Such a situation whereby a decision in beneficial to a small group of managers and not for the overall corporation is called an agency conflict, whereby a manager thinks about his or her personal well-being without considering what impact will there be on the organization. In a corporate world, there has been many such instances of agency conflict. One such agency conflict is the fall of Enron. This is one of the most infamous corporate scandal, whereby top executives, board of directors were using falsified accounting reports that made the share value more than what it was. Since these executives know that these values were falsified, they were selling their stocks at an inflated price. Instead of disclosing the wrong doing, they decided to take advantage of a falsified report to take personal advantage, which is a famous example for agency conflict. Once the falsified accounting report was figured out, many shareholders lost money because the value of the shares went down significantly (Hanks, 2019).

Some of the tools used to solve such agency problems are: standard principal-agent models. A standard principle agent model attempts to design a contract in a way that aligns the goal of the shareholders with the goals of the manager. As such manager will be inclined to work towards the goal of the shareholders.

Incentivizing employees is another way to solve agency problems. Example, by linking salespeople with commission when they meet their sales quota instead of just offering them an hourly pay, helps aligning the goal of principle and agent (Jones, 1992).

Both of these tools are useful way to avoid agency problem because the main reason that managers take decision relating to their personal benefit is because there is a disconnect in the goals of a manager and the shareholders. If utilizing various methods, one can align these goals, then it becomes easy solve the issue.

# Bibliography

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