



Theory Y in Modern Management: Advantages, Disadvantages, and the Relationship with Theory X

NGUYEN Thanh Ha¹⁾, NGUYEN Thi Thanh Huyen²⁾, NGUYEN Thi Lan Huong³⁾

¹⁾ Melbourne University

²⁾ Hanoi Financial and Banking University

³⁾ HaNoi University of Mining and Geology

<http://doi.org/10.29227/IM-2023-02-30>

Submission date: 15-08-2023 | Review date: 12-09-2023

Abstract

This essay delves into the concept of Theory Y, one of the hallmark relationship management principles of the 20th century introduced by Douglas McGregor in his influential book "The Human Side of Enterprise" (1960). Theory Y assumes that employees are self-motivated, seek responsibility, and do not dislike work. The essay explores the advantages and disadvantages of Theory Y, highlighting its potential in nurturing creativity and maintaining employee satisfaction, but also addressing its limitations in certain situations. It examines successful examples of Theory Y implementation in companies like Facebook and Google, as well as the potential drawbacks such as freedom abuse and lack of organizational control. Additionally, the essay discusses the relationship between Theory Y and its counterpart, Theory X, which represents a more traditional, directive management style. By examining both theories, the essay emphasizes the importance of carefully considering and adapting management approaches based on the specific context and needs of an organization.

Keywords: theory Y, theory X, management, strategy, organization

1. Introduction

Douglas McGregor (1906-1964) had an academic career lecturing at Harvard University, Massachusetts Institute of Technology (MIT) and Antioch College, becoming the first Sloan Fellows Professor at MIT. Many agree that much of modern management thinking goes back to McGregor, especially the implications of his writing for leadership. According to McGregor, the way that organisations are run are influenced by managers' basic beliefs. In other words, a company's management method is often based on Managers' assumptions about the behaviour of people, which fall into two broad categories - Theory X and Theory Y. These findings were presented in *The Human Side of Enterprise*, first published in 1960. This essay will first introduce the concept of Theory Y, then explore its advantages and disadvantages, finally highlighting the relationship of Theory Y and X.

2. Definition of Theory Y

Of the 20th century, Douglas McGregor's *The Human Side of Enterprise* was considered as one of the most influential management books, setting an important milestone in the history of management (Arenas A., unknown). Theory Y is one of the hallmark relationship management principles of the last half of the 20th century. This theory assumes that employees do not dislike work, have self-control and direction, and seek responsibility (McGregor, 1960). Philosophers such as Locke (1690) and Smith (1776) provided a solid foundation for the accumulation and emergence of Theory Y thinking. McGregor encouraged employers to allocate their employees responsibility and to allow them to have the freedom to do their jobs (Charles M., 2005). Theory Y opens a whole new series of possibilities since it is based on the potentialities and abilities of each person. The whole theory revolves around the creation of opportunities and releasing potential. Individuals may achieve their goals better if they focus on the success of

the organization. In other words, given the right environment, workers may reach their potential and perform their best.

3. Advantages of Theory Y

As Theory Y respects each individual's capability and gives them the best environment or opportunities to extend their career, thus contributing to the organization's success, it would be advantageous in nurturing creativity and maintaining employee satisfaction. Facebook is a highly innovative business with its CEO Mark Zuckerberg utilizing the McGregor Y Theory. He would motivate the team as a whole instead of just managing, controlling his staff and rewarding each employee's contribution. This approach ensures the workers know that their contribution matters and can help achieve the organizational goals. Google also follows a Theory Y approach for managing the operations. The CEO of the company has adopted a strategy to assure democracy in the corporation by ensuring that every worker is getting a chance to express individual viewpoints, even though these viewpoints could conflict with decisions of the top-level managers in some cases. Google and Facebook are multi billion companies which apply Theory Y to achieve objectives and remain notably competitive in the business world. Theory Y approach in the managerial level sustains continuous development and motivates them so that their overall performance standards could be increased.

4. Disadvantages of Theory Y

Theory Y advocates seems to focus on optimism, believing that humans are self-driven towards organizational goals. However, there are also criticisms of Theory Y: it is not always applicable, comprehensive and too idealistic to be true. Bennis suggested in 1972 that the Theory Y framework does not incorporate the impact of environmental (internal and external) factors in management. Other aspects besides the intrinsic

sics related with personalities within the organization could affect managers decisions and approaches. Theory Y gives employees trust, freedom and the rights to express their individualism. Nevertheless, this "freedom" can backfire and result in dire consequences. Not everyone will be comfortable and accustomed to undefined working boundaries. Some people simply do not have the ability to identify and concentrate on their own goals. The freedom and trust can also be conveniently abused. For employees with lack of self-control and direction, they can take advantage of this liberty to exercise unethical behaviors or compromise their productivity, spending time for unrelated tasks. Sometimes a sense of authority and control should be implemented in order to keep the organization restrained. Consequently, success can be measured more authentically since everything follows a specific model and regulations. The former CEO of Apple and Ford Motor had followed Theory X and these companies experienced tremendous success all over the world.

5. Theory Y vs Theory X

Theory X and Theory Y describe two opposing views of people at work and can be used to describe two corresponding management styles. In Theory X, managers have the traditional view of direction and control and are dominant in the work environment. This one includes pervasive preconceived ideas during the 19th and first half of the 20th century, which influenced most of managerial strategies of the US industry. Theory X proposes that management is the only one responsible for organizing all aspects of the organization -supplies, equipment, and people - to achieve the planned goals. Management is also the one in charge of controlling, motivating,

and changing the behaviors of the employees. Under this theory, management consists of accomplishing objectives by dominating and directing people.

There is a common misinterpretation that Theory X is commonly exercised in coercive and immoral manners. However, Theory X, if applied in an ethical way, can be extremely powerful and generate immeasurable benefits. Apple and Ford are two significant examples of successful implementation of Theory X in management. In Theory Y, managers respect the integration of individual and organisational goals. In *The Human Side of Enterprise* (McGregor, 1966), by highlighting Theory Y, he hoped instead to persuade managers to abandon the limiting assumptions of Theory X and consider using the techniques suggested by Theory Y.

6. Conclusion

Theory Y is a powerful management tool first introduced by Douglas McGregor in his 1960 book "The Human Side of Enterprise". Theory Y management style respects collaborative relationships with people and motivates workers by allowing them to work on their own initiative, giving them responsibility, and empowering them to make decisions. Theory Y regards employees as people who are self-motivated and excited by the challenge of work. This management approach can be effective – inspiring, innovative, encouraging creativity and personal ideas – but can also be incapable under certain circumstances which causes freedom abuse or lack of sense of organizational control. There is a strong interrelation between Theory X and Theory Y as it is two contradicting managerial approaches. Firms should decide their method with careful consideration since both do not consistently guarantee success.

Literatura – References

1. Carson, C.M. (2005), "A historical view of Douglas McGregor's Theory Y", *Management Decision*, Vol. 43 No. 3, pp. 450-460. <https://doi.org/10.1108/00251740510589814>
2. Samson, D. et al., 2021. *Management* 7th edition.
3. McGregor, D. (1960). Theory X and theory Y. *Organization theory*, 358(374), 5.
4. Sager, K. L. (2008). An exploratory study of the relationships between theory X/Y assumptions and superior communicator style. *Management Communication Quarterly*, 22(2), 288-312.
5. Arena, A. Douglas McGregor's Management Theory. <http://annarenas.com/wp/wp-content/uploads/2019/04/DouglasMcGregor-paper.pdf>
6. Parikh, V. (2021, October 1). Theory Y Advantages and Disadvantages. LetsLearnFinance. <https://www.letslearnfinance.com/theory-y-advantages-and-disadvantages.html>