The key advantage of agency theory primarily serves to reduce the parameters of the research study to only consideration of two aspects: participants-only parties. (1) the agent and (2) the principal, which makes this render the perspective of shareholders’ concerns easier to be characterized, simpler for analysis because since their main driver, as they are primarily motivated by is the return-on-investment or firm value. The general view of the agency theory assumes that conflicts of interest occur between the two parameters when rise in the relationship due to the divergence of managers, who are seen as rational but opportunistic entities, get sidetracked, thus failing to satisfy the shareholders’ interest.

The theory offers a sound scientific platform provides a powerful theoretical basis and allows for the development of testable hypotheses to analyze explaining manager-shareholder—the relationships—interactions and come upformulate with—effective—suggested actions to resolutions for the any conflict between the two relevant to in terms of agency problems—issues, ultimately improving between shareholders and managers to mitigate agency conflicts and enhance shareholder returns and the company’s overall resulting in better firm performance of the company (Fama & Jensen, 1983; Jensen & Meckling, 1976).

The ownership structure of firms, namely with regards to particularly in terms of the board of directors, is the main foremost—primary—element—factor resolving feature mitigating the inherent principal-agent contrast in a company to enhance the its dichotomy between principals and agents to improve firm performance. The Organizational factors affecting elements that influence a company’s firm performance include the number of board members—size, CEO...
duality, independent directors and the board of directors, in addition to as well as mechanisms related to the ownership structure processes, like such as.O such as ownership concentration, and institutional ownership and managerial ownerships.

2.2.1 Agency theory:

It is a presumption to analyze a supposition that explains the principal-agent relationship interactions—between principals and agents in business settings. The Agency theory aims to eliminate dilemmas occurring with resolving problems that can exist in agency affairs relationships; that is, between principals (such as like shareholders) and their agents of the principals (for example, like company executives).

Large-scale big companies, especially particularly publicly listed ones, usually typically generally have an organizational structure framework wherein there is a fundamental separation of between ownership and control exerted by principals and agents. Briefly in the relationship between them, the structure involves the owners (principals) appointing-hire managers (agents) to make the company work/run the firm in a way that in their best serves the best interests of the former’s interests. They award the agents a compensation, mainly of a financial nature the latter for their efforts, generally in pecuniary form (e.g. salary and bonuses). for the work done (Hart, 1995; Jensen & Meckling, 1976; Sappington, 1991). Hence, conflicts of interest would occur between the two parties in case the can arise in this relationship due to the divergence of the interests of managers and shareholders each are not aligned did not meet eye-to