

## **Deming and McGregor: Bring Back the Individual**

### Introduction

Dr. Deming's Point 7 says adopt and institute new methods of leadership (*Out of Crisis*, p. 54). The aim of this paper is to provide a rationale and method for improving outcomes in learning by leaders who wish to take an active role in their personal transformation efforts as they face this challenge.

How do we accomplish joy in work for people? The author's theory is that there is a strong relationship between Dr. Deming's Theory of Management and McGregor's Theory X and Theory Y set of assumptions for leaders to consider in the management of people. The relationship is so strong that facilitators who assist others to understand and apply Deming's Theory of Management would improve learning outcomes if McGregor's theory was incorporated into educational programming. 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. The author has observed that assisting individuals in understanding 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.

The theory has been based on observations over several decades while working with participants in Deming seminars. In these programs, I have designed and presented activities that engage adults in understanding the Deming's Theory of Management. As a practitioner, my interests lie in providing people with an opportunity to optimize personal learning that will lead to adoption and practice of the Deming's Theory of Management. Deming wrote that "people are different from each other", but organizations tend to treat them the same (*The New Economics: For Industry, Government, Education*. 2nd Edition, p. 125). Deming said:

"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." (*The New Economics: For Industry, Government, Education*. 2nd Edition, p. 108).

Relative to my concerns, Deming's point is an inspiration, not a delimiter. The aim of this paper is to share one methodology so that other practitioners will have the opportunity to plan similar transformation efforts in the future and possibly replicate my assertions.

### Deming's Theory of Management

In his book, *The New Economics: For Industry, Government, Education*. 2nd Edition, Dr. W. Edwards Deming outlined a new theory of management based on *A System of Profound Knowledge*. Dr. Deming described that four key elements must interact as a system in order to produce the necessary insights required for effective leadership in the real world, a variable world.

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The four parts (or disciplines) are presented in such a way that they are not to be considered mutually exclusive events. The elements are highly interdependent in nature and function together as a system. They are identified as:

1. Appreciation for a system
2. Knowledge about variation
3. Theory of knowledge
4. Psychology (*The New Economics: For Industry, Government, Education*. 2nd Edition, p. 92)

Dr. Deming understood that the first step is transformation of the individual. I believe he meant that leaders must be willing and ability to apply *A System of Profound Knowledge* in everyday situations. This transformation must take place amid people and work in order to achieve a simple aim. We must allow people to take pride in their work. It is a challenging role for any leader. How do we create joy in work? What is in the way of accomplishing this aim? Leaders are the purveyor of the systems in which people work and it will take a 'new lens' through which to observe and improve the system (*The Message Behind the Man*, Nida Backaitis). In addition, Dr. Deming noted that his 14 Points for management in industry, education, and government as they were proposed in *The New Economics: For Industry, Government, Education* (2nd Edition p. xv) "follow naturally as application of this outside knowledge, for transformation from the present style of Western management to one of optimization".

Understanding the interdependency of the four elements of Dr. Deming's *A System of Profound Knowledge* is critical. These elements interact with each other in such a way that one can not apply an element without knowledge of the other three, e.g., "knowledge of psychology is incomplete without knowledge of variation (*The New Economics: For Industry, Government, Education* (2nd Edition p. 92)".

Dr. Deming points out "that management is in a stable state (*The New Economics: For Industry, Government, Education*. 2nd Edition, p. 123). Interpretation of this statement suggests that current leadership is 'locked into' leadership processes that will be an impediment in the creation of improved systems. In fact, current approaches to the management of people will only perpetuate poor systems that exist today unless a fundamental change in understanding occurs with leaders in an organization. The result of a new perspective, however, will lead to the formulation of better theories for the improvement of current systems.

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 of Knowledge* – psychology of leaders as they grapple with the attributes of Deming-type leadership. Dr. Deming stated that:

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“The most important act that a manager can take is to understand what it is that is important to an individual. Everyone is different from everyone else. All people are motivated to a different degree extrinsically and intrinsically. This is why it is so vital that managers spend time to listen to an employee or understand whether he is looking for recognition by the company, or by his peers, time at work to publish, flexible working hours, time to take a university course. In this way, a manager can provide positive outcomes for his people, and may even move some people toward replacement of extrinsic motivation with intrinsic motivation.”  
(*The New Economics: For Industry, Government, Education*, 2nd Edition, p. 112)

And in one of the video tapes from the Deming Library series, Deming says:

“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.” (*A Study in Continual Improvement Part II*)

When I study Dr. Deming’s writings, it is clear that his perspective about people is very positive, yet always veiled in the context of a variable world that we live in. He continually refers to intrinsic motivation as the true motivator, the one we naturally possess. He recognizes that what drives people to do great things comes from within, not from extrinsic motivation. He realizes that people are naturally, intrinsically motivated and that our problems arise from the myth that the only way to motivate people is through methods of extrinsic motivation. I’m reminded of Deming’s Forces of Destruction chart in *The New Economics: For Industry, Government, Education*, 2nd Edition, p. 122) in which he depicts how outside forces of extrinsic motivation smothers a person’s natural inclination of intrinsic motivation from birth to death. His writings also include insight about the negative effects of Management By Objective or Management By Results (MBO/MBR) on people in work processes and superstitious myths about human behavior we encounter everyday of our lives. He points out how the individual is crushed and molded into something totally dependent on a system of extrinsic motivation, reward, recognition and punishment alike. Henry Neave underscores Deming’s words:

“They (those that prescribe to an extrinsically-motivated society) squeeze out from an individual, over his lifetime, his innate intrinsic motivation, self-esteem, dignity, and build into him fear, self-defense, extrinsic motivation.” (*The Deming Dimension*, p. 388)

Dr. Deming understood the power of intrinsic motivation and so eloquently articulated that we must learn to stop de-motivating 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.

In the same writings, Neave reminds us of Deming’s quote in the context of Point 7:

“Improve the system, and variation between people will diminish.” (*The Deming Dimension*, p. 337)

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As we begin to improve the current system of management, Deming believes that if we closely examine the true nature of people, we will find that apparent differences in people are not due to the people, but to the systems that drive people's behavior. What we will discover is that people are more alike in their intrinsic motivation levels than they are different. This is a positive, optimistic viewpoint on the nature of people.

In yet another example, Neave notes the words of Deming:

“I trust them; they come through.” (*The Deming Dimension*, p. 402)

Here Dr. Deming is talking about how he does not grade students and, yet they always finish a project or paper. This statement demonstrates the positive belief in a person that they will follow through. Dr. Deming doesn't need to extrinsically reward them. He points out that grading in schools is inapposite. Neave writes about Deming:

“The worst obsolescence in schools is ranking.” (*The Deming Dimension*, p. 384)

In the video, *The Prophet of Quality Part I*, from the Deming Library, when discussing Point 12, joy in work, Deming says:

“I don't grade my students. How can I know how someone will do ten years from now under economic, financial and psychological conditions nobody can foretell. Nobody would dare to foretell.”

This is yet another example of positive-based mental model about people and the nature of work. Deming obviously is aware of the potentiality of giving his students a negative or, for that matter, a positive self-fulfilling prophecy by associating a person's “performance” in the classroom with what they might be able to achieve in the future. He is optimistic that people will meet their own high expectations if left uninfluenced by his judgments one way or another and left to their own intrinsic motivation levels. He is essentially saying why tamper with the future of his students. They are totally capable of self-direction and control. Control through external motivation is not necessary and is really detrimental in the growth of people.

Lloyd Dobyns goes on to say:

“You can not enjoy what you do if you are doing it only to beat someone else. If you can not find joy in doing the job itself, you can not contribute to a quality organization. (*The Prophet of Quality Part I*)

Dobyns' commentary is alluding to the point that people really do want to find true satisfaction in their work. Again, the presumption is that intrinsic motivation is constantly influencing the individual in their quest to take pride in their work and ultimately contribute to the organization. What gets in their way are misguided management

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practices that do not subscribe to the psychological needs of workers and negative preconceived ideas about the true nature of people.

Deming knows that students will complete assignments. They do not need to be coerced or threatened to finish their work. Dr. Deming believes in them, he trusts them and the innate qualities that drive their behavior. Dr. Deming can also see the effects of the self-filling prophecy, otherwise known as the Pygmalion Effect having an impact on people's response to this type of leadership. (*The Deming Dimension*, p. 384)

When Dr. Deming debriefs the Red Bead Exercise, he points out that ranking people is like a lottery. The obvious explanation is based in statistical thinking and the understanding that people work in the system, and that management works on the system. He addresses the behavior of the foremen in the exercise and the devastating effects it has on people. He indicates that admonishing or rewarding people for results of the system (outside their control) is simply wrong.

Dr. Deming knows that people working in a stable system are already doing their best. He understands the output of the system is due to common-cause variation and very predictable. Dr. Deming knows that assigning blame or praise is treating common-cause variation in outcomes as if they are due to special-causes, i.e., differences in the performance of people. Finally, Dr Deming knows that to accomplish improvement in the system, process knowledge is required.

The lasting effect on people is to destroy their spirit, their sense of self-worth: The point being again that people have been robbed of their natural state of dignity and sense of self-respect. Here again, Dr. Deming indicates his strong, perceptual understanding and adherence to the fundamental belief that people want to perform well, are good, want to accept responsibility and want to make a contribution for the good of the organization, most often in spite of the system within they work. This also points to a fundamental belief system that is positive and constructive.

In the current system of management, e.g., devoid of understanding the concept of variation, problems of people seem to be the biggest issue that leaders face. Most often, these leaders believe that these problems are all special in nature and require unique personal attention. However, uncommon common sense tells us that these 'people problems' are not special-causes or unique events, but really the result of common-cause variation in the system as Dr. Deming has predicted. If this is true, it would be advantageous to examine the system in light of this new perspective by looking in areas that cross all boundaries of the human experience in the work place.

Among other things, Dr. Deming 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 to fulfill their aspirations. The point is that if a leader possesses an unhealthy set of assumptions about people in the first place that feeds

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cynicism and distrust, the leader's attitude is part of the common-cause variation affecting the system outcomes.

All things considered, it is safe to say that Dr. Deming's basic set of assumptions about people is purposeful, realistic and useful. It is a side of the Deming philosophy that is often overlooked, or ignored, but is a strong tenet that Dr. Deming thought leaders should adopt. I think the wisdom he is trying to convey is:

*Believe in people and they will not disappoint you. If you are truly committed to improvement, don't destroy their morale by assuming they are untrustworthy, lazy, or want to avoid taking on responsibility. People are better than that. You are responsible for the system and you must improve it with the help of people. You are going to need all the help you can get. Assume they are part of the system. Don't start off on the wrong foot by assuming people don't want to make a contribution, avoid responsibility, and that pay is the only motivator. Assume they are already motivated, want to help and then work with them to make things better by collaboratively using A System of Profound Knowledge as the basis for action and prediction. Remember that the 'system' includes what assumptions you as a leader make about people. Understand that people will predictably react to satisfy what you project on them.*

Finally, 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 tampering. Similarly, as CEO Geary Rummler of Performance Design Lab said:

*"You can take great people, highly trained and motivated, and put them in a lousy system and the system will win every time." (Customer Loyalty Guaranteed: Create, Lead, and Sustain Remarkable Customer Service, p. 172)*

What follows is a rationale of how we might be able to examine the psychological predisposition of leaders to use a set of assumptions as part of the system and the implications of following a particular set can contribute to common-cause variation in the current system of management. The aim is to understand how assumptions by leaders about the nature of people and work drive the leader's behavior when interacting with others. My theory is that leadership is a process in and of itself. By that I mean, if we begin to examine the inputs to the decision-making processes that leaders adopt, we can explore how their theories about people affect the stable state of conventional management.

In particular, I propose that Deming-type leadership would require, among other things, a positive, optimistic set of assumptions of people in order for a leader to first learn, and ultimately practice *A System of Profound Knowledge*. Therefore, why not give leaders the opportunity to examine their personal belief systems to help them evaluate whether they could support and practice Deming-type leadership. This would be done not to compare individuals but to give the individual an opportunity to conduct self-introspection.

Where do we begin our search to bring back the individual? Peter Scholtes writes about the “unquestioned premises of conventional management” as a source of misguided attempts of management to control the workforce. (*The Leader's Handbook*, p. 297-300) He points out that at the root of conventional management practice are belief systems that are rarely questioned. As a result, practices such as performance appraisals and establishment of quotas proliferate and continue to diminish the individual. As part understanding what these premises might entail, he discusses the work of Douglas McGregor and Theory X and Theory Y as worthy of review.

### McGregor's Theory X and Theory Y

In his 1960 seminal book, *The Human Side of Enterprise*, Douglas McGregor identified two dichotomous sets of assumptions that managers use to guide their behavior when managing their employees, which he labeled Theory X and Theory Y. Theory Y contended that individuals are naturally self-motivated and self-directed. Theory X contended that people are in fact, the opposite and must be threatened or coerced into performing work. But more alarming was the contention by McGregor that the latter theory was the one that was widely taught in business schools and was pervasive in the workplace. At the time he wrote his book, this was based on many decades of research in human relations. But over the past half century, not much has changed and is widely assumed even today.

McGregor's top question for management and the premise for his research was:

“What are your assumptions (implicit as well as explicit) about the most effective way to manage people?” (*The Human Side of Enterprise*, p. vii)

Douglas McGregor challenged us much the same way Deming challenged us. Joel Cutcher-Gershenfeld noted the thoughts of McGregor when he quoted:

“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.” (*The Human Side of Enterprise Annotated Edition*, p. 8)

[The inseparability of theory and practice builds on work advanced by Kurt Lewin who preceded Douglas McGregor at MIT. (See Kurt Lewin, *Field Theory in the Social Sciences*, New York: Harper & Brothers, 1951.)]

Cutcher-Gershenfeld goes on to quote McGregor's words in the same writings:

“So long as the manager fails to question the validity of his personal assumptions, he is likely to avail himself of what is available in science. And much is there. The knowledge in the social sciences is not sparse, but frequently it contradicts

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personal experience and threatens some cherished illusions. The easy way out is rejection, since one can always find imperfections and inadequacies in scientific knowledge.” (*The Human Side of Enterprise Annotated Edition*, p. 8)

Heil, Bennis and Stephens added when they wrote:

“Douglas McGregor’s most important legacy was neither Theory X nor Theory Y. It was his insistence that managers question their core assumptions about human nature, and that they see how these mental models lead to managerial practices.” (*Douglas McGregor, Revisited: Managing the Human Side of the Enterprise*, p. 20)

Heil, Bennis and Stephens go on to say that managers resist taking a look at their core values. They are not comfortable with this concept. They state:

“McGregor refused to simplify unbelievably organic and complex challenges into formulaic analyses and solutions. He believed that every solution was different: Like an individual person, the net result was a factor of countless variables. Yet leaders who look to implement his ideas still want easy answers—a simple, applicable, seven-step cure-all. They resist his message that every situation is unique and organic. In a self-fulfilling manner, many managers fail to implement his ideas because they believe them to be unimplementable. His ideas don’t take hold because most managers don’t believe they can put them into practice. When push comes to shove, most managers resist the hard work called for when managing people’s values and motivations. They want to have a conversation about it, but when it comes to dealing with people and organizations, they want something simple to use. This type of response plagued McGregor. In real life, the solutions to problems are far more complex and individual than any one generic purpose.

McGregor was often met with the following question: This is a great theory—but how do you make it work? And McGregor would invariably respond: “I don’t know.” He knew that his thinking worked only when each individual figured out how it worked *for them*. This explanation applies equally to McGregor’s principles. People want a simple model they can implement effortlessly, regardless of who they are or what the unique situation demands. McGregor resisted such a simple response.

Above all, McGregor wanted people to look in the mirror and consider who they were and what they believe, a challenge that most people have at the very core of their being. And yet, until a person peels away the layers, looks at himself, and recognizes his deeply held beliefs and attitudes, he cannot lead or design a truly effective organization in today’s world.

McGregor believed that organizations would be far more effective and powerful when managers offered employees the opportunity to align their individual goals

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with those of the business. His thinking reinforced the pragmatic message at the core of famed psychologist Abraham Maslow's work: People are capable of extraordinary accomplishments if they are able to meet their own self-fulfilling needs when pursuing the goals of the organization. Maslow referred to this approach as "enlightened management." (*Douglas McGregor, Revisited: Managing the Human Side of the Enterprise*, p. 20-21)

When setting the premise for his theories, Cutcher-Gershenfeld cites that McGregor often used an effective analogy comparing physical sciences to social sciences:

"We do not, for example, dig channels in the expectation that water will flow uphill; we do not use kerosene to put out a fire. In designing an internal combustion engine we recognize and adjust to the fact that gases expand when heated; we do not attempt to make them behave otherwise. With respect to physical phenomena, control involves the selection of means which are appropriate to the nature of the phenomena with which we are concerned.

In the human field the situation is the same, but we often dig channels to make water flow uphill. Many of our attempts to control behavior, far from representing selective adaptations, are in direct violations of human nature. They consist in trying to make people behave as we wish without concern for natural law. Yet we can no more expect to achieve desired results through inappropriate action in this field than in engineering." (*The Human Side of Enterprise Annotated Edition*, p. 11)

In the same writings, Cutcher-Gershenfeld goes on to say:

"Another fallacy is often revealed in managerial attempts to control human behavior. When we fail to achieve the results we desire, we tend to seek the cause everywhere but where it usually lies; in our choice of inappropriate methods of control. The engineer does not blame water for flowing downhill rather than up, nor gases for expanding rather than contracting when heated. However, when people respond to managerial decisions in undesired ways, the normal response is to blame them. It is *their* stupidity, or their cooperativeness, or their laziness which is seized on as the explanation of what happened, not management's failure to select appropriate means for control." (*The Human Side of Enterprise Annotated Edition*, p. 12)

When connecting action to theory, Cutcher-Gershenfeld also points out when he wrote:

"Human behavior is predictable, but as in physical science, accurate prediction hinges on the correctness of the underlying theoretical assumptions. There is, in fact no prediction without theory; all managerial decisions and actions rest on assumptions about behavior. If we adopt the posture of the ostrich with respect to our assumptions under the mistaken idea that we are thus "being practical," or that "management is an art," our progress with respect to the human side of enterprise

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will be indeed slow. Only as we examine and test our theoretical assumptions can we hope to make them more adequate, to remove inconsistencies, and thus to improve our ability to predict.

We can improve our ability to control only if we recognize that control consists in selective adaptation to human nature rather than in attempting to make human nature conform to our wishes. If our attempts to control are unsuccessful, the cause generally lies in our choice of inappropriate means. We will be unlikely to improve our managerial competence by blaming people for failing to behave according to our predictions.” (*The Human Side of Enterprise Annotated Edition*, p. 13)

Noting earlier annotations in his book Cutcher-Gershenfeld pointed out that:

Two decades after the publication of this book (*The Human side of Enterprise*, 1960), Dr. W. Edwards Deming echoed McGregor with his injunction: “Don’t blame the people, fix the system.” (*The Human Side of Enterprise Annotated Edition*, p.xxii)

Similarly, as Brian Joiner articulated in his book when describing system performance and that we should focus attention on the system:

“Blame the process, not the person.” *Fourth Generation Management: The New Business Consciousness*, p. 33)

The precepts of McGregor’s theories are based in methods of influence and control managers use to lead people in the organization. I think that McGregor would agree with a widely cynical remark I’ve often heard regarding business: *If it weren’t for all the people involved, business would be a great line of work!* False assumptions like this permeate throughout organizations: top to bottom. Leaders are habitually complaining about recalcitrant employees, their unmotivated attitudes, and poor work habits that are the root cause of all the organization’s problems. In turn, leaders feel obliged to strictly enforce rules and policies: There will be no deviation! That is the only way to counteract the indignant workforce. Problems have to be solved with force. That is the only thing these workers understand. As Cutcher-Gershenfeld wrote:

“If there is a single assumption which pervades conventional organizational theory it is that authority is central, indispensable means of managerial control.” (*The Human Side of Enterprise Annotated Edition*, p. 24)

Cutcher-Gershenfeld goes on to point out that much of the principles identified for effective management of people at the time came from studies around the military and the Catholic Church (p. 22). While these may be necessary and appropriate assumptions for these organizations, it is difficult to generalize from these studies to mainstream business

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and industry situations. More importantly, he says that continued adoption of these principles still yield disappointing results.

Another key aspect to consider is the concept of interdependency of the various elements of an organization. He notes that as organizations become larger and more complex, authority becomes more of a limitation than strength. Cutcher-Gershenfeld writes:

“The outstanding fact about relationships in modern industrial organization is that they involve a high degree of interdependence. Not only are subordinates dependent upon those above them in the organization for satisfying their needs and achieving their goals, but managers at every level are dependent upon those below them for achieving both their own and organizational goals.” (*The Human Side of Enterprise Annotated Edition*, p. 29)

McGregor provides insight about the true nature of authority in the operation of an organization. The point is that the upward and downward nature of dependencies is such that the organization can be characterized as a dynamic rather than static system of relationships. Therefore, it is too risky to depend on a unilateral means of control as the primary method for achieving organizational goals, especially when people are involved. The most important lesson for the leader to learn, then, is that the selection of the appropriate means of influence for the situation is critical. This naturally then leads to: What assumptions are appropriate for a leader to follow in this selective adaptation process?

### Theory X

As the first set of assumptions to present, it is the most obvious. It is easily recognized, because it is based on so-called incontrovertible evidence about the true nature of people. Therefore, correctness is not an issue because the leader accepts it as truth. Everyone knows it, and it will never change. It is a negative, pessimistic view of people. McGregor wrote that managers would (and most often did) base their decisions on the following set of assumptions:

1. *“The average human being has an inherent dislike of work and will avoid it if he can.*

This assumption has deep roots. The punishment of Adam and Eve for eating the fruit of the tree of Knowledge was to be banished from Eden into a world where they had to work for a living. The stress that management places on productivity, on the concept of a “a fair day’s work,” on the evils of featherbedding and restriction of output, on rewards for performance –while it has a logic in terms of the objectives of enterprise – reflects an underlying belief that management must counteract an inherent human tendency to avoid work. The evidence for the correctness of this assumption would seem to most managers to be incontrovertible.

2. *Because of this human characteristic of dislike for work, most people must be coerced, controlled, directed, and threatened with punishment to get them to*

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*put forth adequate effort toward the achievement of organizational effectiveness.*

3. *The average human being prefers to be directed, wishes to avoid responsibility, has little ambition, wants security above all.*” (*The Human Side of Enterprise*, p.33)

The premise for action for the leader, then, is to control the ranks of so-called dishonest, mediocre, lazy, untrustworthy, not so ambitious workforce; leaders must rely on choosing actions that effectively counteract these negative tendencies of people. They include the use of techniques such as tight controls, implicit threats, close supervision, coercion, intimidation, reliance on punishment, and negative rewards. Other more insidious methods can include installing performance appraisals, ranking of employees, incentive schemes and the like. The point here is that there is an unprecedented amount of countermeasures available if one is looking for them. It follows, then, the old proverb:

*If the only tool you have is a hammer, then everything looks like a nail!*

In addition, Warner writes:

“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 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.” (*Management Styles Questionnaire (MSQ) Facilitator’s Guide*, p. 2)

Moreover, Cutcher-Gershenfeld writes:

“The philosophy of management by direction and control – *regardless of whether it is hard or soft* – is inadequate to motivate because the human needs on which this approach relies are relatively unimportant motivators of behavior in our society today. Direction and control are of limited value in motivating people whose important needs are social and egoistic.

People deprived of opportunities to satisfy at work the needs which are now important to them behave exactly as we might predict – with indolence, passivity, unwillingness to accept responsibility, resistance to change, willingness to follow the demagogue, unreasonable demands for economic benefits. It would seem that we may be caught in a web of our own weaving.

Theory X explains the *consequences* of a particular managerial strategy; it neither explains nor describes human nature although it purports to. Because its assumptions are so unnecessarily limiting, it prevents our seeing the possibilities

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inherent in other managerial strategies. What sometimes appear to be new strategies – decentralization, management by objectives, consultative supervision, “democratic” leadership – are usually but old wine in new bottles because the procedures developed to implement them are derived from the same inadequate assumptions about human nature. Management is constantly becoming disillusioned with widely touted and expertly merchandized “new approaches” to the human side enterprise. The real difficulty is that these new approaches are no more than different tactics – programs, procedures, gadgets –within an unchanged strategy based on Theory X.” (*The Human Side of Enterprise Annotated Edition*, p. 54-55)

In the same writings, Cutcher-Gershenfeld concludes:

“However, so long as the assumptions of Theory X continue to influence managerial strategy, we will fail to discover, let alone utilize, the potentialities of the average human being.” (*The Human Side of Enterprise Annotated Edition*, p. 57)

### 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 generalizations are based on many years of research in the social sciences and are conceived to be accurate descriptions of the nature of people. In fact, Theory Y is perceived as a solution for integrating individual and organizational goals. McGregor described Theory Y as:

1. *“The expenditure of physical and mental effort in work is as natural as play or rest. The average human being does not inherently dislike work. Depending upon controllable conditions, work may be a source of satisfaction (and will be voluntarily performed) or a source of punishment (and will be avoided if possible).*
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 associated with their achievement. The most significant of such rewards, e.g., the satisfaction of ego and self-actualization needs, can be direct products of effort directed toward organizational objectives.*
4. *The average human being learns, under proper conditions, not only to accept but to seek responsibility. Avoidance of responsibility, lack of ambition, and emphasis on security are generally consequences of experiences, not inherent human characteristics.*

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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.*
6. *Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.” (The Human Side of Enterprise, p. 47-48)*

Following this train of thought, Warner speculates:

“By contrast, Theory Y holds that work is as natural as play and that people have a psychological need to work. They want responsibility, are capable of self-control, and desire to achieve. Therefore, managers should arrange the work environment and methods of operation so people can achieve their own goals by directing their own efforts. Theory Y holds that motivation can come from self-esteem and achievement; if people are properly managed, in fact, they will be more creative and team-spirited, and be willing to take on responsibility. McGregor believed that very few organizations make full use of their employees’ inherent abilities and strength. The role of the manager is not to ask which set of attitudes is right, but rather ask: *What is the reality of our job situation, and how can I motivate my people to keep them involved and contributing?*” (*Management Styles Questionnaire (MSQ) Facilitator’s Guide*, p. 2)

McGregor points out that Theory Y is centered on the possibilities of human growth and development. The strategy for its application should be for selective adaptation rather than adoption of a single, all-inclusive, absolute use of authority for control. He contends that Theory Y is not a limitation as implied with Theory X set of assumptions. Theory Y is more of an estimator of management’s capabilities. Cutcher-Gershenfeld writes:

“Above all, the assumptions of Theory X point up the fact that the limits on human collaboration in the organizational setting are not limits of human nature but of management’s ingenuity in discovering how to realize the potential represented by its human resources. 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 Human Side of Enterprise Annotated Edition*, p. 66)

While McGregor understood that Theory Y was easy to say, their application in an organization would be challenging. He noted that it would not be easily accepted by managers because of deeply ingrained managerial habits of thought and action. After all, managers who have risen to the top have had their Theory X set of assumptions reinforced over and over again either by pay increases or promotions: why change now? They got me this far in my career; I’d be stupid to change now. The risks are too great.

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The primary strategy to use when applying Theory Y is the principle of *integration*. It says that the best approach is the creation of conditions that allow employees to achieve their own goals in the context of directing themselves to achieve the goals of the organization. This is not business as usual. This is a different style of management all together. I think Deming would agree.

There is now an interim step that looks and feels uncomfortable to the manager. The objective is now for the manager to be thinking of how to match the organizational goals with the goals of the individual to get results. This is different than just reeling power to make a decision to get a specified result irrespective of the needs of the people who have to perform. It was believed by McGregor that the synergistic effects of combining the two set of goals would result in the organization achieving lasting economic objectives more efficiently and consistently. The flip side of Theory Y is that unless integration is achieved the organization will suffer losses. What is presented above is goal alignment. It also accentuates the need for a clear aim of the system. Without a clear aim (creating joy in work), it is easy to regress to Theory X.

Application of Theory Y opens up many possibilities for innovation and creativity. Theory X limits the possibilities. It was McGregor's belief that the continual testing and re-testing of Theory Y precepts in the organization would allow development of the kind of knowledge that would sustain the viability of the organization. Cutcher-Gershenfeld writes:

“There is substantial evidence for the statement that the potentialities of the average human being are far above those which we typically realize in industry today. If our assumptions are like those of Theory X, we will not even recognize the existence of these potentialities and there will be no reason to devote time, effort, or money to discovering how to realize them. If, however, we accept assumptions like those of Theory Y, we will be challenged to innovate, to discover new ways of organizing and directing human effort, even though we recognize that the perfect organization, like the perfect vacuum, is practically out of reach.” (*The Human Side of Enterprise Annotated Edition*, p. 74)

When I think about this statement, I think of Deming's reference to the need for workers “to take joy in their work”, or Point 13, for the education of people, or Point 8, to drive out fear. All these references are tenets of the innate values that people bring to the workplace. Dr. Deming recognized these inherent qualities of people and added his unique theoretical framework to the management of people, e.g., systems and statistical thinking which have proven to be natural extensions to a Theory Y set of assumptions which McGregor challenged us to test. As Cutcher-Gershenfeld surmised:

“Theory Y is an invitation to innovation” (*The Human Side of Enterprise Annotated Edition*, p. 77)

Jacoby and Terborg take a critical look from McGregor's perspective:

“In summary, McGregor believed that a Theory X philosophy of human nature – employees are incapable of innovation and responsibility and need to be controlled by extrinsic rewards and punishment – is simply not healthy. Jobs that do not allow for self-control and self-fulfillment can create counter-productive behaviors, i.e., employees may attempt to “beat the system” in order satisfy their needs. (This sometimes involves creative behavior of the type considered improbable under the Theory X view.)

In contrast, the Theory Y philosophy appears to be a more adequate description of human nature and makes managers responsible for harnessing the creative and positive aspects of human behavior for the benefit of both the individual and the organization.” (*Managerial Philosophies Scale*, p. 2)

In practice, integration of employee goals and organizational goals, can take many forms. According to McGregor, some of the best include tactics such as job enlargement, job rotation, job enrichment, cross-functional training, employee empowerment, and job re-designs. All these stand to offer an alternative to the standard methods used today. Each will require astute understanding of the coalescence of employee-centered and organization-centered goals far different from what is occurring in the modern workplace.

In the table that follows, Warner highlights some of the challenges in thinking that is necessary. The taxonomy compares the style differences for Theory X and Theory Y sets of assumptions in everyday managerial circumstances. While not definitive, the mental models are a helpful reminder for those seeking a new perspective.

	Theory X Parent-Child Relationships*	Theory Y Adult-Adult Relationships
Manager's View of Work	Work is a source of dissatisfaction. We must compensate for this through pay and benefits.	Work can be satisfying and challenging...a major opportunity.
Manager's View of Workers	Employees want less responsibility and security. They are dependent on supervisors to make decisions, solve problems, set goals, and keep them productive.	Employees want more responsibility and challenge. They are capable of making decisions, solving problems, and setting goals for themselves – if we let them.
Manager's View of Self	I'm OK, but you're not OK. People are too dependent on me. I end up having to do their thinking for them and bailing them out.	I'm OK, and you're OK. Once employees have been trained, my role is that of a coach. I must step back and let them play the game.
Motivation Used by Manager	Carrot and stick: Set up systems of reward and punishment to entice and coerce employees.	Work is inherently appealing: Use it to give challenge, a sense of achievement, recognition, responsibility, and growth.
Expectation: the "Pygmalion Effect"	This manager expects less of people than they are capable of – and gets it! "Expect the worst and you won't be surprised."	This manager expects more of people than they knew they were capable of – and gets it! "Expect the best (not perfection) and people will give their best effort."
The Working Relationship	"Employees are here to extend my effectiveness."	"I'm here to extend the effectiveness of my employees."
Motivation of Employees	They spend most of their energy keeping the boss happy, harvesting the carrots, and avoiding the stick.	Employees spend their time meeting goals and standards that they and the manager have agreed to jointly.
The Goal of the Organization for Employees	To have workers trained as well-oiled machines that make few errors, require little maintenance, and function as highly dependable robots within a narrowly prescribed area of operation.	To develop people to the point where each is a manager of his/her own time and talent, solving problems and making decisions within an expanding area of freedom and responsibility.

*(Management Styles Questionnaire (MSQ) Facilitator's Guide, p. 29)*

\* The reference to parent-child formats is based on the author's integration of Transactional Analysis techniques for understanding the leader-employee relationship. It was not originally used by McGregor in his book, but does offer an enlightening perspective to consider.

Warner's table describes mindsets for the Theory Y-based leader to adopt. If leaders used the mental models listed above in the context of PDSA and without fear, application of Theory Y will follow with new knowledge. That new knowledge will then be used in the context of continual improvement under further iterations of the strategy. Following this

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approach, the creation and use of organizational memory will take precedence over emotional reaction and disappointment when perfection is not achieved.

### The Pygmalion Effect

The third leg of the stool deals with the power of expectations on others. The Pygmalion Effect is a long-understood theory in the field of social science used to explain why people behave the way they do. This phenomenon is well-known and used to help explain results in psychological studies exploring the causes of achievement in people's performance. It was well documented in Rosenthal and Lenore Jacobson in their seminal book, *Pygmalion in the Classroom* (1968). The powerful effect of this concept was noted by Dr. Deming:

“There is another factor to take into account, the Pygmalion effect. Rated high at the start, anyone stays high. Rated low at the start, he stays low.” (*The New Economics: For Industry, Government, Education*, 2nd Edition p. 26)

Neave reiterates in his book:

“In grading in schools, and in performance appraisals, Deming sees considerable evidence of the “Pygmalion Effect.” From the teacher's or appraiser's viewpoint, there is bias in expecting past good or bad performance to predict further good or bad performance respectively – and that does affect the detailed behavior of the appraiser. It also affects the (the person being appraised) – the employee or the student. Deming quotes George Bernard Shaw: “Treat me like a flower-girl: I'll be flower-girl; treat me like a lady: I'll be a lady.” This thought is so important that a full version of this quotation from Pygmalion is also worth reproducing:

“The difference between a lady and a flower-girl is not how she behaves but how she's treated. I shall always be a flower-girl to Professor Higgins because he always treats me as a flower-girl and always will; but I know I can be a lady to you because you always treat me as lady and always will.”

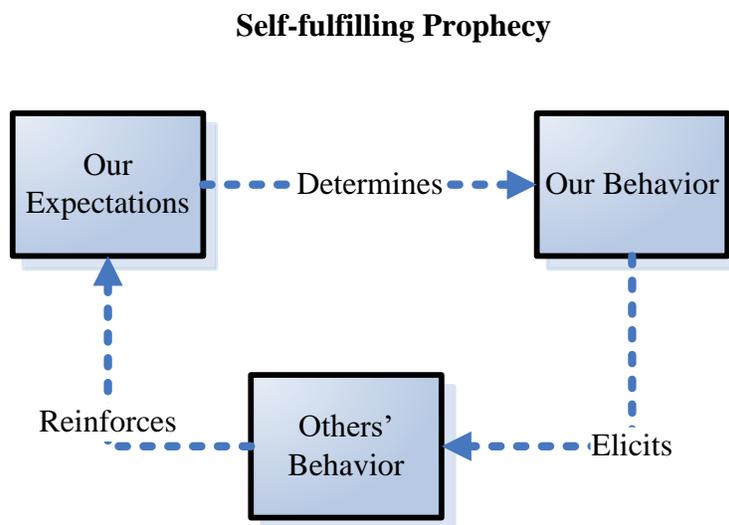
This is one of the many insights from Deming that is so easy to cast aside with scarce a thought – but, the more you think about it, the more you realize how much truth there is in what he says. And the more appalled you become at the way we treat people in school and in adult life.” (*The Deming Dimension*, p. 384)

The concept of the self-fulfilling prophecy, as termed by Robert Merton in *Social Theory and Social Structure* (1957), is based on four principles:

1. We form expectations of people or events
2. We communicate those expectations with various cues
3. People tend to respond to these cues by adjusting their behavior to match them
4. The result is that the original expectation comes true (*Pygmalion Effect: Managing the Power of Expectations*, 3<sup>rd</sup> Edition)

The power of expectations can not be overstated. Merton postulated that our expectations can have a powerful influence upon the future that unfolds, even when we might not be aware of those expectations. What he found is 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. Merton concluded that somehow people's behavior and actions caused predictable outcomes. How we view people affects the way that we treat them which in turn can influence their behaviors and behaviors.

In addition, a flowchart from *Hall's work* is a useful diagram to demonstrate the relationships. (*Management Values: Managing as a Self-fulfilling Prophecy Facilitator's Guide*, appendix)

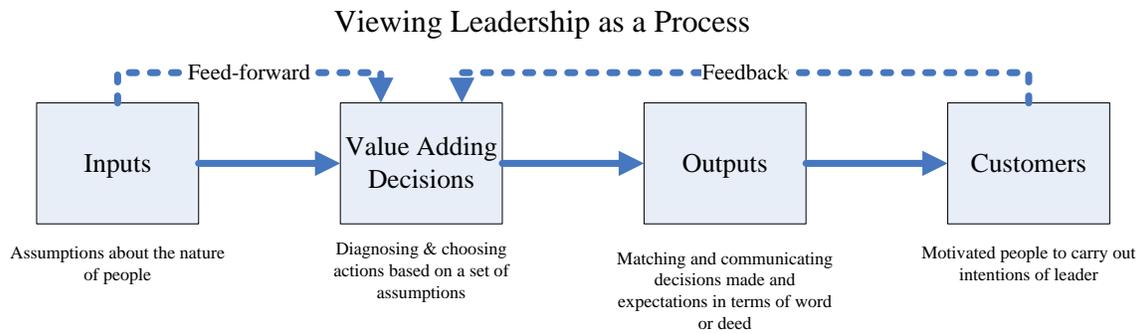


The concept has value in the application of Theory Y. If the manager starts with a positive, optimistic attitude about people and uses Theory Y as the basis for action, there is a higher chance that employees will respond to the manager so as to please the sender. The implication is far reaching in the testing of Theory Y: the performance of people depends more on the manager than previously believed. Always expect the best from people and they will typically measure up to your expectations. Conversely, if Theory X is projected, and employees act out the negative script that they were just given, the self-fulfilling prophecy is confirmed.

In considering the motivation level of people in the accomplishment of goals, the manager has a significant amount of influence in the leadership process and needs a realistic platform from which to start when planning the work of others. Before changing others, wisdom would tell us to consider that it is necessary to change ourselves first.

### The Process of Leadership

Simply stated, leadership is the process of influencing others to get results. The operative word in this statement is “process”. In the world of Deming, process has a distinctive meaning associated with it. I believe that if one begins to analyze leadership in the context of flowcharts, to help organize our thinking, we can see new relationships that open up new possibilities for meaningful interpretations and improvement. We can begin to see the process as a sequence of steps. Below is a diagram which helps to understand the process of leadership as a “system”, not just the cumulating effects of a series of events that cause responses from those it affects. In other words, when a person is “leading” in a situation, there are inputs that are used by the leader to evaluate a given situation, leaders have a set of theory-based reactions to employ that leads them to anticipate predictable reactions from those they influence. The inputs include the sets of assumptions the leader employs to influence others in a given situation. As result, I believe it looks something like the process outlined below.



The diagram is simplified in order explain the dynamics of leading based on theory. Obviously, there are other factors involved in this complex process, but I chose this basic format so as to keep it understandable by only focusing on one aspect of the entire process. The theory presented here depicts the progressive sequence of thinking that a leader follows, consciously or unconsciously, as they try to influence others. It attempts to show that assumptions managers believe to be true can have a profound effect on their own behaviors as well as the motivation levels of others as McGregor and Deming suggest. The implication is that if we can accept this diagram as representative of the sequence that actually occurs in the leadership process, it is not a quantum leap to suggest that if we can identify and selectively manifest the assumptions that leaders use to act out their beliefs, show them what their predominant set of assumptions are, then perhaps they can be convinced to modify and change their behavior based on an identified “need”.

In a systems perspective, Deming sees usefulness in feedback as a method for process improvement. Similarly, *feed-forward* type information can also be useful. In this case, if the *feed-forward* information can assist a learner in identifying a “gap” in knowledge or understanding, this will be useful for the learner to prepare for further learning to close the knowledge gap. Likewise, if the *feed-forward* type information confirms the absence of a gap, then the learner has received positive reinforcement of an existing condition. Either case is favorable and helps the learner in self-directed learning which is what the Deming or McGregor have indicated as best practice. This statement is based on integration of Theory Y sets of assumptions as well. If Theory Y is the best set of

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assumptions for motivating employees at work, then it is also the best set of assumptions for motivating adult learners. People are perfectly capable of making intelligent decisions about the learning they wish to accomplish. In other words, they are highly self-directive.

### Learning and Improvement

This is where alternative learning techniques have practical value. A self-diagnostic technique can expose the learner to a new approach by first showing the student that they are, for example, using Theory X set of assumptions about people and then, second, give them a look at how they think about Theory Y. This can be an effective method for changing a person's paradigm. It is different than simply telling people to adopt Deming's philosophy and hope they discover the essence of the theory (by chance) and are capable of replacing their old theory with the new theory. Some need help.

Heil, Bennis and Stephens point out the necessity for helping leaders peel back layers of experience and personal thought processes for the purpose of change. They wrote:

“Leadership naturally reflects the assumptions and beliefs – the character – of the individual. In this human system of enterprise, leaders don't shape behavior by implementing consultant-driven models. Rather, they mobilize and align people through authenticity and presence. They realize that they cannot change the way they lead without trying to change the way they are. Their ability to move people in an organization derives not just from behavior but character – not just what you do but who you are. McGregor believed that you have to look in the mirror and figure out who you are because you can't lead in any other way. People change how they lead and manage only by changing who they are and how they think.

And yet the obstacles to following through on this simple concept are myriad. McGregor found that people do not have a good process for questioning and evaluating the way they think. Such a process was just too abstract for most. To do so would be to introduce a degree of uncertainty that is anathema to most take-charge managers. Questioning how they think would ask them to expose their weaknesses and exist in a realm that they couldn't necessarily master. It doesn't guarantee immediate and attainable results. More over, such a process is hard to justify in terms of risk factors. As management consultant Peter Drucker has argued, managers will not switch to new technologies until the benefits to be realized are exponentially higher than existing systems as opposed to promising a mere one or two times advantage. The same principle applies to a managerial mindset. Comfortable managers, set in their stuck patterns, will not risk the switching costs of rethinking their thinking without a clear, demonstrable return on their time and emotion.” (*Douglas McGregor, Revisited: Managing the Human Side of the Enterprise*, p. 23)

The above writings are challenging educators and change agents to recognize the necessity for new and innovative methods. If a method can be followed that will help to identify a “need”, it would be useful to the leader. Once the leader can see the gap or

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need, then at least they can begin to address their assumptions about people. Before the manifestation of the need, there was no need to change.

The lessons to be learned would be of immense value in assisting a person to better understand their relationship with the outside world. It would give them a new perspective for adopting different behaviors in the future. Suffice it to say, the person would never be the same. I think we can value the potential of such an experience if presented in proper context: to help the person to adjust and flourish in the same world, but with a new outlook.

When considering attributes of leadership that Deming purports useful for the successful transformation of an organization, leaders would do well to possess a 'new paradigm' so as to continually revise current theory with new theory after testing. Iterations of testing the new perspective would lead to new theories about the nature of people and work which is at the crux of the issue. If a person could take a snapshot of their current mental model, this new perspective would help them replace their current belief system with a different belief system about the nature of people and work. Could this process add to their ability to practice Dr. Deming's Theory of Management? In addition, can this paradigm shift be tied to practical application of Deming's *System of Profound Knowledge*?

Further on in their writings, Heil, Bennis and Stephens address a key concept about the requirements and risks for changing how we think:

"Our mindset is enormously valuable. It enables us to act. Without it we would have no way to relate yesterday's events and problems to today's, no basis for predictions, no framework for organizing information, and little confidence in our actions. Without a set of assumptions to guide our actions, every management decision we make, no matter how slight, would take forever. We would have to weigh every variable and ponder every possible outcome. Without a basic set of beliefs to guide us, every decision would be our first.

On the other hand, with a belief system we trust, we can make assumptions about cause and effect, build models to describe how the world works, be confident in our solutions, and generally bring order to the complexities inherent in managing an organization.

The biggest problem with a mindset is that once we've developed one, we tend not to challenge it, particularly when it seems effective. Why should we? If it worked yesterday and works today, it should work tomorrow, right? Not necessarily. Not even probably. In fact, in a rapidly changing environment such as the one we compete in today, leaping to this conclusion is dangerous business. Instead, to ensure that our thinking does not become outdated, we must continuously put our old ideas to the test, to question the efficacy of yesterday's truths and to do so before they fail." (*Douglas McGregor, Revisited: Managing the Human Side of the Enterprise*, p. 48)

The points outlined in this section are of importance: it demonstrates a profound piece of insight about people and learning. People are not normally in a position to see themselves as they really are, but if they can see themselves in a different light (from the outside), the chances of them really changing their behavior is greatly enhanced. Self-introspection is inherently a difficult process, but not impossible. Self-assessment does not come without risk. If something is identified as undesirable, one could become upset or disoriented.

Deming takes a unique approach in understanding the learning process and that other factors should be considered. For example, he writes:

“Anyone, when he has brought his work into a state of statistical control, whether he was trained well or badly, is in a rut. He has completed his learning of that particular job. It is not economical to try to provide further training of the same kind.” (*Out of Crisis*, p. 249)

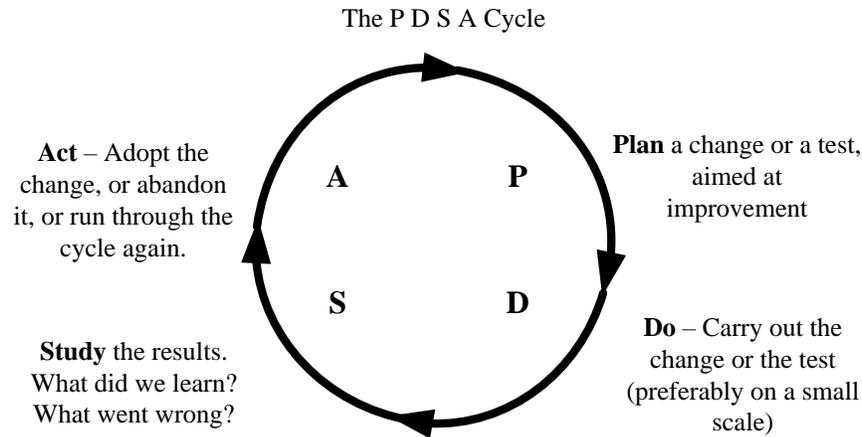
Henry Neave put the situation into perspective:

“I think the basic reason is well-known human characteristic that bad habits are much harder to dispel than no habits! Once something has been learned wrong, learning it right consists of two parts: getting rid of the wrong and then receiving the right. The former is difficult, very difficult.” (*The Deming Dimension*, p. 329)

I think it's entirely feasible that leaders can fall into a state of statistical control in their assumptions about people and work too. This has implications to holding Theory X assumptions. I think that once they have been conditioned to a negative, pessimistic viewpoint of people, typical training methods will not suffice to change that perspective. It will take new methods of training to bring in the 'new learning' to bring learners out of the trough.

#### The Shewhart Cycle for Learning and Improvement

Deming wrote that the foundation for learning is the Shewhart Cycle for Learning and Improvement. It is known by four key steps in the process of learning: (*The New Economics: For Industry, Government, Education*, 2nd Edition p. 112)



The Shewhart Cycle offers a significant approach to systematic learning. It can be used in any situation where theories are to be tested and re-tested for the purposes of improvement. The PDSA Cycle produces the best results when used in an iterative fashion. That is, when used over and over again, it produces the optimal circumstances for learning to occur. It can be used in the context of personal transformation as well. In testing Theory Y, adopting the PDSA Cycle as the method for learning will greatly enhance progress.

#### A Few Words about Adult Learning

Effective adult education is based on a concept that adults learn differently than children. Malcolm Knowles postulated his views in *The Modern Practice of Adult Education* to the extent that he coined a new theoretical framework for adult education and that it should be used as the basis for future educational programming when adults are involved. The premise is clear: Adults learn differently than children (Pedagogy – the teaching of children) and, as such, different learning theories should be utilized by the adult educator than those traditionally used in situations when dealing with children. His groundbreaking work cited the development of a new field of study in learning called Andragogy.

The principles of Andragogy are derived from an understanding that adults are continually striving for independence throughout life and prefer self-direction (relying more on intrinsically-based motivation) in their learning over the traditional extrinsically-based learning typically associated with teaching children, e.g., use of grades, teacher approval, etc. For all intent and purposes, Knowles was following Theory Y as a basis for his theory behind Andragogy.

Knowles identified six assumptions of Andragogy that are worth mentioning:

1. “Adults need to know why they need to learn something before undertaking to learn it. He goes on to say that the first task of the

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facilitator of learning is to help the learner become aware of the “need to know”.

2. Adults have a self-concept of being responsible for their own lives. This leads naturally to a “psychological need to be seen and treated by others as being capable of self-direction”.
3. Adults come to into an educational activity with both a greater volume and a different quality of experience from youths.
4. 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.
5. 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.
6. 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)” (*The Making of an Adult Educator: An Autobiographical Journey*, p. 83)

The implication of these tenets is based on similar assumptions normally associated with Theory Y concepts. But more importantly, when used as a foundation for the facilitation of new learning, i.e. use of Theory Y assumptions about the nature of people in leading others in the learning process, several of the tenets provide a sound rationale for the application of self-diagnostic techniques. The premise is: If the learner can see that there is a “need” to know, then they are more likely to expend energy in the quest of that new knowledge and increase the chances of the new learning to be actually applied.

The question then becomes in the facilitation of learning Deming-type leadership and the effects of Theory X and Theory Y: how can we establish the “need” to learn? One method is the use of instruments in the learning process. If a “gap” can be identified between the actual versus the desired states, learners can take advantage of this knowledge and begin the personal transformation process.

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

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Notwithstanding the importance of understanding Deming's *System of Profound of Knowledge* as a whole and that the elements are highly interdependent with each other, my interest is to focus in on one of the elements of the system, psychology, for the purpose of proposing a teaching technique that can assist a leader in the process of personal transformation. As Dr. Deming so eloquently stipulated as necessary to start total transformation, it starts with personal transformation, and I think that includes examination of the assumptions leaders use to influence others. Intuitively, Dr. Deming knew that change had to start with people.

Heil, Bennis and Stephens wrote:

“People are living organisms and communities of work are capable of renewal, adaptation, and change, and can't be fixed. McGregor recognized that real change happens only when a community of interest decides it wants to be different and the obstacles to renewal are removed.” (*Douglas McGregor, Revisited: Managing the Human Side of the Enterprise*, p. 12)

Following this train of thought are several questions to consider as we think about how adult education can bring leaders to a higher state of readiness to lead the critical mass. Some of these are:

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

#### Managerial Philosophies Scale: A Self Appraisal of People and Work

Jacob Jacoby and James R. Terborg designed and published an instrument called the *Managerial Philosophies Scale* (MPS). 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.

For example, Jay Hall noted in *Management Values: Managing as a Self-fulfilling Prophecy Facilitator's Guide*, 1995 that managerial achievement was directly connected to managerial philosophy (X or Y). That is, as managers were more successful and moved up the ranks, they were more likely to be Theory Y. In addition, Hall designed an entire leadership module around the use of the MPS in his Models for Management Series. In the module 1, *Management Values: Managing as a Self-fulfilling Prophecy*, he took the X/Y concepts to the next level by extending it to the self-fulfilling prophecy

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(also known as the Pygmalion Effect). As part of the model design, participants were instructed to complete the MPS as part of a technique known as “learning through instruments”.

The premise of the technique is based on the theory that a person can participate in self-diagnostic techniques that would reveal their predisposition to act out these beliefs in their day-to-day leadership behaviors, thus giving the person the opportunity to see themselves in a way that they never have seen themselves before. I call this a psychometric *feed-forward* technique. In other words, it’s like a person looking in a mirror and seeing themselves for the first time. Imagine what psychological impact that would have on a person! Similarly, think about a person who has been blind since birth: seeing themselves for the first time could be a mind altering experience. The experience can have a profound effect on a person and should be considered useful in personal transformation efforts by educators with learners.

Jacoby and Terborg conclude:

“Therefore, the real significance of subscribing to a particular set of beliefs lies in the behaviors which result. 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.” (*Managerial Philosophies Scale*, p. 5)

### Methods

McGregor’s original question is the focal point of exploration. The steps involved are designed to address and display the individual’s response to McGregor’s question:

“What are your assumptions (implicit as well as explicit) about the most effective way to manage people?” (*The Human Side of Enterprise*, p. vii)

A session typically allows participants to complete the MPS learning instrument as part of the self-assessment process. Participants are given the opportunity to pool their knowledge and experiences through group discussion. The session closes with the opportunity to prepare and validate personal action plans based on the PDSA model.

### Reactions

I like to solicit voluntary reactions to the survey results. I ask for their opinion about the value of the exercise. Invariably, participants are surprised to discover that they mostly agree with Theory X propositions, but would like to hold Theory Y assumptions. I solicit from everyone how they think most people really are. They agree that people are probably Theory Y in their beliefs and would like to be treated as such, but the organization’s culture, i.e., the systems, policies and procedures prevent them from acting

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out their intuitive thoughts into action. The risks of failure and admonishment are just too great to assume Theory Y propositions.

Occasionally, there are managers who agree with Theory X propositions and do not see the need to change. These individuals see themselves as successful and have literally been conditioned and reinforced to behave the way they do. For many years, they have been reinforced to apply Theory X, i.e., promotions, bonuses, pay increases, etc. Because they have achieved higher levels of responsibility, it is difficult for them to change. Again, the risk of failure is just too high.

An interesting question arises in the case of the staunch and proud Theory X leader: What should we do with them? The inherent solution lies in Theory Y assumptions. Just leave them alone for now. It will take time for them to change. Sooner or later they will begin to assimilate Theory Y propositions and try them out. Improvement by others and other positive reinforcements will change their paradigm over time.

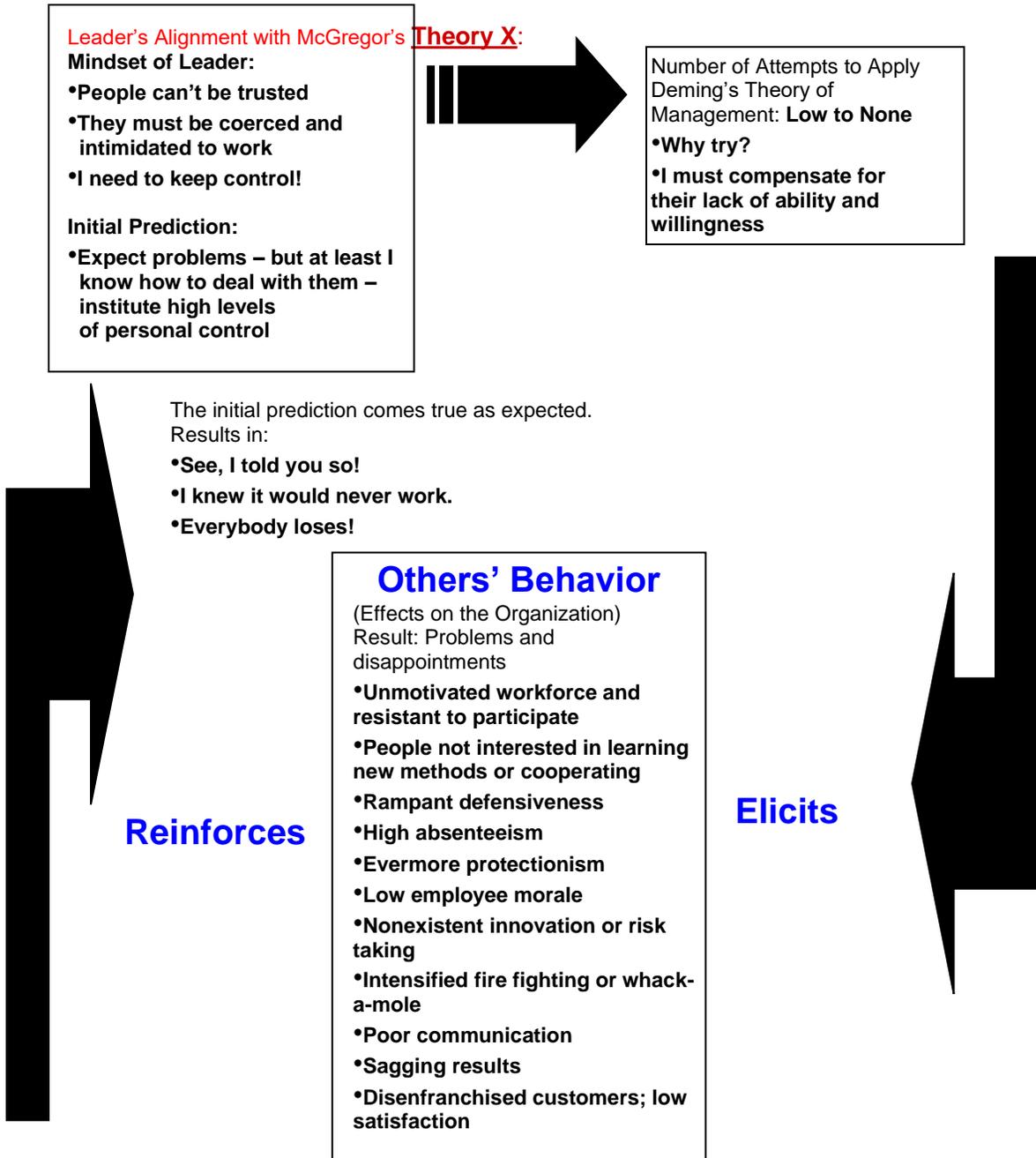
I review a summary table of interdependency between the various theories underlining the concepts. This is done to crystallize the relationships and separate cause from effect.

Below are figures that describe the successive iterations of McGregor's, Deming's and self-fulfilling prophecy theories and the implications for organizational improvement. Here are some possibilities:

Successive Iterations of McGregor's, Deming's and Self-fulfilling Prophecy Theories  
And the Implications for Organizational Improvement



## Our Expectations Determines Our Behavior



Note: Model from Hall *Management Values: Managing as a Self-fulfilling Prophecy Facilitator's Guide*, appendix)

Successive Iterations of McGregor's, Deming's and Self-fulfilling Prophecy Theories  
 And the Implications for Organizational Improvement

**Start Here**

**Our Expectations Determines Our Behavior**

**Leader's Alignment with McGregor's Mindset of Leader:**

- People are jewels waiting to excel
- They are already motivated.
- I need to integrate the goals of people with the goals of the organization
- Initial Prediction:
- Expect opportunities – anticipate new and exciting alternatives

**Theory Y:**

Number of Attempts to Apply Deming's Theory of Management: **High**

- I think I can do it!
- They can do it too!
- I must provide leadership and training

The initial prediction comes true as expected.  
 Results in:

- See, I told you so!
- I knew it would work.
- Everybody wins!

**Others' Behavior**

(Effects on the Organization)  
 Result: Opportunities – Enthusiasm and success

- Systems improve
- Highly motivated workforce
- Participative environment
- People accepting new responsibilities
- Incentive systems disappear
- Ranking of employees eliminated
- Quota systems disappear
- No need for performance appraisals
- People excited about learning new methods and cooperating
- High employee morale

**Reinforces**

**Elicits**

Note: Model from Hall *Management Values: Managing as a Self-fulfilling Prophecy Facilitator's Guide*, appendix)

McGregor always intended that the Theory Y set of assumptions should be applied in the organization. Correspondingly, he observed, since Theory X is present and in place right now, why use it? It hasn't worked in the past so why use it in the future. He contended the process starts with the leader to act out his or her theory, i.e., Theory X or Theory Y. If he or she acts out Theory X assumptions, don't expect different results even when trying to utilize Deming's Theory of Management. On the other hand, if he or she acts out Theory Y assumptions in place of Theory X, new opportunities will arise. Theory Y will require integration of Deming's Theory of Management with employee personal goals and organizational goals. The prediction is a synergistic effect that will improve the organization's quality, productivity and competitive position as Deming predicted in the application of his theory. The message was simple, yet profound:

*As leaders, you have to follow the right theories about the nature of people and methods of management. Best practice recommends that you start with Theory Y propositions, apply them in the context of Deming's Theory of Management and the self-fulfilling prophecy and the enterprise will prosper. More importantly, joy in work will manifest and proliferate throughout. The individual will be restored.*

Often times, leaders confuse cause with effect. In the context of companies, current practice suggests a pessimistic thought process:

*If I could just trust these workers to perform better, accept more responsibility, we wouldn't be in this mess. It's entirely their fault.*

In this scenario, the cause is the unmotivated, apathetic worker. Thus the leader becomes reactionary. The effect is loss of identity, unsatisfied customers and absence of joy in work. The system is perpetuated with increased counter measures and control.

A better approach is:

*As a leader, my responsibility is to adopt a Theory Y set assumptions about people. People are jewels waiting for the opportunity to contribute. I must integrate their goals with the goals company. Consequently, workers will be motivated and high organizational effectiveness is achievable. Joy in work will be restored.*

In both these scenarios, the cause is not the worker; it's the leader's mindset. The **effect** is the motivation level of the people doing the work. The **cause** is faulty assumptions use by management to direct and motivate workers. As Deming always contended, the problem is not with the worker, it's with the people at the top, i.e. leadership. He understood the correct relationship of cause and effect and got the variables in the right order. In a statement attributed to Gipsie Ranney, Joiner remembered:

*"Costs are not causes, costs come from causes." Fourth Generation Management: The New Business Consciousness, p. 272)*

McGregor understood these concepts too. He understood the power of theory and the source of costs in an organization as well: they come from faulty theory of management, not the other way around, i.e., the worker.

### Conclusions

Examining McGregor's Theory X and Theory Y offers the opportunity to change the stable state management is in by examination of root causes. Giving participants the opportunity to respond to McGregor's original question in a simple, straightforward, and understandable fashion is an enlightening experience. The processes described facilitate systematic learning and exploration of this question by leaders. It provides participants with enough structure and freedom to conduct their exploration in a non-threatening environment based on accepted adult education principles. Participants are given the freedom to make their own decisions and draw their own conclusions.

Having the topic applied in the context of the Shewhart Cycle (Plan-Do-Study-Act) is vital to the impact of the process. It immerses the individual in an effective method for learning. The theory behind McGregor's position has withstood the test of time in the field of social sciences. McGregor predicted that Theory X propositions will implode on its own faulty moral and ethical foundations. The futility of Theory X propositions and the optimism that Theory Y tenets offer need to be explored by leaders. The future is bright. Adults are willing to take responsibility in their learning, they are self-motivated and self-directed, they want to grow and develop, and they are adaptable. It is predicted in the spirit of Theory Y that if given the choice, leaders would prefer to know and reconcile their predispositions so as to improve, rather than hide their head in the sand like the ostrich. As I heard Deming say in a seminar once:

“We need more than just good people; we need people who are improving.”

If leaders are going learn effectively from experience, they have to have theory from which to evaluate. Not knowing their personal theories is tantamount to dereliction of duty. Leaders need to test and modify their hypotheses as a result of new data and experience. The topic presented here offers leaders the opportunity to identify the hypothesis they are currently applying to lead others. The topic allows leaders to first become aware of their current state, and then second, allows them to modify their assumptions towards the actualization of Theory Y. In the context of the Shewhart Cycle, leaders can use Theory Y propositions in the workplace, apply them (test) to gain data and re-test the theory over time to learn and improve, not only for personal gain, but for organizational gain. We must negate the tendency of leaders to shun introspection as something esoteric, non-value adding, but to promote self-diagnostic techniques to plan personal growth and development.

### Lessons Learned

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In conducting discussions in learning situations numerous times, I have learned several things. I try to mentally apply the Shewhart Cycle and try different things at different times to evaluate the effect. Here are some of my observations:

1. After every discussion, I learn something new. It could be as simple as confirmation of a predictable comment from a participant to a totally new perspective that I've never considered before.
2. Participants like this experience. I have never run into a manager yet that told me that they have ever taken the time before this discussion to examine their personal theories and assumptions. No one has ever asked them to do it before. The only thing they are measured on is results; no one cares about the personal theories they possess.
3. Connecting McGregor's theory to Deming's Theory of Management is helpful. Participants respond well to the central idea of McGregor as they understand, and more importantly, apply Deming's Theory of Management. Participants often respond well to the concept that one never learns without testing their theories in the context of PDSA.
4. McGregor and Deming came to same similar conclusions relative to the negative effects of business practices on people such as MBO, MBR, performance appraisals, pay for performance, incentive systems for performance, compensation systems, establishment of numerical goals and quotas, and employee of the month rewards, etc. In my opinion, McGregor used three of the four disciplines that Deming indicated were the basis for *A System of Profound Knowledge*. McGregor relied on psychology, appreciation for a system and a theory of knowledge as the basis of his rationale. However, Deming casts a wider net by including the dimension of an understanding of variation and the concept of statistical thinking as a rationale for dispensing management philosophy. McGregor hovers around this discipline but never really hits the nail on the head. He looked at the effects purely from a social scientist's perspective. He talked about how many variables can affect the leadership equation, but never addressed variation and the concepts of common and special cause. As such, the simulation of the Red Beads and the construct upon which it is based, that people work in the system and that performance measurements are really measurements of the system in which they perform and results are not attributable to people, is far more effective at explaining why these business practices should be discontinued.
5. Overall, McGregor's contributions dealt heavily with the inputs to the process of leadership, i.e., the mindset of managers and the assumptions they follow as they approach the design of work systems and expected outcomes.
6. In presenting Deming's Theory of Management, a discussion involving McGregor's theories can supplement the learning process. People are curious. People positively respond to self-diagnostic techniques that can bring awareness to a critical issue.
7. I have come to respect the Pygmalion Effect as a powerful phenomenon to keep in mind when dealing with people. Projecting positive, challenging expectations go a long way in bringing out the best in others. Leaders have a solemn responsibility to use it appropriately, wisely, and not as a weapon.

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8. Reliance on intrinsic motivation is one of keys that will unlock the true human potentiality in organizations. I have never witnessed anything more powerful than a person who is operating from a base of intrinsic motivation. I believe people are already motivated when they come to work. What we have to learn is how to stop de-motivating people. We have a responsibility to integrate the goals and aspirations of people with the goals of the organization. We have to learn how to resurrect the individual and bring them back.
9. I would be surprised if Deming would have disagreed with McGregor's theories. In my opinion, Deming would have seen the value of sharing McGregor's theories. I think McGregor's position compliments Dr. Deming's Theory of Management. McGregor was doing the right thing, but not necessarily for the same reasons that Dr. Deming did.
10. Dr. Deming's Theory of Management casts a wider net than McGregor's propositions, as prophetic and useful as McGregor's are. It is interesting to speculate that if McGregor had collaborated with Deming on understanding variation, whether McGregor would have become a proponent of the elimination of practices such as performance appraisal and MBR rather than a proponent of just modifying the methods.
11. The challenge for us is to test all these theories in our quest to gain new knowledge. We are committed to Deming's Theory of Management in our own ways. We are all different in that pursuit, but united in the aim. As McGregor pointed out, we all yearn to part of something bigger, something meaningful, and something gratifying. It is our nature.

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