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The Hidden Cost of Protecting Organizations from Failure

Good Intentions Can Deprive Organizations of Opportunities to Learn

Few managers want to see their teams fail.

With the best of intentions, they step in to prevent mistakes before they happen. They hope to spare their teams unnecessary setbacks, accelerate their growth, and keep projects on track.

Yet those same good intentions can deprive organizations of one of their most valuable sources of learning: failure itself.

Organizations Learn Through Failure

Failure is generally seen as something to avoid. For organizations, however, it can also be one of the most powerful sources of learning.

If you think back on your own career, some of the most valuable lessons probably came when sales fell short, workplace relationships became difficult, or a project failed to deliver the expected results. Had someone prevented those failures, you might never have developed the judgment that shapes the way you make decisions today.

This is one reason many venture capital firms place significant value on founders who have experienced failure. Failure is not, in itself, evidence of poor judgment. What matters is whether that experience leads to learning, resilience, and a greater ability to adapt.

Organizations are no different. Companies that seek to eliminate all failure risk eliminating some of their most valuable opportunities to learn. Over time, this can weaken their ability to adapt when the environment changes.

Not Every Failure Should Be Treated the Same

Organizations should not embrace every failure indiscriminately. Different failures call for different organizational responses, depending on their impact and likelihood of recurrence.

- **Low impact × High recurrence**: Failures that should be prevented through better processes so that the same mistakes are not repeated.
- **Low impact × Low recurrence**: Failures that require little organizational attention and can generally be ignored.

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- **High impact × High recurrence**: Failures that signal systemic problems and require fundamental strategic intervention.
- **High impact × Low recurrence**: Failures that should be treated as important learning opportunities, with lessons captured to strengthen organizational capability and prevent recurrence.

The purpose of this framework is not to eliminate every failure. It is to determine the most appropriate organizational response to each type of failure. In particular, high-impact failures should not be treated merely as individual mistakes, but as opportunities for organizational learning that strengthens future decision-making.

The challenge for management, therefore, is not simply to reduce failure, but to distinguish between failures that should be prevented and failures from which the organization needs to learn.

Designing Organizations That Learn from Failure

Consider a company that repeatedly loses major sales opportunities after launching a new product or service. Those failures may reveal that the offering is poorly aligned with market needs, that the target customers have been misidentified, or that the sales process itself is ineffective. Each possibility challenges a fundamental assumption behind the strategy and provides an opportunity to rethink it.

The same is true of high-stakes initiatives such as M&A or expansion into new markets. These failures may occur less frequently, but they often expose strategic assumptions that would otherwise remain unchallenged.

Organizations should not respond to these failures simply by assigning blame or relying on isolated corrective actions. Instead, they should identify the lessons, share them across the organization, and build systems that translate individual experience into organizational knowledge and better decisions.

An organization's competitive advantage depends not on eliminating failure, but on its ability to turn the right failures into organizational learning, and that learning into better decisions.

About the Author

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After joining Cap Gemini and Coca Cola, Kohki joined Revamp Corporation where he managed projects on global expansion and turnaround in various sectors including F&B, healthcare, retail, IT, etc. After joining IGPI, he has managed projects mainly on global expansion and cross border M&A in various sectors such as logistics, IT, telecom, retail, etc. In addition to his broad experience in implementing solutions that has been developed in Western countries, he has developed multiple methods to turnaround Asian companies with focus on setting clear vision and employee empowerment. Kohki has proven the practicality of these methods by turning around Asian companies not only as an advisor but also as senior management.
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