DOUGLAS MCGREGOR'S THEORY X AND THEORY Y

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It was in 1957 that Douglas McGregor first proposed the concept of Theory X and Theory Y in ' The Human Side of Enterprise', yet still today his ideas continue to be misunderstood and misused in the field of management. The purpose of this paper is therefore to offer to business and management readers a clear overview of McGregor's ideas, their use, critique, and contribution to the field of management.

DOUGLAS MCGREGOR

McGregor died in 1964, aged 58, but not before making a substantial contribution to the field of management. McGregor came from a social psychology background and brought his training in this area to the field of management. According to *The Economist* (2008) "he was not necessarily the first to come across the ideas associated with him. But he was the first to 'name' them." The result being that he is most frequently associated with them. According to Lerner (2011, p. 218), "what he sought in general, and perhaps more profoundly, was a better understanding of how human factors affected, and were incorporated into, organizational behavior and outcomes." Even today, the impact of his seminal thinking can still be felt in different areas of management.

THEORY X

For younger people, what McGregor labeled the 'Conventional View' of management tasks may seem confusing as most business schools normally teach a more Theory Y approach to management. However, in the 1950s when he was writing the 'conventional conception of management's task in harnessing human energy to organizational requirements' or what he described as Theory X (in order to avoid the complications associated with creating a label, 1957), was that it was the duty of management to organise, direct, control, and modify the behaviour of employees as otherwise they might become passive or even resistant to work.

The underpinnings of this view were, as argued by McGregor (1957), that people were averse to working, lacked ambition and a desire for responsibility, were selfish, resistant to change, and gullible. Therefore the conventional wisdom was that people needed to be, indeed preferred to be, led by others. In response to these assumptions, management style then resulted in the 'hard' and 'soft' management approaches. The 'hard' approach being coercive, requiring close supervision and tight control which often resulted in resistance and obstruction, a 'soft' approach which was seen as resulting in the abdication of management and indifferent performance. The popular strategy then which was developed amongst managers, was "firm but fair"(McGregor, 1957).

The weakness with this approach was that the behaviour of employees was not a result of their "inherent nature"(McGregor, 1957), but was a consequence of the nature of industrial organisations, of "management philosophy, policy and practice". As pointed out by Tony Morden in *Principles of Management*;

> Where it is evident that Theory X reasonably reflects the attitude of employees towards their working environment, managers may as a practical consequence adopt a 'traditional' low-trust view of the need to direct and control the efforts of their staff towards the achievement of organizational objectives.' (Morden, 2004, p. 178).

In effect, the way that management views its employees results in a self-fulfilling prophecy. If employees are viewed as indolent and lazy, they will begin to behave in such a manner and will require close supervision and direction. Furthermore, Theory X fails because it does not consider human motivation, the needs of humans.

> It fails because direction and control are useless methods of motivating people whose physiological and safety needs are reasonably satisfied and whose social, egoistic, and self-fulfillment needs are predominant. (McGregor, 1957).

THEORY Y

In contrast to Theory X, or the conventional approach to management, McGregor (1957) proposed an alternative approach based on "more adequate assumptions about human nature", which he called Theory Y. In this perspective, managements role is not simply direction, but in organising the resources for an enterprise to meet its objectives, whether they be human or material. People are not passive, and it is the responsibility of management to provide opportunities for the development of their employees, to release their potential by creating the conditions so that people can harness their efforts to achieve organisational objectives.

This perspective rests on the view of human beings, that rather than being indolent and seeking direction, humans actually are the reverse. According to McGregor (1957), it was beginning to be understood that, "that, under proper conditions, unimagined resources of creative human energy could become available within the organizational setting." With organisations meeting the most basic needs of their human resources, the opportunity exists to (and is indeed required as explained by Head, 2011, p. 204) to "draw out" the performance of their staff, in essence, to meet their higher needs.

One criticism of this view was that it resulted in the abrogation of responsibility by managers. However, this judgement lacked the understanding that the Theory Y approach required a fully engaged managerial role, and that the role had changed from one of direction to one of creating conditions to allow employees to fulfill their potential in the pursuit of organisational goals. McGregor was the first to point out that this "goal" was not something which could be achieved overnight, and as he noted (McGregor, 1957), "change in the direction of Theory Y will be slow, and it will require extensive modification of the attitudes of management and workers alike."

 The basic difference between the two approaches is well expressed by McGregor.

> Another way of saying this is that Theory X places exclusive reliance upon external control of human behavior, whereas Theory Y relies heavily on self-control and self-direction. It is worth noting that this difference is the difference between treating people as children and treating them as mature adults. (McGregor, 1957).

MISCONCEPTIONS

From the above it seems then an obvious choice for managers is to follow a Theory Y management style rather than a Theory X one and achieve better overall results. Yet, this view (which was adopted by many) is to misunderstand what McGregor was trying to achieve. It is important to note from the beginning some important points which are often overlooked when considering McGregor's Theory X and Y. Firstly, he was not offering a blueprint for management success, as some believe, but a starting point to begin discussion of the act of management and organisational culture. As McGregor himself noted in *The Human Side of Enterprise* (1957):

> We cannot tell industrial management how to apply this new knowledge in simple, economic ways. We know it will require years of exploration, much costly development research, and a substantial amount of creative imagination on the part of management to discover how to apply this growing knowledge to the organization of human effort in industry. (McGregor, 1957, pp. 22-28).

As far as McGregor was concerned, this was a starting place, not a definitive set of universal rules to be adopted without question.

Furthermore, there is a certain amount of confusion around the underlying principles of the theories based, as Schein (20110 argues, on the failure to recognise that McGregor was making a psychological argument, a theoretical approach, not a set of management rules. McGregor's idea concerned the assumptions with which people approach management, not their management abilities or traits. For McGregor, the important lesson was that all of us are affected by the assumptions we hold of the world and only by examining these assumptions can we adapt and create behaviours suitable for our environment. Schein (1967, p. xi) argues in the introduction to McGregor's posthumous book, *The Professional Manager*, that he (McGregor) had become discouraged by the way in which Theory Y had become a "monolithic set of principles" which was not McGregor's intention.

> He wanted Theory Y to be a *realistic* view, in which one examined one's as-
> sumptions, tested them against reality, and then chose a managerial strategy
> that made sense in terms of one's diagnosis of reality. (Schein, 1967, p. xi,
> italics in original).

It is not a simple choice between one or the other, simply they represent polarised extremes within which a managers assumptions would fall. According to Schein (2011, p. 157), "there is nothing in this theory that says a manager should behave in any particular matter, only that how he or she behaves is driven by deep cognitive assumptions" which mean an organisation should learn whether being *more* Theory X or Y has an impact on the effectiveness of the manager. The consequence for the organisation is to understand what managerial assumptions are more effective or desired and question underlying assumptions rather than managerial actions and abilities (Schein, 2011, p. 160). For those with a more Theory X disposition, understanding could result in a move to a position where their skills and disposition could be more effective. As Schein (2011, p. 161) argues:

> There is no point in suggesting content to people because if it does not fit
> their assumption sets they would not do it anyway or they will do it in an
> incongruent way and will fail. (Schein, 2011, p. 161).

To understand this point of view, it must be remembered that Shein's model of the levels of organisational culture is often portrayed as a pyramid where the basic assumptions are at the most fundamental and sub-conscious level of organisational culture from which values and beliefs derive. Artifacts which are the most superficial level of organisational culture including very visible and tangible events and phenomena merely emerge from the underlying values and assumptions.

As a result, each worker's assumptions are directly tied to the culture of the organization. In fact, Shein's (1983, p. 1) definition of organisational culture is "the pattern of basic assumptions which a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, which have all worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems".

These assumptions are the basis of organisational culture and have an immediate connection to McGregor's Theories X and Y in that each theory represents certain assumptions about human behaviour in the workplace. Therefore, any prospective employee will have assumptions about the nature of the work they will be doing and how they will be expected to deal with problems and make decisions. If an individual is ' assuming' that he/she will be allowed a certain amount of freedom, autonomy, and responsibility in their

work whilst being provided the necessary resources and opportunities to achieve organisational goals, it seems coherent for management to adhere to Theory Y and keep these individual assumptions in mind during the hiring process.

As Willmott (1993, p. 515) contends, a strong culture is crucial for any organisation as it is directly linked to organisational performance. Therefore, if human resources and knowledge are the most important source of an organisation's success, then people's basic assumptions about their relationship between work and the organisation must undoubtedly also be examined, as this is also the source where the organisation's values are created. It seems to make sense then for management rather than dictating and asserting values onto their employees (as suggested by Theory X) to rather carefully consider the assumptions and values of prospective employees at the recruitment stage so as to build a strong organisational culture from the bottom up. While one of Shein's major assertions is that organisational culture is taught by its leaders, it is important to keep in mind, as Kochan *et al.* (2002, p. 5) argue, that leadership should be distributed at all levels in a transformational sense so as to understand the assumptions and values of employees and delicately align them with shared values and assumptions creating an organic organisation and hence utilising different Theory X and Theory Y styles.

There is no one set of rules, as Schein (2011, p. xiii) points out, "each person must find his own answers to these questions." It is for the individual, and as this writer would argue, for the organisation to understand themselves and their needs.

CRITIQUE

There are of course criticisms of McGregor's ideas from different quarters. Perhaps one of the most important is the subject of culture. McGregor was heavily influenced by his colleague Abraham Maslow and his work on motivation; indeed he used the hierarchy of needs in his 1957 paper to help explain the shortcomings of Theory X as an appropriate management style. The criticism here is that is it very ethnocentric and does not take into consideration different cultural environments. Hofstede, according to Sorensen and Minahan (2011, p. 186), argues that Theory Y concepts are "not universally applicable and that Theory X is more applicable in countries characterized by high power and /or high uncertainty avoidance". Yet, it is starting to be argued, as Sorensen and Minihan (2011, p. 187) point out, as a result of global cultural convergence, that in some cases, cultures defined by Hofstede's work in the 1970s as high power/uncertainty avoidance may no longer fit this model and be changing to more Theory Y compatible cultures, especially those with strong trade and commerce connections.

A second criticism of his ideas comes from the fact that, as *The Economist* (2008) puts it, people have "criticised his ideas as being tough on the weaker members of society, those who need guidance and who are not necessarily self-starters". Yet, McGregor argued that:

The conditions imposed by conventional organization theory and by the approach of scientific management for the past half century have tied men to limited jobs which do not utilize their capabilities, have discouraged the acceptance of responsibility, have encouraged passivity, have eliminated meaning from work. (McGregor, 1957).

The implication here is that part of the problem lies in the fact that people have been led to believe that they need direction; that they cannot be responsible for themselves. He understood that this was a process which would not happen overnight and required the efforts of both management and employees to overcome this hurdle. Of course, it could be argued that this position does not consider the abilities of all people in society, some of whom lack the required skills which even training and opportunity would fail to assist. Yet, this neglects McGregor's views of humanity and their ability to contribute which includes all, from the worker to the president of an organisation.

Part of the problem comes from the application of what management perceives as McGregor's Theory Y ideas. It must be remembered that part of his concern was for the effect that management assumption and organizational culture of Theory X organisations had on the worker, yet practices applied by organisations (which are seen as based on Theory Y precepts) can have a similarly negative impact on employees. One such case is the practice of job enlargement, stemming from attempts at job enrichment.

> McGregor would likely be saddened if he was observing jobs and the work-place today. Given the massive economic pressures an organization in both the public and private sectors, he would notice that people are producing more and more each year, for less pay, while doing more tasks and greatly fragmented by it all. (Sorensen 2011, p. 180).

Managers are continuing to make a mistake, focusing on productivity rather than on employee well-being. Yet once again, it is hard to lay this at the door of McGregor, rather than at those who misunderstand and misinterpret his ideas.

A third criticism attends to the applicability of Theory Y to organisations. There is a view that, as espoused by Joanne Woodward (Sorensen and Mininhan, 2011, p. 179), "mechanistic organizations (Theory X) were more appropriate for mass technology, while organic organizations (Theory Y) were more consistent with advanced technologies;" in essence, organisational environments which require "increased task complexity and increased technological sophistication" require organisational forms that are characterised or suitable

for Theory Y. Yet this can be seen as a misnomer, there is evidence of Theory Y being applied in different contexts. As *The Economist* (2008) explains, Proctor and Gamble set up production facilities for detergent along Theory Y lines, run in a "non-hierarchical way with self-motivating teams" and by the mid-1960s was more productive than any other plant. Yet, this does depend on organisational wide understanding and implementation of the principles of management. As Sorenen and Minihan (2011, p. 187) point out that it is "now clear that the success or failure of Theory Y…programs is highly dependent on the organizational culture within which they are implemented". In effect, policies such as performance evaluation and management by objective can only thrive if the overall conditions are there to nurture them. Ideas have to permeate all levels of an organisation, not simply elements of it.

CONTRIBUTION

McGregor's ideas have had a significant contribution to the field of management. Perhaps the most important is in how organisations view their employees, a paradigm shift from seeing them as indolent and directionless to the understanding that humans want to work, want to self-direct and make a contribution and that it is the responsibility and duty of managers to create the conditions for employees to contribute positively. To put it simply, creating the understanding that managers, according to Head (2011, p. 205) need to be transformational rather than transactional. At the same time, Head argues that McGregor's ideas led to a greater understanding that teamwork is essential to organisational success.

> When one looks at what contemporary organization behavior scholars have
> identified as the critical elements leading to successful groups it is awe inspir-
> ing how much they agree with McGregor' assessment. (Head, 2011, p. 206).

As part of this, it also led organisations to understand the need for management equality in the workplace, that to get the best out of the diverse human capital of an organisation, all members had to be treated the same and offered the same opportunities to contribute. However, not all would agree that McGregor's ideas have taken root and influenced the modern organisation. Lerner (2011, p. 225) argues that "it does not seem apparent that these insights and subsequent discoveries have taken firm hold in the minds and behavior of managers. Certain less than optimal zzeven dysfunctional behavior persists." Whilst this might be true, it does bring us back to the point that McGregor made, that this knowledge is in it infancy and that a great deal more research needs to be done.

One such researcher who has taken up the challenge is William Ouchi, who in the 1980s took up the mantle and proposed what he called Theory Z. This was partly a response to the growth and success of the Japanese economy and attempted to fuse Japanese and American management practices. As Lerner (2011, p. 224) explains Ouchi, "with direct reference to Maslow and other social researchers, as well as McGregor, wrote *Theory Z* …which addressed a set of human needs, if not beliefs, based on issues like affiliation/belongingness and loyalty that are not addressed by Theory X or Theory Y". At heart, Theory Z goes further than McGregor in arguing that the organisation needs to not only leverage the abilities of its employees, but to also develop trust and consensus of values. As Morden states:

> Theory Z may be particularly applicable to high technology companies, or
> to service organizations such as airlines, hotels, educational institutions, or
> hospitals in which people-based skills   and experience are key drivers in the
> value-generating process or value chain. (Morden, 2004, p. 184).

In effect, fulfilling McGregor's desire and understanding that further research was necessary. Happily, further research is still ongoing, with Schein (2011, p. 164) arguing that perhaps McGregor's ideas could be applied to initial selection in the workplace, using his assumptions to identify Theory Y people, something which has been "largely over-whelmed by the obsession with development and training". As he argues, "instead of obsessing about the desired traits of leaders we may begin to pay attention to undesirable assumptions that need to be weeded out"(Schein, 2011, p. 163).

Perhaps to sum up his contribution, we can use a quote from Lerner (2011, p. 218), ''what he sought in general, and perhaps more profoundly, was a better understanding of how human factors affected, and were incorporated into, organizational behavior and outcomes." Research is ongoing, but already we can see a greater understanding on the part of organisations to aligning human needs to organisational goals.

CONCLUSION

McGregor offered us a starting point, one that he probably didn't understand himself, would lead us us to where we are today...it is truly dumbfounding how accurate the man was 50 years later. (Head, 2011, p. 213)

McGregor's ideas designed to start scientific enquiry into management practice are still of great relevance today, yet to say the investigation is over is far from the truth. Over the past 50 years his ideas have had great relevance in transforming the view of managing people, yet their application is not done and new avenues of research offer the potential for fruitful insights. His ideas underpin our modern view of management, and, in the view of this author, will continue to do so for the foreseeable future. ■

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