

Woidtke, T. (2002). Agents Watching Agents?: Evidence from Pension Fund Ownership and Firm Value. *Journal of Financial Economics*, 63 (1).

Abstract

This paper examines the valuation effects associated with the incentive structures of different types of institutional investors using the ownership levels of public and private pension funds in a firm. The results suggest that institutional monitoring is associated with valuation effects when both observable and unobservable aspects of the relationship between institutions and firms are taken into account. Moreover, the valuation effects vary according to the objective functions of institutions' administrators. Thus, other shareholders do not necessarily benefit from relationships between institutions and managers, and they could be hurt when the institutional agents watching firm agents have conflicts of interest with other shareholders.