

## Who can you *really* trust?

### For

Your family ✓  
Your firm ✓  
Your society

### Reading time

8 minutes

### Enodo can help

By supporting you in a review of your professional relationships

By reviewing relationships where advice is given, or transactions are undertaken, to ensure high standards of integrity

By coaching the next generation on the cues around integrity and dishonesty

### Executive summary

**Wealth undoubtedly brings the benefits of advantage, influence and choice. But, at the same time, there may be those that come close to you that attempt to exploit it. These might be business associates, advisors, bankers and even family or friends. We share some tools to help you identify who might have your interests at heart, and those who may have less pure motives. We ask – who can you *really* trust?**

The 16<sup>th</sup> century diplomat and philosopher Niccolò Machiavelli was renowned for his unscrupulous acts. Modern psychology has recognised **Machiavellianism** as a personality type. Those with tendencies towards Machiavellianism are: (1) more likely to lie, and are better at lying, (2) more likely to display a willingness to exploit others, (3) more likely to take risky decisions, and encourage those around them to make risky choices, (4) more likely to be a participant in workplace misconduct generally, (5) more likely to be caught up in accounting or taxation misreporting or fraud, (6) less committed to workplace teamwork, and (7) less likely to report workplace malpractice or to engage in whistleblowing.

Research shows that you can identify Machiavellianism, as individuals:

- Lack straightforwardness
- Display lower levels of compliance with rules
- Lack a sense of moral or ethical duty
- Act without deliberation

In addition to Machiavellianism, it is also important to be able to spot **dishonesty**. Those with a tendency to lie, often display high-levels of self-monitoring (e.g. revealed through being stilted or awkward) and tend to lack kindness. When lying, they also use language in a particular way:

- Disassociating themselves from the lie
- Using words that show guilt
- Reducing detail of story to reflect the higher cognitive load in lying
- Displaying the inability to control expressive behaviours

It is critical to rely on professional advisors who display the highest levels of ethics. Behavioural research shows us that **humility** and **conscientiousness** are key traits to seek when selecting an advisor.

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Do you ever feel like everyone tells you what you want to hear? Do you sometimes feel that the person speaking to you values their own interests above your own? Have you had bad experiences of others taking advantage? As we have travelled around the world speaking to wealthy families, this has been a genuine and absolutely understandable concern.

All of us have developed strategies to cope with this – perhaps sometimes through bitter experience. We all have cues we look for – perhaps the way someone speaks, their appearance, where they have worked or been educated, who their friends are. Maybe we even look at their watch, the cut of their suit or the shininess of their shoes! To support the tools you are already subconsciously using, we examine what contemporary behavioural research tells us on this important topic.

## **The dangers of Machiavellianism**

The 16<sup>th</sup> century diplomat and philosopher Niccolò Machiavelli was renowned for his unscrupulous acts, including political manoeuvring, deception and even murder – all to further his own manipulative interests. His reputation gave rise to the expression Machiavellianism. Since the 1960s, modern psychology has recognised Machiavellianism as a personality type<sup>i</sup>.

Those that display Machiavellianism are, not surprisingly, best avoided – they may be prone to bullying and are, ultimately, motivated by their own personal gain or power. That said, it has been shown that in order to win, they can exercise a great deal of self-control along the way, they are literally willing to play the *long game*.

Those with tendencies towards Machiavellianism are:

- more likely to lie, and are better at lying
- more likely to display a willingness to exploit others
- more likely to take risky decisions, and encourage those around them to make risky choices
- more likely to be a participant in workplace misconduct generally
- more likely to be caught up in accounting or taxation misreporting or fraud
- less committed to workplace teamwork
- less likely to report workplace malpractice or to engage in whistleblowing

So, how can you spot someone with tendencies towards Machiavellianism? If an individual shows lower levels of the following behaviours, this might be a cause for concern<sup>ii</sup>:

- **Straightforwardness:** Does the individual lack directness and honesty in communication? Do they consciously self-monitor what they are choosing to share? Is there a sense of calculation in what they say?
- **Compliance:** Does the individual dislike complying with rules, whether explicit or implicit? Are they unduly quarrelsome?

- **Dutifulness:** Does the individual lack a sense of moral or ethical duty? Do they walk away from obligations? Do they object to participating in activities that exist for the common good?
- **Deliberation:** Does the individual act without thinking things through fully? Do they lack a consideration of the implications of their behaviour?

Lower level of these behaviours *could* be a sign of Machiavellianism, especially if combined with slightly higher displays of anger and hostility in everyday life. It has also been observed that Machiavellianism is more likely to exist amongst those who are at least mildly introverted – in other words, those that are more inward looking.

With the potential for these negative consequences from Machiavellianism, it is important to be alert to those who may display such behaviours.

## Detecting dishonesty

People tell lies for many different reasons and motivations. Research has, however, revealed four main types of lie<sup>iii</sup>:

- **Altruistic lies:** Those that tell lies to protect the feelings of others
- **Conflict avoidance lies:** Where it is simply better to assert or agree something to avoid an argument
- **Social acceptance lies:** Where someone desires to “fit-in” and tells a lie to achieve this
- **Self-gain lies:** Where someone deliberately deceives, so they can personally benefit, often at the expense of someone else

The ethics of lying is, of course, intensely personal. However, it could be argued that the ultimate impact of the first three types of lie (altruistic, conflict avoidance and social acceptance) is of perhaps lesser significance. As a result, we will focus on self-gain lies which have the potential to have the greatest negative impact on individuals and organizations.

In examining the act of lying for self-gain, the results are not completely unsurprising, but are worth noting:

- Firstly, as we have already alluded to above, there is a high degree of correlation between Machiavellianism and self-gain lying. So, again, watch out for the personality traits and behaviours already mentioned
- Associated with this, those that lie in this way exercise a high degree of self-monitoring. They act to control their own behaviour, which can come across as stilted or awkward
- Finally, those that lie for self-gain – in general – lack a tendency to be *kind*. To be clear, this is across the many dimensions of their life, and not just in the specific context related to the lie itself

If these are the generic personality traits or behaviours of the dishonest, the next question has to be – how do you actually detect lies?<sup>iv</sup> What cues can you look for?<sup>v</sup> Psycholinguistic scholars have identified some key warning signs<sup>vi</sup>:

- **Active disassociation:** In words chosen, someone lying might attempt to disassociate themselves from the lie. For example, this might be by using the word “we” (collective) versus “I” (individual, personally owned). Furthermore, a liar is less likely to refer to themselves personally in a particular dishonest tale. They may also be defensive in the way that they portray their own actions, in recounting the lie
- **Increased guilt:** When lying, many will feel guilt. This might manifest itself through physical expression. Most notably, it has been shown that lying leads to a greater usage of words reflecting negative emotions (e.g. sad, worthless, dislike, disgust)
- **Higher cognitive resources required:** Lying takes effort and depletes mental resources. This leads to stories told being less complex in nature. For example, there is a greater tendency to say what *has* been done, rather than what *has not* been done. There might also be less detail in the recollection of an event (“I walked home”, rather than “Usually I take a taxi, but because of the glorious sunshine, I decided to walk”). Even simple “yes” or “no” responses to questions may just take longer
- **Inability to control expressive behaviours:** Despite best efforts, it can simply be too difficult for a liar to fully control thoughts and feelings. This can result in sounding anxious (e.g. increased vocal pitch). Even the need to be controlled in expression can lead to someone who is normally considered sincere being seen as fake. If the lie is to cover up personal wrongdoing, people might speak faster or even blink more

These are all important warning signs that you should be alert to in situations where lies may be presented to you.

Of course, a reasonable question *should* be – do people actually act dishonestly if circumstances allow it and they believe they will not be detected? In their important study, the behavioural economists Urs Fischbacher and Franziska Föllmi-Heusi manufactured a scenario where participants were offered financial rewards based on the rolling of two dice<sup>vii</sup>. The participants self-reported the results of their rolls, thus allowing them to lie for direct financial self-gain. Across the 746 participants, the group-level degree of lying was – of course – detectable based on probability. In the end, it was found that 20% of participants lied to the fullest extent possible reporting completely implausible results, 41% were partially honest and 39% were fully honest. This study elegantly demonstrates that some people *will* act dishonestly for personal financial gain, especially if they believe detection is impossible. It is consistent with other similar studies.

## Seeking integrity in professional relationships

It is important that you have confidence in those that you have business relationships with – whether these are relationships with your firm, or in the management of your family affairs (e.g. lawyers, bankers, family office advisors). It is critical that these people share your values and that you are not exploited for their gain. Sadly, we have seen all too many cases of exploitation.

There are two notable dimensions that are prevalent and are highly correlated with indicators of integrity:

- The first is **humility**. It has been consistently shown that those who are judged to display humility are far less likely to manipulate others for personal gain and feel little temptation to break rules. Such individuals do not overly seek lavish wealth and luxuries, and do not feel highly entitled to special treatment or elevated social status.

- The second is **conscientiousness**. These are people who organize their time and physical surroundings well, work in a systematic and disciplined way, strive for accuracy and perfection in their work, and are deliberate in making decisions.

In particular, in selecting professional advisors, these are qualities that are well worth seeking out. They make business sense. After all, the overly flashy salesperson, who over-promises, may well disappoint in the end, or worse. We recommend that you are alert to these dimensions.

## Conclusion

Wealth can be a magnet for the unscrupulous and there is always the danger that you might be exploited. In addition to the well-honed skills that you will have developed over the years in judging the motivations of people around you, it is important to watch out for the behaviours of Machiavellianism, and for the signs of lying for self-gain. Sadly, we must accept that some around us *will* deceive, especially if they believe that they will not be detected. In choosing who you form professional relationships with, the behaviours of humility and conscientiousness are strong predictors of integrity and should be pursued.

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## About the authors

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Nick has over 20 years of experience in wealth management, predominantly spent at UBS where he was a Managing Director. He held a number of senior leadership roles, including Head of Wealth Management for Global Emerging Markets in London, where he led a sizable business advising wealthy families in Central & Eastern Europe, Middle East, Turkey, Israel, Africa, Latin America and Asia-Pacific.

For six years, Nick was Head of Investment Products and Services where he led the investment management, capital markets, alternative investments, lending and wealth planning functions, responsible for over USD50 billion of client assets, and a sizable lending book. He also founded the client philanthropy unit in the UK, which supported clients in maximising the strategic impact of their giving. He has been a regular media commentator. Over the years, he has also maintained a strong academic interest in business psychology.

He has served on numerous non-profit boards and is currently Vice Chairman of the governing body of Royal Holloway, University of London, amongst the top 25 in the UK and 250 globally. He also chairs the committee overseeing the university's USD100 million endowment.

He holds MSc in Organizational Psychology and MBA in Finance degrees from the University of London, is a Chartered Wealth Manager, Chartered Fellow of the Chartered Institute for Securities & Investment and Member of the British Psychological Society. He was elected Fellow of the Royal Society of Arts for his work in philanthropy. He is also a part-time Doctoral researcher in organizational psychology and family-owned business at Durham University.

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Baris has over 15 years of experience in wealth management and investment banking in London, Zurich and Frankfurt. Between 2006 and 2020, he worked for UBS, where he was a Managing Director.

He served as Head of the Global Family Office, Ultra High Net Worth Emerging Markets and Financial Intermediaries units for UK and Jersey, offering wealth management, structuring, lending and investment banking solutions to the largest clients of the firm. His team was entrusted with over USD12 billion of client assets.

Prior to this, he was responsible for various significant teams serving wealthy families in Central & Eastern Europe, Middle East, Turkey, Israel, Africa, Latin America and Asia-Pacific.

Before joining UBS, Baris was a research assistant to the Chair of International Banking and Finance at the Goethe University Frankfurt and a visiting scholar in Finance at the Wharton School, University of Pennsylvania.

He published papers on global stock exchanges in peer-reviewed academic journals, including the prestigious Journal of Banking & Finance, and was a regular commentator in the media.

Baris holds a Doctoral degree in Finance from Goethe University Frankfurt and the Diplom Kaufmann degree from the University of Regensburg, as well as an MBA degree. He has completed the Chartered Financial Analyst and Financial Risk Manager programmes.

## The story of Enodo

Enodo is the Latin word to explain, literally to *unknot* or *untangle*. This encapsulates our vision – to bring clarity to the complexity of being wealthy.

Our founders have had the privilege of advising some of the world's wealthiest families. They've observed first-hand the liberation and opportunity that wealth can bring – unifying families around a common purpose, creating real economic impact via a family business, or contributing to wider society through audacious philanthropy.

At times, they've also seen the stress and confusion that can result. They've witnessed family disharmony, miscalculations in family business or investment strategy, and the hugely detrimental impact of working with advisors who put their own interests first.

Our founders have engaged in the discipline of advanced academic research. Their own analysis of peer-reviewed academic literature across the disciplines of finance, economics and business psychology, combined with their deep professional experiences, have allowed them to arrive at new perspectives on how *to be wealthy* and how *to manage wealth*.

The result of their thinking is the Enodo Leadership in Wealth™ advisory framework which supports wealthy families in using their wealth to lead across all the dimensions of their life – *family, firm* and *society*. Amongst other things, their framework includes:

### *For your family*

- Family governance and family office set-up
- Investment risk and asset allocation – including family business assets and debt
- Chairing a family investment committee
- Selecting the best investment managers
- Analysing investment opportunities, including alternative investments and recent innovations (e.g. cryptocurrencies)
- Understanding the impact of investing in your passions, such as art and collectibles
- Monitoring of performance and risk
- Guiding and analysing where you are in dispute with your investment advisor

### *For your firm*

- Organizational culture and performance
- CEO / founder succession and role of family members
- Financial optimisation – including debt, hedging and foreign exchange
- Reviewing your equity and debt capital market opportunities
- Corporate and social responsibility

### *For your society*

- Philanthropy and impact investing
- Establishing a family foundation

The Enodo Goal-based Asset and Liability Allocation (GALA) Modeller™ offers ground-breaking insights into optimal strategic asset allocation – examining the risk characteristics of a family business shareholding and analysing tolerance for risk from psychological personality profiling. You can experience a shortened version of this powerful tool [here](#).

**At Enodo, we offer rigorous, independent and intelligent advice to wealthy families around the world. We aspire to be your trusted partner, wherever life leads you.**

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