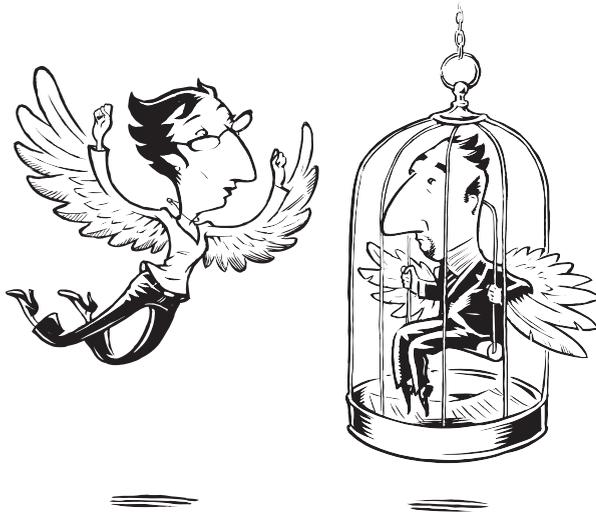


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Theory U and Theory T

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to management theory.

BY MATTHEW STEWART



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Management theory books and disaster films have something in common. Both confront the prospect of the near-total destruction of life as we know it. In the movies, the hero invariably realizes what must be done and saves the world just before the credits roll. In management books, the chosen manager masters the correct theory just in time to avert business catastrophe. On screen, happy endings are unremarkable — it's just entertainment, after all. But in the real world, real companies make real decisions based on the theories authors propose in their management books. Why should one assume that things always end well?

This question about happy endings comes to mind on the 50th anniversary of one of the most sto-

ried contributions to the management literature, Douglas McGregor's famous distinction between Theory X and Theory Y. In his hugely influential 1960 book, *The Human Side of Enterprise* (McGraw-Hill), McGregor made the simple yet powerful observation that managerial practice often expresses some very deep assumptions about the nature of human beings: Two competing theories about human nature, he claimed, dominate the managerial thought-world.

Theory X says that the average human being is lazy and self-centered, lacks ambition, dislikes change, and longs to be told what to do. The corresponding managerial approach emphasizes total control. Employee motivation, it says, is all about the fear and the pain. Theory Y maintains that human beings are active rather than passive shapers of themselves and of their environ-

ment. They long to grow and assume responsibility. The best way to manage them, then, is to manage as little as possible. Give them water and let them bloom, say the Y-types.

McGregor named his theories after letters of the alphabet in order to avoid prejudicing the discussion in favor of one or the other, and he further insisted that both theories have value in the appropriate contexts. Fortunately, not many of his readers heeded that part of his message. The X-managers, as everyone could see, are basically Stalinists. And although quite a few employees are eager to liken their bosses to autocratic mass murderers, not very many managers are willing to identify with that ugly self-image, and no management theorist to date has been interested in promoting it. By contrast, the Y-vision — in which freedom and self-realization beget massive leaps in productivity — looks gorgeous.

In McGregor's wake, one management guru after another rediscovered Theory Y, packaged it in new language, and claimed it as his or her invention. Tom Peters, Rosabeth Moss Kanter, and Charles Handy, to name three, launched their highly successful careers on the basis of McGregor's wisdom. Peter Drucker — a special case — could be called a Y-man *avant la lettre*, since he began to promote a version of the theory before McGregor gave it its name.

There can be little doubt that Theory Y is a good thing, and that McGregor did an even better thing in bringing it to the attention of managers. The huge and impersonal bureaucratic machines of the modern economy are often very hard on the soul, as was apparent even in McGregor's day (see, for example,

Sloan Wilson's novel and the subsequent film *The Man in the Gray Flannel Suit*). We need the gurus to remind us that business is all about people; that if you trust in people, they'll trust you back — and that if you don't, your most precious assets won't show up tomorrow morning. Many managers and many firms took McGregor's message to heart and learned how to help themselves by helping their people flourish. The glittering pot of gold at the end of the Theory Y rainbow is the fact, now a commonplace, that many of the most successful companies in the world are routinely rated the best places to work.

The Triumph of Y

We are all Theory Y people now — at least when it comes to delivering or receiving motivational talks — and yet, truth be told, we all have our doubts that the world has caught up with our wisdom about it. It will have already occurred to many people, for example, that quite a few of those companies are great places to work *because* they are successful, rather than the other way around. (I mean, any old company can offer free haircuts and on-site medical care if it has a market capitalization of US\$200 billion and a fast-growing market.) There is also plenty of anecdotal evidence to suggest that firms change their assumptions about human nature *after* their fortunes change, rather than before. The dot-coms, for example, were all exuberantly convinced about the merits of self-realization in the workplace as long as the market-valuation bubbly was pouring. In the gloomy aftermath, many of the surviving firms transformed themselves with impressive speed into gulag archipelagoes, imposing harsh, X-

style discipline on employees who were doing all those jobs that the dot-coms did not outsource.

Perhaps the most disconcerting fact about the world as McGregor left it, however, is that it isn't at all obvious that self-realization in the workplace has increased in proportion with all the talk about the importance of self-realization in the workplace. On the contrary, one does not have to spend much time in the cubicles these days to appreciate how the jargon of Theory Y has evolved into an Orwellian Newspeak that often serves as cover for the kind of exploitation and manipulation that would make even the most chauvinist X-ist quiver. "You will be self-actualized!" the new humanist organization tells us.

In the story as McGregor tells it, and more especially as his successors resell it, the world of X is in a state of conflict. Workers and managers eye one another across the ragged front lines of suspicion and mistrust. The world of Y is in a state of peace. Workers and managers embrace one another as partners on the journey to personal fulfillment. And all that is required to change from one state to the next is making a simple change in one's assumptions about human nature. But is this really true? Does all conflict dissolve in a higher state of consciousness?

The confusion results from the fact that McGregor himself confounds and overlays his distinction between Theories X and Y with a second, very different distinction.

Any old company can offer free haircuts and on-site medical care if it has a market capitalization of \$200 billion.

"And then you will be 'counseled out'! We believe in trusting individuals with responsibility, so good luck dealing with your own health, pension, and training needs!"

Unraveling the tangled web woven by the human relations movement in the real world over the past half century would certainly make for an interesting subject of study. But we can get a grip on at least some of the confusion by going back to the source. There is a simple and obvious obscurity in McGregor's distinction between X and Y — a congenital flaw, perhaps, that sheds light on some of the developments that followed.

This is a distinction not between theories of human nature, but between theories about the nature of human relations — or, more precisely, about the sources of human conflict. In honor of McGregor, I call them Theory U and Theory T.

Utopian or Tragic?

Theory U, for Utopian, says that conflicts among human beings always originate in misunderstanding. Eliminate the false assumptions that individuals carry around in their heads, the theory says, and a human community will return to the natural state of peace. McGregor — like just about every manage-

ment guru you've ever heard of — is a U-man at heart.

Theory T, for Tragic, says that conflict is endemic to human relations and arises from real divergences of interest. Peace is therefore a temporary state, and its endurance depends primarily not on the attitudes of individuals but on the system of their relations. Shakespeare and the framers of the U.S. Constitution are classic T-types.

Both theories put crucial emphasis on the concept of “trust,” but in strikingly different ways. Theory U says that you build trust by relaxing your control over people — by showing them that you trust them. Theory T says you build trust by demonstrating that things are under control — by creating a system in which good deeds regularly receive due rewards and bad deeds are appropriately punished.

It should be clear that the distinction between U and T, just like the distinction between X and Y, is not intended to imply the logical superiority of one alternative over the other. U and T represent distinct viewpoints or approaches, each valid under the appropriate circumstances, rather than genuinely exclusive scientific hypotheses.

It should also be clear that my pair of alphabet theories is orthogonal to McGregor's pair. That is, it is perfectly possible to believe that human beings are the active, self-realizing wonders of Theory Y and to believe that, if given a chance, these amazing beings will actualize themselves by slitting one another's

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The Human Relations Theory Matrix

Viewing McGregor's Theories X and Y in combination with Theories U and T provides a richer view of executive options for effecting change.

Theory T (Tragic)	<p>Controllers, aka Hobbesists, in honor of the English philosopher Thomas Hobbes. Human beings are both self-centered and unintelligent. Left to their own devices they will steal what they do not destroy. Total control is the only way to get anything done.</p>	<p>Constitutionalists, aka Madisonians, in honor of James Madison and his fellow framers of the U.S. Constitution. Human beings thrive in freedom. Under the wrong system, they will actualize themselves by seeking absolute power. The answer is a system of checks and balances and due processes.</p>
Theory U (Utopian)	<p>Programmers, aka Taylorists, in honor of Frederick Winslow Taylor, the father of scientific management. Human beings are like machines. They generally don't know what they want or how to coordinate their activities. Given a scientifically established scheme of rewards and punishments, they can be prodded into perfect alignment.</p>	<p>Freedom Lovers, aka Petersians, in honor of management guru Tom Peters (though many other gurus would do). Human beings are inherently self-starting and self-organizing. They will achieve miracles if only their bosses would stop telling them what to do. So just let freedom reign.</p>
	Theory X	Theory Y

Source: Matthew Stewart

throats and plundering company resources in accordance with the dictates of Theory T. Conversely, one may believe that human beings are by nature X-like slugs, and yet that with appropriate conditioning, they will work together in perfect U-harmony. Each of the four combinations of the two pairs of theories gives rise to a distinctive approach to managerial problems. I summarize the possibilities in the Human Relations Theory Matrix. (See the exhibit above.)

With the benefit of the matrix, it is possible to see that much of the debate about Theory X and Theory Y has taken place along the diagonal between the controllers and the freedom lovers, and that it is for this reason that the debate has been somewhat confusing and unedifying. Critics of Theory X generally focus their ire on the controllers.

But the tyrannical behavior of this unprepossessing group arguably owes less to its theory of human nature (X) than to its beliefs about the non-eliminable sources of human conflict (T). Critics of Theory Y, conversely, complain mostly about the freedom lovers. The dangerously anarchistic creed of these managerial flower children, however, stems less from their high opinion of their fellow human beings (Y) than from their utopian ideas about human communities (U).

Once we get clear about the real issues of the debate, it also becomes evident that the hard work for managers lies less in the transition from X to Y than in the transition from U to T. If it requires a more thoughtful approach to management to accept that people are active by nature rather than passive, it requires a still more thoughtful approach to grap-

ple with the fact that they can be active and destructive at the same time. Of the four types of managers in the Human Relations Theory Matrix, it is the constitutionalists who must expend the most mental energy and governance effort.

The difference between U and T, in the final analysis, is that one is easy and the other is hard. Theory U assures us that our problems can be solved by changing our view of the world. Theory T says that the solutions may require actually changing the world. U tells us that we can bring everyone together with the right words. T replies that we'll probably have to make some compromises, too. U rests its case on the fairness of its schemes. T emphasizes the fairness of its processes. U guarantees a happy ending. T promises only the temporary postponement of disaster.

One theory is like going to the movies. The other is like living in the real world. +

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