

CREATING EXTRAORDINARY ORGANIZATIONS

From: Don Yates of Extraordinary Organizations
<mailto:eletter@extraordinaryorganizations.com>
<http://www.extraordinaryorganizations.com>

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This letter is written for those pioneers who want to move beyond the ordinary to the Extraordinary in creating business organizations.

Please feel free to pass this letter on to anyone you think would like to join this journey to Extraordinary.

Sent only to recipients who have personally opted to receive it. To change your sign-up information, please follow the instructions at the end of this letter.

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Special Note: Please fill out the reader survey explained in the Announcements, Information, and Comments section below!

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THIS ISSUE:

ARE PEOPLE IN YOUR ORGANIZATION LESS COMMITTED BECAUSE YOU HOLD THEORY X INSTEAD OF THEORY Y BELIEFS?

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Welcome to Letter 6 of *Creating Extraordinary Organizations*. In this letter I want to concentrate on the work of one of the greats of the organization world, Douglas McGregor. In 1960 he published "The Human Side of Enterprise." Warren Bennis says in his foreword to the 25th Anniversary Printing*:

"...Just as every economist, knowingly or not, pays his dues to Keynes, we [those who live and work in large organized settings] are all, one way or another, disciples of McGregor

"... this book, more than any other book on management, changed an entire concept of organizational man and replaced it with a new paradigm that stressed human potentials, emphasized human growth, and elevated the human role in industrial society. ... Much of the work that goes on now could not have happened if this book hadn't been written."

I want to give you the most famous part of this book -- Theory X and Theory Y -- for three reasons. First, they are the foundation of the change in concept to which Bennis refers. Second,

McGregor was the first to emphasize the impact of our assumptions on our actions in the organizational world.

“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....

“Human behavior is predictable, but, as in physical science, accurate prediction hinges on the correctness of 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 indeed be 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.”

As you can see he was the precursor to much of what I have come to believe. I see this E-letter as a small but determined extension of what he started. His work certainly started me on the path to believing that you can't create Extraordinary Organizations until you change your fundamental beliefs about people and how they come together to do collective work.

Finally, I want to accentuate this work because it is so little known in the business world today. Many may say they have heard of Theory X and Theory Y. But even of these, few can tell you what they are, where they came from, or what they actually say. I want to rectify this because I see understanding McGregor's work as essential to anyone wanting to create Extraordinary Organizations.

Theory X Assumptions

1. The average human being has an inherent dislike of work and will avoid it if he can.
2. Because of this human characteristic of dislike of work, most people must be coerced, controlled, directed, threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives.
3. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, wants security above all.

Theory Y Assumptions

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 the 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 experience, 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.

Since I am to a great extent paying homage to McGregor in this letter, I will let him have the final words. Although he published these in 1960, they are completely accurate today!

“Unfortunately, those classical principles of organization—derived from inappropriate models, unrelated to the political, social, economic, and technological milieu, and based on erroneous assumptions about behavior—continue to influence our thinking about the management of the human resources of industry. Management’s attempts to solve the problems arising from the inadequacy of these assumptions have often involved the search for new formulas, new techniques, new procedures. These generally yield disappointing results because they are adjustments to symptoms rather than causes. **The real need is for new theory, changed assumptions, more understanding of the nature of human behavior in organizational settings.**” [Emphasis added]

*All quotations are taken from “The Human Side of Enterprise: 25th Anniversary Printing”, McGraw Hill, Inc, 1985, 1960. This book may be purchased from Amazon using this link:

<http://tinyurl.com/n9xt> [See Great TinyURL Service note below]

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ANNOUNCEMENTS, INFORMATION, AND COMMENTS

Reader Survey – In order to make this E-letter more useful and interesting I want to find out what you, the reader want. To that end I have put together a short survey to give you a way to tell me. Please click on the link below and fill out the survey. It will probably take you less than five minutes but will help me provide better letters for you and other readers. Your name and address will not be collected by the survey, only your answers. I will report the overall results in the next letter. Thank you!!

<http://www.surveymonkey.com/s.asp?u=51714267740>

On-Line Interview – The recording of my interview on VoiceAmerica.com on "Creating Extraordinary Organizations" is now on the EO web site at:

<http://tinyurl.com/nq9i> [See Great TinyURL Service note below]

Great TinyURL Service – These two links were originally so long you would have had to copy and paste them. However, I went to www.TinyURL.com where you will find a free service that turns long links into tiny ones that will easily fit on one line.

Enlarging the EO Community — I believe that the larger the community of readers we have the more ideas we will have to exchange and build on. You can help add readers by passing this letter on to others you think would like to receive it.

HTML Version — EZMailPro, who delivers this letter for me, says they are coming out with a new version in early September. It will send HTML with a Text version for those who cannot receive HTML. As soon as it is available, I will be using it.

E-Letter Archive — You can view PDF versions of all published Creating Extraordinary Organizations e-letters at:

<http://www.extraordinaryorganizations.com/Eletter/index.html>

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Until Next Time

There is no question in my mind that McGregor's statement of the "real need" is correct. It is disappointing that today, fifty-three years later this need has not yet been met. However, it will be with the help of you who are reading this and working toward creating Extraordinary Organizations. Thank you for joining me on that journey.

Be Well and,
Be Extraordinary!

Don Yates
Extraordinary Organizations

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<http://www.extraordinaryorganizations.com>
<mailto:dyates@extraordinaryorganizations.com>

170 Mapache Drive
Portola Valley, CA 94028
650.851.2690

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