Sarah Peck, Ph.D., primarily teaches the black-and-white world of numbers and financial formulas. But her research — and her passion — resides in the gray area where ethics and business collide.

Peck, an associate professor of finance, is curious about people’s conscious and subconscious motivations. That curiosity inspired more than 20 years of research on corporate governance and recently led her to create a class in investment ethics, believed to be the first in the nation.

Business ethics is getting more attention than ever in the wake of scandals at corporations such as Enron, WorldCom and, most recently, Hewlett-Packard.

“You hear the interviews these people give, and it’s clear that they didn’t sort of wake up and say, ‘I think I’m going to rob the company,’” says Peck, chair of Marquette’s Department of Finance. “They kind of convince themselves that what they’re doing really isn’t wrong initially, and then they go down that path. It’s part of being human, I think. People lie to themselves all the time.”

Much of Peck’s research has focused on corporate boards, including the characteristics of boards that function well and that are associated with high shareholder returns. She considers the size and mix of individuals on a board, including their age. “If they’re retired, they have more time to spend monitoring and seem to be better at it,” she says.

Incentives are also key. Enron’s board members were paid $50,000 a year, but they only received the money if they stayed for five years. And yet every year, they needed the nomination of management to keep their seats. That’s standard procedure for most corporations — managers, in effect, control who is on the board, and while shareholders can elect alternate nominees, it’s expensive and difficult. Add Enron’s deferred compensation to the equation, and it discourages board members from being effective watchdogs.

“Now when they set that plan up, the idea was, ‘Well, we want to encourage people to stay for long-term strategic planning.’ But the added effect is that they’ve got money sitting in an account, and if they aren’t buddies with the CEO, they lose it.” Peck explains.

Enron could be a classic example of how people lie to themselves. “On one hand, they feel that the mechanism is working and that they’re doing the right thing,” Peck says. “But then they have to think through that there’s some unintended consequences, and it may be in fact that they knew that but nobody really wanted to say it aloud.”

She has also researched CEO compensation, manipulation of earnings and shareholder rights and published in journals such as American Business Review and Journal of Applied Business Research. She recently teamed up with Michaël Dewally, Ph.D., an assistant professor of finance, for a preliminary paper titled, “Outside Director Resignations: Causes and Consequences.” In the middle of their analysis of 110 cases, HP’s director resigned, making the research even more timely.

What they’ve found so far is that a company’s stock price tends to drop after a director announces his or her resignation. This is especially true for companies with slow growth, decreasing profits and a powerful CEO. But if the director resigns with the explanation, “I’m too busy,” the stock price tends to rise.

“We view that as the market saying, ‘It’s good that you’re leaving because now we can get directors who can give their full attention to the firm.’ It’s also occurring in firms that show increased growth, so obviously the firm is doing really well, and they need people who can effectively manage it on the board,” Peck says.

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Michael K. Duffey, Ph.D., was an undergraduate at Notre Dame University at the height of the Vietnam War. “I was brought face to face with the reality of war and the U.S. Catholic Bishops’ late response to it,” he says, referring to the Second Vatican Council’s stance on justifiable war.

Duffey, an associate professor of theology, is an expert in “just war” tradition, a body of guidelines rooted in the 3rd century Common Era (also known as A.D.) that laid out criteria for justifying or initiating war, as well as how war should be conducted.

After a stint with the Peace Corps in Nepal, Duffey eventually returned to Notre Dame to get his doctorate in theology. Since then, he has written several articles and three books on just war theory, pacifism and, most recently, nonviolent conflict resolution.

By the end of the first Gulf War, the Vatican was advocating national defense through the nonviolent methods of non-cooperation, such as strikes or boycotts — inspiring Duffey to write a book about it.

“I applied the conditions of just war and concluded that it’s easy to use them for your own purposes,” says Duffey. “For instance, one is that war can only be undertaken as a last resort. But how do you recognize when the point that there is no other recourse has been reached? My research is focused on nonviolent resistance as a Gospel response to injustice. ’Do not return evil for evil, vengeance for vengeance,’ but find other ways to respond to injustice.”

Duffey’s fourth book will reflect his latest research: church cooperation, such as strikes or boycotts — inspiring Duffey to write a book about it.

Of humans and cyborgs

A tiny biosensor in a patient’s heart signals that he is having a heart attack before he even realizes it. A microchip in a paralyzed patient’s brain allows her to turn lights on and off and send an e-mail — just by thinking about it.

Technologies that once seemed impossible already exist. So what amazing frontier is next? And are we ready for it? That’s the research focus of Keith Bauer, Ph.D., an assistant professor of philosophy who specializes in health care ethics and, in particular, the connection between information technology and health care.

His earlier research on implantable biosensors and micro-chips led him to study the transhumanism movement and the ethical implications of its mission, which is to use technology to expand human capabilities.

“They’re basically advocating that we become post-human through the use of genetic manipulation, the use of nanotechnology, bio-implants,” he says. “They figure they can increase our intelligence, our strength and our ability to adapt in hostile environments. So it raises a host of questions. Is this something we should be doing and, if we do, who gets access to these sorts of technologies? It also raises the question of what does it mean to be human?”

One issue he is studying is whether nanotechnology should be used for therapeutic purposes or enhancement. For example, if your eyes are damaged, should doctors use nanotechnology to simply bring you back to 20/20 vision, or should they also give you night vision?

Bauer believes that therapeutic technology has a legitimate moral use. But the line between therapy and enhancement keeps changing.

“What if eventually you get wide-scale adoption of certain genetic modifications? Say 75 percent of the American population is enhancing their child’s IQ, Bauer says. “Is that an enhancement anymore or is that just a normal, routine medical procedure?”

Whatever the answer, Bauer is convinced of the need to think about these questions now. “Too often,” he says, “ethics is just an afterthought.”