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By [Will Bachman](#) [Follow](#)

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Martin Pergler on Risk Management.



[Martin Pergler](#) is Founder and Principal at [Balanced Risk Strategies, Ltd.](#), in Ottawa, Canada. Previously, he was Senior Expert in Risk at McKinsey, where he was a leader in their Corporate Risk and ERM service lines, based at various times in their Chicago, Prague, Singapore, and Montréal office.

Martin is a guest on [Episode 19](#) of Unleashed — How to Thrive as an Independent Professional.

Will Bachman: Tell us about your background and the type of work you do.

Martin Pergler: I worked for 14 years at McKinsey in a variety of locations — the U.S., Canada, Prague, Singapore. I served about 250 clients in over 30 countries. Over 25 of my consulting clients were a multi-year journey, so in many cases I feel I was there on the ground floor, helping people as much as if I'd been an employee. I started my own independent practice at the end of 2014, but continued collaborating with McKinsey and others.

The area I focus in is risk management and decisions under uncertainty. In my mind, risk management is about being informed and thoughtful about the bets you're making and making those choices deliberately, building your flexibility and resilience to respond to whatever is going on. Sometimes my client is somebody who has risk management written on their business card. More often than not I'm helping a certain business unit to a certain executive view of their uncertainty, or helping C-suite members productively consider risk. Sometimes I even do board of directors work. I do a lot with energy, oil and gas, basic materials, industrials, also institutional investors, private equity funds, conglomerates, and so on. I tend to play a part-time expert-type role, hours here and there on the phone, days on site. I'm not the guy who is full time running a team for several weeks, though I may be helping a team that's focusing on that.

Can you give me an example of the type of project you do?

I've worked with companies where what really matters is whether a decision is going to make them money in a five or ten-year horizon, and other companies in not-so-great financial condition where the focus is on how to maintain liquidity in the next three to six months. There's also the losing-sight-of-the-forest-for-the-trees type of issue.

Effective risk management is about focusing on the big bets. There are a lot of companies that build detailed registers of the hundreds or thousands of things that might go wrong, and they miss the big bet that they should be focusing on. I tend to be the guy saying, "Great job guys, but is this really the question we need to be answering right now, or is the priority somewhere else?"

I'm also doing something very different. I was brought in by a business school that was approached by the government for top executive training about risk management. I'm developing case-based learning for the school. They'll use it to help politicians and senior government executives have productive dialogues about risk.

What are some of the first messages you'd want people to remember about risk management?

One of the first questions I like leading with is, "What are the big bets behind our business model as a company?" Too many times risk management is, "Let's prove that all these things that can go wrong are under control." I like turning it around and saying, "What's the reason we're here?" If you're doing good things, you're going to be taking risks. Let's be honest with ourselves about what those risks are, figure out which risks you should be taking, which you want to be taking because you're good at them or because you're being paid to take them.

I go in and say, "The senior level discussion should be about what risks we want to take, what we're uncomfortable about and what we don't know enough about. It shouldn't be

about checking the boxes. It's the stuff that isn't on the list you should be having a conversation about."

Is there a standard set of categories you think about?

I think there are top-level categories: financial, strategic, regulatory risk, operational risk, execution risk. I tend to turn it around and say, "Let's put those categories to the side and think about what's gone wrong or right for you and your competitors in the past five, ten, fifteen years. Forget about what the risks are — let's talk about the processes where you really take on risk deliberately."

What do you think is the best practice outcome of risk management efforts?

There are two. One is to identify your big risks and make concrete decisions about what you're going to do about them, and insure you have follow through. The other is where you're consciously making explicit risk/return trade-offs. Asking, "I know I need to give up some value, but the risk return trade-off isn't worth it on this right now, but it is worth it to me somewhere else." It's being thoughtful and aware when you're making trade-offs. The first one is mitigating risk. It's important, and without it, you run into trouble. The second one is how you generate value.

Is risk management about the quantitative or the qualitative? Or is it really both?

It's very much both. There are certainly quantitative elements of attaching numbers to uncertainties and being able to make good decisions, but I think the first step is typically much more qualitative. It's understanding what's going on in my business, feeling comfortable admitting to myself what I don't know, what I'm uncertain about, and deciding where do I continue blind and where do I try and build more understanding because it's worthwhile.

There's a huge cultural element to it as well. Risk culture is about individuals and groups and how they deal with risks. How do you set up the dialogue across the organization so people are comfortable saying, "I don't know," or, "I'm worried about x," and it doesn't reflect badly on them? How do you set up an environment where people feel confident saying, "We need to learn more about this before we can proceed," and yet people can also say, "We need to take more risks to meet our objectives." That's what entrepreneurialism and growth is about a lot of the time.

What can you do to help get folks comfortable admitting that they're concerned about particular risks?

We set up discussions. We do a bit of game playing or we'll create scenarios or a risk heat map, and get people standing around the matrix on a sheet of paper, moving around risks that are written on little post-its and arguing and discussing. People resist talking about this because they're not sure how to launch the conversation. If you help them, they're actually delighted to talk — in a safe environment — about what they feel.

When consultants are thinking about growth strategy or implementing any type of project, there's always a need to address risk. What are your suggestions for people who aren't risk management professionals avoiding it being a check-the-box exercise and instead turning it into something of value?

One of the things I've found very helpful is to add a bit of structure. There are different ways you can do this, but start by saying each of these five risks we've identified: which is most severe? What's the severity category? Once that's established, find out what it would take for each of the risks to move one category better? You've just framed a very productive trade-off discussion. You turned that check-the-box exercise into a discussion of how to navigate risk, or even turn it into opportunity.

How have you been building your own skill set? What have you been working on and how have you been going about it?

There's this whole idea of going from someone who's an executor to being a trusted counselor. I'd say building that skill set is something I've had to develop and I'll have to continue to develop as I go on. Part of that has been having the confidence to phone a client and say, "Hey, I've been thinking about what we discussed yesterday, and here's something that we missed."

A bit more pragmatically, I'm coming up to speed and learning about pedagogy and pedagogical methods. I think anybody who does capability building needs to be a good and effective teacher. As consultants we want to be at the client's side helping them and having an ongoing dialogue. As an educator, you're there at the front helping them learn by doing, but you also have a limited window. At a certain point the education opportunity is over, and they're going to go forth and do their own stuff.

I also have to develop billing, invoicing, and collections skills. All the stuff we were insulated from before we became independent consultants.

How have you tried to integrate adult learning principles into the education you've been leading?

Number one is that you have to tell people everything three times: tell them what you're going to say, then actually do the telling, then repeat what you just told them. It's even more the case with adult learning. In particular that third repeat, the review of what have we learned, I've now taken that to some of my consulting and had great feedback on it.

The other thing I've learned is to simplify as much as possible, especially the interactive elements. Figure out what is it you're trying to say, then cut out three times as much as detail as you would otherwise so that the structure is crystal clear.

Can you tell us about the book that you're writing?

I'm writing a book with the tentative and rather boring title of *Veer on Risk Manager*. [Martin: This should be *Be Your Own Risk Manager*. Thanks for the interesting mental image, anonymous transcriber!] It's along the lines of what we were talking about. A lot of risk management materials are written for specialists, with a goal of building a process across the whole company. What I want to focus on is what executives should be doing on an ongoing basis, how they can productively use some of the risk management tool kit for it to actually be helpful or useful.

Are there any books that have really influenced you or that you've frequently gifted?

I think you cannot be active in the field of risk management without being intrigued and challenged by the books of Nassim Nicholas Taleb of *The Black Swan*. He asks

provocative questions and says, “Why are we doing this? This is all CYA. This is a system doing its own thing rather than being truly helpful or useful about something.”

Another stream of literature which I’ve gifted, read, and returned to is all the behavioral economics material from Daniel Kahneman of *Thinking Fast and Slow*. We like pretending we are rational beings about dealing with risk and uncertainty, but we aren’t. What does that mean? Are we trying to become more rational or are we trying to live with our irrationality?

The flip side of that is really interesting stuff by Garret Gigerrenser [Martin: Gerd Gigerenzer], a German practitioner and academic who asks what makes for an effective heuristic for decision making? It’s three different lenses on all of these issues of uncertainty. They’re not contradictory, nor are they truly complimentary, but each of them is sort of thought provoking.

Do you have a morning routine?

More than a morning routine I try to have a reasonable daily routine. I try each day to do a bit of weekly help with clients. I also try to spend some time on professional development and becoming better at what I am. I try to set aside a couple of hours every week for writing the book in a sort of ‘shut the door, turn the phone to mute and don’t pick up’ kind of way. I do try to make time for one thing in particular if I’m not traveling: I’m a musician. I play clarinet and I sing. When I’m home these days I try every day to make time for that. I know some people feel the same way about exercise, but what keeps me emotionally sane is doing a bit of music and keeping the arts part of me alive as well.

If you had the chance to put some words on a billboard for every executive to see, what would the billboard say?

Don’t be afraid of risk.

What’s the best way for folks to find you and get in touch?

My website is balrisk.com, as in Balanced Risk Strategies, which is the name of my company. If anybody puts my name into Google, the right links pop up as the first and second listing. They can always find me that way.

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