

8.31: McGregor's Theory X and Theory Y

Learning Objectives

- Differentiate between Theory X, Theory Y, Theory Z managers
- Explain the implications of Theory X, Theory Y, and Theory Z for employee management



The idea that a manager's attitude has an impact on employee motivation was originally proposed by **Douglas McGregor**, a management professor at the Massachusetts Institute of Technology during the 1950s and 1960s. In his 1960 book, *The Human Side of Enterprise*, McGregor proposed two theories by which managers perceive and address employee motivation. He referred to these opposing motivational methods as Theory X and Theory Y management. Each assumes that the manager's role is to organize resources, including people, to best benefit the company. However, beyond this commonality, the attitudes and assumptions they embody are quite different.

Theory X

According to McGregor, Theory X management assumes the following:

- Work is inherently distasteful to most people, and they will attempt to avoid work whenever possible.
- Most people are not ambitious, have little desire for responsibility, and prefer to be directed.
- Most people have little aptitude for creativity in solving organizational problems.
- Motivation occurs only at the physiological and security levels of Maslow's hierarchy of needs.
- Most people are self-centered. As a result, they must be closely controlled and often coerced to achieve organizational objectives.
- Most people resist change.
- Most people are gullible and unintelligent.

Essentially, Theory X assumes that the primary source of employee motivation is monetary, with security as a strong second. Under Theory X, one can take a hard or soft approach to getting results.

The hard approach to motivation relies on coercion, implicit threats, micromanagement, and tight controls— essentially an environment of command and control. The soft approach, however, is to be permissive and seek harmony in the hopes that, in return, employees will cooperate when asked. However, neither of these extremes is optimal. The hard approach results in hostility, purposely low output, and extreme union demands. The soft approach results in a growing desire for greater reward in exchange for diminished work output.

It might seem that the optimal approach to human resource management would lie somewhere between these extremes. However, McGregor asserts that neither approach is appropriate, since the basic assumptions of Theory X are incorrect.

Drawing on Maslow's hierarchy of needs, McGregor argues that a need, once satisfied, no longer motivates. The company uses monetary rewards and benefits to satisfy employees' lower-level needs. Once those needs have been satisfied, the motivation disappears. Theory X management hinders the satisfaction of higher-level needs because it doesn't acknowledge that those needs are relevant in the workplace. As a result, the only way that employees can attempt to meet higher-level needs at work is to seek more compensation, so, predictably, they focus on monetary rewards. While money may not be the most effective way to self-

fulfillment, it may be the only way available. People will use work to satisfy their lower needs and seek to satisfy their higher needs during their leisure time. However, employees can be most productive when their work goals align with their higher-level needs.

McGregor makes the point that a command-and-control environment is not effective because it relies on lower needs for motivation, but in modern society those needs are mostly satisfied and thus are no longer motivating. In this situation, one would expect employees to dislike their work, avoid responsibility, have no interest in organizational goals, resist change, etc.—creating, in effect, a self-fulfilling prophecy. To McGregor, a steady supply of motivation seemed more likely to occur under Theory Y management.

Theory Y

The higher-level needs of esteem and self-actualization are ongoing needs that, for most people, are never completely satisfied. As such, it is these higher-level needs through which employees can best be motivated.

In strong contrast to Theory X, Theory Y management makes the following assumptions:

- Work can be as natural as play if the conditions are favorable.
- People will be self-directed and creative to meet their work and organizational objectives if they are committed to them.
- People will be committed to their quality and productivity objectives if rewards are in place that address higher needs such as self-fulfillment.
- The capacity for creativity spreads throughout organizations.
- Most people can handle responsibility because creativity and ingenuity are common in the population.
- Under these conditions, people will seek responsibility.

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

McGregor recognized that some people may not have reached the level of maturity assumed by Theory Y and may initially need tighter controls that can be relaxed as the employee develops.

If Theory Y holds true, an organization can apply the following principles of scientific management to improve employee motivation:

- **Decentralization and delegation:** If firms decentralize control and reduce the number of levels of management, managers will have more subordinates and consequently need to delegate some responsibility and decision making to them.
- **Job enlargement:** Broadening the scope of an employee's job adds variety and opportunities to satisfy ego needs.
- **Participative management:** Consulting employees in the decision-making process taps their creative capacity and provides them with some control over their work environment.
- **Performance appraisals:** Having the employee set objectives and participate in the process of self-evaluation increases engagement and dedication.

If properly implemented, such an environment can increase and continually fuel motivation as employees work to satisfy their higher-level personal needs through their jobs.

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