

Effective management

Literature, Russian Literature



PSYCHOLOGY “ The principle agent problem will always happen when one party who is an agent agrees to work in favor of another party-principle in return for some incentives. Such an agreement may incur huge costs for the agent, thereby leading to the problems of moral hazard and conflict of interest. Owing to the costs incurred, the agent might begin to pursue his own agenda and ignore the best interest of the principle, thereby causing the principal agent problem to occur.” (Anonymous, 2014)

Ordinarily, contractors will have an obligation to do the work on behalf of the one the party that has given them the contractual obligation. The party-the core principal which may be the local city may decide to give contracts to the contractors to do the work in accordance to the stipulated guidelines. The contracts may invoke agency problems since the contractors may fail to deliver what their principle requires.

For example schools with the help of school boards may decide to contract unqualified teachers on behalf of the teachers unions because of the low price that the teacher has offered. Often, the contractors will do will always do their tasks to save costs at the expense of quality of the work that they have been contracted to do. They may also fail to finish the work or do the work at their interests.

Normally, recognition of the incentives is pivotal in the effectiveness of the management. The incentives that are given to the contractors should be increased so as to act as a motivation to the contractors. This will enable them to do the work without the desire to minimize costs thus compromising the quality of the work. In class most students rated others with high and perfect score, this was an agency problem since many revealed conflict of

interest as per the requirements. I think the incentive should be changed and that the perfect score should only be given when there zero errors.

Works Cited

Anonymous. (2014). Agency problem. Retrieved 2015, from <http://www.investopedia.com/terms/a/agencyproblem.asp>