

**Role Play**

**Arancibia, Inc:**

Confidential Information for Vito Arancibia

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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 Vito Arancibia

Above anything else you feel frustrated, with low emotional tolerance for chaos and uncertainty caused by your nephew, and the sense of mistrust and total disrespect you receive from him. Comparing your journey to the friends and peers you grew up with in the callampas (slums) you have come so far, lifting yourself and your family not only out of poverty but now to the very brink of incredible wealth – a rise nearly unheard of in your country. You have worked hard to ensure the financial stability and growth of the family firm before going public, and to prevent any bad publicity or uncertainty that could negatively impact investor confidence. Now all of your carefully laid plans have been thrown into jeopardy by your spoiled nephew Cristobal and his public tantrums.

As in any family-owned setup, there are emotional relationships and a lot of complex history involved in Arancibia, Inc. It has been a long hard road with many setbacks, not least of which was Francisco’s descent into major depression two decades ago which would have destroyed Arancibia, Inc had not been for your intervention. Like his son Cristobal, Francisco comes up with quality ideas, but struggles in execution and lacks the commitment and emotional resilience to turn big endeavors into a success.

You gave Francisco numerous opportunities to step back into the battery business, do his fair part of the work, and retain his disproportionate percentage of shares in the firm. With time running out and the family company careening towards disaster, you reluctantly took over the primary leadership role in the firm. This was against your wife’s advice in light of your longstanding health issues and sensitivity to stress. Despite these impediments, over the course of your tenure Arancibia, Inc blossomed into the flourishing SME it is today. Now the family patriarch and provider to the whole extended family, you insist on respect for your tireless work and good judgment which have delivered extraordinary value for the whole clan and time again.

Over time, your share of the business increased to 30%, much lower than your actual contribution as approximately 70% of the firm’s growth was under your stewardship. These changes were not based on legal contracts as this is not how you and your brothers have ever handled business. Everything is done informally, and most importantly everything is done fairly. You love your brother Francisco but he is mentally weak and not the person to lead a business in this tough industry and difficult economy. You have privately suffered from high blood pressure for many years and recently survived a stroke brought on by overwork – something you have kept secret outside of your wife and children to maintain investor confidence in the business. Francisco, blessed with perfect physical health, never helps because he is feeling sad? Your brother never cared much for money, only his dreams and big ideas which you did the hard work to realize, ruining your own health in the process. Not only has Francisco never objected to his changing share of the firm, he has thanked you again and again for shouldering the burden of running the company for all these years.

The only accusations of bad faith directed at you come from Cristobal, a spoiled rich kid who played no role whatsoever in Arancibia, Inc’s founding and success and has only benefited his whole life from you and your brothers’ hard work. He knows nothing of the poverty and true struggles you, Francisco, and your other three brothers have overcome. Instead, Cristobal pursues degree after degree at fancy schools with his indulgent father fully covering all his tuition and expenses – something Francisco can only afford to do because you stepped in all those years ago and saved the family firm. How you wish you could have taken an all expenses paid yearlong sojourn to France to attend a prestigious business school when you were a young lad – but that was not the path of hardship God chose for you and your whole generation of the family.

That said, the success of Arancibia, Inc’s solar panel venture has been a pleasant surprise. You are proud to be leading provider of battery power in the community, considering batteries a beautiful clean energy source despite their reliance on chemical energy. So long as the user recycles the battery there are no environmental consequences, and failure to do so is of course the buyer’s sole responsibility, not that of the Arancibia family. Solar panels are not much better for the environment, but some consumers and businesses like to virtue signal with them, creating another front which Arancibia, Inc can exploit to profit and grow. At first, you were hesitant to provide the capital and resources Cristobal was demanding for the intrapreneurial venture since you were unsure of your nephew’s credibility and commitment. Cristobal did work hard for four years, although as expected you had to supervise him constantly to prevent things from veering into disaster. When he started to flounder, you helped him tap into the Arancibia, Inc’s existing network and participate in government tenders to generate leads of customers wanting to cut down on electricity bills. Then you sent Cristobal out to pitch them a proposal: to do so by solarizing their rooftops.

Although Cristobal did better in new business development than you expected, he also caused major crises along the way. Your nephew’s enthusiasm to close every questionable lead he came across on his own, even in industries he knew little about, put Arancibia, Inc’s solar panel venture in business with unreliable clients. This led to bad debts in in the company due to payment defaults from some clients. This and some other inefficiencies in the management of the business led you to question Cristobal’s basic competence to run the business. At your gentle suggestion, Cristobal reached out to project managers using LinkedIn. The transition to Alberto, who at the time already had 10 years of experience in project engineering and project management in established energy companies in Chile, went extremely well. Especially after all the stress Cristobal had caused, Alberto’s professionalism did as much to bring your blood pressure back under control as the medications your doctor prescribed.

With your encouragement, Cristobal agreed to step out of the business and pursue his master’s degree in electrical engineering, after which he joined an electric engines startup with some friend of his. On his exit you assured Cristobal that like all family members, he would be treated fairly, and further taken care of for his special contributions to the solar panel business (thinking angrily to yourself “for what they were actually worth”). To help him save face, you made a point to publicly praise your nephew at a family gathering for his shared “gift from God” with Francisco for great business ideas. It’s clear now though that the boy only cares about money for himself, not shared value or the pride of contributing to the family.

Since Cristobal moved on, 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 have 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 solar panel business to focus on quality of execution. The clients, happy with the execution, have awarded your solar panel venture repeat business. Meanwhile, the accounts and HR capabilities of Arancibia, Inc have proved essential, and you continued to provide critical working capital throughout the process. Fortunately, given all the work you have at the much larger Arancibia, Inc parent firm, Alberto has proved highly capable at handling the day to day for the solar panel piece.

Now, after a lifetime of hard work you are finally poised for the long-dreamt public offering of Arancibia, Inc that will secure your entire extended family’s financial security – not only for the rest of your lives, but also your children’s lives and those of their children thereafter. Accordingly, the time has come to fully absorb the solar panel business into the larger parent firm, maximizing its valuation as they are worth much more together than apart.

As for Cristobal’s intrapreneurial work, that can be sorted out with a family discussion about shares after you and Francisco pass on. He might receive an extra percentage of Francisco’s 10% share of Arancibia, Inc (3% in total), with the remaining 7% split among his four siblings. But that is a matter for Cristobal and his siblings to discuss when the time comes. For your part, you are willing to give your solemn word of honor now to let Francisco’s current 10% remain stable into the future, accepting Cristobal’s contributions as a stand in for what was expected from his absent father. In other words, given Cristobal’s work on the solar panel business, Francisco’s share would not diminish any further despite the latter’s continued noncontribution. You and your other brothers have been discussing reducing Francisco’s share further to 7%, but letting it stabilize at 10% is a reasonable concession you are prepared to make in this negotiation. An additional 1% share of the firm to Cristobal later down the road would be $500,000 USD or more, by Chilean standards a handsome reward for four years of mixed-quality work from a young man with limited credentials at the time.

Without your financial backing, industry connections, and senior executive leadership the solar panel business could never have expanded so rapidly. The vast majority of the growth in the new business was after Cristobal left and due to Alberto who was paid with funds from Arancibia, Inc and reports directly to you. Your nephew’s apparent desire to keep solely for himself a key element of the family business that he never risked any of his own capital in is absurd. Cristobal too was a salaried employee of Arancibia, Inc for the four years in question, and more than fairly compensated the average Chilean salary of $26k USD a year for his work. If the solar panel business had floundered and failed, would Cristobal have similarly insisted on covering the family’s losses out of his share of the inheritance or his own salary? If not, where is the legitimacy to take all the gains for himself now? He is trying to play tails you lose, heads I win. This is not how business works.

Without the solar panel business, the public offering for the larger company will be for $10 million USD less than its current valuation of $50m USD – the firm’s traditional and new businesses are worth more together than apart. Thus, you are determined to avoid fragmentation of ownership and fully absorb the solar business into the larger company to strengthen the IPO valuation.

After your blowout argument with Cristobal, you spoke to a lawyer and discovered to your shock that his threats were not empty and your legal exposure is significant. Technically, the changes to the division of shares should have been legally ratified more thoroughly, but this is not how you and your brothers collaborate together. Indeed, you have signed Francisco’s name on paperwork for him with the government and otherwise acted on his behalf for several decades now due to his depression. Further, even though the parent firm fully funded the solar panel intrapreneurial venture, you apparently cannot absorb it back into Arancibia, Inc any time soon if Cristobal takes legal action. His threatened civil lawsuit would also block the upcoming IPO for 10-15 years and shake investor confidence, a serious threat to the overall business that could lower the value of the entire firm by a full $20m USD in the long run. Further, with all your health issues, it is unlikely you would even live to see the resolution of a lawsuit and the realization of your life’s work via an IPO of Arancibia, Inc.

Even worse, a lawsuit would be a tremendous embarrassment to the entire family in the local community. Having grown up with your brothers in the callampas (slums), it is incredibly validating to you to be referred to respectfully as Don Arancibia when running errands in town, and even be ushered to the front of the line in banks and stores. Hardly anyone in Chile takes disputes to court, and lawsuits within families are practically unheard of. You can already imagine the looks of awe and respect vanishing from the local people’s eyes, replaced by knowing looks regarding your family’s shame. You feel that not only your business, but your personal and family honor have been thrown into jeopardy.

Fortunately, Cristobal has no legal claim to shares in Arancibia, Inc itself; the 10% shares for his family are by law solely the property of Francisco. The best Cristobal could hope for is a court-mandated 10% or so financial share of the solar panel business with no decision rights, or a proportional cash payment of $500k USD, as part of an ignominious exit. And even this would be only after a 10-15 year delay, and your nephew is young and impatient. Thus, you hope Cristobal will rationally accept significantly less than an anticipated court settlement now to walk away (and hopefully never come back). At least he has no standing to bring any form of criminal charges against you, despite his outrageous claim that you “belong in jail.”

Francisco trusts you and has always been agreeable to any arrangement you decide to put in place regarding the business. If Cristobal really values his future in the family firm and inheritance so little, perhaps there is an opportunity to buy him out of the shares he stands to inherit someday. You would be willing to trade the 2% shares of Arancibia, Inc he will eventually receive from Francisco for a cash payment now. A 2% stake in the parent firm should be worth $1 million USD after the IPO – if Cristobal does not idiotically derail it that is. Given his impatience, you anticipate that you may be able to buy him out for 20% or less of true value. Although he is your brother’s son, you have to admit that after he humiliated you in front of the entire extended family, it would be satisfying to see Cristobal stupidly disinherit himself for a fraction of the value in cash. More importantly, if he continues to show no sign of changing his selfish attitude, it could be in the long-term interest of Arancibia, Inc to get your nephew out of the family firm entirely. Further, given how pliable Francisco is, if Cristobal threatens and bullies you with a lawsuit into giving him more than he deserves in this negotiation, you have the option to make yourself whole again by reducing Francisco’s shares further in the future.

Very reluctantly, you could allow Cristobal to return to run the solar panel business after his MBA, so long as Arancibia, Inc fully absorbs the business as planned and final decision authority thus rests with you personally. You are open to informal agreements allowing Cristobal to operate the solar panel business semi-independently within the parent firm, so long as he does not legally own it. If you give Cristobal any equity in the solar panel business it cannot be fully absorbed into Arancibia, Inc and the company’s overall valuation will not rise to $50m USD. Further, if the parent company owns the shares, you will ultimately control decision making and the flow of cash, allowing you to intervene if Cristobal makes major business blunders like he has in the past.

Perhaps the MBA will give Cristobal the knowledge he needs to scale a solar Engineering, Procurement, and Construction (EPC) business within Arancibia, Inc. Although you are very concerned about your nephew’s individualistic mentality and lack of commitment to the family, unlike his siblings and cousins he has created objective business value for the firm. Cristobal lost his mother at a young age and Francisco has always spoiled him, helping to explain the boy’s immaturity. Maybe with your mentorship he could assume a leadership position in the overall company someday. However, re-integrating Cristobal now would come at a significant cost – Alberto will probably resign if he loses his leadership position in the solar panel business he has been fully dedicated to growing over the last six years.

Another option is to offer Cristobal a chance to use family money for a search fund of another $1m USD or more to buy a small-scale solar energy business in a different geography from a founder willing to sell and retire. Of course, since the capital placed at risk would come from the parent firm, any financial gains should be distributed primarily across the shareholders in Arancibia, Inc as well. You would further like to link Cristobal’s future salary or other financial compensation to objective venture performance to limit the risk to the family firm. It is also critical that such a new venture be located far enough away that it does not compete directly with Arancibia, Inc – ideally on the other side of the planet, along with your nephew.

However, this or any other future collaboration would require Cristobal to make things right with a public apology in front of the whole family for his false accusations, threats, and disrespect towards you. Even if you decide to part ways permanently, a public apology is still the least you deserve.

**Ultimately, you want a settlement agreement which safeguards the business, family reputation, and position of personal authority you have sacrificed so much your entire life to establish.** Please prepare for the negotiation with your nephew Cristobal now.