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WORKPLACE FAILURE MANAGEMENT: THE INFLUENTIAL ROLE OF FAILURE-TOLERANT LEADERSHIP

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ABSTRACT

Workplace failure is inevitable in dynamic organizational settings, yet its management significantly affects employee resilience, innovation, and long-term productivity. This paper investigates the role of **failure-tolerant leadership** in facilitating effective workplace failure management. Drawing from organizational behavior theories and leadership frameworks, the study explores how leaders who embrace mistakes, encourage psychological safety, and promote learning can transform failure into a developmental opportunity. Using both empirical evidence and literature-based insights, the paper identifies key attributes of failure-tolerant leadership and their influence on employee coping mechanisms, innovation, and emotional wellbeing. The findings suggest that cultivating a failure-tolerant leadership style is instrumental in fostering a resilient and adaptive organizational culture.

KEYWORDS: Failure Tolerant Leadership, workplace failure, learning behaviour, psychological safety

INTRODUCTION

In contemporary organizations, failure is not merely a setback but an essential part of innovation and learning. However, the manner in which leadership responds to failure can either mitigate or amplify its consequences. A failure-tolerant organization encourages management to get more engaged with employees at the same time does not explicitly encourage errors, but rather creates a culture of intelligent risk taking that leads to learning and improved knowledge. Essentially, organizations create an environment that is failure tolerant, which allows employees to take advantage of the value in explorative learning. Failure will inevitably occur in any organization and have an informative function for members of an organization because they pinpoint where improvement is needed (**Keith & Frese, 2008**). **Failure-tolerant leadership** represents a leadership style that accepts failure as a component of growth, provides emotional and psychological support, and enables learning from mistakes. Whatever the source of error, (**Edmondson, 2011**) states that organizations must accept and tolerate failures in order to obtain the knowledge provided by incidents of failure. In failure-tolerant

organizational cultures, employees might be willing to address failures by assuming “ownership” of the reacquisition process and going to great lengths to win customers back (Maxham & Netemeyer, 2003) (Scheppers, et al., 2012). Even though learning from mistakes has been shown to positively affect organizations, Edmondson and her colleagues (Edmondson & Canon, 2001) (Edmondson, 2004) (Tucker & Edmondson, 2003) have shown that most organizations still do not tolerate mistakes because employees are rewarded for successes and punished for failures, thus perpetuating the bias for exploitation over exploration. While mistakes are usually not desirable, having a forgiving environment that supports the notion of learning from mistakes, when they are made, may encourage the organizational learning process. Therefore, in order for an organization to benefit from (exploration vs. exploitation), it must be able to recognize and, specifically, tolerate mistakes in order to encourage exploration of superior solutions and, thus, effectively engage in the learning process. Consequently, when organizations can learn through explorative opportunities, there may be an improvement in performance (Haunschild & Sullivan, 2002). (March, Exploration and exploitation in organizational learning, 1991) and (Edmondson, 2004) (Edmondson A. , 1996), define mistake tolerance as the conditions that exist within an organization that allow organizational members to take risks, pursue innovative solutions, and develop superior knowledge without fear of repercussions for making mistakes. This paper explores the concept of **failure-tolerant leadership** and its influence on **workplace failure management**, focusing on employee learning behavior, emotional recovery, and psychological safety.

LITERATURE REVIEW

“The fastest way to succeed is to double your failure rate.” Failure is a prerequisite to invention and a business can’t develop a breakthrough product or process if it’s not willing to encourage risk taking and learn from subsequent mistakes (IBM’s¹ Thomas Watson). Employees typically acquire a tolerance for failure outside the reacquisition context via organizational socialization—the process by which a person acquires knowledge necessary to assume an organizational role (Vanmannen & Schein, 1979). Organizational socialization to failure tolerance might occur in several ways. First, symbolic acts may nurture a tolerance for failure (Homburg & Pflessner, 2000). For instance, Procter & Gamble has reportedly humorously handed out a “heroic failure award” (Morgan, 2015) that employees likely find indicative of a general failure-tolerant culture. Second, group observation may implicitly contribute to employees’ failure tolerance (Harmeling, et al., 2017) : employees may acquire a tolerance for failure through regular interactions with mentors or by observing co-workers’ behaviors (Lam, Kraus, & Ahearne, 2010). Third, employees join companies with certain strengths and skills that the company values. After an employee is on board, socialization can also occur when employees discuss failures, thereby reinforcing an existing tolerance for failure as an important norm (Hartline, Maxham, & McKee, 2000). Once employees have internalized a failure-tolerant culture,

they tend to view it as a “perfectly ‘natural’ response to the world of work” (Vanmannen & Schein, 1979). Failure isn’t just tolerated at SCOPELY, it’s celebrated. At the end of each week, the company holds a “Fail of the Week” session, during which a member of each team shares their most epic failure and what he or she learns from it. The point isn’t to call out people’s mistakes but to acknowledge failure’s critical role in the growth process, as well as share the lessons learned from the experience (Jason Weiss). Failure in the workplace can trigger fear, defensiveness, and disengagement (Shepherd, 2003). Yet, when handled constructively, failure can lead to innovation, adaptability, and performance growth (Cannon & Edmondson, 2005). The traditional punitive response to failure is often replaced in progressive organizations by leadership models that view errors as learning opportunities. **Failure-tolerant leadership** refers to leaders who accept failure as a natural part of growth and focus on learning rather than blame (Carmeli & Gittell, 2009). Such leaders create **psychologically safe environments**, allowing employees to express concerns, admit mistakes, and take interpersonal risks without fear (Edmondson, 1999).

Drawing from this culmination of literature, the researcher argues that tolerating failure creates a positive climate in the work place which further assists employees in realising the intervening barriers in response to their recent failure event.

OBJECTIVES OF THE STUDY

1. To study the role of failure-tolerant leadership employees’ psychological safety.
2. To study the role of failure-tolerant leadership employees’ learning behaviour.

RESEARCH DESIGN

The study is descriptive in nature and based on both primary and secondary data. The researchers have adopted simple random sampling method and administered a structured questionnaire to the employees of functional teams, made up of managers or supervisors and direct reports, and these included sales teams, management teams of Tata Motors to collect the necessary information required for the study. A five-point Likert-Scale has been used to collect data from 270 respondents. The researcher has taken utmost care to ensure that the confidentiality of responses is maintained and the commitment is communicated to employees aptly.

RESULTS AND DISCUSSION

Demographic Information of the Respondents Table 1.

Source: Primary Data

Variables	Measuring group	Respondents
Gender	Male	147(54%)
	Female	123(46%)
Age group	21-30 years	78(29%)
	31-40 years	149(55%)
	41-50 years	43(16%)

Table 1 represents the demographic information of the respondents. The first classification of table provides the gender information which shows that about 54 percent (%) of the respondents are male and the rest 46 percent (%) are female.

Furthermore, the table provides information about respondents' age group. The first classified age group of 21-30 years accounts for 29 % and the next age group of 31-40 years accounts for 55 %, the 41-50 years' age group is 16 %.

Figure 1: Simple Regression Analysis

H1: Failure tolerant leadership is positively related to employees' psychological safety

Hypothesis	Regression Weights	Beta Coefficient	R ²	F	p-value	Hypothesis Supported
H1	FTL→PS	.912	.832	1329.193	.000	Yes

Note: *p < 0.05

The hypothesis tests if Failure tolerant leadership (FTL) carries as positive influence on psychological safety (PS). The dependent variable **PS** was regressed on predicting variable **FTL** to test the hypothesis H1. FTL significantly predicted PS, $F(1, 270) = 1329.193$, $p < 0.001$, which indicates that FTL can play a significant role in shaping PS ($b=.912$, $p < 0.001$). These results clearly direct the positive influence of FTL on PS. Moreover, the $R^2 = .832$ depicts that the model explains 83% of the variance in PS.

Figure 2:

H2: Failure tolerant leadership is positively related to employees' learning behaviour.

Hypothesis	Regression Weights	Beta Coefficient	R ²	F	p-value	Hypothesis Supported
H2	FTL→LB	.831	.691	600.239	.000	Yes

Note: *p < 0.05

The hypothesis tests if Employees' psychological safety (FTL) carries as positive influence on employees' performance (LB). The dependent variable **LB** was regressed on predicting variable **FTL** to test the hypothesis H2. FTL significantly predicted LB, $F(1, 270) = 600.239, p < 0.001$, which indicates that FTL can play a significant role in shaping LB ($b = .831, p < 0.001$). These results clearly direct the positive influence of FTL on LB. Moreover, the $R^2 = .691$ depicts that the model explains 69% of the variance in LB.

SUMMARY OF THE REGRESSION ANALYSIS

The simple regression analysis is the statistical technique used to analyze the relationship between a single dependent (criterion) variable and single independent (predictor) variable. In this study, simple regression analysis is used to find the effect of Failure tolerant leadership (FTL) on Employees' psychological safety (PS). The results show that Failure tolerant leadership (FTL) is positively and significantly associated with (PS). Similar tests were conducted for the second hypothesis that focused on the relationship between Failure tolerant leadership and Employees' learning behaviour (LB). There is a positive and significant relationship between Failure tolerant leadership (FTL) and Employees' learning behaviour (LB).

MAJOR FINDINGS OF THE STUDY:

- a. With respect to **Failure Tolerant Leadership**, the employees have been addressed with certain statements intending to know how failure tolerance approach of leader/manager affects in doing their subsequent task just after failing to achieve a target. In response to the statements pertaining to **FTL**, a decent number of the employees (58%) opined that mistake tolerance allows organizational members to make mistakes without fear of repercussions. If they feel that mistakes are acceptable by the leader, they are more encouraged to take initiative. Consequently, this provides opportunities to learn from exploration because mistakes provide experiences that act as stimuli to challenge existing assumptions and produce superior knowledge. This occurs because mistakes provide motivation for learning, as correcting a mistake minimizes the likelihood of making the same mistake in the future.

- b. Regarding **Psychological Safety** majority of the employees (63%) view that if the leader is supportive, coaching-oriented and has non-defensive responses to questions and challenges, employees are likely to conclude that the team constitutes a safe environment. In contrast, the employees also added that if team leaders act in authoritarian or punitive ways, employees are reluctant to engage in the interpersonal risk involved in learning behaviour such as discussing errors.
- c. Though failure is unwanted in workplace but it's happening cannot be undermined as it includes activities like seeking feedback, sharing information, asking for help, talking about errors and experimenting (**Edmondson,1999; Hackman, 1987; Alderfer,1987**). In accordance with this concept, the employees have been addressed certain statements and most of the employees (65%) viewed that Vigorous discussion on one's failed event in "Manager – Employees" Meet gives them an opportunity to identify what not to be repeated. Additionally, the employees also opined that they are motivated to speak up if two conditions are satisfied: first, they believe their premises will not be rejected and second, they believe that the team is capable of using this new information to generate useful results i.e. team efficacy.

CONCLUSION:

This study reinforces the influential role of failure-tolerant leadership in managing workplace failure. Such leaders shape how teams perceive and respond to setbacks, making them key drivers of resilience and innovation in the workplace. By fostering psychological safety and encouraging learning from mistakes, failure-tolerant leaders enable organizations to transform short-term losses into long-term capabilities. Organizations aiming for sustainable growth and innovation must invest in developing such leadership capacities. Training programs, leadership assessments, and cultural interventions should be aligned toward building a workplace where failure is accepted, explored, and learned from not feared.

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