10.5: McGregor's Theories X and Y

4. How are McGregor's Theories X and Y and Ouchi's Theory Z used to explain worker motivation?

Douglas McGregor, one of Maslow's students, influenced the study of motivation with his formulation of two contrasting sets of assumptions about human nature—Theory X and Theory Y.

The **Theory X** management style is based on a pessimistic view of human nature and assumes the following:

- The average person dislikes work and will avoid it if possible.
- Because people don't like to work, they must be controlled, directed, or threatened with punishment to get them to make an effort.
- The average person prefers to be directed, avoids responsibility, is relatively unambitious, and wants security above all else.

This view of people suggests that managers must constantly prod workers to perform and must closely control their on-the-job behavior. Theory X managers tell people what to do, are very directive, like to be in control, and show little confidence in employees. They often foster dependent, passive, and resentful subordinates.

In contrast, a **Theory Y** management style is based on a more optimistic view of human nature and assumes the following:

- Work is as natural as play or rest. People want to and can be self-directed and self-controlled and will try to achieve organizational goals they believe in.
- Workers can be motivated using positive incentives and will try hard to accomplish organizational goals if they believe they will be rewarded for doing so.
- Under proper conditions, the average person not only accepts responsibility but seeks it out. Most workers have a relatively high degree of imagination and creativity and are willing to help solve problems.

Managers who operate on Theory Y assumptions recognize individual differences and encourage workers to learn and develop their skills. An administrative assistant might be given the responsibility for generating a monthly report. The reward for doing so might be recognition at a meeting, a special training class to enhance computer skills, or a pay increase. In short, the Theory Y approach builds on the idea that worker and organizational interests are the same. It is not difficult to find companies that have created successful corporate cultures based on Theory Y assumptions. In fact, *Fortune*'s list of "100 Best Companies to Work For" and the Society for Human Resource Management's list of "Great Places to Work" are full of companies that operate using a Theory Ymanagement style. Starbucks, J. M. Smucker, SAS Institute, Whole Foods Market, and Wegmans are all examples of companies that encourage and support their workers. Genencor, a biotechnology firm listed on America's Best Places to Work five times, has a culture that celebrates success in all aspects of its business. Employees can reward colleagues with on-the-spot awards for extraordinary effort. According to the company's former CEO, Robert Mayer, "Genencor is truly unique among U.S. companies of any size. It is a model for innovation, teamwork, and productivity—and a direct result of our 'work hard, play hard, change the world' philosophy. Investing in our employees has always been good business for Genencor."[3]

Theory Z

William Ouchi (pronounced O Chee), a management scholar at the University of California, Los Angeles, has proposed a theory that combines U.S. and Japanese business practices. He calls it **Theory Z**. **Table 9.1** compares the traditional U.S. and Japanese management styles with the Theory Z approach. Theory Z emphasizes long-term employment, slow career development, moderate specialization, group decision-making, individual responsibility, relatively informal control over the employee, and concern for workers. Theory Z has many Japanese elements. But it reflects U.S. cultural values.

In the past decade, admiration for Japanese management philosophy that centers on creating long-term relationships has declined. The cultural beliefs of groupthink, not taking risks, and employees not thinking for themselves are passé. Such conformity has limited Japanese competitiveness in the global marketplace. Today there is a realization that Japanese firms need to be more proactive and nimble in order to prosper. It was that realization that led Japanese icon Sony to name a foreigner as the CEO of Japan's most famous company. Over the years, Sony's performance has declined, until in April 2005, the company posted its biggest loss ever. Nobuki Idei, the former CEO who inherited Sony's massive debts and stagnant product lines, realized his strategy wasn't working, so he became determined to appoint a successor who would be able to transform Sony from the lumbering giant it had become back into the forward-thinking company it had been. Idei tapped Sir Howard Stringer, a Welsh-born American who had been running Sony's U.S. operations. In doing so, Idei hoped to shock company insiders and industry analysts alike. "It's funny, 100 percent of the people around here agree we need to change, but 90 percent of them don't really want to change themselves," he says. "So I finally concluded that we needed our top management to quite literally speak another language." After seven years as CEO, Stringer assumed the position of Chairman and appointed Kazuro Hirai as President and Chief Executive Officer.[4]

Differences in Management Approaches			
Factor	Traditional U.S. Management	Japanese Management	Theory Z (Combination of U.S. and Japanese Management)
Length of employment	Relatively short-term; workers subject to layoffs if business is bad	Lifetime; layoffs never used to reduce costs	Long-term but not necessarily lifetime; layoffs "inappropriate"; stable, loyal workforce; improved business conditions don't require new hiring and training
Rate of evaluation and promotion	Relatively rapid	Relatively slow	Slow by design; managers thoroughly trained and evaluated
Specialization in a functional area	Considerable; worker acquires expertise in single functional area	Minimal; worker acquires expertise in organization instead of functional areas	Moderate; all experience various functions of the organization and have a sense of what's good for the firm rather than for a single area
Decision-making	On individual basis	Input from all concerned parties	Group decision-making for better decisions and easier implementation
Responsibility for success or failure	Assigned to individual	Shared by group	Assigned to individual
Control by manager	Very explicit and formal	More implicit and informal	Relatively informal but with explicit performance measures
Concern for workers	Focuses on work-related aspects of worker's life	Extends to whole life of worker	Is relatively concerned with worker's whole life, including the family

Table9.1 Sources: Comparison of traditional U.S. and Japanese management styles with the Theory Z approach. Based on information from Jerry D. Johnson, Austin College. Dr. Johnson was a research assistant for William Ouchi. William Ouchi, *Theory Z*, Avon, 1982.

CONCEPT CHECK

1. How do the Theory X, Theory Y, and Theory Z management styles differ?