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Douglas McGregor's legacy: lessons learned, lessons lost

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Abstract

Purpose – 2010 marked the 50th anniversary of Douglas McGregor's publication of *The Human Side of Enterprise*. The purpose of this paper is to revisit McGregor's classic book to establish some of his principles that are still being utilized today, as well as some that have been forgotten or discarded.

Design/methodology/approach – This paper utilizes specific quotes to establish McGregor's "lessons". They are placed in historical context, and evaluated, through a selected literature review.

Findings – Among the lessons learned is the fact that management can be systematically studied, successful management involves creating a particular type of environment, and employee diversity is a major asset for organizations. Included among the lessons lost are: management requires us to develop cause and effect models, management should focus upon the employees reaching self-actualization, authority is a weak management tool, and management is the source of employee problems.

Practical implications – It behooves any scientific field to revisit its founding principles, particularly to review what essential lessons might have been misplaced over time.

Originality/value – McGregor's general "Theory X Theory Y" are well known, but seldom are the principles he laid out in creating the model explored, nor are they compared to modern management practices.

Keywords Management history, Best practice, Management technique, Organizational theory

Paper type Viewpoint

With the publication of *The Human Side of Enterprise*, McGregor (1960) pioneered a new era in the study of management, one that has now lasted for 50 years, commonly referred to as the organization behavior movement. McGregor was not the first to encourage the management sciences to approach the field in terms of human behavior and leadership as opposed to simply the production/operations realm. Nor was he the first to suggest that management should be viewed as an applied behavioral science – taking research out of the laboratory and onto the factory floor. McGregor was the first to compile these, and other concepts, into a single codified tome that provided guidance and direction to those of us in the management sciences that followed.

McGregor first and foremost was an applied scientist. He advocated that sound scientific principles be used not simply to improve practices, but to discover sound theories and principles on which new practices could be developed. Furthermore, these theories and principles should be collected and incorporated into the education and socialization of future managers. In this context, the management movement begun by Taylor, in this context, is mislabeled as "scientific management". In reality Taylor and his contemporaries were approaching management not as an area open to scientific discovery, but rather as the application of previously established scientific laws and principles, in other words as a subfield of industrial engineering (Wren, 1986). The intent here is not to minimize these early pioneers' contributions, but rather to distinguish their activities from what McGregor was proposing. Taylor, Galbraiths, and others,

Journal of Management History
Vol. 17 No. 2, 2011
pp. 202-216

1751-1348
DOI 10.1108/17511341111112604

developed many applications that still shape management practices. But did they really "discover" knowledge that served as the underpinning of their devices? An excellent example of this is the Galbraith's time and motion study. There is no question that at the time it was truly an innovation that led to incalculable productivity gains. However, what new management theories or laws were created? What might have occurred had the Galbraith's first chose to launch a scientific investigation into the complex nature of employee productivity? Rather than simply learning how to use the fledgling motion picture technology to reduce wasted motions perhaps they would have stumbled upon the psycho-social requirements of productivity as well.

After years of study and observation McGregor proposed a radical new way of approaching management. He noted that managers could be divided into two categories based upon the fundamental assumptions held regarding their employees. A manager who believed his/her subordinates were generally lazy, uninspired, unimaginative, and only react to reward and punishments would be classified as "Theory X". On the other hand, a manager who believed her/his subordinates wanted to excel, desirous and capable of independent thought and action, and responded well to "higher order" tasks was labeled "Theory Y". McGregor also noted that these fundamental assumptions regarding human nature led to different sets of managerial behavior leading to the Pygmalion effect (also known as the self-fulfilling prophesy). While he presented both theories as "equals" it was clear that Theory Y should generally achieve the most significant results, a conclusion supported by all the countless works under the auspices of organizational behavior. Too soon after exploring Theory X and Theory Y in *The Human Side of Enterprise* McGregor passed away, bringing a halt to his personal contributions. Fortunately his legacy lives on as one of the basic influences of organization behavior, organization theory, organization development, and human resource management.

It is fitting and proper that during the 50th anniversary of *The Human Side of Enterprise* one explores those lessons McGregor proposed in light of contemporary management theory and practice. These lessons will be presented in two parts. The first discusses those that we still maintain as valid today (those lessons we have learned). The second category explores those lessons that have either been forgotten over the years or displaced by different perspectives (lessons lost).

Lessons learned

Management is something that can, and must, be systematically studied and research, and this knowledge passed along to the practitioners

> [. . .] the issue is whether management can utilize scientific knowledge in the achievement of (their) objectives [. . .] to insist that management is an art is frequently no more than a denial of the relevance of systematic, tested knowledge to practice (McGregor, 1960, p. 6).

McGregor began his inquiries as a result of questions posed to him by Alfred Sloan around the topic of whether business managers are "born or made". While on the surface this is a typical academic exercise in its historical context it proved of critical importance. The trait theory of leadership was in the process of being replaced by the Ohio State Leadership studies (Stodgill, 1981) and its various spinoff theories, which viewed leadership as a set of behaviors (consideration and initiating structure). Business schools were growing in credibility and the MBA, while still a rarity, was beginning to spread (Platt and Roche, 1963). Business schools recognized the need to systematically develop the curricula beyond accounting principles and production/operation formulae. Industry was also developing more complex structures requiring managers to abandon strict adherence to Weber's bureaucracy (Burns, 1963). Central to all of these developments was McGregor (1960, p. 3) and his response to Sloan's inquiry:

> The professional draws upon the knowledge of science and of his colleagues, and upon the knowledge gained through personal experience. The degree to which he relies upon the first two of these rather than the third is one of the ways in which the professional may be distinguished from the layman.

McGregor's revolutionary insight that managerial (leadership) requirements could be established through empirical methodologies laid the ground work for today's "megatrends" and "third wave" business environments. Many, possibly most, during McGregor's time would take for granted that good managers were "born and not made." A man either "had what it took, or he didn't." But through his advocating the application of scientific principles to the study of the human dimensions of management (as opposed to Taylor's, and others, foci on structure and mechanization) McGregor was a pioneer that led us to the careful study and codification of leadership requirements. With this knowledge came the realization that (like engineering) management could be taught, thereby freeing companies from the limitations imposed on them by their executives' innate natural abilities.

In McGregor's time the MBA never addressed leadership concerns, resulting in:

> [. . .] MBAs fail(ing) to see the human relations impact which their "wheeler-dealer" attitudes are making. MBAs are often particularly tactless with [. . .] men whose career horizons seem lower than their own [. . .] Our field research has convinced us that MBAs would do especially well to concentrate on their human relations skills, if only from the most Machiavellian of motives (Platt, and Roche, 1963, pp. 24-5).

The authors stopped short of suggesting that the MBA curriculum include a human relations course.

Recently, organizational behavior is considered an essential core course in most undergraduate and graduate business curricula. Warren Bennis, a protégé of McGregor, recently described a 13-year long study he has been conducting in following the careers of 500 former students' careers. He notes that by incorporating leadership into the business curriculum "[. . .] this one course helped people by influencing their world view, it helped determine their choices and decisions, and for some, it affected their career trajectory (Bennis, 2009, p. xiii)." The knowledge that is incorporated into these organizational behavior classes is also the result of scientific inquiry. Daft describes the current era of management as "learning leadership" based upon the research surrounding relational leadership theories, high-performance culture, and the learning organization. Leadership is [. . .] constantly experimenting, learning, and changing [. . .] and they encourage the development and growth of others (Daft, 2008, p. 23)".

Successful management involves creating an environment that draws out the employees' willing efforts

> The success of any form of social influence or control depends ultimately upon altering the ability of others to achieve their goals or satisfy their needs (McGregor, 1960, p. 20).

Perhaps, the clearest lesson that we have learned from McGregor is his belief that a manager's primary task is to "draw out" the performance from her subordinates.

This is so engrained in today's business psyche that most students fail to comprehend Theory X as a "legitimate" management style, much less believe that it could ever be considered the dominant style. Theory X is simply outside of their collective experiences.

Recall that when McGregor first proposed the two styles, the trait theory of leadership dominanted, and the autocratic dictator leader (Ala Lewin, Lippitt, and White studies) was considered by most as the "natural" style (van Fleet and Yukl, 1986). In fact, with regards to the aforementioned Platt and Roche (1963, p. 25) criticism of 1960s MBAs lacking human relations skills, the authors suggested that "[. . .] MBAs should be particularly careful to cultivate humility – or an impression there of – to go with their aggressive, self-confident, and avowed competence."

The evidence behind our current acceptance of management being a task that is done through others, as opposed to at them is pervasive. With the introduction of the Path-Goal theory of leadership (House and Mitchell, 1974), both participative (consulting with subordinates about decisions) and achievement (setting high goals for subordinates and providing them with autonomy so they develop a sense of pride) behaviors were added to Ohio State University's traditional two leadership behaviors of initiating structure and consideration that dominated early leadership theory development. Bass (1985), and others, identified two approaches to the role of leaders. The "everyday", or transactional, leader approaches the process as a transaction, or exchange, between leader and follower. To bring about significant change, however, the transformational leader's task must involve the ability to bring about the innovation through the followers.

As late as, Luke *et al.* (1973) discussing structural design established that manager's [. . .] often rest on the assumption that close control of individuals – through various forms of reward and punishment – is the most effective way to accomplish objectives (Luke *et al.*, 1973, p. 611). Yet in the same article the authors described a now classic organization development case of a retail food setting where the structural changes involved employee training and consultation in order to develop a participative architecture. This "revolutionary" (for its time) change towards an organic structure is now so common that the design is the norm, rather than the exception (Yaeger and Sorensen, 2009). It has even been noted that the open/organic structures are being utilized effectively in developing economies that have traditionally embraced bureaucratic management, such as China (Head, 2005).

In the employee motivation arena there is a plethora of work that also emphasizes the value of "drawing out" employee effort as opposed to management-by-force. Most notable in this arena is the voluminous support for the Hackman-Oldham job characteristics model (Hackman and Oldham, 1980). They propose that employee motivation is a result of "enriched" jobs, ones that are designed around the concepts of employee autonomy, self-generated feedback, task significance, requiring a variety of complex skills on the job, and permitting the workers to complete an entire piece of work from beginning to end. This is a very different picture from the traditional job specialization thinking that dominated the pre-McGregor era (Griffin, 1982).

Recently, what knowledgeable individual could argue successfully with McGregor's (1960, pp. 47-8) core beliefs about the true nature of employees:

> (1) The expenditure of physical and mental effort in work is as natural as play or rest." (2) Man will exercise self-direction and self-control in the service of objectives who which he is committed. (3) Commitment to objectives is a function of the rewards associates 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 towards organizational objectives. (4) The average human being learns, under proper conditions, not only to accept but to seek responsibility. (5) The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solving of organization problems is widely, not nearly, distributed in the population. (6) Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

Utilizing groups as the central organizational building block, rather than individual employees, will reap significant benefits

> Many studies have demonstrated that the tightly knit, cohesive work group may, under proper conditions, be far more effective than an equal number of separate individuals in achieving organizational goals (McGregor, 1960, p. 37).

McGregor (1960) suggested that teamwork, with a unity of purpose, is critical for organization effectiveness. Recently, most take this for granted, even in highly individualist cultures such as the USA (Hofstede, 1997). However, McGregor (1960) observed that most "managerial teams" were not really teams, but rather collectives of individual relationships. "In general, we are remarkably inept in accomplishing objectives through group effort. This is not inevitable (McGregor, 1960, p. 229)." He continued the thought be describing the elements that distinguish effective groups which includes an informal, comfortable, relaxed atmospheres, frequent discussions where all participate, all members know and understand the group's objectives, and decisions being reached by consensus (McGregor, 1960).

When one looks at what contemporary organization behavior scholars have identified as the critical elements leading to successful groups it is awe inspiring how much they agree with McGregor's assessment. These elements include, among others, the fact that all participants trust each other enough to share their true feelings, the groups goals are realistic, understood, and accepted by all, the group's social needs are provided for, decisions are reached by consensus, and the members are motivated to meet and accomplish the group's task (Daft, 2008; Newstrom, 2007; Gibson *et al.*, 2006; Hackman, 1991).

Apart from the insights into group dynamics, McGregor also proved prophetic with regards to the emergence of group-based management practices. Be they in the form of parallel structures, total quality management, high-involvement organizations, socio-technical systems, or work design, today's organization development professionals have acknowledged the benefits of group-based management practices (Cummings and Worley, 2008). Golembiewski (1993) even describes such structures as highly effective in unexpected settings such as universities and police departments.

Organization theory recognizes the value of groups, making them an essential part of the contemporary "natural system design" as opposed to the "mechanical system design" of McGregor's time. Today organization theory advocates horizontal, structures that encourage shared information and collaborative methods as opposed to the formal, rigid, competitive based ones of the past (Daft, 2007).

Group based management systems for managing conflict, increasing productivity, and improving decision-making have also become a mainstay of organization behavior (Hackman, 1991). But beyond these, the field has expanded its scope to include concepts such as cross-functional teams (Daft, 2008), virtual teams (Townsend *et al.*, 1998), and even global teams (Govindarajan and Gupta, 2001). The reasons behind all of these group-based practices have not changed from when McGregor wrote about them in 1960. Effective groups lead to innovations and adaptability, greater efficiency, higher quality, and improved employee commitment and satisfaction (Dunphy and Bryant, 1996).

Employee diversity is a major asset for organizations that should be embraced and utilized

> "One of management's major tasks, therefore is to provide a heterogeneous supply of human resources from which individuals can be selected to fill a variety of specific but unpredictable needs (McGregor, 1960, pp. 185-7)." Management's goal should be to develop "[. . .] the unique capacities and potentialities of each individual rather than common objectives for all participants."

A study of the USA, MBA students between 1957 and 1962 developed a typical "profile" that established these students as having an above average ambition level, being introspective "almost to a harmful extreme", and facing adjustment problems due to the difference between academic and industrial atmospheres (Platt and Roche, 1963). What the profile did not include, but is very obvious when reading the entire study, is that they were also all white males. McGregor wrote prior to the US civil rights and women's movements. He wrote during a time when it was situation comedy television fodder to make fun of working women. He wrote during a time when gender and race discrimination was not only legal, but commonly accepted; daily newspapers ran two sections of help-wanted ads (one for men and one for women), and "no colored" signs dotted the American landscape.

Even for those who had the "right" gender and skin color, individuality was discouraged. The dominant management system was what Likert referred to as "system 1", in which subordinates are not free to discuss things about their job with their superior, they are not expected to have ideas or opinions about the job, communications are one-way (downward in the form of orders), and top managers exercise complete control (Likert, 1967). In other words, employees were to be good "company men", do exactly what they were told, and how they were told, and leave all thinking to their superiors. These attitudes dominated even though researchers had long proven the benefits of organizational heterogeneity (Durkheim, 1947), and practitioners had published cases, such as the Hovey and Beard Company extolling its virtues (Bavelas and Strauss, 1955).

Clearly, over the years, McGregor's call for embracing diversity has been heeded – on many different levels. While cynics might maintain appreciating diversity is merely a gesture to avoid discrimination lawsuits in reality the benefits of heterogeneity are so widely recognized that employers would be foolish to attempt to suppress diversity.

Thomas (1992) addressed the misconception that diversity management is a racial or gender construct. At the core of managing for diversity is simply recognizing that each employee is an individual entity, one that has her/his unique set of characteristics, desires, and goals. Thomas suggests this leaves corporate leaders with two options for managing:

(1) manage everyone exactly "the same"; and

(2) managing each person as a unique individual.

If the manager chooses the later option each employee will be able to maximize their own contributions to the employer, as they receive exactly what they need to do so. The manager who chooses the former option will no doubt find it a path requiring less effort. However, they will also be managing all the employees towards the "least common denominator" and ensuring suboptimum performance from the organization's major (and most costly) assets.

Years before the diversity management movement organizational behaviorists had incorporated the belief that heterogeneity is a critical organizational requirement into their theory development. Perhaps, the most visible demonstration of this appears in the group dynamics literature. A cursory examination of the literature indicates at least one universally accepted principle – that group effectiveness is dependent, to a large extent, on having a diverse set of skills and perspectives, among its members (Daft, 2008; Gibson *et al.*, 2006; Hackman, 1991; Newstrom, 2007; Ross, 1989). Without member diversity the group cannot reach synergy, and without synergy the lack of superior results cannot justify the significant costs connected to group-based structures.

Cummings and Worley (2008) argue that "preserving" cultural diversity will soon become an essential task for organization development practitioners. Management is now in the "global" era, where employers develop systems that operate with a multinational set of employees who are socialized into multiple national cultures. Organizations are not going global simply to establish new markets as they did in the past. Businesses are recognizing that each country, through its unique set of factors (including labor, technology, entrepreneurship, and know-how) offers the ability to establish synergies at the most macro level. Distributing the various value chain steps across nations whose unique factor sets permit the organizations to maximize efficiency while reducing costs, is the driving force behind most global business strategies (Porter, 1990). However, to make these strategies work, once again workforce diversity and heterogeneity must be embraced:

> A single-minded pursuit of financial success can [...] undermine local cultures in service of greater efficiency [...] (the need is in) developing and implementing business models and organization designs that operate globally but support local cultures [...] (for) preserving cultural diversity is (not) an end in itself [...] diversity must be a strategy that fuels innovation and economic progress (Cummings and Worley, 2008, p. 707).

Clearly McGregor has won converts to his belief that organizations require heterogeneity and diversity.

Lessons lost

As a profession management requires us to develop theories and models that permit us to anticipate (and therefore manage) events in a cause and effect manner

> Progress in any profession is associated with the ability to predict and control, and this is true also of industrial management (McGregor, 1960, p. 3).

The fundamental goal for scientific experimentation is to establish cause and effect relationships. Once one has established causality sound scientific laws may be developed. These laws establish what will occur with any given set of circumstances. Thus, uncertainty is removed and (in this case) managers are able to create long-term objectives and plans.

McGregor clearly understood the "evils" of ambiguity and management's desire for predictability (Emery and Trist, 1965). Perhaps, this is why he embraced the scientific philosophy. Clearly he, and those who immediately followed, made incredible gains in both knowledge and practice, in their quest to control the future.

Recently, however, managers and the management sciences, face a much different environment. Granted, since the passing of the dark ages, every generation has complained that their world is so much more complicated than ever before, and bemoan that things move so much faster. These generations have been correct. However, in the last 50 years the organizational changes have proven so dramatic, and so rapid, that they have forced a fundamental paradigmatic shift for management. Daft (1998, p. 22) provides an excellent summary of the current environment, and how it is different from the past:

> The challenges produced by today's rapidly changing environment – global competitiveness, diversity, ethical issues, rapid advances in technology and communications, a shift away from an exploitative to an ecologically sensitive approach to the natural environment, and the growing expectation of workers for meaningful work and opportunities for personal and professional growth – require dramatically different responses from people and organizations.

Such an environment is more than simply turbulent, it is referred to as "high velocity". Significant environmental changes occur so rapidly that traditional data analysis must be abandoned as the data becomes obsolete before it can be properly analyzed. In such situations rational decision-making becomes impossible (Bourgeois and Eisenhardt, 1988). Establishing causality, even if it is possible, is not a high priority as the environmental conditions under which a set of cause and effect relationships are temporary at best. Managers rely on their intuition as well as the input of employees and trusted associates. In addition managers will often simultaneously develop, and implement, multiple alternatives letting actual results dictate the "final" solution (Eisenhardt, 1990).

Today's business executives still desire models and theories to provide guidance and understanding, but not in terms of removing uncertainty by creating cause and effect relationships. Rather, they utilize these tools to hone their intuition – providing suggestions as to what possibilities might arise (Flamholtz and Randle, 1998). The task of the contemporary executive is not to eliminate uncertainty, but rather to enter into it, determine an appropriate pathway through it, and then lead the employees through the morass (Head and Sorensen, 2009).

Management practices should focus upon assisting the employees reach self-actualization

> Management's goal should be to develop [. . .] the unique capacities and potentialities of each individual rather than common objectives for all participants (McGregor, 1960, p. 187).

McGregor discussed Maslow's theory in detail, emphasizing that a satisfied need cannot serve as a motivator and that the higher level needs are the ones "[. . .] of greatest significance to management and to man himself (McGregor, 1960, p. 38)". McGregor noted that often management, while fully understanding Maslow's model, tended to create systems that frustrate these most significant needs, particularly self-actualization. Today, while organization behavior still recognizes the importance of the "higher order" needs (particularly esteem and autonomy), it does not appear that self-actualization is actually a major concern. This is not to say that individuals experiencing that high level of spiritual/internal growth are not important, it simply recognizes that contemporary organizations do not view it as being in their purview to be the provider for that particular need. It appears that most employees agree with this assessment as well (Sharkey, 2009).

One possible reason that we have discarded this particular lesson of McGregor's might lie in the fact that today management is no longer implementing systems that frustrate one's higher order needs. The esteem and autonomy needs are being consciously catered to, with management practices encouraging involvement, participation, responsibility, and autonomy (Golembiewski, 1993). However, organizations are stopping short at providing opportunities for self-actualization. This is really more of a matter of a lack of opportunity, rather than disregard. Take the aforementioned job characteristics model (Hackman and Oldham, 1980) as an example. Organizations are encouraged to design jobs around autonomy, variety, and self-feedback, among other elements. These core dimensions target the individuals "fourth level", or esteem, needs. But the model, and subsequent voluminous research, always stops short of advocating the spiritual growth so essential to achieving Maslow's highest order need – self-actualization.

In McGregor's time the employee/employer relationship was typically seen as a lifetime arrangement. This situation could lead those few truly progressive organizations to see the merit of investing in its employees in order to provide for self-actualization (Likert, 1967). Recently, however, "common knowledge" tells us that employees will change employers at least five to six times in a career. This forces organizations to reconsider how it approaches employee development, discouraging workers to make long-term investments in human capital. Many organizations find it much more effective to simply hire fully "developed" employees than incur the expense of "growing its own" (Anthony *et al.*, 2006).

The large number of recent company closings and layoffs has further undermined both parties' confidences in the extreme long-term investment in employees that catering to self-actualization requires. The environmental turbulence, discussed earlier, has caused management to actually redefine the time-line for "strategic thinking". As late as the mid 1970s, "strategic planning" was defined as utilizing a five to 20 year time-frame. Today most definitions of strategic management have dropped the time element altogether, and most companies avoid making any concrete plans beyond three years. In such an environment none of the constituents (stockholders, managers, employees) would be comfortable with management systems that might take five, ten, or even more, years to come to fruition (Flamholtz and Randle, 1998).

Is the fact that management is no longer trying to provide an atmosphere that leads to self-actualization truly a significant issue, as McGregor would suggest? Pinder (1987), in a review of the extrinsic/intrinsic reward literature, suggests that an organization that creates systems which cater simultaneously to the employees' extrinsic and intrinsic needs will create the most productive and satisfied workers. Therefore, contemporary organization behavior does not necessarily contradict McGregor, in that it still recognizes the importance of fulfilling the higher order needs (broadly defined), but this does not preclude the need to also satisfy the strong desire for extrinsic rewards. Once again, perhaps the best illustration of this perspective is the Hackman and Oldham (1980) job characteristics theory, where the primary source of motivation lies with the intrinsic motivating potential of an enriched job, but this relationship is directly moderated by the employee's satisfaction with pay, co-workers, supervisors, and job security (among other "hygiene" variables).

Authority is a fairly weak management tool

> [. . .] authority is an inappropriate method of control on which to place exclusive reliance in United States industry today [. . .] under certain circumstances it may be essential, but for promoting collaboration it is at best a weak crutch (McGregor, 1960, p. 30).

Authority, as compared to charisma and expertise, is still considered a relatively weak form of power. The most likely employee response to a supervisor's influence attempt utilizing authority is the moderately successful compliance, as compared to the most successful response, commitment, received by charisma and expert power based attempts (Yukl and Taber, 1983). Yet there is no question whatever that the most frequently used power in any organization today, as it was 50 years ago, is authority (Head, 2007).

Perhaps, the explanation as to why authority remains a valid power source involves the changes in the construct since McGregor's time. The use of authority is no longer synonymous with authoritarianism. The authoritarian manager, or Theory X, was the dominant type in McGregor's time. The authoritarian manager is one who believes that possessing a higher rank establishes that one is truly superior (in all senses of the word). Position alone should grant one the natural right to be respected and obeyed by subordinates, and gave one the right to act tough and judge subordinates harshly (Adorno *et al.*, 1950). In this perspective the authoritarian manager is also dogmatic and unresponsive to subordinates' ideas and needs (Daft, 2008).

Today authority is simply the power that one derives from being in the position of a supervisor. It is also commonly referred to as legitimate power, as subordinates recognize that being a "boss" does grant an individual the legitimate right to direct subordinates' actions (Daft, 2008). However, the manager wielding authority power must recognize that one's subordinates actually place boundaries on what behaviors the manager may legitimately require them to perform (Yukl and Taber). Therefore, the manager must use the power carefully and avoid anything that might appear as an abuse, or the subordinates will resist the mangers, and thereby eliminate the manger's authority (Yukl and Taber, 1983). Managers must also recognize several distinct "rules" to be followed when using authority, such as the need to be direct and clear, check for understanding, and being polite. Wise managers realize that ultimately it is the subordinates that dictate, through their responses, how successful the manger's power attempts will be.

Globally, there are actually several leader-follower relationships that exist, with different cultures having their own preference as to which is most appropriate. These range from a master/servant set of roles to that of the leader as a hero (Head, 2007). No matter which leader/follower style is preferred by a culture each recognizes the utility of authority power. It is not the type of power, but the character of the wielder, that subordinates typically react to. Kouzes and Posner (1993) found that employees want their leaders to be competent, forward thinking, inspiring, and honest. A manager who possesses these characteristics has an excellent chance to be seen as a true leader, even if he primarily relies upon authority. In a sense, rather than "discard" McGregor's lesson regarding authority, perhaps we did take it to heart after all. Authority was not abandoned, but the construct was adapted to make it a functional tool for contemporary managers.

Management is the source of many employee problems

> If employees are lazy, in different, unwilling [...] uncooperative, Theory Y implies that the causes lie in management's methods of organization and control (McGregor, 1960, p. 48).

> The key question for top management is: "what are your assumptions (implicit as well as explicit) about the most effective way to manage people?" (McGregor, 1960, p. vii).

> The natural sciences have recognized that control involves adjusting to natural laws – one does not dig a channel to get water to flow up hill – " control involves the selection of means which are appropriate to the nature of the phenomena [...] In the human field [...] we often dig channels to make water flow uphill. Many of our attempts to control behavior, far from representing selective adaptations, are in direct violation of human nature. They consist in trying to make people behave as we wish without concern for natural law (McGregor, 1960, pp. 8-9)."

At one time, everyone recognized the fact that leadership was the most critical contributor to organizational climate (Litwin and Stringer, 1968), employee morale and productivity (Morse and Reimer, 1956), employees' attitudes toward change (Coch and French, 1948), structure (Likert, 1967), and almost all other organizational issues. This principle was incorporated into every fundamental tenet of organization development. Somewhere along the way this essential lesson has been misplaced. Exactly when management was no longer considered a "causal" level variable (Likert, 1967) cannot be determined. We can only see the evidence that it has, and speculate as to the reasons.

Likert (1961) was one of the first to suggest a rigorous model for organization development diagnosis, and indirectly identified management as the causal level factor. Likert proposed that organizational climate and structure (both the direct result of management actions) directly determined the "internal state of health" variables (symptoms), and subsequently the organization's bottom line (end results). Therefore, true organization change must involve alterations to management practices. An examination of today's diagnostic models (Cummings and Worley, 2008) relegates management behavior to a question of ensuring compatibility with the external environmental demands.

Cooperrider and Srivastva, 1987) widely accepted appreciative inquiry as an alternate approach to diagnosis is actually more silent on the management's causality role for organizational issues. There is no question of appreciative inquiry's appeal, and it has proven quite successful. The technique encourages organizations to focus upon when the organization operated at its "peak" and identify what was "right" and "best" at that time. Once these elements have been identified the group works towards making these factors the new norm. It has been suggested that the technique is effective because it eliminates resistance to change (Head *et al.*, 2000). The organizational change does not threaten anyone's self image. It avoids placing "blame" on any problems, as it avoids the problems all together. In other words, it is a perfectly safe technique for managers. If done correctly they cannot be held responsible for any organizational issues.

As mentioned earlier, at one time a change effort could not be considered truly organization development unless it addressed the problem's underlying faulty managerial assumptions. Now the popular concept of "strategic" organization development, and "strategic" action research involves issues at the organizational level, but now "at this level, interventions are linked with the strategies and long range plans of the organization (Anderson, 2009, p. 100)." Management is no longer a "causal variable", whose problems need to be addressed, but rather, for good or bad, the driving force that the organization must be adapted to. It is actually this very belief that led Head (2009) to label “strategic organization development” nothing but a failure of true organization development. This new approach to organization development does not seek to discover the long-term “cure” to the client’s problems nor does it develop internal systems to permit the organization to “treat” itself in the future. Rather organization development is never simply a series of interventions designed to maintain a tenuous status quo.

Exactly, why have we misplaced McGregor’s warning about the “problem’s” source deriving from management? No one can be sure, but there are two distinct related possibilities. The first is right out of attribution theory (Bem, 1967). Individuals tend to attribute the reasons behind successful events internally, meaning their own efforts, skill, and knowledge. However, failures generally receive external attributions – they are the result of issues that occurred beyond the individual’s control, therefore the manager cannot be held responsible for them. With such dynamics it is not difficult to understand how managers do not recognize their role in any problematic issues. Taking a close look at exactly who are the “recipients” of the management consultant’s and/or researcher’s efforts also provides an explanation as to why managers are no longer viewed as the “root of the problem”. We consult, and research, with the knowledge that our “customers” are practicing managers (and/or future managers). Telling the individual that one is “working” for that he/she is the problem is a risky strategy. Therefore, one might easily see merit in “giving the client” what she/he wants by addressing the problem’s symptoms and ignoring the underlying causes.

Sadly, the fact that management science lost this last lesson of McGregor’s has resulted in serious consequences. One can easily see the dynamics of organizational decline in far too many cases today. Weitze and Johnson (1989) proposed that most organizational decline situations can be prevented, or at least corrected, if only management would take the appropriate action. The longer one goes without acting correctly the more serious the problem becomes, and the greater the probability of organizational dissolution. The key factor in this downwards spiral is that management will not recognize what the correct action is, as they are first “blind” to the problems, then they are “frozen” into inaction out of false hopes or fatality.

Conclusion

> If [. . .] we accept assumptions [. . .] 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 [. . .] is practically out of reach (McGregor, 1960, p. 51).

The management sciences have grown incalculably in every way since McGregor wrote *The Human Side of Enterprise*. McGregor offered us a starting point, one that he probably didn’t understand himself, would lead to where we are today. When one reads *The Human Side of Enterprise*, particularly, when one places it in historical perspective, it is truly dumbfounding how accurate the man was – 50 years later. Many of his lessons still serve as the basic underpinnings for modern management. Still others have been lost or discarded. However, even in this later set McGregor’s (1960, pp. vi-vii) wisdom shines through:

> [. . .] the human side of enterprise is “all of a piece” – that the theoretical assumptions management holds about controlling its human resources determine the whole character of the enterprise.

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