

## NANO TOOLS FOR LEADERS®

### RECOGNIZING DECEPTION: HOW TO SPOT A LIE

**Nano Tools for Leaders®** are fast, effective leadership tools that you can learn and start using in less than 15 minutes—with the potential to significantly impact your success as a leader and the engagement and productivity of the people you lead.

#### THE GOAL

Improve your ability to detect workplace lies.

#### NANO TOOL

Executives are decision makers. They make decisions about hiring, company valuations, product launches, investments, strategic direction, mergers, acquisitions, new ways of doing business, and more. What gets in the way of those decisions most often? Overconfidence. This insidious bias makes us think we've got all the accurate information we need, and that our past successes reliably translate into success for the future. It can also blind us to the fact that we're really, really bad at detecting deception.

Why are so many of us such terrible lie detectors? (If you doubt that premise, recall the astounding number of banks and financial services firms that invested with Bernie Madoff.) First, we're inherently trusting creatures. Unless we have evidence to the contrary (and sometimes even when we do), we typically trust that people are telling the truth. And second, we're overconfident in our ability to detect lies.

Lies from your suppliers can erode company profits, lies from customers can misdirect new product investments, lies from colleagues can impact the budget you get for key projects, and lies from your team can lead to missed deadlines and out-of-control budgets. Being able to detect these lies can make a dramatic difference in your success as a leader.

The following six steps will improve your ability to spot a lie that would otherwise trip you up.

#### ACTION STEPS

- 1. Establish a baseline.** Follow the same process as the polygraph test, feared by criminals around the world. This highly accurate lie detector test always starts by determining a baseline for three of a person's physiological indices before the real questioning begins. Responses to the real questions are compared to the baseline to detect the lies. Getting back to the Madoff example, if you knew how frequently the stock market goes up and down, you would probably find it suspicious that an investor had positive returns 96 percent of the time. A baseline can also be personal: some people routinely avoid eye contact, others only avoid it when they lie. Likewise, some people habitually use the phrase, "Let me be honest." For them, that phrase is probably not being used as a cover-up for a falsehood. Whenever possible, get to know what's normal for the person and the situation to have the best chance of detecting when someone is stretching the truth.
- 2. Ask the right questions.** A study led by Julia Minson of Harvard looked at the types of questions that work best for detecting deception. General questions ("Can you tell me about this car?") don't work well—they make it too



easy to omit key information. Positive assumptions (“The car doesn’t have transmission problems, does it?”) are better. But the best questions are open-ended ones that involve negative assumptions (“What problems does the car have?”). They force the responder either to disclose real information or actively come up with a deceptive answer.

3. **Increase “cognitive load.”** Detectives and investigators use this trick to catch liars, who are already under greater cognitive load (lying requires fabricating a story and keeping track of the truth—it’s mentally taxing). When people think harder, they are more likely to use pause filters (um’s and ah’s), take longer to answer questions, and make mistakes. Increase cognitive load by asking questions out of sequence, asking for irrelevant details, or adding a distraction by turning on talk radio or the TV.
4. **Watch for inappropriate, unusual, or uncommon behavior.** Remembering the baseline for a particular person, look for behaviors that deviate from that baseline. Also watch for common liars’ mistakes like mismatching words and body language. They might say “no” while nodding “yes.” They could exhibit strange emotions (laughing when the subject is serious, for example). Or, they may say they feel one emotion while looking like they feel another. One dramatic example was convicted murderer Scott Peterson who—while grieving for his “missing” wife—played golf, chatted nonchalantly on his cell phone during searches for her, and sold her car.
5. **Keep an eye on the exit.** When we lie, we often feel anxiety at the prospect of getting caught. When we feel anxiety, we seek to relieve it by exiting the situation. This can take the form of physically leaving the room, or just looking at the door, checking their watch, or expressing eagerness to leave. Some lean toward the exit or engage in “eye blocking,” closing their eyes and imagining being somewhere else.
6. **Scrutinize overdoers.** Motivated by the desire to appear credible, liars tend to go overboard. They might overuse phrases such as “To be honest,” refer to their religious upbringing, over-praise the person they’re talking to, or continuously reference their credentials or friends to bolster their status and credibility. Over-the-top repetition is also a clue (remember Bill Clinton looking into a TV camera and stating, “I never told anybody to lie, not a single time—never. These allegations are false.”).

## HOW LEADERS USE IT

- When President Bill Clinton was questioned under oath about a possible relationship with a White House intern, his denial included important clues: he normally gesticulates a lot, but his gesticulation started off fixed and was mistimed; he repeated statements such as “not a single time, never”; he was enthusiastic to shift topic and get out of the situation, saying “I need to get back to work”; and there was a mismatch between text, tone, and emotion.
- Before Bernie Madoff was arrested and charged with securities fraud in 2008, he left a trail of red flags. Madoff’s fund performance was one—negative returns were reported for only seven months or 4 percent of the time. No major league baseball hitter bats .960, no football team has ever gone 96 wins and only 4 losses over a 100 game span, and no money manager is up 96 percent of the time. He was highly secretive, never allowing outside performance audits. One London-based hedge fund, a fund of funds representing Arab money, asked to send in a team of Big 4 accountants to conduct a performance audit during their planned due diligence. They were told “No.” Madoff also subsidized investors in down months, only booking winning tickets in their accounts and “eating the losses.” This is a common story—misstating returns or the volatility of those returns—found around Ponzi schemes, and is also a securities fraud.

## CONTRIBUTORS TO THIS NANO TOOL

Adam Galinsky, Paul Caelelo Professor of Leadership and Ethics; Maurice Schweitzer, Cecilia Yen Koo Professor at the Wharton School—authors of *Friend & Foe: When to Cooperate, When to Compete, and How to Succeed at Both*

## KNOWLEDGE IN ACTION: RELATED EXECUTIVE EDUCATION PROGRAMS

- [\*Effective Decision Making: Thinking Critically and Rationally\*](#) (directed by Maurice Schweitzer), [\*The Adaptable Leader: Leading in a Virtual World, Leading through Challenging Times\*](#)

## ADDITIONAL RESOURCES

- *Friend & Foe: When to Cooperate, When to Compete, and How to Succeed at Both*, Adam Galinsky and Maurice Schweitzer (Crown Business, 2015). Argues that finding the right balance between cooperation and competition yields better outcomes at work and in life.
- “Which Spoken Language Markers Identify Deception in High-Stakes Settings? Evidence from Earnings Conference Calls,” J. Burgoon, et al., *Journal of Language and Social Psychology*, 2015.
- “Promises and Lies: Restoring Violated Trust,” Maurice Schweitzer, et al., *Organizational Behavior and Human Decision Processes* 101 (2006). Finds that trust harmed by untrustworthy behavior can be effectively restored when individuals observe a consistent series of trustworthy actions, but trust harmed by the same untrustworthy actions and deception never fully recovers.

## ABOUT NANO TOOLS

*Nano Tools for Leaders®* was conceived and developed by Deb Giffen, MCC, director of Custom Programs at Wharton Executive Education. *Nano Tools for Leaders®* is a collaboration between joint sponsors Wharton Executive Education and Wharton’s Center for Leadership and Change Management. This collaboration is led by Professors Michael Useem and John Paul MacDuffie.