

Deming and McGregor

An Example of Training Methodology for the Development of Leaders

- Aim – Provide a rationale and method for improving outcomes for personal transformation.
- Hunch – Strong relationship between Dr. Deming's Theory of Management and Douglas McGregor's Theory X and Theory Y set of assumptions.

Deming and McGregor

- Implicit in Dr. Deming's Theory of Management is a predisposition for leaders to possess a positive, optimistic outlook about the nature of people in everyday work situations.
- McGregor's Theory Y style of leadership naturally leads to a more effective assimilation of the values, concepts and techniques typically associated with the Deming's Theory of Management.

Deming

- Deming wrote that “people are different from another”, but organizations tend to treat them the same. This could not be truer. It also holds true relative to how they learn.
- Deming - “People learn in different ways, and at different speeds. Some learn a skill by reading, some by watching pictures, still or moving, some by watching someone do it.”.

Deming's Theory of Management

- Based on *A System of Profound Knowledge*
 - Appreciation for a system
 - Knowledge about variation
 - Theory of knowledge
 - Psychology
- All are highly interdependent of each other
- The 14 Points naturally flow from this system.
- Dr. Deming understood that the first step is transformation of the individual.

Deming's Theory of Management

- These new perspectives of the real world obviously lead managers to new conclusions or theories about the natural consequences of people working in processes and how leadership needs to be redefined.
- One place to initiate personal transformation (from an educator's view point) is by focusing on one (at least for now) of the elements of *A System of Profound Knowledge* – psychology of leaders as they grapple with the attributes of Deming-type leadership.

Deming's Theory of Management

- “One is born with a natural inclination to learn and to be innovative. One inherits a right to enjoy his work. Psychology helps us to nurture and preserve innate attributes of people.”
- Forces of Destruction chart depicts how outside forces of extrinsic motivation smothers a person's natural inclination of intrinsic motivation from birth to death.

Deming's Theory of Management

- Dr. Deming understood the power of intrinsic motivation and so eloquently articulated that we must learn to stop demotivating people as they already are motivated. He sees the values within people as something inherently good, not distorted with assumptions of greed, laziness, lack of ambition and dislike of work.

Deming's Theory of Management

- “Improve the system, and variation between people will diminish.”
- We will find that apparent differences in people are not due to the people, but to the systems that drive people's behavior.
- “I trust them; they come through.”
- This is yet another example of positive-based mental model about people and the nature of work.

Deming's Theory of Management

- What gets in their way are inattentive management practices that do not subscribe to the psychological needs of workers and negative preconceived ideas about the true nature of people.
- Lessons of the Red Beads – Really measuring the effects of the system, not performance of people

Deming's Theory of Management

- Dr. Deming indicates his strong, perceptual understanding and adherence to the fundamental believe that people want to perform well, are good and want to make a contribution for the good of the organization, most often in spite of the system within they work.
- He is asking why a manager would presume that a person comes into the workplace with anything else than a positive attitude, natural curiosity to learn or possess a willingness to work hard to fulfill their aspirations.

Deming's Theory of Management

- The point is that a manager can come to the workplace with an unhealthy system of assumptions about people that can promote cynicism and distrust by workers.
- Where this negative, pessimistic set of assumptions comes from is yet to be determined, but rest assured, it is totally devoid of any understanding of what truly motivates people, i.e., intrinsic motivation.

Deming's Theory of Management

- All these examples are pointing to pointing to a basic set of assumptions about people that is healthy, realistic and useful.
- It is a side of the Deming philosophy that is often overlooked, or ignored, but is a strong tenet of the way Dr. Deming wanted leaders to lead.

The Wisdom of Deming

- If we start with a set of assumptions about people that are positive, optimistic and recognize that the formation of sets of assumptions by leaders are part of the system too, we will be less vulnerable to the negative effects of superstitious learning and the errors of our forefathers.

The Questions

- How do we begin to change the psychological predisposition of leaders who are using a wrong set of assumptions about the nature of people?
- How do assumptions by leaders about the nature of people and work drive their behavior when interacting with others?
- Can self-introspection help the leader in the transformation?

The Foundation

- Viewing leadership as a system takes us to the inputs.
- What leaders believe is projected onto others, consciously or unconsciously.
- Deming-type leadership requires a positive, optimistic set of assumptions about people.
- Give leaders the opportunity to examine their personal belief system.

McGregor's Theory X & Theory Y

- Douglas McGregor – a social scientist from MIT.
- McGregor was influenced by Abraham Maslow
- He was challenged by Alfred P. Sloan in 1954 to develop a “more adequate theory of management”.
- McGregor's studies starts with the question: “What are your assumptions (implicit as well as explicit) about the most effective way to manage people?”
- The result was the publication of *The Human Side of Enterprise* in 1960.

McGregor's Theory X & Theory Y

- A new paradigm was created about human nature.
- Identified two contrasting sets of assumptions that managers use to guide their behavior when managing employees.
- Theory X was negative, pessimistic viewpoint.
- On the other hand, Theory Y was a optimistic, positive viewpoint.

McGregor's Theory X & Theory Y

- The premise of Theory X is that workers had to be coerced, threatened with punishment and controlled with *extrinsic* motivation in order to put forth a day's work.
- The premise of Theory Y is that workers are worthy of trust and respect and if given proper support, they would be *intrinsically* motivated to get the job done.

McGregor's Theory X & Theory Y

- Theory Y is not permissive management
- McGregor saw the importance of the interdependency of the various levels in an organization as opposed to just hierarchical relationships of command and control.
- He clearly saw the limits of authoritarian leadership and the higher potential of collaborative approaches for creating win/win.

McGregor's Theory X & Theory Y

- McGregor surmised: “Every managerial act rests on assumptions, generalizations, and hypotheses – that is to say, on theory. Our assumptions are frequently implicit, sometimes quite unconscious, often conflicting; nevertheless, they determine our predictions that if we do *a*, *b* will occur. Theory and practice are inseparable.”

McGregor's Theory X

- *The average human being has an inherent dislike of work and will avoid it if he can.*
- *Because of this human characteristic of dislike for work, most people must be coerced, controlled, directed, and threatened with punishment to get them to put forth adequate effort toward the achievement of organizational effectiveness.*
- *The average human being prefers to be directed, wishes to avoid responsibility, has little ambition, wants security above all*

McGregor's Theory X

- There are two approaches to Theory X: a “hard” approach, which relies on coercion, implicit threats, close supervision, and tight controls – essentially “command and control.” The “soft” approach is to be permissive and seek harmony so that employees will cooperate when they are asked to do so.

McGregor's Theory X

- McGregor believed that neither extreme is ideal: The hard approach often generates hostility, deliberately low output, and hard-line demands. The soft approach results in ever-increasing requests for more rewards, in exchange for ever-decreasing work output.

McGregor's Theory Y

- McGregor offers Theory Y as an alternative to Theory X set of assumptions. They are based on an optimistic, positive view of people. Theory Y propositions are not offered as a form of abdication by managers, but as new theory for the management of human resources.
- Theory Y is perceived as a solution for integrating individual and organizational goals

McGregor's Theory Y

- 1. The expenditure of physical and mental effort in work is as natural as play or rest.*
- 2. External control and threat of punishment are not the only means for bringing about effort toward organizational objectives. Man will exercise self-direction and self-control in the service of objectives to which he is committed.*
- 3. Commitment to objectives is a function of the rewards associate with their achievement.*

McGregor's Theory Y

- 4. The average human being learns, under proper conditions, not only to accept but to seek responsibility.*
- 5. The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.*

McGregor's Theory Y

6. Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized

McGregor's Theory X & Theory Y

- Theory X offers management an easy rationalization for ineffective organizational performance: It is due to the nature of the human resources with which we must work.
- Theory Y, on the other hand, places the problems squarely in the lap of management. If employees are lazy, indifferent, unwilling to take responsibility, intransigent, uncreative, uncooperative, Theory Y implies that the causes lie in management's methods of organization and control.

The Pygmalion Effect:

The Self-fulfilling Prophecy

- The Pygmalion Effect is a long-understood theory in the field of social science used to explain why people behave the way they do.
- It is postulated that once the expectation is projected by the sender consciously or unconsciously, people respond to it in ways so as to please the sender, or said differently, people behave in ways that are consistent with and thus ultimately help confirm or fulfill their prophecies.

The Pygmalion Effect:

The Self-fulfilling Prophecy

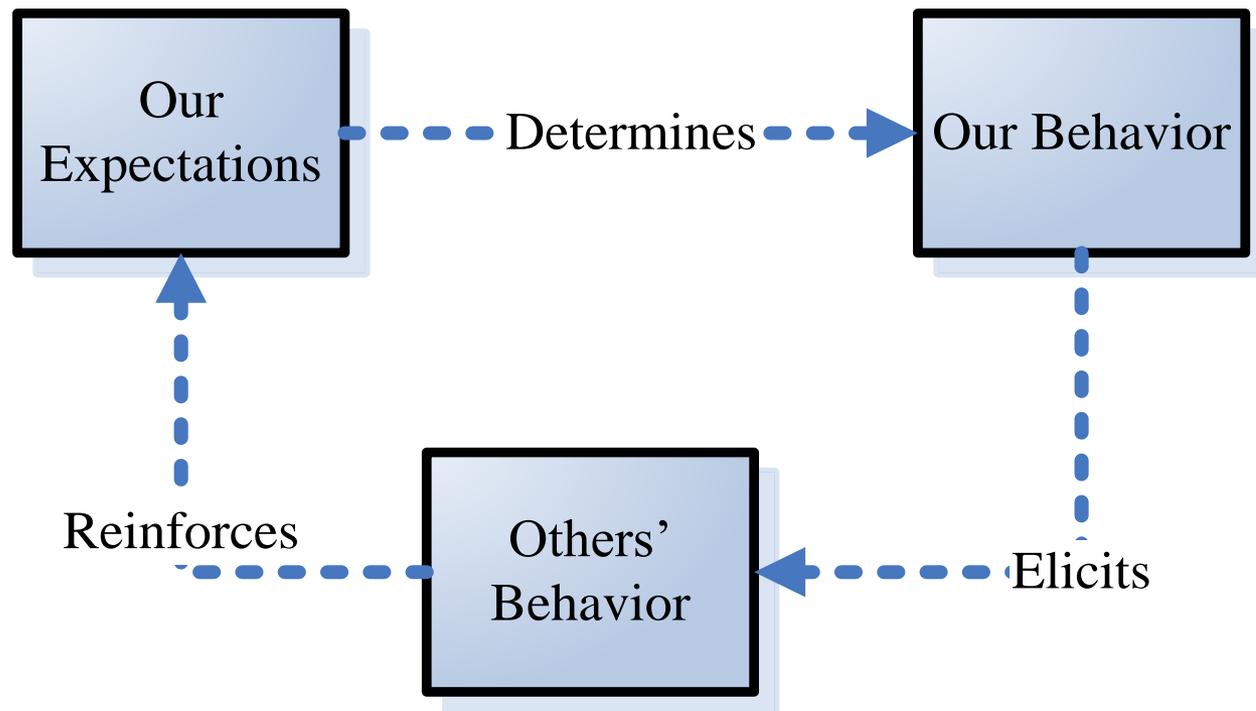
- The concept of the self-fulfilling prophecy, as termed by Robert Merton in *Social Theory and Social Structure* (1957), is based on four principles:
- We form expectations of people or events.
- We communicate those expectations with various cues.
- People tend to respond to these cues by adjusting their behavior to match them.
- The result is that the original expectation comes true.

The Pygmalion Effect:

The Self-fulfilling Prophecy

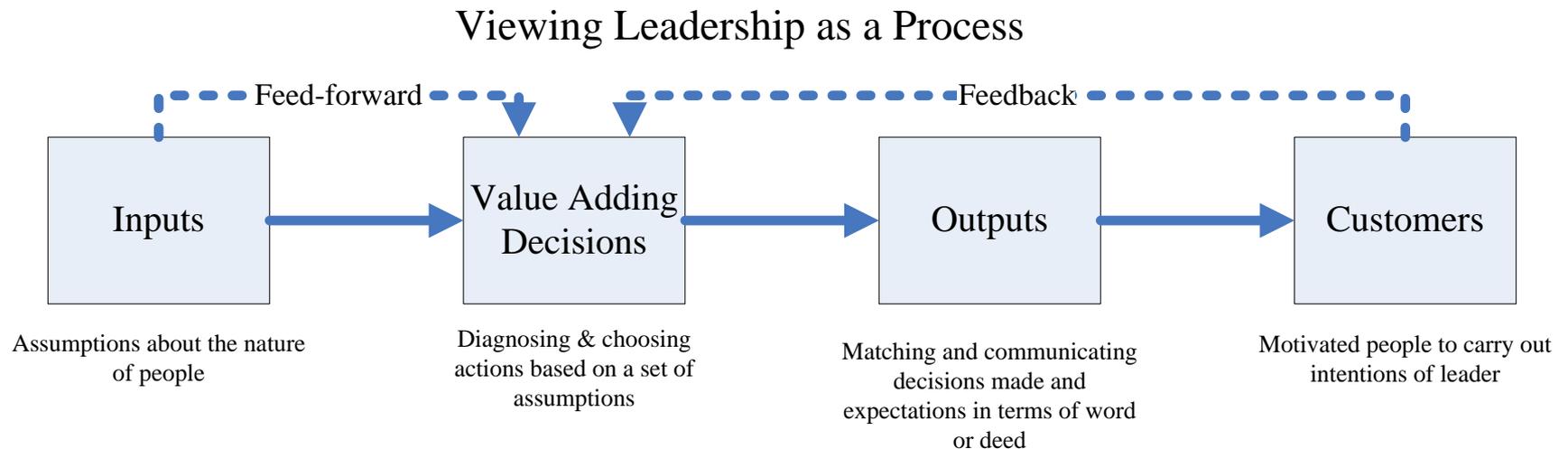
- Hall flowcharted the relationship as follows

Self-fulfilling Prophecy



The Process of Leadership

- Below is a diagram which helps to understand the process of leadership as a “system”. Identifying assumptions is considered feed-forward.



Fundamentals of Adult Learning

- Malcolm Knowles identified six assumptions of Andragogy that are worth mentioning.
- Adults need to know why they need to learn something before undertaking to learn it.
- Adults have a self-concept of being responsible for their own lives

Fundamentals of Adult Learning

- Adults come to into an educational activity with both a greater volume and a different quality of experience from youths.
- Adults become ready to learn those things they need to know or to be able to do in order to cope effectively with real-life situations.

Fundamentals of Adult Learning

- In contrast to children's and youth's subject-centered orientation to learning (at least in school), adults are life-centered (or task-centered or problem-centered) in their orientation to learning.
- While adults are responsive to some extrinsic motivators (better jobs, promotions, salary increases, and the like), the more potent motivators are intrinsic motivators (the desire for increased self-esteem, quality of life, responsibility, job satisfaction, and the like).

Fundamentals of Adult Learning

- The adult learning environment must be non-threatening, conducive to self-exploration, characterized by physical comfort, mutual trust and respect. The learning environment envisioned in this discussion is one:
 1. Including the diagnosis of needs for learning.
 2. Free of criticisms.
 3. Confidential in nature.
 4. Timely with meaningful feedback.
 5. Enhancing freedom of expression.
 6. Recognizing acceptance of differences.
 7. That learners perceive the goals of learning experience to be their goals (integration).
 8. Where active participation is the norm, not the exception.

Important Questions

- Can we help leaders investigate their assumptions about people?
- How can we begin to change a leader's thinking process about the nature of people and work?
- Where do we start?
- What assumptions must we make about people's desire to change?
- What method should we use to assist him or her in personal transformation efforts?
- How should the Shewhart Cycle be incorporated into the process?

Learning Methodology

- The learning experience is centered on 7 phases:
 1. Self-diagnosis – completing the MPS instrument
 2. Viewing a video titled *Management Values and Self-fulfilling Prophecy*.
 3. Scoring and interpretation.
 4. Connection to the P-D-S-A cycle.
 5. Group discussion and reinforcement.
 6. Soliciting feedback from others and
 7. Learning contracts (personal action planning).

Learning Methodology

- Managerial Philosophies Scale (MPS): A Self Appraisal of People and Work. (NCR paper-based booklet)
- The MPS is based on the Douglas McGregor's conceptualization of Theory X and Theory Y managerial philosophies.
- The self-assessment instrument is used in assisting a user to view their personal belief systems relative to people and work for the purpose of change and improvement in an adult learning situation. (Feed-forward data)
- Contains 36 criterion-based questions with Likert-scale responses (Ranges 1 – 7 to agree or disagree with the statements).

MPS Output

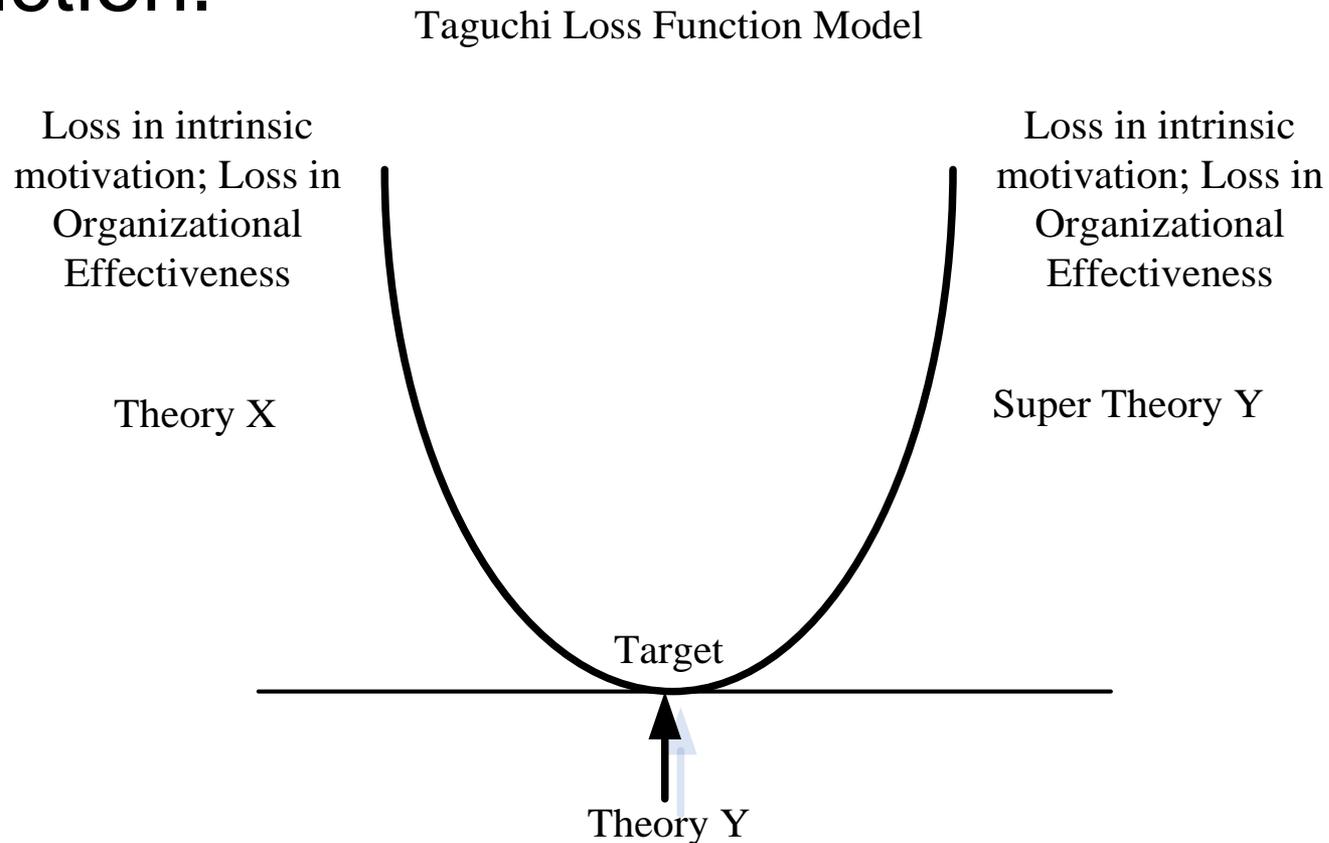
- Jacoby and Terborg state: The MPS has been designed to tap into the very tenuous and abstract area of belief, ideology and generalized assumptions about others. And, to the extent it is capable of doing this, it provides a basis for understanding and interpreting observable behaviors.

MPS Output

- The user is provided a feed-forward analyses centered around four scenarios:
 - Reductive (Theory X biased).
 - Traditional (Theory X but contaminated with the effects of previous human relations training).
 - Developmental (Theory Y).
 - Super Y (Over subscription to Theory Y).

Addendum Analysis

- Relate to the concept of Taguchi Loss Function.



Dovetailing the Theories

Dovetailing the Theories

| <p>Leader's Alignment with McGregor's Theories</p> <p>X</p> | <p>Number of Attempts to Apply Deming's Theory of Management</p> | <p>Effects on the organization</p> | <p>Self-fulfilling Prophecy</p> |
|---|---|--|---|
| <p>Mindset of Leader: Why try?</p> <p>People can't be trusted; They must be coerced and intimidated to work.</p> <p>I need to keep control!</p> <p>Prediction: Expect problems – but at least I know how to deal with them – as I always have.</p> | <p>Low to None</p> | <p>Result: Problems and disappointments</p> <p>Workforce unmotivated and resistant to participate; People not interested in learning new methods or cooperating; Rampant defensiveness; Absenteeism high; Evermore protectionism; Low employee morale; Innovation nonexistent; Fire fighting intensifies; Poor communications; Results continue to sag; Customers disenfranchised</p> | <p>The prediction comes true as expected.</p> <p>Results in: See, I told you so!</p> <p>I knew it would never work.</p> <p>Everybody loses!</p> |

Dovetailing the Theories

| <p>Leader's Alignment with McGregor's Theories</p> <p>Y</p> | <p>Number of Attempts to Apply Deming's Theory of Management</p> | <p>Effects on the organization</p> | <p>Self-fulfilling Prophecy</p> |
|--|---|---|---|
| <p>Mindset of Leader: People are jewels waiting to excel; They are already motivated.</p> <p>I need to integrate the goals of people with the goals of the organization.</p> <p>I think I can do it.</p> <p>Prediction: Expect opportunities – anticipate new and exciting alternatives</p> | <p>High</p> | <p>Result: Opportunities – Enthusiasm and success Workforce highly motivated; Participative environment; People accepting new responsibilities; Incentive systems disappear; Ranking of employees eliminated; Quota systems disappear; People excited about learning new methods and cooperating; High employee morale; Absenteeism drops; Firefighting decreases; Results improve; High innovation; Customers delighted</p> | <p>The prediction comes true as expected.</p> <p>Results in: See, I told you so!</p> <p>I knew it would work.</p> <p>Everybody wins!</p> |

Lessons Learned

- Applying Theory Y in the context of the Shewhart Cycle (Plan-Do-Study-Act) is vital to the impact of the technique.
- Every time I run this exercise, I learn something new.
- Participants like this experience.
- Connecting McGregor's Theory X and Theory Y to Deming's Theory of Management is helpful.

Lessons Learned

- McGregor and Deming came to same similar conclusions.
- In presenting Deming's Theory of Management, an exercise involving McGregor's theories can supplement the learning process.
- I have a lot of respect for the Pygmalion Effect as a powerful phenomenon to keep in mind when dealing with people.

Lessons Learned

- Reliance on intrinsic motivation is one of keys that will unlock the true human potentiality in organizations.
- Deming's Theory of Management casts a wider net than McGregor's propositions.
- The challenge for us is to test these theories in our quest to gain new knowledge and improve as leaders.

McGregor's Theory Y How Does it Work?

- Theory Y is perceived as a process of selective adaptation for integrating individual goals and organizational objectives through a strategy of “**integration and self-control**” ,i.e., the leader adapts the work to meet the needs of a person so as to allow the individual to achieve their own goals while simultaneously pursuing the organization's objectives.
- If correctly performed, **integration and self-control** is the means by which the leader can manifest the true nature of people, tap into it and align their goals with the organization's objectives.
- The premise is that if the person's goals and the organization's objectives are the same, then everybody wins.
- Effective application of strategy of “**integration and self-control**” creates an environment that optimizes commitment, imagination, initiative, ingenuity and self-direction, i.e., the “individual” is restored.

Examples of the Theory Y and Deming Leadership

Theory Y

- Management by integration and self-control
- Job redesign
- Eliminate incentive plans and merit pay
- Understand the counter productive nature of performance appraisals

Deming

- Understand work as a system
- Points 10, 11, 12
- Eliminate ranking of people and reliance on competition between people
- Break out of the rut

and Deming Leadership Continued

Theory Y

- Involve people in decisions that affect their levels of intrinsic motivation

Deming

- Find out what excites people
- Create joy in work
- Points 6,7 and 13
- Constancy of purpose
- Breakdown barriers
- Teach fundamentals of statistical thinking

Conclusions

- The challenge for us is to test Deming's theories in the context of McGregor's Theory Y in our quest to gain new knowledge.
- A person who uses the elements of a System of Profound Knowledge as basis for applying the principle of selective adaptation would enhance predictability of economic outcomes.
- One can not apply Deming's Theory of Management using Theory X as the basis for improvement.
- The foundations of Theories X & Y are similar to Deming's Theory of Management. They are stated differently but have a similar aim: Improvement of the system.

Compatibility Factor - Theory X

- Obsession with managing individuals as individuals
- Reactive management
- Devoid of any understanding of systems, variation, and theory of knowledge.
- Based on primitive laws of stimulus-response psychology, i.e., extrinsic motivation
- Unfortunately Theory X is still pervasive even today (as Deming has predicted)
- Not applicable in the variable world that Dr. Deming understood
- Deming understood the effects of Theory X; he knew what the real culprit was
- Reliance on over justification
- Drives in fear
- Based on extrinsic motivation
- Robs people of their sense of self-worth
- Sets in motion competition between people

Compatibility Factor - Theory

Y

- Requires leaders to know the dreams and aspirations of people
- The leader is dependent on people as much as people are dependent on the leader
- Requires a system with a clear aim
- Optimizes the contributions of people
- Transforms the leader into a life-long learner
- Forces the leader to use their power to improve the system
- Y is similar to Deming's foundation but just said a different way
- Y is more familiar to the world that Dr. Deming understood
- Matching aspirations and talents of people to the system is how one taps into intrinsic motivation
- The supervisor transforms into a true leader of people
- Contribution of people to variation in systems-related results becomes less of an issue
- Differences in people are not perceived as special-cause, but part of the system
- People see how they fit into the system
- The leader is a coach, not a judge
- Trust grows in this system