

THE HIDDEN COST OF RECURRING PROBLEMS

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There is a problem that most executive teams know about, tolerate, and have quietly stopped expecting to fully resolve. It shows up in weekly operations reviews. It generates work orders, meetings, and management attention on a rotating basis. Everyone knows its name. It has probably been assigned to someone, or to a task force, or to a project that quietly closed without fully solving it.

The recurring problem.

In most organizations, recurring problems are treated as an operational nuisance: frustrating but manageable, expensive but predictable, chronic but not urgent. It becomes a part of the fabric of the business. That framing is wrong. And the cost of that framing, compounded across years and operating sites, is one of the most significant and least visible financial exposures in organizational life.

What a Recurring Problem Actually Signals

When a problem comes back, it is communicating something specific: the root cause was not resolved. A symptom was addressed. A workaround was installed. A component was replaced. But the underlying condition that produced the failure was left in place, and the failure is now doing exactly what an unresolved root cause does. It is recurring.

This distinction matters because it changes the nature of the management response required. A recurring problem is not a harder version of the original problem. It is evidence that the original analysis and diagnosis were incomplete. The organization did not solve the wrong thing badly. It solved the wrong thing efficiently, and has been doing so repeatedly ever since.

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Kepner and Tregoe identified this diagnostic gap decades ago in their foundational research on how managers actually approach problem-solving. Their observation, validated across thousands of client engagements since, was that most organizational problem-solving begins with solutions rather than with a rigorous definition of the problem itself. The result is predictable: fixes that address visible symptoms, root causes that remain intact, and problems that return.

Source: [*Kepner, C.H., and Tregoe, B.B., The New Rational Manager, Princeton Research Press, 1981.*](#)

The Financial Case Most Organizations Are Not Making

Ask most CFOs what recurring operational problems cost their organization, and the answer will typically reflect direct remediation: labor hours, replacement parts, downtime. These costs are real and they are captured in financial systems. They are also the smallest part of the total cost of recurrence.

The full cost of a recurring problem has several layers, and most of them are invisible in standard reporting. The first layer is direct remediation: the measurable cost of each individual fix. The second layer is management overhead: the meetings, escalations, status updates, and leadership attention consumed by managing a problem that keeps returning. The third layer is opportunity cost: the productive capacity, capital, and talent diverted from growth initiatives to stability maintenance. The fourth layer is organizational cost: the erosion of team confidence, the development of workarounds that become permanent, and the institutional knowledge that accumulates around managing a problem rather than solving it.

Research on the cost of poor quality in manufacturing environments provides useful benchmarks. The American Society for Quality has estimated that organizations typically spend between 15 and 40 percent of their operating budgets on quality failures, with a significant portion of that attributable to internal failures, rework, and scrap rather than customer-visible defects. McKinsey analysis of manufacturing performance gaps has identified unplanned downtime and chronic quality issues as among the largest contributors to the performance gap between top-quartile and bottom-quartile operators.

Sources: [*American Society for Quality, Cost of Quality research;*](#)
[*McKinsey & Company, Operations Practice, Manufacturing Performance benchmarks*](#)

In pharmaceutical manufacturing, the stakes are amplified further. FDA observations and warning letters frequently cite inadequate root cause analysis as a contributing factor in recurring deviations and CAPA failures. The cost of a single regulatory action, including remediation, production disruption, and reputational damage, can reach into the hundreds of millions of dollars. The investigation that could have prevented it often required a fraction of that investment.

In semiconductor fabrication, yield loss from recurring process deviations compounds across production cycles in ways that are difficult to fully attribute in financial systems. A deviation that reduces yield by two percentage points, recurring quarterly, may represent tens of millions in lost production value annually across a single fab. The problem shows up in aggregate yield data. The root cause, unresolved, does not.

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The full cost of a recurring problem has four layers.

Most organizations are only measuring the first one.

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How Fixes Compound Into Systems

One of the most consequential dynamics of recurring problems is what happens organizationally over time. Each time a problem returns and is addressed without resolving the root cause, the organization builds a slightly more elaborate infrastructure for managing it. Monitoring gets added. Alert thresholds get adjusted. A dedicated resource gets assigned. A checklist gets created for the response protocol.

These investments each feel rational in isolation. In aggregate, they represent an increasingly expensive operating model built around an unresolved problem. The organization has not solved the problem. It has built a system for living with it. And that system has costs, both direct and indirect, accumulated over time and persisting indefinitely.

The indirect cost is particularly damaging at the leadership level. Chronic recurring problems consume disproportionate management attention relative to their apparent severity. They generate a specific kind of organizational fatigue: the dull frustration of addressing the same issue repeatedly without progress. Over time this erodes confidence in the organization's problem-solving capability. Teams stop expecting problems to be fully resolved. Learned helplessness, at scale, becomes a cultural liability.

Harvard Business School research on organizational learning has documented the concept of 'failure traps,' in which organizations that experience repeated failures in the same domain reduce their investment in genuine problem-solving and increase their investment in managing failure outcomes. The result is a self-reinforcing cycle: incomplete diagnosis produces recurrence, recurrence produces management infrastructure, management infrastructure normalizes recurrence, and the underlying cause remains unaddressed.

Source: [*Levinthal, D., and March, J., 'The Myopia of Learning,' Strategic Management Journal, 1993.*](#)

The Risk Management Frame Most Leaders Are Missing

Recurring problems are not just operational inefficiencies. They are risk exposures, and they should be evaluated and managed as such.

Consider how most risk management frameworks operate. They identify potential failure modes, assess probability and impact, and assign mitigation resources proportional to the risk. A problem that has occurred, and has already recurred, is not a potential failure mode. It is a demonstrated pattern. It has a known probability of recurrence, a documented cost per occurrence, and a predictable trajectory if left unresolved. By the standards of any rigorous risk framework, it represents one of the highest-confidence risk exposures in the organization.

Yet in most organizations, recurring operational problems are managed through the operations function, not the risk function. They appear on maintenance logs and quality dashboards rather than risk registers.

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Their cumulative cost is not presented to boards or audit committees. They are invisible to the governance structures that are explicitly charged with managing organizational risk exposure.

This is a gap worth closing. Organizations that bring recurring problem data into their risk management conversations, that quantify the cumulative cost of recurrence and present it alongside other risk exposures, tend to make very different investment decisions about root cause analysis capability. The case for structured problem-solving investment looks entirely different when the comparison is against the ongoing cost of not having it.

What Structured Root Cause Analysis Actually Provides

Structured root cause analysis is not a quality tool. That framing, while common, is limiting. It positions systematic diagnosis as a compliance activity rather than a strategic capability, and it substantially undersells both the application and the return.

What structured problem-solving actually provides is a reliable method for identifying the specific change or condition that explains why a failure occurred when and where it did, rather than at other times and places. This distinction, the IS versus the IS NOT, the boundary conditions of the problem, is what separates a confirmed root cause from a plausible hypothesis. Organizations that can consistently make this determination resolve problems permanently rather than managing them repeatedly.

The capability also has broader organizational value. Teams that share a common diagnostic language and process communicate more accurately about problems across functional boundaries. Handoffs between operations, quality, engineering, and maintenance are more precise because the information being transferred is structured rather than anecdotal. Escalations are more efficient because the presenting information is already organized around cause rather than around symptom narrative.

And in an era of accelerating AI adoption, this capability becomes more, not less, valuable. AI tools can surface patterns in large operational datasets faster than human teams can review them. But pattern recognition is not root cause determination. AI can identify that a failure correlates with a shift change, a supplier lot, or a temperature deviation. It cannot determine which of those correlations represents a causal relationship without structured human judgment applied to the diagnostic question. The organizations that build structured problem-solving capability alongside their AI investments will extract more value from both.

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A Practical Starting Point for Leaders

The entry point for most organizations is not a large-scale training initiative. It is a more honest accounting of what recurring problems are costing, followed by a rigorous examination of whether the organization's current approach to root cause analysis is producing permanent resolutions or managed recurrences.

A few questions worth putting on the table in the next operations review:

Which problems have we addressed more than twice in the last twelve months?
What is the cumulative direct cost of those recurrences?

For each, can we articulate the confirmed root cause?
Or did we address the most likely symptom and move on?

What percentage of our unplanned maintenance and quality events are genuinely novel,
versus recurrences of previously addressed failures?

If we assigned a risk value to our top five recurring problems,
how would they rank against other items on our risk register?

What would it be worth to permanently resolve the top three?

These questions do not require new data systems or new analytical tools. They require a willingness to look at familiar operational data through a different lens: not as a record of how problems were managed, but as evidence of which problems were actually resolved.

The answer, for most organizations, is instructive. And the gap between what recurring problems cost and what structured root cause analysis requires to close that gap is, in most cases, one of the highest-return investments available in the operations portfolio.

→ NEXT IN THE SERIES

Article 3: AI Gives You Answers Fast. Are They the Right Ones?

The first two articles in this series have examined what happens when organizations solve the wrong problem, and what that costs over time. Article 3 moves to the decision-making pillar and introduces a new dimension of urgency: AI tools are now generating answers faster than most organizations can evaluate them. The question is no longer whether you can get to an answer quickly. It is whether you have the structured thinking capability to know if the answer is right.

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For more than sixty years, Kepner-Tregoe has helped organizations solve problems, make decisions, manage risk, and build cultures of critical thinking. KT's structured methodologies -- Situation Appraisal, Problem Analysis, Decision Analysis, Potential Problem Analysis, and Potential Opportunity Analysis -- provide the thinking infrastructure that allows leaders and teams to perform at their best when it matters most.