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**Chapter 4**

**Lying and Deception**

“Everybody lies.”

Fans of the hit television series that ran for eight seasons will recognize this as the mantra of the fictional Princeton Plainsboro Teaching Hospital’s misanthropic medical detective, Gregory House, M.D. In many episodes, House would often explain how he was able to make a diagnosis of a patient that eluded every other reasonable explanation by assuming that the patient must be lying about something, because the truth was simply too embarrassing to reveal.

In the context of nonprofit management, even as trust in the nonprofit, government, and private sectors appears to be eroding over time, it is fortunate that lying and deception geared to criminal activity are more the exception than the rule. Perhaps one reason is that many are attracted to the sector particularly because they are altruistic, ethical, and want to work in the public interest. Even as trends suggest a convergence of the three sectors (see Grobman, 2015), polls suggest that the majority of Americans continue to have high confidence in the integrity of America’s nonprofits (*The Chronicle of Philanthropy,* 2015), even as high profile scandals within the sector continue to make headlines. In the latest (2015) poll on this issue, conducted by Princeton Survey Research Associates International, 62% of respondents said they had a great deal or a fair amount of confidence in charities compared to 64 percent in the 2008 poll.

“Fifteen percent of those surveyed said they had a ‘great deal’ of confidence in charitable organizations over all, with 21 percent saying that about charities in their own communities,” according to an article in *The* C*hronicle of Philanthropy,* the sponsor of the survey. This contrasts to a June 2016 Gallup Poll that found less impressive support for other institutions, including Congress (3%), Big Business (6%), newspapers (8%), banks (11%), public schools (14%), and organized labor (8%). According to Gallup (2016), the top scorers in their survey on this question were the military (41%) and small business (30%).

Theological Basis for the Immorality of Lying

The ancients placed a high premium on telling the truth, and both the New and Old Testaments command followers to not lie (see: Leviticus 19:11, Exodus 20:16, Colossians 3:9, and Ephesians 4:24-25). The ninth of the 10 Commandments addresses this directly: “You shall not bear false witness against your neighbor.”

A *Washington Post* Fact Checker article gave Ben Carson four Pinocchios for his claim during the 2016 presidential campaign that the Quran encourages Muslims to lie (Kessler, 2015).

Other major religions also expressly address the immorality of lying. The Fourth Buddhist precept, Musavada veramani sikkhapadam samadiyami, means “I undertake the precept to refrain from incorrect speech” (OBrien, 2016).

Hinduism also proscribes lying except under limited circumstances (see *https://hinduism.stackexchange.com/questions/3848/in-hinduism-what-exactly-is-a-lie-and-is-lying-adharma).*

Economic Man

All of the world’s major religions are in agreement that lying is wrong under most circumstances. Yet, lying occurs even among the most highly religious, and there is a secular explanation.

Much of the value of our knowledge of theory in the fields of economics, in addition to psychology and other social science theory, is in predicting human behavior. The “why” of human behavior has been a topic of interest for centuries. There are numerous writings about how humans should behave, referred to in Chapter 1. Certainly, religion has played a role in developing a system of principles—some universal, some not—that were intended to govern the “how.” A more recent phenomenon is that scientists and philosophers have turned their thoughts and studies to why we behave as we do, other than the often less satisfactory explanation that was available several millennia ago that “because God (or the equivalent of God) said so.” One enduring explanation of human behavior is that humans—at least rational humans—act in a way to maximize their self-interest, an observation that some trace to Adam Smith in *The Wealth of Nations:* “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self interest” (Smith, 2007, p.27).

Of course, this model is much less satisfactory in explaining human behavior with respect to the nonprofit sector than its for-profit counterpart. However, it does serve as a rough approximation to explain why those in the nonprofit sector lie or otherwise deceive.

Leaders of nonprofit organizations often face situations in which it may be of personal benefit, or benefit to their organizations, to lie, exaggerate, obfuscate, prevaricate, distort the fact, misstate, speak disingenuously, or otherwise engage in a purposeful effort to communicate in a way intended to deceive. Among the reasons include—

“To avoid pain or unpleasant consequences; promote self-interest and a particular point of view; protect leaders of the organization; and to perpetuate myths that hold the organization or a point of view together.” (Belton, 2005)

In my experience, there are several reasons nonprofit leaders lie or deceive, even when they are otherwise honest.

*They need to escape the consequences of being accountable.* Even when someone has made a good-faith effort to take actions that have the highest probability of success, an outcome may be negative and/or be embarrassing to the organization. Some organizations have a culture that recognizes that unforeseen or uncontrollable circumstances influence outcomes. They seek to hire decision-makers who make decisions under conditions of uncertainty. There is often an element of risk that a decision will, with hindsight, be the wrong one. Some boards recognize this; others do not. Some chief executive officers (CEOs) recognize this; others do not. A particular staff member may make a reasonable decision based on incomplete information and circumstances beyond his or her control resulting in an unfavorable outcome. Even in that case, that person is vulnerable to disciplinary action, including the possibility of being fired. Moreover, it is not unusual for someone within the organization to be scapegoated for the consequences of a decision in which he or she has had minimal influence, to help others within the organization escape accountability and retain power. At every stage of an internal or external investigation by stakeholders into what occurred resulting in harm to the organization, there may be an incentive for lying to occur. The likelihood of such lying is magnified when the organization has a history of punishing those in the organization who make mistakes, particularly those made with the intent of being in the interest of the organization rather than just in the self-interest of an individual.

*They want to influence the outcome of some negotiation.* A major part of the job of anyone associated with a nonprofit organization is competing for resources, both with those within the organization and those outside. It is natural to “spin” one’s pitch to cast the best light on their ability to accomplish some task; to meet a deadline; to demonstrate they have sufficient influence to motivate others to act for a common purpose; or, as in the case of fundraising, to do whatever might be necessary to manipulate a donor to give more money than she might otherwise give. And it almost goes without saying that many lies would never be told if the person lying expected that the lie would be uncovered and consequences would follow. Telling a lie may never have any consequences, particularly if substantial time has occurred between the telling of the lie and when it is clear to the person receiving the message that a lie was involved. The lie may not be remembered in such a case, and there may not be enough evidence that the lie was intended rather than that circumstances have simply changed.

*They want to escape embarrassment.* It is natural that most of us feel very uncomfortable admitting mistakes, even in cases when there are no likely adverse consequences.One solution I adopted years ago to mitigate my own reluctance to disclose mistakes was a protocol of communication whenever I made a mistake that disadvantaged a stakeholder. I write an email or letter to the person offended by my transgression that starts, “Oops, I goofed.” The communication describes the circumstances of the mistake, includes an apology, and when appropriate, states what I am proposing as a remedy. Almost every time, the recipient of the communication appreciates the honesty and accepts the apology and remedy. And almost every time, I feel better about it, rather than spending valuable time worrying about what I should do about the situation.

Many times, the person who engages in lying is an otherwise honest person but feels, correctly or not, that the benefits of telling the lie outweigh the costs of telling the truth. If one accepts the teleological approach described on page 23, lying is justifiable if it serves the greater good. But, quite often, the benefits of lying are accrued in the short term, and the costs—such as the loss of trust after being found out—accrue in the long term.

Lying in the Nonprofit Sector Violates the Public Trust

Those who govern and manage nonprofit organizations, as with elected and appointed government officials, are placed in a position of trust to deal with public resources. Unlike their for-profit counterparts, they have an obligation to make decisions that are, at a minimum, in the best interest of their organizations (duty of loyalty) rather than in their own personal interest. For-profit leaders certainly can agree that not telling the truth, of course, can have consequences for the public. But, in theory, the market provides an alternative when the public loses trust in a for-profit organization—customers take their business somewhere else, and the for-profit organization may go out of business as a result. The financial consequences accrue to the business owner. This is not the case in either government or the nonprofit sector.

We know from reading the newspapers that lying occurs in all three sectors. In the nonprofit sector, fundraisers may lie to potential donors about how much of the funds they raise are allocated directly toward the mission of the organization compared to the fundraiser. John Bennett, the architect of the New Era Philanthropy Ponzi scheme of the 1980s, crafted a successful lie that convinced many sophisticated and wealthy nonprofit organizations to park large sums of money with him, with the promise he would double their money in a short period of time. Nonprofit CEOs accused of sexually harassing a staff member or embezzling organization funds when that accusation is true would be expected to initially lie about the situation. And when a staff member is fired for misconduct, it is not unusual for the organization’s CEO to lie about the reasons, when asked, even when doing so enhances the likelihood the employee will be hired by another organization and engage in the same conduct. A CEO may justify this by judging that the truth may put his organization at risk of a wrongful termination suit, or there may be an agreement between the employee and the organization to not disclose the real reasons for separation, to avoid mutual embarrassment.

Lying is universally considered to be unethical, although it is often tolerated, and in some cases applauded, when the consequences of telling the truth may result in harm compared to lying. How one looks at this is influenced by the ethical approach. A deontological approach suggests that lying is almost always wrong. A teleological approach suggests that lying may be justified when the consequences of telling the truth may be dire. A strict deontological approach (such as that taken by Immanuel Kant (see page 23) suggests that lying for *any* reason is morally wrong.

Tim Muzur (2015) makes the case for telling the truth:

*First, lying corrupts the most important quality of my being human: my ability to make free, rational choices. Each lie I tell contradicts the part of me that gives me moral worth. Second, my lie robs others of the freedom to choose rationally. When my lie leads people to decide other than they would have had they known the truth, I have harmed their human dignity and autonomy.*

This justification is buttressed by a view of one theologian who adds that telling the truth is not only the right thing to do morally, but contributes to the breakdown in society when not observed:

*Truthtelling is essential for authentic communication to occur, and makes genuine interaction between people possible. That is, if truth were not expected, it would not be long before communication would entirely break down. Imagine what it would be like living in a society in which no one expected the truth. How could a person discern what is accurate and what is a falsehood? On what basis could a person make important decisions if there was no expectation of the truth? Life would be chaotic without the norm of honesty (Rae, 2012).*

One problem with the teleological approach is that the consequences of lying might be of significant benefit to the person lying (or the organization for which the person is lying), and significant costs to the person being told the lie.

And it makes a difference to some when lying is conducted to benefit the good of the organization and its mission compared to benefitting the individual at the cost of the organization. An ethical dilemma occurs when a nonprofit organization stakeholder faces two competing principles—maintaining loyalty to the organization by lying on its behalf and violating his or her own personal beliefs against lying.

The White Lie

A *white lie* refers to a communication that is known by the communicator to be false, but which is intended to serve a benign purpose. It is quite difficult to function socially in either one’s personal or organizational life without telling an occasional white lie to avoid what would otherwise result in a toxic situation. In the nonprofit workplace, telling white lies may be justified as morally acceptable to avoid hurting the feelings of coworkers, donors, or organizational leadership.

Imagine you are the CEO of a charity, and a board member responsible for funding a large percentage of your budget asks you directly about whether you think he is a wonderful person when you (and perhaps every other member of your board) know he is abusive. Providing a truthful answer to such a question, most of us would agree, would be detrimental to your retaining your position. A strict Kantian (see page 23) would tell the truth. I would not expect there are many such individuals successfully running nonprofit organizations.

Deception in Organizations in General

Lying is a form of deception, but not all deception involves lying. Pretending to work without doing so is one example. Appearing to take credit for the work of others without explicitly lying about it is another.

Deceptions in the workplace “are pervasive, and some are actually helpful in carrying out the day’s work” (Shulman, 2008). Among the most common examples of deception are deflecting criticism from oneself, shirking work responsibility by either simply avoiding it or finding ways to have others do it, taking a sick day when one is not really sick, and taking actions to curry favor with managers for the purpose of obtaining favorable treatment over one’s peers (also referred to as brown-nosing or sucking up).

I find it interesting that there are entire professions that employ deception, either in their entirety or in part. Depending on the context, most would not find this to be immoral. For example, government spies and undercover law enforcement officers routinely take part in elaborate deceptions. Those competing in sports are applauded for their successful deceptions, such as baseball players who pull off a successful hidden ball play. Some take the view that deception in business is quite acceptable under certain circumstances (see Rae, 2012 for an example of a for-profit business founder, Phillippe Kahn, who built a successful business as a result of a clever deception).

And is it lying when a nonprofit executive, trying to haggle over a salary offer to a prospective hire, suggests that “$50,000 is my last and final offer,” knowing that if it is rejected, she may indeed make a higher offer? Bluffing is a term that describes one kind of deception, and there are clearly situations in which bluffing is an accepted strategy, that is not considered unethical, particularly when both parties find this to be an acceptable strategy of business negotiation.

Deception in Nonprofits in General

Some low-level deceptions in nonprofit organizations, such as diversion by the organization of money intended by a donor for one purpose to another, may be ethically justifiable using a teleological approach to ethics (see page 23). It is criminal deception, however, that finds its way onto our newspaper front pages and stains the reputation of the sector, adding to public cynicism about the distribution of their donations. Some of the more prominent nonprofit sector scandals are noted in the introduction to this book. And for every one of these, there are perhaps hundreds of cases that do not rise to the level of a national scandal and may merit only a paragraph or two of local media coverage. Of course, there is no way to know how many cases of fraud, embezzlement, conflict of interest, bribery, and exploitation will never be uncovered because of insufficient regulation and enforcement by the government—or because those who might otherwise be willing to disclose criminal wrongdoing are intimidated by a continuing culture that often makes a whistleblower a victim.

Shulman (2008) collected data that indicate more deceptive behavior in nonprofits than their for-profit counterparts. Among his theories to explain this are—

Nonprofit staff face more pressure to acquire financial resources.

Nonprofits often utilize the services of volunteers, student interns, and short-term workers who serve in low-paying jobs and who are motivated by having the experience on their résumés rather than monetary reward.

Nonprofits tend to be smaller than their for-profit counterparts, and thus have less bureaucracy with “more discretionary autonomy” that militates for less oversight and accountability.

Nonprofit organizations tend to be “driven by a motivating righteous fervor,” with the implication that deception is justifiable when it is designed to accomplish a particular public mission.

He developed a typology of nonprofit deception that includes the following:

Showing favoritism

Misleading donors

Withholding information from competitors

Diverting financial resources to pet causes

Having conflicts of interest

Engaging in tax evasion

Misrepresenting overhead compared to program spending

Misreporting donation amounts

Note that many other areas of nonprofit organization deception can be found in the scenarios that begin on page 204.

Some Final Thoughts on Lying and Deception

Perhaps a decade ago, the philanthropic community began paying attention to scientific studies that sought to find a genetic explanation for altruism, or the lack thereof.

One German study (Reuther, et al., 2011) found some evidence of such a link, which would have some practical implications for fundraisers and created a stir at the time among the nonprofit sector research community. Perhaps there is a biological basis for lying and deception, as well. Nobel Prize-winning physicist Murray Gell-Mann, writing in his seminal book, *The Quark and the Jaguar* (1994), points out examples of animals engaging in deception to increase their chances of survival—the well-known mimicry of some species of insects, and the lesser known practice of some birds laying their eggs in the nests of other birds. Chameleons are known to change their color to deceive predators, blending into their surroundings.

“But actual lying?” he asks. He relates a story from a biologist friend of his who observed flocks of birds that had a sentinel species (animals that warn other animals of danger, such as from predators) flying symbiotically within the flock that would warn the other species, using a special call, that there was an approaching dangerous raptor. The biologist noticed that the sentinel birds occasionally gave a warning to the flock of an approaching predatory bird when there was no danger, and this occurred with about 15% of its bird calls. The biologist found that “the fake alarm often permitted the sentinel to grab a succulent morsel that another member of the flock might otherwise have eaten.” One explanation for the 15% rate of “lying” is that if the rate was higher, the rest of the flock would not find the sentinel bird’s lies credible, and if the rate was lower, then the deceptive bird’s lying wouldn’t be as productive.

What makes this story even more fascinating is the following anecdote Gell-Mann relates (p. 258-259) about one of his colleagues’ reactions to his (Gell-Mann’s) suggestion that the 15% figure was some basic mathematical constant, perhaps one divided by two pi (15.9%).

*When I asked that question of Charles Bennett, he was reminded of something his father had told him about Royal Canadian Air Force units based in England during the Second World War. They found it useful, when sending out a fighter and a bomber together, to attempt occasionally to deceive the Luftwaffe by positioning the fighter below the bomber rather than above. After a good deal of trial and error, they ended up following that practice at random one time in seven (approximately one divided by two pi or 14.3%).*

It may be a stretch to draw any firm conclusions from this story. But I would suggest that in cases in which economic man (or woman), following a teleological approach to ethics, might be willing to lie and deceive when the benefits to himself or herself exceed the costs, and there is a reasonable expectation that he/she will not be caught, and that the deception/lie will be credible, this approximate 15% threshold may be hard-wired genetically into our DNA!

And thus lying and deception may also be biologically hard-wired. Some of us are hard-wired to find these to be reprehensible, and others who lack this genetic makeup have a higher propensity to engage in these strategies to obtain some advantage.

Online Resources

The Fundraising Coach: Are you lying to your nonprofit board members?

*https://fundraisingcoach.com/2015/01/27/stop-lying-nonprofit-board-recruitment/*

Social Velocity’s Not Fundraising: 5 Lies to Stop Telling Donors

*http://www.socialvelocity.net/2011/10/financing-not-fundraising-5-lies-to-stop-telling-donors/*

Discussion Questions

1. Do you think employees of nonprofit organizations are generally more honest and altruistic than their for-profit counterparts? Can any differences between those who choose these sectors be explained by genetic differences in individuals, by culture and upbringing, or a combination of both?

2. After examining the list of institutions included in the Gallup Poll on page 61, how might you expect the current political climate to influence the results of the next poll on this topic?

3. Discuss the hypothesis on page 65 that it would be difficult, if not impossible, for the typical nonprofit organization CEO to get through the workday without telling at least one white lie. What about other types of lies? When might such lies be justified?

Activities

1. Download and share with the class articles you can find in the general and academic press about the relationship of genetics and altruism.

2. Invite a business leader to class to speak about the use of deception in business negotiations and discuss when it is acceptable conduct and when it crosses the line to being unethical conduct.

3. Examine some of the data in the *Washington Post’s* database on nonprofit organization asset diversions. Find examples in the database that you suspect are deceptive at best or not truthful at worst, and see if you can verify the information from independent sources.

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