

The Evolution of McGregor's X and Y Theory in the Contemporary Organizational Settings: A Systematic Literature Review

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Motivation and employee behavior have been characterized as strong factors for employee job performance. McGregor's theory is one of the most recognized and influential theories that perfectly explains the relationship between those factors and focuses on management and organizational behavior. Specifically, this theory emphasizes that employees are characterized as Type X or Type Y, and motivation is achieved in different ways according to the type. This paper was conducted to address important areas of McGregor's theory, to discuss how the theory is applied in the workplace, and to elaborate on how recent studies have assembled scientific valid instruments to evaluate X and Y employee behaviors and employee performance. Recommendations for future research and applications will be addressed too.

Keywords: McGregor's theory, Theory X, Theory Y, management, motivation, job performance

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Considering the recent advancements in working environments, employee motivation has become a widespread issue for the organizations, while managers are extremely concerned about it. It is well known that effective operational outcomes depend on the organization's human resource department. According to this, human resources have placed their focus on how to promote motivation among employees (Larkin, 2017). Rewards in organizations have been characterized as one of the most important factors that affect employee motivational levels, while research has shown that rewards reduce negative aspects such as turnover, absenteeism, health, and financial risks (Badubi, 2017; Larkin, 2017). It is crucial to mention that individuals' attitudes, beliefs, and personality differ, thus different rewards should be given accordingly. There are employees who are motivated intrinsically, having a desire to work and being self-driven to promote their feelings of accomplishment. On the contrary, extrinsic motivation refers to the employees who desire an external factor such as rewards, to improve their morale and desire for work. Managers focus on the development of effective human resource systems by placing their attention on how employees can be motivated to increase their job satisfaction, thus their performance.

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Many theories and models emphasize in the workplace motivation and aim to provide efficient tools for the organizations to achieve their greater goals by developing effective employee behaviors and outcomes (Panait, 2020). McGregor's Theory X and Theory Y approach motivation and employee job performance. Theory X argues that employees have an inherited need to avoid responsibilities. Due to their low levels of ambition, they need to be directed and have security above all. Employees who belong to this theory are associated more with extrinsic motivation. Theory X management style upon those employees requires a strong supervision, direction, coercion, or even punishment. Theory Y contradicts Theory X and discusses that employees naturally put mental or physical effort at work, are self-driven and self-controlled regarding the objectives they are committed to, and they have intrinsic motivation. The employees who fall under this theory have more cooperative work relationships with their managers and they are provided with extra resources (McGregor, 1960). The present literature review explores the interplay of how management practices are based on McGregor's Theory X and Y, and how employees' perceptions are influenced by managerial practices based on the current theory. Particularly, the literature review focuses on the effect of the theory in the working environment. Understanding what motivates people is the key to success in the workplace. Managers can utilize McGregor's Theory X and Y to understand better that humans are multi-dynamic entities and what motivates one may not motivate the other. Managers should apply their managerial styles according to what fits best.

McGregor's theory discusses the motivational factors that influence employee behaviors, while managers have created their own "cosmology" on employee motivation. This "cosmology" refers to managers' belief systems that are demonstrated by their behaviors. Employees' attitudes and behaviors will be influenced by their perceptions of their managers' "cosmology" (Prottas & Nummelin, 2018). McGregor (1960) proposed that these perceptions and assumptions presented in Theory X and Theory Y are identified by two perspectives on employees at work. Type X Theory discusses people who are lazy and with an inherent dislike for work. These employees fit better with authoritarian managerial styles, referring to experience control mechanisms by their managers and to be constantly monitored. Davison and Smothers (2015), due to the terms "prefers" and "inherent", argued that the lack of motivation has a dispositional basis and suggested that situations cannot moderate the relationship between motivation and disposition. They researchers related Theory X with the attribution theory that focuses on the process of defining whether a behavior is dispositionally-caused or situationally-caused. According to this, employees will experience lower motivation in the absence of encouragement. Theory X managerial practices are displayed in an authoritarian approach that is built on employee mistrust and the main focus is based on production or output (McGregor, 1960). Theory X perspective does not allow managers to identify external factors that might be responsible for their unmotivated subordinates.

In Theory Y, McGregor presents a more humanistic approach on managing employees. The theory suggests a new philosophy on managing human capital that maximizes employee's value to the organization; thus motivation, satisfaction, and job performance increase (Smothers, 2011). Employees are self-driven to achieve the work commitments they have made. Theory Y managers identify their employees as hard workers, able, honest and as having the desire to provide creative ideas to the organization (Prottas & Nummelin, 2018). Employees do not dislike their work, are motivated to their job tasks, able to take responsibilities, and require less guidance from their managers. Theory Y is associated with Maslow's requirements for self-actualization. The relationship that exists between managers and employees proposes a culture of self-actualization by increasing employee's self-esteem and confidence (Mansaray, 2019). Additionally, in Theory Y, employees do not exhibit constant supervision and feelings of control; rather they are having open dialogues (McGregor, 1960).

It proposes that employee commitment to objectives should be associated with rewards, because “mental and physical efforts in work” is as usual as “play and rest”, and employees see work as a basis of “reward or punishment”.

Empirical Findings of Theory X and Y

For many years until now, McGregor's Theory X and Theory Y have been limited despite being the most well-known theory in organizational behavior out of the universe of 73 theories. However, McGregor's assumptions that the managers who support self-direction and self-motivation positively influence employees to perform better at work are strongly supported by managers in organizations (Lawter, Kopelman, & Prottas, 2015). Prior existing research has not supported McGregor's Theory X and Theory Y in relation to job performance. The main reasons were that there was not a clear distinction between Theory X and Theory Y attitudes and behaviors. Additionally, there was an incorrect analysis that was used instead of applying an across individual correlational design or a multi-source individual or group analysis. Fiman (1973) and Michaelsen (1973), cited in Lawter et al. (2015), did not distinguish between X/Y attitudes and behaviors and the results of correlation between job performance were $r = -0.01$ and $r = -0.07$. Specifically, Fiman found a positive correlation between Theory Y and job satisfaction, but no correlation with job performance, but he reported incomplete information by providing only the split-half reliability coefficients. Similarly, Thomas and Bostrom (2010) observed the relationship between ratings of performance and X/Y behaviors. However, the sample consisted only of virtual teams, without a face-to-face interaction, and the types were sent electronically leaving no room to the managers to communicate verbally the X and Y attitudinal and behavioral information. Virtual teams reduce the interaction between the managers and subordinates, leading to invalid results.

Prior unsuccessful and invalid scientific researches have influenced many researchers to investigate deeply the Theory X and Y, and how it applies into the working environment. Lawter et al. (2015) investigated the theory by conducting a methodologically appropriate research design, a multi-source analysis that studies not only individuals, but workgroup data from multiple organizations. A multilevel design is representative for Theory X and Y because workgroups have dyadic relationships with their managers that affect individual-level performance. An employee who belongs in a workgroup is influenced by the other team members; thus group-level performance is affected. Prottas and Nummelin (2018) discussed in their article about how team psychological safety is an important factor in identifying how workgroups learn from each other and from their collective experiences. According to that, a multilevel design controls the interdependence of an individual's X/Y attitudes within the work group. The study revealed a strong relationship among managerial X/Y attitudes, behaviors, and performance. Managerial X/Y behaviors mediated the effects of X/Y attitudes on individual- and group-level performance. The aforementioned study supports the anticipations of the current literature review by showing the existence of the interplay between managerial attitudes and managerial behaviors that affect both employee and group performance. Another recent research was conducted in order to examine if leadership styles of the managers regarding Theory X and Theory Y have a positive effect on job performance. The hypotheses of the study predicted that managers who report an increase in the last five-year turnover will present more Theory Y behavior. Managers who report making innovations will present more Theory Y behavior and managers who report decreases in overall costs will present more Theory Y behavior. The results of the statistical analysis supported only the first hypothesis while the rest of the hypotheses were not confirmed (Arslan & Staub, 2013).

A more recent study revealed interesting and more enriched results among managerial methods and employee performance. The sample of the study consisted of full-time and part-time employees of 10 different entities working in nonprofit healthcare organizations. Information data were collected by a five-point Likert Scale through self-report surveys. Theory Y orientation of the manager was evaluated by questions such as, “My manager believes people naturally like to work”. Theory X orientation of the manager was evaluated by questions such as, “My manager believes most employees lack the ability to help their organizations”. Psychological safety was evaluated with questions such as, “Members of my unit are able to bring up problems and tough issues”. Organizational citizenship behavior was assessed too, by asking employees to rate people’s behavior in their division rather their own behaviors. Results provided empirical support for these relationships in the health care setting, especially with the variables such as psychological safety and organizational citizenship behavior. The study revealed also that Theory Y management assumptions and behaviors can result in a higher performance under all situational incidents (Prottas & Nummelin, 2018).

A final and an important research study was conducted by using a different approach to the relationship between Theory X and Theory Y managerial style and managerial likeability. The study investigated the concepts between perceived personality traits and the results showed that managers who had a Theory Y orientation were positively viewed by their subordinates where on the contrary, disliked managers were presented with a Theory X orientation. Similarly, Theory Y oriented managers were presented with greater extraversion ratings, while Theory X oriented managers were associated with lower agreeableness, openness, and conscientiousness ratings and with higher neuroticism scores. Additionally, employees who showed a great preference to their managers were associated with higher intention of staying at work (Johnson, 2018).

Discussion and Future Implications

McGregor proposed two different expectations that the managers hold about their employees. Theory X refers to managerial assumptions that employees are not self-driven, do not take responsibilities, and avoid working, while Theory Y suggests that employees are committed to the objectives they have promised. Managers take action based on their assumptions and their employees’ behavior and motivational levels might be affected by those assumptions.

Despite the limited empirical studies supporting McGregor’s Theory X and Y, it was strongly supported by the managers in organizations. The relationship between the Theory X and Y and job performance was not supported because there was not a clear distinction between Theory X and Theory Y attitudes and behaviors. Additionally, there was an incorrect analysis that was used instead of applying an across individual correlational design or a multi-source individual or group analysis. Fiman (1973) and Michaelsen (1973), cited in Lawter et al. (2015), did not distinguish between X/Y attitudes and behaviors and the results of correlation between job performance. More recent studies revealed the relationship among job performance and managerial X/Y attitudes and managerial X/Y behaviors (Prottas & Nummelin, 2018). Additional findings proposed that Theory X oriented managers were associated with lower agreeableness, openness, and conscientiousness ratings and with higher neuroticism scores, while on the contrary, Theory Y oriented managers were presented with greater extraversion ratings. It is important to mention that Prottas and Nummelin (2018) referred to a cross-sectional study with data that were self-reported from a single organization and with the individual participant treated as the unit of analysis. As it has been mentioned, Theory X and Theory Y function better on a group level rather than on the individual level. Using single-sourced data can lead to common method bias.

A representative research for future use should use information from multiple sources to collect evaluations for managerial behaviors, while assigning certain mindsets to their managers. Employees want to work if they are given the suitable conditions, so the main focus should be to construct the work conditions accordingly to motivate employees. We need to critically examine the assumptions and the context in which a work is achieved, to predict organizational phenomena and remediate organizations that struggle. The workforce changes constantly and at this period aims to reach the concept of self-actualization. People have the need to be motivated to reach self-actualization. According to this, future research should focus on motivation and what specific tools managers use to increase motivation. Similarly, we should consider if the proper incentives are provided according to employees' characteristics. Possibly a historical comparison to what used to motivate employees under specific circumstances would be a good suggestion for further research investigation. Employee motivation is the main engine for achieving organizational performance. By analyzing motivational factors on performance, managers will be able to create a performance-oriented motivational climate.

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