

## Summary of Paper: [Management's Communication Style When Disclosing Material Weaknesses in Internal Control](#)

### **What is this Study About?**

This study examines how the communication style used by management in reports about internal control weaknesses affects investor reactions. Specifically, it looks at the tone of the “reasonable assurance” argument and the use of personal pronouns in these reports, both of which can influence how investors perceive management accountability and transparency.

### **What are the major findings of the study?**

Investors respond most positively when management uses a less defensive communication style and avoids first-person pronouns. Defensive tones, such as emphasizing limitations and uncertainties, are commonly used in practice but are associated with more negative investor responses. Conversely, less defensive language paired with neutral phrasing (e.g., using "management" instead of "we") helps to build investor confidence. Importantly, these communication strategies affect how investors perceive management's effort and the adequacy of their explanations, which in turn influence investment decisions.

### **Why is the study important?**

This research highlights the significance of communication style in financial reporting, emphasizing that how a message is conveyed can be as effective as its content. For companies, adopting less defensive and more neutral language in disclosures can improve investor trust and decision-making. These insights are particularly relevant for enhancing transparency and aligning with investor expectations, offering practical implications for improving corporate communication strategies. The findings also contribute to the broader understanding of the psychological impact of language in financial reporting.