

Douglas McGregor's Management Theory

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“Someone once said the fish discover water last. The psychological environment of industrial management -like water for fish- is so much a part of organizational life that we are unaware of it”

Douglas McGregor, 1960

Considered as one of the most influential management books of the 20th century, Douglas McGregor's *The Human Side of Enterprise* set an important milestone in the history of management. Douglas McGregor was, by the time he wrote his book in 1960, a member of the Sloan School of Management at MIT. “The school's philosophy was to build a management theory around three basic disciplines of maths, economics, and psychology” (Schein, 156) He is considered a pioneer in applying behavioral sciences research findings to the world of business (Heil, 7).

According to Bedeian, “McGregor popularized the idea that managerial assumptions about human nature and human behavior are all-important in determining managers' style of operating” (Bedeian, 222) In a nutshell, McGregor's management theory is centered on the premise that the preconceived assumptions, hold by managers in regards to their human resources, are the causes -not the effects- of employees' behavior in an organization. This may sound a subtle distinction but it holds a fundamental concept: we won't change what we do if we don't change how we think. McGregor's theory is a look inward to management.

Historical Background - McGregor's predecessors

Knowledge doesn't occur in the vacuum. It is incremental. McGregor interest in social sciences applied to management occurred as part of an evolutionary trend. He was at a pivotal moment caught between the early human relations movement and recent findings by scholars in social sciences. The latter pointed out the need to revise management responsibilities in regards to employer-employee relations.

Even before the 1900s, philosophers and thinkers provided a platform of ideas that would sustain McGregor's modern views. Carson (451) mentions influential ideas by Locke (1690) and Smith (1776) as the precursors of modern management. In either case, their writings proposed and encouraged individual expression and decision making abilities. Those early intellectuals were strong defendants of self-directing power of the individual.

During the last half of the 19th century Robert Owen - a manager himself - expressed strong refusal to the prevailing ideas of his time. He criticized other plant owners and manufacturers who didn't understand the importance of the human element. In his view, money should be spent not only to buy more efficient machinery but to improve labor conditions.

Frederick Taylor - considered the father of the scientific movement - proposed a higher level of cooperation between management and employees in order to increase productivity and, at the same time, compensate workers fairly.

By the beginning of the 20th century, there was already a basic understanding of the need to provide and support for the welfare of the workers. Munsterberg wrote a compelling article in 1913 on psychology and industrial efficiency. He, as McGregor after him, recognized the importance of mental attitudes in an organization. Later, approaches like the ones proposed by the Social Gospel movement, Mary Parker Follett, and the Hawthorne Studies were all geared to recognize the importance of human relations when it comes to management.

Perhaps the most incisive influence in McGregor's ideas on motivation came from Abraham Maslow and his hierarchy of needs theory published in 1943. It provided a fundamental substrate to support the integration of the needs of the organization and the worker's. A decade later, Gardner and Moore published a book about the human relations in the industry world. Their main tenet is that, in an organization, a social system is not simply a part of

it. The social system is the organization (Carson, 455) The book initiated a drastic shift in managerial paradigms and forced changes in the view of human relations in the workplace.

McGregor's Theories

In 1960, McGregor published his book *The Human Side of Enterprise* where he summarizes his ideas on management.

There is no doubt that the main task of management is to reach the goals of the enterprise. For that matter, managers have to organize the human effort. In order to successfully do that, they have to be able to understand and somehow predict human behavior. Here is where the social sciences contribution is key.

What McGregor observed is that managers were reluctant in utilizing social sciences findings. The latter were considered more theoretical than practical and, most importantly, many managers at the time thought that their experience was enough to solve any issues that might rise in any organization.

A pervasive idea that management is a science and an art was something that McGregor targeted intensely because it embodied misleading concepts. Seeing management as an art excludes a priori any theory or systematic test (McGregor, 1960, 8) Portraying it as a science is simply false. Science -in McGregor's words- is intended for the advancement of knowledge. Conversely, management purpose is only the achievement of practical specific goals. According to McGregor, it is not a science although it can certainly use it to reach its objectives.

The reluctance in accepting social sciences input on managerial tasks was based on two main points. The first one, mentioned above, is the managers' conviction that personal experience is enough. The second one, relies on the fact that many times social sciences contradicted personal experience. Managers, instead of questioning their own beliefs discredited

what science was offering. Here is where the core of McGregor's proposal resides. It is imperative for managers to examine their own assumptions. He stated that "human behavior is predictable, but, as in physical science, accurate prediction hinges on the correctness of underlying theoretical assumptions"(McGregor, 1960, 11) This idea rings true today as it did in the 60s when McGregor wrote his book. It is interesting to notice that the predictability of human behavior is not a novel idea, a by-product of Big Data Business. It was, and still remains, at the core of much of the research that is being done in social sciences.

McGregor's analysis of assumptions was not targeted to their origin but to the consequences they may pose in an organization. In the field of organizational development this was the first time assumptions were used to find a way to truly produce change. Until that moment, as Schein states "a persistent problem in the field of organizational development (OD) has been the confusion about how to produce change - change values and behavior will follow or change behavior and values will follow" (Schein, 157)

Using his psychology background and a keen sense of observation, McGregor embarked in providing a theoretical model which would allow explain managerial behavior under the lens of assumptions. In short, as Schein summarized it "Focus on the assumptions, not the managerial actions"(Schein, 160)

In order to develop his argument, Douglas McGregor divided it in two theories of leadership and human management, known as Theory X and Theory Y. Each one of them defined by a series of premises on human nature and behavior.

Theory X

This one includes pervasive preconceived ideas during the 19th and first half of the 20th century, which influenced most of managerial strategies of the US industry.

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

(McGregor, 1960, 34)

McGregor took these grim assumptions and tried to figure out how they modeled management.

Within this conventional model, Theory X proposes that management is the only one responsible for organizing all aspects of the organization -supplies, equipment, and people- to achieve the planned goals. Management is also the one in charge of controlling, motivating, and changing the behaviors of the employees. Under this theory, management consists of accomplishing objectives by dominating and directing people.

It is important to differentiate that this theory doesn't always mean a hard coercive management. This is a critical clarification. Management can be centered on Theory X and provide either “soft” or “hard” methods. As a matter of fact, they may be considered irrelevant for the theory. The main issue to distinguish is that McGregor do not focus on procedures but on assumptions being the latter the culprit of confusing causes and effects. In other words, it happens -it is even common- that there is a dislike of work in many organizations. He didn't deny that. It is a fact, but the misinterpretation relies on asserting it is a natural human condition. According to McGregor, and previous thinkers like Maslow, it is not. The dislike of

work is the consequence of the management techniques which were based on the idea that the dislike was there from the beginning. It may sound like a dog chasing its tail. However, breaking this paradigm is McGregor's brilliant idea. He proposes a deeper look without preconceived ideas to managerial activities. Which brings us back to the epigraph above. McGregor wanted to prove that the process of self-awareness on any manager is crucial.

In McGregor's own words "management by 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, 11) When he talks about those higher end needs he refers to acceptance, sense of belonging, self-esteem, self-confidence, recognition, and appreciation. These are the needs that management has to understand because they can not be achieved with either incentives or threats. They require a different set of skills. If employees are deprived of opportunities to satisfy those needs, their reaction would be to behave as passive and indolent, perpetuating in a manager's mind the myth that humans are lazy and repeating the cycle again. This is known as the Pygmalion effect or self-fulfilling prophecy.

Theory Y

McGregor's answer to Theory X was Theory Y. With the latter, he stirred away from the idea of "the carrot and the stick" that defines the former and proposed a new approach. The goal is to have the right organizational environment so workers can reach their potential and consequently businesses attain their goals.

While the central principle in Theory X is the authority, in Theory Y it becomes the integration. By integration, he meant working together so everybody shares in the resulting

rewards. McGregor introduced a cosmology idea to group human behavior assumptions. As cosmologies, he considered X and Y not opposites but just different universes.

As in Theory X, Y is also supported with premises established by McGregor in his book *The Human Side of Enterprise* as follows:

1. *The expenditure of physical and mental effort in work is as natural as play or rest”*
2. *External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives. Man will exercise self-direction and self-control in the service of objectives to which he is committed.*
3. *Commitment to objectives is a function of the rewards associated with their achievement*
4. *The average human being learns, under proper conditions, not only to accept but to seek responsibility.*
5. *The capacity to exercise a relatively large degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.*
6. *Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.*

(McGregor, 1960, 47)

Theory Y opens a whole new series of possibilities since it is based on the potentialities of each person. The whole theory revolves around the creation of opportunities and releasing potential. Individuals may achieve their goals better if they focus on the success of the

organization. By better, McGregor meant that given the right environment, workers may reach their potential.

Theory X is based on the external control over human behavior, Y relies on self-direction. Theory X fails to recognize the complexities of human abilities and motivation. External rewards or threats may work at lower level needs in Maslow's hierarchical scale. However, once a need is satisfied, it is not a motivator of behavior anymore. In McGregor's view, this is deeply significant.

With the advancement of our society there has been improvements in the labor market. Laws and protections for the worker have guaranteed, to a vast majority of laborers, the possibility to satisfy their basic needs. Higher ones in the scale, like Ego and self-fulfillment, are rarely satisfied and they have become the strongest motivators. As McGregor stated, the deprivation of needs, no matter if basic or higher level, has behavioral consequences.

According to Cunningham, McGregor was "the first management theorist that alerted management to the fact that they didn't have any idea of how to effectively utilize the human element" (Cunningham, 5) His theories were not intended to give final answers to all issues in management. There is no "one size fits all" The purpose of his writings was intended to help business people think about themselves and question their own premises before blaming employees for their lack of performance.

Much has changed since the 60s . Cutting edge technology has spread and intensified. New discoveries and applications are being developed constantly. Global economy and fierce competition is part of our daily lives. Though we have moved from a manufacturing society to an information one, while computer and communication power has exploded, the one factor that can make a business model prosper or fail today relies now, more than ever, in the

ingenuity and creativity of its human capital. Companies capable to envision new ways to produce unique, personalized products for an increasingly more demanding customer will have the better chances to succeed. Consequently, management that encourages problem solving, responsibility, and the development of knowledge skills will have the upper hand in the world.

McGregor had a remarkable ability to integrate some ideas of his predecessors and to articulate his thoughts in an appealing, clear manner. He compiled research and provided guidance for a new approach to management. The fundamental premises included in Theory X and Y showed how different sets could lead to separate self-fulfilling prophecies

As for the future, McGregor's research pushed for systematic studies on organizational development and management. Many organizations understood that effective management creates an environment that allows workers satisfy their highest needs. He also pointed out that "the power to influence others is not a function of the amount of authority one can exert. It is rather, a function of the appropriate selection of the means of influence which the particular circumstances require" (McGregor, 1960, 31)

Criticisms

Several authors have asserted comments and criticisms to Douglas McGregor's theories. For instance, Bennis suggested in 1972 (Dartey-Baah, 7) that his framework didn't incorporated the impact of environmental (internal and external) factors in management. Other aspects, beside the intrinsic related with personalities within the organization could affect managers decisions and approaches. Other researchers like Marsh (1974) and Carbone (1981) complained that Theory Y wasn't specific. (Dartey-Baah, 8) Even if that's the case, the truth of the matter is that McGregor's theories provided an extraordinary platform for the development of the modern management. Its great strength remains in the deep analysis of previous ideas, a keen

sense of observation, and a remarkable understanding of the power of our own set of thoughts, experiences, and perceptions that affect our mindset which, as Heil indicates, “serves as the foundation for the systems we build and perpetuate (Heil, 47)

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