

Chapter 19

Innovative Approaches to Building Enterprise Risk Management in Emerging Economies: The Case of Mexico's Grupo Proeza

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ABSTRACT

This chapter explores a very positive example of enterprise risk management (ERM) development in Mexico, set by the firm Grupo Proeza, from which valuable and highly generalisable lessons can be learned. These lessons will pertain most centrally to Grupo Proeza's techniques of ERM building, where risk management practices are used to enhance the cultural and other foundations for ERM. Of particular interest is the notion that various risk assessment techniques can be used for this purpose, which may seem counter-intuitive by reversing the formative relationship between risk culture and risk assessment practice that is more typically the focus for attention.

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INTRODUCTION

Success stories of strong and growing firms within emerging economies can be expected to attract investment capital and set important regional examples. For such firms, the pursuit of ongoing growth and innovation can also be expected to manifest within increasing complexities of organisational structures, relationships and processes. These combined complexities will of course present as problematic, and yet they can also be valued as establishing organisational crucibles wherein further growth and innovation opportunities can be explored. Such growth might well be anteceded, for example, by ever more ambidextrous (exploitative and exploratory) management practices that thrive amidst complexity, and indeed more generally by ever more hybridised management practices that pool information from amidst complexity. And, of course, ERM becomes important within that context as spontaneous, fluid and heterarchically organised management practice that harnesses complex information flows to permit the firm to continue to grow and innovate, especially via strategic agility aligned to performance management within ever more complex (internal and external) risk environments (see, in particular, the recent (2017) update of the COSO ERM guidance).

The broad mechanisms at play here can be summarised very generally, in order to more fully introduce the analytical framework for this chapter, as ones where firms within emerging economies respond to their complexity challenges through a range of business practices often focused on ERM and characterised by co-enhancements to culture, communication and coordination, both internally and, albeit to a lesser extent, within further contexts of external stakeholder engagement. Ongoing improvements to knowledge management become important here too. These can be viewed as enabling ongoing enhancements to culture, communication and coordination while locking in at least some of the gains. In general overview, however, our analytical framework will be one that fundamentally envisions ongoing synergy between increasing organisational complexity, improved business practice focused on ERM, and increasing growth and innovation.

We will use this framework to understand and evaluate certain innovative ERM building practices used by *Grupo Proeza* in Mexico. This case study illustration will, in turn, permit us to conclude with advocacy of some highly practical and straightforward management routes to growth and innovation for firms within emerging economies – especially yet not exclusively for such firms that have already embarked upon ERM programmes, or which are experimenting with basic ERM tenets as a means to produce management improvements. The basic tenets we have in mind here, to underscore this point at the outset while also focusing more within our general theoretical framework, will pertain to the key ERM themes of culture, communication and heterarchical coordination, which we will regard as fundamental considerations for complex entities seeking to innovate and grow within complex environments.

We take as our single case study, *Grupo Proeza*, an international Group headquartered in Monterrey, Mexico. Rooted in the automotive industry of the 1950s, it boasts a long history of successful diversification into fruit processing, real estate industry and communications technologies. A commitment to humanistic culture and cultivation of long-term stakeholder relationships has both shaped and consolidated within this history. Taken together, these combined factors of growth and diversification trajectory on the one hand, and humanistic, stakeholder-oriented business practice on the other hand, render *Grupo Proeza* of particular academic and practitioner interest as a case study of propitious circumstance where ERM developments can fit well and make a positive difference.

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