

## McGregor and Maslow's hierarchy

McGregor's work was based on Maslow's hierarchy of needs. He grouped Maslow's hierarchy into "lower order" (Theory X) needs and "higher order" (Theory Y) needs. He suggested that management could use either set of needs to motivate employees.

### Theory X and Theory Y

In his 1960 book, *The Human Side of Enterprise*, Douglas McGregor proposed two theories by which to view employee motivation. He avoided descriptive labels and simply called the theories **Theory X** and **Theory Y**. Both of these theories begin with the premise that management's role is to assemble the factors of production, including people, for the economic benefit of the firm. Beyond this point, the two theories of management diverge.

### Theory X

In this theory management assumes employees are inherently lazy and will avoid work if they can. Because of this workers need to be closely supervised and comprehensive systems of controls developed. A hierarchical structure is needed with narrow span of control at each level. According to this theory employees will show little ambition without an enticing incentive program and will avoid responsibility whenever they can.

The Theory X manager tends to believe that everything must end in blaming someone. He or she thinks all prospective employees are only out for themselves. Usually these managers feel the sole purpose of the employee's interest in the job is money. They will blame the person first in most situations, without questioning whether it may be the system, policy, or lack of training that deserves the blame.

Furthermore, Theory X supervisors cannot trust any employee, and they reveal this to their support staff via their communications constantly. A Theory X manager can be said to be an impediment to employee morale and productivity.

Managers that subscribe to Theory X, tend to take a rather pessimistic view of their employees. A Theory X manager believes that his or her employees do not really want to work, that they would rather avoid responsibility and that it is the manager's job to structure the work and energize the employee. The result of this line of thought is that Theory X managers naturally adopt a more authoritarian style based on the threat of punishment.

One major flaw of this management style is it is much more likely to cause Diseconomies of Scale in large businesses. Theory Y allows a business to expand while making more profit because factory-floor workers have their own responsibilities.

Theory X assumes that the average person:

- 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.

### Theory X - The Hard Approach and Soft Approach

Under Theory X, management approaches can range from a hard approach to a soft approach.

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.

The optimal management approach under Theory X probably would be somewhere between these extremes. However, McGregor asserts that neither approach is appropriate because the assumptions of Theory X are not correct.

### The Problem with Theory X

Drawing on Maslow's hierarchy, McGregor argues that a satisfied need no longer motivates. Under Theory X the firm relies on money and benefits to satisfy employees' lower needs, and once those 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 that 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-fulfilment, in a 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 makes the point that a command and control environment is not effective 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**

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

In this theory management assumes employees may be ambitious, self-motivated, anxious to accept greater responsibility, and exercise self-control, self-direction, autonomy and empowerment. It is believed that employees enjoy their mental and physical work duties. It is also believed that if given the chance employees have the desire to be creative and forward thinking in the workplace. There is a chance for greater productivity by giving employees the freedom to perform at the best of their abilities without being bogged down by rules.

A Theory Y manager believes that, given the right conditions, most people will want to do well at work and that there is a pool of unused creativity in the workforce. They believe that the satisfaction of doing a good job is a strong motivation in and of itself. A Theory Y manager will try to remove the barriers that prevent workers from fully actualizing themselves.

Many people interpret Theory Y as a positive set of assumptions about workers. A close reading of *The Human Side of Enterprise* reveals that McGregor simply argues for managers to be open to a more positive view of workers and the possibilities that creates.

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-fulfilment.
- 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 fulfilment 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 therefore may need tighter controls that can be relaxed as the employee develops.

## Theory Y Management Implications

If Theory Y holds, the firm can do many things to harness the motivational energy of its employees:

- Decentralization and Delegation - If firms decentralize control and reduce the number of levels of management, each manager will have more subordinates and consequently will be forced 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 evaluating how well they were met.

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.