

Multi-Site Governance: Why Risks Do Not Only Sit at Plants – but Also Between Them

In industrial organisations with multiple production sites, risks rarely emerge within a single plant in isolation. They also emerge **between sites** – through inconsistent standards, local optimisation and implicit trade-offs that are never consciously decided at board level.

What makes multi-site governance challenging is not complexity per se, but **interdependence over time**. Investment, safety and capacity decisions taken at one site often reshape the risk profile of the entire system – gradually, and frequently unnoticed.

For boards, this is not an operational issue. It is a **governance responsibility**.

Risks Do Not Accumulate Locally – They Accumulate Systemically

Boards are typically presented with well-prepared, site-specific proposals:

- a capacity expansion,
- a safety-related upgrade,
- a technology investment,
- a localisation or footprint adjustment.

Each decision may be reasonable when assessed locally.

The governance risk arises when **multiple local decisions, taken independently, reshape the system without an explicit board-level decision**.

Common patterns include:

- diverging standards across sites,
- shifting site roles without strategic intent,
- growing dependencies on specific capabilities,
- inconsistent risk exposure within the same organisation.

None of these outcomes is the result of a single wrong decision. They are the consequence of **decisions that were never compared, aligned or consciously weighed against each other**.

Why Multi-Site Risks Surface Late

Multi-site risks tend to escalate late – often when options are already constrained.

Three structural characteristics explain this:

First, time lag.

The effects of investment, safety and capacity decisions often materialise years after approval.

Second, fragmented accountability.

System-level outcomes are rarely owned by a single site or function.

Third, implicit trade-offs.

Boards approve individual proposals without explicitly deciding which risks are accepted at system level – and which are not.

As a result, boards are frequently forced into reactive decisions, rather than shaping outcomes proactively.

CAPEX Decisions Are System Decisions

In multi-site organisations, CAPEX decisions do not only define assets. They define **roles, dependencies and resilience of the production network**.

A single investment can:

- shift volumes between sites,
- lock in technology platforms,
- increase or reduce system flexibility,
- alter safety exposure across the organisation.

When CAPEX decisions are primarily treated as financial or local operational matters, their **structural and often irreversible implications** remain under-governed.

For boards, the key question is therefore not: *Is this investment justified for this site?* But: *How does this decision change the risk profile and optionality of the system as a whole?*

The Board's Task: Governance, Not Coordination

Effective multi-site governance does not require boards to coordinate operations or manage plants. It requires them to **set the conditions under which consistent decisions can be made across sites**.

This includes:

- defining clear governance principles,
- ensuring comparability of proposals,
- making risk tolerance explicit at system level,
- and enforcing decision discipline before capital is committed.

Where boards intervene operationally, accountability erodes. Where boards fail to set governance guardrails, risks accumulate silently.

Multi-site governance succeeds when boards remain **firmly at system level**, not when they move closer to day-to-day operations.

From Site Visibility to System Insight

A frequent governance gap in multi-site organisations lies in how information is presented to the board.

Boards often receive:

- site-by-site reports,

- local KPIs,
- isolated investment requests.

What is missing is **system insight**:

- How do decisions compare across sites?
- Where are standards drifting?
- Which risks are accumulating across the network?
- Where are trade-offs repeatedly made without explicit board intent?

Multi-site governance begins when boards shift their focus from reviewing **individual sites** to overseeing the **coherence of the system**.

Good Governance Makes Risks Explicit

Multi-site governance is not about risk avoidance. It is about **conscious risk acceptance**.

Good governance does not eliminate uncertainty. It ensures that:

- trade-offs are explicit,
- decisions are comparable,
- and long-term consequences are understood **before** they become irreversible.

In multi-site industrial organisations, this clarity is one of the board's most valuable contributions.

Practical Board Questions for Multi-Site Governance

Boards do not govern multi-site organisations by reviewing more detail. They govern them by asking **the right questions before decisions are locked in**.

The following questions help boards surface system-level risks that rarely appear in site-by-site reporting.

System Coherence

- Which decisions approved at individual sites materially change the risk profile of the overall production network?
- Where do we see diverging standards across sites – and which of these divergences are intentional?
- Which site-level optimisations, if repeated elsewhere, would we not accept at system level?

CAPEX and Irreversibility

- How does this investment change the role of this site within the overall network?
- Which dependencies does this CAPEX decision create – technologically, organisationally or geographically?

- What future options does this decision close, and are we consciously accepting that loss of flexibility?

Risk Tolerance and Trade-offs

- Which risks are we explicitly accepting at system level – and which are we not prepared to carry?
- Where are trade-offs between safety, capacity, cost and resilience being decided implicitly rather than explicitly?
- Would we make the same decision if this proposal came from a different site?

Accountability and Governance

- Who is accountable for system-level outcomes that do not belong to any single site?
- Are our governance principles strong enough to prevent local interests from shaping system decisions by default?
- Where would the board expect escalation before further commitments are made?

Foresight

- Which approved decisions will only reveal their full risk impact in three to five years?
- What signals would indicate that today's assumptions about site roles or volumes are no longer valid?
- At what point would the board want to revisit a decision that is currently considered "done"?

Why this remains evergreen for Swiss Multi-site SMEs

In multi-site organisations, the most consequential risks rarely arrive as surprises. They arrive as **the delayed outcome of decisions that were never compared, aligned or consciously weighed at system level.**

Boards that govern effectively do not seek operational certainty. They seek decision clarity. And they ask these questions **before** the system commits to paths that can no longer be reversed.