Theory XY (Douglas McGregor) and Theory Z (William Ouichi)

Theory X an “authoritarian” style of management

- The average worker dislikes work; finds it boring; and will avoid it he/she can.
- Therefore most people must be motivated by forced/bribed with the threat of punishment (or a reward) to produce effort and work towards organizational objectives.
- The average worker prefers to be directed; to avoid responsibility; is relatively unambitious, and wants security above all factors.
- The worker is motivated by tangible rewards such as money – and/or threats to job security.

The average person lacks creativity and initiative. The exception to this “rule,” however, is using creativity to circumvent rules, tasks, and responsibilities.

Theory Y as a “participative” style of management

- Effort in work is as natural as work and play. Workers are motivated to work; and they take a personal interest in what they do and how they perform
- Workers are self-directed and target oriented.
- Workers will therefore apply measures of self-control and self-direction in the pursuit of organizational objectives, without external control or the threat of punishment.
- Commitment to objectives is a function of rewards associated with their achievement.
- People usually accept and often seek responsibility – under the appropriate work and organizational conditions.
- Such conditions invite workers to realize and work toward their own potential.
- The capacity to use a high degree of imagination, ingenuity and creativity in solving organizational problems is widely, not narrowly, distributed in the population.
- In most work environments the intellectual, imagination, ingenuity and creativity potential of the average worker is poorly promoted; often under or partly utilized

What motivates employees to go to work each morning? Many people get great satisfaction from their work and take great pride in it; Others may view it as a burden, and simply work to survive.

This question of motivation has been studied by management theorists and social psychologists for decades, in attempts to identify successful approaches to management.

Social psychologist Douglas McGregor of MIT expounded two contrasting theories on human motivation and management in the 1960s: The X Theory and the Y Theory. McGregor promoted Theory Y as the basis of good management practice, pioneering the argument that workers are not merely cogs in the company machinery, as Theory X-Type organizations seemed to believe.

These dual theories analyze a manager’s perceptions of what factors motivate and affect the behaviors and feelings of workers.
Theory X

Theory X assumes that employees are naturally unmotivated and dislike working, and this encourages an authoritarian style of management. According to this view, management must actively intervene to get things done. This style of management assumes that workers:

- Dislike working.
- Avoid responsibility and need to be directed.
- Have to be controlled, forced, and threatened to deliver what’s needed.
- Need to be supervised at every step, with controls put in place.
- Need to be enticed to produce results; otherwise they have no ambition or incentive to work.

X-Type management organizations tend to be overloaded, with managers and supervisors required at every level to regulate workers and their actions. Little authority delegation and worker autonomy exists. Managerial control and oversight is therefore highly centralized.

McGregor recognized that X-Type workers are in fact usually the minority, and yet in mass organizations, such as large scale production environments, X Theory management may be required and can be unavoidable.

Theory Y

Theory Y expounds a participative style of management that is de-centralized. It assumes that employees are happy to work, are self-motivated and creative, and enjoy working with greater responsibility. It assumes that workers:

- Take responsibility and are motivated to fulfill the goals they are given.
- Seek and accept responsibility and do not need much direction.
- Consider work as a natural part of life and solve work problems imaginatively.

This more participative management style tends to be more widely applicable. In Y-Type organizations, people at lower levels of the organization are involved in decision making and have more responsibility.
Comparing Theory X and Theory Y

• **Motivation**
  Theory X assumes that people dislike work; they want to avoid it and do not want to take responsibility. Theory Y assumes that people are self-motivated, and thrive on responsibility.

• **Management Style and Control**
  In a Theory X organization, management is authoritarian, and centralized control is retained, whilst in Theory Y, the management style is participative: Management involves employees in decision making, but retains power to implement decisions.

• **Work Organization**
  Theory X employees tend to have specialized and often repetitive work. In Theory Y, the work tends to be organized around wider areas of skill or knowledge; Employees are also encouraged to develop expertise and make suggestions and improvements.

• **Rewards and Appraisals**
  Theory X organizations work on a ‘carrot and stick’ basis, and performance appraisal is part of the overall mechanisms of control and remuneration. In Theory Y organizations, appraisal is also regular and important, but is usually a separate mechanism from organizational controls. Theory Y organizations also give employees frequent opportunities for promotion.

• **Application**
  Although Theory X management style is widely accepted as inferior to others, it has its place in large scale production operation and unskilled production-line work. Many of the principles of Theory Y are widely adopted by types of organization that value and encourage participation. Theory Y-style management is suited to knowledge work and professional services. Professional service organizations naturally evolve Theory Y-type practices by the nature of their work; Even highly structure knowledge work, such as call center operations, can benefits from Theory Y principles to encourage knowledge sharing and continuous improvement.

Theory Z

Theory Z was not developed by McGregor. In his book 'Theory Z: How American management can Meet the Japanese Challenge'. William Ouchi (1981) first presented this theory

Theory Z is often referred to as the 'Japanese' management style (sometimes also called the “Gung Ho or Samurai mode). Ouchi called his model 'Theory Z', which falsely gives the impression that it was McGregor’s idea. Theory Z, however, advocates a combination of all best attributes of theory Y and modern Japanese management principles, which place a large amount of freedom and trust with workers, and assumes that workers have a strong loyalty and interest in team-working and the organization.

Theory Z also places more reliance on the attitude and responsibilities of the workers, whereas McGregor’s XY theory is mainly focused on management and motivation from the manager’s and organization’s perspective. There is no doubt that Ouchi's Theory Z model offers excellent ideas, albeit it lacking the simple elegance of McGregor's model, which let’s face it, thousands of organizations and managers around the world have still yet to embrace. For this reason, Theory Z may for some be like trying to manage the kitchen at the Ritz before mastering the ability to cook a decent fried breakfast.