Corporate Director Liability in the Roger Case

Posted on January 6, 2024

View this essay online:
https://academic-master.com/corporate-director-liability-in-the-roger-case/

Major Car Manufacturer Case Study

Abstract

Roger serves as a director for the automaker. Loyalty to his employers is one of his responsibilities, as is knowing his limits as a professional and performing well within them. Roger suggests that carrying out his responsibilities ends up costing the organization with resources. Since factors outside Roger's control caused the SUV prototype's low sales, he cannot be held liable under the rules of commercial law. The paper examines Shareholder's allegations against Roger and analyzes the likelihood that he is not responsible for it.

Critical Legal Analysis

Since Roger did not independently make the decision that led up to the losses, it has been determined through an examination of the various mandates of corporate law and the specifics of the case that Roger is not responsible for the financial consequences.

Principle of laws: Roger's Duties

Rodger's principal responsibility is to the firm and its shareholders, to whom he has a fiduciary obligation of trust and confidence. Roger is expected to follow business policy, be loyal to his superiors, and never intentionally mislead clients (Bagley, 2013; Blair & Stout, 2017). According to Blair & Stout (2017), all directors in corporate settings have fiduciary obligations that must be fulfilled. In Roger's case, the court would likely assume that he was acting within the scope of his employment when he proposed the production of the large sport utility vehicle and that his proposal was not motivated by malice. Roger cannot predict which uncontrollable variables will harm the idea of producing the sport utility vehicle. Roger proposed building the SUV and even researched the industry to see whether there was a demand for such a massive vehicle. Based on these rules, it is clear that he had no vested interests that would have caused him to act detrimental to the company

or its shareholders.

Key facts

The board of executives discussed roger's plan and ultimately decided to go forward with SUV production. Roger was not the only one responsible for the final decision. Directors may, and often are legally obligated or entitled to, seek out and get the advice of other parties inside the company in carrying out their responsibilities. Roger trusted these executives, who had extensive training in various fields, to provide him with the soundest counsel possible. Roger looked to the company-selected board members for advice on how to market the SUV's production to maximize the company's chances of success. If the directors acts with honesty and care in carrying out their responsibilities, they will be shielded from any obstacles preventing the desired outcome. In proposing the creation of a new utility vehicle, Roger has shown no signs of lacking integrity, and his actions do not indicate that he stands to benefit from the plan's failure personally. Therefore, Roger is not responsible for everything that happens because of causes outside his control or errors in his judgment.

Argument

When Roger proposed the world's biggest SUV, he also suggested and successfully persuaded the board to establish a separate section inside the corporation dedicated to constructing the vehicle. The division's job was to develop the car's exterior and promote it. The board ultimately implemented Roger's recommendation to bring in a market consultant from the outside. Six board members out of nine approved the vehicle's production. It strongly suggests that roger did not have exclusive discretion over any of the production-related decisions for the utility vehicle.

Counterargument

If there was a flaw in his plan, he advocated for technological advancement to increase corporate revenues by introducing a new vehicle. He should have kept his insight to himself and prevented the company's financial losses.

The fact that the board committee was granted discretion to make this decision could also be used as a defense argument by Rodger. The marketing firm they engaged concluded that the market would certainly sustain the large sport utility vehicle, with few caveats. Therefore, this choice was delegated to the board members, who put it to a vote. Nine board members approved the plan, while six voted against it (Bagley, 2013). On the other hand, most shareholders were empowered by the company's charter to implement the novel idea and create the enormous SUV as the company's first offering. However, the company lost a ton of money because of the disruption in oil supply, which led to higher gas prices and lower demand for the vehicle.

Conclusions

Roger fulfilled his obligations of devotion, care, and professionalism to the organization. He did not make the SUV suggestion alone or out of any desire to further his interests. The chosen board agreed with Roger's recommendation of doing market research, and they have since been using this information as a primary factor in their deliberations. A judge has ruled that Roger is innocent of the Shareholder's alleged wrongdoing. Not only is he shielded by the business judgment rule, but it is also clear that the low sales resulted from something outside his control, the rise in the price of gasoline. Roger executed his job in the best way he knew how, with the only intention of helping the firm grow and prosper; as a result, he bears no responsibility for any financial setbacks that may have resulted.

References

Blair, M. M., & Stout, L. A. (2017). A team production theory of corporate law. In *Corporate Governance* (pp. 169-250). Gower. https://doi.org/10.2307/1073662

Bagley, C. (2013). Managers and the legal environment (7th ed., pp. 621–693). Mason, OH: South-Western Cengage Learning. Retrieved from https://www.cengage.com/c/managers-and-the-legal-environment-strategies-for-the-21st-century-7e-bagley/