

ZACHARIAS SAUTNER

CONTACT INFORMATION

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Date of Birth: January 17, 1979

Nationality: German

CURRENT POSITION

Oct 2005-present **University of Oxford, Saïd Business School**, United Kingdom
Research Fellow (ECGTN)

EDUCATION

Oct 2002– Sep 2005 **University of Mannheim**, Germany
Ph.D. in Finance (summa cum laude)
Dissertation: “Employee Stock Option Programs: Individual Behavior and Corporate Governance” Supervisor: Professor Martin Weber

Oct 2001– Sep 2002 **University of York**, United Kingdom
M.Sc. in Economics and Finance (with distinction)

Sep 1998 – Oct 2001 **University of Cooperative Education Stuttgart**, Germany
B.A. (Hons.) in Banking and Finance (with distinction)

REFERENCES

Professor Colin Mayer
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Professor Ernst-Ludwig von Thadden
Chair of Economic Theory
University of Mannheim
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Professor Martin Weber
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RESEARCH INTERESTS

Corporate Finance, Corporate Governance, Executive Compensation, Stock Option Programs,
Behavioural Finance

Corporate Governance and the Design of Stock Option Programs (*Job Market Paper*)

(with M. Weber)

Investors and academics increasingly criticize that features of employee stock option (ESO) programs like no indexing to market movements reflect rent-extraction by managers rather than optimal contracting (managerial power view). It is argued that design of option programs illustrates the inability of corporate governance mechanisms in monitoring executives. We use a unique European data set to investigate design features of ESO programs and the relationship between the design of ESO plans and corporate governance structures. We find that our sample companies show a very large variation with respect to the characteristics of their stock option plans (e.g. in the use of relative performance targets that need to be met before options become exercisable). We document that ownership structures are related to the ESO design in a way that is consistent with the managerial power hypothesis: when ownership concentration is low and the exposition to the U.S. capital market little, firms more often have poorly implemented ESO plans. Moreover, we show that firms with weak creditor rights more often have badly designed option plans. Our findings also suggest that ineffective board structures (insider-dominated boards) are related to the ESO design in a way that supports the arguments of a self-dealing view.

Stock Options and Employee Behavior (with M. Weber)

Employee stock options (ESOs) are a widespread and economically highly significant phenomenon, both at a company and at an employee level. Despite its economic importance and due to data limitations, there exists very little empirical research that examines the behavior of employees in stock option programs. Our study attempts to fill this gap by empirically analyzing the behavior of option holders in a distinct ESO plan at a very large German corporation. By combining individual-level option exercise data with detailed data from an extensive questionnaire, we study how employees exercise their stock options and how they dispose of company stock acquired in ESO programs. Moreover, we investigate which rational and behavioral factors explain differences in the observed exercise behavior. We find that employees exercise their options very early and in a few large transactions. A large majority of option recipients sell the shares acquired on exercise. Furthermore, our results suggest that, inconsistent with traditional ESO theories, exercise behavior is not driven by factors like risk aversion or individuals' holdings of company stock that are included in rational models of exercise. Our findings suggest that individuals' exercise decisions depend on the psychological factors miscalibration and mental accounting.

How do Employees Value their Stock Options? (with M. Weber)

This paper investigates the value employees place on their stock options and how this valuation relates to option exercises. To perform this task, we are able to use a data set combining employee-level option exercises with subjective option values extracted by means of an internal survey at a German DAX company. We can combine this data with a wide set of individual variables like risk aversion, diversification or loss aversion. Inconsistent with economic theory, we find that the individuals in our data set substantially overvalue the options they received. We can show that option values are unrelated with measures of risk aversion. Loss aversion, however, does a better job in explaining the heterogeneity in option values: higher degrees of loss aversion are associated with lower option values. We also document that optimism and overconfidence measures are significantly related to option values. We show that managers that are very optimistic about company stock place higher values on their options. This finding is consistent with the sentiment hypothesis presented in recent research by Oyer and Schaefer (2005) and Bergman and Jenter (2004). Moreover, we find only weak support for the hypothesis that higher option values are associated with later exercise decisions.

WORK IN PROGRESS

Option Repricing in Europe: Empirical Evidence (with M. Sauer)

What Determines D&O Insurance Deductibles? (with M. Bücking and M. Weber)

PRESENTATIONS

Universiteit van Amsterdam (March 2006), Swedish Institute of Financial Research (February 2006), Goethe University Frankfurt (February 2006), Sabanci University Istanbul (December 2005), German Finance Association Meeting 2005 (October 2005), German Economic Association 2005 (September 2005), Saïd Business School, University of Oxford (April 2005), ENTER-Jamboree Brussels 2005 (January 2005), University of Mannheim (December 2004, May 2005).

HONORS & AWARDS

Marie Curie RTN Scholarship from the European Commission.

Ph.D.-Scholarship from the German Research Foundation (DFG).

Scholarship from Südwestmetall for the participation at the "Lindau Nobel Price Winners in Economics"- Meeting 2004.

Distinction, Master of Science in Economics and Finance, Class of 2002, University of York.

Top Student Award, Class of 2001, University of Cooperative Education Stuttgart.

TEACHING EXPERIENCE

Banking, Graduate Level, 2005.

Financial Markets, Graduate Level, 2004/2005.

Topics in Bank Management, Graduate Level, Seminar, 2004.

Banking, Graduate Level, 2004.

Microeconomics I, Undergraduate Level, 2003.

Financial Crises, Graduate Level, Seminar, 2002/2003.

Supervision of several Master-Theses in the field of Finance.

INTERNSHIPS & WORK EXPERIENCE

University of Mannheim, Mannheim, Germany, 2003–2005

Research and Teaching Assistant at the Chair of Banking and Finance of Professor Martin Weber; Industry Consulting.

Landesbank Baden-Württemberg, London, United Kingdom, Spring 2000

Internship in the fields Investment Banking, Foreign Exchange and Money Market, Loans and Project Finance and Asset Backed Securities (during the undergraduate studies; in total *nine weeks*).

Kreissparkasse Calw, Calw, Germany, 1998–2001

Internship in the fields Retail and Private Banking, Asset Management, Corporate Banking, Risk Management and Controlling (during the undergraduate studies; in total more than *50 weeks*).

OTHER INFORMATION

Languages: Bilingual in English and German, basic knowledge in French.

Interests: Running, mountaineering, politics.