

DEMING AND MCGREGOR: RESTORE THE INDIVIDUAL

Dr. Curt Wegner

Doctorcw@aol.com (C) 630-253-5325

Abstract

Dr. Deming theorized that management is in a stable state. To compensate for declining economic success in outcomes, leaders have taken upon themselves to resort to quick fixes and blaming people. These practices only exacerbate the condition because they are based on faulty assumptions about the nature of people and work. Implicit in Dr. Deming's Theory of Management is a predisposition for leaders to adopt Douglas McGregor's Theory Y outlook about the nature of people in everyday work processes. The aim of this paper is to reaffirm Deming's call to restore the individual and reinstate joy in work.

Introduction

Dr. Deming theorized that management is in a stable state (1). He asserts that we are in a rut. To compensate for declining economic success in outcomes, leaders have taken upon themselves to resort to quick fixes and blaming people. Increased reliance on the use of extrinsic motivation prevails, i.e., institutionalization of performance appraisal, ranking of people, MBO, MBR, incentive systems, merit increases, pay for performance, piece-work and the like. All these practices only exacerbate the condition because they are based on faulty assumptions about the nature of people and work.

Experience tells us extremely powerful belief systems are ever present that are not guided by effective theory. This human condition must be overcome in order to move out of this predictable state. Theory is available from several sources that suggest that a *high-order paradigm shift* can be achieved as part of personal transformation if the interdependency of these available theories can be optimized.

Implicit in Dr. Deming's Theory of Management is a predisposition for leaders to possess a positive, optimistic mindset about the nature of people in everyday work processes. Assisting leaders in understanding the sets of assumptions that they adopt naturally leads to more effective assimilation of the values, concepts and techniques typically associated with the Deming's Theory of Management.

Complementary theories of Douglas McGregor's Theories X and Y and Robert Rosenthal's Pygmalion effect (otherwise known as The Self-fulfilling Prophecy) augment testing of Dr. Deming's Theory of Management. While similarities and differences exist between the theories, analysis suggests there is much to be gained by understanding their interdependency in the context of improving the process of leadership.

First introduced in 1960, McGregor's Theory X and Y provided a rationale for examining one's set of assumptions about the nature of people and work. Specifically, he challenged leaders to closely examine personal beliefs to the extent that these sets of assumptions influence their interaction with the system of work. McGregor's theories have withstood the test of time and are as viable today as they were nearly fifty years ago when first introduced. The essence of McGregor's Theory Y taps into the intrinsic motivation that exists in all of us. Working in accordance with Dr. Deming's Theory of Management, it is speculated that this complementary theory can assist individuals with personal transformation.

Similarly, the Pygmalion effect offers an addendum perspective that demonstrates an important responsibility of leaders in the process of influencing others. What a leader projects on others, consciously or unconsciously, can set in motion an endless cycle of events that can perpetuate desired, as well as undesired responses from others. Often,

leaders underestimate the significance of their influence on others and are unaware of how this phenomenon affects change in others.

Comparing, contrasting and demonstrating the compatibility of these complementary theories with Deming's *System of Profound Knowledge* will reaffirm Deming's call to get back to the individual and reestablish joy in work. Viewing these theories as a system can assist leaders in the development of personal action plans for transformation. The key to breakthrough improvement is successive iterations in testing these theories in an environment of trust and respect.

The Foundation

An appropriate beginning is in Deming's arena of a *System of Profound Knowledge*; especially in the element of Psychology of people. This arena helps us to understand the actions of people in everyday circumstances.

How do we accomplish joy in work? To answer this question, Deming indicates that we must understand how we ended up where we are. He identifies that at the core of current state of affairs is the mistaken assumption about the effects of *reward* in our society. In his description of the *Forces of Destruction*, he elegantly presents the source of discontent in the individual (2). He hypothesizes that during life extrinsic motivation suppresses our natural source of motivation, i.e., intrinsic motivation. As leaders have become dependent on the use of extrinsic motivation as the preeminent method to entice people to perform, the system of reward has been turned upside-down (i.e., the ship has capsized). Work that was once something joyful now has become drudgery. Deming's contention is that we must reverse this trend and turn this situation around in order to achieve transformation (i.e., the ship must be righted).

To initiate this transformation we must start with the *individual* to regain our balance. We must start with roles of leadership that reverse this dependence on providing extrinsic motivation as the means to accomplish quality in work. The proper method to follow is to adopt purposeful theory to begin the improvement journey.

Deming's Theory of Management

Deming outlined a new theory of management based on *A System of Profound Knowledge* (3). Dr. Deming described that four key elements interact as a system in order to produce the necessary insights required for effective leadership in the real world, a variable world.

The four elements (or disciplines) are described in such a way that they are not 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

Dr. Deming understood that the first step is transformation of the individual. Effective leadership entails a willingness and ability to apply *A System of Profound Knowledge* in everyday situations. This transformation takes place amid people and work in order to achieve a simple aim. An effective leader is accountable for results and simultaneously allowing people to take pride in their work. It is a challenging role for any leader. How do they get the job done and 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" of observation through which to observe and improve the system (4).

Personal transformation can start by focusing on the element of Psychology of *A System of Profound of Knowledge*. Dr. Deming stated that:

“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.” (5).

And in the Deming Library video 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.” (6)

In 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. 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, and extrinsic motivation.” (7)

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.

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

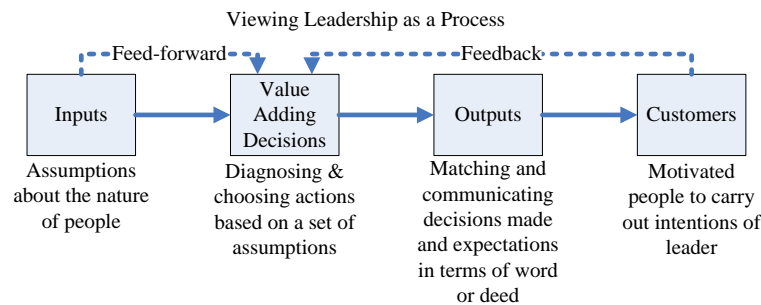
“Improve the system, and variation between people will diminish.” (8)

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 outcomes are not just due to 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.

Understanding Leadership as a Process

A useful operational definition is that leadership is simply “the process of influencing others to get results”. The operative word in this statement is “process”. Analyzing leadership in the context of a system helps to organize our thinking. We can see new relationships that open up new possibilities for meaningful learning and improvement. We can begin to see the process as a sequence of steps. The diagram below facilitates understanding the process of leadership as a “system”, not just the random 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. Simultaneously, 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, leadership looks something like the system outlined below.



The diagram is simplified in order to explain the dynamics of leading based on theory (or assumptions). Obviously, there are other factors involved in this complex process, but use of this basic format keeps 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” used by managers can have a profound effect on their own behaviors as well as the motivation levels of others as Deming suggests.

Where do we begin our search to restore the individual? Peter Scholtes writes about the “unquestioned premises of conventional management” as a source of misguided attempts of management to control the workforce (9). He asserts 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* (10), 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 were:

“What are your assumptions (implicit as well as explicit) about the most effective way to manage people?”(11)

Douglas McGregor challenged us much the same way Deming challenged us.

“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.” (12)

McGregor also goes on to say:

“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 personal experience and threatens some cherished illusions. The easy way out is rejection, since one can always find imperfections and inadequacies in scientific knowledge.” (13)

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.” (14)

Heil, Bennis and Stephens go on to say that managers resist taking a look at their core values. They note how uncomfortable leaders are with this concept. The authors make the statement:

“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 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.” (15)

When setting the premise for his theories, 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.” (16)

In the same writings, McGregor 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." (17)

When connecting action to theory, McGregor 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 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." (18)

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." (19)

The system includes leadership of people. It is worth our time and energy to investigate the assumptions we choose in life. These beliefs direct our behavior and relationship with others whether we like it or not. A paradigm shift is required before true improvement can be achieved. A useful approach to self-realization is viewing McGregor's theories in the context of the Deming's Forces of Destruction. Conceptually, Theory Y set of assumptions is consistent with the start of life scenario that Deming described. Similarly, Theory X set of assumptions is more consistent with the end of life scenario.

Theory X

This set of beliefs 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 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."* (20)

The premise for action for the leader then is to control the ranks of the so-called apathetic, mediocre and lazy 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.

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.” (21)

Moreover, McGregor 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 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.” (22)

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.*
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.” (23)*

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?*” (24)

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. McGregor writes:

“Above all, the assumptions of Theory Y 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.” (25)

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? Their beliefs have served them well so far in their career; it would be stupid to change now. The risks are too great.

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. 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. McGregor 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." (26)

The statement above is reminiscent of Deming's call to bring back the individual and return to joy in work. A Theory Y set of assumptions 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 McGregor surmised:

"Theory Y is an invitation to innovation" (27)

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." (28)

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.

The Pygmalion Effect

The third theory 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 by Robert Rosenthal and Lenore Jacobson in their seminal book, *Pygmalion in the Classroom* (1968). The powerful effect of this concept was noted by Dr. Deming as well:

“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.” (29)

The concept of the self-fulfilling prophecy, as termed by Robert Merton, is based on four principles:

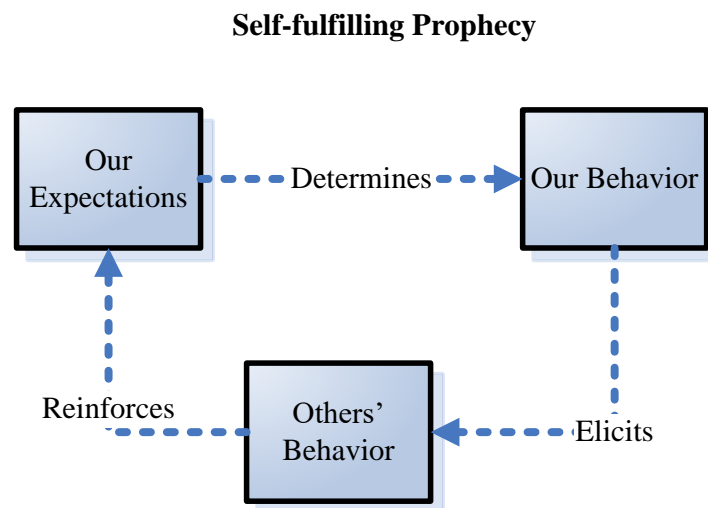
1. We form expectations of people or events
2. We communicate those expectations with various cues
3. People tend to respond to these cues by adjusting their behavior to match them
4. The result is that the original expectation comes true (30)

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. 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. In other words, the way leaders view people affects the way that leaders treat people they influence which in turn can influence the leader's behavior again in the future.

Eden conceived his interpretation of the cycle as a method to enhance productivity on the job. He carefully defines the concept of this expectancy theory in terms of who is the initiator of this process. In other words, behavior of the leader is the cue to initiate the SFP – not the recipient.

“Thus, it is expectancy in the sense of that which the expecter [sic] *believes is likely to occur*, rather than that which a person believes *ought* to occur, that leads to the behavior that fulfills the prophecy. In particular, the present use of ‘performance expectations’ refers to the level at which the manager believes the subordinate is likely to perform”. (31)

In addition, a flowchart from Hall's work is a useful diagram to demonstrate the cycle in a context of the act of leadership. (32)



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 given, the self-filling 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 interacting with others. Before changing others, wisdom would tell us to consider that it is necessary to change ourselves first.

A New Paradigm

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.

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.” (33)

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.” (34)

It is entirely feasible that leaders can fall into a state of statistical control in their assumptions about people and work too. This condition has implications in adopting a Theory X set of assumptions. Once a leader has 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 supplement existing attitudes with the “new learning” and overcome old behaviors.

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 bases their actions on Theory X assumptions, do not expect different results even when trying to utilize Deming's Theory of Management. On the other hand, if he or she bases their actions on Theory Y assumptions in place of Theory X, new opportunities will arise. Theory Y will require integration of Deming's Theory of Management with personal goals of employees 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.

Often times, leaders confuse cause with effect. In the context of companies, current practice suggests a pessimistic thought process. If workers were motivated to perform better and 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 workers and absence of joy in work. The system is perpetuated with increased counter measures and control.

In this scenario, the cause is not the worker; it's the leader's predisposition. The **effect** is the reactive behaviors and attitudes of the people doing the work. The **cause** is really 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. 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 the adequacies of McGregor's Theory Y (and the inadequacies of Theory X) offers the opportunity to change the current leadership system to a higher level of understanding and move out of the stable state of management that Deming identified. Giving leaders the opportunity to respond to McGregor's original question in a simple, straightforward, and understandable fashion will help "the ship to be righted". McGregor predicted that the set of Theory X propositions will implode on its own faulty moral and ethical foundations. Leaders need to explore the futility of Theory X propositions and the optimism that Theory Y tenets offer.

If leaders are going learn effectively from experience, they have to have good 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 topics presented here offer leaders the opportunity to identify the hypothesis they are currently applying to lead others. Awareness and understanding of the topics 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 Pygmalion effect and 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 improvement, but for organizational gain. Leaders need to shun the idea that introspection is something esoteric, non-value adding, and promote learning to *restore the individual* that is in everyone.

Leaders need to test each of these complimentary theories in our quest to gain new knowledge. Effective leaders will be even more committed to Deming's Theory of Management as experience grows. Effective leaders must keep the aim in sight: restore the individual and allow people to take pride in their work. If this aim is followed, results will dispel future reliance on Theory X as a viable alternative.

Footnotes

1. Deming (1994) p. 123.
2. Deming (1994) p. 122.
3. Deming (1994) p. 93.
4. Backaitis (1995)
5. Deming (1994) p. 112.
6. The Deming Library (1992)

7. Neave (1990) p. 388.
8. Neave (1990) p. 337.
9. Scholtes (1998) p. 297.
10. McGregor (1960).
11. McGregor (1960) p. vii.
12. McGregor (1960) p. 6.
13. McGregor (1960) p. 8.
14. Heil (2000) p. 20.
15. *Heil (2000)* p. 21.
16. McGregor (1960) p. 8.
17. McGregor (1960) p. 10.
18. McGregor (1960) p. 11.
19. Cutcher-Gershenfeld (2006) p.xxii.
20. McGregor (1960) p.33.
21. Warner (2004) p. 2.
22. McGregor (1960) p. 42.
23. McGregor (1960) p. 47.
24. Warner (2004) p. 2.
25. McGregor (1960) p. 48.
26. McGregor (1960) p. 54.
27. McGregor (1960) p. 57.
28. Jacoby (1995) p. 2.
29. Deming (1994) p. 26.
30. Merton (1948) p. 193.
31. Eden (1990) p.8.
32. Hall (1995) appendix
33. Deming (1982) p. 249.
34. Neave (1990) p. 329.

References

Books

Cutcher-Gershenfeld, Joel (2006). *The Human Side of Enterprise Annotated Edition*. New York, NY: The McGraw-Hill Book Companies, Inc.

Deming, W.E. (1982). *Out of Crisis*. Cambridge, MA: MIT Center for Advanced Engineering Study.

Deming, W.E. (1994). *The New Economics: For Industry, Government, Education*. 2nd Edition. Cambridge, MA: MIT Center for Advanced Engineering Study.

Eden, Dov (1990). *Pygmalion in Management: Productivity as a self-fulfilling prophecy*. Lexington, MA: D.C. Heath and Company.

Heil, Gary, Bennis, Warren & Stephens, Deborah C. (2000). *Douglas McGregor, Revisited: Managing the Human Side of the Enterprise*. New York, NY: John Wiley & Sons, Inc.

McGregor, Douglas (1960). *The Human Side of Enterprise*. New York, NY: McGraw-Hill book Company, Inc.

Neave, Henry R (1990). *The Deming Dimension*. Knoxville, TN: SPC Press.

Rosenthal, Robert & Jacobson, Lenore (1968). *Pygmalion in the Classroom: Teacher Expectation and Pupil's Intellectual Development*. New York: Holt, Rinehart & Winston.

Scholtes, Peter (1998). *The Leader's Handbook*. New York, NY: McGraw-Hill Companies, Inc.

Papers and Manuals

Backaitis, Nida, (1995), "The Message Behind the Man," Proceedings of the Ohio Quality and Productivity Forum, Cincinnati, OH.

Hall, Jay (1995). *Management Values: Managing as a Self-fulfilling Prophecy Facilitator's Guide*. Models for Management Series Module 1. The Woodlands, TX.: Teleometrics International: A Division of Leadership Management, Inc. (800-527-0406) www.Teliometrics.com

Jacoby, Jacob & Terborg, James R (1995). *Managerial Philosophies Scale*. Waco, TX: Teleometrics International: A Division of Leadership Management, Inc., 1995. (800-527-0406) www.Teleometrics.com

Merton, Robert (1948). *The self-fulfilling prophecy*. Antioch Review. 8.

McNatt, Brian (2001). *The Pygmalion Effect: Managing the Power of Expectations Leader's Guide*. Carlsbad, CA: CRM Learning, L.P.

Warner, Jon (2004). *Management Styles Questionnaire (MSQ) Facilitator's Guide*. Amherst, MA: HRD Press. (800-822-2801) www.hrdpress.com

Videos

The Deming Library (1992). Narrated by Lloyd Dobyns. *The Prophet of Quality Part I*. CC-M Productions, Inc. Washington, DC. Available from www.ManagementWisdom.com (VHS Format)