

NAVIGATING BANI CHALLENGES: An Action Plan for Boards

The time has come for directors to help their companies adapt holistically ... or risk becoming a business cautionary tale.

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In today's business world, leaders face unprecedented challenges that have fundamentally altered corporate governance. The familiar VUCA framework (volatile, uncertain, complex, ambiguous) that guided organizations for decades no longer fully captures our current reality. We've entered what experts now recognize as a BANI world — brittle, anxious, nonlinear and incomprehensible — demanding a complete rethinking of leadership and governance strategies.

The March 2023 collapse of Silicon Valley Bank (SVB) provides a stark illustration of this shift. In just 48 hours, a financial institution deemed stable for decades crumbled, sending shockwaves through the global financial system. This event exemplified the brittleness of our interconnected systems, where seemingly robust structures can shatter without warning. SVB's fall threatened a cascade of failures across tech start-ups, venture capital and even in unrelated sectors, demonstrating the nonlinear, contagious nature of modern risks. While VUCA acknowledged uncertainty, BANI recognizes the pervasive anxiety of our era, as evidenced by the bank runs fueled by social media rumors and fear, accelerating the crisis in ways traditional models failed to predict.

This new reality is reflected in the accelerating corporate churn across industries. Analyses of *Fortune* 500 data reveals the rate at which companies drop from this prestigious list has increased significantly each decade, with the most recent period showing unprecedented turnover. This pattern crosses all sectors, from manufacturing to technology to consumer goods, demonstrating, regardless of industry, the ability of boards and CEOs to navigate rapid change makes a decisive difference in organizational survival and success.

THE STAKES ARE HIGHER THAN EVER

The pressure on corporate leadership has never been more intense. CEO tenures continue to shrink, with the average time in the role dropping from approximately eight years in 2000 to just over five years today. Meanwhile, investor expectations have skyrocketed, with activist funds increasingly targeting not just underperforming CEOs, but entire boards. Elliott Management's aggressive approach to Southwest Airlines, demanding the replacement of 10 board members and the ouster of both the CEO and executive chairman, exemplifies this heightened scrutiny and intervention.

Technological disruption, particularly AI, is accelerating exponentially, fundamentally reshaping business models and workforce requirements. Adding further complexity, increased geopolitical uncertainty, marked by rising nationalism, autocratic governance, regional conflicts and inflation, creates a volatile backdrop that

makes long-term planning extraordinarily challenging. In this environment, the approaches that brought success in the past may no longer be relevant or effective. Organizations need a comprehensive, top-to-bottom reassessment of their governance and leadership strategies to thrive amid BANI conditions.

A FOUR-PART FRAMEWORK FOR ORGANIZATIONAL TRANSFORMATION

Redefining board composition and responsibilities. The board's role must evolve from periodic oversight to active engagement in shaping the organization's future. This requires significant reassessment of both composition and operations. Traditional boards, often structured around industry experience and financial expertise, need to expand to include cognitive diversity and forward-looking perspectives.

Today's effective boards are characterized by "curated curiosity" — directors who have a track record of reframing problems, spotting second-order effects and expanding how organizations define what's worth paying attention to. These boards excel at "attention steering," one of their most powerful functions, directing the focus of CEOs and leadership teams not by providing answers, but by ensuring the right questions are addressed by the right people in the right way.

Progressive boards are spending a majority of their time on talent, strategy and risk (and execution) to deliver sustainable superior total shareholder return while delegating oversight and compliance to the three mandated committees (audit/finance, governance and compensation/human resources). Meanwhile, many boards are adopting more fluid meeting cadences beyond the traditional quarterly structure, finding ways to maintain continuous engagement without interfering with management's execution responsibilities.

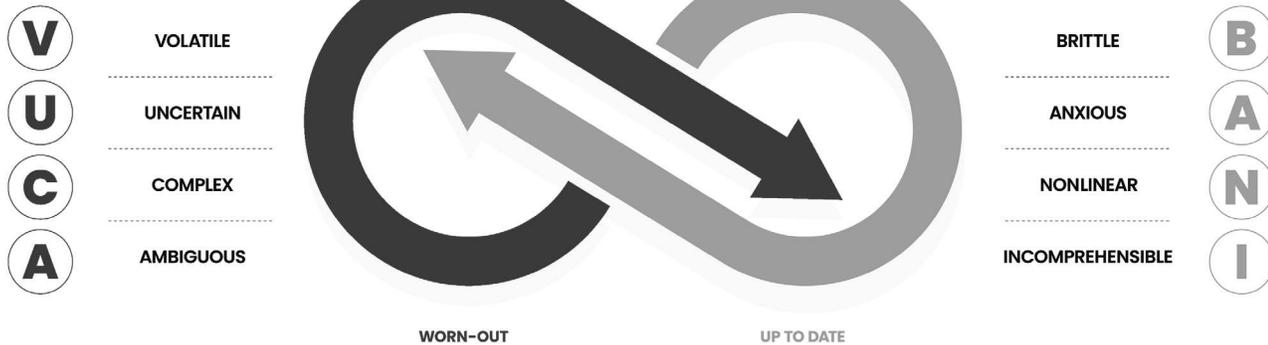
The most forward-thinking boards commit to continuous learning and reassessment, recognizing the skills needed to govern effectively are constantly evolving in response to the BANI environment.

The evolving CEO profile. The ideal CEO profile has undergone a dramatic transformation. Boards must now prioritize adaptive leadership — the ability to navigate constant change and ambiguity with agility and resilience. This adaptability must be coupled with technological fluency, not just a surface-level understanding of tech trends, but the ability to leverage that knowledge strategically to drive business growth and innovation.

In addition, the modern CEO must excel in stakeholder management, skillfully balancing the often-conflicting demands of shareholders, employees, customers and regulators. Boards should

VUCA vs BANI

A NEW ACRONYM TO DESCRIBE THE WORLD



remain vigilant for warning signs that a CEO may not be equipped for these new challenges, including resistance to change, clinging to outdated business models, failure to effectively communicate vision and strategy, and difficulty attracting and retaining top talent.

Particularly valuable in BANI conditions are CEOs who can work with contradiction — balancing optimism and realism, patience and urgency, performance and purpose. Boards that equate consistency with credibility may miss the leaders most adept at navigating complexity. The selection process should assess candidates for their ability to operate in productive tension, synthesizing opposites and driving to action rather than seeking to eliminate ambiguity.

Forward-thinking boards are also looking at leadership pipelines earlier and more broadly, using objective analytical lenses rather than limiting their focus to the C-suite and immediate CEO successors. This expanded approach increases the likelihood of identifying leaders with the diverse skills needed for BANI challenges.

Reimagining the C-suite. The C-suite, once a collection of siloed experts, must be reimagined as a collaborative, cross-functional team to drive agility and innovation. This transformation requires a focus on the cross-pollination of ideas, encouraging executives to work outside their traditional domains and bring fresh perspectives to challenges.

Rapid experimentation should be at the core of C-suite operations, fostering a culture of quick tests and iterative learning that can keep pace with the nonlinear nature of the BANI world. Furthermore, data-driven decision-making must become the norm, leveraging AI and analytics for real-time insights and predictive modeling. This approach enables the C-suite to navigate the incomprehensible aspects of the BANI environment, making informed decisions even in the face of overwhelming complexity.

Equally important is the development of emotional intelligence and psychological resilience across the executive team. In anxious, brittle systems, emotional contagion is a huge factor. The next frontier of risk is increasingly psychological: burnout, disillusionment, toxic cultures and the social contagions of fear or mistrust. Effective C-suites develop mechanisms to detect early signals of organizational fatigue and emotional erosion.

Organizational “tempo” — how fast a company digests information, makes decisions and shifts direction — has become a strategic differentiator. The C-suite must ensure the company’s pace aligns with its environment, neither moving too slowly nor burning out on excessive speed.

Holistic performance and trust building. Organizations must redefine their performance metrics and stakeholder engagement strategies for the BANI world.

BOARD COMPOSITION

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Traditional financial metrics, while still necessary, are no longer sufficient. A more holistic approach is required, focusing on long-term value creation through three-to-five-year total shareholder return (TSR) rather than quarterly results.

This approach should be complemented by stakeholder capitalism, which measures impact across all constituents, not just shareholders. Adaptive performance monitoring, with flexible KPIs that can evolve with changing circumstances, is crucial in navigating the nonlinear aspects of the BANI environment.

Equally important is a reimagined approach to stakeholder communication. Organizations must prioritize narrative over pure disclosure, explaining the rationale behind decisions, not just the outcomes. Proactive engagement, including regular, candid updates to key stakeholders, is essential, especially during uncertain times.

This communication should be underpinned by dynamic risk assessment, considering not only likelihood and severity but also the velocity at which risks can materialize as well as their potential for becoming contagion across systems. Finally, transparent course corrections — admitting mistakes, explaining pivots and sharing evolving risk landscapes — build trust and credibility in a world where brittleness and anxiety are ever-present challenges.

The most adaptive organizations normalize learning from failure through active practices: post-mortems at the board level, reverse case studies and rewarding intelligent risk. In a BANI world, failure literacy is governance hygiene. Boards that misread inflection points often didn't lack data — they lacked failure fluency and the courage to ask uncomfortable questions.

LEGACY COMPANIES THAT REIMAGINED THEMSELVES

General Electric's (GE's) journey offers a compelling case study in corporate transformation. After 20 years under Jack Welch's leadership and another 20 under Jeff Immelt, the company faced existential challenges. Under Larry Culp's guidance over the

past five years, GE has undergone a board-led transformation featuring an external, proven CEO and bold strategic decisions, including significant portfolio restructuring and a renewed focus on operational excellence.

Other instructive examples include Danaher, whose consistent long-term performance stems from its renowned Danaher Business System; Thermo Fisher, which has achieved remarkable growth through strategic acquisitions and operational discipline; and Rohm and Haas, whose innovation culture enabled it to continuously reinvent itself in the specialty chemicals market.

TECHNOLOGY COMPANIES THAT SUCCESSFULLY PIVOTED

Microsoft's transformation under Satya Nadella stands as perhaps the most celebrated corporate reinvention of recent times. Recognizing the shift to cloud computing, Nadella orchestrated a complete reimagining of Microsoft's business model, culture and technology stack. This comprehensive approach — touching everything from board composition to performance metrics — allowed Microsoft to become a leader in cloud services and regain its position as one of the world's most valuable companies.

Adobe's bold pivot from a product-based model to a cloud subscription service represents another instructive example. In 2011, the company anticipated disruption to its traditional business model and made the courageous decision to fundamentally change its revenue model, despite knowing it would cause short-term financial pain. By clearly communicating the strategy to investors and providing specific metrics to track progress, Adobe managed the transition successfully, ultimately tripling its market value within five years.

COMMON SUCCESS THEMES

Across these diverse case studies, several common themes emerge that characterize successful adaptations to the BANI environment. These themes include:

- A shift from an inside-out to an outside-in focus, with organizations becoming more attuned to external changes and customer needs rather than internal processes and legacy strengths.
- The right board composition and CEO selection, with a focus on future capabilities rather than past experience.
- Development of bold, adaptable strategies that can flex in response to rapidly changing conditions while maintaining a clear long-term direction.
- Relentless execution focus, translating strategic aspirations into concrete operational improvements.

- Building of trust with all key stakeholders, including the board, employees, customers and owners, through transparent communication and consistent delivery on commitments.
- Demonstration of the willingness to admit mistakes and pivot quickly when necessary, creating a culture that values learning and adaptation over defending past decisions.

THE PATH FORWARD

The BANI world, with its brittleness, anxiety, nonlinearity and incomprehensibility, presents formidable challenges. Yet, within these challenges lay unprecedented opportunities for organizations willing to embrace fundamental change.

The journey begins with a clear-eyed assessment of BANI readiness. Organizations must evaluate their ability to thrive in an environment where stability can shatter in an instant, where anxiety is the norm rather than the exception, and where cause and effect often seem disconnected.

Strategic planning must expand beyond traditional scenario planning to actively shape the option space companies can choose from. This means investing in organizational optionality: strategic partnerships, talent benches, brand elasticity and cultural adaptability. As one executive put it, “Don’t just plan for the future — expand the futures you can choose from.”

Building emotional governance and psychological resilience becomes increasingly critical in brittle, anxious systems. Boards influence the tone at the top not only through policy, but through the emotional signals they normalize. Whether it’s visible calm, listening in crisis or modeling vulnerability, emotional governance becomes a key factor in organizational resilience.

Developing failure literacy as governance hygiene enables organizations to learn from setbacks and adapt more quickly. Boards and leadership teams that can analyze failures objectively, extract lessons and apply them to future decisions gain a significant advantage in navigating BANI conditions.

CONCLUSION

The BANI world doesn’t allow for piecemeal changes or incremental improvements. Organizations need a comprehensive transformation that touches every aspect of governance and leadership.

Consider the cautionary tale of once-iconic brands like Tupperware, which recently filed for bankruptcy after failing to adapt its sales model to modern consumer behaviors. Despite near-universal brand recognition, the company couldn’t overcome its brittleness in the face of changing market dynamics.

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The path forward may be uncertain but, for those willing to reimagine their approach to leadership and governance, it offers the potential for unprecedented growth and impact. The choice is clear: adapt holistically or risk becoming another cautionary tale in business history. The time for incremental change has passed. The era of bold, systemic transformation is upon us. ■

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Raj Gupta will serve as a keynote speaker at The Character of the Corporation 2025, which will take place November 18 at The University Club in New York City. Learn more at directorsandboards.com/events.