March 2010

Is the hospitality industry more likely to reprice stock options?

Basak Denizci

Follow this and additional works at: http://scholarworks.umass.edu/jhfm

Recommended Citation
Available at: http://scholarworks.umass.edu/jhfm/vol14/iss1/14

This AHFME Symposium Abstract is brought to you for free and open access by ScholarWorks@UMass Amherst. It has been accepted for inclusion in Journal of Hospitality Financial Management by an authorized editor of ScholarWorks@UMass Amherst. For more information, please contact scholarworks@library.umass.edu.
IS THE HOSPITALITY INDUSTRY MORE LIKELY TO REPRICE STOCK OPTIONS?

Basak Denizci

ABSTRACT

Hospitality companies are known to be sensitive to the economy and movements in the market. When overall performance of the company is poor because of a market wide fall, hospitality managers should not be panelized for the decrease in the stock price. In such cases, it is acceptable to reprice the stock option to realign the incentives and to minimize the agency problem. This paper examines whether repricing of hospitality firms are more likely to reprice options after a stock price decrease that is accompanied by a market wide fall. Although the overall results are consistent with prior literature, I did not find enough evidence to support the hypothesis.