

STRATEGY & DECISIONS

JUDGMENT

THE ART
of
MOMENTOUS
DECISION-MAKING

Lessons for Leaders Drawn from
Three Crucible Moments in History

CHRIS MAILANDER

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*To my father (1937–2022),
who spent a lifetime
deciphering the subtle clues
separating the ordinary from the extraordinary.*

Who Should Read This Book

Judgment: The Art of Momentous Decision-Making
is for strategists, planners, and leaders in
the corporate boardroom, on the battlefield,
or in government.

It is for those preparing their own judgment
for when it will matter the most.

Purpose of This Book

Judgment explores real leaders
making tough decisions
under difficult circumstances.

You will see what the leaders
saw in those moments.

You will feel what they felt.

You will share their struggles
and their fears.

You, too, will face tough decisions.
They will be made under difficult circumstances.

The purpose of *Judgment* is
to build upon their experiences.

It is to prepare you
for your own crucible moments.

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Praise for *Judgment*

“Mailander deconstructs the subtle, yet powerful decision-making variables that profoundly impact a leader’s success, defining how to navigate the arduous path to critical decisions, and the strategies for communicating these decisions to a company’s most important stakeholders. The strategies set forth in *Judgment* create significant advantages for those companies seeking to compete at the highest level.”

—Mike Doyle, President & Global CEO, Ketchum

“*Judgment* is this moment’s essential read for every business and thought leader who aims to seize fast-moving opportunities, make smarter decisions under pressure, and give themselves a competitive advantage. With a profound understanding of human behavior, Chris’ thought-provoking analysis cuts through the noise to shine a light on the decision dynamics that are at play in every high-stakes moment. I wholeheartedly recommend *Judgment* to anyone seeking to enhance their decision-making skills and gain a sense of clarity in today’s hyper-disrupted world. Whether you are an entrepreneur or at the helm of a large organization, this book serves as the blueprint to unlocking not only your potential — but also that of your team, your organization, and your mission.”

—Angelique Rewers, Founder and CEO, BoldHaus

“In this extraordinary resource for global leaders developing the strategies to tackle our greatest challenges, Mailander provides the tools and methods for curating the long arc of decision-making necessary to take on our most significant societal, economic, and climate-related challenges. *Judgment* is critical reading for global thinkers and change agents.”

—Andrew Jones, Executive Director, Climate Interactive

“*Judgment* is equal parts a thrilling, suspense-filled tale of high stakes decision-making, and a sophisticated deconstruction of who won, who lost, and the lessons learned in those crucible moments.”

—**Robbie Bach, Former President and
Chief Xbox Officer, Microsoft**

“Classic Chris – his penchant for captivating storytelling is at its height in *Judgment: The Art of Momentous Decision-Making*. Aspiring and established leaders, across all walks of life, will profit from the combination of Mailander’s worldly professional experience and perspective.”

—**Jonathan Smith, Managing Director,
Fairmount Partners**

“In *Judgment*, you learn how to make exceptional decisions under high pressure. This is essential reading for CEOs.”

—**Scott Bauer, Partner, PwC**

“In *Judgment: The Art of Momentous Decision-Making*, Chris Mailander disentangles the myriad forces, inflection points, and decisions that shape the trajectory of events that lead to crucible moments. Drawing from three pivotal events—each described in vivid detail—Mailander explores how the decisions the principal actors made along the arc leading to those moments helped determine whether the players could forge successful outcomes when the stakes were at their highest. *Judgment* provides valuable insights into how to anticipate, prepare for, and make sound decisions during critical moments we will all face in our careers and lives.”

—**Nathan Vitan, Chief Legal Officer, Public Storage**

“Judgment is for rising CEOs building phenomenal companies. It is for those asking how they can do more, how they can do better, and how to get it right in their critical moments. *Judgment* is for those CEOs that seek out those exceptional moments when they will be called upon to be extraordinary.”

—Chris Whitney, CEO, Whitney Logistics &
Miles Ahead Brands

“Judgment: The Art of Momentous Decision-Making is an indispensable guide for those seeking to enhance their leadership capabilities, refine their decision-making acumen and embrace the extraordinary.”

—Jonathan Bowman, Certified EOS Implementer®

“Chris Mailander ushers readers into the very rooms where decisions are being made, revealing the tensions and triumphs that underpin decisive moments in history. His vivid storytelling lets us experience these moments in real-time, while not skimping on the analysis, granting unique insight into the complexities of leadership during what he terms ‘crucible moments’. This is more than a CEO field guide; it’s a journey into the nexus of action and consequence in high-stakes environments. A truly immersive and enlightening read.”

—Eliot Puplett, CEO & Co Founder of The Medici Project

“Judgment provides modern strategies for growing, competing, and winning, all of which are rooted in how we make the critical decisions in business and life.”

—Nick Friedman, Co-Founder, College Hunks Hauling Junk

“Mailander leverages decades of world experience to deliver a seminal work on strategy and decision-making, while simultaneously taking readers on a phenomenal journey. The lessons of *Judgment* apply without regard to nationality, geography, or culture. Instead, they are anchored in the hidden yet universal codes upon which exceptional decision-making operates.”

—**Mohammad S. Qaryouti, Group CFO,
Emirates Post Group**

“*Judgment* lays out a thought-provoking framework for critical decision-making.”

—**Carlos Soler Duffo, CEO, TOUS**

“A signal of the strength of a leader is judgment, and the ability to utilize good judgment in both small battles and long wars. Mailander offers a collection of decision-making lessons from three significant world events that leaders can use when faced with their next judgment call.”

—**Scott Curtin, EY**

“As a handbook for monumental decision-making, *Judgment* provides a new framework for understanding the forces which affect our decision-making in crucible moments.”

—**Ana Trias Arraut, Chief Brands Officer
Carolina Herrera, Dries Van Noten & Nina Ricci**

“*Judgment* is required reading for those CEOs seeking to create phenomenal value for their shareholders and employees.”

—**Ted Hull, CEO, Bako Diagnostics**

“The lessons in *Judgment* transcend leadership, regardless of company size, geography, or industry. It plucks out the deeper codes of judgment that are essential to great decision-making.”

—**Derrick Raymond, Strategy & Corporate
Development Leader**

“*Judgment* is for anyone making decisions that have a global impact.”

—**Ann M. Steingraeber, Senior Lawyer, Cargill**

“*Judgment: The Art of Momentous Decision-Making* is a captivating exploration of the art and science behind effective decision-making. Chris Mailander skillfully presents a wide range of strategies that empower leaders to make sound and impactful decisions while steering clear of avoidable mistakes. *Judgment* is perfect for aspiring leaders, seasoned executives, and anyone seeking to enhance their decision-making capabilities.”

—**Michael Morales, Chief Executive Officer, RF-SMART**

“*Judgment* sets forth the strategies enabling a high-potential company to achieve its most audacious goals.”

—**Joseph McMillin, Founder and Former CEO,
Atlas Organics**

“*Judgment* is filled with secrets that can help you during your most challenging and impactful moments.”

—**Chris Larsen, Founder, Next Level Income**

The Experiment

Judgment: *The Art of Momentous Decision-Making* is based upon an experiment. In this work, we will examine three case studies. They are:

Nuclear Brinkmanship in the Cold War, 1986

In the waters somewhere off the coast of Vladivostok, Russia, we study the command of the USS *Guardfish*, one of the US Navy's top weapons in the hunt for Soviet secrets. It is 1986, and the Soviet Union and the United States are locked in an escalating battle defined by political and military brinkmanship. Each of their respective gambits runs the risk of triggering nuclear annihilation. The moment-by-moment decisions made by the captain of the USS *Guardfish* and its crew deep below the darkened seas tell us much about preparing for crucible moments.

The Precipice of Global Economic Collapse, 2008

In 2008, the global economy teeters on the precipice of cataclysmic disaster. The core of the global financial system is melting down. Leading financial institutions are falling. One institution, however, is too big to let fail. If it implodes, it

will take the entirety of the financial system and possibly the whole economy with it. Over the course of several days, the fate of the global financial system is determined by several dozen men in tense negotiations in quiet conference rooms across several blocks of Wall Street. The quickly shifting balance of power among them, affecting their leverage over one another and their susceptibility to events outside of their control, informs our own responses to those events we can and cannot control.

Crescendo in the Global War on Terror, 2015

Just before the world's leaders convene in Paris, seeking to attain the most significant multilateral commitments ever on global climate change, terrorists launch coordinated attacks across the city. Over the course of four hours, as friends and lovers dine in tiny bistros and fans cheer on their national soccer team taking on the world champion German opponent, France witnesses the greatest atrocity on its soil since World War II. We study the decisions made moment by moment in France, as well as from inside the White House Situation Room, the epicenter from which the United States' own national security apparatus stands up to defend against its newest threat. The events reveal lessons in responding to quickly changing conditions and formulating rational responses to fear-inducing circumstances.

Commonalities

In some ways, these case studies are similar:

- Each is historically significant;
- In each, the stakes are extremely high; and

- The pressure on the decision makers is immense. The level of uncertainty about the future that will unfold as a consequence of their decisions or indecision is at its greatest. The arc of history will change with the decisions they make or fail to make.

In each instance, I have talked with individuals at or near the center of the storm, reacting to or causing it, playing roles instrumental to shaping the decisions required in the very present moment. Again, there are commonalities in their experiences:

- The decisions required the height of their intellectual capabilities;
- They invoked the emotional body; and
- Their decisions and the resulting acts affected them in ways both consciously known and subconsciously perceived, and most likely affected their loved ones, their teams, and potentially the lives of millions of others wholly unaware of the catastrophic possibilities ahead.

As such, given the gravity of the moment, the individual's very being is affected. Their altered being affects their judgment. The crucible moment hangs on their judgment, for better or for worse. Consequently, the risk is high.

Differentiation

Each of these case studies is also unique.

- Each is wholly unrelated to the other and implicates dramatically different situational contexts;
- They involve different sets of actors with different backgrounds, experiences, and training; and

- They occur at unrelated times spanning three decades.

It is from this perspective of differentiation that allows us to identify and test the deeper codes and common patterns that exhibit themselves in critical moments.

Observations

This experiment reveals several overarching observations:

There are strong correlations between these deeper codes and common patterns for leadership in crucible moments.

Understanding these codes and patterns can inform our own analyses and actions.

We can build upon these strategies, lessons, and techniques.

They should be integrated into our own exercise of judgment.

In doing so, we will lead from insight and strength.

Our judgment will become exceptional in our own crucible moments.

***We will better ourselves.
We will better others.***

How to Read This Book

This book is structured in a way that will feel vaguely familiar to those who have had the dubious pleasure of attending law school, yet it is designed to be highly accessible to leaders of all backgrounds.

The first part sets forth three distinct fact patterns. These fact patterns provide characters and context. They establish what is happening above the waterline in the various crucible moments, but also tease at the tensions and drama at play subtly or not so subtly below. We become sensitized to the situational context facing leaders in their moment of challenge, as well as the dynamics of whatever game of strategy and chance is being played.

The second part digs into the characteristics, proclivities, and patterns of leadership in crucible moments, using the three fact patterns to illustrate the opportunities and pitfalls that emerge in crucible moments of decision-making.

The third part of this book is an overlay. There are ninety callouts that describe the deeper codes, common patterns, strategies, tools, and methods for your use in both preparing for and exercising judgment in your crucible moments. Each of these callouts is numbered and correlate to a comprehensive mind map that readers can download for use in developing their own playbooks.

DEEPER CODES.
COMMON PATTERNS.

Fallacy of Success

FP's financial performance under Cassano was astounding. Revenue soared in 2004 and again in 2005. Deal volume increased rapidly, particularly on the multisector CDO desk. Profit margins—the difference between the unit's revenue and what it costs to operate the firm—were exceptional. By the measure of one's worth on Wall Street, which is the ability to make money, Cassano was wildly successful.

Prior performance does not determine future performance, however, just as ordinary investors are warned in financial disclaimers. The arc that tracks the price of a stock, bond, or commodity rarely moves up and to the right with ease. Rather, the situational context is constantly shifting, causing the price to jump higher or lower, a little bit or a lot, moment to moment, and as diligently charted on the long arc of its trading.

A decision arc moves the same way, fluctuating with those forces exerted upon it, both controllable and uncontrollable.

Cassano's arc changed as the situational context changed. He led the creation of a beautiful financial machine in the early 2000s. But no longer was FP creating asymmetric value by solving one-off financial conundrums with massive rewards paid. Instead, it was solving one limited problem over and over.²⁹⁴ FP's DNA changed. The enterprise architecture did not, at least not enough.

The gross margins on these small slices of fees remained high. The way to achieve this was by keeping FP's expenses down, most notably by using few team members in the deals. When the rewards were divvied up among those team members through bonus compensation, the lifeblood of how Wall Street recruits and retains bright minds wrapped within aggressive spirits, fewer slices of the pie were required. Each member would take a large slice. Cassano would take the biggest one. From 2002 to 2005, as the FP machine printed cash, the strategy behind this new moneymaking model was validated. The roots for the fallacy of success were anchoring into the enterprise.

Beginning in 2005, the situational context was shifting. Some began to see it, including Park. The game going forward would be different. New vulnerabilities would be exposed. New opportunities would be created.

The FP desk that wrote contracts for the subprime market was in fact an extraordinarily small team of six or eight people who "touched" a deal. The reality is that as the small, understaffed, and siloed teams of FP processed more and more deals each month to hit revenue and compensation targets, they lost sight of monitoring the risks going into the underlying deals.

There was no time for meaningful diligence.

70 Actors must understand the constantly shifting and virtually always unwritten rules of the game. Those opportunities and threats with the most influential effects on the ultimate outcomes very often arise in the subtle shifts apparent to some but not all players in the game.

They were focused on getting as many deals done as fast as possible.

They were blind to the shifts taking place within those deals, including how the underlying asset quality was deteriorating.

They lost sight of understanding how subtle changes in the master agreements could be a trip wire they would later have to face.

They underappreciated how a change to the mark-to-market accounting standard would help create a perfect storm in which default risk quickly became liquidity risk for individual institutions, which in turn could spark systemic risk as more institutions faced simultaneously weakening positions.

But because of their prior, self-validating success, they pushed on.²⁹⁵

71 An individual's prior success is a poor predictor of their probability of success in a different situational context.

Cassano's successful track record in building a beautiful financial machine from 2002 to 2005 was, however, uncorrelated to his ability to manage the new situational context of 2005 to 2008. His error was not his alone.

The larger AIG organization had also come to rely on what proved to be the fallacy of success.

Dozens of similar banks and financial institutions feeding on the system erred, too.

The entirety of the mortgage market was fueled by thousands of decision makers who committed errors all along.

They were in good company.

The power of the fallacy of success compounds. It sees

the arc before it and works fastidiously to keep pushing the arc up and to the right, stoking a continuing run of success for as long as possible.

The fallacy of success does this by creating a narrative that is acceptable to the majority, the most powerful, or those willing to pay the highest price to dominate a narrative that serves their interests.

It then competes with alternative viewpoints, the contrarians, and the dissenters to attain and maintain the dominant view. It fuels the inertia within the course charted by a decision arc.



Chris Mailander

Chris Mailander counsels corporate and national government clients through the arduous decision path faced in the pursuit of extraordinary outcomes. His client roster has included MasterCard, Bank of Montreal, the Federal Home Loan Bank System, Unisys, Visa, KPMG Consulting, BearingPoint, the President of Nigeria, the Government of Iraq, and a host of mid-market leaders and Silicon Valley innovators seeking to transform industries. He has negotiated tenders and commercial transactions in more than forty countries across North America, Europe, Asia, the Middle East, and Africa, including in conflict and post-conflict economies. He was previously an adjunct professor at Georgetown University Law School and an adjunct fellow at the Center for Strategic & International Studies. He lives in Asheville, North Carolina.