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Douglas McGregor's Theory X and Theory Y

Introduction

Douglas McGregor (1906-1964) followed a mostly academic career lecturing at Harvard University and Massachusetts Institute of Technology (MIT). Although, because of his early death, he wrote only a few publications, they have had a great impact. In 1993 McGregor was listed as the most popular management writer alongside Henri Fayol. Major management writers across the world agree that much of modern management thinking goes back to McGregor, especially the implications of his writing for leadership.

Summary

McGregor believed that managers' basic beliefs have a dominant influence on the way that organisations are run. Managers' assumptions about the behaviour of people are central to this. McGregor argued that these assumptions fall into two broad categories - Theory X and Theory Y. These findings were detailed in *The Human Side of Enterprise*, first published in 1960.

Theory X and Theory Y describe two views of people at work and may be used to describe two opposing management styles.

Theory X: the traditional view of direction and control

Theory X is based on the assumptions that:

1. The average human being has an inherent dislike of work and will avoid it if possible.
2. Because of this human dislike of work, most people must be coerced, controlled, directed, and threatened with punishment to get them to put forth adequate effort toward the achievement of organisational objectives.
3. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security above all.

A Theory X management style therefore requires close, firm supervision with clearly specified

tasks and the threat of punishment or the promise of greater pay as motivating factors. A manager working under these assumptions will employ autocratic controls which can lead to mistrust and resentment from those they manage. McGregor acknowledged that the 'carrot and stick' approach can have a place, but will not work when the needs of people are predominantly social and egoistic. Ultimately, the assumption that a manager's objective is to persuade people to be docile, to do what they are told in exchange for reward or escape from punishment, is presented as flawed and in need of re-evaluation.

Theory Y: the integration of individual and organisational goals

Theory Y is based on the assumptions that:

1. The expenditure of physical and mental effort in work is as natural as play or rest. The average human being does not inherently dislike work. Depending upon controllable conditions, work may be a source of satisfaction, or a source of punishment.
2. External control and the threat of punishment are not the only means for bringing about effort toward organisational objectives. People will exercise self-direction and self-control in the service of objectives to which they are committed.
3. Commitment to objectives is a function of the rewards associated with their achievement. The most significant of such rewards, e.g. the satisfaction of ego and self-actualisation needs, can be direct products of effort directed towards organisational objectives.
4. The average human being learns, under proper conditions, not only to accept but to seek responsibility. Avoidance of responsibility, lack of ambition, and emphasis on security are generally consequences of experience, not inherent human characteristics.

The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organisational problems is widely, not narrowly, distributed in the population.

Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilised. Theory Y assumptions can lead to more cooperative relationships between managers and workers. A Theory Y management style seeks to establish a working environment in which the personal needs and objectives of individuals can relate to, and harmonise with, the objectives of the organisation.

In his book, *The Human Side of Enterprise*, McGregor recognised that Theory Y was not a panacea for all ills. By highlighting Theory Y, he hoped instead to persuade managers to abandon the limiting assumptions of Theory X and consider using the techniques suggested by Theory Y.

Theory into practice

Abraham Maslow viewed McGregor as a mentor. He was a strong supporter of Theories X and Y, and he put Theory Y (that people want to work, achieve and take responsibility) into practice in a Californian electronics factory. However, he found that an organisation driven solely by Theory Y could not succeed, as some sense of direction and structure was required. Instead, Maslow

advocated an improved version of Theory Y which involved an element of structured security and direction taken from Theory X.

Maslow's negative experience with implementing Theory Y must be balanced against that of McGregor himself at a Procter & Gamble plant in Georgia, where he introduced Theory Y through the concept of self-directed teams. This plant was found to be a third more profitable than any other Procter and Gamble plant; it was kept a trade secret until the mid-1990s.

Before he died, McGregor began to develop a further theory which addressed the criticisms made of theories X and Y - that they were mutually incompatible. Ideas he proposed as part of this theory included lifetime employment, concern for employees (both inside and outside the working environment), decision by consensus and commitment to quality. He tentatively called it Theory Z. Before it could be widely published, McGregor died and the ideas faded.

Theory Z

The work on Theory Z which McGregor began was not completely forgotten. During the 1970s, William Ouchi began to expound its principles by comparing and contrasting Japanese (Type J) and American (Type A) organisations.

Type A organisations tended to offer short-term employment, specialised careers (with rapid promotion) and individual decision making and responsibility. Type J firms, on the other hand, mirrored the ethos of Japanese society - collectivism and stability rather than individuality. Those American firms which shared Type J characteristics (and indeed had more in common with Type J organisations) were described as Type Z (examples included Hewlett-Packard and Procter & Gamble).

Leadership

Before McGregor, the thrust of writing about leadership focused on the qualities and characteristics of 'Great People', in the hope that, if those qualities were identified, they could be emulated.

McGregor argued that there were other variables involved in leadership, including the attitudes and needs of the followers, the nature and structure of the organisation itself, and the social, economic and political environment. For McGregor, leadership was not a property of the individual, but a complex relationship among these variables. He was one of the first to argue that leadership was more about the relationship between the leader and the situation they faced, than merely the characteristics of the leader alone.

The Human Side of Enterprise marked a watershed in management thinking which had previously been dominated by the scientific approach of Taylor, and formed the foundations for the current people-centred view of management.

Theory Y has been criticised for being too idealistic, but if we examine each of the six tenets of Theory Y in turn, we can trace much modern thinking back to McGregor:

1. Work - as a source of satisfaction - means accepting that people need to know not just what or how, but why; the adoption of meaningful objectives is one of the keys to self-

motivation.

2-4. Ownership, commitment and responsibility are three of the key facets of empowerment

5-6. The encouragement of people towards the solution of organisational problems is central to action learning, Total Quality Management, strategic thinking and knowledge exploitation.

Contemporary and subsequent commentaries on McGregor's theories have tended to see them as black and white. Harold Geneen, former President and CEO of ITT, commented that although Theories X and Y propose a neat summary of business management, no company is run in strict accordance with either one or the other. Peter Drucker argued that the contrast between Theory X and Theory Y is "largely a sham battle", since people behave in a reactive way and in fact the situation and job requirements often dictate the best approach.

If Theory Y has been held up as an unachievable aim - where individual and organisational aspirations converge - there is a growing body of successful cases where progress towards this aim has been made. Organisations are attempting to achieve this alignment through continuous improvement, continuous professional development and employee participation schemes operating in climates of empowerment.

It is possible to conclude that the *The Human Side of Enterprise* recognises that we cannot actually motivate people, but we do have to acknowledge the opposing forces at play. What we can do is attempt to create the right climate, environment or working conditions for motivation to be enabled.