DEFINED DYNAMICS
FUTURE READY. SUSTAINABLE BUSINESS

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NEWSBULLETIN

RISK, RESILIENCE AND ORGANISATIONAL ENDURANCE

Is it enough to ask whether an organisation is compliant, profitable or meeting its immediate obligations?

In an increasingly complex operating environment, risk has moved beyond compliance, - is the organisation building the capability to endure?

At Defined Dynamics, we are seeing this across sectors.

Leaders are facing increasing complexity, shifting market conditions, operational pressures and regulatory demands. The organisations that will remain future ready and sustainable are those that understand risk as more than a control function; is is a part of their strategic capability.

Risk is central to organisational endurance.

This month, we place our focus on risk through that lens.

This Issue Features:

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The Leadership Tension of Risk

Mark Bayley

Risk has traditionally been treated as a transactional governance function, requiring compliance, oversight, reporting and board sign-off. This remains essential. Strong governance, clear controls and disciplined compliance protect performance, maintain trust and support responsible business.

The operating environment has changed and continues to do so at an unprecedented rate. Organisations are navigating technological acceleration, artificial intelligence, cyber threats, quantum disruption, geopolitical instability, currency volatility, energy and resource cost escalation, regulatory pressure, workforce transformation and shifting customer expectations. These forces are reshaping how organisations compete, create value and remain relevant.

This means risk now requires a broader leadership lens where:

- Transactional risk protects the business today through governance, controls, compliance and operational discipline.
- Transformational risk prepares the business for tomorrow by strengthening its ability to evolve, adapt and remain relevant.
- Operating model risk reveals whether the way the organisation is structured, governed, resourced and connected is fit for the future it is trying to create.
- People risk determines whether change can take hold through leadership behaviour, culture, capability, accountability, decision-making and trust.

This is where the leadership tension of risk now sits. Leaders are being asked to hold the demands of today and tomorrow at the same time. They need to protect current performance while building future relevance. They need to strengthen governance while increasing responsiveness. They need to sustain the business while preparing it to evolve.

We are seeing this play out in real time. When organisations acknowledge that their operating model has not kept pace with their ambition, they are naming a form of risk that has become increasingly visible. Ambition requires an operating model capable of carrying it. Strategy sets direction. Governance creates discipline. The operating model determines whether the organisation can deliver.

The role of boards, CEOs and executive teams is therefore evolving.
Boards are moving from oversight into stewardship. Their role is to support leadership in seeing what is emerging, challenging assumptions, asking better questions and ensuring the organisation is building the capability to respond.

CEOs need to hold the whole system in view. Their role is to connect external relevance with internal readiness, ensuring that the organisation is performing today and preparing for what is coming next.

Executives need to work across the organisation to strengthen responsiveness, alignment and decision-making capability. Risk cannot sit only inside functions. It needs to be understood across functions, levels and touchpoints where the organisation delivers its promise.

This is where people become central. Governance is strengthened through disciplined action. Strategy is realised through an effective operating model. Transformation takes root through aligned leadership, capable people and a culture able to carry change.

The leadership questions have expanded:

- What could go wrong?
- What could make us irrelevant?
- Is our operating model fit for the ambition we are pursuing?
- Are our people, systems and culture able to carry the change required?
- Are we building the capability to respond?

The organisations that endure are those that build the capacity to remain relevant while remaining aligned. They recognise risk as a strategic leadership discipline. They strengthen the business they have while preparing the organisation they need to become.

That is the real work of future-ready, sustainable business.

And it is how organisations build the capacity to endure.

Transactional Risk	Transformational Risk
Focused on compliance and control	Focused on future viability and adaptability
Concerned with immediate exposure	Concerned with long-term relevance
Managed through policies, processes and governance	Managed through strategy, capability and leadership
Protects the organisation from operational disruption	Protects the organisation from strategic disruption
Responds to known risks	Responds to emerging and evolving risks
Primarily backward and present-facing	Primarily forward-facing
Measures risk events and incidents	Measures preparedness and adaptability
Asks "What could go wrong?"	Asks: "What happens if we fail to evolve?"
Driven by assurance and oversight	Driven by foresight and resilience
Supports stability	Supports endurance

The Shift

Enduring organisations understand that both forms of risk matter:

- Transactional risk protects the business today.
- Transformational risk prepares the business for tomorrow.

The organisations that endure are those that can hold both

Mark Bayley at the 25th Annual BHF Conference

Defined Dynamics is pleased to share that Mark Bayley will be speaking at the 25th Annual BHF Conference this July in Cape Town.

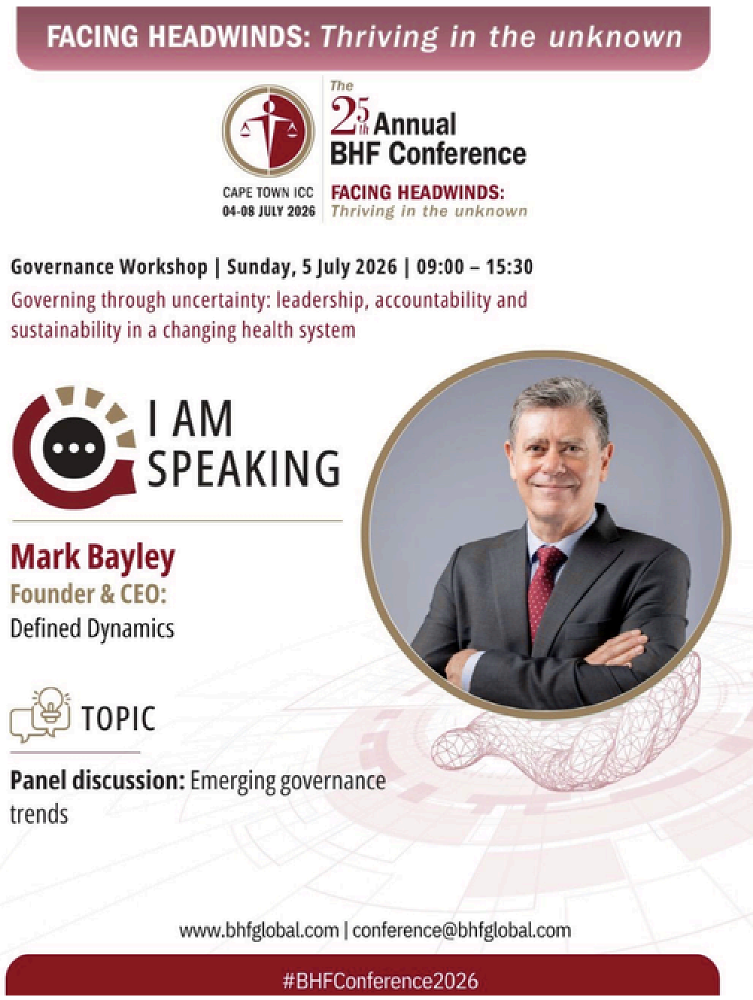
The conference theme, Facing Headwinds: Thriving in the Unknown, reflects the leadership conditions many organisations are navigating today: increasing complexity, accelerating change, governance pressure and uncertainty.

Mark will join the Governance Workshop panel discussion on Emerging Governance Trends, contributing to the conversation on how boards, executives and organisations are adapting their governance models to strengthen accountability, sustainability and resilience.

Although this conversation is taking place within the healthcare funding environment, the leadership questions are far broader.

Across sectors, organisations are being asked to consider:

- How do we govern through uncertainty?
- How do we remain future ready while sustaining performance?
- How do boards support leadership beyond oversight alone?
- How do governance, strategy, operating models and people capability align to help organisations endure?



As organisations face both external disruption and internal complexity, governance continues to evolve from oversight into stewardship — supporting leadership to navigate uncertainty while strengthening the organisation's capacity to endure.

The Evolution of Medical Scheme Governance: From Compliance to Strategic Stewardship

By Mark Bayley

The governance landscape for South African medical schemes is shifting.

What has traditionally been understood as a compliance-driven board responsibility is evolving into something far more strategic. In a healthcare environment shaped by rising costs, increasing complexity, regulatory pressure and changing member expectations, governance is becoming a critical lever for long-term sustainability.

For Boards of Trustees and Principal Officers, this shift presents an important opportunity. The question is no longer simply whether governance requirements are being met.

The emerging question is whether governance is actively strengthening the scheme's ability to protect member value and remain sustainable over time.

The findings of the Health Market Inquiry (HMI), chaired by former Chief Justice Sandile Ngcobo, brought this into sharper focus. While much attention has been given to its regulatory implications, the broader value of the HMI lies in what it surfaces for boards about their role in active stewardship. The inquiry highlighted several important areas.

1. **The challenge of information asymmetry.** Boards are often required to make decisions based on large volumes of highly technical information, much of it sitting with administrators and third-party providers. This places greater emphasis on the board's ability to interrogate information, challenge assumptions and strengthen independent oversight.

2. **The alignment of value and remuneration.** Governance increasingly requires boards to ensure that incentives across trustees, executives and administrators support long-term member value, rather than short-term operational outcomes.

3. **Capability.** As healthcare purchasing, contracting and data systems become more sophisticated, board competence must evolve alongside them. Continuous learning and technical understanding are now part of good governance.

This reflects a broader needed shift.

Boards are moving from passive oversight into active stewardship. They are becoming more directly involved in shaping the strategic conditions that support resilience, sustainability and value creation.

This evolution is reinforced by the emerging King V governance framework, which places increasing emphasis on outcomes-based governance. Governance is no longer measured by policy alone. It is measured by evidence of ethical culture, prudent control, value creation and legitimacy.

One of the most significant shifts within this framework is the **elevation of technology and data governance.** In a healthcare environment increasingly shaped by digital systems, automation and AI-enabled claims processes, boards carry greater responsibility for understanding the systems that underpin operational decisions. Technology now directly influences member experience, claims integrity, fraud detection and cost management. This makes technology governance a boardroom issue.

It also changes the way boards think about **procurement.** Traditional service-level agreements have focused heavily on activity — turnaround times, call volumes and processing speed. Whilst these remain important, governance is increasingly moving toward systemic capability.

Boards are asking deeper strategic governance questions. that reflect the wider reality that governing through uncertainty requiring more than receiving information and owning strategic decisions.

- Do our administrators have the technology maturity to support sustainable cost management?
- Do their systems strengthen visibility, integrity and accountability?
- Are commercial incentives aligned with the long-term resilience of the scheme?

As the Council for Medical Schemes continues to strengthen its focus on governance maturity and independent oversight, boards have an opportunity to build the capability, confidence and stewardship required to navigate complexity well. Because in the end, governance is no longer simply about compliance. It is about creating the conditions for sustainability, trust and enduring value.

Introducing Calvin Christopher

Calvin Christopher serves as a Trusted Advisor to Defined Dynamics, bringing deep expertise in risk culture, corporate governance, regulatory compliance, ethics and control environments.

His work sits at the important intersection between high-level governance and day-to-day organisational integrity. Calvin helps organisations ensure that compliance moves beyond corporate mandate and becomes embedded into the way the organisation thinks, decides and operates.

Calvin's executive background includes serving as Chief Compliance Officer for a leading global bank, where he directed regulatory frameworks across key markets in Africa and the Middle East. He has also practised law with top international firms in London and Johannesburg, supporting clients in strengthening regulatory relationships, improving audit outcomes and embedding robust control environments.

Currently a Partner at Spencer West, Calvin specialises in regulatory and compliance advisory services for financial services clients, as well as cross-border and international corporates operating in Southern Africa. His areas of focus include privacy and data protection, financial crime compliance, market conduct regulation and alignment with international best practice.

Through his collaboration with Defined Dynamics, Calvin supports executive teams and boards with the methodologies, regulatory insight, data-driven analysis and cultural safeguards needed to strengthen organisational maturity, manage compliance-related risk and protect long-term value.

His contribution to the Defined Dynamics Risk Offering strengthens our ability to support organisations in building the governance, ethics and control foundations required for enduring performance.

The Invisible Architecture: Why Risk Culture Matters

By Calvin Christopher

When organisations evaluate performance, the focus naturally falls on what is visible — growth, strategy, market position and performance outcomes. Yet the capacity of an organisation to sustain that momentum often rests on something less visible: its risk culture.

At Defined Dynamics, we view risk culture as a strategic asset. It shapes how an organisation thinks, decides and responds under pressure. It influences how governance is lived, how accountability is carried and how control environments hold when complexity increases. Its value is often most clearly understood in hindsight, when its absence exposes deeper structural weaknesses.

A stark reminder of this played out a few years ago with the spectacular multi-billion-dollar collapse of the cryptocurrency platforms Terra and Luna. While often framed as a technical failure of algorithmic engineering, the deeper lessons sit in governance, transparency and leadership culture — lessons that remain highly relevant to boards and executive teams across sectors.

Structural Risk and Wrong-Way Exposure

The architectural undoing of Terra and Luna was a textbook case of unmanaged wrong-way risk—a scenario where two assets appear independent under normal conditions, but become dangerously correlated during a market shock. Terra's algorithmic structure relied on a mechanism where its value was offset by corresponding transactions in Luna.

In stable conditions, systems can appear robust; under pressure, hidden interdependencies surface. This is where risk culture matters. Mature organisations stress-test their assumptions. They ask whether their safeguards are genuinely independent, whether their structures can hold under strain, and whether their operating models are equipped to withstand disruption.

Transparency and Governance

A second lesson sits in transparency. The Terra and Luna ecosystem relied heavily on related-party transactions and interconnected flows of capital, creating complexity that reduced visibility and weakened independent scrutiny.

Under modern governance frameworks such as King V and equivalent international principles, these structures immediately raise governance questions.

Transparency remains foundational to governance integrity. Where transparency is strong, trust deepens. Boards can govern with greater clarity. Leaders can make better-informed decisions. Stakeholders can engage with confidence. Where visibility narrows, governance becomes harder to exercise with rigour. Enduring organisations build structures that support transparency, accountability and independence.

Leadership Culture and the Danger of Blindspots
Perhaps the most critical lesson from the Terra-Luna collapse sits within the human experience of leadership. The tone at the top was steeped in hubris and aggressive risk-taking. There was no appetite for constructive feedback, and an absence of disciplined pre-mortem or post-mortem analysis.

When leadership operating models isolate themselves from dissenting views, blind spots expand exponentially. Dynamism and ambition are vital for growth, but without the counterweight of a culture that welcomes rigorous challenge, they can inadvertently accelerate disaster. Strong leadership cultures create space for challenge. Decision-making is sharpened, emerging risks surface and organisational resilience is strengthened.

Building Governance Maturity
Evaluating risk culture is about strengthening the internal infrastructure that allows ambition to endure.

Governance maturity creates the conditions for trust. It supports stronger accountability, healthier control environments and clearer responses to uncertainty.

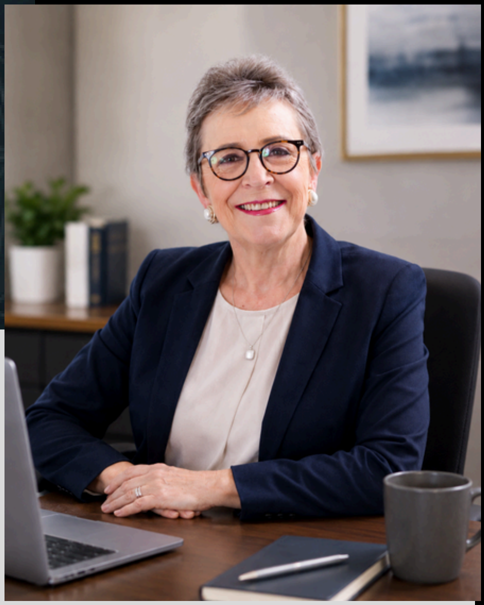
As organisations navigate increasing complexity, these questions become increasingly important:

- Do our governance frameworks support independent check and challenge?
- Do our structures strengthen resilience or amplify dependency?
- Does our leadership culture create the space for reflection before pressure appears in the numbers?
- Are we building the governance maturity required to protect long-term value?

The organisations that endure understand that risk culture is part of the invisible architecture that holds the organisation together.

The Impact of Sidelining People Risk

by Angela James



When organisations talk about risk, the conversation usually moves quickly to governance, compliance, systems and controls. These matter. They create structure and accountability. Yet every one of those structures is carried by people.

People hold the pressure of uncertainty. They interpret change, make sense of what is happening around them, make decisions with incomplete information, and absorb the emotional weight of transition long before it shows up in the numbers. This is where people risk lives: in the human experience of change.

People risk begins to surface when uncertainty remains unnamed, communication loses clarity, trust starts to thin, and people are asked to carry more than they have the capacity to hold. It often appears quietly at first, through hesitation, fatigue, withdrawal, confusion, slower decisions, fractured handovers and tension between teams.

These signals are often read as performance issues. They may also be signs that the human system is carrying more uncertainty than it has been supported to process.

This is true at every level of the organisation. Leadership are people too. Boards, CEOs and executive teams carry enormous pressure as they hold complexity, ambiguity and responsibility while making decisions that affect the whole organisation.

When that pressure is held well, it creates steadiness. When it is carried in isolation, it can ripple through the whole system.

This is why Human Experience matters at every level of the organisation — on the frontline, in teams and in the boardroom.

A powerful example of this is IKEA's response to AI. Rather than approaching automation purely through efficiency, IKEA used the opportunity to redesign work and reskill thousands of people into new customer-facing roles. What stands out is the way they held the people inside the change.

When people are brought into the process, uncertainty becomes something that can be worked with. In that process, learning becomes possible — learning in motion. The kind of learning that helps people adapt while the ground is still shifting.

This is often what determines whether change lands. Some of Human Experience questions that need to be considered in boardrooms, by leaders at all levels of the organisation focus on:

- Where is the pressure being carried?
- What remains unsaid?
- Where has trust become strained?
- Where are people trying to make sense of change with too little context?
- Where is the organisation asking more of people than it is resourcing them to hold?

These questions matter because people risk is woven into organisational risk. It is often the place where risk becomes visible first. When this is recognised early, organisations create the possibility for more than survival. They create the conditions for endurance.

Angela James is the Founder of Volution Business and a Trusted Advisor within Defined Dynamics. Her areas of expertise - The Human Experience, Culture and Organisational Learning.

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