

# Organizational Psychology on the Rise— McGregor’s X and Y Theory: A Systematic Literature Review

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## Abstract

McGregor’s theory is one of the most well-known theories based on motivation, employee behavior and job performance. According to this theory, motivation can and should be achieved in different ways based on whether the employee is categorized as Type X or Type Y according to McGregor. In this paper, a review was conducted in order to address the contribution and current findings of the theory in the modern workplace. A number of recent studies were identified and concluded with ambiguous findings which later on lead to other studies in constructing a valid scale for evaluating X and Y attitudes-behaviors and job performance. Even though this theory has not gathered substantial empirical support, it may prove to be an important framework for a better understanding of human behavior in the workplace. Directions for future research and possible applications are also mentioned.

## Keywords

Motivation, Job Performance, Personality, Organizational Psychology, Theory X, Theory Y, McGregor’s Theory

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## 1. Introduction

It has been stated that the most important advantage of an organization is the value of human resources, and hence investments in human resource motivation are required to achieve superior operational outcomes (Priya & Eshwar, 2014). Since the advent of scientific management over a century ago, motivation and the accompanying rewards that affect employees have been a major concern for organizations and management as well (Hansen et al., 2002). One of the most challenging tasks that an organization has to undertake is to determine the de-

sign and the type of motivational rewards which are the most desirable for its employees (Larkin, 2017). What motivates people to go to work every day? Do they get great satisfaction from their work and take pride in doing the best they can do? Or do they perceive it as a burden and simply work to survive? All the aforementioned assumptions concerning organizations' employees have a major influence on how these employees are managed. Much study has been conducted in the field of employee motivation and workplace motivation, resulting in the development of many theories and models. The purpose of these theories is to aid in the creation of tools that will allow organizations to get cost-effective behaviors from employees that are also consistent with the organization's goals (Shultz, 2014). One of the most well-known theories based on motivation and employee behavior is from McGregor, the Theory X and Y. Theory X discusses the significance of increased supervision, external rewards, and punishments, whereas Theory Y emphasizes the motivating role of job satisfaction and encourages workers to tackle jobs without direct supervision. The adoption of Theory X and Theory Y by managers can affect employees' motivation and productivity in different ways, and managers may choose to include tactics from both theories into their operations (McGregor, 1960). This literature review explores McGregor's theory and whether it has had an effect in the workplace up until now.

## 2. Type X and Type Y

One of the most widely known theories of employee behaviors is McGregor's and it dates back to 1957. His theory deals with the motivational factors that have an influence on employees' behaviors. According to McGregor, every manager has their own theory or "cosmology" on employee motivation, which intrinsically reflects their views about humans in general. McGregor thought that managers' fundamental values had a powerful effect on how organizations are operated. Managers' beliefs about people's behavior are critical to this. According to McGregor, these assumptions fall into two major categories: Theory X and Theory Y. These discoveries were documented in the 1960 book *The Human Side of Enterprise*. Theory X and Theory Y outline two opposed management techniques by describing two perspectives on people at work (McGregor, 1960).

### 2.1. Type X

Type X—the authoritarian management style—implies that people are fundamentally lazy with an inherent dislike of working and avoiding it whenever possible. As a result, management feels that personnel must be closely monitored and that comprehensive control mechanisms must be implemented. It necessitates a hierarchical structure with a tight range of control at each level. Employees, according to this theory, will exhibit minimal motivation in the absence of an enticing incentive scheme and will avoid responsibilities whenever possi-

ble. Managers using Theory X depend primarily on threats and intimidation to get the fulfillment of their staff. Theory X managers display an authoritarian approach in which production or output is prioritized. This approach is built on employee mistrust and revolves around excessively restricted supervision and a disciplinary environment. It gives rise to autocratic leadership and leaders establish clear expectations for what must be done, when it must be done, and how it must be done. Managers have a tendency to micromanage and are very task-oriented (Mcgregor, 1960). When the organization is relatively small and he has a limited number of employees, the owners frequently adopt Theory X type of leadership. While an authoritarian leadership style is regarded as more conventional, and in some cases, outdated, it nevertheless provides a number of advantages. In professional contexts where choices must be made rapidly, an authoritarian leadership style can be successful (Hattangadi, 2015). A criticism of the Theory X is that it limits employees to having the opportunity to satisfy what Maslow identified as higher-level social needs of self-esteem and self-actualization (Mansaray, 2019).

## 2.2. Type Y

Theory Y, on the other hand, emphasizes that people will exert self-control and self-direction in order to achieve organizational objectives and goals to which they have committed. Theory Y managers have a good attitude toward their employees and employ a decentralized, participatory management style. This fosters a more collaborative and trusting connection between managers and employees. People are given more responsibility, and supervisors encourage them to improve their abilities and make suggestions. Appraisals are conducted on a regular basis, however unlike organizations of Theory Y, they are intended to foster open dialogue rather than to control employees (Hattangadi, 2015; Mansaray, 2019). In theory Y, employees are also given regular opportunities for development. This management style presupposes, that employees are willing to work on their own initiative, have involvement in decision making, have self-motivation to complete their daily tasks, enjoy taking ownership of their work, seek and take responsibility, and require minimal guidance, view work as challenging and fulfilling and solve problems in a creative and inventive manner (McGregor, 1960).

It is of paramount importance to take into consideration that theory Y might feel that is more liberated, hence, is difficult to be practiced when objectives and goals are not clear within an organization. Managers are challenged to be creative, innovative in their approaches in order to organize and direct human endeavor. McGregor urged organizations to adopt theory Y as he believed that motivated people are significantly more productive and therefore to result in the highest levels of achievements (Hattangadi, 2015; Mansaray, 2019).

Theory X merely satisfies employee's basic physical needs and not their social, self-esteem needs and self-actualization needs. Theory X and Theory Y are re-

lated to Maslow's "hierarchy of needs" in how human behavior and motivation are primary considerations in the workplace to optimize production. According to Theory Y, the business strives to develop the most symbiotic connection possible between managers and employees, which correspond to Maslow's requirements for self-actualization and self-esteem. The manager creates the best workplace culture for self-actualization by promoting ethics, morality, creativity, spontaneity, problem solving, without bias, and by embracing facts. We must acknowledge that bias exists in others while attempting to diminish it in ourselves. A Theory Y manager strives to increase each team member's self-esteem, confidence, accomplishment, happiness, respect for others, and respect for themselves (Hattangadi, 2015; Mansaray, 2019).

### 2.3. Study Rationale

In the modern workplace human behavior seems to become more and more complex and difficult to understand by managers. One reason may be the lack of understanding of what really motivates the employee. Especially regarding motivation the one size fit all approach is not a prerequisite for success, but rather than an introduction to failure. By utilizing the findings of the McGregor Theory managers may be in the position to alter their management style in order to ensure better organizational results.

### 2.4. Theory X and Theory in the Workplace

Interestingly, the theory started to be formulated in 1957, and according to Miner's (2003) study, it was placed in the second place as the most well-known theory in organizational behavior among 73 universal theories. What's more interesting is not that according to Miner (2003) McGregor made an attempt to quantify or measure his constructions, nor did he evaluate the validity of his theory. Nonetheless, McGregor's (1960) notion that employees perform better under supervisors who promote self-direction and self-motivation is generally acknowledged and supported by organizational managers and management authors. For many years the research on McGregor's theory has been limited. Lawter and colleagues (2015) supported that the theory did not have empirically supported by research with regard to job performance. And that is that there has been a failure to distinguish between the attitudes and behaviors of the Theory X and Y. Only three attempts have been undertaken to determine the association between management X/Y attitudes/behaviors and work performance, with reference to the critical dependent variable (job performance) to date.

The first research that has been conducted which supported the positive effects of Theory Y. The study was conducted by Fiman (1973), with female clerical employees and their supervisors. Findings of the theory Y was positively related to job satisfaction but unrelated to job performance. However, Fiman (1973) provided us only with the construct validity information as he reported only the split-half reliability coefficients. The same year Michaelsen (1973), tested the

theory among 119 first-line supervisors maintenance and production departments of a metal fabricating plant. Similarly to Fiman's (1973) findings, Michaelsen (1973) results were non-supportive. In a more recent study, researchers investigated the associations between X and Y actions and team performance evaluations. The sample, on the other hand, was entirely made up of virtual teams, meaning that there was no face-to-face contact. The X and Y type behaviors were sent electronically via emails and faxes, leaving no room for managerial X and Y attitudinal and behavioral information to be communicated non-verbally. Results have shown that X-type verbal comments (including demands and confrontations) were positively linked with performance ( $r = 0.23$ ), as were Y-type verbal statements ( $r = 0.15$ ), generating a net result of  $r = -0.04$ . Using virtual "teams" reduces face-to-face contacts between managers and subordinates, as well as the formation of connections between group members and the group leader (Thomas & Bostrom, 2008). It is necessary to demonstrate the construct validity of the measurements used in order to determine substantive validity. As a result, three researches on the measuring of Theory X and Y attitudes and behaviors have been done only for the goal of establishing construct-valid measures. The first study is with sample size of 512 undergraduate and graduate students in business, with 80% of them being at that time employed or recently employed. Summarizing the results of the study, researchers described and developed a new 4 item theory X and Y attitude scale and offered evidence of construct validity. The measure is content valid, reliable and performs as predicted to a theoretical nomological system (Kopelman et al., 2008). In a second study, Kopelman et al. (2010), similarly they distributed surveys to undergraduate and graduate students ( $n = 494$ ). Participants needed to have at least one year of work experience. At this time a 13-item scale was created and results provided evidence of the construct validity of this new measure. A third study by Kopelman and colleagues (2012), using the sample from the two aforementioned studies and randomly split them into subsamples, concluded in an abbreviated 10 item X and Y scale with acceptable psychometric properties: internal consistency reliabilities ( $\alpha$ ) in two subsamples were 0.74 and 0.76, and test-retest stability was 0.73. The main focus of these studies were solely to develop and provide a construct valid scale for X and Y attitudes and behaviors. The methodological approach used by earlier studies examined incorrect unit of analysis. Without a construct valid scale it is impossible to test a theory whether is correct and applicable, therefore, for so many years we did not know whether McGregor's theory could be applicable in the workplace.

However, new research came to light. The study of Lawter et al. (2015) was the first empirical test of the theory. They linked management attitudes to individual and group work performance, offering theory of empirical confirmation. Using a multilevel technique, the study demonstrated high support among management X and Y attitudes, managerial actions and performance, in contrast to the 3 first studies that indicated weak negative correlations. Despite the restricted statistical

power, the results were statistically significant in terms of both individual and group performance. These findings support the belief held by some managers that people have a limitless capacity for high performance if properly managed. Not only do management attitudes matter, but how managers treat their people has an impact on both individual and collective performance (Lawter et al., 2015).

The links between health care employees' perceptions of management Theory Y and Theory X orientations; work unit psychological safety, organizational citizenship behavior, and service quality; and the employing entity were investigated in an empirical study. The researchers studied survey data with sample size 3605 of a big US health care system using confirmatory factor and hierarchical regression analysis. According to the findings, McGregor's conception is better viewed as two distinct constructs—Theory Y and Theory X—rather than as a one-dimensional X/Y construct. The three dependent variables in this study were favorably connected to Theory Y and negatively related to Theory X, with greater impact sizes for Theory Y.

Another recent research was conducted in order to examine the relationship between perceived personality traits, managerial style using McGregor's (1960) Theory X and Y and managerial likeability. According to the findings, 'disliked' managers were classified as having a Theory X orientation, higher neuroticism scores, and lower openness, agreeableness, and conscientiousness scores. Positively viewed managers were defined as having a Theory Y orientation, with greater extraversion ratings. Employees who loved their manager were also more likely to rank their intrinsic/extrinsic motivation, productivity, job happiness, and intention to stay at work higher than those who didn't like their manager. These findings underline the importance of managing style and managerial personality in terms of employee outcomes and attitudes about their supervisors and their job (Johnson, 2018).

A last study examined the relationship between management styles with the use of the theory X and Y, and job satisfaction of employees in an organization. Results have shown that there was a positive correlation between job satisfaction and self-efficacy. Furthermore, management style has a great impact on job performance which leads towards to theory Y than theory X in the relationship between management and employees. Therefore, findings of this study show the importance of employee-oriented leadership style and how it influences employees' job satisfaction (Aykut, 2019).

### 3. Discussion

Despite its acceptance and recognition, McGregor's theory for a long time did not have empirical studies to support it. The three early studies, that of Fiman (1973), Michaelsen (1973) and Thomas and Bostrom (2008), tried to attempt to ascertain the relationship between managerial X and Y attitudes-behaviors and job performance. However, results from all of them were non-supportive. It is

necessary to demonstrate the construct validity of the measurements used in order to determine substantive validity. As a result, three types of researches (Kopelman et al., 2008, 2010, 2012) on the measuring of Theory X/Y attitudes and behaviors have been done only for the goal of establishing construct-valid measures. In a nutshell, these studies have set the framework for the essential question of whether a link exists between managerial Theory X and Y attitudes and job performance.

The study of Lawter et al. (2015), was the first to empirically supported McGregor's theory. A weakness of that study is that the majority of the data comes from the same source—the supervisor. However, multilevel analyses were performed while adjusting for subordinate X and Y attitudes. Common method bias is one possible risk of adopting single-sourced data. The work of Johnson (2018) and Aykut (2019) was also conducted in small organizations with a limited sample size. It is evident that empirical studies are way too limited and there is still a lot of work in supporting the theory in many contexts in the workplace.

#### 4. Conclusion

McGregor's theories X and Y discovered two diametrically opposed sets of expectations held by managers about their employees—in Theory X, managers assume that ordinary workers have little willpower, dislike work, want to avoid responsibility, and cannot be trusted; whereas Theory Y emphasizes that people have self-direction in meeting goals that they have committed to. Because of these assumptions, managers create goals for their staff and utilize performance management techniques to keep them motivated on the job. These ideas provide an intriguing perspective on the two distinct components of project management and employee motivation. Because of the ongoing pursuit of self-actualization, the motivation subject is important in order to understand how a project manager might utilize incentives as a tool, evaluate what drives and what elements impact, such as connections and the manager's soft skills. Despite the absence of early scientific evidence, McGregor's theory is well recognized and accepted on an intuitive level. As a result, valid measurements of Theory X and Theory Y assumptions and actions may serve as effective instruments for management and organizational growth. Managers may benefit from utilizing these tools to evaluate their beliefs and practices.

#### Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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