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How Workplace Failure Experiences Affect Employees' Judgments and Decisions: A Progressive Psychological Process of Self-Threat Perception and Defensive Cognition

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ABSTRACT

This paper will explore in concept how workplace failure experiences affect employees' judgments and decisions through a multi-stage psychological process of self-threat perception and defensive cognition. Rather than providing new empirical data, it compiles research on learning from failure, motivated cognition, self-control and judgment heuristics to present a connection between failure events, self-integrity concerns and biased decision-making. First, the different kinds of failures in organisations can lead to self-relevant appraisals, grief and threat, and thus determine whether people will learn adaptively or avoid defensively. Then, Prospect Theory and framing effects are combined to demonstrate how loss-oriented perceptions and threat-oriented narratives lead to systematic judgment and decision biases under risk. Based on research in self-affirmation, ego depletion and motivated reasoning, this paper puts forward a progressive model that shows how self-threat perception triggers defensive cognitive patterns to alter information search, attribution and option evaluation. Therefore, after a failure, we will focus on reinforcing the self-integrity and regulatory resources of the employees, rather than providing more data or rational analysis tools. Finally, the paper presents some suggestions for organisational behaviour that aims to convert failure experiences into more reflective and less defensive decision-making, but does not suggest that this change is easy to achieve.

KEYWORDS

Workplace failure; Judgment and decision biases; Self-threat perception; Defensive cognition; Motivated reasoning

1. INTRODUCTION

Workplace failures are unavoidable in life at the organisation, and they may take the form of cancelled projects, unmet performance goals, lost customers, and failed changes. Failure experiences for individual employees can have a strong sense of self-relevance and challenge their perception of competence, reliability and value to the organisation.

Therefore, how employees perceive and react to failure will affect the following assessment and decision-making. Sometimes failure motivates us to learn and improve; other times, we may be too defensive or avoidant, thus developing a system of biased perception of risks, choices and feedback.

Presenting a conceptual analysis of how workplace failure experiences influence employees' judgments and decision-making biases in this paper. It is a slow psychological process in which employees' sense of self-threat and defensive cognition shape their perception of failure and regulate emotions to make future decisions. This paper will not provide new empirical data but will review previous studies to explore the reasons for and applications in practice.

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2. WORKPLACE FAILURE AND PATHS OF LEARNING OR AVOIDANCE

Research by organisations has long shown that failure can be a source of learning or avoidance. Sitkin believed that organisations and people could learn effectively from "small losses" that were contained and recoverable; however, large, identity-threatening failures often led to a defensive attitude rather than thoughtful learning [1]. Failure experiences differ in terms of their visibility, controllability and perceived fairness, and thus are either seen as instructive feedback or unjust blows to self-worth.

Cannon and Edmondson have shown that some organisations build cultures which explicitly "fail intelligently" by employing structured reflection, data collection and psychological safety to turn failure into innovation opportunities [2]. Therefore, the employees will be more willing to discuss the mistakes without fear of excessive blame and are more likely to learn about the reasons and results openly and non-defensively [2]. Shepherd's work on business failure and grief also indicates that emotional recovery from failure is necessary for learning, and unresolved grief will interfere with attention and judgment in future decisions [3].

Based on the above research results, workplace failures are not uniform; rather, they take many forms and can lead to either adaptation through learning or avoidance. Whether employees are motivated to reflect on their mistakes or simply shut down depends on how the organisation handles failure, who takes responsibility, and whether employees feel supported in rebuilding their self-esteem and recovering [1-3].

3. SELF-THREAT PERCEPTION AND MOTIVATED COGNITION

The idea that people are motivated to protect a sense of global self-integrity is the core of self-affirmation theory [8]. When failure is seen as a diagnosis of a general deficiency—"I am unable"—rather than as "this strategy was flawed", it may be viewed as a self-threat and trigger psychological defence mechanisms [8, 9]. The employees are not aware that the failure is serious, do not believe the feedback is accurate, or fail to notice the warning.

Motivated cognition research suggests that such protective responses are not random but are systematically organised by motives to protect favourable self-concepts [7]. Dunning believes that people selectively interpret the evidence, remember some events, and form expectations in a way that supports their desired self-evaluation and social status [7]. A person in a work environment may not attribute a failure to external reasons but rather to their own deficiencies.

Strong self-threat perception results in defensive cognition and a narrow view of the future. Employees may ignore risk signals, be too confident in the controls, and fail to consider alternatives that have shown defects in the past. These tendencies may lead to continuous decision biases, especially if the organisational culture rewards image protection over honest error analysis [7-9].

4. LOSS FRAMES, PROSPECT THEORY AND DECISION BIASES AFTER FAILURE

Prospect theory shows how people assess risk in relation to a reference point, and losses are generally felt more strongly than equivalent gains [4]. After several failures at work, the employees' standards for evaluation have changed; now they only want to avoid further losses or fix the damage, not balanced opportunities. Loss-framed thinking can promote risk aversion in areas where avoiding another failure is deemed necessary, and risk-seeking behaviour may occur in attempts to "break even" or quickly recover from past losses [4-5].

Tversky and Kahneman have also demonstrated that different presentations of the same choice, such as gains or losses, responsibilities or freedoms, can lead to different preferences [5]. Workplace

narratives of failure can be presented as threats or as opportunities for learning and development. Threat-focused framing may make employees too anxious about short-term security and thus less willing to participate in long-term innovation; growth-oriented framing can motivate cautious exploration but may overlook risks due to excessive optimism.

Heuristics and biases research have shown that failures are also systematically distorted. Gilovich, Griffin and Kahneman have shown that employees' will to justify their past decisions and increase self-esteem can lead to phenomena such as confirmation bias, hindsight bias and overconfidence [11]. For example, hindsight reinterpretation of failure as "inevitable" reduces the perceived learning effect, and selective recall of success may lead to overconfidence despite contrary evidence [4-5, 11].

5. SELF-CONTROL, EGO DEPLETION AND REGULATORY RESOURCES

Self-regulation theory believes that effortful regulation is based on limited psychological resources, and demanding tasks and self-control efforts can deplete these resources [6, 10]. Baumeister and his colleagues' strength model propose that repeated self-regulation, such as emotion suppression and decision-making under conflict, can temporarily reduce the capacity for further control; this state is known as ego depletion [6, 10].

Given the circumstances of the workplace failure, one should manage one's emotions to avoid excessive disappointment and remain calm under pressure. Without regulatory resources, people are more likely to be in a hurry, fail to process information properly, or repeat old habits instead of learning through careful analysis [6]. Ego depletion may thus worsen judgment errors by making it difficult to suppress intuitive but incorrect heuristics.

At the same time, other studies have also found that motivational and framing factors can offset the depletion effect, and recovery can be achieved by rest, social support or positive self-reflection to restore regulatory capacity [6, 10]. Given that the biased decision after the failure may be due to temporary regulatory fatigue rather than deep-seated organisational problems, some supporting measures can be taken by the organisation, such as organising debriefings, taking a break, and holding team-based reflections to help employees think clearly and fairly consider their options.

6. SELF-DEFENSE, SELF-AFFIRMATION AND DEFENSIVE COGNITION

Self-affirmation theory proposes that people protect their sense of self by focusing on values when faced with threats [8]. When employees believe that failure will harm their overall life, they may be in a defensive state and avoid receiving feedback; otherwise, they can experience self-affirmation and expand their horizons, thus reducing the damage caused by this risk [8-9]. Critcher, Dunning and Armor have shown that some self-affirmation interventions can reduce defensive biases and make people more receptive to threatening information in controlled experiments [9].

Sherman and Cohen believe that self-affirmations can work as a part of a "psychological immune system" to help people see particular threats within a larger story of self-worth [8]. Opportunities for recognition of broader competencies, contributions or values outside of failure may help employees separate their overall self-concept from a single setback and reduce the need for defensive cognition.

However, not all types of self-defence result in positive outcomes. Some employees are too proud and ignore reasonable criticism, shift blame to others, or avoid difficult tasks. This defensive cognition will inhibit learning and strengthen biases in the following evaluations. Therefore, the progressive psychological process is one of tension between self-protection and self-improvement; when self-threat is high and affirming resources are low, defensive biases are more likely to prevail [8-9].

7. MOTIVATED REASONING, HEURISTICS AND BIASED INFORMATION PROCESSING

Research on motivated reasoning shows that people often selectively pay attention to, interpret and remember information in a way that supports their desired conclusions, including favourable views of themselves and their choices [7, 11]. Following a workplace failure, motivated reasoning may be employed by employees to protect their self-esteem by ignoring any evidence of more serious problems or personal fault and justifying their previous decisions.

Gilovich, Griffin and Kahneman have presented examples of how the intuitive judgment process is influenced by motivation in their work on heuristics and biases. Confirmation bias makes people seek out information that supports their pre-existing beliefs, and attribution bias attributes fault to external factors [11]. In the event of a failure, people may seek a story that reduces their own blame and protects their image as capable.

Over time, the motivated and heuristic-driven processing may change into a stable decision bias that affects employees' perception of risk, trust in feedback, and response to new initiatives. The decision may be based on insufficient or biased evidence, disregard self-incriminating clues, and support a self-serving interpretation. Given the above changes in cognition, we can understand why adding more data does not change the decision after failure, unless the root cause is self-threat and motivational concerns [7, 11].

8. PROGRESSIVE PSYCHOLOGICAL PROCESS: FROM FAILURE TO BIASED DECISIONS

Based on the above links, a forward-looking psychological process can be inferred. Workplace failure triggers the first assessment, which determines fault, control ability and damage to self-esteem. If the failure is regarded as a manageable feedback, then employees can use organisational support and regulatory resources to conduct structured reflection and learning [1-3].

Failure is perceived as a damage to one's self-esteem, and thus defence mechanisms are triggered. Motivated Reasoning and self-defense processes shape information selection and interpretation by directing attention to self-protective narratives [7-9]. At the same time, regulatory demands may reduce the self-control resources available for overriding intuitive heuristics and considering evidence that contradicts self-serving conclusions [6, 10].

At this time, loss-framed thinking and prospect theory dynamics lead to biased risk preferences, and heuristics and biases mechanisms further distort judgment. Employees are too risk-averse in the face of innovation, take excessive risks to "cover up" losses, or are unwilling to accept feedback that points out more serious problems [4-6, 11]. Therefore, the progressive process links failure events to decision biases through interacting layers of self-threat, defensive cognition and constrained regulatory capacity.

Given this change, the organisation can design interventions at all levels to shift the focus of failure from general deficiencies to specific, actionable learning points; support the recovery of emotions and self-integrity; and create spaces for collective sense-making that distribute responsibility and understanding among teams. Such interventions do not eliminate bias; rather, they may reduce the scope and duration of the bias, and more rational thinking can gradually emerge [1-3].

9. IMPLICATIONS FOR ORGANISATIONAL PRACTICE AND LIMITATIONS OF THIS STUDY

Given the gradual psychological changes that occur after failure, some applications in organisations are suggested below. Support for learning from failure should also address employees' sense of self-worth, not just the technical reasons for errors. Psychologically safe debriefing and balanced feedback that acknowledge both strengths and weaknesses, as well as opportunities for self-affirmation, can reduce self-threat and defensive cognition and motivate more open analysis of failure [2, 8, 9].

An organisation can also design a decision-making process that considers regulatory constraints after a failure, for instance, by avoiding high-stakes judgments immediately following a serious setback and providing time, support and shared reflection before making a major choice. Training that raises people's awareness of the effects of prospect theory, framing influence and common heuristics can help employees recognise potential biases; however, such training alone cannot solve motivational problems [4, 5, 11].

This paper has offered a conceptual synthesis but no new empirical data. Therefore, the results are limited to what has been reported in the literature and do not include organised data from particular workplaces. Future research can track self-threat appraisals, defensive cognition and decision outcomes in organisations over time to test the proposed progressive model. At present, the analysis serves as a reference for self-examination and cautious modification; although the goal of converting failure into less biased decision-making is desirable, it is far from easy and requires addressing both psychological and procedural issues.

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