



Douglas M. McGregor
(1906 – 1964)

Subject : **Public Administration**
Course : **Administrative Thinkers**
Title of module : **Douglas M. McGregor**
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Brief Summary:

A leading industrial-psychologist of the early 20th Century, McGregor is a household name in the field of Management and Administration. A thinker, an academician of repute, manager and a consultant, McGregor's interpretation of the assumptions about Human Behaviour and what motivates man to work resulted in his propositions – namely *Theory X and Theory Y*. In other words, can an employee be trusted and given the task of performing for the betterment of the organization or should an employee be directed, controlled and monitored to achieve the goals of the organization. Both the theories X and Y are based on the premise that the role of the management is to bring together all factors of production, including human resources, and coordinate them for the benefit of the organization. Thus, McGregor's focus was on how

the management could utilize its human resources for the welfare of both the enterprise and the employee.

The course on “Administrative thinkers” deals with eminent contributors who have studied management and administration from the view point of industrial organization as well as public administration. Douglas McGregor’s views on the theory of motivation are significant because it is applicable to both the public and private enterprises. This module will examine McGregor’s views on Human Behaviour, a brief commentary, evaluation and analysis of his major work “The Human Side of Enterprise”, objective-type questions and material for further readings.

Objectives of the module:

1. To familiarize the student-reader with the writings of McGregor;
2. To explain the basis of McGregor’s theory on motivation;
3. To examine the theory and its applicability in contemporary organizations; and
4. To provide a framework for further study and research.

Key Words:

Theory X, Theory Y, Human Relations Movement, Hard and Soft approach, Maturity, Motivation.

Text:

Douglas Murray McGregor was born in 1906 in Detroit and obtained his M.A. and Ph.D degrees in Psychology from Harvard University. He was a Management professor at the MIT Sloan School of Management and President of Antioch College. His major work was “The

Human Side of Enterprise” (1960). “The Professional Manager” was published posthumously in 1967, edited by Warren G. Bennis and Caroline McGregor. While many attribute Theory Y to McGregor, Graham Cleverley says that he used Theory X and Theory Y as two sets of beliefs that managers normally hold about their subordinate employee’s behaviour. As a psychologist, McGregor’s assumptions about human behaviour led to his postulates on what motivates an employee to work.

He was not the first thinker to deal with human relations aspects in industry. The writings of earlier thinkers like Robert Owen, Mary Parker Follet, Elton Mayo, Abraham Maslow, Gardner and Moore, F. Herzberg and Chris Argyris, and even his contemporary R. Likert dealt with human relations-based-management approach in understanding employee’s behaviour. What distinguished McGregor from other thinkers was his ability to translate the ideas into techniques that can be applied and used by the practitioners in their work environment. “The Human Side of Enterprise” comprises of three parts, the first discusses the theoretical assumptions behind management and organizations, the second deals with practical application of Theory Y and the third explains how managerial talent can be developed. (McGregor, Douglas., The Human Side of Enterprise, Tata McGraw Hill, Bombay, 1971).

McGregor’s contention that ‘successful management depends significantly upon the ability to predict and control human behavior’ and says that ‘our ability along these lines today is spotty’. Since every ‘managerial act depends on assumptions, generalizations, and hypotheses – i.e. on theory, theory and practice are inseparable’. He identifies three reasons as significant as to why the traditional principles (principles of classical organization) have failed: (1) the principles are derived from the study of models (notably the military and the Church – as

Max Weber does in elucidating the characteristics of bureaucracy); (2) classical principles ‘suffer’ from “ethnocentrism” (in ignoring the significance of the political, social and economic milieu in shaping organizations and influencing managerial practice); and (3) underlying assumptions about human behavior, which are only partially true. Thus, McGregor argues the need for “new theory, changed assumptions, more understanding of the nature of human behavior in organizational settings”.

The basic assumptions about human behaviour under Theory X and Theory Y are as below:

Theory X assumes that the average employee:

- Dislikes work and attempts to avoid it.
- Has no ambition, wants no responsibility, and would rather follow than lead.
- Is self-centered and therefore does not care about organizational goals.
- Resists change.
- Is gullible and not particularly intelligent.

Essentially, Theory X assumes that people work only for money and security. The managerial approaches under Theory X vary from hard to soft. The hard approach relies on coercion, implicit threats, close supervision, and tight controls, essentially an environment of command and control. The soft approach is to be permissive and seek harmony with the hope that in return employees will cooperate when asked to do so. However, neither of these extremes is optimal. The hard approach results in hostility, purposely low-output, and hard-line union demands. The soft approach results in ever-increasing requests for more rewards in exchange for ever-decreasing work output. In short, Theory X is a carrot and stick approach to management.

McGregor's contention is that the two approaches are inappropriate because the assumptions of Theory X (on human behaviour and attitude towards work) are not correct. Further in McGregor's words "The Philosophy of Management by direction and control – regardless of whether it is hard or soft – is inadequate to motivate because the human needs on which this approach relies are today unimportant motivators of behaviour. Direction and control are essentially useless in motivating people whose important needs are social and egoistic. Both the hard and the soft approach fail today because they are simply irrelevant to the situation." He says that "the conditions imposed by the traditional organization theory has tied man to limited jobs which do not utilize their capabilities, have discouraged the acceptance of responsibility, have encouraged passivity and have eliminated meaning from work. Thus, Man's habit...has been conditioned by his experience under these circumstances."

Based on Maslow's hierarchy of needs, McGregor says that under Theory X the firm relies on money and benefits to satisfy employees' lower needs, and once these needs are satisfied the source of motivation is lost. Theory X management styles in fact hinder the satisfaction of higher-level needs. Consequently, the only way the employees can attempt to satisfy their higher level needs in their work is by seeking more compensation, so it is quite predictable that they will focus on monetary rewards. While money may not be the most effective way to self-fulfillment, in Theory X environment it may be the only way. Under Theory X, people use work to satisfy their lower needs, and seek to satisfy their higher needs in their leisure time. But it is in satisfying their higher needs that employees can be most productive.

McGregor argues that a command and control environment is ineffective because it relies on lower needs as levers of motivation, but in modern society those needs already are satisfied

and thus no longer are motivators. In this situation, one would expect employees to dislike their work, avoid responsibility, have no interest in organizational goals, resist change, etc., thus making Theory X a self-fulfilling prophecy.

From this reasoning, McGregor proposed an alternative: Theory Y.

Theory Y makes the following general assumptions:

- Work can be as natural as play and rest.
- People will be self-directed to meet their work objectives if they are committed to them.
- People will be committed to their objectives if rewards are in place that address higher needs such as self-fulfillment.
- Under these conditions, people will seek responsibility.
- Most people can handle responsibility because creativity and ingenuity are common in the population.

Under these assumptions, there is an opportunity to align personal goals with organizational goals by using the employee's own quest for fulfillment as the motivating factor. McGregor insists that Theory Y management does not imply a soft approach.

Theory Y enables the enterprise to do many things that helps motivate its employees:

- The enterprise may decentralize control and reduce the number of levels of management. A superior may have more number of subordinates and consequently will be forced to delegate some responsibility and decision making to them.
- The scope of an employee's job can be increased to add variety and opportunities to satisfy ego needs of the employee.

- Employees can be involved in the decision making process.
- Performance appraisal of the employees through self-evaluation techniques can be initiated.

If properly implemented, such an environment would result in a high level of motivation as employees work to satisfy their higher level personal needs through their jobs.

McGregor's preference for Theory Y was because he believed that man is in dependent relationship (from worker to Vice-President), more so in an enterprise, and therefore will look to "security needs." (Maslow). However, once the dependent relationship is secured his social needs become important motivators through which he fulfills other needs like recognition from his peer group, love and respect etc. He says that management had wrongly assumed that they (man's aspiration to fulfill social needs) are a threat to the enterprise, though they are not. But when management tries to prevent the fulfillment of social needs through control and repression, the employees may go against the objectives of the enterprise. Thus, McGregor's Theory Y is not only a framework for motivating employees, but also a guideline for the management as to what they are expected to do towards their employees. He expects a management that is responsible and responsive to the needs of the employee. Taylor also talks of the change that has to be brought about in the managers (mental revolution) for increased productivity under scientific management.

McGregor attributes the failure of the new ideas to the fact that management may have "bought the idea" but applied it within the framework of Theory X and its assumptions. He says that "only the management that has confidence in human capacities and is itself directed towards organizational objectives rather than toward the preservation of personal power can

grasp the implications of this emerging theory". The classical theory assumed that human behavior, influenced by economic need and security, was consistent and predictable. McGregor's argument against this assumption is that the only consistent and predictable factor in human behavior is its inconsistency and unpredictability, thus paving way for a variety of human responses to fulfill higher needs and goals.

The role of the professional manager in motivating employees attracts the attention of McGregor. He says "most professionals – lawyers, doctors, architects, engineers – simply rely on the authority of knowledge" and "their relationships with clients represent an extreme form of authoritarianism". They do not realize that "the clients can ignore their advice or even terminate the relationship". True professional help, to McGregor, "is not in playing God with the client, but in placing professional's knowledge and skill at the client's disposal."

McGregor's professional manager is one who helps the client in making use of the knowledge and skill that is made available at his (client's) disposal. He considers this as an important form of social influence, not understood by many.

It is on this vital aspect McGregor stands apart from other 'Human Relations' thinkers.

Theory Y is not prescriptive but indicative of the possibilities of human behavior at work places, an understanding of which can help organizations. The manager is not to direct, influence, control and be authoritative, but to share his professional expertise and skill, and help (them) achieve personal and organizational goals. How such a professional manager can be developed is what McGregor discusses in the third part of his work.

"Leadership", according to him, "is not a property of the individual, but a complex relationship among the variables". The variables include the characteristics of (a) the leader, (b) the followers, (c) the organization – structure, purpose and the nature of tasks to be

performed, and (d) the social, economic and political milieu. The task of management, therefore, is “to provide a heterogeneous supply of human resources from which individuals can be selected to fill a variety of specific but unpredictable needs.”

Critical Evaluation:

Iva Wilson, commenting on McGregor’s “Human Side of Enterprise” observes that McGregor himself says that the changes suggested by Theory Y would be slow, with many formidable obstacles to overcome. The question is: What are those obstacles? Are we any closer to overcoming them? Agreeing with McGregor’s views on social sciences and the insights to gain by integrating them with management theories, Wilson says that “the field of organizational development has been greatly informed by the work of social scientists and continues to provide the insights needed to change how people are managed. How are those ideas penetrating mainstream businesses? How effectively are they used to improve the outcomes businesses are to create? Business organizations are still considered mostly economical constructs, machines producing profits. Where do OD ideas fit into those machines?” (Reflections, Vol:2, No.1, Society for Organizational Learning).

Thomas Kochan and others, writing for Anniversary Issue of Sloan School, MIT in 2002, in ‘Beyond McGregor’s Theory Y: Human Capital and Knowledge-Based Work in the 21st Century Organization’ question how Theory Y did not challenge the fundamental assumptions of the 20th Century Organizational theory models, though it led to innovations in human resource practices.

Professor Kochan says that “the approach that dominated organizational theory, teaching, and practice for most of the 20th century looked at organizations from the top down, starting with a view of the CEO as the “leader” who shapes the organization’s strategy, structure, culture, and performance potential. The nature of work and the role of the workforce enter the analysis much later, after considerations of technology and organization design have been considered. However, if the key source of value in the 21st century organization is to be derived from the workforce itself, an inversion of the dominant approach will be needed. We will need to look at organizations from the perspective of where value is created— people and the work itself. Such an inversion will lead to a transformation in the management and organization of work, workers, and knowledge.”

McGregor, no doubt, dealt with the processes in organization and that too the human relations aspect of man in industry. He believed that man could be motivated not only to achieve the goals of the enterprise but also fulfill his own personal, social and other needs. Though he did not comment on ‘organizational models’ (top-down structures), the fact that he emphasized on the workforce itself, the value of the workforce and the value they create for the enterprise, other organizational models, even if they emerge in the 21st Century cannot afford to ignore the value of the workforce, which was recognized by McGregor.

McGregor’s other major writing appeared in the form of “The Professional Manager”, published posthumously in 1967. Edgar Schein, in his introduction to “The Professional Manager” says that Douglas McGregor disliked the labels attached to his ideas. He was more interested in understand human behaviour in Industry and thus provided two postulates in the form of Theory X and Y. In “The Professional Manager”, McGregor deals with the values

that a manager carries with him in Industry, his ideas of the subordinates, how he responds to different situation. However, writing about performance, McGregor says that training can be useful to make up for deficiencies in skill or knowledge. But they cannot be used to affect individual's capacity, aptitude, attitude and motives. This remarkable observation of McGregor (also concurred by Thomas Gilbert) has profound impact on organizations. It is necessary to acknowledge that both the individual and the environmental variables need to be addressed for improving the performance of the workers.

