

Theory X is based on pessimistic assumptions regarding the typical worker. It supposes that the typical employee has little to no ambition, shies away from work or responsibilities, and is individual-goal oriented. Generally, Theory X style managers believe their employees are less intelligent, lazier than the managers, or work solely for a sustainable income.

The 'Theory X' manager believes that all actions should be traced and the responsible individual given a direct reward or a reprimand according to the action's outcomes. This managerial style is more effective when used in a workforce that is not intrinsically motivated to perform.

According to McGregor, there are two approaches to implementing Theory X: the "hard" approach and the "soft" approach. The hard approach depends on close supervision, intimidation, and imminent punishment. It can potentially yield a hostile, minimally cooperative work force that could harbor resentment towards management. The soft approach is the literal opposite, characterized by leniency and less strictly regulated rules in hopes for high workplace morale and therefore cooperative employees. Implementing a system that is too soft could result in an entitled, low-output workforce. McGregor believes both ends of the spectrum are too extreme for efficient real world application. Instead, McGregor feels that somewhere between the two approaches would be the most effective implementation of Theory X.

Overall, Theory X generally proves to be most effective in terms of consistency of work. Although managers and supervisors are in almost complete control of the work, this produces a more systematic and uniform product or work flow. Theory X can also benefit a work place that is more suited towards an assembly line or manual labor type of occupation. Utilizing theory X in these types of work conditions allow the employee to specialize in a particular area allowing the company to mass produce more quantity and higher quality work, which in turns brings more profit.

Theory Y

In contrast, Theory Y managers act on the belief that people in the workforce are internally motivated, enjoy their labor in the company, and work to better themselves without a direct "reward" in return. Theory Y employees are considered to be one of the most valuable assets to the company, and truly drive the internal workings of the corporation. Workers additionally tend to take full responsibility for their work and do not require the need of constant supervision in order to create a quality and higher standard product.

"Theory Y" managers gravitate towards relating to the worker on a more personal level, as opposed to a more conductive and teaching based relationship. As a result, Theory Y followers may have a better relationship with their higher-ups, as well as potentially having a healthier atmosphere in the workplace. Managers in this theory tend to use a democratic type of leadership because workers will be working in a way that does not need supervision the most. "Theory Y" adds more of a democratic and free feel in the workforce allowing the employee to design, construct, and publish their works in a timely manner in co-ordinance to their workload and projects.

While "Theory Y" may seem optimal, it does have some drawbacks. While there is a more personal and individualistic feel, this does leave room for error in terms of consistency and uniformity. The workplace lacks unvarying rules and practices, and this can result in an inconsistent product which could potentially be detrimental to the quality standards and strict guidelines of a given company.

http://en.wikipedia.org/wiki/Theory_X_and_Theory_Y