

CURRICULUM VITAE
ZACHARIAS SAUTNER

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EDUCATION

- From 10/2005* **University of Oxford, Saïd Business School**, United Kingdom
Research Fellow
- 10/2002–09/2005* **University of Mannheim**, Germany
Ph.D. in Finance
Dissertation: “Employee Stock Option Programs: Individual
Behavior and Corporate Governance”
Ph.D.-Program in Economics and Finance (CDSEM)
- 10/2001–09/2002* **University of York**, United Kingdom
M.Sc. in Economics and Finance (with distinction)
- 09/1998–10/2001* **University of Cooperative Education Stuttgart**, Germany
B.A. in Banking and Finance (with distinction)

REFERENCES

Professor Colin Mayer
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Professor Martin Weber
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RESEARCH INTERESTS

Executive Compensation and Stock Option Programs, Corporate Governance, Behavioral Finance, Empirical Corporate Finance

WORKING PAPERS

Corporate Governance and the Design of Stock Option Programs (Job Market Paper)
(with M. Weber)

Recently, active institutional investors and shareholder activists have sharply criticized various features of stock option programs. They argue that the design of many stock option programs is an example of managerial self-dealing and rent extraction and illustrates the inability of existing corporate governance mechanisms in monitoring executives. It is uncontroversial that managers possess significant control rights and it is well documented that they use their discretion in firms to their own personal benefit in various ways. Governance mechanisms like monitoring by boards of directors or blockholders are designed to mitigate these agency costs. There is increasing evidence that features of employee stock option (ESO) plans can be seen as evidence consistent with managers extracting rents from option granting firms. We investigate whether there is an association between the design of ESO programs and the quality of a firm's corporate governance. Simply put, we examine whether firms with weak governance schemes have stock option programs that are "poorly" designed from an economic point of view. Our main results can be summarized as follows. We find that cross-sectionally, ownership variables are related to the ESO design in a way that is consistent with the managerial power view. When ownership concentration is low and the exposition to the U.S. capital market little, executives extract rents by designing poor ESO programs. Further support for this view is provided by the finding that firms with weaker creditor rights more often have badly designed ESO plans. Our findings also suggest that ineffective board structures (insider-dominated boards) are related to stock option design in a way that supports the arguments and predication of the self-dealing view.

Stock Options and Employee Behavior
(with M. Weber)

Only little empirical research examines the behavior of individuals in employee stock option (ESO) programs. Our study attempts to fill this gap by empirically studying the behavior of option holders in a distinct ESO plan. We try to answer the following questions: How do employees exercise their stock options? How do employees dispose of company stock acquired in stock option programs? What rational and behavioral factors explain differences in observed exercise behavior? We study these questions by combining two data sets. The first data set consists of detailed individual-level ESO exercise transactions of senior managers from a large German corporation (transaction data). The second data set is based on an extensive questionnaire in which we asked these employees to answer a wide range of questions on employee-specific characteristics, beliefs and attitudes (questionnaire data). 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.

Subjective Stock Option Values and Exercise Behavior: Determinants and Consistency (with M. Weber)

Due to data limitations, only little is known about which individual variables actually drive exercise patterns in stock option plans and how employees value their stock options. We study the following set of research questions to provide a contribution to a better understanding of these topics: How do employees exercise and value stock options? What are the determinants of exercise decisions and subjective option values? Do employees exercise options from different grants in a consistent way? Are subjective option values consistent with individuals' exercise decisions? We are able to use a unique data set combining employee-level option exercises with subjective option values extracted by means of an internal survey. Furthermore, we can combine this data with a wide set of individual variables. We find that employees exercise their stock options well before expiration. The median individual sacrifices more than 90% of the option's lifetime by exercising early. Surprisingly, we also find that individuals substantially overvalued the options they received. We show that exercise dates and option values are unrelated with measures of risk aversion. Loss aversion, however, does a better job in explaining the heterogeneity in 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 Oyer and Schaefer (2004) and Bergman and Jenter (2004). Some evidence for an intertemporal consistency of exercises decisions is also provided. However, we find only weak support for the hypothesis that higher option values are associated with later exercise decisions.

PRESENTATIONS

- German Finance Association Meeting 2005 (Presentation)
- German Economic Association 2005 (Presentation)
- Saïd Business School, University of Oxford 2005 (Presentation)
- ENTER-Jamboree 2005 (Presentation)

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

TEACHING EXPERIENCE

- Banking, Graduate Level, 2005
- Stock Markets and Stock Exchanges, 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

- 2003–2005* **University of Mannheim**, Mannheim, Germany
Research and Teaching Assistant at the Chair of Banking and Finance
of Professor Martin Weber; Industry Consulting
- Spring 2000* **Landesbank Baden-Württemberg, London**, United Kingdom
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*)
- 1998–2001* **Kreissparkasse Calw**, Calw, Germany
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

- Date of Birth: 17.01.1979
- Nationality: Germany
- Languages: Bilingual in English and German, basic knowledge in French
- Interests: Running, mountaineering, politics