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A Case Study on Poor Governance: Agency Conflicts Faced at Perwaja Steel and Sime Darby Malaysia

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Abstract

The case study takes place at two Malaysian giant companies namely Sime Darby Malaysia and Malaysia Perwaja Steel. Purpose of the study is to evaluate the poor governance that leads to agency conflicts / issues faced by the two selected companies in Malaysia way back in 2009, 2010 and 2011 but are still being debated and discussed by many up until now. The agency conflicts that faced by these companies are also discuss and relate to the company's corporate governance and the performance of the company. The author evaluated and debated the agency conflict that was faced by the two giant companies in Malaysia.

Keywords: *Agency Theory, Agency Conflict, Agency Cost, Agency Issue*

1.0 Introduction

As organizations grow and become more structured and organized with departments and stockholders, creditors, suppliers, and all other stakeholder each with different interests and approach, the relationship between these segments of a corporation often resulted in conflict and misunderstanding, the resolution of these conflicts are the corner stone of business administration where every type of these conflict is classified and studied to be resolved in scientific manner.

Agency conflicts is a major factor faced by many companies referring to certain action taken by one party which conflicts another person's interest. Various issues with corporate governance are explained using the agency theory. The notion is centered on how the owner of an organisation manages its relationships and enters into contractual agreements with its managers or agents. The separation of ownership and control is the fundamental tenet of this approach. The risk is assumed by the shareholder who invests their funds, while the manager uses the funds and decides how to do so in order to maximise return to the shareholders (Fanta et al., 2013).

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This is a very common phenomena in current industry and public listed companies in Malaysia. Public listed companies are referring to the companies which handles or run company publicly where their ownership is organized by shares of stock which leads to be freely traded on a stock exchange between markets.

Normally public listed companies in Malaysia are the one which registered and known as Berhad. Berhad (BHD) is a term known for suffix used in Malaysia to identify a public limited company while Sendirian Berhad (SDN BHD) symbolize private limited company. Few ways have been suggested by different people on how to check if a certain company listed is public or private based on stock exchanges list provided. Listed companies are those which are included and traded on a particular stock exchange, but they can have an unlimited number of shareholders to raise the capital for any particular commercial venture. After conducting some data research, it results by many public listed companies have their own agency conflicts and it’s supported by various sources.

2.0 Agency Theory

The agency theory is one of the company's theories that explains the firm as a collection of contractual explicit or implicit interactions between a principal (shareholders) and an agent (management). The second party's function is to carry out specific responsibilities and make decisions on behalf of the first party. In connection to these links, there are a few essential hypotheses (Kim and Nofsinger, 2007; Moldoveanu and Martin, 2001; La Porta et al. 2000; Hill and Jones, 1992; Eisenhardt, 1989).

While (Jensen & Meckling, 1976) show that within the framework of management and shareholder behaviour, shareholders delegate the task of acting as a representative to negotiate with all interested parties on their behalf and manage the available company's financial resources to achieve positive outputs that outweigh the opportunity cost of how those resources could be used and maximise the shareholders' wealth. They explained that when management is represented by the company's sole owner, there is no conflict of interest. This is achieved in the most acceptable form, resulting in the shareholders' and managements' interests being compatible. However, when a company's capital is dispersed across a number of owners, it becomes necessary to rely on outside managerial competence, which raises the primary Issue of shareholders' interests.

In terms of cash flow, which explains the differences between management control rights and those of shareholders, management may deviate from its functional behaviour from the perspective of shareholders' wealth maximisation through decision-making to increase their own benefit and sabotage the shareholders' interests, particularly in regard to residual claims represented by net cash flows remaining from net liquidation, or from outcomes of pecuniary transactions. As a result, their exposure to business risks will increase since there is a difference between the external cash flows agreed upon with management and the predicted cash flows of available resources, on the one hand, implying the presence of interests. Conflict refers to agency conflicts that can be enshrined by managerial opportunism practises that take advantage of the rewards and incentives system, or fostering management goodwill through the freedom to choose among alternative accounting policies within the intelligent disclosure of performance framework that ensures employment stability and achieves direct and indirect benefits. This agency conflict

is caused by shareholders foregoing revenue and managers' excessive expenditures as a result of shareholders' involvement in non-profitable investments. (Margaritis & Psillaki, 2010)

Small businesses are the most similar to the type of firms described in Jensen and Meckling's (1976) stylised theoretical model of agency costs as compared to publicly traded firms. Firms whose managers own 100% of the company are at one extreme of ownership and management arrangements. These companies, by definition, do not have any agency costs. Firms whose managers are paid employees with no equity in the company are on the other end of the spectrum. Firms where the managers own some but not all of the company's equity fall somewhere in the middle. These conflicts meet the criteria for so-called agency conflicts or principal agent conflicts, as defined by economists. For those unfamiliar with economic jargon, agency conflicts occur when the actions of one party, the agent, have an impact on the welfare of another party, the principal, and the conflicts develop in motivating the agent to act in the principal's best interests rather than the agent's own. In general, the agency appears in a wide range of situations that are not strictly designated as agency relationships.

Almost any contractual connection is susceptible to an agency conflict, in which the agent promises the principal performance. The agent's knowledge of the relevant facts is frequently superior to that of the principal. As a result, the key challenge is ensuring that the agent's performance is exactly what was promised. As a result, the agent has an incentive to take advantage of opportunities, skimp on the quality of his service, or divert some of what was promised to the principal to himself. As a result, the value of the agent's performance to the principal will be reduced, either directly or indirectly, because the principle will be responsible for monitoring costs to assure the agent's performance.

As a result, it may be argued that the more complicated the activities handled by the agent, the more discretion the agent must be granted, resulting in higher agency costs. (Ross et al., 2003). The three generic agency conflicts that develop in corporate company, according to Armour et.al, (2009), are as follows:

1) It entails a confrontation between the company's owners and its hired managers. The owners are the principals in this arrangement, and the manager is acting as an agent. The conflicts arise from ensuring that the managers are receptive to the owners' interests rather than pursuing their own personal goals.

2) It involves a conflict between the majority or controlling owners and the minority or non-controlling owners of the company. The controlling owners are the agents in this situation, while the non-controlling owners are the principals, and the difficulty arises in ensuring that the former are not expropriated by the latter. When choices impacting the entire class of owners can be controlled by a subset of the company's owners, these conflicts arise.

3) It refers to the conflict that exists between the firm's owners and the various parties with whom the company contracts, such as employees, creditors, and customers. The conflicts arise from ensuring that the corporation, as agent, does not act in an opportunistic manner towards these many other principals, such as deceiving consumers or expropriating creditors.

There are several principals in each of the above disputes, particularly when they have distinct interests, or 'heterogeneous preferences,' as economists put it, which makes insuring agent

responsiveness more difficult. As a result of the coordination expenses, the ability of the many principals to engage in collective action will be hampered. Furthermore, foreign investors, who are often minority owners, have an incentive to push for divestiture of unrelated enterprises in business groups in order to cut agency costs. Due to the economic, cultural, and political conditions of emerging economies, corporate company have generally included unconnected diversification (Ghemawat and Khanna, 1998). In general, all parties to a transaction, agents and principals alike, benefit from lower agency expenses.

In their work, Sanford and Oliver (1983) established a method for evaluating principal-agent conflicts that overcomes the drawbacks of the "first-order condition" approach. Their strategy focuses on breaking down the principal's disputes into a cost-benefit analysis of the many agents' activities. They consider the incentive scheme that minimises the expected cost of getting the agent to choose that action for each action.

In addition to this, a robust corporate governance framework must be designed to provide adequate protection for shareholders and creditors, allowing them to rest assured that their investment returns will be realised. It should also contribute to creating a favourable climate for the corporate sector's efficient and long-term growth.

Despite the fact that numerous studies have been undertaken in Malaysia regarding agency costs, there is seldom any research that differentiates the relationship between agency expenses and business performance by categorising the Top 50 and Bottom 50 Companies listed in Bursa Malaysia. This study will show such distinctions in order to assist investors or market participants in making investment decisions, particularly during times of crisis when some companies in both groups may have differing impacts. These listings will alter over time in accordance with their financial or corporate performance. As a result, future research will yield a variety of results to examine and analyse.

Many challenges have arisen as a result of the inadequacy of the existing firm theory, which can also be considered as special cases of the agency relationships theory, resulting in a growing body of literature (Ross, 1973; Heckerman, 1975). Despite the similar Issues, this literature has been produced independently since the techniques are extremely complementary to one another. Jensen & Meckling (1976) defined an agency relationship as a contract in which one or more people, including principals and agents, engage one another to perform activities or provide (Sami et al., 2011) services on their behalf and delegate some decision-making authority to the agent. Appropriate incentives for the agent, as well as incurring monitoring expenditures designed to limit the agent's aberrant behaviours, have been established to minimise the divergences from the principal's interest. Furthermore, in some circumstances, the agent is paid to spend resources (bonding expenses) in order to guarantee that he will not act in a way that will hurt the principal, or that the principal will be repaid if he does. Nonetheless, it is rare that the principle or agent can promise that the agent would make the best decisions from the principal's perspective at no expense.

3.0 The empirical evidence of Agency Cost

Wang (2010) did a study to look at the relationship between agency costs and cash flow, as well as how such a relationship might affect a company's performance. According to the findings, the study focused on three key points: there is a substantial relation between free cash flows and agency cost; agency cost has a favourable influence on company performance; and there is no significant effect referring to the effect of agency cost on company performance.

3.1 Debt Ratio

The conclusions of Brander and Lewis (1986) suggested that a company's financial actions are intertwined with its strategic possibilities for getting a specific loan. By reducing the requirement for outside finance through the issuance of shares, debts can help to avoid manager-stockholder agency conflicts. Furthermore, by binding the corporation to fixed interest payments, loans might prevent agency conflicts of over-investment (Jensen and Meckling, 1976). Through research done by Nelson (2022) to 30 USA retails banks, he supported the hypothesis that capital structure had a significant impact on the profitability and thus banks had a greater reliance on debt funding. Crutchley and Jensen (1999) established that financial leverage, or debt ratio, is inversely associated to agency cost in their study. Meanwhile, Doukas et al. (2001) advocated that the measurement of agency expenses be inversely related to the company's capital structure's debt portion.

3.2 Firm's size

According to Doukas et al. (2001), agency conflicts are more prevalent in larger company with a larger number of managers and shareholders. That is to say, the agency cost is proportional to the size of the firm.

Profitability (as measured by Return on Equity (ROE) and Return on Assets (ROA)) has a positive association with firm size, according to Ramasamy et al. (2005). (The log of firm assets as proxy). Their conclusion was that huge corporations have all of the possibilities available to small corporations. Furthermore, huge businesses profited more because they had access to financial markets and the ability to take advantage of economies of scale that small businesses did not have.

The market value of outstanding shares (or market capitalization) was adopted by Moyer et al. (1989) as a proxy for firm size. They reasoned that the higher the market value of existing shares, the higher the potential gains for all investors. Companies with larger potential agency costs should, in theory, be scrutinised more closely.

3.3 Company growth

High growth companies, according to Moyer et al. (1989), require more supervision than established and mature enterprises since their asset base changes rapidly. Due to the availability of bigger amounts of assets, it allows the manager to participate in risk shifting behaviour in response to quick changes, resulting in agency costs. As a result, a positive link between company growth and agency charges is envisaged. The findings revealed that firm growth, as measured by asset growth, was favourably and strongly connected to agency costs in businesses.

3.4 Expenses

The ratio of operational expenses to annual revenues is known as the expense ratio. According to Ang et al. (2000), the expense ratio is a direct measurement of agency expenses since it assesses how well operating costs, such as excessive perquisite usage and other direct agency costs, are managed by company management. Salaries, utilities, supplies, advertising, transportation, depreciation, and insurance are all considered running expenses. Most of these elements can be inflated in terms of dollar amounts for the benefit of managers because they are susceptible to management discretion. As a result, large operating expenses increase the risk of corporate management misusing cash.

3.5 Efficiency

Florackis and Ozkan (2007), Singh and Davidson III (2003), and Ang et al. (2000) employed the asset utilisation ratio (efficiency ratio) as a proxy for agency costs in addition to the expense ratio. This efficiency ratio is defined as the ratio of annual sales to total assets, and it assesses how well the company's management deploys its assets.

A greater efficiency ratio, according to Brealey and Myers (2000), indicates a more efficient management team in leveraging the company's assets to generate more revenue. This variable is a proxy for revenue loss due to inefficient asset usage as a result of bad investment and management decisions (such as investing in non-productive assets and asset funding mismatches) or unfavourable management behaviour. In general, a low asset utilisation ratio reflects a high agency cost. Higher asset utilisation, on the other hand, indicates lower agency costs.

4.0 Dividend Policy

A dividend payment depends on the extent to which the independent variables of a capital structure perform. With that said, it implies that the stockholder’s dividend is a dependent variable of capital structure. A dividend is the sharing of the organization’s earned profit from operations to the shareholders as decided by the board of directors after apportioning part for reserve (Nelson J.Usoro, 2019).

Dividend policy is a policy that board of director of a company will decide how much will be pay out to shareholders as dividend. Once a company makes a profit, management must decide on what to do with those profits. They could continue to retain the profits within the company, or they could pay out the profits to the owners of the firm in the form of dividends. Once the company decides on whether to pay dividends, they may establish a somewhat permanent dividend policy, which may in turn impact on investors and perceptions of the company in the financial markets. What they decide depends on the situation of the company now and in the future. It also depends on the preferences of investors and potential investors.

In the case of agency conflict, when an organization faced with agency conflict, the share value of the company would be affected. Agency conflict will lead to agency cost and agency cost effect on the company's earning and thus will deteriorate the value of the earning per share.

5.0 INTRODUCTION TO CASE REVIEW

Following the pages below are case review on the agency conflicts faced by two public listed companies in Malaysia.

The agency problem is less problematic, according to Jensen and Meckling (1976) and Rozeff (1982), when the managers own a large fraction of the company's outstanding shares. Because they own a tiny percentage of the costs, managers perform less energetically and use excessive perquisites if they own a small portion of the costs. As a result, according to agency theory, management ownership is a bonding and self-controlling mechanism. Managerial stock ownership can help to alleviate agency Issues by aligning the benefits and interests of a company's management with those of its shareholders. Managerial ownership ties personal wealth to the value of the company, which is the wealth of the shareholders (Easterbrook 1984).

Furthermore, Easterbrook (1984) extended on the idea that external shareholders are actively looking for funds from the firm, forcing management to check the capital markets. The author highlights some of the institutions that can monitor the agency cost through dividends and capital raising exercises. Furthermore, if the company is always seeking new money, agency Issues are less serious because the management is frequently scrutinised by investment banks, capital providers, and security exchanges. As a result of the dividend payout, the company will be subjected to a third-party audit, which will motivate managers to release fresh information and cut agency costs in order to protect the money.

Shareholders are ready to accept the higher expenses of fresh investment in exchange for the larger benefits of reduced knowledge asymmetry and agency difficulties. The free cash flow hypothesis asserts that money outstanding after financing all positive net present value projects have a high agency problem, according to Jensen (1986). As a result, pledges to pay out dividends to shareholders may help to alleviate agency concerns by reducing the amount of free cash flows that managers may otherwise waste on initiatives that bring personal rewards to managers or excessive investment. According to Moh'd et al. (1995), agency theory is based on the works of Rozeff (1982) and Easterbrook (1984).

Rozeff modifies Jensen and Meckling's (1976) agency theory argument by developing a model in which dividends function as a tool for resolving agency difficulties. As a result, they are able to offer and distribute dividends to their shareholders. If a company wants to raise outside capital to replenish cash paid out in dividends, according to Rozeff (1982), the managers must eliminate agency problems and expose fresh information in order to get the new funding. Furthermore, dividend payout may operate as a bonding mechanism to mitigate agency concerns because it reduces managers' ability to spend the firm's free cash flow for perquisites activities or overinvestment.

5.1 MALAYSIA PERWAJA STEEL

The Malaysia Perwaja Steel Project case happened way back in 2010 in Malaysia, however it is still being debated and discussed as it was a huge loss to the company and had tarnished our country's good name as a whole.

According to Wain (2009), Malaysia Perwaja Steel Project had lost about RM2.56 billion in losses. However, the actual losses of Perwaja reached to RM10 billion, which was 3 times more than reported. In his book "Soft Reboot: From Boom to Bust and Back - How to turn around a company in turbulent times", the former prime minister, Tun Dr Mahathir detailed that Perwaja losses were about 10 billion Ringgit. Perwaja Steel, previously owned by the government as an "industry of national significance" was created in the year 1982. A partnership between Nippon Steel Corporation and Perwaja Steel Corporation resulted in the investment of a project worth RM 1 billion in Terengganu to offset domestic demand for steel. At that time, Perwaja Steel was facing with the problem of whether to rely on the domestic market, but also borrow a lot of money owed in yen while in interests of payment were more and more high. In the early '80's, Nippon Steel Corporation decided to put all of its resources into the development of Terengganu. At the same time, Tun Mahathir gave all of the authority to the CEO of Perwaja, Eric Chia Sun Hwa Chia took a leave of absence from Perwaja to focus his attention on debt problems. Sun Hwa Chia was successful in resolving the debt problems during his time at Perwaja. After he left Perwaja, all the losses took place. His procedure was that he drew from the Bumiputra account that was RM860 million and EPF account that was RM130 million without any discussions of the shareholders of Perwaja. Furthermore, he allowed for the PSM Lawsuit to set the loss of the PSM Corporation from RM 2 billion to RM 2.5 billion, and the debt that was already destroyed by RM 5.7 billion. The new principal of Perwaja had referred to the report about Perwaja losses due to the services of Eric Chi which lacked authorization and be under-utilised, investments that were unwise and misappropriated funds that go on with, and inaccurate accounting record that was unreliable. Tensions were running high as the Eric Chia case was going on.

People with power worked their best to prevent this information from leaking out. The information was ultimately leaked but only a partial victory in the case. This will cause the agency problem to happen because of the conflict between the shareholders of Perwaja and the board of directors. In the year 2004, Eric Chia was charged in a Malaysian court with the crime of dishonestly approving and using over RM76 million in funds without permission and was sentenced to ten years (Wain.B, 2009).

5.2 SIME DARBY MALAYSIA BERHAD

In a legal case that was initially based in Malaysia, there was an example of interesting agency conflict that occurred way back in 2011at Sime Darby Malaysia Berhad. Based on a complaint filed by Sime Darby Bhd, the former CEO of Sime Darby, Datuk Seri Ahmad Zubir Murshid and other executives was called for at least RM340 million in compensations. The four Sime Darby executives are Mohamad Shukri Baharom, Abdul Rahim Ismail, Abdul Kadir Alias and

Mohd Zaki bin Othman (former senior general manager of Sime Darby Engineering Sdn Bhd). The first question was settled with the sum paid by TM to the claimant of over 3 million or below. Among the debts pursued was a debt of RM80.51 million, which was paid out by the defendants under a false belief. In comparison, unlike the other state actors, Sime Darby has allowed each of the accused to pay fines of US$30.8 million in consultant fees to be charged to them illegally under the so-called Money of Queue programme. Sime Darby has demanded that Shukri and Zubir contribute US$48 million for losses that were incurred by physical shortages related to three vessels.

The case was reported on early-January 2011 by the Malaysia's anti-corruption commission that the government of Malaysia has discovered some illicit parts of the business Sime Darby and has entrusted their reports to the police and the companies commission for further inquiries.

According to Malaysian Insider Sime Darby faced on huge losses in 2010 compared to last 13 years which is RM1.6 billion until RM2.5 million. Information disclosed by Government enterprise group, share price of Sime Darby dropped from RM51, 981.90 million (May, 2010) to RM46, 272.90million. This happened because of Sime Darby's broad of director which is Datuk Seri Ahmad Zubir Murshid unwise investment in the sectors of energy and utilities and project delay of the Bakun Dam in Sarawak. This caused agency problem because conflict interest of board of director and shareholder of Sime Darby. This project caused a company loss of RM 2 million and company did not get any return with this project. When this news disclosed, Shareholder of Sime Darby let Datuk Seri Ahmad Zubir Murshid took a leave and used legal to settle. Sime Darby faced RM 10 billion for law suited by project of Bakun Dam and made damaged reputation of Sime Darby. Besides that, it would make investor became not interested to invest Sime Darby's share price and profit of Sime Darby would drop.

When stock market opens the price, Sime Darby's share decreased from RM 8.65 to RM 7.70. According to The Star (2011), it reported that Chin Keem Feung, 46 years old and Shukri Abdul Tawad, 47 years old who were the ex-directors of Transmile Group Bhd were caught under Section 122B (b) (BB) of the Securities Industry Act 1983.

Figure 1: Share price of Sime Darby.

They had been locked up for issuing fallacious information of the income statement to the Bursa Malaysia Securities Bhd which were totaling RM989,191,000 in the fourth quarter and cumulative period of 2006, in a Transmile's quarterly report which was not examined consolidated results for the financial year ending Dec 31, 2006. The Sessions Court judge Datuk Jagjit Singh, had penalized RM300,000 for both criminal, in absence six month lock up and they were charged on November 14, 2007.

6.0 Conclusion

The government (agency) had caused some negative impacts on the businesses (companies), however if it was done in a decent manner there can still be a positive impact. One of the most important impacts of the dynamics between the agency and the company is the possibility of effective corporate governance. Agency Issue would warn the shareholder or owner of the company to be more aware of their own concerns and calls for good corporate governance measure to protect shareholders to be shielded from financial damages arising from corporate and sector financial market controversies. A strong structure of corporate governance is of considerable significance for an effective management of the firms, for the improvement of their performances, as well as for a stronger strategy and availability of the external financing. By using digital capital, bitcoin is assumed to guarantee higher service efficiency. It also exhibits the customer's history financial loss relative to other firms. Plus, it further enhances the confidence in purchasing shares from the business. Any of the Issues with the anti-tobacco advocates may be difficult to deal with due to the beneficial impact that the anti-tobacco advocates and lobbyists may have on the organisation. Some of the negative consequences involve shareholders alignment contributing to a greater chance of risk to the company. Managers, who are contractually obligated to make sure that shareholders come first, will in effect make decisions that are consistent with the long-term priorities of bond investors. As with this, the former has to take extra measures to shield themselves against liabilities and include a security covenant (covenants) or in bond agreements. To pass liability back to the bond holders, the covenants guarantee that the company cannot Issue borrowing with additional debt for several years. Wilkes and Brayshaw (1995) found that often when one owing to an increase in regulatory standards, the cost of enforcement would also be increased. Costs are generated in the following way: the financial share of a creditor, the yield on a loan, and the managerial share of the agent are in dispute. Conflicts arising out of this strategy are described as the costs of its success. It also involves the costs of supplying management with an opportunity to maximise the shareholder capital and then tracking their behaviour, and the costs of defending bondholders, such as their interest in the company's shares.

When we look at the firm scale, it turns out that the agency expense is favorably affected by it. If the number of companies declines, the scale of only those firms that exist will begin to grow smaller. For starters, as the company size is lower, the board of directors may oversee the administration of the business and be able to control all the managers in their company. This is the reason why the decision maker and the regulator should keep their attention to come up with guideline or policy to allow the big business to address the high agency expense. This will delay

the decision making on investment in terms of investments. Through evaluating and using financial reports, a firm's success level can be judged, and a firm's management can monitor this company's size by business merger or acquisition. This could affect their investments' return on investment. In addition, the liquidity of the capital markets also plays an important role in assessing the agency Issue in Malaysia. The liquidity of the company is the reserves that can be quickly transform into cash within a short period of time. The liquidity of the low-debt business has proved to dramatically extend the financial cost of the Malaysian economy. As the liquidity of a company increases, it in turn raises financing costs. The policy maker and the regulator should take steps in resolving this problem, because high-liquidity trading and services firms result in lots of costs to the agency. The debt investors should play a major role in managing the company assets which are used for non-business-related purposes. In addition, the ownership concentration has a substantial negative impact on the agency Issue in high leverage firms, since the company is not completely owned by family members, it would have a very broad agency problem. More frequently than not, a majority of the shareholders have a large amount of control on the board of directors, corporate management, and equity holding of a company. The board of directors should give rules and regulations, that combat the high agency problem in the business, in order to overcome the high-risk agency problem in the company. In addition to that, this analyses the company's financials over time and provides the investors with a decision by making a judgment as to whether they want to invest in the company or not.

The organisation belief is driven by the expectation that principal and agents, (the bosses), should be able to get away with something regardless of the repercussions it could bring to their manager (their boss's decisions) In the bulk of firms, there remains a good guy and a bad guy, two founders and a business executive, leaving only two groups to be learned (agents). This is called agency theory or also called agency dispute, alluding to the agency of conflicts of interest within a business. Ownership of shares along with the management of the company where there is a transition in the ownership structure between a solitary owner and more than one owner of shares may have a conflict of interests with the equity shareholders of the business. Since the agency will not achieve wealth maximisation for any group of stakeholders, it is likely that the agency decision will not lead to increase in the total wealth of the group of stakeholders.

The expenditures of an organisation like the EPA are a kind of internal business expense, which is generated by an employee of the principal who is being paid for his/her actions. Conservative forecasts suggest that the law enforcement, hiring of agency personnel, and other organisation expenses will be borne as more and more agencies themselves will have to be involve in the reduced smooth and productive operation together. The patient must pay the price of the medication to the agent who is treating him. The agent is able to exploit the asset owner (shareholders or C corporation) because the agent (shareholders) demands the principal (shareholders) to pay a very high price or risk a very low price for their shares (management). Agency principle (the theory of party conflict) looks at the risky financial decisions made by the parties, including potential gains, and the risk of another party gaining information about the decision or the probability of possible disputes. In the private sector, agency expenses may emerge due to conflicts of interest between the management of a business and the equity buyers/investors. In this situation, for example, agency conflicts and the impacts and costs they

create in the majority shareholders as well as in the minority shareholders. Secondly, the principle of the organisation paradox is between clients, creators, and creating workers, both of whom have conflicting ideas about the needs of the organisation (such as customers, employees, suppliers, etc.). Regardless of their side of the conflicts, sides of the dispute appear to agree on the fact that wages for a conflict burt by the fact that both sides of an argument spend as much resources as possible in the least amount of time. There is a disagreement where principles of "Maximising a benefit for everyone and the maximisation of a valued outcome for multiple parties" is in absolute agreement, but where a losing event by one party is a benefit event by another party.

The relationship between the organisation and the organisation is seen as a waste of resources and resources put beneath the leadership of the agency being positioned in a fragmented role with the common company interests. A market conflicts is usually used in the corporate finance realm in which the management holds a conflict of interest between the corporation and stockholders of the company. As a shareholder, the manager can make the decision to do what will help him achieve the most benefit for the shareholders, and since the manager will only make choices that are in his own (self) interest, he can make decisions that optimise the shareholder capital.

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