

Market Efficiency According to Employee Stock Options

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Abstract

Growing popularity of the Employee Stock Options leads to the analysis of their conditions and impact on the companies implementing it. There are many factors that shape the effects of ESO, such as number of employees granted with options, market and non-market conditions and their calibration. Therefore there are many conditions that should be taken into account in order to verify the expected impact of the ESO.

The aim of the analysis is to suggest the methodology to test the influence of multiple events on the stock price. This approach is used for both - the implementation and exercise of the granted ESOs and it covers companies listed on WSE. In order to conduct the analysis based on the Markov Switching GARCH models we first use the elements of fundamental analysis to verify the effects observed in the companies. Based on the achieved results we later use clustering method to divide ESOs for the final part of the analysis - application of the MS-GARCH.