STRATEGY & DECISIONS

JUDGMENT

THE ART *of* MOMENTOUS DECISION-MAKING

Lessons for Leaders Drawn from
Three Crucible Moments in History

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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.

Contents

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.

Intransigent Narratives

Gene Park warned Cassano of tremendous risks within the subprime mortgage market. He did so three years before the peak of the 2008 financial crisis.[285]

About a year later after Park's warning, Cassano began a strategy of cautiously reducing FP's exposures.[286] A year after that, Goldman Sachs placed the first-ever capital call on FP. Eight months later, Cassano was asked to retire.[287] The time span between Park shooting off the first warning flare and Cassano's forced resignation was about two and a half years.

If the story of the financial crisis is merely about the five days in September 2008 in which the markets spiraled uncontrollably toward cataclysm, then the story is incomplete. It would be easy to miss the legion of errors made by sophisticated regulators and financial institutions of all stripes for more than a decade leading up to those five climactic days. The story is one of both long arcs and short ones. Errors were made by many along both trajectories.

Cassano made several. The factual foundation of his narrative, as he understood it, was not necessarily wrong. Cassano maintained throughout the long arc that FP's risk exposure was infinitesimally small when viewed amid the vast ocean of risk coursing through the global financial markets. Generally speaking, this was correct.[288] He was right.[289]

Cassano's error was in the way he locked in on his narrative with such fervor, it created a blind spot. He was reluctant to understand, or perhaps simply to admit, that the larger situational context was shifting slowly along the long arc.[290] While his interpretation may have been technically correct, the situational context in which his view was conceived was changing. He could not—or would not—see it.

64 Blinding commitment to a personal narrative can be a weakness.

Cassano was not adapting fast enough to the realities of each passing moment. More specifically, Cassano kept his eye focused on the rate of default by homeowners, student loan borrowers, credit card holders, and others that might create credit default risk in the underlying instruments FP was backing. His perceptual scope was too narrow.

Other risks were coming to the forefront. FP's structural hedge seemed tight.[291] However, FP had allowed a change to their agreements that created a new portal for risk to enter. A new provision allowed a counterparty to place a collateral call on FP if AIG's ratings were downgraded. When Goldman Sachs exercised its right under the call provision, Cassano was caught flat-footed. Then, because these were dark

65 Unfolding dynamics along the decision arc will reveal the disparities among the players in their ability to perceive, decode, and act or react to the unfolding changes.

markets that could easily move on the rumors and emotion that course through the endless chatter among the market participants, if one counterparty places a collateral call, it can spook others into doing the same. As collateral calls come in, a trickle at first but threatening to become a torrent, an institution like FP being targeted can run short on cash, unable to move those assets they can quickly liquidate or access their short-term borrowing facilities that purr under normal market conditions. This is liquidity risk.

As the torrent grows, a second risk manifests. When the number of financial institutions being targeted by collateral calls increases—each growing weaker as they deplete cash, liquid assets, and short-term borrowings, all being knit together with the red wires and black wires that inextricably link several dozen global financial institutions together—any single failure in the network risks triggering a cascade of failures taking them all down. This is systemic risk.

These two latter risks were not modeled by FP's retained academics.

They were not accounted for in the structural hedge.

They were not contemplated in Cassano's narrative. He was locked in.

Locking in on a narrative makes the decision maker immobile. They trod through the landscape before them wearing concrete boots, unable to react with more agility. They cling to the nuggets of information that support their positions and shunt off others, seeking to rationalize positions. They listen to those they feel are playing on the same team and push away those who are not, disregarding alternative viewpoints. They can become dismissive or even combative when there is dissent.

The vulnerability can sneak up on the decision maker.

> 66 When a new or unanticipated decision arc emerges, a new learning curve is immediately presented. Those players able to master the learning curve the quickest and most astutely will emerge the strongest.

Agitated environments create new pressures.

The situational context shifts quickly.

New assessments have to be done to understand what is happening,

The learning curve has to cycle very quickly, oftentimes too quickly for the decision maker and their teams to climb it with speed and acumen.

The noise is significant, with lots of clamor, wild opinions, drama, and speculation.

There is friction and conflict.

Bosses demand answers from managers. At AIG, headquarters started asking lots of questions of FP. Counterparties started asking tough questions in order to understand their own risks. Auditors started thinking about how to cover their asses. Ratings agencies changed from willing enablers to skittish critics. Those regulators who had sat on their hands for years now started to circle.

The media and industry commentators fed on the drama, fanning the flames. Short sellers began locking in on their prey. Law firms representing shareholders started sharpening their blades.

The pressures forced a decision maker like Cassano to dig into a position and defend it, word for word, again and again, never giving an inch. The defender believes if they give one inch in the narrative, it will be perceived as a sign of weakness or vulnerability. Opponents and competitors love it. The self-reinforcing nature of an intransigent narrative completes itself.

The prey weakens itself.

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.