PRINCIPAL-AGENT THEORY

Perspectives and practices for effective workplace solutions

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1 Background

In recent years, principal-agent theory has found extensive development and use in the field of scientific research methodology, for example in accounting, marketing, economics, political science or organizational behaviour (Eisenhardt, 1989). The fundamental question of the justification for the existence of companies goes back to Coase (1937) and is regarded as the basis and foundation of the New Institutional Economics, which deals with the economic analysis of the institutional environment and institutional arrangements (Williamson, 1991). The three main domains of transaction cost theory, principal-agent theory and property rights theory form a bundle of what is generally understood under the term New Institutional Economics (Irmer, 2001; Picot et al., 1999).

Principal-agent theory is an approach closely related to transaction cost theory. While transaction cost theory attempts to explain the economic advantageousness of forms of cooperation on the basis of transaction costs, principal-agent theory treats the examined service relationships as a client-contractor relationship (Cheon et al., 1995; Ebers & Gotsch, 2006; Picot et al., 1999). The main objective of principal-agent theory is to design contractual relationships between the principal and the agent as optimally as possible. However, the underlying assumptions need to be considered, including: (1) actors behave as benefit maximizer (Eisenhardt, 1989; Lassar & Kerr, 1996), (2) conflicting interests exist (Jensen & Meckling, 1976), (3) actors have only limited rationality (Eisenhardt, 1989; Picot et al., 1999) and (4) information asymmetries exist between principal and agent (Picot et al., 1999; Richter & Bindseil, 1995; Ross, 1973; Voigt, 2002). These information asymmetries allow the actors to use the discretionary scope for behaviours that maximize their own benefit. In order to counteract this, the principal intends to influence the agent's behaviour by suitable incentive agreements or incentive systems. The agency problems formulated within the principal-agent theory take the form of 'hidden characteristics', 'hidden action' and 'hidden information' as well as in the most challenging variant of 'hidden intention'.

1.1 Hidden characteristics

The agency problem of hidden characteristics already exists before the conclusion of the contract (ex-ante) and affects the relationship between principal and agent after signing the contract.

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The principal cannot observe the performance of the agent ex-ante and, equally, the characteristics inherent in the agent remain unknown to the principal (Ebers & Gotsch, 2006; Picot et al., 1999). Only after the contract has been signed or the service has been performed is the principal able to determine the suitability of the agent. He can only partially or not at all disclose certain information to the principal, for example, about the quality of his performance. The decision on the principal's contractual partner cannot be based on valid information, which in turn may lead to the selection of an unsuitable contractual partner (adverse selection) (Ebers & Gotsch, 2006; Eisenhardt, 1989; Picot et al., 1999; Voigt, 2002).

1.2 Hidden action and hidden information

In contrast to hidden characteristics, the agency problems hidden action and hidden information, which occur only after signing the contract (ex-post), relate to the efforts of the agent. In the first case, the principal cannot observe the efforts and activities of the agent, or can do so only at a high cost. In contrast, in the second case of hidden information, the actions of the agent can be observed but not professionally assessed by the principal (Picot et al., 1999). Regardless of the two asymmetries mentioned previously, the principal is aware of the performance result of the agent but cannot distinguish between a possible external influence that could have favoured the result and the actual performance share of the agent. Moral hazard arises when the agent opportunistically exploits this information asymmetry (Eisenhardt, 1989; Picot et al., 1999; Voigt, 2002), whereby this danger increases with the agent's scope for behaviour or control.

1.3 Hidden intention

Hidden intention describes the situation in which the intentions of the agent reveal themselves to the principal only after the conclusion of the contract. For the principal, the opportunistic behaviour of the agent is recognizable. Still, he has little or no possibility to counteract this and to force a change in the behaviour of the agent. The stronger the dependency relationship between the principal and the agent, the higher the risk for the principal of hidden intention and the resulting hold-up problem (Picot et al., 1999).

2 Applicability to workplace studies

2.1 Embedding the CREM in the corporate context

The core element of corporate real estate management (CREM) is the structuring of all property-related activities of a company whose core business is not property (Glatte, 2013, 2014). CREM is, therefore, understood as a bundle of different processes in the context of the economic procurement, management and exploitation of real estate with a focus on the corporate strategy; the properties thus serve to support the core business activities (Kämpf-Dern & Pfnür, 2014; Pfnür, 2014). In this context Pfnür (2014) differentiates between an 'investor/owner', a 'producer' as well as a 'user' perspective. It indicates that the creation of a balance between the needs of the users on the one hand and the available resources on the other hand in order to provide a valuable contribution aligned with the corporate strategy can be seen as a major challenge which requires prioritization and focus (Kämpf-Dern & Pfnür, 2014). Assuming that the CREM function ('owner-perspective') joins a contractual relationship with the business unit ('user perspective') in which services and costs as well as qualitative levels (e.g. service level agreements) are regulated, an internal principal-agent relationship can be considered. In this

case, the agency relationship between user and CREM unit as organizational unit of a company results less from hierarchical dependency than from an exchange contractual relationship (Reichert, 2005), which is primarily due to the internal division of labour and specialization; ultimately, companies are thus a network of contracts. Within this context, CREM's task is to balance these dynamics, ensuring value contribution at the same time. Hence, the business unit will be interested in maximizing the cost-benefit ratio and the CREM unit will be interested in maximizing its own value contribution to support the organization's corporate strategy. From an economic point of view, if there are no transfer prices for services, space and hybrid solutions, the maximum quantity is always demanded. In this case, a business unit, as a benefit-maximizing actor, would always demand workplaces in the best location, structure, equipment, service, etc. In other words, these systems would tend to always quantify a significantly higher demand than actually exists. And exactly this balance is a constitutive characteristic of a CREM unit, as outlined in Figure 10.1.

In this context, the CREM unit should be seen as an intermediary between core business requirements and market conditions. The question of principal and agent, however, can only be answered depending on the situation and shifts as a result of a change in perspective (multi-level principal-agent relationship). However, intra-organizational principal-agent relationships are subject to other challenges than inter-organizational relationships, e.g. between CREM and a mandated company for the provision of planning services in the process of changing workplace structures. For the functional outsourcing of service components between CREM and the market see e.g. Gibler and Black (2004).

In the past, systems of division of labour were usually based on the grouping of similar tasks that led to departments or functions in companies (Schreyögg, 2016). This, in turn, required specific IT, processes, qualification profiles, etc. In this context, CREM resources (applications and IT, information, infrastructure, and people) must be managed by CREM processes in order to implement and achieve the company's goals and requirements. In this respect, the bundling of similar tasks in one place is usually advisable. The bundling of content-related and technically related tasks can also be considered as an effective way to avoid prohibitive transaction costs. These appear when tasks are delegated, for example, to task owners who have no or only limited technical qualifications to perform them and therefore have to familiarize themselves anew with a task again and again. In this context, the CREM unit acts as an intermediary for all tasks related to the company's real estate-related activities while maintaining and observing the company's objectives. This intra-organizational principal-agent relationship, however, differs from the relationship with external market partners (e.g. with companies outside the company's boundaries; e.g. outsourced services).

Figure 10.1 Multi-level principal-agent relationship

Within this example of an internal unit, the importance of controlling the transactional relationship via contractual structures becomes clear. And the more the existing scope of behaviour in the design and operation of workplaces is utilized by the actors, the greater the difference between the first-best and second-best solution and thus the associated agency costs. There is always unequally distributed information between principal and agent; the question is, rather, how this information can be instrumentally and therefore contractually shaped within a company with a view to ensuring a value contribution (in the understanding of a possible first best solution).

As a result of the existing information asymmetries, value-maximizing decisions are not always made, but sometimes those that best meet the expectations of the actor. Meanwhile, the question arises which contractual instruments can be used in the internal exchange of services in order to achieve the lowest possible agency costs.

2.2 Descriptive structuring of intra-organizational relationships

Considering a multi-level principal-agent relationship, a descriptive analysis of the internal (intra-organizational) area of the company is to be carried out at this point. In principle, these aspects and interactions are not to be considered solitary and separated from each other via the chain to external companies; for an initial analysis, this model-like decomposition is necessary. At this point, the possible information problems of the principal (function/core business) and the resulting possible discretionary scope of the agent (CREM) are addressed.

In contrast to the inter-organizational relationship, intra-organizational relationships (usually) do not allow the transaction partners to choose among themselves. In other words, the core business unit with its functions cannot freely select its CREM unit as an internal service provider among other possible service partners; this applies, and vice versa, and leads to an internal obligation to contract and a quasi-monopoly position to support the system of division of labour. In the given context of workplace solutions, the selection of a suitable contractual partner is therefore not necessary from the point of view of the business unit (principal) due to the existence of a central CREM-department (agent).

The omission of this agent selection can have a reinforcing effect on the agency problem: As shown earlier, in the classic case, the principal is in possession of information about his possible contractual partners, despite existing asymmetry, and he has dealt with the situation of contracting – to a certain extent he has built up specific know-how which he can draw on in the context of his decision – which is now completely omitted here. As a result of the elimination of the selection process, the business unit does not have any information on the performance and suitability of the internal CREM unit as a contractual partner. The principal cannot directly observe the actual quality characteristics of the agent – especially in comparison to possible market partners – so that a maximum quality uncertainty can be assumed. Due to a lack of market comparison, for example, the business unit cannot assess whether there would have been other and more suitable solutions with a higher surface density, better support for productivity, a better office layout and support for activity-based working environments than the solution proposed by the agent. The exposed quasi-monopoly position of the CREM further enhances this effect. In concrete terms, CREM could keep its activities in the development of workplace solutions – but also all other property-related activities – at a moderate level without being ‘sanctioned’ for this. The installation and implementation of suitable monitoring and control mechanisms and adequate performance incentive systems (see Table 10.1) sometimes reduce corresponding uncertainties from the principal’s perspective, but also lead to (higher) organizational costs.

Table 10.1 Options for problem limitation (hidden characteristics)

Removal of information asymmetry		Alignment of interests
Signaling/screening	Self-selection	
<ul style="list-style-type: none"> • Description of the value contribution of the CREM • Publication of success stories about positive workplace concepts and solutions • Using the “shadow of the past” • Company-wide description of the degree of maturity (also in comparison to the market) • Integration of further, independent industry experts as neutral partners • Introduction of project advisory boards to support the change process 	<ul style="list-style-type: none"> • Formulation of different possibilities of performance implementation by the principal and self-selection to identify the best solutions by the agent (measured by the achieved value contribution for the company) 	<ul style="list-style-type: none"> • Description of internal, market-based clearing systems • Formulation of joint target agreements on the basis of the corporate goals • Development of incentive systems, which are linked to the success of the measures

At this point, it should not be neglected that the establishment of a CREM unit and thus the creation of a multi-level principal-agent relationship is primarily of an organizational nature and that the internal contractual partners have already cooperated with each other in the past, both positively and negatively. In this respect, the “shadow of the past” (Blumberg, 2001, p. 833) can also generate reservations at this point with regard to the systematic implementation of new working environments for the user, which, however, cannot be sufficiently resolved as a result of internal contracting. It can be assumed that the longer and more positive the experiences of the cooperation from the past are, the more trustworthy and better the exchange of information and the cooperation between the internal contract partners works. At this point, the positive experiences of internal contract partners can be used and mutually signaled (see Table 10.1).

Assuming that the provision of new workplace environments is also a form of object-related complexity (Bogaschewsky & Glock, 2008), in which the principal must provide specific information on the required solution (e.g. type and manner of cooperation, processes and activities, communication relationships, etc.) so that the agent can implement these in solutions, then this complexity is often seen as the basis of the misunderstanding. In this context, the agent (CREM) is in a position to develop good and subsequently adapted solutions only once this information about the core business processes has been collected and integrated. This complexity can be the basis for misinterpretations and transmission and translation errors (Bogaschewsky & Glock, 2008), which has a significant impact on the effectiveness of the workplace solution to be produced.

On the other hand, the agent is also subject to the principal’s instructions – especially with these professional services of implementing innovative workplace concepts. The principal should be able to make reliable statements about his needs and be able to quantify these specifically in line with the company’s objectives. In the absence of market-based charges, integrated systems tend to ask for the maximum performance as long as the good does not have a real price. In essence, this will lead to inefficiencies in the exchange of services; sometimes more space, functional relationships, office layouts, work systems and equipment features are requested than are actually needed. To prevent these maximization tendencies and thus promote an ineffective business solution, internal, joint target agreements with an integrated incentive system could be agreed upon, which place the project goals in the context of the overall business

goals and address them. This makes it possible to understand, ex nunc or ex post, why individual goals have not been achieved and how the corresponding responsibilities can be described (see Table 10.1).

However, the case of non-disclosure of information to the agent from the perspective of the principal will be assumed only if the agent would not harm himself. However, in many cases, it seems more likely that the principal unintentionally passes on incomplete information regarding his needs; this is likely to be the case especially in pilot projects for the implementation of innovative workplace concepts, as in these cases there is sometimes no established process with checklists, key figures, experience reports, etc. Especially in such situations it seems to make sense, for example, to integrate additional external companies to describe requirements with a more objective and neutral view or to form a project advisory board to support the transformation process (see Table 10.1).

With regard to the hidden characteristics, however, the first internal uncertainties seem to have already been identified, which must be solved by specific countermeasures in the intra-organizational context; Table 10.1 summarizes possible solution mechanisms (not conclusive).

However, the intended division of labour and task specialization between core business requirements and real estate management implementation inevitably leads to the situation that the principal is able to observe the performance of the CREM but ultimately cannot assess it from a technical point of view. Accordingly, the actual performance of the CREM unit can be determined only through in-depth analysis, additional data, external reports, etc., and thus through comprehensive information provided by the principal. In concrete terms, for example, a core business unit would have to know exactly which market solutions are available for which activities, with which structural and technical solutions and at what cost, how functional units can best be put together following internal communication relationships and how basic space requirements and occupancy rates, etc., are described. This would be followed by the question of what control and monitoring mechanisms should be introduced by the internal principal and what organizational costs would be involved. In order to solve the corresponding challenges, an external advisory board with expertise could be set up, for example; joint CREM workshops on the extensive integration of the user (co-producer) in the new working environment, integration of real and implemented project examples, etc., are only some of these solutions (see also Table 10.2). The user must develop an understanding of being an accepted partner at eye

Table 10.2 Options for problem limitation (hidden information/action)

<i>Removal of information asymmetry</i>		<i>Alignment of interests</i>
<i>Monitoring</i>	<i>Proactive approach</i>	<i>Monitoring</i>
<ul style="list-style-type: none"> • Formal control • Use of normative control and an organisational 'WE' feeling (emotional attachment of employees) • Common values (workplace as an identity and image-forming characteristic) • Establishment of an externally staffed project advisory board for project implementation 	<ul style="list-style-type: none"> • Integration and creation of confidence-building measures • Joint workshops for planning and implementation • Extensive integration of the user including early involvement (co-producer) • Technical support (e.g. Building Information Modelling visuals for the design of the workspace, surfaces, colours, functional relationships, etc.) 	<ul style="list-style-type: none"> • Description of the objectives and measurement of the CREM value contribution (incentive-compatible reward) • Joint project reports on project progress to the management

level and be given the feeling that his opinion, his estimation and his view, and thus his needs, are first taken and considered.

With increasing project progress of innovative or even changed working environments, however, the measurement of project success in the form of the degree of target achievement is also becoming more and more important, so that investment costs are put in relation to the benefit contribution. Measuring and evaluating the ‘benefit contribution’ (e.g. via productivity) of new workplace solutions within a company – especially with regard to the associated investment costs – appears anything but easy (Haynes et al., 2017), which would have to increase the measurement problems of the principal further. It becomes clear that the agent (CREM) can use leeway and information advantages to refrain from agreed actions or to implement activities that are to be omitted and thus violate the principal’s interests. This example, in particular, shows the importance of unidirectional (internal) benefits.

It can be assumed that the measurement and assessment problems increase with increasing complexity. The more strongly the existing working environments are interfered with or changed in this context (e.g. activity-oriented working environments, non-territorial workplaces, etc.), the more difficult it is likely to become to make a ‘clear’ assessment and measurement. In essence, this will lead to the consideration that the principal may observe the agent’s performance, but that it is difficult for him to assess it professionally, or that the observation and control process can only be implemented at (further) high organizational and control costs. This is where jointly developed target agreements, project commitments and target and performance measurement systems can help, which clearly address the benefits of the workplace solution (see Table 10.2).

Control can be achieved in various ways. Groß (2008) clarifies between formal control (influences the members from outside) and normative control (refers to the shaping of internal convictions).

If these aspects are further examined, another form of asymmetrically distributed information may arise between the functional areas, which can be traced back to hidden intentions of the transaction partners and, above all, to the fact that one partner has brought in significantly more specific investments than the other. This dependency gives rise to the risk of opportunistic actions which may lead to a hold-up.

CREM units build up specific know-how over time – if only against the background of the division of labour already discussed; this applies not only to the implementation of workplace structures in particular, but also to real estate industry issues in general. This knowledge is based on suppliers, technically available solutions, use of sensors, specific requirements for surfaces, room temperatures, etc. This particular knowledge can be understood as human asset specificity (Williamson, 1996). What specific investments have in common is the fact that they cannot be used outside the transactional relationship actually planned with analogous value creation or without adjustments.

If it is assumed that there is an internal contract between the demand side and CREM, mutual dependence may be assumed in this context, although this does not necessarily have to be to the same extent (Bogaschewsky & Glock, 2008). It should also be noted that the principal (core business) and agent (CREM) functional areas discussed here generally report to different higher levels of authority (for example, Production to the Chief Production Officer and CREM to the Chief Financial Officer). In this context, the evaluation and assessment (e.g., by means of post-occupancy evaluation [POE] as described, e.g., in Kim & De Dear (2013), or at the Center for the Build Environment [CBE]) of the solution achieved in the form of user satisfaction, together with the financial framework data (e.g., investment costs, budget compliance, adherence to schedules, etc.) is integrated into the evaluation of the CREM unit’s performance,

Table 10.3 Options for problem limitation (hidden intention)

Alignment of interests

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- Creation of an attributability of success to principal and agents (each functional area is responsible for the endogenously achieved part of the success/failure)
 - Final coordination of the actual requirements as well as all factors related to the (internal) contract (e.g. price, time planning, etc.) and allocation of cost surcharges in case of significant deviations (additional fee)
 - Assurance of the ‘guaranteed’ acceptance of corresponding workplaces (e.g. with regard to quantity, area and equipment)
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which would shift the dependency ratio in favour of the principal (see also Table 10.3). This, in turn, would allow the principal to have room for manoeuvre at the expense of the agent. Looking at corporate practices, it can already be seen that ultimately all functional goals can (or must) be derived from the overriding corporate goals; nevertheless, it must be noted that there can and will also be conflicting goals at the functional area level and that there is sometimes an accountability problem – both positive and negative.

In addition, depending on the internal charging model for the service, more extensive opportunistic measures can also be taken by the functional areas. In this case, for example, one assumes that the principal and the CREM unit have essentially agreed on a solution to be implemented for the new working environment, as well as the associated investment volume and rental payments (e.g., cost rent). The CREM unit then draws up detailed plans, management concepts, invitations to tender, relocation plans, etc., and makes specific investments accordingly, because these solutions have no value outside of the actual intended use; or they may have to be adapted, which would entail additional costs. The principal anticipates this and changes the conditions of the underlying (internal) contract, e.g. the rent to be paid as cost rent. The principal could argue this opportunistic behaviour internally, for example, by referring to changed external conditions and environmental changes; especially in view of the different reporting lines within the company, this case of a hold-up could be possible in principle.

3 Methodology/research approach

Within agency theory, two different types of directions can be observed: on the one hand, descriptive or positive agency theory (which is also used here), which has a stronger empirical reference and less mathematical formulation; and on the other hand, normative theory, which is characterized by a strong mathematical reference (Eisenhardt, 1989). Applying the positive agency theory, the focus is on conflict situations between principal and agent, where their goals are different, and the underlying governance mechanisms. These mechanisms are analysed and explained in a descriptive way to point out how they “limit the agent’s self-serving behaviour” (Eisenhardt, 1989, p. 59). Using the mathematical reference, the contractual relationships are systematically analysed and structured using various success and premium curves. The goal is to determine the most ideal constellation between principal and agent so that the agent can make decisions that maximize the principal’s well-being. Mathematically determined incentive systems form the basis for this (Jensen & Meckling, 1976).

Knobloch (2020) has intensively studied existing studies of different coordination mechanisms and examined them methodically. He concludes that the normative approach of agency theory is predominantly applied (Knobloch, 2020). The contributions of, e.g., Geringer and

Woodcock (1995), Lafontaine (1992) and Fosberg (2004) derive various context-dependent hypotheses, based on the theoretical framework provided by the principal-agent theory, which are subsequently confirmed or refuted by the application of mathematical models such as regression analyses. The hypotheses are tested using data from databases such as LexisNexis Academic or publicly available information from ministries of economics or similar. Knobloch (2020) assumes that the normative approach is used relatively often due to the comparatively simple and cost-efficient procurement of information. In addition to the pure application of mathematical models based on database information, Hass (2010) and Boivie et al. (2011) test their derived hypotheses using data material collected through questionnaires. Both mathematical models and statistical analyses (e.g. T-tests) are used to test the hypotheses. All in all, these contributions can, due to the characteristics of hypothesis testing, be assigned to the quantitative research methodology. Buchanan et al. (2014) take the path of qualitative research and the positive approach of the principal-agent theory: In their study with 43 interviewees, they try to verify the extent to which the view of agency theory is confirmed in the context of corporations and, based on these findings, to give an assessment of the theory's inclination to analyse relationships within a corporation.

Beyond a theoretical understanding, however, it has also become clear that the implementation of new, innovative workplaces, which should support the creativity and productivity of the core business, integrates a large number of participants and, above all, requires a joint and targeted approach. Otherwise, there are also faulty possibilities of attributing the success and failure of a project. The principal-agent theory can provide the conceptual and theoretical framework for structuring and thus help both functional areas to understand each other better and to formulate project goals and implementations in the understanding of the achievement of the business objectives. Within this framework, the 'rigid' assumptions of agency theory – especially with regard to internal demand models between core and CREM business – seem to be modified, extended and, above all, shaped more realistically by means of behavioural economic approaches. Against this background, an investigation of successful models for the implementation of new working environments with reference to the solution mechanisms of the principal-agent theory would be ground-breaking, since in this theory concrete behavioural patterns and preference structures of the actors could be collected and derived as 'best practice' to expand the solution instruments described here. For this specific question, with the behavioural-economic enrichment of agency theory, qualitative designs would be the most appropriate. These findings would be a substantial enrichment, since on the one hand the solution instruments would no longer have to be derived descriptively and empirically along the assumptions and asymmetries of agency theory, but above all, because they would provide application-oriented solution instruments for internal actors to design user-oriented working environments.

4 Limitations

It should be noted at this point that a transfer to the inter-organizational area is possible, but further adjustments are necessary, especially with regard to the measurement of agency costs. The agency costs serve as an evaluation criterion for the benefit of a contractual arrangement (Ebers & Gotsch, 2006). Their use can sometimes lead to limitations in terms of evaluation, as it may be difficult to determine the reference line of agency costs against which the final evaluation is made.

Furthermore, it should not be overlooked that the business unit and CREM already have a 'common' past, which can be both positive and negative. Especially against this background, the 'hidden characteristics' in connection with the internal achievement relations are to be evaluated

differently. Irrespective of this, the possible solution mechanisms help to better understand the performance relationship and thus also create a solid foundation for change. It is precisely at this point that agency theory can be expanded to include behavioural economics approaches.

5 Theory relevance to practice

In practice, the contracts between the organizational units are mainly based on the exchange contractual relationship against the background of division of labour and task specialization. In general reality, it is not uncommon to observe that the organizational units – at least vis-à-vis the management – act as a maximizer of benefits. However, each function tries to maximize its own goals and thus its own benefit, even contrary to the defined company goals – if applied in an uncoordinated way. Agency theory, however, creates a broad framework of understanding and can thus be used to harmonize objectives. Its application seems to provide useful hints for CREM as well as for the implementation of individual projects such as the redesign of workplaces.

It has also been shown that the application and use of the principal-agent theory to solve the organizational problem in real estate management has so far – both in theory and in practice – taken place only to a limited extent. The agency theory is mostly used in the context of external contract constellations and is usually not applied within the company. The transfer of the agency theory to the internal contract constellation provides various possibilities for a better understanding of the internal contractual relationship and for the design of the same. The possibilities and options discussed in the context of the solutions can, however, be used, for example, in pilot projects in the field of designing new working environments, to conclude specific project agreements between the functional areas in which the goals, requirements and framework conditions, costs, times, etc., are recorded. They would thus serve as internal guidelines for action and rules of the game. Intensive cooperation and an active and trustworthy exchange of information is essential, especially in the design of new working environments, which will generally have a higher strategic significance, complexity, specificity, uncertainty and low reversibility. Project agreements, defined, operationalized goals, instruments, etc., can be helpful as rules of the game in this implementation. By understanding the internal contractual relationship, the CREM department would, for example, integrate confidence-building measures towards users, offer communication and information platforms and already implemented pilot projects, etc. With a deep and intensive understanding of the agency problems, CREM would develop process standards for corresponding projects and, above all, develop instruments, e.g. to describe the requirements and framework conditions. By using reference values or benchmarks, or by integrating external know-how and experience, CREM's own solutions could always be referenced and evaluated whether they actually address the core business objectives sufficiently. So, there seems to be an abundance of possible applications, which, however, require a basic understanding of the possible agency problems. Thus, agency theory can be understood as a structural and conceptual framework for the design of new working environments. Also, an objectified measurement of the generated target amount of the workplace solution as well as internal communication are essential derivable bundles of measures, which are often based on the confidence of the partners among themselves.

6 Further reading

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