

McGregor's Theory X and Theory Y

Douglas McGregor developed a typology of two opposed views about employee behaviour, related to Maslow's categories of need, and considered their implications for management and motivation. The two views are known as Theory X and Theory Y.

(a) Theory X

The starting point of McGregor's approach was to postulate a view of employee behaviour based on managers and industrial theorists who saw workers as totally rational economic individuals. This perception rested on two key assumptions. Firstly, workers were rational beings, able to gather information about, and assess, their work situations. Secondly, having assessed the work situation, workers would be economically activated to optimise their position in the labour market; this they would do by selling their labour at the highest unit labour price. Workers would aim to obtain the highest possible pay for the least possible input of work effort. Hence, the economically rational worker would seek to push up wages and/or cut down hours of work – ideally he would try to do both.

This traditional approach of management, which accepts the worker as a lazy, grasping individual who must be bribed or coerced into working, McGregor called Theory X. It rests on the following assumptions:

- The average human being dislikes work.
- The average human being will avoid work whenever possible.
- Not only is the average employee lazy but he/she also lacks ambition and does not wish to take on responsibilities.
- Because of the above characteristics, employees must be strictly controlled and directed.
- Control of employees must be backed by coercion and threats if the objectives of the organisation are to be achieved.
- The average person prefers to be directed, and not to have to think deeply for himself in the work situation.

McGregor took issue with Theory X, on the following points:

- Complete rationality of thought is rare in human beings, so it is a mistake to view the average worker as “rational economic man”. Social science research has revealed that many other influences play a part in shaping behaviour in the workplace. There are considerable individual differences between workers; also feelings, attitudes, norms and values all influence the conduct of employees. Any meaningful models of employee behaviour should be drawn from the work of modern social scientists and not from the traditional views of management.
- McGregor disputes the need for strict controls backed by threats; he argues that in many cases persuasion, consultation and discussion between management and workers are far more effective ways of achieving organisational goals. He goes on to argue that modern organisations are characterised by interdependence between management and workers and that this has to be recognised if the organisation is to prosper.
- Because management’s view of the nature of man is wrong, much of the action taken by management is also wrong. Frequently management’s policies run counter to the human nature of employees as revealed by social science research, and this can have disastrous results for the organisation.
- Because management is convinced of the laziness and irresponsibility of the workforce, it places most of the blame on the workers when things go wrong. McGregor argues that once this blinkered view of the nature of workers is broken, then managers can begin to question the efficiency and appropriateness of their own methods and styles of management.

To sum up, McGregor sees as the basic fault of Theory X the fact that it is based on a false idea of human nature. All the rest of the theory follows logically if the human nature model is correct, but research proves the model to be wrong, therefore the whole theory is wrong.

(b) Theory Y

McGregor then put forward the set of assumptions which modern managers should act upon. He calls this Theory Y.

- The physical and mental effort people put into work is a natural human response; it is similar to the effort individuals make in games and sport. Hence, work can be enjoyable.
- Employees do not have to be controlled or threatened; they have reserves of self-control and self-motivation once they feel committed to the objectives of the organisation.
- Given the opportunities and training, employees will not only take, but also desire and seek, responsibilities.
- Employees have reservoirs of imagination, creativity and ingenuity, and given the right environment and encouragement they will use these to help solve problems in the work situation.
- In some modern organisations the potential of employees is not fully utilised; not only is this a waste of resources, but it is also causes frustration among the workforce. Hence, when workers do not co-operate to achieve organisational goals, the fault may lie in the structure of the organisation rather than in the workers.

To sum up Theory Y, McGregor argues that management should assume that in many cases employees will contribute more to the organisation if they are treated as responsible, valuable and industrious people. Management should reduce controls but retain accountability, i.e. they

should replace direction and threats with the giving of responsibility. The workplace should allow the worker to gain satisfaction in the pursuit of objectives to which he is committed.

Critics of McGregor have argued that some aspects of Theory Y are not practical, and that there is more truth in Theory X than McGregor cares to admit. However, many management theorists have pointed to the growing amount of evidence from research by social scientists that supports Theory Y. We can say that McGregor has made an important contribution to our understanding of management and workers in modern organisations.

Let us for a moment relate McGregor directly to Maslow. To satisfy social, egotistic and self-fulfilment needs, management should apply Theory Y in the organisation. The four most basic elements of Theory Y are as follows:

- **Decentralisation and delegation** should take place in organisations where there are too close controls. This would give employees a degree of freedom to direct their own activities and assume new responsibilities.
- **Job enlargement** should be introduced to encourage the acceptance of responsibility at the lower end of the organisation (see later in this study unit).
- **Participation and consultative management** should be used to encourage people to direct their creative energies towards organisational objectives and to give employees some voice in decisions that affect them.
- **Performance appraisal** for all levels of management should be carried out to find out how consistent management is with Theory Y. This will encourage the individual in management to take greater responsibility for planning and appraising his own contribution to organisational objectives. The effect of this on egotistical and self-fulfilment needs is said to be quite substantial.