or family’s decision making. Vito has taken over formal leadership and holds effectively all of the decision-making power at the company.

Francisco’s eldest son Cristobal is an electrical engineer with a keen interest in clean energy. A decade ago, Cristobal sought to diversify the family’s business interests by launching a solar panel intrapreneurial venture, securing $500,000 USD in seed funding from Vito. Over the next four years, from 2015-2019, Cristobal built a base of customers across various industries, set up the supply chain, and formed a small hands-on team to do the operations. Under the umbrella of the SME, which provided the working capital, he built the solar power intrapreneurial venture to a $1M USD valuation. However, rather than continuing to scale the business himself, Cristobal chose to step away to pursue his education further, leaving the solar panel business’s day-to-day operations in the hands of professional manager Alberto who subsequently reported to Vito. The solar panel venture’s value grew to $5M over the next six years, significantly increasing the entire firm’s market potential and factoring into the total $50M value of Arancibia, Inc.

With the larger parent firm now preparing for a public offering (IPO), Vito is looking to formally absorb the solar panel intrapreneurial venture into Arancibia, Inc. From Vito’s perspective, this consolidation would maximize the company’s value for the IPO (to the full $50 million USD) and create opportunities for future expansion. Cristobal, however, is strongly opposed to this move, believing that it would erase his contributions and strip him of any meaningful control over what he created. The disagreement recently escalated into a public confrontation between the two, in which insults and accusations were exchanged in front of the extended family during a gathering at Vito’s house. Cristobal threatened to sue for financial fraud in the Chilean courts and ruin the planned public offering for Arancibia, Inc –outraging Vito, who threw him out of his house and has not communicated with him since. Following the confrontation, Cristobal left the country to pursue an MBA in France at the prestigious Vandelans business school. Meanwhile, Vito has unilaterally initiated the formal absorption of the solar intrapreneurial venture into the larger Arancibia firm.

If Cristobal were to carry out his threat to go to court and file a civil lawsuit, resolving the case via Chile’s inefficient legal system could take 10-15 years, blocking the IPO for the larger Arancibia parent company and leaving the solar panel business in an extended limbo as well. The negative publicity would also stain the family’s reputation in the community and lower the financial value of both the solar panel venture and larger parent firm substantially.

In an effort to avoid further escalation of conflict, Vito and Cristobal have agreed to meet to attempt to negotiate a settlement.

Confidential information for Cristobal Arancibia

Above anything else you feel frustrated, with low emotional tolerance for chaos, uncertainty, and mistrust that pervades your professional and personal life, which often feel like they have merged together into one. Comparing your journey to friends and peers, you feel you are getting behind in life, dragged down by your family rather than supported by them. As in any family-owned setup, there are emotional relationships and a lot of complex history involved in Arancibia, Inc. Unfortunately in your case many of those emotions and experiences are negative. Your entire life, you have felt silenced and mindful of how to conduct yourself around Vito, the self-proclaimed family patriarch, who has built a wall around himself and does not like being challenged. Your uncle’s egotism knows no bounds – how he loves being called Don Arancibia and being obsequiously ushered to the front of the line at the bank and stores in town. Worse, Vito treats the family firm as his personal property. Your aging and mentally unwell father Francisco is unwilling to stand up for his interests or those of you and your four siblings.

Now not only your father but you as well have fallen prey to Vito’s schemes and manipulations. Your uncle is taking advantage of you both and siphoning away all the value you have built up through your hard work. Outrageously and illegally, Vito has unilaterally reduced your father, the company founder’s, stake in Arancibia, Inc to a mere 10%. This was no fair business practice but rather opportunistic and a deliberate strategy to consolidate power and maximize his wealth at your expense. Your father Francisco played the lead role in the ideation of and founding of the family company and deserves to retain a large share even if he reduced his day-to-day work hours later due to legitimate health issues. No one would have tolerated this if your father had struggled with repeated bouts of cancer, what makes major depression any different?

Unless you do something now, you firmly believe that Vito’s long game is to cut your father out of Arancibia, Inc entirely, leaving you and your siblings nothing to inherit. Your father Francisco is not willing to fight his brother Vito over anything, and is further not willing to grant you any money or legal guarantees (e.g., regarding the 2% of shares in Arancibia, Inc that you stand to inherit when he passes). In fact, when you brought it up directly Francisco was extremely hurt and angry, expecting you to trust him to serve as steward for the shares and pass them on to you when he is gone.

History is now repeating itself with the solar panel company you created. Although Arancibia, Inc’s core business has been successful economically, as a passionate environmentalist you are left with mixed feelings about the firm’s role in the broader society and world. Batteries are not a true clean energy source because they rely on chemical energy. Inevitably, many buyers fail to recycle their batteries, and the toxic chemicals inside pollute the air and water when they are not disposed of correctly – something your family is then indirectly responsible for. Compared to many other countries, Chile has relatively few e-waste bins and collection drives providing opportunities to recycle batteries. In contrast, solar panels can be used to power homes and businesses sustainably for decades with zero environmental consequences, simultaneously reducing electricity bills for the consumer.

At first, Vito was hesitant to provide the capital and resources you needed for your intrapreneurial vision since he did not want to lose control and his place as the decision maker in the family. He was obviously unsure of your credibility and commitment. Worse, he did not want to give you autonomy and clearly intended to keep you in a peripheral role in the family business forever. And yet, you proved yourself and the strength of your ideas and passion for clean solar energy. You worked hard for four years to set everything in place for the solar panel venture to become, a decade later now, an exponentially growing success. In all that time, you received only a token salary of $26k USD a year, barely the average in Chile – a pittance compared to the millions of dollars in value you added to Arancibia, Inc’s total valuation.

It was slow going at the beginning. For the larger SME company your project's business is a transition from trading products (where the gestation period is quicker) and you felt micromanaged and undermined by Vito throughout. You worked from the ground up, wearing multiple hats – business development, procurement and project management. To do business development of solar projects, you tapped into the network of the existing Arancibia, Inc parent company, participating in government tenders to generate leads of customers wanting to cut down on electricity bills to pitch them a proposal: to do so by solarizing their rooftops.

Over those grueling first four years, you performed miracles by closing all of your leads – across diverse industries like real estate, education institutes, corporate banks and factory units of small and medium enterprises. You did most of the groundwork yourself initially and then started to work with interns to help you in operations. Over time, you built a lean team of three people – two project engineers and a pre-sales assistant. You set up the supply chain by procuring equipment from local and foreign manufacturers. To improve the cash conversion cycle, you approached a major existing equipment supplier Arancibia, Inc has a long-standing relationship with to leverage the credit facility. You structured a tri-partite agreement for importing solar modules which constitute 70% of the total cost of the project. This mechanism helps the company save working capital and do more projects.

As is inevitable in any bold and creative new venture, problems did arise occasionally. In particular, there were bad debts in the company due to payment defaults from a few clients. This and some other inefficiencies in the management of the solar panel venture led Vito to question your ability to run the business. However, after some lobbying on your part Vito allowed you to start recruiting a mid-senior professional to expand the team. You looked for talent from the industry on LinkedIn, successfully recruiting your project manager Alberto, who at the time already had 10 years of experience in project engineering and project management in established energy companies in Chile.

Seeing how much stress you were under and worried this would lead you down the same path as himself, your father generously offered to continue fully covering your tuition and expenses if you went back to school. Burnt out after being micromanaged by Vito and working nonstop for four years in an operationally intensive business with little to no social life, you delegated the entire operation – design, project management, and to your particular relief dealing with Vito – to Alberto. Before moving on, you made sure to train the existing sales team of the solar panel company on business development. Impressed, Vito made a point to praise you in front of everyone at a family gathering. Placing his arm around your shoulders, your uncle proudly told the gathered clan that you share with your father “A gift from God” to create a new business. You left with vague assurances from your father and Vito that you would be “treated fairly” and “taken care of” for your contributions to founding the solar panel business – but without any clarity on equity.

Over the next 6 years, you went on to obtain a further master’s degree in electrical engineering and work in a friend’s struggling electric motors start-up company, which you were unable to save due to all his prior mismanagement. Meanwhile, the team and business model you put in place for the solar panel business finally came to fruition. The solar panel business has achieved multiples of its initial revenues based on a lean team of 10 people comprising of design engineers and junior project managers. Equipped with in house capabilities and credentials on the ground from a B-C model of marketing, in which you had to approach end consumers for business, the solar panel company is able to approach established Engineering, Procurement, and Construction (EPC) contractors looking to outsource contracts. This saves business development efforts, improves the gestation period of projects, and allows the company to focus on quality of execution. The clients, happy with the execution, have awarded repeat business to the solar panel company. Meanwhile, the accounts and HR capabilities of the parent company have proved helpful, and Arancibia, Inc continued to provide working capital as needed. All of this time, Vito has done only minor administrative supervision, with the solar panel business’s success driven by your early founding work as well as the day-to-day leadership of Alberto, the professional manager you personally recruited.

Recently, you learned to your horror that your uncle intends to fully absorb your solar panel company into the larger Arancibia, Inc parent firm. Now you are concerned that you will be left with nothing at all after all your hard work and contributions. Your father did not push for legal guarantees on your behalf regarding either equity in the solar panel business or your future shares in the overall firm. Since Vito is no doubt intends to continue to siphon all of the shares to himself and his wife and children, you fear that if you do not secure your position now, you may never receive any compensation at all. You are the true founder of the solar panel company, having come up with the initial vision, assembled the team, built the client network, and supervised the successful transition to professional management. The solar panel businesses’ recent growth trajectory is the product of your initial vision and groundwork, not your uncle’s “executive leadership.” Vito merely stepped in to supervise – with a light touch – that which was already created.

Given your deep distrust in your uncle, you do not believe in waiting for an inheritance and are determined to secure your future rather than risk being cut out later. Unlike your siblings and cousins, you have created objective business value for the firm and deserve to be compensated now. Why should you wait for an uncertain reward in the distant future, especially with your uncle clearly preparing to siphon off what little is left of your father’s share? Your father is effectively incapacitated and your mother passed when you were a child. You have no one to advocate for your interests besides yourself. If a fair resolution is reached, you are open to staying involved in the family business, so long as your contributions and assets are legally protected from any further predation and you obtain real decision-making power.

You know you are in the right legally. Your uncle acted outside of the law in unilaterally reducing your father’s share of Arancibia, Inc, and in attempting to absorb your solar panel business without your consent. Indeed, you have even heard unconfirmed rumors in the family that Vito has repeatedly signed legal paperwork filed with the government on behalf of Francisco. Concerned about this, and unbeknownst to Vito, a few years ago you were able to convince your father to sign over power of attorney to his affairs. A court might well decide to render all recent dealings between your uncle and father invalid.

Most importantly, even if you were to ultimately lose in court, your civil lawsuit would still block the upcoming IPO for the larger family firm for 10-15 years. This disruption to the public offering alone is a very serious threat that could lead Vito to capitulate now. Lawsuits in Chile are rare, especially among blood relatives. You are not much for tradition and honor and do not care if the lawsuit embarrasses the family in the local community – but suspect your uncle does, providing you further leverage. Given his age, Vito might not even live to see the resolution of the lawsuit and IPO of Arancibia, Inc. Unfortunately, you only have standing to file civil not criminal charges against your uncle, meaning you cannot put him in jail where he belongs.

At the same time, there are a number of factors at play that lead you to hesitate to go the legal route. You are not a co-owner of the parent firm until your father dies, and currently hold no legal shares in Arancibia, Inc. Trusting your uncle (at the time), you started the solar panel intrapreneurial venture with working capital from the parent SME and operated under vague promises from him. Under the circumstances, the best you could hope for is for a court-mandated percentage of shares of the solar panel business, or a cash payment of similar magnitude. Because most of the solar panel business’s growth was after you left, you anticipate obtaining only 10% of its total value, so about 500k USD in total. Further, you badly need the capital or shares now in order to fulfill your dream of growing a clean energy business post-MBA, not in 10-15 years. You might be able to leverage your MBA network to secure funding from private investors or renewable energy funds. However, you would be starting over from scratch without any capital or the financial backing from the family, setting your business career back for many years.

All of this is a far cry from what you rightly deserve. Had your uncle not defrauded your father, you would be due 20% of his 30% share of the larger Arancibia, Inc firm, or $3 million USD in shares. Further, you believe you deserve a 50% stake in the solar panel business you founded and worked tirelessly on for 4 irreplaceable years of your life, or another $2.5m or more USD in value, for a total of $5.5m or more. This is approximately the amount of money Vito has stolen from you over the years, and what you need to make you feel whole again.

That said, there is a real possibility you could do much better than that. In terms of your aspirations for this negotiation, you believe your uncle should rationally accept to give you slightly less than the wealth he personally stands to lose in a lawsuit – taking into account the delayed IPO and diminished value of the entire parent company. However, you do not know exactly how much money that is, and need to find out. The more devastating the lawsuit is to Vito, the weaker he is in this negotiation – and the stronger you are.

Ideally, you would keep the solar panel business fully independent and obtain primary decision authority over it. Then you could scale the solar Engineering, Procurement, and Construction (EPC) business, working with a business coach. The solar panel business will never be truly independent if it is absorbed by Arancibia, Inc – if the parent company owns all the shares, they effectively control decision making and the flow of cash. Alternatively, you could sell the solar panel company to Arancibia, Inc and use the financial payout to go into business for yourself. You believe that you have the industry knowledge, supplier networks, and client connections to take your capital and start a competing solar firm in the same geography. It would certainly be satisfying to take away market share from your uncle. However, you are reluctant to do the groundwork again from scratch; thus retaining ownership over your current solar business is ideal. In fact, if it came down to it you would be willing to renounce all claim over your inheritance and give the expected future shares in the parent firm to your uncle in return for legally protected equity and decision rights in the solar panel business.

**Ultimately, you want an airtight settlement agreement which protects your interests and sets you up for a bright future in the clean energy industry in Chile or elsewhere**. Please prepare for the negotiation with your uncle Vito now.