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Media-linked Directors and Corporate Risk-Taking: Evidence from China

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ABSTRACT

This study examines whether and how firms sharing a board member with a media company affects corporate risk-taking. Using a sample of firms in China, we find that firms with media-linked directors exhibit a higher level of risk-taking than their non-media-linked peers. Further analyses show that the effect is driven by media-linked director's information dissemination role rather than information creation, as media-linked firms receive more media coverage resulting from non-original. The positive effect of media-linked director on corporate risk-taking is prominent for firms with less transparent information environment, weaker internal and external governance. It is also more pronounced for directors who sit on the independent position and are from non-local media. Our result is robust to a set of sensitivity tests and two instrumental variable and propensity score matching analyses suggest a causal relation. As such, our paper highlights the importance of board composition in corporate decision-making and enriches the literature on the influence mechanisms of media on firms.

KEYWORDS Media-linked; Directors; Risk-Taking; Media Attention

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